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Elbow Room for The Railroads

By THOMAS I. PARKINSON*

President, the Equitable Life Assurance Society of the U. S.

In commenting on the present financial difficulties of the railroads and the need for new capital expenditure for improvements and additional equipment, leading insurance executive urges Congress act to make it possible for railroads to obtain capital to undertake at once a great program of needed railroad expansion and improvement.

T. I. Parkinson

The railroads in this country are among the biggest buyers of materials and the biggest employers of labor. Therefore they are seriously affected by the inflation of our currency, the increase in our money supply, and the consequent increase in prices and in wages. They are even more affected than some other industries because of the strict regulation by State and Federal governments of their services and their rates for both passenger and freight transportation. In addition they carry a heavier burden than

*A statement by Mr. Parkinson released by the Continental Press Service, Brightwaters, N. Y.

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Perils of the Free Market, National and International

By F. A. HARPER*

The Foundation for Economic Education, Inc.

After outlining what constitutes a free market and its benefits, economist lists as perils to free markets: (1) growth of government as a drain on our private enterprise economy; (2) unstable money systems; (3) international commodity controls; and (4) control of exchange rates. Urges education to enlighten public on value of free markets as means of maintaining individual enterprise and avoiding collectivism.

My grandfather grew up as a member of a pioneer family in the wilderness of Michigan, among the Indians. He used to tell me many interesting boyhood experiences, full of sage advice. "If you want to be a successful hunter, my boy," he said, "you must first learn to recognize the tracks of the animal you wish to hunt. Then learn to recognize the animal itself." That advice was good for hunting wolverines in 1847. And it is equally good for hunting the economic fallacies and perils to the free market in 1947.

F. A. Harper

Most of the world's economic aches and pains are merely surface symptoms for lack of freedom in the market. Many people do not understand the connection between market freedom and a healthy economy. They have not learned how to recognize the

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*An address by Mr. Harper before the Symposium of the National Association of Commodity Exchanges and Allied Trades, Inc., New York City, Aug. 14, 1947.

Chaos to Allied German Controls and Reparations

By MORITZ J. BONN

Formerly Advisor to German Government on Reparations

Dr. Bonn describes Russia's crippling reparation exactions in Germany and the economic distress caused by division of Germany into separate zones. Scores economic policy in Anglo-American zones as hampering German economic recovery and as both costly and profitless. Advocates establishing unified administrative agency in Germany to control and administer German industries.

Three months before the Potsdam agreements, the instructions to General Eisenhower outlined a policy of planned destruction, which was to guarantee the peace of Europe. The Germans were to learn from the chaos bequeathed to them by Hitler, that war and wickedness does not pay. In the two years which have elapsed, the Allies have taught the Germans that peace does not pay. For the chaos has been intensified under and through Allied controls. At long last, this policy, which in its crudest form will always be associated with Mr. Henry Morgenthau's pastoralization scheme, has come to an end. The instructions issued to General Clay mark the beginning of the transition from

Moritz J. Bonn

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EDITORIAL

As We See It

And Now It Is the Cost of Living

Verily, the ways of the political mind are past finding out. So also is the functioning of the mental equipment of many of the "economists" who serve the politician, and, particularly, of the politician who thinks of himself as an "economist," or, better yet perhaps, the ordinary man who comes for some strange reason to think of himself as both economist and good timber for high office. Recent developments afford excellent illustrations of all these. The record is both amusing and edifying.

All save those with virtually no memory at all will easily recall that only a few short months ago—we had almost said a few short weeks ago—dire things were promised the public if business were left to its own devices in the half measure which had developed with the demise of the OPA and the executive actions which put an end to a number of other controls. Profits were so large, so the story ran, and wages so low that there was no possibility of currently generated purchasing power matching the volume of goods being produced and offered for sale at these prices. The "boom" was on the verge of a "bust" largely by reason of high profits and

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Investment Companies Bought in June Quarter

By HENRY ANSBACHER LONG

Survey by authority indicates that many trust managers used cash accumulated during previous periods in making cautious purchases. Buying concentrated in oil, chemical, electrical equipment and aviation shares. Sold rubbers and steels.

Cautious purchasing of common stocks was the predominate note among the transactions of investment company managers during the second quarter of 1947. Although during the earlier part of this period, security markets were in a declining phase, there was no stampede to invest liquid assets where they had been accumulated during the first quarter of the year. Portfolio activity, in fact, decreased from the first three months of 1947 and, if the number of individual utility issues received through exercise of rights or as stock dividends be excluded, purchases will be found to have only slightly topped the number made during the first period of the year. Selling decreased considerably and was scattered throughout many individual issues.

Henry A. Long

As in the preceding quarter, outstanding buying was concentrated in the shares of the oil companies and in the stocks of the two leading electrical equipment manufacturers. Chemicals were also outstanding favorites in addition to the aviation companies, preference towards which two groups likewise having been noticeable in the first part of the year. Other favorites were agricultural and office equipments, the two major can companies, and the large finance concerns, C. I. T. Financial and Commercial Credit. Concentrated liquidation was conspicuous in the shares of the rubber and steel companies. Automobile and beverages groups were also unpopular.

While the majority of investment managers decreased their cash positions slightly, there were a few outstanding exceptions, as may be seen from reference to the accompanying table. State St. Investment Corporation increased net cash and receivables from 9.7 million to 12.2 million dollars or 19.3% of assets. Selected American Shares upped cash and governments from 1.7 million to 3 million, making this item almost 20% of assets, while Bullock Fund doubled its previous liquid position which on June 30 constituted 22.4% of its portfolio. It will be observed that in most instances where cash was lightened, companies already were in fairly good liquid positions, enabling their managers to take advantage of the low market prices of last May.

Special reasons are assignable to the substantial inroads made in the cash positions of the Lehman Corporation, Blue Ridge, and American European Securities. The Lehman Corporation's fiscal year ends on June 30 and a large capital gains dividend of 6 million dollars was paid during the quarter. Blue Ridge employed a similar amount of cash to redeem its preferred stock, while American European paid off a preferred issue at a cost of 2¾ million dollars.

Reasons for Trend Reversal

In view of the marked liquidation of managers during the first quarter which was noted with a certain degree of approval in our survey of that period published in the May 22 issue, it is interesting to observe reasons for the present apparent reversal in outlook, outside of the perfectly obvious reason of not selling when prices have been radically slaughtered. Does this indicate that man-

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Revived Germany Essential to Marshall Plan

By LEWIS H. BROWN*
Chairman of Board, Johns-Manville Corp.

Reporting on a two months' inspection of Western Germany's industrial potential, Mr. Brown points out new policy for revival of Germany is required if Marshall Plan is to succeed. Recommends: (1) increased Ruhr coal production; (2) moratorium on coal shipments from Germany; (3) allowing greater food consumption in Western Germany, and (4) setting up an organization to deal with the problem. Foresees cost of $2 billions to guarantee food for Western Germany, as well as additional American loans to avoid Western European economic collapse desired by Russia.

This brief summary of my report is being written immediately upon my return to America. It is written because it is apparent that the reorganization of Germany is, of necessity, part of the reorganization of Western Europe under the Marshall Plan. The key to success lies in action by Great Britain and in the decision of the American Congress.

Lewis H. Brown

In this summary, I have tried to put first things first. I have tried to indicate what must be done if the Marshall Plan is to succeed and if approval of the American Congress is to be secured.

Not even a beginning can be made to a solution of the problem of Western Europe unless we Americans recognize and admit that the Morgenthau philosophy, as dictated by President Roosevelt in the Quebec, the Yalta and Potsdam Agreements, is predicated on fallacies and has made impossible the accomplishment of the very objectives which we all considered imperative.

*A summary of report being prepared by Mr. Brown on inspection trip to Germany at request of Gen. Lucius D. Clay.

Effect of Division of Germany

We must also recognize that the quadripartite division of Germany in view of the attitude of Russia, can never succeed. We must therefore accept the present partition of Germany as an accomplished fact at least for the present.

The partition of Germany means that Germany's breadbasket in the East is now in the hands of Poland and the Russians. In the American, British and French zones in Western Germany are 48,000,000 people who cannot possibly provide more than 50% of their food requirements. These people in Western Germany can only provide the other half of their food requirements by manufacturing and exporting goods to the rest of the world. By the end of five years they must export twice as much per capita as before the war. In the meantime, they must be fed primarily from America by loans advanced not as relief, but on a five-year plan under which food will be used as an incentive to get German industry into production so that she can export to buy necessary raw materials and the balance of her food requirements.

If food is merely provided to Germany or Western Europe on a relief basis—if food is not used as an incentive and a means to getting production—then it is merely pouring dollars for relief down a bottomless rathole with no hope of eventually getting either Germany or the other countries off the backs of the American taxpayer.

On the other hand, food can be used—if it is used properly—as a means of getting these countries

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The SEC Is Undermining the Securities Business

By JOHN DUTTON

Commenting on Commerce Department's report that, despite general and widespread prosperity, the incorporated securities dealers and brokers suffered a loss of $22 million in 1946, writer decries SEC's claim that it is fostering "a virile securities industry." Holds there are enough laws to handle fraud cases and SEC is not needed for protection of public.

If you are one of those gullible members of the securities fraternity who say "Amen" every time some spokesman for the SEC gets up at one of your meetings, and after he has liberally plied himself with scotch and chicken patties proceeds to tell you how lucky you are because you have a SEC, you should ask him a few questions. It isn't the way it is painted brothers and sisters. No siree—not when it comes to the dollars and cents angle!

Last Thursday Aug. 7th, in the "Washington And You" column of the "Chronicle" there appeared the following item: "Corporation profits of security brokers, dealers and exchanges, before Federal and state corporate income and excess profit liability fell from $147,000,000 in 1929 to a $7,000,000 loss in 1946, according to a Commerce Department study. . . . Profits after taxes shrank from $105,000,000 in 1929 to a $22,000,000 loss in 1946."

Now ain't that sumpthin'? Here we are enjoying the greatest era of overall prosperity in the history of the country with production booming in practically every line of industry. On street corners men stand in line to buy cars, radios and play the 'orses. The whole United States is making dough hand over fist; taxes are being collected to the tune of about $41,000,000,000. Mr. Farmer is selling his wheat and corn at $2.35 a bushel while every traveling salesman is trying to meet his daughter—this time for legitimate reasons. BUT DO YOU KNOW ANYONE WHO WANTS TO INTRODUCE HIS GAL TO A SECURITY SALESMAN?

Here are the figures in black and white (we mean red)—Department Of Commerce no less—$22,000,000 loss in 1946 for the incorporated securities dealers and brokers. Why are we in business anyway? To protect the public? To give out charity? To finance jobs for the CIO and the Commies while they tell us Wall Street stinks and the United States is mighty lucky that a couple of hundred government lawyers head up a thing called the SEC. If you listen to some people who have fallen for SEC propaganda (and they dish out plenty of it) everybody in the securities business owes a debt of gratitude to the SEC and the Maloney Act NASD which we can never repay. Maybe that is why we are sitting around sucking our thumbs while everybody else in the country is busy making money. How many new men are entering the securities industry today? If you are in it you know how few there are. When was the last time you heard some young fellow say he wanted to go out and sell securities because there was a good future in it? I know of dealers who have been scouting around for months on end trying to hire salesmen and the only ones they can get are broken down hacks who are looking for a free lunch.

If this is the result of the SEC's often advertised efforts to stimulate small business, encourage investment and assist in establishing a virile securities industry then the whole outfit should be wrapped up and abolished before tomorrow morning. In fact the SEC should be eliminated anyway as an unsound political and economic venture which has the power to enforce rules upon industry through a system which is subject to man's changing whims rather than definitive law. There are enough law enforcement agencies in this country besides the SEC to handle cases of fraud and

(Continued under "Securities Salesman's Corner" on page 20)

Trading in Metal Futures

By JULIUS B. BAER*

General Counsel, Commodity Exchanges, Inc.

Mr. Baer reviews progress of inaugurating and broadening the futures metal market in New York, and the importance of having New York replace London as a world metal trading center. Explains functions of the futures market and the value of hedging operations to metal buyers. Decries ending of free silver bullion markets by the Silver Purchase Act of 1934 and the 50% penalty tax on profits derived from transactions in silver bullion. Expresses belief Congress will end "Silver Follies of early 1930s."

Most of you, probably, are accustomed to thinking of commodity futures markets only in connection with grains and cotton. That is natural enough because the technique of futures trading was developed in these commodities years ago when modern methods for the marketing and financing of agricultural crops were needed.

Julius B. Baer

However, during the period between World War I and World War II the technique of futures trading was applied in this country to a rapidly mounting number of other commodities, among which were a number of industrial raw materials such as rubber, hides and the four non-ferrous metals: copper, tin, lead and zinc. At one time silver also belonged to this group of commodities, but its career as an American futures market was cut short as the direct result of the New Deal silver policy of the '30s.

Trading in tin futures was inaugurated in New York in 1928 on the National Metal Exchange. Copper came next in 1929. Next in line was silver in 1931. Lead and zinc followed in 1934. Trading in silver futures had to be terminated following passage of the Silver Purchase Act of 1934 which destroyed the basis for a free silver market in this country when a tax was imposed on all profits resulting from transactions in silver. Meanwhile, in 1934, the National Metal Exchange—together with the New York rubber, hide and silk exchanges—had been merged into one exchange under the name of Commodity Exchange, Inc.

N. Y. as World Metal Trading Center

Development of metal futures trading in New York is based on the early conviction that without such markets it would never become possible to wrest supremacy as the world metals trading center away from London—despite the strong natural advantages enjoyed by New York in the metal field.

Metal consumption in the United States had long outdistanced the rest of the world. Normally, the United States accounts for about one-third of world copper and zinc consumption, nearly two-thirds of world tin consumption and about 25% of world lead consumption. Similarly, the United States has long been a dominant factor in the mining and refining of non-ferrous metals. Our normal share in world production of non-ferrous metals ranks from 25 to 33%. Tin, of course, is an exception—as no tin is produced in this country. Moreover, our South American neighbors account for an additional large part of world metal production and mines are in much greater proximity to New York than to London.

Despite these advantages, London was able to maintain its role in dominating the world metals market for two reasons: its well-established futures markets for copper, silver, tin, lead and zinc, and its equally well-established reputation then as the world's greatest center of international finance.

In those days, before World War II, a number of other metal futures exchanges existed on the Continent—in France, Holland and Germany—but these played only minor roles.

When the metals went to war, futures trading stopped automati-

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*An address by Mr. Baer at the Seminar sponsored by the Association of Commodity Exchanges and Allied Trades, New York City, Aug. 14, 1947.

BUSINESS BUZZ

"I hope you don't mind this inconvenience, Miss De Lacey—the chair my clients usually sit in is being reupholstered!"

Interest Rate Possibilities

By SIGURD R. WENDIN*

President, Heber, Fuger, Wendin, Inc., Detroit, Mich.

Investment Counsellor reviews background of interest rates since 1932, and points out factors affecting interest rate changes. Sees present pressure for higher rates in face of government opposition, because of increased demands for business and mortgage credit, but asserts it is foolish to hold government is powerful enough to dominate money market. Advises mortgage companies acquire FHA loans, when available.

Interest rate possibilities are related to government fiscal policy and program, and will be the major determinant of the rate of return on sound credit instruments whether they be mortgages, government bonds or commercial credits. However, because mortgages represent debts of a large segment of our population and are largely held by private lenders, the social and political aspects of the problem cannot be overlooked. When a great many borrowers who are also voters, have at stake one of the fundamental necessities of life, namely, shelter, it is easily conceivable that in periods of stress the government would step in to protect such borrowers, possibly along the lines of the Home Owners Loan Corporation in the last depression, and the weight which has to be given to this possibility in determining probabilities for long term interest rates on mortgages cannot be accurately stated, but certainly, the possibilities cannot be overlooked. To the extent the government cushions the risk, so in turn will the mortgage rate tend to remain relatively low.

Sigurd R. Wendin

Before 1932 when a reasonably free economy prevailed, it was relatively simple to analyze prospective demand and supply credit factors, and come to a satisfactory estimate for judging future credit operations. Now, with a controlled money market, any supply and demand analysis however, sound and logical, would be of questionable value if it did not consider the attitude of the money managers as represented by the government authorities. Assumptions involving what the managers might consider doing obviously are subject to error. Money managers are human and can hardly be completely immune from pressure of all kinds which may be contrary to sound long range planning. For example, it is agreed by most that it would be better from a long range point of view to have more of our debt held by others than banks, but to effectuate such a program would involve rising interest costs which is directly contrary to short term policies.

Declining Interest Rate Trend

Before discussing conditions surrounding the demand and supply of credit, it appears appropriate to mention that the declining interest rate trend which started with the late Roosevelt Administration, was not entirely a re-

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*A lecture by Mr. Wendin before Executives Seminar of the National Savings and Loan League at Mercersburg Academy, Mercersburg, Pa., 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

While total industrial production continued to reflect an advance the past week the increase was a rather minute one owing to limited supplies of certain raw materials and a dearth of some types of skilled labor. The condition of employment for the country as a whole continued at a very high level, but labor disputes showed a moderate upward swing as unions essayed to test the provisions of the Taft-Hartley Act.

Total civilian employment smashed all records again in July, the Bureau of the Census reports. For the week ending July 12, there were 60,070,000 workers on civilian payrolls, representing 60,000,000 jobs for the second consecutive month, despite a moderate slump in agricultural employment. It is further reported that the total civilian labor force is up by 2,500,000 over a year ago wih total civilian employment up by 2,225,000.

Steel ingot production the previous week declined by almost 2% and scheduled output the current week, according to the American Iron and Steel Institute, will be at 92.8% of capacity, or a further decrease of 0.4%. The extreme warm weather adversely affected production and thus increased demand further for sheet steel and steel parts which were already in short supply.

A serious handicap in the production of much-needed steel is to be found in the present scrap metal situation. Shortages of such scrap metal necessary to produce iron and steel have reached a critical position, especially at a time when reserves against fall and winter demands are usually built up. Further, current consumption of purchased scrap is 2,200,000 gross tons per month, an all-time high, while inventories of consumers and dealers are at an all-time low.

With the rising cost of living pushing prices ever higher into the ethereal blue came word last week from Attorney General of the United States, Tom C. Clark, to the effect that he had given instructions to the anti-trust division of the Department of Justice to look into the situation and determine whether conspiracies exist to maintain or increase prices in these fields. Previous to this announcement, Emil Rieve, Chairman of the CIO's full employment committee, demanded of President Truman that he call a special session of Congress to restore price and rationing controls to cope with rising prices, but the President has shown no inclination in that direction.

Lumber production for the week ended Aug. 2 declined slightly with output amounting to 198,821,000 board feet. Lumber shipments were almost 7% below production while unfilled orders amounted to 72% of stocks.

Civil engineering construction also showed a falling off and was 48% below the level of the previous week as volume totaled $57,401,000. Private construction amounted to $24,425,000, or 49% below the level of the week preceding.

Clothing production was at a high level the previous week but was impeded by a lack of experienced labor and several types of cloth. Work clothing and hosiery production increased. Shoe output also rose and order backlogs for medium-priced shoes expanded considerably.

Industrial chemical production continued on an accelerated scale but paint output remained insufficient to fill the very large demand.

Although the number of business failures has grown consistently larger, month by month, since V-J Day, it continues to be well below prewar levels. The 299 concerns failing with losses to creditors in July was slightly above the June figure of 283 and four times the July, 1946, total of 74, reports Dun & Bradstreet, Inc. In the corresponding month of 1938 concerns failing numbered 1,073.

There has been a very sharp rise in liabilities since the end of World War II with the total for July $37,137,000, or double that of the previous month and the highest volume of losses for this month since 1932. The average liability in July was $124,204 as compared with $43,565 in the corresponding month a year ago and $13,756 in July, 1938.

An increase in the number of large concerns failing pushed up the July liability total. Businesses failing with losses of $100,000 or more rose to 41; of these, four involved liabilities in excess of a million dollars.

STEEL PRODUCTION DECLINES SLIGHTLY FOR WEEK

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 92.8% of capacity for the week beginning Aug. 18, 1947, as compared with 93.2% one week ago, 93.1% one month ago and 89.7% one year ago. This represents a decrease of 0.4 point, or 0.4% from the preceding week.

The week's operating rate is equivalent to 1,623,900 tons of steel ingots and castings compared to 1,630,900 tons one week ago, 1,629,200 tons one month ago, and 1,580,900 tons one year ago.

The Federal Trade Commission laid its heavy artillery on the steel industry this week and let fly with a mighty salvo on price conspiracy and multiple basing points. The attack was aimed at the multiple basing point system used in steel selling since 1924, accord-

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Sugar Future Trading in New York

By JOHN C. GARDNER *
President, New York Coffee and Sugar Exchange

After tracing organization of New York Coffee and Sugar Exchange, Mr. Gardner outlines development of sugar futures trading inaugurated in December, 1914. Stresses value of sugar futures as price insurance to all concerned in sugar transactions, and points out New York Coffee and Sugar Exchange has now made sugar markets of world a homogeneous whole. Holds Exchange has materially lessened costs of distribution and has aided financing of growing crops and warehouse stocks.

Introduction

Reference to the program of this meeting will show that I am scheduled to cover the Import Commodity markets. When I first received the assignment, my impulse was to go to the public library and delve into the history of the various organized commodity exchanges that provide futures trading facilities in the import commodities, such as rubber, cocoa, silk, pepper, coffee and sugar; and then endeavor to cover them all briefly. Upon reflection, that approach seemed wrong. I am not experienced in research; I am not a historian, nor do I make any pretenses to being an economist. I could copy from the various textbooks the enumerated economic functions of a futures market and after reading them to you the result would be merely an echo. You would know but little more than you know about our Exchanges here in New York. Many of the textbooks to which I would refer were written by guests present here today.

John C. Gardner

The sensible approach appeared to be to choose the one commodity and the one Exchange about which I know the most. Many of you gentlemen who understand thoroughly the theory of futures trading may not be familiar with the practical everyday business operation of a given Exchange; therefore, if I stick to down-to-earth cases, without any flights into the realm of theory, I stand a better chance to impart a little information that is new to you, and perhaps contribute a mite to our thinking here today. Furthermore, I believe you will agree that it is not necessary to study exhaustively all the commodity exchanges in order to get a good grasp of their functions and methods of operation. If a student masters the workings of one of them, he will have a good understanding of them all.

Therefore, at the risk of incurring Mr. Higgons' displeasure for departing somewhat from my assignment, I have chosen sugar as my commodity and the New York Coffee & Sugar Exchange, Inc. as the futures market for discussion this afternoon, since my entire business career of 28 years has been with firms engaged in the importation, sale and distribution of raw and refined sugar, and trading in sugar futures on the Coffee & Sugar Exchange. I stand before you, then, not as a theorist able to trace out all the economic effects of futures trading, but merely as an ordinary practical mechanic trying to explain some of the common, everyday uses of one of the tools of my profession.

History

Our Coffee & Sugar Exchange was organized in 1882, first as the "New York Coffee Exchange," and trading was confined to the one article. Its formation, according to one account, was due largely to the disorganization existing in the spot coffee trade as a result of overproduction, falling prices and the failure of a syndicate that had tried to maintain a monopoly during the preceding years. It was an attempt to bring order out of chaos; to stabilize prices by broadening the market and offering protective hedge facilities to growers, roasters, and dealers; to establish definite grades and standards; to root out unethical trade practices and set up machinery for the arbitration of disputes; and to collect and disseminate accurate and useful trade statistics and market information.

These are perhaps some of the more compelling and specific reasons leading to the formation of a definite organization or Exchange, but the essentials of the idea were already there, because it is also recorded that trade practices very similar to a "futures" market were in operation. The coffee importers and merchants of that time were faced with the same problems as our present-day merchants. Their customers wanted to purchase for future delivery, and it was up to the merchant to make the sale and then protect himself as best he could against a rising market. Or, perhaps the merchant and roaster had to accumulate stocks at times in anticipation of the future demands of customers, and then protect themselves if they could against a falling market. Sometimes specific shipments suffered loss at sea, or boats were delayed. A merchant, under those conditions, in order to make good on his promised delivery, would turn to other local merchants and acquire the needed goods. For these and many other reasons, all quite logical and com-

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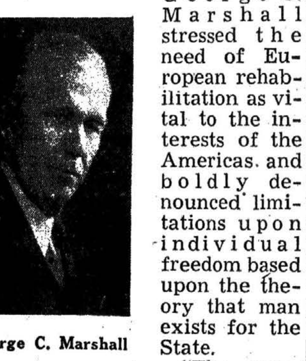
*An address by Mr. Gardner at a Symposium on Commodity Marketing and Distribution, under the auspices of the National Association of Commodity Exchanges and Allied Trades, Inc., New York City, Aug. 14, 1947.

European Recovery Vital: Marshall

Secretary of State tells Rio Conference U. S. has assumed heavy burden in effort to meet minimum economic requirements of Europe, whose rehabilitation is vital to the Americas. Upholds theory "state exists for man."

In a prepared scheduled address before the Inter-America Defense Conference at Quitandinha, Brazil, on Aug. 20, Secretary of George C. Marshall stressed the need of European rehabilitation as vital to the interests of the Americas and boldly denounced limitations upon individual freedom based upon the theory that man exists for the State.



George C. Marshall

"The grave political problems confronting the world today are largely due to the complete disruptions of normal economic and social relations," Secretary Marshall stated.

"The extent of this confusion is much more marked in Europe and the East than in this hemisphere. Our problems are long-range peacetime problems requiring more intensive economic planning for the more efficient use of the tools of production and of the abundant resources at our disposal with which to raise the general standard of living of this hemisphere. The resources and technical skill of private enterprise, the resources of our government and of international agencies such as the Pan American Union, the World Bank and International Monetary Fund, must be intelligently applied to the efficient and fair development of this productive capacity.

"The government of the United States of America has assumed unusually heavy burdens in a determined effort to meet the minimum economic requirements of the areas devastated by war and now threatened with starvation and economic chaos. In assuming this burden we have not lost sight of the economic problems of the Western Hemisphere. As a matter of fact, the economic rehabilitation of Europe is vital to the economy of this hemisphere. My government will continue to take up economic questions with its sister republics and seek a sound basis for practical cooperation. Each of our countries must do its part in the achievement of this goal.

"The economic problems caused

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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

II

The Problems and Difficulties Facing the International Monetary Fund

Continuing analysis on the Bretton Woods Agreements, published in last week's "Chronicle," Prof. Keesing points out present disorganization of European economy and postwar chaos will prevent International Monetary Fund from achieving its objective of establishing lasting international monetary equilibrium. Expresses doubt Fund has means to re-establish equilibrium and foresees continuous scarcity of dollars for many years even under liberal loan grants by U. S.

There can be no doubt that the Fund and the Bank, with their ambitious aim, will have to fight what British Army bulletins used to describe so significantly as "terrible odds." The disorganization which existed in 1939 and which in itself could be regarded to a large extent as an indirect heritage of the first world war, was followed by a war many times more destructive than its predecessor. Everything remarked above concerning the economic disruption since 1918 is equally applicable to the present situation, but raised to the n-th degree. As a result of the greater effectiveness of modern weapons, the longer duration and the greater territorial extensiveness of military operations, and certainly not lastly as a result of the advanced technique of economic intervention, economic resources have this time been destroyed to an unprecedented degree.

F. A. G. Keesing

What is of importance in this connection is that the war has brought about a situation in which the balance of payments equilibrium, disrupted already for many years, is upset more thoroughly than ever. In innumerable countries the war, by its destruction and exhaustion of the production apparatus, has at the same time reduced the export possibilites and increased import necessities to many times their prewar size. Extensive international capital claims have become valueless through war activity or have been liquidated on behalf of the war effort. The countries which exchanged their traditional creditor status for a debtor status in this manner saw further possibilities of financing their imports escaping them through the loss of their capital incomes. The general lack of foreign currency is alarming; the network of currency restrictions in which international payment intercourse is caught is of a stringency which is sufficiently explained by the urgency of the balance of payments problems.

In this postwar chaos a large part of the former belligerents has, to put it bluntly, to be regarded as paupers who are a burden internationally. The number of countries which will never be able to regain their lost prosperity by their own strength is legion; the reconstruction of our ravaged world cannot be achieved other than by international succor and cooperation. Where many are afflicted and many others do not possess the means to contribute to world recovery in a decisive manner, there remains but one country which possesses both the material and the financial possibilities to make the economic cooperation of the United Nations a success. Irrespective of which international economic problem is broached today, it is always the relations between the United States of America and the rest of the world which will, in the first place, prove of importance for its solution.

The problem of Bretton Woods must therefore also be regarded against this background.

What now, can be observed in connection with the Fund in the first place in the light of the foregoing? It has been noticed that public opinion in Holland has occupied itself but sparingly with the merits of the Monetary Fund and that fundamental analyses of its possibilities and shortcomings were barely encountered in the Dutch trade and financial journals. The causes of this omission, if one can call it such, are very clearly reflected in the parliamentary deliberations devoted to this subject in December 1945. After their liberation, the Netherlands have, in the first place, hardly had an opportunity to absorb themselves in the subject under discussion. The text of the agreement, which could only be accepted or rejected, was already laid down at that time. Consequently parliamentary or other detailed criticism was of no practical value.

If I am not mistaken, the majority would have preferred a structure of the Fund which would have been different in several respects. The "articles of agreement" constitute a compromise between the original plans of Keynes and White in which, however, the American element prevailed strongly. As in England, the greater suppleness, the broader basis and the slighter ties to gold which the Keynes project advocated, were appreciated in Holland. Nevertheless there could be no doubt that in the given circumstances Holland, both for idealistic and practical reasons could not afford to hold herself aloof from this agreement. The draft was therefore accepted by both Chambers with a mixture of reserve and hope. In England, where there was no lack of polemics, the case was essentially the same. "The Economist" summed up its point of view as follows, somewhat crudely perhaps but plainly: "If an answer has to be given now, and if it must be Yes or No, it surely cannot be No. The dangers . . . are certainly not great enough to weigh in the scale with the dangers of repulsing the assistance of the United States in the world's reconstruction labors."[1]

Advantages of Fund

The advantages offered by the Fund are obvious. In the first place, it is of the greatest significance that more than 40 states have, by virtue of an agreement, given expression to their willingness to observe and live up to clearly defined rules in their mutual currency relations. The harmony which came about automatically with the classical gold standard is hereby replaced by an expressly international cooperation without which no results can be expected in the present circumstances. In the second place the Fund, which enjoys the favor and protection of the United Nations, must be regarded as one of the means through which they are prepared to contribute to postwar recovery.

This does not mean that various serious objections cannot be raised against the Fund. The fixing of exchange parities, which has in the meantime taken place, has undoubtedly come too soon to serve as a lasting basis for payment intercourse which will presently take place freely. It is remarkable that the Fund has in no single case made use of its right to object to a parity declared by a member; no attempt has therefore been made to achieve in advance some coordination in this ticklish question. It is rightly feared that in future the difficulties of over- and underestimated currencies will occur as before.

The period of five years within which the foreign currency restrictions which are still tolerated must be abolished in principle is most certainly too short. In accordance with the aim set itself by the Central Planning Bureau, the current items of the balance of payments could be in equilibrium in 1952 as far as Holland is concerned. Apart from the very likely probability that this aim will not be achieved, the circumstance that this partial equilibrium itself is founded on the assumption of a continued foreign currency control must be taken into consideration and also the fact that no attention is paid to the redemption obligations which will continue to cause a deficit in the balance of capital. It can therefore be predicted with a fair degree of certainty that Holland will not be able to dispense with her currency restrictions within the stipulated time limit; it may be assumed that this problem is

(Continued on page 32)

*Translation of final part of an address by Dr. Keesing at an Assembly of the University of Amsterdam, Amsterdam, Holland, June 12, 1947. The first part was published in last week's "Chronicle."

1 "The Economist," July 21, 1945.

From Washington Ahead of the News

By CARLISLE BARGERON

VANCOUVER, B. C.—Vancouver buried its mayor the other day, apparently a much beloved public servant. The newspapers devoted almost as much space as we gave to Roosevelt's death. Thousands of people stood on the streets as the cortege passed, the procession was a mile long.

What impressed the writer, however, was that the sorrow seemed genuine. The politicians who walked afoot did so with bowed heads. Even the man who hopes to succeed him seemed genuinely sad. I have no way of knowing whether the sadness was genuine. It seemed, though, to be.

Carlisle Bargeron

It was so much different from the funerals of American politicians that I have covered as a reporter. There is scarcely any concealment of the political shenanigans before the body is cold. Congress gives an escort to the home States of its deceased members and it is invariably selected of members who want to make the trip home for a particular purpose and in this way their expenses are paid.

On some of the more auspicious occasions on which the deceased rates a special train there is little disguising of the gayety and hard drinking. This was particularly true on the train that took Senator Joe Robinson, the majority leader, to his home back in Arkansas. Amid the Bourbon and "crik" water, as Jack Garner used to call it, the politicians schemed about what was to be done with the Supreme Court packing bill. There was no mourning; little was said of the services the deceased had rendered. Several weeks later, a woman of a town through which the train had passed, wrote Washington newspapermen asking if she could be given the name of the Congressman in the red bathrobe who waved at her.

Western Canada, at least, doesn't seem to be worrying about any dollar shortage. You give your American bill to the waitress at the restaurant and as apt as not she will give you the change in American money. She certainly will if you ask for it.

This part of Canada must be making a pretty penny out of American tourists. The trail is crowded; at every place you encounter people trying to get hotel or rail accommodations. Insofar as the Canadian dollar being some 7½% cheaper than the American dollar is concerned, it means nothing unless you buy your Canadian money in the United States. In Canada, the dollars are looked upon as interchangeable at face value. Except when you go to exchange Canadian currency for American money. Then there is a charge of ½ of 1%. Government decree seems to have frustrated the law of supply and demand.

The newspapers here, under the theme of "Don't sell Britain's future short," give some mighty interesting news of the Socialist Government's plans for developing her Colonies. If true it doesn't fit in with the bleak picture which we get of Britain at all. We are told that bulldozers and earth movers are working the soil of Tanganyika, northern Rhodesia and Kenya for planting purposes; that the program calls for their plowing up 3,100,000 acres of Middle Africa. All of it is to be planted in peanuts and by 1952 the Government hopes to get a billion and a quarter pounds of peanut oil.

Parliament, we are told, is voting $400,000,000 for industrial and commercial development of the Colonies, mostly those of Africa. Cotton and tobacco plantations are expected to predominate.

Britain, according to this information, hopes to draw rice from Sierra Leone and Borneo, tobacco from Central Africa, manila hemp from Borneo, bananas from the Cameroons, palm oil from Malaya, sugar from Trinidad and Mauritius, cotton from Uganda, and more cocoa from West Africa which already produces more than half the world's supply.

Bacon and cheese factories have already been built since the war in Nigeria on the West African Coast. Meat packing plants have gone up in Tanganyika, Jamaica's production of sugar has doubled and her tobacco crop has increased so much that at present all of the cigars used in Britain come from there. Tanganyika has tripled its tea output and Kenya and Nyasaland have made smaller percentage gains. Harvest of timber from British Guinea in South America and the Gold Coast and Nigeria in Africa has almost doubled.

British engineers are hunting coal, oil and bauxite. Notwithstanding what we hear about shipping shortages, the Colonies that remained out of enemy hands were said to be doing 50% more trade at the end of the war than before, imports growing from $463 millions in 1938 to $718 millions in 1945; exports jumped from $465 millions to $678 millions. Colonies lost to the enemy have bounded back into world trade.

All this means a lot to Americans who have cotton, tobacco, peanuts, etc., for export.

To add to the cockeyed picture, Canada which has shortages, although it has just removed the two meatless days a week, at the behest of American tourists, is apprehensive lest Britain's new austerity policy will reduce British purchases in this country. Canada, like the United States, gives or lends money to Britain to make the purchases in the first place; is worried the merry-go-round may end, or be sharply curtailed.

It is announced here also that the United States has renewed restrictions against Canadian lumber. There had been no relief in the U. S. housing shortage when I left a couple of weeks ago. Canadians complain, too, that the Americans are underselling them in lumber exports.

More About Sun Spots and Economic Cycles

By DANIEL PINGREE

Writer, commenting on his previous article in the "Chronicle," explains limitations of the sun-spot theory of business cycles. Points out other factors in human affairs may disturb accuracy of the theory. Holds working out of theory may be disturbed by use of currency rather than gold prices in price indexes, and concludes mere chance may set off the chain reaction characteristic of cycles.

On May 29, 1947, the "Commercial and Financial Chronicle" published a short article of mine on sun spot cycles and prices of the common stock of the Erie Railroad. This article has brought a number of letters, including one from a minister in California who wanted to use sun spot theory in psychological work with his parishioners.

Sun spot theory is interesting and suggestive, but it does have its limitations, and, in order to correct any impressions that may have been gathered from the first article, it would be well to state that even in physical and economic phenomena, let alone psychological, there are other cycles besides those occasioned or accompanied by sun spots, and many fluctuations remain which cannot be explained by any cyclical theory whatsoever.

Daniel Pingree

For instance, let us divide time from 1863 on into 18-year periods, periods which have nothing to do with sun spot cycles. It just so happens that in each of these periods there are two depressions, except for the last, which is not yet ended:

Period—	Depressions
1863-1880	1873, 1878
1881-1898	1885, 1894
1899-1916	1908, 1914
1917-1934	1921, 1929
1935-1952	1937, ?

The implication is, of course, from these series of figures that there is going to be a depression sometime between now and 1952. Well, there may easily be such a depression, but it cannot be proved from the series of figures given. If, in walking down the street, it so happens that every other man met is a red head, and that the last man had black hair, there is no assurance whatsoever that the next one's hair will be red. In other words, no conclusion based purely on the statistics of past experience is valid, unless causation can be shown. If there is a plausible cause for a red head following a black, that is a different matter, depending on just how plausible the cause is; but if there is no such cause, then the supporting statistics, no matter how impressive, must be charged to coincidence.

The only advantage of sun spot cycles over others, so far as biological and economic data are concerned, is that plausible causes can be shown in connection with the sun spots. Ultra-violet radiation, ozone, atmospheric electricity, and certain other weather phenomena are definitely associated with sun spots; while with 18-year cycle, or with many others, there is no such association, or there has none as yet been found.

However, it is not necessary always to know cause to make a rough prediction of certain future events. A common, and quite true, generalization is that what goes up must come down, or as Shakespeare more poetically put it, "There is a tide in the affairs of men. . . ." Some security analysts, like the originators and users of the Dow-Jones theory, base themselves firmly on this generalization; and keeping themselves studiously aloof from all questions of cause or exact duration, merely say that once a trend is established, as evidenced by a certain event, then that trend is likely to continue until a certain other event occurs. This type of prediction is usually quite safe, since once the pendulum starts to move in one direction, it generally moves quite a way before its course is reversed. To borrow terminology from the atomic bomb, a chain reaction is set up, one economic misfortune or success generating another, until the whole world is affected.

May Be Misleading

As an example of how misleading cyclical theories can be to an average speculator or investor, unless the causes behind the theory are thoroughly understood, and allowance is made for other cycles and for non-cyclical events, take the 54-year Kondratieff cycle of economic behavior, and specifically of wholesale commodity prices. This 54-year wave movement has been inferred from data we have covering many centuries, and seems as well established empirically as any economic cycle known, although we can only guess at why it should be 54 years rather than some other number. Recent peaks of the cycle have occurred in the years 1817, 1871 and 1925; and recent troughs in the years 1790, 1844 and 1898. If the rhythm continues, the next trough is due in 1952.

It is evident that the Roosevelt Administration and the recent war, between them, have provided non-cyclical events, unless war itself is cyclical, invalidating the 54-year cycle so far as the average speculator is concerned. Anybody selling commodities short during the past few years would obviously have taken a tremendous licking.

Gold Prices

And yet it is possible to show that if the 54-year cycle measures gold prices of commodities rather than currency prices, and if the black market in gold comes nearer to true value than the arbitrary $35 an ounce figure at which the government buys, but does not sell, gold, then gold prices of commodities now are actually less than they were at the bottom of the 1929-32 depression. For gold in the black market in certain foreign countries now sells for as much as $100 an ounce. This theoretical justification of the 54-year cycle provides cold comfort to a speculator who has been compelled by law to trade only in the dollar value of commodities and not in the gold value, and may not even own gold, except what he can carry in his teeth and as ornaments on his person.

Mere chance may set off the chain reaction characteristic of cycles, but intellectually we are left unsatisfied by such a facile explanation. Cycles are so common in all phases of our experience, and so readily interpreted in the physical and chemical fields in terms of certain fundamental and simple principles, that it seems logical to expect that they can also be so interpreted in the economic and biological fields. Work continues along this line, and will continue until somebody finds an answer to the problem, or proves definitely that it is insolvable.

With McMaster Hutchinson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John H. Schultz, previously with Mullaney, Ross & Co., is now with McMaster Hutchinson & Co., 105 S. La Salle Street, members of the Chicago Stock Exchange.

Public Utility Securities

Potomac Electric Power

Washington Railway & Electric is a subholding company in the North American Company system, controlled by ownership of about 80% of the common stock. Washington's principal subsidiaries are Potomac Electric Power Company and Capital Transit Company, the equity interest in the latter being only 50%. In connection with the simplification program for the North American system several plans have been devised to eliminate the subholding company. A final plan received the approval of the SEC on May 15, and of the Federal Court June 16. To facilitate the plan, it is also necessary to recapitalize Potomac Electric and this plan was approved by the SEC July 30.

Under the new plan Washington will dispose of its interest in Capital Transit by offering rights to its own stockholders. It will then use the cash thus obtained to retire a small bank loan. The non-callable 5% preferred stock will be retired (when the plan is declared operative, probably in a few weeks) by exchanging each share for one share of new preferred stock of Potomac ($50 par) and 4¼ shares of new Potomac common. Each share of Washington's common stock will be exchanged for 40 shares of new Potomac common stock; the participating units would receive one share each. Potomac Electric would take over any remaining assets of Washington and assume any remaining liabilities.

Potomac Electric is refunding its 6% and 5½% preferred stocks, issuing two shares of the new $50 par 3.60% preferred for each share of the old, to those holders who wish to make the exchange. Competitive bids were recently received to underwrite the unexchanged stock, Dillon Read & Co. being the successful group. Under its recapitalization plan and merger with Washington Railway, the company will have outstanding about $44,000,000 debt, $11,250,000 preferred stock and 2,961,250 shares of common stock.

Earnings and dividend payments on a pro forma basis have been as follows:

	Divs.	Earnings
1946	$0.97	$1.04
1945	1.05	1.24
1944	0.97	1.09
1943	1.06	1.27
1942	1.05	1.19
1941	1.20	1.20
1940	1.20	1.20
1939	1.32	1.30

Potomac Electric Power is one of perhaps two or three utility companies whose residential rates are regulated by a "sliding scale plan." This may tend to explain why the earnings have shown a declining trend despite a gain in revenues during 1939-46 of over one-half, resulting from the large increase in Washington population during the war. The company's rates have been "automatically" reduced from time to time in accordance with the plan, based on the company's earnings in relation to the formula set up under the plan. About three years ago the District Commission ordered certain accounting adjustments and changes in the plan which tended to reduce earning power. The allowable rates of return on the fair value of the property was reduced from 6% to 5½%. The rate base was reduced by some $5,600,000 or more and the annual provision for depreciation was increased in an amount equivalent to about 9c a share on the new common stock. These drastic changes were appealed, but the original order was sustained and has now become effective. Refunds to customers covering the necessary amounts for the three year period have been made from reserves (or will be made). The earnings as stated above are on the new basis.

While it is difficult to make any exact estimate, present earnings would appear somewhat below the 5½% now allowed. The Securities and Exchange Commission, in passing upon the Washington Railway plan, concluded after a study of PEPCO that earnings on the new common stock would range between $1.00 and $1.15 per share on the new common and that dividends of 85c to 90c might be paid. However, this earnings estimate would seem to be a little on the optimistic side since 1946 share profits after allowance for increased depreciation would have been only 95c and current earnings appear to be running slightly lower. Possibly the SEC envisaged an upward readjustment of rates at the end of 1947.

Washington Railway and Electric units are currently selling around 18 over-the-counter and presumably the new Potomac Electric (when issued) would sell around the same price, since it appears generally assumed that the plan will go into effect around Oct. 1.

New Anti-Trust Moves

Following close upon Federal Trade Commission's charges of collusion among steel companies to fix prices, Justice Department enters suit against tire manufacturers and colored motion picture producers on ground of price fixing. Olds of U. S. Steel Corporation denies charge.

Following the announcement of charges by the Federal Trade Commission that the major steel producing companies through the basing point method of marketing have been guilty of a conspiracy to fix prices and restrain competition, Attorney General Tom Clark on Aug. 18 announced that he had filed a criminal information suit against eight manufacturers of automobile tires, the Tire Manufacturers Association and ten individuals charging they were in agreement to fix prices of tires and tubes. The suit was filed in Federal District Court for the Southern District of New York. The defendants listed are:


Tom C. Clark

Rubber Manufacturers Corp., Inc., New York City; the Dayton Rubber Co., Dayton, Ohio; Firestone Tire & Rubber Co., Akron, Ohio; General Tire & Rubber Co., Akron; B. F. Goodrich Co., Akron; Goodyear Tire & Rubber Co., Akron; Lee Rubber & Tire Corp., Conshohocken, Pa.; Seiberling

(Continued on page 39)

U. S. Authorizes Britain to Suspend Convertibility

It was officially announced in Washington yesterday (Aug. 20) that the United States, in an effort to ease Britain's economic crisis, had granted "emergency permission" to the United Kingdom to suspend dollar payments to all nations except the U. S. The concession, in effect, amounts to suspension of the sterling convertibility clause which, pursuant to the loan agreement, became effective July 15.

Dealer-Broker Investment Recommendations and Literature

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

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

Public Utility Integration Trends—H. Hentz & Co., 60 Beaver St., New York 4, N. Y.

Rubber Industry—Detailed discussion in current issue of **"Perspective"**—Calvin Bullock, 1 Wall Street, New York 5, N. Y.

* * *

Allied Paper Mills—late data—Moreland & Co., Penobscot Building, Detroit 26, Mich.

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.**

Brunner Manufacturing Company — memorandum — Bond & Goodwin, Incorporated, 63 Wall Street, New York 5, N. Y.

C. I. T. Financial Corporation—discussion and opinion—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Canadian Pacific Railway Company—memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Celanese Corporation of America — analytical memorandum — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Central Vermont Public Service Corp.—brief analysis in the current issue of **"Preferred Stock Guide"**—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Cities Service Company—review—Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

Disticraft, Inc.—memorandum in **"Wall Street Commentator"**—Bennett, Spanier & Co., 105 South La Salle Street, Chicago 3, Ill.

Also contained in the same issue are brief discussions of **Portsmouth Steel Corp.** and **Leland Electric Company.**

El Paso Electric Company and **Virginia Electric & Power Company**—analysis—Bear, Stearns & Co., 135 South La Salle Street, Chicago 3, Ill.

Also available is a detailed discussion of the **United Light & Railways Company** and **American Light & Traction Company.**

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.**

Marshall-Wells Company — detailed memorandum—J. M. Dain & Company, Rand Tower, Minneapolis 2, Minn.

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.

New York, New Haven & Hartford—reorganization plan—letter on newly adjusted security allocation—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Pacific American Investors, Inc.—memorandum—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

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.**

Reiter Foster Oil Corporation—memorandum on interesting speculation—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Trane Co.—analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

United Air Lines, Inc.—analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

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

COMING EVENTS

In Investment Field

Aug. 22, 1947 (Denver, Colo.)

Bond Club of Denver Annual Summer Frolic and Golf Tournament at the Park Hill Country Club.

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.

Convertibility: Who Is to Blame?

By PAUL EINZIG

Asserting majority of expert opinion in Britain now realizes making sterling again convertible was unmitigated mistake, similar to return to Gold Standard in 1925, Dr. Einzig maintains convertibility will lead to greater British export deficit. Says average Britain puts blame on U. S., but real blame lies on Mr. Dalton and his colleagues

LONDON, ENG.—The mismanagement of the dollar situation by the government through prematurely adopting sterling convertibility has resulted in a growing volume of criticism. Although the government spokesmen and tame financial writers who have committed themselves to the view that there was no reason for worrying about the consequences of convertibility are still trying hard to defend their position, the overwhelming majority of expert opinion and even of public opinion has come to realize that the decision was an unmitigated mistake, and a very costly one at that. It is compared with the mistake of returning to the gold standard in 1925 at the old parity, but it is pointed out that this time the government has not the same excuse as it had 22 years ago. There is now even less justification than there was then to assume that a return to a prewar currency system could in itself restore prewar normal conditions.

Dr. Paul Einzig

What is considered amazing is that even now official circles do not seem to have realized the full gravity of the mistake. The efforts made in favor of diverting British purchases from the United States to soft currency countries indicate the degree of their ignorance in this respect. Surely it should be obvious to any first-year student of economics that, since sterling is now convertible, it does not make the slightest difference whether Britain spends in hard currency countries or soft currency countries, for the latter, too, are now entitled to spend in the United States the proceeds of their exports to Britain. In spite of this, while the government has been doing its utmost during the last few months to obtain the suspension of the Non-discrimination Clause of the Loan Agreement, it has done nothing to obtain the suspension of the Convertibility Clause, without which the suspension of Article 9 would be practically useless.

The government appears to be equally ignorant about the inevitable effect of convertibility on Britain's trade balance. For months Mr. Dalton and his colleagues have been talking about the imperative necessity of reducing the import surplus through an increase of exports. They were and still are blissfully ignorant of the elementary fact that convertibility itself has materially reduced and will continue to reduce British exports. The basic facts of the situation are that most countries are in urgent need of primary necessities and that Britain can only export secondary necessities or luxuries. So long as sterling was not convertible this did not matter very much. Sweden was only too pleased to accept British textiles in payment for wood pulp. Denmark was glad to receive British automobiles in payment for butter and cheese. The moment, however, they are given the option of using the sterling proceeds of their exports for purchases of American coal or wheat they naturally make full use of their rights. They have no further use for British manufactures, because they now want to have the largest possible sterling surplus for the purpose of conversion into dollars.

It seems most perturbing that a government which includes among its Ministers some half a dozen professional economists and which can draw on the combined brainpower of experts attached to various government departments should have overlooked the inevitable effects of convertibility on the trade balance. Even now they treat convertibility as a minor factor and regard the adverse trade balance as the main cause of the crisis. What they refuse to see is that the direct effect of convertibility is the substantial widening of the already excessive gap between British exports and imports.

Nevertheless, in view of the rising tide of anger, the government considers it a political necessity to find an excuse for its ill-advised action. The line taken is to put the whole blame on the United States. In his speech during the debate on the economic situation in the House of Commons on Aug. 7, Mr. Dalton presented the return to convertibility as an inescapable obligation arising from the Loan Agreement. He stated that the government had fought to the last during the Loan negotiations against the insertion of the Convertibility Clause (which is true) and that Lord Keynes wore himself out in an effort to resist the American demand (which is quite untrue, as Lord Keynes is known to have been in favor of convertibility). He declared that, having accepted the provision, Britain had to honor its pledge in accordance with "the British way of life."

This attitude is in sharp conflict with the stream of press reports received from Washington during the last few days stating emphatically that the United States Government would have been fully prepared to agree to the postponement of convertibility. Indeed, some of the messages claim that Mr. Clayton and others in official positions were fully aware of the grave consequences that would result from convertibility and were astonished to see how optimistic Mr. Dalton was concerning his ability to face the additional burden. Mr. Marshall is quoted here as having stated at a press conference on Aug. 6 that it was not until a week or 10 days prior to that date that London approached Washington about convertibility.

These Washington reports have not been given adequate publicity, however, and as things are the average Briton blames the United States for the adverse consequences of the convertibility crisis. Since the United States Government has here a well-established reputation for driving hard bargains, Mr. Dalton's efforts to put the blame on the United States were bound to meet with a fair degree of success. From the point of view of Anglo-American relations, it is of great importance that the willingness of the Washington State Department and Treasury to postpone the application of the Convertibility Clause during the negotiations that preceded July 15 should be placed on record as officially and as circumstantially as possible. During the next few months the British people will have to undergo considerable hardships through the cuts in food imports necessitated by the dollar crisis. It would not be to the interests of the United States that the British people should be left under the impression that their food rations are to be cut because the United States forced the British Government to hand over British dollars to foreigners. Yet, in the absence of a clear-cut official statement by the United States Government, giving the full facts about its willingness to suspend the Convertibility Clause, the mistaken impression encouraged by Mr. Dalton is bound to prevail, to the grave detriment of Anglo-American goodwill.

Sees Building Costs Stabilized at January 1947 Level

Harry A. Ward, Vice-President, Turner Construction Co., looks for no price decline in building but expects greater efficiency in operation.

Stabilization of construction costs at about the Jan. 1, 1947, level is predicted by Harry A. Ward, Vice-President of the Turner Construction Company of New York, Boston and Philadelphia, in a statement prepared for a recent issue of the "Engineering News-Record." He foresees no major decline in construction costs.

Harry A. Ward

In criticizing the many recent "optimistic predictions" of declining costs as "harmful to the country as a whole," Mr. Ward explained that such predictions lead to postponing of construction. He said that if building construction is curtailed for too long a period, contractors and material producers will be forced to reduce their staff and their rate of production. Then, when the backlog of construction work is released, it will place a burden on builders and producers of materials and costs will rise abnormally as they did in 1920.

The increase in today's construction costs over those of 1939 has not been as great as the increase in the cost of many items entering into everyday life, nor have on-site building wages increased in as great a proportion as factory wages, he stated.

Mr. Ward, who heads the division that prepares the Turner Construction Co.'s cost estimates and compiles its building cost index, analyzed the various factors determining the cost index.

He explained that wage rates are not expected to come down. Work taken over by craftsmen at higher wages cannot be restored to lower paid branches of labor, nor can the additional cost of paid holidays be eliminated. The construction worker, said Mr. Ward, has ceased to be a floater and prefers to remain in a fixed position.

"We do, however, expect greater efficiency in operation of the job which may help to offset the increase in cost that is being brought about today because wages are still being increased," he continued.

Offering no prospect of reduction in contractor's fees, Mr. Ward said, "fees received by contractors are exceedingly low, averaging less than 6% of the cost of the work on large contracts from which must be subtracted the contractor's office overhead which may run anywhere from 3 to 5%."

A softening of the material market has been indicated recently, but Mr. Ward predicted that the cost of building materials will not be reduced in as great a proportion as the general run of commodities. There has, he stated, been a smaller increase in the cost of construction materials than in such items as corn, hogs, wheat and cattle between April 1939 and April 1947.

Mr. Ward explained that a year ago many materials were difficult to obtain because the price at which they could be sold was not high enough to induce a producer to supply the needs of the industry. Since then factory wages have gone up and another round of increases has begun.

"It is improbable that building material prices will be reduced to any great extent except for brief periods of distress selling in certain fields where there may have been overstocking," he stated.

"The peak in building cost has just about been reached. We should expect to stabilize costs as of Jan. 1, 1947, with the further thought that there is always a fluctuation in such costs that might run 5% in either direction from such a level."

Mr. Ward bases this prediction on a study of cost trends after World War I as revealed in Turner's building cost index. From 1920 to 1929 inclusive, building costs were 89.2% above the prewar level. The average for the post-depression years, 1937-1939, was 188. By applying the same percentage of increase that occurred after World War I to 188, Mr. Ward obtained an index figure of 356, a figure close to the Turner index of Jan. 1, 1947.

Reports on 1946 Hotel Earnings

The "Horwath Hotel Accountant" for June indicates earnings in relation to fair value of property were about same as in 1945, but noticeably less than in 1944.

The "Horwath Hotel Accountant" for June reports on hotel operations in 1946, the fifteenth annual report on the nationwide financial results and operating ratios of the industry. As in the past, the report is based on the records of 100 hotels: 50 transients of less than 500 rooms, 25 transients of more than 500 rooms, and 25 residentials, which, together, give a representative coast-to-coast picture.

As in former years, there is excluded from our report all information that would be of interest only to the economist. The sole purpose in making these studies is to develop operating ratios that will serve as a guide to the hotel operator in meeting his everyday problems.

New in the study this year is a recording of balance sheet ratios, for the first time in the history of the hotel industry. These data each year will be included, so that hotel operators can see the amounts of house banks and accounts receivable carried by other hotels in proportion to their volumes of business, to what extent accounts receivable and food and beverage inventories increased during the year, what inventory turnovers other hotels had, and the current assets they had at the end of the year for every dollar of current liabilities.

As for the 1946 general results revealed by the study, they confirm the statement made two years ago: that hotels reached the peak of their war-engendered profits in 1944. Earnings in relation to the fair value of the property were just about the same in 1946 as in 1945, that, is noticeably less than in 1944.

Earnings last year were kept on an even keel with 1945 only because the upward movement of sales continued. The end of government control of restaurants made possible the increases in selling prices of food and beverages necessary to meet rising payroll and merchandise costs. But hotels did not take full advantage of this new freedom which is indicated by the fact that food cost ratios, and in transient hotels also the food payroll ratios, advanced sharply over the 1945 figures. There was a marked increase, too, in the payroll ratios of other departments.

The study brings out clearly that hotels, especially the large transients, spent much more for upkeep in 1946 than in the war years, despite continued restrictions and scarcity of most materials. In 1945 the 25 large transient hotels spent $193 a room for repairs and maintenance and $46 for replacements and improvements, or a total of $239; in 1946 the expenditures for repairs and maintenance were $249 a room and for replacements and improvements $85, or a total of $334. This is an increase of $95 a room in the amount expended on the property. It seems, indeed, that the postwar rehabilitation program got off to a good start in 1946.

Connecticut Brevities

The City of Waterbury recently awarded $324,000 principal amount of bonds to a group consisting of F. S. Moseley & Co., Estabrook & Co. and Putnam & Co. at 100.3197 for bonds carrying a coupon rate of 1.40%. There were two issues both dated Aug. 1, 1947: $224,000 Street and Bridge bonds of the City of Waterbury due $14,000 annually 1949 to 1964 inclusive; and $100,000 Storm Water Drainage bonds of the city maturing $6,000 annually 1949 to 1963, inclusive, and $10,000 in 1964.

The bonds were reoffered to the public at a scale ranging from an .80% basis to 1.40%.

* * *

For the 12 months ended June 30, 1947, Connecticut Railway and Lighting showed $1,069,448 available for fixed charges of $56,107, or coverage of 19.06 times. This compares with $1,391,551 available for fixed charges of $146,807, or coverage of 9.48 times for the 12 months ended June 30, 1946.

* * *

For the six months ended May 31, 1947, Russell Manufacturing Company of Middletown showed total sales of $7,871,811 against $5,173,297 for the corresponding period a year ago. Net income for the six months' period ended May 31, 1947, was $411,589, or $3.12 per share. Corresponding figures for last year were not reported.

* * *

The stockholders of Hartford Electric Light Company have approved the issuance of $12,000,000 2¾% debentures to be dated July 1, 1947, and to mature in 35 years. The funds derived from this issue will be used to finance a three-year construction program which includes the addition of a 45,000 kilowatt turbo-generator and other generating station improvements and extensive substations and distribution property.

* * *

Governor McConaughy has signed the bill authorizing a $1,200,000 self-liquidating bond issue to finance the establishment of a regional produce market to be located on a 40-acre tract in the south meadow section of Hartford.

* * *

For the month of July, the Connecticut Light & Power Company reported sales of 77,105,000 kilowatt hours compared with 75,182,000 kilowatt hours for July of 1946.

* * *

The United Illuminating Company's Bridgeport division reported sales of 29,966,694 kilowatt hours for the month of July compared with 29,068,986 for the corresponding month a year ago. The company's New Haven division reported sales of 23,268,522 kilowatt hours last month against 20,117,717 for July, 1946. These figures do not include sales to Connecticut Light & Power Company.

* * *

For the quarter ended June 30, 1947, the Electric Boat Company reported gross sales, less discounts, of $7,032,296. This figure includes the sales of its 98%-owned subsidiary, Canadair, Ltd.

* * *

Powdrell & Alexander, Inc., and its subsidiaries reported net profit of $994,033 for the first six months of this year, after charges, Federal taxes, and a reserve for contingencies in the amount of $200,000. This compares with $1,327,000 for the first half of 1946. Earnings per share for these periods were $1.65 and $2.21, respectively; net sales $10,091,842 against $9,372,058.

* * *

For the six months ended June 30, 1947, Southern New England Telephone Company, showed net earnings of $1,033,693, or $2.07 a share on 500,000 shares outstanding, as compared with $1,693,103, or $4.23 a share on 400,000 shares outstanding in the first half of 1946.

Total revenue for the first half of 1947 was $19,256,476, or 6.6% ahead of the corresponding period in 1946. Total telephones in service at the end of June this year were 619,374 against 555,610 a year ago.

* * *

At a meeting of the directors of Veeder-Root, Inc., the construction of an additional manufacturing unit of approximately 60,000 square feet was authorized. The new unit will be located on property on Homestead Avenue in Hartford, adjacent to the present plant and will house operations which are presently carried on at the Bristol plant. It is expected that this move will result in considerable saving to the company through elimination of traveling expenses of personnel, telephone trunk lines, trucking and transportation of materials and duplicate cafeterias. Consolidation of similar departments and assembly lines should also prove a substantial saving.

With E. E. Mathews Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Kenneth J. McCarthy has been added to the staff of Edward E. Mathews Co., 53 State Street.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH—John R. Green has become connected with Paine, Webber, Jackson & Curtis, Peoples National Bank Building.

What of America's Future?

By HON. JOSEPH W. MARTIN, Jr.*
Speaker of the House of Representatives

Speaker Martin, in outlining work of Congress, holds problems ahead are: (1) to determine where appropriations should be cut; (2) how much of the American people's money can be sent to other countries, and (3) how can the tax burden be reduced. Says we must revise "over-grown government," determine a scientific taxing system and inform ourselves of the real facts about European conditions. Asserts we have job of saving world, while keeping America free, sound and solvent.

There probably is not a thoughtful citizen in this country who has not asked himself many times: What of the future of America? Whither is my nation headed? What commitments are being made of which we know little or nothing? How is all this world chaos, fear, hatred and suffering going to end? How can we help to bring peace, sanity, order and progress out of this upboiling of misery and chaos everywhere on the planet?

Hon. J. W. Martin, Jr.

Out of a long procession of events, two world wars, and much human misery and suffering, two facts have emerged into clear perspective:

The first is that Old World leadership is bankrupt and gone.

The second is that we have been very deeply involved in world problems and world distress. Events have forced us into the position of being the world's chief lender and liberty's world leader.

As a part of this world-wide process, an important change has been taking place. We have had to assume a role our people did not want—of having to exert vast and controlling influences upon the various countries and peoples of the globe. That change is one of fundamental importance to the American nation. We all want to help other peoples to help themselves. But we cannot afford a perpetual gigantic world W. P. A.

Reducing Over-Grown Government

The American people last November issued a clear mandate to the 80th Congress to reduce overgrown government. The people ordered us to eliminate useless and wasteful bureaus and commissions, and departments. Those agencies were created under war emergencies, but were rapidly frozen into the regular governmental structure. The emergencies ended, but the agencies stayed. The voters demanded a reduction of the burdensome taxes. They declared they wanted industrial balance which would give production and new jobs a chance to bring down prices and improve quality.

Through cuts in appropriations, recisions, and the adoption of an economy policy by the Congress, we have saved several billions of dollars on governmental expenditures.

The economy policy is working.

The spend-and-spend boys see an end to their extravagance.

The people will not receive kindly — nor should they — the gloating taunts of the New Deal Democrats that they were able to obstruct greater savings and economies.

It ill becomes any administration to feel joyful because it can obstruct savings in governmental waste and extravagance and prevent tax reductions for all the people.

The people will remember such an attitude.

The Congress passed a tax reduction bill not once, but twice, by an overwhelming majority of both Houses. The bill would have given the people in the lowest income brackets a 30% reduction in the money the government takes from them. People in the middle brackets would have had a 20% reduction. Those with the highest incomes would have received a 10% reduction. The aged citizens with incomes of a thousand dollars or less would have been relieved entirely of taxes. Twice the Congress passed that bill, and twice the President by his veto said the people could not have a tax reduction. They must continue to bear their burden.

In the practice of dentistry, you know what high taxes do to prices and to fees. You know every item you have to purchase in the practice of your profession costs you more because the costs of production have risen, and the taxes concealed in prices have risen. You know also that after you get to a certain point of income you begin to work for 60c or 50c dollars.

There must be a continuing readjustment of prices. The costs of the things people need must be as low as possible. The quality must be the best possible. We must be careful that we do not drain ourselves of goods to the point where sky-high prices produce disaster in our own country.

Practical common sense must govern our policies in these matters.

We have a committee studying the whole problem of high costs of consumer goods.

We recognize housing as a major necessity. After spending billions of dollars, the New Deal failed to meet the emergency. We now have a committee making a special study of the housing problem to report back at the Second Session. Meanwhile we have taken the shackles off private industry so we can hope houses may be built. We believe private enterprise will help the people get houses instead of blueprints and newspaper headlines.

Three Lines of Inquiry

It has become perfectly clear three concurrent actions must be taken. If we are to assure anything like a happy future for the United States of America we must follow out three lines of inquiry and determine three policies of action at once.

Over the past 14 years the Federal government has usurped to itself innumerable functions which properly belong in State, local, and private areas of action. The Federal government set up new bureaus and commissions until we ran out of letters of the alphabet by which to designate them. Then we had to repeat. There is not an individual in this gathering who can begin to name all—or even half, of the alphabetical bureaus and commissions which have been created, to say nothing of describing their functions.

The Federal government became an endless maze of over-lapping, contradictory, feuding, conniving scheming bureaus, each intent on entrenching itself so deeply in the Executive branch of the government as to become impregnable to all efforts of the Congress to dislodge it.

The old, traditional practice of the bureaus giving the Congress and its various Committees honest, trustworthy information, real facts, and fair cooperation has ceased. Over the past 14 years the practice has become the rule for the bureaus and the departments to conceal, or by the device of half-truths, to mislead the Congress. A great deal of this was due to deliberate efforts to change our real form of government.

We have seen some strange acrobatics in the Administration concerning the expulsion of Communists from high places in the Federal government. There were repeated and emphatic denials that any Communists or other subversionists were in the government service at all.

When a Republican Congress was elected, the Administration promptly saw the handwriting on the wall. It suddenly discovered so many Communists in the government the President thought it would take twenty-five million dollars to clean them out. About a thousand of them were ousted, but their identities were very carefully concealed from the Congress and the country. We intend to clean them out and nobody is going to stop us from that patriotic duty.

The 80th Congress was confronted by the necessity to do three things:

The first was to determine where appropriations should be cut.

The second was to determine how much of the American people's money we can safely afford to send to other countries of the world.

The third was to determine how we can reduce the tax load so the low income people may have more of their hard-earned money to spend for themselves for the things they need and desire.

We had to determine how we can restore incentives to venture capital to engage in expansion of production, so we may have better quality, at lower prices. Back of all that was the task, of course, of passing a new labor bill which would assure fairness on both sides—which would restore order and reason to collective bargaining.

The 80th Congress began a move along three lines of policy which I am going to detail to you. I am certain you will agree with all of them.

A Survey of Governmental Functions

We were convinced the only way we can really cut the over-grown government back to proper, efficient, economic peacetime size is to have a genuinely non-partisan, constructive, objective survey of governmental functions. We must determine which should be returned to the state, local and private areas, where they belong, and which are useful functions the Federal government should continue to perform. That Commission will be composed of some of the ablest men in this nation. None less than former President Herbert Hoover, we hope, will head that Commission. Its character of membership is such as to be a guarantee of integrity and impartiality in its operations and findings.

At the same time we set up a special committee operating to aid the Ways and Means Committee to determine a scientific taxing system. For 14 years the tax sys-

(Continued on page 27)

*An address by Speaker Martin before the American Dental Association, Boston, Mass., Aug. 5, 1947.

Michigan Brevities

The group of investment bankers headed by Smith, Barney & Co., and including, among others, First of Michigan Corporation, Watling, Lerchen & Co. and M. A. Manley & Co., all of Detroit, and E. H. Schneider and Company of Kalamazoo, on July 24 offered to the public 400,000 shares of no par value $3.25 dividend second preferred stock of the Dow Chemical Company at $102.50 per share and dividends. This issue, which is convertible into common stock prior to July 15, 1957, was oversubscribed. The net proceeds will be used $7,500,000 to repay bank loans, and the balance for general corporate expansion purposes.

The consolidated net income for the year ended May 31, 1947 was equivalent to $9.22 per share on the old no par common stock, as compared with $4.40 in the preceding year, and $7.85 in the year ended May 31, 1945. As of July 1, 1947, there were 8,249 common stockholders and 4,366 preferred stockholders. Sales and other revenue for the 1947 fiscal year amounted to $132,787,648, as against $104,579,729 in the preceding year.

* * *

First of Michigan Corporation was also among the lists of investment bankers which on July 31 offered $10,000,000 first mortgage bonds, 3% series due 1977, of Florida Power & Light Co. at 102.60 and interest, and 200,000 shares of capital stock (par value $15) of J. P. Stevens & Co., Inc. at $34 per share. The Florida Power syndicate was headed by Lehman Brothers and the Stevens syndicate by Morgan Stanley & Co. and Harriman Ripley & Co., Incorporated, all of New York, N. Y. Watling, Lerchen & Co., Detroit, also participated in the Stevens offering, as well as the offering on July 16 of an issue of 300,000 shares of no par common stock of Kimberly-Clark Corp., Neenah, Wis. at $24.87½ per share by a syndicate headed by Blyth & Co., Inc. of New York.

* * *

The Detroit Stock Exchange reports that trading volume in July, 1947, totaled 342,201 shares having a market value of $4,366,823. This compares with June 1947 volume of 230,023 shares valued at $2,853,381 and is the highest monthly volume and market value to date in 1947. Previous high this year was in February when 301,467 shares were traded, with a market value of $3,794,852.

The $1 par common stock and the $10 par 5% cumulative convertible preferred stocks of McAleer Manufacturing Co. were admitted to trading on this Exchange on July 30 and the $1 par common stock of Ryerson & Haynes, Inc. was admitted on Aug. 13.

* * *

The Packard Motor Car Co. reported a loss of $724,461 for the second quarter of this year, which added to the deficit of $1,148,173 for the first three months brought the total loss for the first half of 1947 to $1,872,634. This compares with a profit of $749,517 in the first six months of last year. Reflected in the 1946 figures, not found in the 1947 accounting, were $2,214,000 tax carryback credits and $1,769,911 in fees applicable to war production contracts terminated in 1945. George T. Christopher, President and General Manager, announced that the company continues in a good cash position, with working capital of approximately $30,000,000.

* * *

James Gerity, President of Gerity-Michigan Die Casting Co., Adrian, announces that sales for the three months ended June 30, 1947, amounted to $3,944,904, and for the full fiscal year ended on that date to $13,941,400. The latter figure compares with sales of $4,414,959 for the preceding fiscal year. For the six months ended June 30, 1947, net profits were estimated at $1 per share, of which 55 cents was reported earned in the last quarter. This compares with net profits of 58 cents per share for the six months ended Dec. 31, 1946.

* * *

J. Oliver Black, President of Peninsular Metal Products Corp., Ferndale, reports that sales for the first half of 1947 were 300% over the comparable 1946 period, and represented the highest volume in the company's peacetime history.

On Aug. 5, the directors declared a dividend of five cents per share, payable Aug. 28 to stockholders of record Aug. 18, 1947.

* * *

Tecumseh Products Co. of Tecumseh, for the six months ended June 30 reported net sales of $15,579,000 and a net profit of $1,102,231, or $7.34 per share, after provision for taxes of $734,820.

* * *

Kysor Heater Co. of Cadillac reports that net profit for the seven months ended June 30, 1947 amounted to $180,443, or 94 cents per share, after deducting provision for Federal taxes of $120,443. Current assets as of the end of that period were $624,066, as against current liabilities of $226,647.

* * *

Rotary Electric Steel Co., Detroit, reports for the six months ended June 30, 1947 a consolidated net profit of $401,113, after charges and income taxes, and reserve for decline in inventory values of $24,000. This was equal to $2.41 per share (calculated on the 166,225 shares of common stock outstanding at the end of this period). Net for the corresponding six months of last year was $252,192, or $1.52 per share on the same number of shares.

* * *

For the six months ended June 30, 1947, the Detroit Aluminum & Brass Corp. reports a net profit of $302,893, or 67 cents per common share, after provision of $230,000 for Federal income tax and contingencies. Cash dividends paid were $113,401. The company has 453,600 common shares outstanding.

Total current assets at the end of the period amounted to $2,236,581, as against total current liabilities of $732,478.

Missouri Brevities

Included in an underwriting syndicate headed by Halsey, Stuart & Co. Inc., which offered on July 23 an issue of $11,000,000 first mortgage bonds, 2⅞% series due 1977, of Arkansas Power & Light Co. at 101⅘ and interest, were Newhard, Cook & Co. and Reinholdt & Gardner, both of St. Louis, and Stern Brothers & Co. of Kansas City.

* * *

Newhard, Cook & Co. was among the lists of underwriters which on July 17 offered 60,000 shares of California Electric Power Co. $2.50 cumulative preferred stock (par $50) at $52 per share and dividends and on July 31 offered $10,000,000 Florida Power & Light Co. 3¼% sinking fund debentures due 1972 at 101 and interest. The California Electric syndicate was headed by The First Boston Corporation and Shields & Co. of New York City, and the Florida Power syndicate by Halsey, Stuart & Co. Inc. of Chicago.

* * *

Reinholdt & Gardner was among the list of principal underwriters (headed by Merrill Lynch, Pierce, Fenner & Beane of New York City) which on Aug. 5 offered $10,000,000 Lerner Stores Corp. 3% sinking fund debentures at 100 and interest. This issue was oversubscribed.

* * *

On July 31, a group of underwriters, headed by Morgan Stanley & Co. and Harriman Ripley & Co., Incorporated, of New York, N. Y., and which also included Stern Brothers & Co., offered publicly an issue of 200,000 shares of J. P. Stevens & Co., Inc. capital stock (par $15) at $34 per share.

* * *

Stern Brothers & Co. and Smith, Moore & Co. (the latter of St. Louis) participated on July 30, together with other underwriters headed by The First Boston Corporation, in an offering of 160,000 shares of 4¼% cumulative preferred stock of Public Service Co. of Colorado at par ($100 per share) and dividends.

* * *

An underwriting syndicate, headed by Lehman Brothers of New York, N. Y., and which included, among others, Stix & Co. of St. Louis, on July 31 offered publicly $10,000,000 of first mortgage bonds, 3% series due 1977, of Florida Power & Light Co. at 102.60 and interest.

* * *

On July 24, an underwriting syndicate headed by Smith, Barney & Co., and including, among others, Newhard, Cook & Co., Reinholdt & Gardner and Stix & Co., offered publicly at $102.50 per share and dividends, an issue of 400,000 shares of Dow Chemical Co. $3.25 dividend preferred stock of no par value (convertible into common stock prior to July 15, 1957). This offering was oversubscribed.

* * *

The voters of Kansas City and Jackson County at next November's election will decide on a bond program totaling approximately $47,000,000, of which the city proposes to issue $34,911,000 of general improvement bonds and $6,000,000 of new airport revenue obligations, and the County plans an issue of $6,119,500 of bonds.

* * *

Bankers Bond & Securities Co. and White & Co., both of St. Louis, were included in a group of underwriters headed by Blair & Co., Inc., of New York, N. Y., which on July 17 publicly offered 80,000 shares of $5 par value common stock of Missouri Edison Co. at $8.87½ per share for the account of L. F. Rodgers of Dallas, Tex. (the selling stockholder).

These 80,000 shares represented 80% of the 100,000 outstanding shares of common stock of the utility company.

* * *

Among the underwriters which on July 21 offered $750,000 of 15-year 5% sinking fund debentures (with common stock purchase warrants attached) of Clary Multiplier Corp., Los Angeles, Calif., at 100 and interest, was A. G. Edwards & Sons of St. Louis.

* * *

A group of investment bankers, headed by Van Alstyne Noel Corporation of New York, N. Y., and which included, among others, Taussig, Day & Company, Inc., of St. Louis, on July 25, publicly offered 72,882 shares of common stock (par value $1) of Atlas Plywood Corp. at $32 per share. This offering was oversubscribed. The net proceeds will be used to increase working capital, etc.

* * *

The directors of Monsanto Chemical Co. on Aug. 11 voted to call for redemption on Sept. 12, next, 120,000 shares of the $3.25 cumulative convertible preference stock, series A, of the company at $104.50 per share, plus accrued dividends of 93 cents per share. Each share of preference stock called is convertible into two shares of common stock on or before Sept. 11.

The consolidated net sales (excluding British and Australian subsidiary companies) for the six months ended June 30, 1947 amounted to $71,085,736, as compared with $50,249,553 in the same period in 1946. Net income after charges and estimated Federal income taxes totaled $9,275,133, as against $6,185,234 in the 1946 period. At June 30, 1947 there were outstanding 237,019 shares of $3.25 dividend preference stock without par value and 3,963,163 shares of $5 par value common stock. Current assets were $65,647,395 and current liabilities, $12,770,876.

* * *

The Western Auto Supply Co., Kansas City, reports that net earnings for the three months ended June 30, 1947, amounted to $1,310,261, after provision for contribution to Employees' Profit-Sharing and Retirement Trusts, depreciation and amortization, and estimated income taxes. In the corresponding period of 1946, net earnings amounted to $1,992,127. For the first six months of 1947, net was $1,751,350, as against $3,497,078 in the first half of last year.

Lester Hutchings, President, has been elected Chairman of the Board, to succeed B. G. Gamble, resigned. Paul E. Connor, who was Vice-President, replaces Mr. Hutchings as President and General Manager.

On July 17, executives of this company and of Gamble-Skogmo, Inc., jointly announced that informal discussions which had been conducted by their respective managements towards the possibility of an eventual merger, have been discontinued by mutual agreement.

There have been called for redemption on Sept. 1, 1947, out of sinking fund monies, $275,000 of Western Auto Supply Co. 15-year sinking fund debentures, due Sept. 1, 1955, at 100½ and interest, payment to be made at The Chase National Bank of the City of New York, trustee, 11 Broad Street, New York, N. Y.

L. J. Marquis & Co. to Admit Milton Mensch

Milton Mensch, member of the New York Stock Exchange, became a partner in L. J. Marquis & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Mr. Mensch has been active as an individual floor broker for many years.

Victor M. Cortes, a member of the Exchange, and a partner in the firm, died on Aug. 10.

Marcus Co. to Admit

Wayne A. Marcus, member of the New York Stock Exchange, and Joseph Mindell will be admitted to partnership in Marcus & Co., 61 Broadway, New York City, members of the New York Stock Exchange, as of Sept. 2.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Bank Stocks

An interesting and instructive book has just come from The Bankers' Publishing Co., Cambridge, Mass., which should be welcomed by all serious students of banking, including bank stock investors and dealers. It is entitled "Meeting The Challenge of Changing Banking Conditions," and the author is Nelson M. McKernan, an Assistant Vice-President of Manufacturers Trust Company. New York.

In the preface the author states: "This discussion of the changing conditions affecting banking, developed from work done in connection with studies at the Graduate School of Banking, subsequently broadened and brought up to date."

This is not the first time that worthwhile books on banking problems and procedure have come out of the Graduate School of Banking. A little over two years ago this column reviewed a book by Warren C. Heidel, developed from work done at the school, entitled "The Banking Industry and the Position of Bank Stocks From the Viewpoint of the Investor." ("Chronicle," 3-22-45.)

The new book is divided into two main divisions. Part I discusses "Changing Conditions Affecting Banking," and Part II, "Adjustments to Changed Conditions." In the back of the book is a Bibliography, and in front, a Table of Contents. Unfortunately, the book lacks an index, which is an essential for all books intended for serious study.

In Part I, the development of the American banking system from early days to the present banking structure is concisely traced. This is followed by a synoptic presentation of changing business conditions since the turn of the century, and their effect on banking. Next comes a short discussion of changing financial conditions, monetary policies and money markets. The American banker as a "whipping boy" during the depression years is commented on in Chapter IV, "Political and Public Attitude." It was this "attitude" which led, subsequently, to a great deal of competition from governmental lending agencies, which constitutes the main topic of Chapter VI. Subsequent chapters in Part I treat of: "Types of Banking and Number of Banks," "Banking Assets and Liabilities," "Banking Functions." "Banking Structure and Laws," and "Supervisory Attitudes."

With regard to the number of commercial banks operating in the United States, the author presents some interesting figures from which the accompanying table has been developed:

Year—	Number of Banks	Deposits ($000,000)	Deposits Per Bank ($000)
1901__	11,406	9,876	866
1907__	19,746	15,358	788
1915__	26,505	22,032	831
1920__	29,829	37,721	1,265
1929__	24,630	55,289	2,245
1932__	18,390	41,643	2,264
1944__	14,535	142,310	9,791

It will be observed that since 1920 there has been a sharp decline in the number of banks operating, accompanied by an increase in the average amount of deposits per bank, even before Second World War financing.

The changing character of banking assets, occasioned by the terrific amount of "deficit financing" undertaken during the past 15 years, and the decline in interest rates, are reviewed. It is pointed out that the ratio of loans to investments declined from 2.84 on Dec. 31, 1920 to .26 on Dec. 31, 1944 and .28 on Dec. 31, 1945. Similarly, the percentage of loans to deposits declined from 82% in 1920 to 17% in 1944, while that of investments to deposits rose from 29% to 66%.

The second half of the volume deals with the problem of adjusting to these changing conditions. The general problem is formulated, and the following four points are presented: (1) banks have become more largely investment than lending institutions; (2) efforts must be made to rebuild the loan position; (3) until the situation changes substantially there must be more emphasis on proper evaluation of bond values and bond market, economic trends etc.; (4) with the decline in yields, efforts must be made to increase earnings in other directions and to decrease expenses in both.

The author then proposes that "a reasonable solution would be to approach the problem from the following points of view":

(a) Efficiency in operating management
(b) Reduction of expenses
(c) Development of an investment program
(d) Expansion of deposit base
(e) More efficient computation of service charges and increased income from present loans
(f) Development of other new sources of income
(g) Development of new sources of loans
(h) Establishment of an aggressive business development program

These items are discussed in some detail in the succeeding chapters. The chapter on expense reduction is especially interesting. Such matters as salary expense, mechanization of operations, job analysis, needless operations, overstaffing, and other personnel and procedure problems are surveyed. Problems pertaining to investment programs are presented and discussed, "consumer credit" receives a good deal of attention in Chapter XVII and the closing chapter is devoted to the general need of stepping up the "business development effort."

The author makes no claim to exhaustive treatment, nevertheless his volume is a thoughtful treatise, it clearly presents the problems occasioned by changing conditions, and plainly indicates some of the steps that are being taken, and may yet be taken, to find a solution.

Jahn & Ollier Common Stock Offered at $6

An issue of 102,000 shares of Jahn & Ollier Engraving Co. common stock (par $1) is being offered today at $6 per share by a syndicate headed by Sills, Minton & Co., Inc., of Chicago, and including Buckley Brothers; Straus & Blosser; Butcher & Sherrerd; Frank & Belden, Inc.; Link, Gorman & Co., Inc.; Enyart, Van Camp & Co., Inc.; Bradbury-Ames Co.; Kirstein & Co., and Reed, Lear & Co.

Economic Cooperation Versus War

By PHILIP D. REED*
Chairman, General Electric Company
Chairman, U. S. Associates, International Chamber of Commerce

Prominent U. S. industrialist points out necessity of eliminating economic causes of war as means of obtaining peace, now so strongly desired throughout world. Cites work of the International Chamber of Commerce and United Nations Economic and Social Council, along with International Monetary Fund, as steps toward economic cooperation, and holds varying economic ideologies need be no bar to international economic harmony.

Recently a friend of mine in the International Chamber of Commerce reminded me that the famous Greek warrior, Alexander of Macedon, who lived three centuries before Christ, was the original exponent of the "one world" thesis. The method Alexander chose to put this idea into practice was of course war, for war was the only instrument by which he thought it could be accomplished. Just as his method differs from the modern concept of achievement through voluntary agreement, so his "one world" was bonded by force rather than by understanding.

Philip D. Reed

We need not look far back into history to see that until recent decades, war has been one of the major methods of economic expansion and, in many instances, a successful one. Until the turn of the century, economics itself was little other than an extension of the war thesis; economic advantage among nations was seized, captured and dragged home. Earlier history provides too few examples demonstrating that economic and political conquest are not satisfactory methods for the permanent improvement of living standards of the victor, although the thought was seeking formulation. The first world war was proof enough to forward-looking men of all nations that war is disastrous to victor and vanquished alike, and that international economic cooperation would be necessary to prevent its recurrence. They grappled with the comparatively new science of peaceful world economic growth and found an increasingly large number of adherents, but their time was unbelievably short for such a large undertaking. Today, with the lessons of another war behind us, their conclusions are accepted by a majority of the world's populace. Those principles of accord now find expression in the United Nations Charter and are increasingly evident in national policy the world over.

Eliminating Economic Causes of War

I have given this brief background to emphasize that in the all important problem of eliminating the economic causes of war, we should not succumb to a fear complex based on belief in historical repetition and historical parallels. We have made tremendous strides in our understanding of practical solutions to this problem. There are no historical precedents for our position today. There is no historical parallel to the peace mechanism which exists now in the United Nations, much as it owes to the earlier League of Nations. The present task is to put this mechanism into use, to keep it well oiled, to retool it, and modernize it when necessary and assist it where possible.

The International Chamber of Commerce sought the consultative status it now enjoys with the Economic and Social Council because it can offer the valuable assistance of long experience in the economic field. To make this assistance more effective, leading businessmen from the major trading nations of the world met at the International Chamber's Congress in Montreux, Switzerland, in June to consolidate and present to the Economic and Social Council studies and conclusions on international economic matters which they had earnestly pursued for two and a half years. This done, they returned to their countries assured of the importance of their work and resolved to redouble their efforts.

The complexity of the work undertaken by the International Chamber, and the complexity of that in the province of the Economic and Social Council is evident to anyone who has looked at the organizational chart of either body. Due to this complexity, we often forget our enduring aims under the welter of detail with which we are immediately concerned. Lest we lose sight of them entirely, it is well for us to review these aims and state them simply and clearly.

Desire for Peace

The deepest desire and highest aim of all people is peace; peace among nations and peace among individuals. I believe that is a full statement of our desires to which all of the peoples of the world would subscribe. But the word, peace, carries with it many implications. First, it must not be static; peace lies in improvement and progress, not in the status quo which, sufficient for a day, will not be enough tomorrow. It lies in freedom of action, expression and worship insofar as these do not interfere with the freedom of others. It lies in a government and economic system of our own choosing which give us the greatest productive opportunity and the greatest assurance of stability.

Peace can no longer be achieved in the hermit's cave, the walled city, or the isolated nation, but must be the product of a world in economic as well as political accord. We have accepted this; and it is on this principle that the United Nations, with its many sub-organizations, was established. The Economic and Social Council is now seeking to translate this principle into terms applicable to the specific needs and conditions of all nations and all economies.

Need for Increased Productivity

One principal need is increased productivity throughout the world. That means the increased moving of goods, services and investments across national boundaries, for a cramped area of trade and investment invariably leads to a cramped economy.

To realize its full promise, the International Trade Organization Charter, now being drawn at Geneva, must serve to encourage this trade increase. It must establish rules which will allow the nations of the world the most efficient use of the services and goods made available by other nations without economic injury to any individual country. Every member government must abide by those rules, keeping constantly

*An address by Mr. Reed broadcast over United Nations Radio, Aug. 14, 1947.

in mind the long-term advantage accruing to such a system. This will minimize the temptation to violate the rules or subject them to strained interpretations, which in the long run would prove as disastrous to the initiators as to other nations. The success of the ITO, as that of any organization whose members join together freely for their mutual advantage, will depend in great measure upon the restraint and willing participation of the member nations.

Such a statement of the principles and the aims of world economic cooperation serve, however, as a dangerous over-simplification, for they are so widely accepted that they may become catchwords without meaning. One might well ask why this economic cooperation is not arrived at straightaway, since human desires do not vary greatly the world over, and one nation cannot long maintain prosperity at another's expense. The truth is that the world is an economic hodgepodge, representing all degrees of economic development from simple handicrafts to whirring factories. In such a world, the simplest and fairest trade rules will not function to the greatest immediate advantage of all people at all times, even though they may be good for everyone in the long run. It is inconceivable that a completely uniform rate of economic progress can be maintained in all localities at all times. For these reasons, adequate rules which can be universally accepted are difficult to arrive at and difficult to maintain. But we must keep in mind the alternatives: adequate international trade rules freely adhered to, or national rules of thumb which set nation against nation and mark the way toward war.

Varying Economic Ideologies

No discussion of economic cooperation would be realistic unless it considered the several national systems by which the countries have determined to gain man's economic wants and aspirations. At present they can be divided roughly into three classifications: free enterprise within the framework of public policy is one; another is the so-called mixed economy where the central bank, utilities, transportation systems and one or more basic industries are state-controlled, with the other industries remaining in private hands; and the third is the all-out state producing and trading system. Each of these systems cannot be best and it may prove fortunate that they exist side by side, for it will give us all an opportunity to observe their operation and accomplishments carefully and determine which is, after all, best suited to supply man's needs. The very existence, however, of these three systems will make economic accord more difficult to achieve, though certainly no less necessary.

Task Difficult

It can readily be seen, then, that the obstacles to cooperation through the Economic and Social Council, the International Trade Organization and the Bretton Woods Institutions are nearly as great as the goal to be achieved. Success will require the best efforts of each nation and of each individual; to offer less is to offer little indeed. In such an endeavor, lip service might well be termed disservice.

I said earlier that our present position is parallel to no period of past history. I should have said that it need not be parallel. We must make great efforts to ensure that the next decade does not follow the unhappy pattern of the 1920's. It is my sincere hope that the International Chamber can assist the Economic and Social Council in demonstrating that through sound and wise economic policy all nations can move rapidly forward to a better world.

NSTA Notes

BOND CLUB OF DENVER

The Bond Club of Denver is holding its annual summer frolic and golf tournament at the Park Hill Country Club on Aug. 22. Donald F. Brown, Boettcher & Co., is Chairman of the Frolic Committee.

With First California

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF—Edwin C. Stengel is with First California Company, 300 Montgomery Street.

Peters, Writer Adds

Special to THE FINANCIAL CHRONICLE

DENVER COLO. — Ward E. Coppes has become connected with Peters, Writer and Christensen, Inc., U. S. National Bank Building.

With King Merritt & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Allan H. Seaman has joined the staff of King Merritt & Co., Inc., Chamber of Commerce Building.

With Butterfield & Co.

Special to THE FINANCIAL CHRONICLE

JACKSON, MICH.—Jack Van Butterfield has joined the staff of H. H. Butterfield & Co., Jackson City Bank & Trust Co. Building.

Railroad Securities

Illinois Central common stock has been attracting considerable attention in recent months and there are a number of rail analysts who consider it about the most attractive lower priced issue for speculative trading purposes. It is conceded that there is probably little hope of any dividend income for some time to come, but this appears as a minor consideration in relation to the vast improvement there has been in the fundamental status of the shares and the further improvement looked for over the near and intermediate terms.

Illinois Central did not, like most of the former so-called "marginal" roads, even resume dividend payments on its shares during the height of the war boom in earnings. These earnings were utilized, rather, for financial rehabilitation, property improvements, and reduction of debt. The latter, at least, continues as an important factor in management policies. During the years 1941-1946, inclusive, the road retired more than $97 million of non-equipment debt. By the end of last year this non-equipment debt had been reduced to below $218 million. Moreover, it was announced some time ago that in the first five months of the current year a further cut of some $6 million had been made.

In its debt retirement program the management has been concentrating on reducing shorter term obligations. At the end of last year more than half of the remaining non-equipment debt was maturing in 10 years. One difficulty has been that the major portion of this debt is non-callable. As of Dec. 31, 1946, there was outstanding $50,319,000 of non-callable underlying liens maturing in the years 1950-1952. There was another $33,475,000 due in 1953, and in 1955 the $31,550,000 of refunding 4s and 5s mature. A large part of the early 1947 bond purchases was concentrated on the refunding mortgage bonds. Many analysts are of the opinion that these particular bonds may be eliminated entirely over the relatively near future. This would vastly improve the whole debt picture and pretty well eliminate any apprehensions there may still be with respect to the maturity problems of the road.

Over a period of years Illinois Central has had a highly erratic earnings record. For the 10 years 1927-1946 common share earnings averaged $6.81, ranging from a low of $0.08 a share in 1938 to a high of $17.68 in 1943. Adjusted for the present indicated fixed charges of just under $11 million, but without allowing for the resulting heavier tax accruals, the 10-year average earnings would be increased to $9.76 and the 1938 results to $4.20. Even if the full 38% tax rate were applied to the interest savings, the pro-forma earnings for the recession year 1938 would work out to above $2.60 a share.

In the readjustment year 1946, and without the benefit of any net Federal income tax credit Illinois Central reported net income equivalent to $4.67 a share. This year's results should be considerably higher. Gross revenues for the first six months of the year ran 17.8% above the level of a year earlier. In addition, the management was able to cut the operating ratio by seven points, from 81.9% to 74.9%. Taxes, on the other hand, jumped more than 50%. The net result was common share earnings of $5.70 for the period compared with only $1.29 in the first half of 1946.

Normally Illinois Central earns more in the second half than in the opening six months. On the average for the 10 prewar years 1932-1941 just about 60% of net operating income was accrued in the July-December period. It is not likely that this seasonal pattern will hold this year. If it did, 1947 earnings would top $15 a share. The road gets quite a volume of corn traffic and the outlook for that crop this year is uncertain. Also, there is little doubt but that all carriers will be saddled with heavier wages for at least part of the last half of the year with no rate relief looked for until late in the year at the earliest. Even allowing for these considerations, rail men generally look for 1947 earnings in the neighborhood of at least $8 a share. The stock recently has been selling just about three times prospective results.

Fund Head to Consult On Marshall Plan

Camille Gutt goes to Paris to meet with 16 European nations committee on program of recovery. John J. McCloy, head of World Bank, pledges cooperation.

It was announced on Aug. 15 that Camille Gutt, General Manager of the International Monetary Fund, together with several assistants, was leaving for Paris to consult with the 16 European nation committee that was engaged in preparing a plan for recovery of the European economy. It is expected that Mr. Gutt's stay will extend two weeks, at the end of which time the outline of a general plan will be drawn up. Nothing was definitely stated regarding the part the International Monetary Fund, which makes temporary loans to member nations to equalize exchange rates, will play in the forthcoming proposals, but inasmuch as John J. McCloy, President of the World Bank, has already pledged the Bank's assistance, it is expected that the part to be played by the operations of the International Fund in the recovery program will be outlined in the discussions.

Camille Gutt

Leading the World in Achievement

By HON. WILLIAM F. KNOWLAND*
U. S. Senator from California

Senator Knowland accuses Russia of seeking European collapse and warns only hope of free men everywhere is continued prosperity in U. S., the one stabilizing force capable of saving world from economic and political chaos. Reviews legislation of 80th Congress and upholds Taft-Hartley Act as measure insuring continuous operation of our economy. Decries veto of tax bill and wants housing problem solved by localities and not Federal Government.

There are some people who question the ability of representative constitutional government to meet the problems confronting us. I believe our system can better meet the challenges we face than any other system yet devised by man. But it cannot be done by office holders alone. The continued success of the American system of Constitutional Government and the free enterprise system must of necessity rest upon the foundation of an educated and interested electorate.

Tremendous forces are at work in the world which, if successful, will mean the economic and political collapse of western Europe, and should that catastrophe occur would have far reaching repercussions upon our own way of life.

The hope of free men everywhere is still the United States of America. Yet we cannot carry our obligations at home or abroad unless we maintain a sound national economy and a solvent Federal Government.

That is why there exists the concerted movement by the communists and their fellow travelers to undermine confidence in Congress and our constitutional processes and to encourage disruptions in our national economy. The Kremlin knows that an American economic collapse at this time would lead to both economic and political chaos in Europe and Asia.

We are the one stabilizing force capable of helping the war torn world to rehabilitate itself and the one nation with sufficient moral, economic and potential military resources to enable the peace loving nations everywhere to maintain hope that a system of international law and order may yet be established.

I wish I could bring you a more optimistic picture. In candor I cannot. Yet I do not believe the cause of peace is a hopeless one by any means. We must constantly strive toward that goal in the hope that people everywhere will someday, somehow get to know that we seek no conquest, no economic or political domination of other nations.

But we cannot be unconcerned with what happens elsewhere. On July 29, Russia exercised her veto for the eleventh time in the Security Council. This is not conducive to mutual confidence or to the type of co-operation the world so desperately needs now. We shall continue to pray and work for peace but like the American Pioneers, we shall keep our powder dry.

Common sense requires that we maintain an adequate Air Force, Army and Navy both for our own security and to fulfill our obligations under the United Nations Charter. To do less in this period would be folly.

These are some of the background problems that your representatives faced when they assembled in Washington and during the seven months they remained in session.

Nor is the adjournment a "vacation" in any sense of the word. Most members will be as busy in their home states and districts as they were in Washington. Many will have important committee assignments to carry out so that they will be better prepared as individuals and so that the Congress will have more information when that body next assembles.

Problems of 80th Congress

When the 80th Congress met on January 3, it was immediately faced with carrying out the so-called LaFollette-Monroney reorganization bill. In the Senate, for example, this reduced the number of standing committees from 33 to 15.

To complicate the matter there had been a substantial change in the membership of both the House and the Senate. Sixteen years had passed since the Republicans last controlled Congress and there was no Republican who had ever been Chairman of a Senate or House Committee.

There are some critics who complain that to legislate takes time. Of course it does. The system of representative government is meant to take a reasonable amount of time for committee hearings in the House and the Senate, for debate on the floor, for conference action to bring the views of the two houses into agreement and for final congressional action on the bill.

For 14 years the government was under the domination of a strong executive branch. So-called "must legislation" was rushed up to Capitol Hill and many times passed without adequate consideration or debate. Then the critics were complaining, with justification, about the "rubber stamp" action by their law makers. The 80th Congress was no rubber stamp and as believers in the constitutional balance of powers under our republic all Americans should take pride in this fact.

In the first seven months of its two year life the 80th Congress has made a constructive record. In addition to reorganizing, the following legislative measures of major importance were adopted: Labor-Management Relations Act, Unification of the Armed Services, a new Presidential Succession Act, Greek-Turkish Aid, Termination of a vast number of war controls, Portal to Portal Pay Act, National Science Foundation, payment of Terminal Leave Bonds, and two tax reduction bills both of which were vetoed by the President. This session also ratified the Bulgarian, Hungarian, Italian and Rumanian Peace Treaties and submitted to the states a Constitutional Amendment limiting a President to two terms.

In addition to the above, both Houses of Congress gave much time and consideration to the budget and the necessary appropriation bills. The President submitted what some administration spokesmen claimed was a rock bottom figure of $37½ billion. Subsequently, he sent supplemental budget figures to Congress which made substantial additions to his original figure.

The Fiscal Policy

The 80th Congress acted on the 12 major appropriation bills, three supplemental bills, and the earlier deficiency and recission bills.

Since I strongly believe that a sound fiscal policy by the Federal Government is essential if we are to carry out our obligations at home and abroad, I wish to devote some time to this subject.

Our state has not yet celebrated its centennial as a member of the Federal Union. A hundred years is not a long time in the history of civilization. How much we have grown as a nation can best be understood by reading a paragraph from the third annual message to Congress by President James K. Polk. It was on Dec. 7, 1847 (not quite a century ago) and our nation was then engaged in the Mexican War. The President, Congress and the nation, were all concerned about the expanding national debt! I quote:

"On the first of the present month the amount of the public debt actually incurred, including Treasury Notes, was $45,659,659.40. The public debt due on the 4th of March, 1845, including Treasury Notes, was $17,788,799.62, and consequently the addition made to the public debt since that time is $27,870,859.78."

How far we have come! After fighting World War II, our public debt is now $258 billion. One modern battleship costs $80 million, which is almost double the entire public debt in President Polk's time. A large aircraft carrier of the Midway class costs $100 million or almost three times our total 1847 public debt!

The interest alone on the Federal Public Debt now amounts to approximately $5 billion which is larger than the total peace time cost of the Federal Government in any year prior to 1933.

It is certainly time for the American people to stop, look and listen. In relatively good years we must make reductions. Our past record is good enough to encourage us and poor enough to cause us concern. During the 154 years since 1792 through 1946 we have had 93 years with a net surplus in our Federal Budget and 62 years with a net deficiency.

The budget creates debt when we spend more than we raise in taxes. This has been the situation during each of the past 16 years. In 1930 the debt was $16 billion, in 1940 it had grown to $42 billion and in 1947 it amounts to $258 billion.

First Budget Surplus

On June 30 of this year, the Federal Government had its first budget surplus since 1930. There is every indication that on June 30 of 1948, there will be a substantial surplus. No one is entitled to all of the credit for this condition. Part of it grows out of the expanding tax receipts over and above Treasury estimates. Part of it comes from the reduction of expenses from the very high war time levels and part from the Congressional demands for additional economies. Congress cut the President's "rock bottom" budget of $37½ billion by approximately $3½ billion.

The peacetime cost of government is still too high. I do not believe we can continue to take 20% of our national income in Federal taxes without serious repercussions on our economic system.

In the last full war year, fiscal 1945, government spending passed the $100 billion mark. Down to a figure of $34 billion is a substantial reduction in two years. A

(Continued on page 36)

*An address by Sen. Knowland before the Commonwealth Club, San Francisco, Cal., Aug. 8, 1947.

The Task of World Peace

By JOHN FOSTER DULLES*

U. S. Delegate to United Nations General Assembly

Prominent peace advocate, holding war is now intolerable, points out opposition to it can be successful only as new institutions for coping with international problems develop. Stresses place of United Nations as a moral force to drive nations into following policies of justice, righteousness and concord, and urges improving international procedures within United Nations framework. Holds world government not yet feasible and scores Russia's policy.

This is an inspiring occasion. Here a great company, of many thousands, representing many lands, has been drawn together by a common belief in a God through whose Fatherhood all men are made brothers. But, as we meet here, we do not forget that also in many lands thousands are working feverishly to perfect ways to destroy each other in mass. There is nothing new in such dualism. It has existed since, in the beginning, man ate of the tree of knowledge of good and evil. But never has it seemed so imperative that good should dominate and that ways of peace should supplant the ways of war.

John F. Dulles

War Now an Intolerable Institution

For a long time war has been an accepted institution. Crude and unchristian though it was, it did some things which had to be done. It was the way of international change and there was no other way. By war great empires rose and fell and the map of the world underwent constant change. That was not a good way. But, on balance, men created more than they destroyed. A new civilization *did* develop on the ruins of Greece and Rome, and the world's population *did* multiply and enjoy greatly increased wellbeing.

It seems, however, that war and civilization can no longer go on together. Under modern conditions, war destroys more than peace can create. Efforts are being made to outlaw some of the new weapons. But science makes possible destruction so vast by means so varied that it is unlikely that war will again be a socially tolerable institution. That probably is a final verdict.

Peaceful Change the Alternative to War

That war is intolerable is a first conclusion. But that, alone, is not enough. If an institution plays, even though badly, an inevitable role, you cannot simply abolish it. You must put something in its place. Even those who hate war the most see how impossible it would be to cancel out all of the political changes wrought by past wars and restore the international position of 500 years ago or 100 years ago or even 50 years ago.

There must be either a peaceful way of change or a violent way of change. In a living world that is inexorable law. The Kellogg-Briand Pact sought merely to abolish war. That will never work. The task is not negative, but positive. It calls for constructive action. Men must develop peaceful ways whereby the international position can be kept in reasonable accord with preponderant human wills.

Moral Power Adequate for Peace

Moral power is quite capable of assuming control of the situation. It can be the most powerful force in the world. That is not a mere pious hope. It is the judgment of every realist throughout history. It was Napoleon who said that "in war, moral considerations make up three-fourths of the game." It was Admiral Mahan who said that physical force was useful only "to give moral ideas time to take root."

President Wilson, *after* the beginning of World War I, and President Roosevelt *after* the beginning of World War II, did much to consolidate and marshal world sentiment to insure Germany's defeat. They did that through great statements of aims, such as the Fourteen Points and the Atlantic Charter, which appealed to the moral conscience of the world. Thereby they became great war Presidents. But, as I have said elsewhere and now say again, we want no more great war Presidents. The world demands leadership which will frame issues and organize moral power, not to win war, but to win peace.

It may be said that in time of war the moral issues seem clearer than they really are, that there is an exaggerated sense of self-righteousness, that the need of discipline and sacrifice then provides a spectacular occasion for displaying the weight of moral power and that war provides more exciting possibilities of change than does peace. All of that may be true. Even so, it does not disprove our estimate of the power of moral force. It only proves that, in war, there is an alert and effective use, perhaps misuse, of moral power. By contrast, during peace, the moral issues usually seem blurred and moral forces are quiescent or so confused and divided as to be impotent. It seems as though war had a near monopoly of moral fervor and that little remains wherewith to mold the peace. It is that that must be changed. The world will never have peace so long as men reserve, for war, the finest human qualities. Peace, no less than war, requires idealism and self-sacrifice and a righteous and dynamic faith.

The United Nations as Moral Mechanism

Men are beginning to find the way to make normal power work during peace to preserve peace. The present United Nations organization is designed for that, largely as a result of Christian effort.

When President Roosevelt and Prime Minister Churchill met in the Summer of 1941 to define their peace aims they failed to include world organization as a peace goal. So the Atlantic Charter was silent on this subject. It was the Christian churches which then struck the first strong blow for world organization. Working in unison, in the United States and in other free countries, they built up sentiment to make good this grave omission. It took a little more than two years. Then the Foreign Ministers of the Big Three announced

(Continued on page 37)

*An address by Mr. Dulles before the World Convention of the Churches of Christ, Buffalo, N.Y., Aug. 6, 1947. The address was prepared prior to Mr. Dulles' designation as U. S. Delegate to the next Assembly of the United Nations and represents personal, not official, views.

Bridgeport and Socialism

By ROGER W. BABSON

Mr. Babson describes prosperity of Bridgeport, Conn., as typical manufacturing center in New England and elsewhere. Praises Socialist Mayor of Bridgeport, and expresses optimism "for many Bridgeports," but warns of a day of reckoning unless we think more of other people and get out of debt.

I wanted to visit some typical New England City to learn how its people are feeling. As Bridgeport perhaps suffered most through the depression of the Thirties and then—according to Newton's Law of Action and Reaction—prospered most later during World War II, I am writing from that place.

Roger Babson

A Typical City

Bridgeport is a city of about 150,000 people. These people have had a reputation as being radical and for many years have elected a socialist mayor. He, however, tried hard to be fair and has had the vote of many conservative people. At one time Bridgeport was the only city in New England with a socialistic government.

During the recent war these people prospered greatly. Not only is this a large center for small machinery and tools of all kinds, but it makes guns and ammunition even in peace times. Hence, it was and is a war city. The conversion to peacetime products was difficult and much unemployment was forecasted for 1946 and 1947, but this has not come about. Bridgeport continues to be prosperous. Certainly if this applies to Bridgeport, it should apply to most manufacturing centers in New England and elsewhere.

What About Business?

The truth is that the entire United States—as President Truman has recently pointed out—is at an all-time high. We have more employment and greater sales today than ever before in our history. The only disappointed people seem to be those of some summer resorts who had planned on a record year which has not occurred. Too many people seem to be economizing during vacations. They take only a $20 bill and one suit of clothes and change neither during the trip! This, however, is not a bad sign. These people are saving money for something which will last longer and perhaps give them a little vacation each day of the year.

When the stock market was at a low ebb—some months ago—many readers criticized me for being optimistic during the early months of 1947. They felt that my forecasts for a "good 1947" would be wrong. Each month, however, has confirmed my optimism. The stock market is now at the highest point of the year. Investors who cashed in half of their profits did a safe thing; but the "smart ones" who sold everything are now disappointed bears.

A Bridgeport Story

A Bridgeport socialist, who knew that the United States money in circulation had tripled from $8,000,000,000 in 1940 to over $24,000,000,000 today, asked a local banker: "Why am I not three times as rich now as I was seven years ago?" This interested the banker enough to take a Gallup Poll of the next 100 women leaving his savings bank. He asked each woman how much money she usually carried in her pocketbook before World War II? These women usually replied: "About four or five dollars." He then asked them to count how much they now had as they left the bank after making their weekly deposit. He found that all the women of Bridgeport were averaging 12 to 15 dollars in their pockets—or three times what they formerly carried.

But why do these people vote the socialistic ticket? The answer is because Bridgeport has an honest Mayor Jasper McLevy, who leads the Socialist Party but who truly loves the people. He looks at every boy and girl as if it were his own boy or girl. He has a heart, generous with the poor, enforcing the laws and especially protecting youth. He is more than Mayor of the city; he truly is the loving father of the city and all its people. Let us not think only of money when people talk Socialism. There are many things much more important than money by which cities and people should be judged.

Looking Ahead

I continue to be optimistic for the many "Bridgeports" in the United States, although sometime there will be a day of reckoning for all unless we think more of other people and get out of debt. The next panic will come suddenly "like a bolt from the blue." Although our domestic situation is good, the foreign situation is very bad. There are no prosperous "Bridgeports" in Europe. Communism is very different from Socialism.

With Graham, Parsons

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Ronald M. Coutts has become associated with Graham, Parsons & Co., 135 S. La Salle Street. He was previously with C. F. Childs & Co.

Mutual Funds

By HENRY HUNT

Diversify Thru Mutual Funds

The investor with only five or ten thousand dollars of surplus capital needs proper diversification of risk but seldom obtains it. Far too often he pours his entire savings down a bottomless rat hole. Even if he tries to select sound individual securities, his judgment or the advice of friends frequently proves unsound. Even conservative advice can prove costly. For example, if an investor decided to buy an automobile stock early in 1942, his banker might quite properly have suggested he put his money into General Motors. The result—General Motors advanced barely half as much as one of the leading mutual funds specializing in automobile stocks from 1942 lows to the end of 1946.

Similarly, if an investor is looking for a second-grade bond or a preferred stock that yields 5 or 6%, he might pick a good one—and then again his selection might fall upon the sere and yellow leaf.

However, today the mutual fund business offers such a wide variety of choice that even the investor with but a few thousand dollars can obtain not only the type of securities he wants but also diversification running into hundreds of different issues merely by splitting his capital among a half dozen different funds.

While diversification in itself does not guarantee satisfactory investment results, diversification based on expert selection together with continuous professional supervision of the portfolio should afford better results than the investor can expect to obtain left to his own devices. As an executive of one leading mutual fund puts it: "Diversification adds the priceless ingredient of dependability to the investor's objective."

National Has Three "Balanced" Funds

National Securities & Research Corporation now has the distinction of being the only mutual fund sponsor with three different balanced funds, each with its own investment characteristics, as follows:

Funds—	Approximate Return	Ave. Quality of Portfolio
Institutional series	3%	High
Balanced series	4%	Good
Income series	6%	Medium

Institutional and Balanced Series were brought out recently while **Income Series** has been on the market since 1940. **National's** policy is to keep all three funds fully invested, although the percentage invested in equities will vary from time to time. A great many investors are becoming conscious of the advantages of balanced funds.

Recommended Listening

Abe Burrows' new 15-minute program on the CBS network (Saturdays 10:30 p.m.). Abe is a Hollywood script writer for such shows as Duffy's Tavern, Dinah Shore, and Joan Davis but is much more amusing on his own program on which he plays and sings his own parodies of popular songs. The following Burrows' song titles give you some idea of his style:

"I Was Wandering Down Memory Lane Without a Damned Thing on My Mind."

"If You Were the Only Girl in the World and I Were the Only Boy—But Right Now Just Let Me Alone."

He also sings:

"Oh, How We Danced on the Night We Were Wed—I Needed a Wife Like a Hole in the Head."

"I Got a Gal in Calico—All She Wants Is a Mink."

The Trustee's Dilemma

Under the above caption, **"Keynotes,"** published by the **Keystone Company of Boston,** comments as follows: "In 1934, the trustee responsible for $100,000 of capital invested it in high-grade bonds and obtained a yield of 5%—or $5,000 income for the trust. Today that same $100,000 invested in high-grade bonds would produce only 2½%, or approximately $2,500.

"Worse still, because of the rise in the cost of living each of these income dollars has shrunk to about $0.66.

"In purchasing power, therefore, the $5,000 income of 1934 has been reduced to approximately $1,600 by these combined factors.

"Under these conditions the trustee, who is responsible for producing satisfactory income for institutional or individual beneficiaries, is caught between the upper and nether millstones of declining dollar income and higher costs.

"An increasing number of trustees has solved this problem by placing a part, if not all of the funds in other classes of bonds, preferred stocks, and common stocks which produce a rate of return larger than that obtainable on highest-grade bonds.

"Reduction of the risk factor can be achieved by wide diversification, careful selection and intensive supervision of the securities. These functions can be performed most efficiently by a professional research organization staffed by men who are specialists in the various phases of investment analysis."

Distributors Group's Choice

In the current **"Investment Report"** of **Group Securities,** the following industry groups are favored: "The classes representing the "heavy" industries—Electrical Equipment, Industrial Machinery, Railroad Equipment, Steel, continue to be substantially undervalued. Aviation Shares and Railroad Stock Shares, both decidedly out of public favor at this time, appear to us at bargain levels for long-term investment. Automobile Shares and Petroleum Shares are also highly favored."

Lord, Abbett Borrows Another Million

Affiliated Fund, Inc., one of **Lord, Abbett's** funds, took down an additional $1,000,000 under the terms of its Loan Agreement. This money is being borrowed at 2% per annum and is now being invested in common stocks.

Late in May, when the Dow-Jones Industrial Average was around 165, Affiliated Fund borrowed $1,000,000 and bought equities with the money.

Putnam Portfolio Changes

During the month of July, net assets of **George Putnam Fund** rose from $20,860,000 to $21,730,000.

Common stock purchases included additions to their holdings of Commercial Solvents, Decca Records, Douglas Aircraft, Homestake Mining, and Hooker Electric.

Reports Britain's Output Hits New High Despite Crisis

British Information Services says increased industrial production in Great Britain since 1938 compares favorably with that of any other country.

Newly published figures of British production in June, says the British Information Services, highlight the remarkable upsurge in Britain's industrial output. Production of steel reached a record annual rate. Car production is higher than before the war. Truck production is much higher and merchant shipping under construction in Britain is more than half the shipping under construction throughout the entire world.

Britain does not publish an over-all production index, as many countries do, but a well-known financial weekly, the London "Economist," last week estimated that the aggregate output of the British community today is from 10 to 20% higher in volume than it was in 1938.

This means that the increased industrial production in Britain since 1938 will bear comparison with any country in the world.

Of the latest figures of industrial production, those of steel output are probably the most significant. A record annual rate was reached in June of 13.2 million tons. This was 127% of the 1938 rate and 120% of the rate at the end of the war.

Car production in June was 103% of the 1938 figure. Truck production was 171%. Merchant shipping under construction was 238% of the 1938 figure.

Coal production is, of course, still below prewar output. Production for the first six months of this year was at an average rate of 86% of the 1938 figure. The number of workers was 715,000 as against 782,000 in 1938; the output per manshift was, therefore, not greatly reduced.

Consumption of coal in Britain has continued at almost prewar levels. This has been possible only through the curtailment of coal exports. The generation of gas and electricity has made heavy demands on coal supplies. In January this year gas generated was 161% of the monthly average in 1938 and electricity was actually 239% of the prewar level. Production in the summer months, always down, is still 127% higher than the prewar average for gas and 162% for electricity.

The most important drop in production is in the cotton mills. In May the production of cotton yarn was still only 55% of the prewar rate. This was due to the transfer from textiles to war industries during the war. However there is a gradual increase in the number of workers and production is rising. The output of rayon yarn meanwhile is already 122% higher than in 1937.

The figures of Britain's manpower need to be examined if the full significance of Britain's increased productiveness is to be appreciated. As stated, the "Economist" estimates that the output of the British community is from 10 to 20% higher than in 1938. But the number of men and women in civilian employment is only 1 to 2% higher than in 1938. These workers include a very much higher percentage of women and older men than in 1938. Britain still has some 1,300,000 men under arms, as against 480,000 before the war and the ranks of civilian employment are kept full only because of the willingness of women and of many older men to respond to the government's appeals for labor. Unemployment has virtually disappeared.

Many people find it difficult to understand why Britain should be in the middle of a first-class economic crisis if her production is in such a healthy condition. The answer is that the war left Britain stripped of enormous foreign assets and owing huge war debts.

Before the war, Britain could comfortably get by on actual physical exports amounting to only one-half of her actual physical imports. The other half was made good by "invisible" exports—in other words, by the income from foreign investments and by payment for services such as shipping and insurance.

Now, if Britain is to import as much as she did she must export, in actual goods, 75% more than her prewar figure. Thus her crisis is due not to any lack of effort or sacrifice, tired though the British people are, but to the enormously bigger production needed.

Wants Labor Day Dedicated to Repeal of Taft-Hartley Act

William Green, President of AFL, calls upon members to carry on unrelenting campaign to defeat Congressmen who voted for law. Sees present prosperity based on temporary factors.

William Green, President of the American Federation issued the following Labor Day message, through the medium of the Weekly News Service of the organization:

William Green

This year Labor Day finds the nation's workers existing under the ominous shadow of the most oppressive anti-labor law ever enacted by Congress.

There can be no real hope of future progress and the enjoyment of the free, American way of life for the wage-earners of our country while the Taft-Hartley Act remains on the statute books.

As yet, the full impact of this reactionary law has not been felt by labor, but as time goes on its provisions will strifle the growth of organized labor, weaken the trade union movement in our land and make it increasingly difficult for American working men and women to keep their heads above water. The American Federation of Labor does not propose to submit to such oppressive and repressive conditions.

On this Labor Day, I call upon every member of our organization to join in an unrelenting campaign for the repeal of the Taft-Hartley Act.

As true Americans, the members of the American Federation of Labor will rally to meet this challenge. We are determined not to let our freedoms be throttled. We are ready to fight with every legitimate weapon at our command to protect our right to improve working and living conditions for ourselves and our fellow workers. We will not willingly or supinely permit the forces of reaction to capture control of our country.

Let me make this clear. The American Federation of Labor has just begun to fight. We will use our economic strength to the fullest extent to protect the rights of our members in contract negotiations with employers. We will take advantage of every opportunity to challenge the legality of the slave labor law in the courts.

But even such measures are not enough. In the coming year, labor must exert its political strength as never before in history. We must unite to defeat for reelection every member of Congress who voted for this obnoxious law. We must join in electing to our national and State law-making bodies candidates who are truly representative of the will of the people and will not succumb to pressure by the selfish, big-business interests now dominating the 80th Congress.

Only in this way can we bring about the prompt repeal of the Taft-Hartley Act. Only in this way can we succeed in the enactment of social justice legislation which is so acutely needed by the American people, like health insurance, an adequate housing program and a minimum wage measuring up to the standards of health and decency.

Today full employment has become a reality in America. The goal of sixty million jobs has been reached. But this surface prosperity is based upon a number of temporary factors, such as the huge export demand and consumer shortages resulting from the war. Now is the time to build for permanent prosperity in America, a prosperity shared by all of our people, a prosperity which will eliminate poverty and needless human suffering.

This kind of prosperity is within our grasp. It requires the fullest cooperation between free labor and free management, with Government intervention limited to the establishment of minimum standards which will assure decent homes, decent wage floors and decent health conditions for the American people.

In fighting for the repeal of the Taft-Hartley Act, labor is striving for the attainment of these goals.

U. S. Television Stock Placed on Market at $4

Public offering of 75,000 shares of United States Television Manufacturing Corp., $4 par value 5% cumulative convertible preferred stock, was made Aug. 19 by Willis E. Burnside & Co., Inc., and Mercer Hicks & Co. at $4 per share. Net proceeds are to be used for general corporate purposes as additional working capital. The stock is convertible into common stock on a share-for-share basis until June 30, 1948, and at slightly lower rates for four years thereafter, when conversion privilege expires.

United States Television has concentrated on "big picture" projection television sets which are adapted to larger audiences than the smaller table or console models and which find a receptive market in larger homes, clubs, bars, grills and other places where large numbers of people congregate. It also recently began to produce and sell "direct-view" sets for regular home use. The 10-inch "direct-view" console television set including automatic phonograph and FM, AM and short-wave radio, sells for $895, tax included.

Annual dividend requirements for the entire issue of preferred are $15,000 per year. Net profit for the first four months of 1947 was $107,937. Sales of television sets have increased almost every month since post-war deliveries commenced in September, 1946. In May, 150 sets were sold with gross sales receipts of $212,192, against 81 sets in April.

World Bank and Fund Become Agencies of UN

Despite Russian opposition, Economic and Social Council votes 13 to 3 that the two independent organizations be included in UN set-up. Norway also objects.

The United Nations Economic and Social Council, on Aug. 16, by a vote of 13 to 3, approved a motion which had been recommended last fall by the General Assembly of the United Nations that the Bretton Woods Agreements be accepted and the two international organizations—the International Monetary Fund and the International Bank for Reconstruction and Development — be brought into relationship with the United Nations as specialized agencies. Alexander P. Morosov, delegate to the Economic and Social Council from the Soviet Union, led the fight in opposition to the proposal, maintaining that because the two organizations were not subject to the provisions of the United Nations Charter, and the United Nations had no control over their budgets or veto on their actions, they could not be made a part of the UN set-up under Article 4 of the Charter. Russia, although having attended the Bretton Woods Conference and signed the Agreements, has not yet become a member of either the World Bank or the International Fund.

The Norwegian delegate, Finn Moe, supported the Russian delegate's contention that the admittance of the Bank and the Fund would violate the UN Charter and would lead to a lack of coordination within the Economic and Social Council. He objected to the independent status of the Bank and the Fund and expressed the belief that, to admit them, would mean that the United Nations would be faced with similar demands for recognition by other international agencies. Mr. Willard L. Thorp, the United States delegate, who defended the motion, argued that the two financial institutions were in a special category, were self-supporting and needed an independent status. "The World Bank and the Fund," he said, "must conduct themselves in such a way as to get from the money markets of the world, and not from the UN, funds for reconstruction."

John R. James, Jr. With Marache, Sims

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—John R. James, Jr. has become associated with Marache, Sims & Speer,

John R. James, Jr.

458 South Spring Street, members of the Los Angeles Stock Exchange. Mr. James was formerly Los Angeles Manager for Geyer & Co., Inc. and prior thereto was with Merrill Lynch, Pierce, Fenner & Beane.

Rumania Drastically Devalues Currency

On Aug. 15 it was announced from Bucharest, that the communist-controlled Rumanian Government has devalued the unit of currency, the leu 20,000 times. A contemplated new currency issue is to be accompanied by new regulations governing wages, salaries and prices that is expected to cause the population misery unless additional exchanges of old money for new are authorized quickly or manufacturers are required to advance wage payments within a few days.

On the Rumanian private industrialist, already threatened with bankruptcy, the new regulations will inflict still greater hardships since he must repay his debts in the new currency, not from his current assets but from future production.

Under the new stabilization decree, the monthly wages of industrial workers are to range from 2,525 lei to 14,035 lei a month. In terms of the old money the basic wage rate thus is fixed at from 50,500,000 to 280,700,000 a month. Under the wage law that was in effect until yesterday, wages, in terms of the old currency ranged from 1,331,000 to 7,051,000 a month.

The new order paralyzes Rumania industrially and thus, it is regarded as a move due to Russian influence, to bring about a complete revolution from capitalism to communism in the country.

G. V. Grace Opening

George V. Grace is forming G. V. Grace Co., with offices at 60 Broadway, New York City, to engage in the securities business. Mr. Grace recently has been associated with Mallory, Adee & Co.

Now Proprietorship

SPOKANE, WASH.—Levi F. Austin is now sole proprietor of Edwin Lavigne & Co., Radio Central Building. Mr. Austin had been associated with the firm for some years.

W. P. McDermott & Co.

W. P. McDermott & Co. is engaging in the investment business from offices at 19 Rector Street, New York City. Partners are William P. McDermott and Clarence B. Whitaker. In the past Mr. McDermott was in business under the name of W. P. McDermott & Co., Inc.

Bowles in Rochester

ROCHESTER, N. Y.—George O. Bowles is engaging in a securities business from offices at 31 Gibbs Street.

Canadian Securities

By WILLIAM J. McKAY

At this critical juncture in the history of the British Commonwealth it would appear that undue emphasis is placed on plans to rehabilitate the war-ravaged economy of the British Isles.

Without detracting from the importance of maintaining the uninterrupted functioning of this essential world-cog it is now urgently necessary to aim beyond a patching-up program. Although the current U. S.-British financial parleys are of vital direct concern to the other members of the British Commonwealth, their independent views so far have not been officially stated. However, a recent Australian indication of outlook appears to contain the elements of a constructive solution directed toward the rebuilding of the structure of the British Commonwealth as a whole rather than to concentrate alone on the underpinning of the economic fabric of the Mother Country. It has long been self-evident that the natural resources of the British Isles are inadequate to support the existing population. On the other hand, the British Dominions, with their tremendous wealth of unexploited resources, are woefully underpopulated. Thus the ambitious immigration scheme now put forward by Australia can very well prove to be an important milestone in the evolution of the British Commonwealth. There have been spasmodic efforts in the same direction in the past, but concerted action has so far been entirely lacking in the absence of impelling economic necessity.

Faced now with a situation unprecedented in British history, nothing short of heroic measures will suffice. As the senior Dominion in the British community of nations, Canada is in a position to take the lead in proposing a far-reaching plan for the absorption by the various Dominions of the redundant population of the British Isles. Such a scheme would be complementary to the Marshall Plan and its implementation would not run counter to various foreign interests and aspirations such as in the case of the proposed plans to restore German industry.

In formulating such a scheme it would be necessary for Britain and all the Dominions to act in concert with this country, and it could logically be considered as an important extension of the Marshall Plan. Moreover, it would constitute a tremendous contribution to the principle of self-help as the immense total resources of the British Commonwealth would be added to the European pool.

The negotiating power of the British-European group would thus be enormously strengthened and in exchange for American financial aid there would be vastly increased scope for adequate eventual compensation. Furthermore, any program of development of Canada's natural wealth and the establishment of new industries in the Dominion could not be successfully undertaken without the assistance of this country. As a result, not only would Canadian trade with this country be still further stimulated, but arising out of the necessarily detailed U. S.-Dominion discussions it is also likely that many burning tariff issues would also be happily settled.

Canada therefore now has a unique opportunity to live up to her reputation as the connecting-link between this country and the British Commonwealth and no country in the British group of nations is better fitted to interpret here the British viewpoint.

During the week the external section of the securities market continued to ease although offerings were on a small scale. Following a slight decline in free funds, the internals were also marked down, but the turnover was negligible. The strong rumor from London of an imminent rise in the price of gold to $50 an ounce caused a sharp flurry in gold stocks. Its denial led to a subsequent reaction, but prices continued to be well maintained as a result of continued speculative support.

SEC Preparing Return To Washington in Nov.

PHILADELPHIA, PA.—Transfer of the Securities and Exchange Commission back to Washington will begin November 1 and December 1, according to the best estimates the Public Buildings Administration in Washington can make at this time and may be subject to either advancement or postponement. The Agency was moved to Philadelphia in March 1942 to make room in the capital for the numerous wartime government departments.

The SEC said it had organized a housing committee to assist employees in obtaining accommodations in the capital and declared that every effort will be made by the personnel office to place in other government agencies those employees who are not willing or able to transfer with the commission.

Gromyko Accuses U. S. of Crudest Interference In Greece

In debate before UN Security Council, says setting up a Balkan Border Commission is incompatible with sovereignty of states and principles of United Nations.

In a debate on the Balkan situation on Aug. 14, Andrei Gromyko, Soviet delegate to the Security Council of the United Nations, in opposing a resolution of the United States to set up a permanent border commission to maintain peace between Greece and the Balkan States, and as a rebuttal to the statement of Herschel Johnson, U. S. Delegate, accused the U. S. (See last weeks "Chronicle," p. 2), of direct interference with the internal affairs of Greece.

Andrei Gromyko

"The crudest interference in the internal affairs of Greece comes from the United States at the present time" said Gromyko. "Should one be astonished, therefore, that instead of removing the real causes of the grave internal situation in Greece, and of the tension in the relations between Greece and its neighbors, the representative of the United States has endeavored through all means to arrive at a decision which has no relation to the question of removing the real causes of the present situation in Greece? Such attempts were aimed, as is known, at the creation of a commission which would undertake tasks and functions which cannot be justified in any case, neither by the situation on the northern borders of Greece, nor by the Charter of the United Nations."

Continuing his attack, Mr. Gromyko said: "Can one agree with a proposal for setting up the institution of border observers who would be at the disposal of the commission? One cannot agree with such a proposal, for such a proposal is incompatible with the sovereignty of the states and with the principles of the United Nations, which were set up for the purpose of guarding the independence and the sovereign rights of its Members. One cannot doubt for a moment that the creation of the institution of border observers would only create new and additional complications in the relations between these states.

"These border observers would have nothing to do on the territory of Albania, Bulgaria and Yugoslavia, for the provocation with relation to these border incidents comes from the Greek side. In order to avoid the repetition of incidents in the future, the Security Council should make a strict recommendation to the present Greek Government—and this was the proposal of the Soviet Union delegation. Therefore, we do have a simple, efficient, legally justified and called-for means to ensure the prevention of the repetition of incidents in the future, which would be in the interests of the United Nations as a whole as well as in the interests of the directly concerned Balkan States."

Holds U. S. Production Rate At New High

Commerce Department estimates output at $226 billions, but says higher prices account for large part of increased value. Sees continuation of increase in corporate profits.

In terms of current dollars, the rate of production in the United States is at a new high, exceeding by $4 billion the wartime peak of $222 billion reached in the first quarter of 1945, according to second quarter estimates released today by the Department of Commerce.

The gross national product, which measures the market value of the output of goods and services produced by the nation, reached an annual rate of $226 billion in the second quarter of 1947, representing an increase of $3.8 billion over the first quarter of 1947 and of $7.4 billion over the last quarter of 1946. While production levels continued to rise, the quarterly rate of growth has slackened compared with 1946.

To a considerable extent, higher postwar prices account for the new high dollar values. The physical volume of production remains below the wartime peak though it is far above prewar levels, the Department said.

In both quarters of 1947, personal consumption expenditures rose moderately with durable goods, non-durables and services all sharing in the expansion. Personal income was being spent at the rate of $159 billion in the second quarter of 1947 as compared with $156.8 billion in the first quarter and $154.9 billion in the last quarter of 1946.

As contrasted with the rapid inventory accumulation in 1946, a noticeable slackening took place in the first quarter of 1947. This was further accentuated in the second quarter. Measured in current prices, the net increase in the second quarter amounted to $1.5 billion as compared with the $2.7 in the first quarter and with the peak rate of about $5.4 billion in the last quarter of 1946.

Purchases of producers' durable equipment increased during the first half of 1947 but not enough to take up the slack in the inventory accumulation. Domestic investment in new construction fell to an annual rate of $9.5 billion in the second quarter after reaching a $10.3 billion rate in the first quarter. The net result of these changes in business inventories, producers' durables, and construction was a decline in gross private investment in both quarters.

This decline was more than offset by increases of net sales to foreigners. In the first quarter of 1947 these sales abroad were at an annual rate of $9.2 billion and rose to $10.6 in the second quarter which was more than twice the value of the last quarter of 1946.

Government purchases of goods and services in the first half of 1947 were below the levels of 1946 although a slight rise was registered in the second quarter over the first quarter of 1947. This rise was due to continued expansion of State and local expenditures as a result of higher costs and some increases in construction.

The flow of income has been maintained at high levels thus far in 1947. Wages and salaries increased moderately in each quarter with private payrolls more than compensating reduction in government employment. Increases in average hourly earnings contributed to the increase in payrolls, of which a large part was concentrated in durable goods manufacturing.

With the rise in volume and value of business, first quarter profits of both corporate and unincorporated enterprises increased as compared with the last quarter of 1946. Proprietors' and rental income as well as net interest remained stable in the second quarter. Data on corporate profits in that period are as yet fragmentary.

Personal tax and non-tax payments rose slightly in each quarter, but the rise was less than the increase in personal income so that disposable personal income continued to go up. The increase in disposable income was modest and failed to keep pace with the growth in personal consumption expenditures. Personal saving was accordingly reduced from an annual rate of $13.1 billion in the fourth quarter of 1946 to $12.6 billion in the first quarter and $11.0 billion in the second quarter of 1947.

Fuller details on the second quarter estimates will be found in the August issue of the Survey of Current Business, official publication of the Department.

Syndicate Offers Potomac Electric Pfd.

Dillon, Read & Co. Inc. which won an issue of 140,000 shares of preferred stock ($50 par) of the Potomac Electric Power Co. on August 13 on a bid of $51.75 a share and a 3.60% dividend, head an investment banking group which are offering the shares in exchange for the 5½ and 6% preferred stocks of the company, outstanding in the amount of 70,000 shares.

The exchange offer, which is two new preferred shares for each share of the old preferred with cash adjustment, will expire Aug. 26.

Proceeds from the sale of any of the new preferred shares not taken in the exchange will be used to pay off any unexchanged shares of the old stock, which have been called for redemption on Sept. 1 at $107 a share.

The issue of the new stock, which is on a cumulative dividend basis, and the retirement of the old preferred issues, is part of a refinancing plan to simplify the capital structure of the company. As part of this plan, the outstanding 90,000 common shares, all of which are owned by Washington Ry. & Electric Co., have been reclassified and converted into 85,000 shares of new preferred stock and 2,961,250 shares of new common stock.

After completion of the financing the company's authorized capitalization will consist of 400,000 new preferred shares and 5,500,000 new common shares, of which 225,000 preferred and 2,961,250 common shares will be outstanding.

Upon liquidation and dissolution of Washington Ry., stockholders of that company will receive in exchange for their security holdings the 85,000 new preferred and the 2,961,250 common shares of Potomac Electric Power.

Walston, Hoffman to Admit Wm. Driscoll

SAN FRANCISCO, CALIF.—William V. Driscoll, member of the New York Stock Exchange, will be admitted to partnership in Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Driscoll, who has recently been doing business as an individual floor broker and prior thereto was a partner in Edward P. Field & Co., will make his headquarters in New York City.

Michael Cosgrove Opens

JAMAICA, N. Y.—Michael Cosgrove is engaging in an investment business from offices at 8230 167th Street.

International Monetary Fund Financial Report

Camille Gutt, Managing Director issues first quarterly report showing assets of over $6½ billions as of May 31. Gold held reported as slightly more than $1 1/3 billions, the remainder held in members' currencies. France and Netherlands granted advances.

On Aug. 13, Camille Gutt, Managing Director of the International Monetary Fund, and C. M. Powell, its Comptroller, jointly released a statement showing the balance sheet of the organization as of May 31, in values expressed in U. S. dollars on the basis of the established parities. These parities are not regarded as permanent and are likely to be altered in some cases, in view of devaluations to be made in a number of members' currencies. The detailed holdings of member nations' currencies indicates that $25 millions were made available to France and $12 millions to Holland while the holdings of U. S. dollars were reduced over $31 millions since March 1. No currency was bought or sold against gold.

The complete statement follows:

INTERNATIONAL MONETARY FUND

BALANCE SHEET, MAY 31, 1947

(Values expressed in U. S. Dollars on basis of established parities)

ASSETS—	*U. S. Dollars*
Gold—38,096,326.875 Fine Oz. (U. S. $35.00 per oz.)	$1,333,371,440.63
Balances with Depositories †	812,847,556.03
Members' Non-Negotiable Non-Interest Bearing Securities Payable at Face Value on Demand †	4,372,245,998.06
Unpaid Balance of Subscriptions of Members Whose Par Values Have Been Established	22,714,252.18
Unpaid Balance of Subscriptions of Members Whose Par Values Have Not Been Established	1,178,882,100.00
Miscellaneous	113,128.15
Total Assets	$7,720,174,475.05
LIABILITIES—	
Capital:	
Members' Authorized Subscriptions	$7,721,500,000.00
Less Excess of Expenditures Over Income From Inception to May 31, 1947	1,415,120.26
Net Capital	$7,720,084,879.74
Miscellaneous	89,595.31
Total Liabilities	$7,720,174,475.05

† NOTE—For details see Holdings of Currencies.

HOLDINGS OF CURRENCIES

(Including Non-negotiable Non-interest Bearing Notes)

As at May 31, 1947

(In Millions of Units)

Country & Currency—	Amount	U. S. Dollar Equivalent	Net Change —Since March 1, 1947— Currency	U. S. Dollar Equivalent
Belgium (francs)	7,395.86	168.75	------	------
Bolivia		*		
Brazil		*		
Canada (dollars)	225.00	225.00	------	------
Chile (pesos)	1,274.49	41.11	------	------
China	*			
Colombia (pesos)	65.62	37.50	------	------
Costa Rica (colones)	26.23	4.67	------	------
Cuba (pesos)	37.50	37.50	------	------
Czechoslovakia (koruny)	6,177.58	123.55	------	------
Denmark (kroner)	299.82	62.47	------	------
Dominican Republic	*			
Ecuador (sucres)	50.62	3.75	------	------
Egypt (pounds)	9.55	39.47	------	------
El Salvador (colones)	4.69	1.87	------	------
Ethiopia (E. dollars)	14.87	5.99	------	------
France (francs)	56,030.43	470.42	+2,977.68	+25.00
Greece	*			
Guatemala (quetzales)	3.75	3.75	------	------
Honduras	*			
Iceland (kronur)	4.87	0.75	------	------
India (rupees)	1,232.34	372.47	------	------
Iran (rials)	604.56	18.75	------	------
Iraq (dinars)	1.98	8.00	------	------
Italy	*			
Lebanon	*			
Luxembourg (francs)	423.99	9.68	------	------
Mexico (pesos)	327.71	67.50	------	------
Netherlands (guilders)	579.10	218.29	+ 31.95	+12.05
Nicaragua (cordobas)	7.50	1.50	------	------
Norway (kroner)	186.10	37.50	------	------
Panama (balboas)	0.04	0.04	------	------
Paraguay (guaranies)	4.63	1.50	------	------
Peru (soles)	142.01	21.85	------	------
Philippines (pesos)	22.50	11.25	------	------
Poland	*			
Syria	*			
Turkey	*			
Union of South Africa (pounds)	18.61	74.99	------	------
United Kingdom (£)	268.84	1,083.44	— 1.50	— 6.05
United States (dollars)	2,030.28	2,030.28	— 31.58	—31.58
Uruguay	*			
Venezuela (bolivares)	5.02	1.50	------	------
Yugoslavia	*			
Total		5,185.09		

*Subscriptions have not been received from these members because with two exceptions (Bolivia and Honduras) no par values have yet been agreed, either because of postponement at a member's request, or because admission to membership has been too recent. In the cases of Bolivia and Honduras, certain legal points are outstanding.

INTERNATIONAL MONETARY FUND

SUMMARY OF TRANSACTIONS

March 1, 1947, to May 31, 1947

	Amount in Currency	U. S. Dollar Equivalent
Exchange Transactions—		
Currency Sold:		
U. S. Dollars	31,000,000.00	31,000,000.00
Pounds Sterling	1,500,000-0-0	6,045,000.00
		37,045,000.00
Currency Bought:		
French Francs	2,977,675,000.00	25,000,000.00
Netherlands Guilders	31,953,601.94	12,045,000.00
		37,045,000.00
Gold Transactions:		
Currency Sold Against Gold (Nil)		
Currency Bought Against Gold (Nil)		

Elbow Room for the Railroads

(Continued from first page)

other industries in the legal requirements imposed upon them for retirement and pensions for their employees.

Our railroads did a magnificent job of transportation during World War II. That performance involved wear and tear which leaves them in severe problem of improving right of way and equipment. There have been since the close of the War some increases in railroad wages, and there have been balancing increases in railroad rates for both freight and passengers. Investors have for a long time watched the relation between gross income of railroads and total labor cost and have found that the railroads are in reasonably good financial position for current operation if wages do not exceed 45% of gross. In many, if not all, of the railroads the increase in wages some months ago sent the percentage of total wages up to 55% of gross income. The recent increase in freight rates has brought the percentage back again toward the long term normal of 45%. This percentage at least, in the interests of safety and advancement, must be maintained.

We in the United States are not without our problem of reconstructing our industrial and transportation plants. It is true we did not suffer the destruction that occurred during the War in other countries, but if we are to have in the future the services which our engineers can provide, they and other technical men must be supplied with the capital which makes possible the development which our future public welfare demands. This necessity for rebuilding has been recognized in many industries, and plans for its realization and for obtaining the necessary capital are well underway. American Telephone and Telegraph, for example, will spend during the current two years in excess of $2 billions for improvement of its plant and services. Electric light and power companies estimate that during the next three years they will need for a like purpose upwards of $4½ billions. These large sums will be expended not for maintenance and repairs but for real expansion and improvement.

Needed Plans of Reconstruction

Hasn't the time come for the railroads to make similar sweeping plans involving reconstruction in the interest of efficiency and safety, new equipment and the inventions science has made available which are not yet in use? It would not be necessary to get all the needed funds from current income. As in the case of the Telephone Company and the power companies, the railroads would get much of the capital needed for a great program of expansion and improvement from investors, if railroad income now and for the future reasonably justifies such investment. Like the Telephone Company and the power companies, the railroads are not free as are other industries to fix rates or prices as high as the consumers and competition permit. They must secure approval of their rates from public regulating and rate making bodies. The Telephone Company and the power companies are in better position than the railroads however, because to a very great extent they are monopolies in the area in which they serve. Rates can therefore be fixed for each of them in accordance with its actual financial position including property values, income, expenditures and resulting earnings. In the case of the railroads there is competition among several carriers in the same general area and like rates must be fixed for all. This means that railroad rate making is more difficult because what is a reasonable rate for the average carrier may produce an excessive net income for the exceptional road.

We had the same problem after World War I. For many years the Interstate Commerce Commission had been setting aside unreasonable railroad rates and fixing reasonable rates. The approach of the Commission had been to bring down railroad rates to what was regarded as reasonable in the interest of shippers. Congress in the Transportation Act of 1920 courageously and definitely ordered the Commission from that time on to make railroad rates reasonable for the carriers as well as the shippers. That Act declared that the Commission's railroad rates should be such as to permit the carriers to "earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property."

To avoid the windfall that would result to a few roads, Congress in that same Act provided that where any railroad earned more than 6% on the value of its property the excess should be held in a special fund to be used for railroad improvements generally. These were statesmenlike enactments intended to strengthen railroad management in the hands of private owners. They were intended to be the foundation upon which private management could enlarge railroad "facilities in order to provide the people of the United States with adequate transportation."

This program failed for reasons that cannot be explained here. The Interstate Commerce Commission did not make rates adequate, and the recapture of excess earnings was abandoned.

Congress Should Act

It has been said that prosperity is assured to the nation within which men and goods move about quickly. We have the best railroads in the world, and their services are available at the lowest rates. The people of this country and their business demand adequate transportation, and they are prepared to pay for such transportation an adequate rate. Congress should again declare a public policy with respect to railroads that will make it possible for them to obtain the capital to undertake at once the great program of expansion and improvement which they need.

After all, the railroads are not asking for public funds out of our already over-burdened Treasury. If permitted, they are prepared to finance themselves from private investment sources. They cannot do that if the railroad managers are compelled to go on from day to day bearing heavy burdens of state and Federal taxation, heavier burdens for wages and pensions and constant disputes with labor leaders seeking higher wages and with rate making bodies reluctant, for political reasons, to permit increased rates. Unquestionably, the railroads need financial elbowroom.

If we do not deal with this problem in a practical way and soon, we may again see the day when the public welfare, or indeed the very existence, of this country may be threatened by railroad inability to meet future emergencies. That, if it happens, will be due to our failure to provide the railroads of today with the financial means of fitting themselves for their problems of tomorrow.

With Holton, Hull & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Elmer E. White has become affiliated with Holton, Hull & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

Securities Salesman's Corner

By JOHN DUTTON

THE SEC IS UNDERMINING THE SECURITIES BUSINESS

(Continued from page 3)

the laws should be emphatically enforced. But broad bureaucratic grants of POWER such as are inherent in the Securities Acts are subject to abuses that are potentially inimical to freedom and our traditional American system of free enterprise. Just imagine for example, what a fine kettle of fish we would have if by chance a Henry Wallace headed up the SEC. It could happen you know . . . he almost made the presidency. That is the real danger in these things. Our government was never intended to be handed over to men, good, bad or indifferent, with the power TO MAKE LAW, JUDGE LAW, AND ENFORCE IT. That is why we have a Congress, an Executive and a system of courts.

Someday these reactionary, alien ideas of bureaucratic statism that were imported by Roosevelt will all have to be discarded anyway because they will eventually break down in practice or they will break the economic life of the country. Those SEC Lawyers who today sneak back and forth between one ruling and another while they blandly toss out threats such as "full disclosure rules, etc.," may have to look for other jobs someday. No doubt at the present time they are making a much softer livelihood than the average broker, dealer or security salesman and you can't blame them for wanting to keep it up.

Think twice the next time you hear some apologist for the securities business tell you "Thank God we've got a SEC." Sure if you enjoy doing business in a constant fog of depression; if you don't mind kicking the plaster off the wall at night because you marked up a hundred shares of stock an extra quarter so that you could take home a couple of bucks to mama at the end of the week—you can "Thank God for the SEC." For my part I'll be a heretic!

Anglo-India Interim Financial Agreement Signed

Establishes Indian Sterling assets at £1,160,000,000, of which £35,000,000 becomes available to India at once. Portends larger purchases by India in U. S.

On Aug. 14, the British Government and India signed an interim agreement, to run to Dec. 31, 1947, under which India's sterling assets were fixed at £1,160,000,000, with provision that £35,000,000 would be immediately made available for expenditure in any currency. This will permit India to make much needed purchases of food, machinery and other imports in the United States. In addition, another £30,000,000,000 is made available to the Indian Dominions as a working balance to meet temporary shortages arising from making payments abroad. This sum, like the other £35,000,000 could be exchanged into dollars, but must be replaced by sterling before the end of the year. The blocked sterling owned by India can be used outside of India for sterling payments abroad and such other transfers as may be agreed between Great Britain and the two Dominions recently set up in India.

John C. Roberts Joins Walter & Co. Staff

Special to THE FINANCIAL CHRONICLE

DENVER, COLO.—John C. Roberts has become associated with Walter & Co., First National Bank Building. Mr. Roberts was formerly Denver representative for the Broad Street Sales Corp.

Clarence Dorst With M. A. Manley & Co.

Special to THE FINANCIAL CHRONICLE

DETROIT, MICH.—Clarence S. Dorst has become associated with M. A. Manley & Co., Buhl Building, members of the Detroit Stock Exchange. Mr. Dorst was formerly with Stoetzer, Faulkner & Co.

Chaos of Allied German Controls and Reparations

(Continued from first page)

destructive to constructive planning.

I.

The final breakdown at Moscow and Paris of the policy, hitherto pursued, was connected with, but not caused by Russia's reparation demands. At Yalta, Russia had claimed $10 billion, a figure which the United States had accepted as basis for discussion. Great Britain had objected, and after a specially appointed reparation commission had failed, the British arguments against a fixed sum had prevailed at Potsdam. Whilst Russia had not protested then, she had resumed these superseded claims at Moscow.

The basis of the reparation scheme was political rather than financial. Its objectives were:

(1) First and foremost the removal of the German war potential, to prevent another war of aggression.

(2) A rapid handing over of German tools and equipment to secure quick recovery of the victims of Nazi looting.

(3) Payments in capital goods in kind, not in money derived from sales of current production, to avoid the intensification of economic competition, which had resulted from the former reparation settlements, and had contributed largely to the Great Depression.

The plan rested on the assumption that Germany's overwhelming war potential had been the decisive factor in Nazi aggression. Its actual structure was due to President Roosevelt's insistence on unconditional surrender, which had made impossible the formation of a German government. In its absence, the Allies had to administer the country. This led of necessity to his proposal for cutting up Germany. As four powers, with utterly divergent aims could not exercise a condominium, zonal partition was inevitable. The British, foreseeing its dangers, had managed to insert a clause in the Potsdam agreement, which affirmed the economic unity of Germany. It enumerated the several administrative branches, which were to be run on identical lines by each occupying power. But the meaning of economic unity was left vague. Each occupying power was left free to tamper with the economic and political structure of its zone. At the very moment, moreover, when the preservation of German economic unity was agreed upon, the country was split by the establishment of an Eastern and a Western reparation zone. The two zones were not separated by customs barriers; the occupying powers merely held up the regular flow of goods and men across the boundary line. They planned a kind of bulk trading: The Western zone was to send 25% of its removable industrial equipment, not needed for Germany's peace economy, to the Soviets, who were to repay ⅗ths of it in goods.

II.

Poland was given provisionally nearly ⅕th of Germany's pre-war territory as compensation for her losses to Russia. She was permitted to expel within two years the remnant German population from half of East Prussia, nearly half of Brandenburg, three-quarters of Pommerania, the whole of West Prussia and of the two Silesias. There is no sense in harping on the provisional character of this arrangement. The dumping of 8 to 9 million Germans on Western Germany and the settlement of 5 million Poles in their place, cannot be undone by legal reservations.

The Russian zone and the regions provisionally ceded to Poland had been Germany's granary; they contained nearly all the large, intensely farmed estates, which yielded a surplus to the towns. Neither New Poland nor the Russian zone can contribute much to the Western zones. In New Poland a new society has to be built, and it will take years before the former output can be reached. In the Russian zone, the large estates have been cut up and numerous small farmers, many of them without much experience or equipment, have been established on 18 and 20 acre holdings. The Russians have thus been able to settle farmers out of the 3¼ million deportees from Czechoslovakia; they have eradicated the Junker; they have gained the good will of the local proletariat and they have laid the foundation of a communist society. These reforms, rushed through in obedience to a doctrine, and to the exigencies of propaganda, with utter disregard to technical and financial means available for equipping the new, frequently uneconomic farms, resulted inevitably in a severe fall in output. The zone has not been able to send West even a fraction of its former contribution. Its actual deliveries out of the 1946 harvest up to May 1947, have been about 120,000 tons of grain (Germany's yearly prewar consumption was 11 to 12 million tons); about 120,000 tons of potatoes (pre-war consumption between 35 and 40 million tons) 30,000 tons of sugar (pre-war consumption 1.5 million tons). The monthly grain import needs of the two Anglo-Saxon zones are between 300,000 to 400,000 tons, nearly three times the total contribution of the Russian zone.

The Soviets distrust property-minded successful peasant proprietors; they would not worry over the collapse of these small owners. It would furnish an appropriate argument for introducing collective farming which, in the absence of necessary equipment, especially for lack of tractors (Russia has removed 60,000 tractors) would lamentably fail at the present time. The Bolsheviks have not minded the loss of millions of human lives, when they collectivised their own agriculture; they cannot be expected to be more squeamish over Germans who they both hate and fear.

The Russians have removed everything worth while removing from both the regions ceded to Poland and from their own zone. They have realized the appaling waste involved in these operations and have left about two hundred plants, originally scheduled for removal, to work for Russia's account. They are using such surplus as the zone can spare, for exports to hard currency countries, whose payments in goods or currency are not made available to the Western zones. From time to time, they have resumed removals; only lately they have asked for the delivery of two million tons of scrap, the collection of Berlin's share alone involves the labor of about 7,000 men and 140 lorries. They have systematically drawn reparations from current production. A recent German estimate claims, that 6 billion marks out of zone's total income of 8,000,000,000 marks has gone to Russia. At their instigation the local communist colored governments of Anhalt-Saxony and Thuringia have nationalized altogether 185 mining and processing enterprises. In Thuringia it was done without compensation. The Eastern zone is to all purposes becoming a semi-communist state, intimately interwoven with Russia's planned economy. The structural economic unity on which the Western Allies insist, has been split for the time being at least, beyond repair.

III.

Like Soviet Russia, the Western Allies have disregarded the economic unity to which they were pledged; each of them has pursued a more or less independent policy. But, unlike Russia, they have not profited much from it. The United States' and Great Britain's receipts from the confiscation of German shipping and German assets in neutral countries cover but a small fraction of the over £200 million spent on keeping the Germans alive. Their governments hold Russia's drain on the Eastern zones' current production responsible for these poor results. They appeal to the clause in the Potsdam agreement, that current production must be used in the first place for German import needs.

Lack of imports from the Eastern zone and from New Poland, together with world scarcity, have aggravated the situation in the Western zones; but they are not the fundamental causes of its plight. The chaos prevailing in them is due:

(1) To the dumping of 8 or 9 million evacuees and refugees from their lost lands (about ⅕ of Germany) and from the Russian zone.

(2) To war destruction. Though air-raids have by no means destroyed the so-called war potential, they have greatly damaged industries; in many cases, they have missed the plants—for example those of the dyestuff concern—but have made a shamble of the neighboring cities.

(3) To the hold-up of production by getting ready for removal of 740 of the large plants.

(4) To the lack of man-power due to its waste in dismantling and scheduling operations, and to the withholding of one million prisoners of war by the Western powers alone, and perhaps 2 to 3 millions by Russia.

(5) To interference with production by de-Nazification—especially in the United States zone—until General Clay on his own responsibility stopped the trial of 800,000 unimportant Nazis.

(6) To a planned economy, plotted by planning staffs with conflicting views, whose objectives are destructive; the limitation of German output and manipulation of German export. Central planning entrusted to independent decentralized agencies must produce a mix-up in comparison to which even the carricature of "anarcist capitalism" drawn by Socialists looks like divine order.

(7) Currency anarchy caused in part by the war, and in part by the Allied printing press.

(8) Destruction of foreign credit by an indiscriminate confiscation of all external German assets.

Zonal reunion would not make available to the Western zones the resources of New Poland and the Eastern zone. It would not assimilate the latter's social structure to Western patterns, for it is by now so closely adjusted to Russian economic and political needs, that it will contribute little to the West during the critical years. Reunion could not remove the major causes of the paralysis of the Western zones.

For the last two years, Russia usually supported by France, has opposed German reunion. She needed time for the sovietization of her zone. She has now turned round completely, clamors for reunion and poses as champion of German unity. For she wants a vote in the administration of the Ruhr and reparations from its output. A few days ago, she demanded the removel of six major steel plants. She fears the Ruhr's integration into a Western European economic bloc, as a potential arsenal of Western democracy. She is not interested in the recovery of Western Germany. She naturally favors unification now, as it would facilitate communist propaganda in the West, create internal difficulties for the Western Powers, and enable Russia to block all decisions in the West. Even if she were to grant administrative reciprocity in the Eastern zone in return for a vote in the West, the Western powers would be dished. She could always overcome their veto in Eastern affairs by releasing the communist forces she has been organizing. A reunited Germany would be a house divided against itself, as long as the people of the Western zones remain anti-communist, and those in the East become communist. Division has been the aim of French policy since the days of Richelieu. It has not paid in the past and will not pay in the future, for sooner or later, an upsurge of enthusiastic nationalism—communist or not communist—will sweep away the ideological barrier, as it has swept away in the past equally strong religious and dynastic barriers.

IV.

It is quite understandable, that France, proud of her military past, prefers to explain her three defeats by Germany's superior natural resources and mechanical appliances, rather than by her own military shortcomings and political mistakes. It is equally understandable, that the United States who realized the overwhelming support their own armies got from their stupendous war production, could be won over temporarily to this view. It fitted in beautifully with the doctrine, dear to those who blend Liberalism and Leninism, that monopolist capitalism in its last stage is the main cause of all wars, and that its destruction would mean the end of all wars.

In reality, Germany's war potential was extremely vulnerable, as Hitler knew very well when he clamoured for additional living space. He got it by his treaty with Russia and the triumphal march of the German armies over most of Europe. The highly developed German processing war potential which had turned to re-armament, always depended for its successful workings on foreign imports; apart from coal, potash and nitrate, Germany had few of the essential key materials for making war in adequate quantities. An intelligent policy of the Allies could have stopped German rearmament without the slightest risk at any time before 1936. Driveling pacifism was as much responsible for the outbreak of the war as ranting Nazism.

Today, a large part of the German war potential has been lopped off by the Polish-Russian cessions. An overpopulated Western Germany can not feed herself. Her cities are in shambles; both capacity and efficiency of her surviving plants is greatly diminished. Without large scale foreign loans, Germany could never restore the war potential remaining within her borders, even if the armies of occupation were withdrawn tomorrow. She is so dependent on foreign imports, that mere exchange control would suffice to prevent re-armament. The acceptance of the American four power pact (leaving the UN out of account) seems to provide all essentials for security. In these circumstances, it is about time to scrap the economics of fear, stop destructive planning and face realities.

De-Nazification has not done it. One cannot spiritually delouse masses of active Nazis by imprisoning, fining or demoting them. They will not become sturdy democrats when they emerge from prison. The hundred thousands of "incurables" amongst them should have been put into labor batallions and deported. They, not the hapless prisoners of war, should have ended in Siberian concentration camps. It is much more important to prevent the spawning of numerous new Nazis, than to punish every single old one. Nazism originated in the chaos which resulted from the First World War and its aftermath—inflation. The chaos prevailing today in Germany is far worse. It has increased under and through the Allied occupation. It is producing millions of "uprooted," who provide ideal material for a Nazi resurrection, which can be camouflaged as National Communism.

The merger of the two Anglo-Saxon zones and the new decisions about ceilings, forshadowed in the instructions to General Clay, are the first steps towards a realistic policy. But it has not yet turned resolutely from destructive to constructive planning and set targets to German production, instead of imposing ceilings on it. At a time, when the steel output is about 2½ million tons, quarrels over a ceiling of 5.8 or 12 million tons are futile. The Germans should be made to work, not to be given cause to whine. Nor need the Allies who limit output and determine prices dictatorially, worry today about cartels; their controls are far more drastic and efficient than the restrictions and regulations on which cartels used to rely. Nationalization too is not an urgent problem when its effects on output are uncertain. Nationalization of going concerns by businesslike bourgeois governments has frequently shown excellent results; under a Socialist government it might end in the nationalization of losses at the expense of the taxpayer. An efficient nationalization of thoroughly disrupted German industries is moreover beyond the capacity of the fake-democracies which the Allies are setting up in Germany; governments without practical experience in business or politics and without credit, are not equal to it. In any case, it is rather illogical first to weaken these governments by insisting on Federalization, and then to strengthen them by vesting vast economic powers in them. Those who advocate nationalization because they see in highly monopolist capitalism the main cause of war, have yet to prove, that monopolist states are peace-loving. *The Allies need administrative agencies, through which they can rule Germany, not political constitutions.* No constitution will last in a future free Germany, which has been underwritten by Allied bayonets, at a time when political parties had to go in for "protective coloration."

In order to raise output and make the Germans work for their own salvation and for the benefit of the Allies, a few immediate reforms are essential. The Mark must be stabilized. Without a stable mark German peasants will not deliver adequate quotas for the feeding of the towns. But stabilization—plans that have been prepared by United States experts—will have to avoid the complete destruction of debtor's wealth which was caused by the 1924 stabilization. The pauperization resulting from it contributed greatly to the spread of Nazism. A central budget will have to be framed and with the help of foreign loans, balanced materially—not merely formally by ignoring past and future obligations. It will have to include some compensation for the confiscation of German ships, foreign assets and scheduled plants. These enterprises were not the exclusive property of Nazi criminals; their shares and bonds were widely scattered amongst thousands of holders without political influence. If reparation is not to be degraded into mere looting, it must be made a burden of the State and distributed by it on the community.

The Western group, and particularly its smaller members, have so far received next to nothing from the great removal scheme. If they are to get reparations, plants will have to be re-started and worked at top sped. As long as they are under Allied control, the fear that they might be converted to war production is senseless. In a few years they will be obsolescent anyhow. Nothing can be done in Germany today which will not have to be modified tomorrow.

Control, production and reparation can be combined in an interallied holding company, in which the shares of all German enterprises which the Allies want to watch, are pooled. It can direct, and can supervise management and production. This control can later be used for contracting German output whenever world production outruns demand. In time, the company might become the core of a Western Federation of Industries. Decisions on doctrinal economic issues, on which both Allies and Germans are divided, will have to be deferred until Germany once more is a going concern.

The Allies will have to cease chasing the phantom called "the Unity of Europe." It is a purely geographical concept and has never existed in the economic, political or cultural sphere. Parts of Russia and Turkey and of the regions they dominated, have been *in* Europe, but never *of* Europe. Today the unity of Europe is obtainable only by the West's acceptance of communist principles, for Russia and her satellites are not going to be converted to what she calls "Fascism." It is most unfortunate, that the line of separation runs through the heart of Germany, instead of coinciding with the ethnographic frontier of Russia. It has been drawn at Teheran and Yalta by planners who looked backward with fear, not forward with hope. It has been sanctioned at Potsdam and hardened in the last two years by the intelligent use, which the Soviets have made of the opportunity offered to them for turning Eastward their zone's economy. It can only be pushed back, if the Western Allies succeed in making the regions they control attractive to the people living beyond it in the shadow of the Kremlin.

Touche, Niven, Bailey & Smart, Accountants

Touche, Niven, Bailey & Smart forms a partnership effective Sept. 1, with a general accountancy practice formed from the merger of Touche, Niven & Co., Allen R. Smart & Co., and George Bailey & Company. Of nation-wide importance and significance, this new firm will administer its business from 10 coast-to-coast offices in New York, Chicago, Detroit, St. Louis, Pittsburgh, Cleveland, Minneapolis, Los Angeles, Seattle, and Dayton.

The new firm, with its greatly expanded personnel, takes its place as one of the largest service organizations of certified public accountants in the United States. Present clients of each of the firms of the merged partnership will be served through the augmented facilities of the new partnership, under the direction of the same principals.

The oldest of the three firms, Touche, Niven, was founded in 1900; Allen R. Smart in 1922; and George Bailey and Company formed recently in Detroit by Mr. Bailey after more than 30 years with Ernst and Ernst. Bailey is at present Chairman of the Committee on Accounting Procedure of the American Institute of Accountants and is the nominee for President of that Institute for 1948. Individuals of the new firm are serving more than 60 accounts on the national stock exchanges.

Interest Rate Possibilities

(Continued from page 4)

sult of fiscal policy and direction, but also reflected fundamental conditions. Theoretically, the monetary gold supply is the ultimate base for credit, and it is to be recalled the gold supply was increasing during the thirties because of unsettled conditions abroad. On June 30, 1937, the monetary gold supply was a little over $12 billion and by the end of 1942 had reached a high of $22,736,000,000. From that time until May of 1946 there was a decline to slightly in excess of $20 billion. In recent months there has been a slight increase in the monetary gold supply, and as of April 30 the figure was $20.744 billion.

If we use loans in all of the banks in the United States as an indication of the demand for credit we find at the end of 1938 loans were about $21 billion. By the middle of 1946 loans had reached a level of about $31 and a half billion, and at the year end the figure had jumped to over $35 and a half billion, yet during the full 1946 year total deposits adjusted of banks had dropped over $8 billion.

During the period of declining interest rates deficit financing through the banks was causing an almost constant generation of deposits. Now the reverse has been taking place and there has been deflation of commercial bank deposits at a time when the demand for credit is substantially increasing and the supply remaining relatively constant. The point is not one of supply for that is currently adequate to take care of all legitimate credit demands, but rather, in relation to the supply the demand is becoming greater and therefore, on a demand supply relationship basis, there should be pressure for an increase in interest rates. Estimates of credit demand for the next twelve to eighteen months for institutional loans of all types, new capital, security flotations and international loans, have ranged from between $12 to $18 billion dollars. These estimates have been developed on the assumption that inventories needed to be built to the 1939 unit business levels, and to carry the same unit inventory and maintain the same unit volume of production, more dollars would be needed because of the change in price levels. The same reasoning applies to housing and mortgage loans.

Another point to be emphasized in considering probabilities is that many industrial corporations and banks will be sellers of government securities. Most banks are in a fully invested position, and as the demand for credit continues to grow then banks will be sellers of government securities. Much will depend upon the budget policies to be determined by the Congress, and what proportion of, if any—surplus will be earmarked for debt reduction. The government trust funds and other agencies will absorb a substantial amount of the net sales of corporations and banks. If long bonds are available at satisfactory yields life insurance companies may also buy. Also, not to be overlooked, is the absorption power of Savings Bonds sales. For example, during the period April 30, 1946 to April 30, 1947, there was a net increase of about $2.7 billion in Savings Bonds. During the same period special issues increased about $4 billion. On this basis the combination of the two would provide about $6.7 billion of absorption power annually.

Pressure for Higher Rates

In attempting to judge future probabilities one should watch the increase in bank loans, the decrease in government debt, sales of Savings Bonds, and the increases in amounts of special issues. For the time being at least, the gold supply is of only theoretical concern. If by some chance, bank loans should not increase faster than the reduction in bank-held debt and the Treasury were able to retire open market debt through transfer to non-marketable debt, then the tendency would be for rates to decline. However, this does not seem likely. After every war in the past there has been a tremendous demand for goods and credit, and this post-war period appears to be no exception. This fundamental present condition would seem to favor pressure for a rise in interest rates rather than a decline, although over the near term prospects are for no change of consequence.

Should the pressure of events become so great the long term bonds would decline, support would come in at par levels and probably be maintained on a restrictive basis for some time so that all of you should have sufficient time to review conditions at the time and then determine whether or not to sell your long term 2½s. You have had the opportunity for tremendous increases in the mortgage portfolio since the Victory Loan at the end of 1945, and so did not need to buy a large volume of long term governments at high premiums in 1946. It is assumed that your long 2½s are carried at par. It would be unwise to disturb par bonds at this time unless funds are needed for mortgage purposes.

Because of the conclusion reached on long term government bonds it seems reasonable to conclude that on balance the government fiscal policy will make every effort to hold back the effect of those forces which might make for higher interest rates. While conceivably, money market conditions could be adjusted to force a resumption of the long down trend in interest rates which culminated last year, we do not believe, practically speaking, that the government authorities would like to see a further down-trend in interest rates, but rather would prefer continued stability. However, it cannot be overlooked that the forces, which in the earlier period were favorable to the government policy of lower interest rates, have now changed and appear to be working against extremely low rates. On the other hand, it would be foolish for anyone not to recognize the government is powerful enough to dominate the money market.

Keeping in mind the conclusions on government interest rates, and turning to mortgage interest rates, it logically follows that prospects are not for any near term increase in such rates. Furthermore, a very substantial proportion of loans such as the G. I. mortgage loans and the F. H. A. loans carry definite interest limitations. Your problem then, becomes one of attempting to liquidate the lowest yielding earning assets and to replace them with higher yielding assets, as for example, liquidate G. I. per cent loans and to acquire F. H. A. Title II loans when available, on which you do your own servicing, so that you may get a return of 4½%.

Joins Buckley Bros. Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—C. R. Klingensmith has become associated with Buckley Brothers, 530 West Sixth Street. In the past he was with Franklin Wulff & Co., Inc.

Investment Companies Bought in June Quarter

(Continued from page 2)

agers who sold securities during the first quarter were incorrect in their appraisal of the outlook over the next year? Does stock market sentiment which shifted from pessimism to tempered optimism during June determine the course of procedure of the investment managers? Needless to say, as in investment circles generally, there is a lack of unanimity among the heads of investment trusts on the future economic and financial outlook.

Fundamental Investors in its review of economic trends published in the semi-annual report to stockholders explains why a considerable part of liquid funds accumulated at higher levels has been reinvested: "Business is still at boom levels and employment is high. . . . The vast export movement and the volume of holiday expenditures are contributing factors at the moment. . . . Temporarily, at least, certain deflationary forces are at work, with the government withdrawing funds from the economy and the removal of rigid support for short-term government securities. But the underlying inflationary forces, the huge money supply available for individual and corporate use coupled with the need of additional loans to foreign countries, are still very much alive."

"Fully Invested"

Incorporated Investors has been among the die-hard optimists during the preceding 12 months and increased cash slightly for the first time during this quarter. It is therefore particularly interesting to observe what its President, William A. Parker, says in his semi-annual report to stockholders: "We remain fully invested because we believe that the cautious policies of business with respect to inventories and expansion have prevented over-accumulation and a disorderly price rise; that the foreign and domestic demand for goods is generally strong; that both industrial and home construction will expand; that while prices seem high the level has been brought about by genuine demand rather than by speculation; that inventories are not large with respect to sales; that money supply and incomes are at high levels; that the expected slump in consumer buying of durables and non-durables has not developed and does not seem likely to; that labor-management and labor productivity are much better than they were; and that inflationary forces rather than deflationary forces seem to be dominant."

Another fund with an optimistic outlook supported by above-average aggregate purchases of stocks during the period ascribes earlier forecasts of an incipient depression to an "organized propaganda effort functioning in the United States under the control of the Soviet regime in Moscow." Likewise still one more trust which has maintained a fully invested portfolio includes the following as a reason: "The dire warnings of an impending business recession can usually be traced to those who apparently have something to gain from such a condition—the propaganda offices of foreign powers and the domestic proponents of a regimented economy." Regardless of such submission to current post-war hysteria, there are several rather respectable investment managers who see signs of weakness in the current picture.

Caution the Watchword

In his semi-annual report to stockholders, James N. White of the Scudder, Stevens and Clark Fund concludes his "Investment Review and Outlook" with the following masterly piece of self restraint: "Your management has been willing to maintain the common stock position shown in this report in the face of pessimistic sentiment and talk of a recession during the last 12 months (67.6% of portfolio). Nevertheless, we are well aware that present boom conditions cannot last indefinitely and that the longer correction of excesses and maladjustments is delayed, the more severe is likely to be the process of correction." Similarly Russell, Berg and Company, in a letter to stockholders dated July 3, 1947 state: "the management continues to believe that the uncertainties in the business outlook do not warrant a heavily invested position in common stocks."

In support of these more conservative managements, attention is called to a theme that has been repeated constantly in these quarterly surveys—that post-war inflationary booms are of a temporary nature and must eventually end; that the prosperity upon which America has been built has not depended on aggregate purchasing power alone, but the distribution of that purchasing power so as to make it effective on a broad base; that current high prices have weakened this base; and that this weakness, unless corrected, will eventually filter back through the direct consumer outlets to our entire business structure.

Russell Berg Fund built up its backlog of investment bonds and preferred stocks during the period as did Nation-Wide Securities and the Nesbett Fund, a newcomer to the ranks of the balanced portfolio companies. As of June 30th, these three trusts had 60% less than of their assets in common stocks and lower grade bonds and preferreds. Wellington Fund and General Investors Trust were in similarly defensive positions.

Investment Favorites

Standard Oil of New Jersey was easily the favorite among the petroleum stocks, eight companies making additions to their portfolios. Four trusts purchased a total of 57,000 shares of Louisiana Land and Exploration and a like number of companies bought Continental, Gulf Oil, Ohio Oil, Pure Oil and Standard of Indiana. Largest individual commitment for the period was the addition of 93,450 shares of Standard Oil of Ohio by Massachusetts Investors Trust. Skelly, Shell Union and Standard of California were also well liked. In the natural gas field, two trusts exercised rights to purchase a total of 11,100 shares of Consolidated Natural Gas.

Du Pont was the favorite among the chemical stocks although purchased in relatively small lots. Five companies made purchases, two of which were new additions to portfolios. Monsanto was next in popularity finding favor with four managers. Although during the preceding period, Union Carbide was sold on balance, three trusts recently added it to their portfolios, one making a new commitment. The same number of companies also purchased Hercules Powder and Commercial Solvents. Newport Industries also was bought by two trusts. While five companies sold 15,400 shares of American Cyanamid common stock, two of these companies substituted in their portfolios shares of the new convertible preferred. Among drug and pharmaceutical companies, Johnson and Johnson was purchased by three trusts. Contrasted with this was the sale of 62,800 shares of Colgate-Palmolive-Peet by five managements.

Airlines Popular

While in the previous period, a slight interest was shown in the stocks of certain airline companies, marked favor for both the transportation and selected manufacturers of equipment was displayed during the second quarter. American Airlines was the most popular among this group, six companies adding 27,400 shares to their portfolios. United and Eastern were each bought by four companies, the latter being a new addition to three of these. Pan American was also increased among the holdings of two managements. Among equipment manufacturers, United Aircraft and Douglas were purchased by four and three companies respectively, but Consolidated Vultee was eliminated by two others.

Continuing interest also carried over from the preceding three months in shares of the two leading manufacturers of electrical equipment. Westinghouse was comparatively heavily bought, ten trusts making total commitments of 28,400 shares. Five of these purchases were new contributions to portfolios. In contrast with the preceding quarter, General Electric was a poor second, only three managements displaying an interest in its securities. Twice this number of trusts, however, favored an outstanding manufacturer of agricultural equipment, Deere and Company, and three out of these six included the stock of this company as a new addition to their portfolios. Case was also liked, but scarcerly any interest was shown in International Harvester which was the only company of this group distinctly favored during the preceding three month interval.

Conspicuous attention was given to the two large finance companies. Four trusts purchased 4,500 shares of Commercial Credit, half of these making new commitments. There were no decreases in holdings. In contrast with this, while five managements purchased a total of 5,900 shares of C. I. T. Financial, two others sold an aggregate of 10,500 shares. Interest continued in insurance stocks. A newcomer to the portfolios of two companies was the American Insurance Company of Newark, N. J. A like number of investment companies bought securities of Continental Insurance. Single purchases were also made of American Reinsurance, Conti-

Balance Between Cash and Investments of 50 Investment Companies

End of Quarterly Periods March and June, 1947

	Net Cash & Govts. Thousands of Dollars—End of—		Net Cash & Govts. Per Cent—End of—		Invest. Bonds & Preferred Stocks Per Cent*—End of—		Com. Stks. plus Lower Grade Bonds & Pfds. Per Cent—End of—	
	March	June	March	June	March	June	March	June
Open-End Balanced Funds:								
Axe-Houghton Fund	833	484	11.2	6.8	2.4	3.0	86.4	90.2
Axe-Houghton "B"	162	111	15.7	11.0	10.5	15.8	73.8	73.2
Commonwealth Investment	490	438	14.6	12.8	17.1	18.3	68.3	68.9
General Investors Trust	482	459	23.3	23.3	21.2	20.6	55.5	53.1
Eaton & Howard Balanced	3,568	3,675	13.4	13.0	18.2	17.5	68.4	69.5
Fully Administered Shares	1,321	1,148	24.9	23.6	6.8	7.0	68.3	69.4
National Securities-Income	339	483	3.5	5.0	23.9	22.7	72.6	72.3
Nation-Wide Securities	1,270	1,179	14.0	12.1	28.9	34.4	57.1	53.5
Nesbett Fund	151	127	43.0	37.0	None	24.0	57.0	39.0
George Putnam Fund	3,678	3,246	17.9	15.6	18.9	17.5	63.2	66.9
Russell Berg Fund	373	519	38.6	43.6	22.9	27.2	38.5	29.2
Scudder Stevens & Clark	**	1,924	**	8.5	**	23.9	**	67.6
Wellington Fund	11,425	12,303	29.1	29.2	19.0	20.7	51.9	50.1
Wisconsin Investment Co.	490	438	22.9	22.0	9.3	10.9	67.8	67.1
Open-End Stock Funds:								
Broad Street Investing	543	578	6.7	7.0	None	None	93.3	93.0
Bullock Fund	611	1,207	11.4	22.4	None	1.2	88.6	76.4
Delaware Fund	249	253	24.2	24.1	2.6	2.3	73.2	73.6
Dividend Shares	6,157	6,294	10.9	11.2	None	0.9	89.1	87.9
Eaton & Howard Stock	102	167	6.2	9.7	2.3	2.1	91.5	88.2
Fidelity Fund	1,467	1,187	11.0	8.7	None	None	89.0	91.3
First Mutual Trust Fund	1,706	1,238	36.2	27.9	None	None	63.8	72.1
Fundamental Investors	4,516	3,596	20.6	16.0	None	None	79.4	84.0
General Capital Corp.	971	1,158	8.8	10.9	1.9	1.9	89.3	87.2
Incorporated Investors	1,948	2,603	2.9	4.0	None	None	97.1	96.0
Investment Co. of America	567	558	10.5	10.5	None	None	89.5	89.5
Investors Management Fund	1,770	1,303	18.0	13.6	None	None	82.0	86.4
Knickerbocker Fund	162	71	2.1	0.9	None	None	97.9	99.1
Loomis-Sayles Mutual Fund	462	642	10.5	15.0	4.5	3.5	85.0	81.5
Loomis-Sayles Second Fund	914	952	11.0	12.0	7.0	7.5	82.0	80.5
Mass. Investors Trust	7,882	8,763	4.1	4.5	0.1	None	95.8	95.5
Mutual Investment Fund	70	89	9.1	12.0	None	None	90.9	88.0
National Investors	935	722	5.6	4.2	None	None	94.4	95.8
Republic Investors	440	340	39.3	32.0	5.1	6.5	55.6	61.5
Selected American Shares	1,690	2,980	11.1	19.8	0.7	0.7	88.2	79.5
Sovereign Investors	102	93	19.4	18.2	25.8	17.5	54.8	64.3
State St. Investment Corp.	9,739	12,212	15.0	19.3	None	None	85.0	80.7
Closed-End Companies:								
American European Securities	3,525	542	26.6	5.5	1.1	0.8	72.3	93.7
‡‡American General Corp.	610	840	10.6	16.4	0.2	0.2	89.2	83.4
Blue Ridge Corp.	6,423	4,460	15.7	13.4	0.6	0.4	83.7	86.2
Capital Administration	349	360	‡7.5	‡8.2	5.5	5.9	87.0	85.9
‡‡First York Corp.	3,224	2,654	33.7	30.4	0.8	0.5	65.5	69.1
General American Investors	6,640	6,322	17.8	17.2	None	None	82.2	82.8
General Public Service	691	824	14.2	17.4	None	None	85.8	82.6
General Shareholders	830	846	‡5.2	‡5.0	5.8	6.3	89.0	88.7
Lehman Corporation	19,650	12,499	‡20.9	‡14.2	3.1	3.4	76.0	82.4
National Bond & Share	2,000	1,862	‡19.4	‡19.1	9.5	9.5	71.1	71.4
Selected Industries	1,024	1,273	‡4.5	‡4.9	9.6	9.3	85.9	85.8
Tri-Continental Corp.	989	1,239	‡4.2	‡4.4	7.5	7.0	88.3	88.6
‡‡U. S. & Foreign Securities	701	1,014	2.1	2.9	None	None	97.9	97.1
U. S. & International Securities	709	700	2.1	2.0	None	None	97.9	98.0

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. **No interim reports issued to stockholders on this date. ‡Percent gross cash and governments as reported by company. ‡‡Portfolio exclusive of securities in subsidiary and associated companies.

nental Casualty, Fidelity-Phenix Fire and Great American Insurance.

The two large can companies were both added to the portfolios of three managements. Continental Can, however, was the favorite since three additional trusts increased the stock of this industrial which was already included among their security holdings. Three food stocks were each purchased by four investment companies. While, of these, Standard Brands and United Fruit were shown marked preference only during the June quarter, National Dairy had been increased in two portfolios and decreased in none during the first three months of the year. Among the shares of office equipment companies, Remington Rand and Cash Register were shown preference. A reversal of sentiment towards the latter company is apparent since in the previous period it was sold by three trusts.

One of the outstanding purchases during the period under review was made in the shares of American Tobacco "B." Althorugh many of these acquisitions were made through the exercise of rights, a number of new commitments were added without the stimulus of this incentive. Reynolds "B" also found favor with two managements. Non-ferrous metal stocks were lightly purchased. Aluminium, Ltd., Homestake, Hudson Bay Mining & Smelting, and Phelps Dodge were best liked. Newmont Mining was sold.

Utilities About Even

While the utilities, on first glance, appear to be outstanding favorites, closer inspection of the accompanying tables and footnotes will indicate that many of the purchases were made through exercise of rights and that several of the additions were the result of stock dividends. Subtraction of the issues thus received, shows on our worksheet that there were 43 transactions remaining on the "buy" side against 41 on the "sell." Thus, additions of Atlantic City Electric were the result of a stock dividend declared by American Gas and Electric; all the 295,100 shares of the Central and Southwest Corporation, except 1,500, were distributed by the Middlewest Corporation; stock of the New England Electric System was delivered as part of the simplification plan of the New England Power System; and West Virginia Water Service stock was given out as a liquidating dividend by North American. This latter company also distributed rights which were in large part used for the purchase of Cleveland Electric Illuminating Co. Gulf States Utilities was purchased through exercise of rights: 6,800 out of a total of 9,800 shares of Illinois Power were acquired through conversion of the preferred issue: Indiana Gas and Water was distributed as a dividend by Public Service of Indiana; while additions of Detroit Edison resulted from a 10% stock dividend.

Among the other utilities added to portfolios, not resulting from special circumstances, buying was diffused, no more than three or four trusts, at the most, showing preference for any individual issue. Among those liked were Columbia Gas and Electric, Commonwealth Edison, Commonwealth and Southern, Middlewest Corporation, Public Service of Colorado, Public Service of New Jersey and United Light and Railways. Peoples Gas Light and Coke was sold by two trusts.

Continuing the trend in evidence during the preceding quarter, shares of the rubber companies were liquidated. Four managements decreased holdings of Goodrich and United States Rubber. Two trusts entirely eliminated the stock of this latter company from their portfolios. Three investment companies sold Goodrich and a similar number lightened holdings of Firestone, two completely cleaning out this latter issue.

Steels in Disfavor

The steel stocks were also unpopular. Five trusts completely weeded out holdings of United States Steel. Three companies sold a total of 4,200 shares of Republic and two of these transactions resulted in complete elimination from portfolios. Five managements decreased their holdings of Chrysler which, along with several other motor stocks, was not too well liked. Studebaker also was sold by five managements while two more eliminated White Motors from portfolios. Fruehauf Trailer was disposed of by two companies. A more favorable attitude was entertained towards the parts companies as a few managements made commitments in Borg Warner and Libbey-Owens-Ford Glass. Little

(Continued on page 24)

Changes in Common Stock Holdings of 36 Invesiment Management Groups

(March 31-June 30, 1947)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues more heavily sold are in italics. *Numerals (1) (2) (3) (4) indicatenumber of managements making entirely new purchases of an issue, or completely eliminating the stock from their portfolios.*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment:		
2(1)	3,500	J. I. Case Co.	None	None
6(3)	12,400	Deere and Co.	1,500	1
		Auto and Auto Parts:		
2	4,900	Borg Warner	None	None
2	4,700	Libbey-Owens-Ford Glass	None	None
3	*2,500*	*Chrysler Corp.*	*4,300*	*5(1)*
None	*None*	*Fruehauf Trailer*	*1,600*	*2(2)*
None	*None*	*Studebaker*	*14,300*	*5(4)*
1	*1,100*	*White Motor Co.*	*2,000*	*2(2)*
		Aviation:		
6(1)	27,400	American Airlines	77,700	1(1)
3(1)	2,200	Douglas Aircraft	None	None
4(3)	18,600	Eastern Airlines	None	None
2	1,800	Pan American Airways	None	None
4(2)	14,100	United Aircraft	1,000	1(1)
4(3)	23,400	United Airlines	52,500	2(1)
None	*None*	*Consolidated Vultee Aircraft*	*11,400*	*2(2)*
		Beverages:		
None	*None*	*Canada Dry Ginger Ale*	*7,700*	*3(1)*
None	*None*	*Distillers-Corp.-Seagrams*	*15,800*	*2*
None	*None*	*Nehi Corporation*	*7,500*	*2*
None	*None*	*Schenley Distillers*	*10,600*	*3(2)*
		Building Construction and Equipment:		
2(1)	400	Devoe and Reynolds "A"	None	None
2(1)	2,000	Minneapolis-Honeywell	None	None
4(1)	7,900	National Lead	None	None
3	1,050	Sherwin-Williams	100	1
None	*None*	*Glidden Co.*	*1,500*	*3(3)*
1	*500*	*Johns-Manville (new)*	*8,200*	*3(1)*
1(1)	*500*	*Lone Star Cement*	*7,100*	*3(3)*
None	*None*	*National Gypsum*	*5,000*	*3(1)*
None	*None*	*United States Plywood Corp.*	*4,000*	*2(1)*
		Chemicals:		
3(2)	41,100	Commercial Solvents	None	None
5(2)	1,400	du Pont	500	1
3(2)	1,100	Hercules Powder	700	1(1)
4	6,100	Monsanto Chemical	200	1
2	2,200	Newport Industries	None	None
3(1)	4,900	Union Carbide	1,500	1(1)
2	*12,300*	*American Cyanamid Co.*[1]	*15,400*	*5(3)*
		Containers and Glass:		
3(3)	2,500	American Can	None	None
6(3)	13,300	Continental Can	5,300	1(1)
None	*None*	*Container Corp. of America*	*1,400*	*2(1)*
		Drug Products:		
3(2)	19,500	Johnson and Johnson	None	None
1(1)	*1,000*	*Colgate-Palmolive-Peet*	*62,800*	*5(2)*
		Electrical Equipment:		
3	4,700	General Electric	None	None
10(5)	28,400	Westinghouse Electric	None	None
		Financial and Banking:		
2(2)	10,900	Amer. Insurance Co. (Newark)	None	None
5(3)	5,900	C. I. T. Financial Corp.	10,500	2
4(2)	4,500	Commercial Credit	None	None
2(1)	3,000	Continental Insurance	None	None
		Food Products:		
4	5,500	National Dairy Products	1,010	1(1)
4	7,500	Standard Brands	3,000	1(1)
4(2)	11,900	United Fruit	None	None
		Machinery and Industrial Equipment:		
3(1)	1,600	Allis-Chalmers	4,500	1(1)
2(1)	2,500	National Supply	None	None
4(1)	2,450	Worthington Pump & Mach.[2]	None	None
None	*None*	*American Machine & Foundry*	*2,600*	*2*
None	*None*	*Dresser Industries*	*3,800*	*3(2)*
1(1)	*500*	*Joy Mfg. Company*	*14,000*	*3(1)*
None	*None*	*Link Belt*	*1,300*	*2(2)*
None	*None*	*National Acme*	*400*	*2*
None	*None*	*United Engineering & Foundry*	*2,200*	*2*
		Metals and Mining:		
3(1)	4,000	Aluminium, Ltd.	None	None
3(3)	4,500	Homestake Mining	None	None
3	3,600	Hudson Bay Mining & Smelting	None	None
3	3,200	Phelps Dodge	100	1
None	*None*	*Newmont Mining*	*5,700*	*2(1)*
		Office Equipment:		
2(1)	8,100	National Cash Register	None	None
3	8,950	Remington Rand	2,500	1
		Paper and Printing:		
4	6,300	Rayonier	5,000	1(1)
None	*None*	*Kimberly-Clark Corporation*	*5,000*	*2(2)*
None	*None*	*McCall Corporation*	*1,700*	*2(2)*
		Petroleum and Natural Gas:		
2	11,100	Consolidated Natural Gas[10]	None	None
4(1)	22,300	Continental Oil	None	None
4(3)	3,900	Gulf Oil Corp.	None	None
3(2)	57,000	Louisiana Land & Exploration	1,000	1
4(1)	7,300	Ohio Oil Co.	None	None
4	6,000	Pure Oil	500	1
2(1)	2,500	Shell Union Oil	None	None
2(1)	2,600	Skelly Oil	None	None
3	4,300	Standard Oil of California	None	None
4(1)	5,500	Standard Oil of Indiana	4,100	2(1)
8	9,350	Standard Oil of New Jersey	None	None
3	95,336	Standard Oil of Ohio	None	None
		Public Utilities:		
6(6)	2,152	Atlantic City Electric[3]	272	2(2)
2	10,000	Central & Southwest Utilities	None	None
9(9)	295,100	Central & Southwest Corp.[4]	None	None
14(12)	133,500	Cleveland Electric Illuminating[5]	None	None
3(2)	25,000	Columbia Gas and Electric	None	None
2(1)	5,200	Commonwealth Edison Co.	None	None
2(2)	85,000	Commonwealth & Southern	None	None
3	9,130	Detroit Edison[6]	8,730	1
5(5)	81,500	Gulf States Utilities[10]	None	None
2	9,800	Illinois Power	None	None
3(1)	1,375	Indiana Gas & Water Co.[7]	None	None
3	39,800	Middlewest Corporation	6,500	1(1)
3(3)	33,186	New England Electric System[8]	None	None
2(2)	16,000	New England Gas & Elec. Assn.	None	None
3(2)	5,300	Public Service Co. of Colorado	5,200	1(1)
2(1)	3,000	Public Service Co. of New Jersey	None	None
4	17,400	United Light & Railways	12,100	1
13(13)	15,233½	West Virginia Water Service[9]	400	1
None	*None*	*Engineers Public Service*	*18,800*	*2(2)*
None	*None*	*Peoples Gas Light & Coke*	*2,600*	*2*
		Railroads:		
2(1)	1,773	Chesapeake & Ohio	None	None
2(1)	600	Union Pacific	None	None
		Railroad Equipment:		
2	500	Nat'l Malleable & Steel Castings	None	None
None	*None*	*American Locomotive*	*3,600*	*3(2)*
		Retail Trade and Chain Stores:		
2(2)	2,200	F. W. Woolworth Co.	None	None
1	*300*	*Montgomery Ward*	*11,300*	*5(2)*
		Rubber and Tires:		
None	*None*	*Firestone Tire & Rubber*	*4,000*	*3*
2	*1,300*	*B. F. Goodrich Company*	*5,200*	*4*
None	*None*	*Goodyear Tire & Rubber*	*6,100*	*3(1)*
2	*500*	*United States Rubber*	*8,000*	*4(2)*
		Steels:		
2	1,100	American Rolling Mill	None	None
2	1,200	General Refractories	None	None
None	*None*	*Republic Steel*	*4,200*	*3(2)*
None	*None*	*United States Steel*	*2,900*	*5(5)*
		Textiles:		
4(4)	6,700	Celanese Corp. of America	4,250	2
None	*None*	*Industrial Rayon*	*2,300*	*3(3)*
		Tobaccos:		
13(8)	36,200	American Tobacco "B"[10]	3,300	3(1)
2(1)	2,700	R. J. Reynolds Tobacco "B"	None	None
None	*None*	*Philip Morris & Co.*	*11,300*	*3(1)*
		Miscellaneous:		
None	*None*	*Greyhound (new)*	*13,500*	*3(1)*
None	*None*	*Newport News Shipbuilding*	*8,500*	*2*

[1] Two managements sold 6,900 shares of American Cyanamid common, but substituted 4,167 shares of the new convertible preferred.

[2] 1,900 shares of Worthington received as 10% stock dividend.

[3] Received as dividend on American Gas & Electric.

[4] Received as dividend on Middlewest Corporation.

[5] Purchased in great part through rights received from North American Co.

[6] Stock dividend of 10%.

[7] Received as dividend on Public Service of Indiana.

[8] Received in exchange for Mass. Utilities Assoc. pfd. and Mass. Pwr. & Lt. pfd.

[9] Received as partial liquidating dividend on North American Co.

[10] Purchased in whole or in part thru exercise of rights.

NOTE—This survey covers 51 trusts but purchases or sales of trusts sponsored by one management group are treated as a unit. For example, the six trusts sponsored by J. & W. Seligman are considered as having the weight of one manager. Overseas Securities included in addition to companies listed in companion tables.

Investment Companies Bought in June Quarter

(Continued from page 23)

interest was displayed in General Motors, only one transaction occurring on the "buy" side and none on the "sell."

Among the non-alcoholic beverages two trusts decreased holdings of Nehi Corp. and three disposed of shares in Canada Dry. Schenley was the unwanted sister among the alcoholics, three managements disposing of their holdings, two of which completely eliminated the stock from their portfolios. Distillers Corporation-Seagrams likewise found disfavor with two trusts.

While the accompanying tables would seem to indicate that selling was predominant in the machinery and industrial equipment shares, sales were actually balanced by additions scattered over several individual issues. Companies in which single purchases occurred were Babcock and Wilcox, E. W. Bliss, Food Machinery, Niles-Bement-Pond, Sundstrand Machine Tool, Van Norman Co., and Wellman Engineering. There were several smaller individual commitments.

Other Changes

Selling which was outstanding in the shares of motion picture companies, and particularly in Paramount, during the preceding quarter, had subsided in the June period. While four companies eliminated this stock from their portfolios, three made new commitments. Liquidation had also practically stopped in the issues of merchandising companies. In fact, two companies made new additions to their portfolios of Woolworth. Montgomery Ward was the only stock in distinct disfavor. What percentage of sales was caused by profit-taking on holdings purchased over the previous few years preceding distribution of the additional stock, is not ascertainable. It is interesting to note, however, that sales of this issue by Lehman Corporation and the State Street Investment Corp. paralleled purchases by these same trusts in the shares of Sears Roebuck. State Street's addition of a block of 8,000 shares was a new commitment, Lehman's purchase of 3,000 shares increased an amount already held in its portfolio.

During the period reviewed, the stock market declined to May 19 and then entered a recovery phase which extended over a period of approximately two months — beyond the end of the half year on June 30. There followed the more recent decline which, measured by averages, was equal to about a third of the preceding recovery movement. At the time of this writing, markets are at a stalemate and there is the usual confusion in opinion. While there are many factors determining an individual trust group's investment decisions, a composite picture of portfolio changes which are significant, does, when considered along with statements of the managements, give some indication of outlook *during a previous period.* As indicated, there was a diversity of opinion during the second quarter of the year. Although modest purchasing among the majority of groups, following upon the first quarter's liquidation, was noted, this was countered by distinct bearishness in certain other quarters.

New Phila. Exch. Members

PHILADELPHIA, PA. — The Philadelphia Stock Exchange has announced the election to membership of Robert A. Maes, John P. Hart and Howard A. Foster. Newton J. Aspden has been posted for membership it was also announced.

The State of Trade and Industry

(Continued from page 5)

ing to "The Iron Age," national metalworking weekly in its current review of the steel trade.

The issue was a trifle beclouded by charges of combination, conspiracy and price fixing as the Federal Trade Commission took advantage of recent price increases and wide publicity on steel shortages. Some observers believe arbitrary basing points and "phantom freight" (charges for theoretical, though unused, haulage) may not withstand the attack, the magazine states. But the bulwark of steel marketing, the multiple basing point system, will probably emerge bloody but unbowed.

Those who have carefully watched the Federal Trade Commission's pot shots in this 10-year old skirmish give at least three reasons why the multiple basing point system is expected to survive the paper points out: (1) No one has conclusively proved that there is a better distribution method from the steel consumer's viewpoint, though it is not at its best when steel demand is abnormal; (2) the f.o.b. mill basis which the Federal Trade Commission would substitute would seriously dislocate steel buying by favoring fabricators located near the steelmaking centers; (3) the latest Federal Court ruling (the cement industry case, Sept. 20, 1946) was directed against the Federal Trade Commission and upheld the multiple basing point method of selling cement.

The smoke screen of charges that the American Iron and Steel Institute and its members are involved in fixing prices and extra charges remain to be proved. What evidence can be uncovered in the face of the Institute's "hands-off-prices" policy is yet to be heard, "The Iron Age" states.

During the past week Republic Steel Corp., the country's third largest steel producer, tied its pig iron prices to "The Iron Age" No. 1 heavy melting steel scrap quotations at Cleveland and Buffalo respectively. Since scrap has been selling for more than the pig iron it replaced. Republic officials felt they could either stop selling pig iron or add to its price the additional cost of the metal it replaced.

The soaring scrap market which had steel producers worried during the past month reversed its trend and fell even more this week than it did last week wiping out all the increases made during the past month and materially increasing the flow of scrap which was held in hopes of even higher prices.

As a result "The Iron Age" heavy melting steel scrap composite price this week dropped $2.50 to a figure of $37.92 per gross ton. This index is composed of average heavy melting steel scrap prices delivered at Pittsburgh, Chicago and Philadelphia, where the average declines were $3.50, $1.50 and $2.50 respectively.

RAILROAD FREIGHT LOADINGS UNDER LAST WEEK BUT ABOVE YEAR AGO

Loadings of revenue freight for the week ended Aug. 9, 1947, totaled 905,244 cars, the Association of American Railroads announced. This was a decrease of 16,347 cars, or 1.8% below the preceding week. This represented an increase of 6,158 cars, or 0.7% above the corresponding week in 1946, and an increase of 35,242 cars, or 4.1% above the same week in 1945.

ELECTRIC OUTPUT 11.3% AHEAD OF A YEAR AGO

The amount of electric energy distributed by the electric light and power industry for the week ended Aug. 16, 1947 was 4,923,000,000 kwh, according to the Edison Electric Institute. This compares with 4,874,172,000 kwh in the preceding week and was 11.3% in excess of the 4,422,242,000 kwh produced in the corresponding period of last year.

AUTO OUTPUT FALLS BELOW EXPECTATIONS

Excessive heat combined with the strike at the Murray Corp. plant, according to Ward's Automotive Reports, was responsible for the industry's failure to achieve an expected output of well over 100,000 units the previous week. However, the industry sooner or later hopes to find a solution for most of its labor problems and some of its materials shortages such as steel which interferes greatly in the completion of body work and final assembly line activities.

Last week car and truck production was placed by Ward's at 83,648 units compared with a revised figure of 79,017 units last week and 88,990 units a year ago.

Car production totaled 58,943 in the U. S. and 3,720 in Canada. Commercial vehicles amounted to 19,120 for the U. S. and 1,865 for Canada.

SUMMARY OF TRADE

Hot summer weather in many sections of the United States last week was accompanied by desultory consumer buying which resulted in retail volume falling moderately below that of the previous week. As a consequence it was slightly lower than that of the corresponding week of 1946. Interest generally, centered on seasonal merchandise and consumer price-consciousness remained keen. Clearance and promotional sales increased in an effort by retailers to stimulate buying.

Changes in wholesale volume in the week were negligible with purchasing remaining at the high level of the previous week and moderately above that of the corresponding week a year ago. Retailer caution continued to be evident but somewhat abated. As for the supply of some items, they continued to be limited.

BUSINESS FAILURES INCREASE

Following a two-week decline, commercial and industrial failures turned up in the week ending Aug. 14, rising to the highest number in six weeks at 78 as compared with 60 in the preceding week and 17 in the corresponding week of 1946, Dun & Bradstreet, Inc., reports. Ever since October last year, failures have been consistently higher than in the previous year's comparable weeks, though far below prewar level.

Failures involving liabilities of $5,000 or more were up from 49 to 61, or five times as many as a year ago when 12 concerns failed in this size group. Small failures under $5,000, although continuing at a low level, rose from 11 last week to 17 in the week just ended. The uptrend from 1946 was not as sharp in this size group.

The week's increase occurred in retailing, construction, and commercial service. In these trade and industry groups, failures rose 50% or more. The number of manufacturers failing fell off a little from a week ago and wholesale failures held steady.

FOOD PRICE INDEX 24.3% ABOVE 1946 WEEK

Food prices last week again moved upward and the Dun & Bradstreet wholesale food price index registered a further mild advance to $6.59 on Aug. 12, from $6.57 a week ago. This compares with $5.30 for the corresponding 1946 date, a rise of 24.3%.

GRAIN PRICES LIFT DAILY WHOLESALE COMMODITY PRICE INDEX TO NEW POSTWAR HIGH

Largely due to advancing grain prices, the Dun & Bradstreet daily wholesale commodity price index rose steadily last week to reach a new high level for the postwar period. The index closed at 271.91 on Aug. 12. This compared with 269.03 a week earlier, and with the previous peak of 269.25 touched on March 18. A year ago the index registered 225.75.

Grain prices continued to soar during the past week under the influence of extended heat waves and lack of rain in the corn belt and spring wheat areas.

Trading on the Chicago Board of Trade was featured by a sharp ris in corn as both the cash article and futures sold at the highest prices on record.

Other grains rose in sympathy with corn. Oats established new high prices and most wheat futures touched new seasonal peaks.

The government estimate on the wheat crop indicated a record yield of 1,427,727,000 bushels. With users well supplied for the next few months, both domestic and export demand for flour was very limited. Lard prices continued to lose ground as the result of liquidation and heavy hedge selling by packing interests. Domestic demand was slow and production continued on a liberal scale.

Cotton markets were irregular last week. Checking the downward movement of the preceding fortnight, prices moved upward in the forepart of the week but declined sharply in closing sessions following announcement of the government's first crop estimate. The report, issued last Friday, indicated a yield of 11,844,000 bales. This was larger than the trade has anticipated, and compared with an actual outturn of 8,640,000 bales in the preceding crop year. The New York spot quotation showed a net drop of 63 points for the week.

Trading in leading cotton textiles was less active. While prices held firm, sales of both printcloths and sheetings were spotty and limited in volume. Interest in heavier drills and twills showed improvement and some export business on heavy sheetings was noted.

There was increased interest in the raw wool market last week, with volume estimated at between 4,000,000 and 7,000,000 pounds. In Texas and throughout the West, buying was very active, influenced largely by the expectation that the government would reinaugurate its wool purchase program and revise its selling prices. Spot foreign wools remained very scarce. Contracting for the new wool clip in Montevideo was active at firm to advancing prices. Imports of apparel wools during the week ending Aug. 1 totaled 2,625,600 pounds, compared with 2,750,800 in the preceding week.

RETAIL AND WHOLESALE TRADE SHOWS SLIGHT CHANGE FROM YEAR AGO

A summer heat wave which covered many parts of the country discouraged retail buying the past week. Total volume was moderately below that of the previous week and about even with that of the corresponding week a year ago, reports Dun & Bradstreet, Inc., in its current review of trade.

Consumers generally manifested preference for seasonal goods, particularly reduced-priced items, although in some areas fall merchandise was well received. Instalment buying increased, but collections were less prompt.

Food volume was large with consumer resistance to high food prices on the increase. Some grocers reported that discrimination against high-priced meats forced volume down. Fresh fruits and vegetables, along with dairy products and cereals were popular, while cold cuts, seafood and poultry sold well. The demand for soft drinks, fruit juices, beers and ales continued to be large. The shortage of gelatine products continued unabated.

The response to clearance sales of summer apparel was generally good with women's cotton dresses and sportswear in fair demand. Retail buying of cotton and other piece goods for women's dresses remained at a high level, while interest in fall clothing and dark sheer hosiery increased in some areas. Despite extensive advertising fur coat volume was slight. The demand for men's lightweight suits and fall suits was substantial with men's work and dress shirts selling well.

Known makes of major appliances and some types of hardware continued to be in very large demand with some improvement noted in the supply of electric motors. The volume of household and garden furniture, garden implements and paints was substantial. Automobile supplies and accessories were in steady call, and buying of both low-end and expensive aluminumware decreased.

Retail volume for the country in the week ended on Wednesday of the previous week was estimated to be from 3% below to 1% above a year ago. Regional estimates changed from those of a year ago by the following percentages: New England and East declined 0 to 4%, Middle West 1 to 5%, and Pacific Coast 2 to 6%. Increases were: South 5 to 9%, Northwest 0 to 4% and Southwest 3 to 7%.

Wholesale volume for the week was steady at the high level of the previous week and moderately above that of the corresponding week a year ago. Retailer hesitation in replenishing merchandise stocks continued to diminish. Shortages persisted in some lines with deliveries of some products slow.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 9, 1947, decreased 3% below the same period of last year. This compared with an increase of 1% the preceding week. For the four weeks ended Aug. 9, 1947, sales increased by 3% and for the year to date by 9%.

Warm and humid weather here in New York last week served to take the edge off of shopping and cut into department store sales with estimates placed at even to 4% under that of a year ago.

In the wholesale garment field buying was reported strong as retailers placed reorders, many of which were at increased prices. Food prices in the week continued to climb with meat in the vanguard of the advance.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 9, 1947, decreased 4% below the same period last year. This compared with a decrease of 3% in the preceding week. For the four weeks ended Aug. 9, 1947, sales rose 3% and for the year to date 8%.

Revived Germany Essential to Marshall Plan

(Continued from page 5)

into production, eventually able to stand on their own feet and fully capable of repaying the loans to America providing America will accept repayment in physical goods in the years to come.

A Cancer in Body-Politic of Western Europe

In my opinion nothing can be accomplished in either Germany or Western Europe under the Marshall Plan unless we in America announce with the utmost clarity an entirely new policy for the revival of Germany which is at present the cancer in the body-politic of Western Europe.

That new policy must deal with four aspects of the problem:

(1) Organization. We must set up an organization to deal with this problem just as we set up an organization under General Eisenhower and SHAEF to deal with the problem of the invasion of Europe.

(2) We must give new hope to Germany and Western Europe.

(3) We must use food in order to force the production of coal in both Great Britain and Germany and use coal as a dynamic means to get industry going so that with exports they can buy raw materials and food.

(4) Repayment. We must provide in advance for practical means of repayment if we expect to be repaid.

Under such a new policy our first objective should be to prevent the restoration of military power in Germany.

Abandon Morganthau Philosophy

To do this, we must completely abandon the Morgenthau philosophy in favor of a plan that from a practical standpoint can be maintained for 50 years or more. Germany's army general staff and munitions plants and war materials industries have already been destroyed. Germany should never be permitted to have an army of any kind. Instead, there should be a coordinated army of occupation for Western Germany patterned after the SHAEF organization built by General Eisenhower for the invasion. After five years this army of occupation should be paid for by Germany. Ultimately it should come under the control of the United Nations Organization and be maintained for 50 years.

As part of the duties of the army of occupation there should be an inspection system covering the 10 basic strategic materials necessary for war that would enable the Allies to know at all times that the raw materials and finished products were being used for peacetime purposes and exports and not stockpiled for war.

Once it is determined that we must have an entirely new policy for Western Germany and Western Europe, it will be necessary immediately to visualize a new organization designed to see that the objectives of policy are obtained.

We should begin with Germany as the place to start that new organization. We should ask General Eisenhower before terminating his office as Chief of Staff to return to Germany for a couple of months to reinstate in Germany the pattern of integrated and coordinated organization which was so successfully built under his command for the invasion of Western Europe.

A Coordinated Occupation Policy

On the one hand, he should build an integrated and coordinated military organization of occupation for the three Western zones bringing together the military forces of America, Great Britain and France to be supplemented later by additions from other members of the United Nations.

On the other hand, General Eisenhower should use his great prestige in Europe to help bring together an integrated and coordinated civilian economic organization to deal with the economic *control* of Western Germany under a policy that would place upon the Germans the responsibility for the administration of their own political and economic destiny.

At the same time, this coordinated pattern of organization is being developed in Western Germany, its civilian economic counterpart should be in the process of development for Western Europe as a means of making sure that the objectives under the Marshall Plan will be attained and that any appropriations made by the American Congress to implement the Marshall Plan will not be dissipated or frittered away in sideline activities that have no bearing on the primary and vitally necessary objectives.

In building this broader organization for Western Europe he should act in a civilian capacity for whatever time is required before taking over his new duties as head of Columbia University.

Given such an organization, our new policy and directive from Congress should require that we first attack the psychological problem of Germany.

This can be done by the following program, each part of which presents many problems and difficulties but none of which are impossible of attainment.

The program for giving Germany new hope is:

(1) Declare an end to the reparations of capital goods.

(2) Bring to an immediate and early end denazification except for the 80,000 top Nazis in category one.

(3) Permit the Germans to export by quickly untying the shackles that now bind their hands and feet in the form of regulations prohibiting barter and the making of contracts with foreign firms; the provision by the International Bank for loans of foreign currency with which German industrial firms may buy raw materials and send out salesmen and engineers to secure export business and by the wholesale elimination of the regulations remaining from Nazi autarchy and "Schachtism" the red tape and bureaucracy of the German Landraths and the regulations of the American and British military governments that prevent exports.

(4) Invite the Germans to take part in the Marshall Plan discussions on the needs of Germany.

(5) Proceed with the establishment of a central government for Western Germany building it out of the Economic Councils that are now representative of the German states, providing for its approval at a later date by popular election.

(6) Abandon the Morgenthau concept of a banking system patterned after the Federal Reserve System in America and institute a central bank for Western Germany patterned after the central banks of the other countries of Europe.

(7) Provide a new currency for Germany as soon as a central government with a balanced budget is in effect, a central bank functioning and sufficient consumer goods available to give a new currency purchasing power.

Once a policy along these lines is announced, even though it may take months to carry out the policy, a revolutionary change in the psychology of the Germans will take place and much of their hopelessness will disappear. The German people will go to work again.

Even though they know they will be poor for two generations, they will go to work to try to build a place for themselves in the family of nations of Western Europe.

Once that is done, we will have made the first effective step to stop the spread of Communism west of the "iron curtain."

Improve German Diet

Given a new policy, new organization and new hope in Western Germany, it is possible to begin to use food not as a means of relief but as an instrument and an incentive to get production going again.

On an average, the German people are living on a diet of 1,200 calories a day. That is one-half of the diet of the people of Britain and one-third of the diet of the people in America. It is a starvation diet and no one can do heavy work and produce on a diet of 1,200 calories.

In this report I have recommended that dietary experts work out a five-year plan of diet for the German people proceeding gradually from a 1,300 calory diet to 2,600 calories, but with special supplementary food incentive diets for specialized groups starting with the underground miners in the Ruhr. I have recommended that under the Marshall Plan this basic five-year diet be guaranteed by the other nations, mainly the United States, on a declining basis —100% the first year, 80% the second year, 60%, 40% and 20%.

By making it possible for the Germans to export, they must then rebuild their productive capacity and their exports fast enough to make up the difference in this declining guarantee. If they wish to have more than 2,400 calories diet, they must produce and export more.

For a five-year period this declining guarantee for food would cost about $2 billions.

The first step in using food as a means of getting production would be to bring over meats and other special energy foods and put them in the 75 colliery stores in the Ruhr area.

Then give to the 170,000 underground miners of the Ruhr coupons that would enable them to get a 75% increase in the rations for themselves and their families in exchange for a 50% increase in coal production.

The Ruhr miners are now producing 220,000 tons of coal a day. Under this plan it is possible within 12 months to get them up to 330,000 tons per day.

The annual production of the Ruhr is going at the rate of 66,-000,000 tons. The new plan would provide an annual production by the end of 1948 of 99,000,000 tons.

But immediately such an increase in production is promised, it is apparent that the transportation system of Germany cannot haul it away from the mines. This is due basically to the severe bombing of the transportation system during the war.

Transportation Difficulties

A special report was written suggesting what might be done to make greater use of the transportation system of Germany to meet the crisis that is bound to develop in Germany this winter unless something drastic is done to avoid it.

But even if all these measures are taken, the threat is still there of a drastic transportation crisis that may affect the economic stability of Western Europe and the rest of the world.

Intensive study of this problem indicates that the real difficulty is that we are attempting to export 10,000,000 tons of coal from Germany to Russia, France, Switzerland, Holland, Italy, Belgium and other countries of Western Europe by an unnaturally long rail haul. This ties up railway equipment that is already grievously short.

Moreover, each country securing coal from Germany in cars that have been repaired by the military governments keeps the good cars and sends back cars that are in bad repair. This contributes to the vicious cycle.

The fundamental fact is that in the years before the war coal was supplied by boat from Great Britain to the large ports of Europe. Around these ports had grown up the industrial areas of these various countries. Coal that was not used in the immediate areas was sent by short rail hauls to other industrial centers or was transported by coal barges through rivers and canals.

Not only was Great Britain in prewar days the largest supplier of coal in Western Europe, but coal was the basis of her diplomatic power.

The fact that Great Britain is no longer exporting coal to Western Europe is one of the biggest contributing factors to the dollar shortage with which she is now struggling—attempting to overcome this problem by resorting to austerity, Nationalism and Socialism.

In the meantime no progress has been made in Western Germany in the past year in the restoration of the industrial production. Municipal power plants that supply thousands of small plants have been operating at a small percentage of capacity due to a shortage of coal.

A Moratorium on Coal Exports

The fundamental fact is that if a moratorium could be declared for one year to 15 months on the shipment of these 10,000,000 tons of coal out of Germany, a revolutionary dynamic would be inserted into the whole picture of Western Germany and Western Europe. If these 10,000,000 tons of coal now exported from Germany could be used for a year or 15 months within Germany, the restoration of not only Germany but of Western Europe could be assured.

The only way, however, that this moratorium on the export of coal from Germany can take place is for the countries of Western Europe to be again supplied by coal from Great Britain.

The leaders of all factions in Great Britain recognize that coal is the very crux of their recovery problem.

Yet because the coal industry and the coal miners have presented such a critical problem for so many years, the leaders of Great Britain are reluctant to face this issue. They are trying everything except offering direct incentives to get the miners to again dig the coal at the rate of and in the quantities that they produced in the years before the war.

This very reluctance of everyone to tell the miners and the country the real truth is at the bottom of Great Britain's difficulties—not the whole problem of course, but the basic problem.

Under normal circumstances, the desire of the labor government to make everyone share equally in the austerity program is understandable and might even be laudable under certain conditions. But for two years the labor government of Great Britain has been avoiding the main issue of the necessity of digging and exporting coal while using the proceeds of the American loan to buy food supplies that could have been bought in part, at least, with coal had they gone to work to dig coal for export.

British Austerity vs. Production

The simple fact is that more and more austerity, while necessary, now only tends to push Great Britain further down in a depression cycle. Austerity cannot take the place of production. As long as Great Britain does not dig and export coal more loans are simply continuing Great Britain on the American dole and the people of Great Britain do not like or want that if they can help it.

Offering the miner added incentives to go to the 6-day week and to produce extra coal during the week would, of course, be contrary to the Socialistic conception of equality. But if the Socialists continue to insist on an equality of misery they are going to have an increasing amount of misery.

Thirty million tons of coal exported from Great Britain at current obtainable prices would almost cure the gap that now exists between Britain's imports and exports. It would go a long way toward curing the dollar shortage that is now the crux of the crisis in Great Britain. With coal, Britain could buy a large portion of her food and raw material requirements.

Great Britain has the coal. She has the barges with which to haul it. She has the miners with which to dig the coal. The miners themselves, I am assured, would dig the coal if they were given incentives. They can be given such incentives. The only real obstacle is the ideological theory of the present labor government that places dependence upon Socialization and nationalization, rather than the incentives that have always induced men to work.

The productivity of the industries of Great Britain is definitely being held back, in my opinion, by the fear and uncertainty of the nationalization program. Coal, the manufacture of electric power, and transportation have now been nationalized. Sir Stafford Cripps in a speech before Parliament on the British crisis, said that *more* socialization is necessary rather than less and that the government would not give up its long-term objectives because of the current crisis.

An Added Loan to Great Britain

The fact remains, however, that if America must supply an added loan to Great Britain or help through the Marshall Plan in the way of food and raw materials to alleviate Great Britain's crisis, then Britain's contribution to the Marshall Plan and recovery of Western Europe should be to dig and export coal and to postpone further nationalization of industry until she can nationalize at her own expense and not at the expense of the American taxpayer.

When I went into Germany to study the problem of German recovery, I expected that the answer would be found in Germany. But as my studies developed, it became amazingly clear that the crux of the recovery problem of Germany and Western Europe lay in the digging and exporting of coal by Great Britain.

It is also perfectly clear that America cannot continue its UNRRA or relief loans to Europe. Yet we must take prompt and vigorous action to prevent the spread of Communism west of the "iron curtain." The only way to do this is to help Western Europe and Great Britain to get industrial production going and the standard of living rising.

Without question in Germany and in Great Britain perhaps, it will be necessary to make additional supplies of food necessary on a declining basis. But this food supply should be made available only on condition that it be used as an incentive to get production going and not merely for relief.

It is my definite recommendation that the American Congress stipulate some such plan as outlined in this report as a condition for the appropriation of funds for the Marshall Plan.

France and the Program

The question has been raised as to whether France will go along with this program. From my investigation in France covering both the leaders of labor, banking and government, I believe that France will cooperate pro-

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viding we understand her basic requirements.

What are the requirements of France?

First, France wants to be assured that the Marshall Plan is aimed at the reconstruction of Western Europe, of which Germany is a necessary part, and not merely at the reconstruction of Germany alone to the detriment of France. Second, France wants to be taken into full partnership with America and Great Britain and the integrated organization of Western Europe which I have outlined, to be followed by an integrated economic organization under the Marshall Plan for Western Europe would, I believe, meet the requirements of France. Third, France must be assured that German militarism will not be revived. The plan outlined in this report will satisfy France if she has an equal part with America and Great Britain in its administration. Fourth, France wants to build up her steel industry and to do this she must have long range assurance of a supply of coke from the Ruhr in exchange for Lorraine iron ore. Under an integrated control organization of Germany, this could be assured by the veto power of the control which would, while permitting German operation of the Ruhr, prevent her from strangling the steel industry of France.

Everyone has said that the Communists of France hold the key to the French situation. My investigations show that this is not true.

Out of six million Frenchmen who voted Communist, there are less than 750,000 real Communists. The balance are Frenchmen first, who voted the Communist ticket as a protest against current post-war economic conditions.

The Communist Party in France recognizes that it has not the power to overthrow the government and is following the Moscow line of waiting two or three years for an economic depression that will play into their hands.

France therefore is not the main obstacle to the recovery of Western Europe. The main obstacle is the ideological stand of a portion of the labor government of Great Britain that prevents the offer of adequate incentives to the miners to work a 6-day week and get full production that will enable adequte exports of coal to turn the economic tide.

Even if Great Britain digs and exports coal as outlined, she will still need some additional loans to buy supplementary food and raw materials. In my opinion, the people of Great Britain have not yet been told the truth about the extent of the austerity program required if there is no additional help forthcoming for Great Britain under the Marshall Plan.

It is not in the basic interests of America or of the world that Great Britain should be permitted to fall or, under excessive austerity, to delay her economic recovery.

But it is also clear that unless Great Britain is willing to dig and export coal as her contribution to the recovery of Western Europe under the Marshall Plan, further loans and help from America would not accomplish the objective of recovery.

In my opinion, the American Congress would be derelict in its duty to the American taxpayer if it failed to see clearly the essence of this problem and to act intelligently upon it.

Cost to U. S.

Even if the cost is several billion dollars a year for the next five years in the form of loans, I believe that if these loans are intelligently made, not as relief but as an incentive to get production, that they can be repaid. Repayment should not be expected until after five years during which Western Europe would have a chance to get on a self-supporting basis.

The problem of repayment of these loans to America presents the same transfer problem that confronted us in World War I and World War II. But there is and can be a difference.

Some of the loans required under this program can be made from the International Bank and can be repaid to the International Bank. Some of the loans can be made by private investment bankers and repaid through the normal channels of foreign trade over future years.

But the bulk of these loans will have to be repaid through the transfer of physical goods from other countries to America.

The reduction of tariff walls would go a long way to make possible the repayment of these loans. So far, the program has not accomplished a great deal.

Our Congress might consider a new plan to permit a generalized quota of imports, duty free, up to 10% of the physical quantities of the production of any American industry now having a protective or prohibitive tariff. Over a period of years, such a moderate importation would not be destructive of either American industry or American labor and over a long period of years, would permit the repayment of these loans advanced now for reconstruction.

Another method of repayment that should be considered by the American Congress is to make some of these loans for the reconstruction of Europe through our Export-Import Bank and then accept payment in the years to come in the kind of goods that can be used in our own relief programs thus minimizing the taxes levied internally to meet relief requirements. In effect this would mean paying out American credit now to bring relief to Western Europe and Great Britain and later accepting goods manufactured in Europe that could be used for relief work in the United States.

Another Five Years of American Help

To stop the forward march of Communism beyond the "iron curtain" may require another five years of intelligent and constructive help from America. But this help should be made as an incentive to production—as a means of helping people to help themselves—through an organization, small but competent, capable of seeing that the basic principles are followed and the desired results obtained. It should have sufficient authority as to details so that they can meet changing requirements that will inevitably develop under a five-year program of this kind.

The inevitable question arises as to what Russia will do in the face of such a constructive plan of action for the reconstruction of Western Europe. It is my considered opinion that Russia will not go to war. Her policy is to wait hoping that America will fail to take action or that England will not dig coal or that France and the other countries of Western Europe will fail to get together on a plan of action.

If we fail to integrate our action as we did for the invasion of Western Europe, it is my opinion that Russia's hopes will be realized—that we will have a failure to recover in Western Europe and that this failure will bring about an economic depression of severe proportions not only in Western Europe and the British Empire but in the United States as well.

The cost of such a recession will, in my opinion, be greater in the end than the cost of preventing it.

I do not know whether we have the collective intelligence or the will to act promptly enough to minimize such a recession. But I believe that our only hope of avoiding those consequences is for the leaders of our government and the committees of Congress to act with the utmost promptness in developing a plan that can be submitted to a special session of Congress this fall.

Perils to Free Market, National and International

(Continued from first page)

processes by which freedom of the market is destroyed.

I shall discuss them briefly.

The free market is founded on one simple rule. I firmly believe it to be a basic rule for human conduct, without which an orderly, voluntary society cannot possibly continue to exist. The rule is this: *A person has a right to the product of his own labor, either in kind or in other forms that are its equivalent in trade.*

My grandfather's family could not easily have become confused on this point. They were practically self-sufficient. What they produced was largely consumed by them, because the nearest market, Detroit, was 150 miles away by ox-cart and wilderness trails. What they produced was their own, to do with as they wished. They had to guard it, however, from raids by wild and predatory men and beasts who knew not the Golden Rule and the golden harvest of betterment which it makes possible for people.

A second family of settlers finally arrived in that Michigan wilderness, then a third and, finally, a large number of others. Today, the grandsons of those early settlers, if they are farmers, sell most of what they produce in order to buy all sorts of other things which they prefer. Other grandsons of those settlers work in auto factories at a money wage which they spend for whatever they want among the goods and services of our complex present-day economy.

In a complex exchange economy, such as that of any leading nation today, most of what the people produce is sold or traded for a variety of other things. I once "guesstimated" that individuals in the United States, as an average, consume only 10%, or less, of what they themselves produce. The other 90%, or more, is sold or traded for other things. This means that the market has grown in importance from near zero to at least 90% in a few generations.

This great change has resulted in much material betterment, but it has apparently spawned much economic confusion. The seeds of miseducation have been planted in the soil of economic illiteracy. We have been led to think that this change, from a self-sufficient economy to one wherein exchange dominates the scene, has necessitated changes in the basic rules of a sound society. But not so. The same rules that were sound in the wilderness of Michigan, or in the Garden of Eden, are just as sound today. What has changed is the *importance* of the market. The design of what is sound and just has not changed, any more than did the law of gravity when man developed the airplane.

What Constitutes Free Marketing

What is freedom in the market process? And what is its importance?

Freedom in the market is merely another way of expressing the right of a person to the products of his own labor. If you have that right, it means that the bushel of wheat you have grown is yours—to eat, to store for later use, to feed to your chickens, to trade for some corn, to sell for money at any price agreeable to both you and the buyer, to give away, or to dump in the ocean. Your rights of ownership give you this range of choice.

Does freedom of the market mean that you can dispose of your wheat as you wish, without any limits whatsoever? No. You cannot dump it on your neighbor's flowerbed as a nuisance of "retaliation"; you cannot scatter it on your neighbor's field in order to harm him by contaminating another of his crops; you cannot use it to throw at your neighbor in order to injure his person. Acts such as these are violations of other rules of an orderly, voluntary society. They should be outlawed for that reason, and not as abuses of freedom of the market—which they are not, because none of them arises as a part of the exchange process. They are not problems of the market and, therefore, let no one convince you that freedom of the market should be curbed in order to regulate such abuses. There is a clear distinction, from the standpoint of rights, between dumping your wheat on your neighbor's flowerbed and selling it in a market where he also sells wheat, at a price different from what he would like to have you sell it for.

If the free market concept is to be fully comprehended, it must be viewed from both directions.

The one side, previously mentioned, is the right of a person to the product of his own labor, with the associated right of its disposal in whatever proper and lawful manner he may choose. The corollary of this is that no other person shall be allowed to violate this right. One shall not be allowed to deprive another of the product of his labor against his will, in part or in whole, by any device whatsoever. To allow one to do so would cancel out the basic right of ownership, because two conflicting rights cannot exist at the same time any more than two objects can occupy the same space at the same time. One is a basic law of economics and the other a basic law of physics. Both are outside the rights of man to violate, even legislative or bureaucratic man.

This, quite briefly, describes the reason for the economic and social justice of the free market. It is founded on the concept of the Golden Rule in universal application. It describes a voluntary cooperative society which is the highest order of social attainment. It allows for voluntary contract between any two parties on terms mutually agreeable to them. It prohibits another individual from interfering with this mechanism of free and voluntary exchange; no matter what his title may be; no matter whether a crown is on his head, a row of decorations on his chest, or a majority of the ballots in his hand; no matter how enticing a name or however seemingly benign the objectives of the scheme by which he claims the right to dictate either the price or the terms of the exchange.

Freedom of the market means freedom of action to the two individuals in the exchange, the one selling his ownership and the one buying it, or, to their properly designated representatives. It does not mean the giving to others, who neither produced the commodity, own it, nor propose to buy it themselves, any rights of predation or control.

Perils to Free Market

I shall mention four perils to the free market. Two of them are national in character and the other two are international.

(1) The Growth of Government, as a Drain on Our Private Enterprise Economy—The most important peril to the free market, by all odds, is the overgrowth of our government.

Government activities are mostly monopolies. Of all the separate governmental activities, how many allow any competition from private enterprise? A century and a half ago, when the national government took less than a cent from each dollar of income ("national income"), most of the activities which now make up the total of governmental expenditures were private and competitive. They were then a part of the free market.

Whether or not a certain activity should be a monopoly of government is an interesting question, but one outside the scope of this topic. For present purposes, let it be noted that when any activity is taken over by government, it will probably move from the free market into the controlled market of a non-competitive monopoly. Having the monopoly "publicly owned" does not alter this fact. Britain is offering us many interesting illustrations these days of how this transformation takes place.

In addition to its monopolistic, non-competitive feature, governmental activity usually violates the free market in another respect. Note the contrast between governmental activity and the free market as found in a grocery store. You walk into the store, observe the prices of the items on the shelves, go across the street to another store and observe what they have and at what prices, and appraise the contents of your pocketbook; then you decide which items to buy from each store; you pick up your purchases and pay your bill for what you have bought. This is the process of the free market.

Now go into the "store of governmental activities." The operation is quite different. The store manager and his clerks allocate to the people the items from its shelves, including cash, on the basis of their "needs," or "rights," or special privilege, or friendly acquaintance and political loyalty, or whatnot. Their shelves are stocked by sending bills to people, but not on the basis of what each person gets off the shelves of the store. Other bases are used.

In the main, each person is billed for the costs of government on the basis of how successful he is in making goods or performing services efficiently and in large volume. The billing is, in part, on the basis of ownership of property, or the exchange of property, or certain habits of consumption, etc. At times the people object to the large bills under these methods of billing; then the manager simply manufactures some money for his use which is exactly like that which the people have earned for use in their personal spending; this method amounts to the same thing as sending tax bills direct to the people, but it avoids the embarrassment of sending people these objectionable bills. The point is, briefly, that in the "store of government" individuals do not have to pay directly for what they get off the shelves; it is a procedure quite distinct from the free market process.

This explanation has been more detailed than would be necessary if I thought it was generally understood how the growth of a government, beyond its basic functions of preventing fraud, violence, predatory practices and monopolistic abuses, involves abandonment of the free market process. Only by realizing this can one understand the seriousness of our present plight.

In 1946, the expenses of government in this country took an average of 31 cents of each dollar of individual incomes. The large amount and the upward trend are both alarming. As recently as two decades ago only 12 cents were taken out of the dollar for the expenses of government.

It would seem by this reasoning then, that the market in this country is about one-third *not* free. But this is only a rough measure and doubtless an understatement. We know that in a country with complete Communism, where the government takes all of people's incomes and grants them, in return, whatever they see fit, there is no market freedom, legally, whatsoever. That is the ultimate of loss of market freedom which this country and Britain are approaching at an alarming rate. In a country where control is less than complete, precise measurement is difficult.

A country where one-third of the people's income is taken by government—is taken away from spending in the free market—may have lost more than one-third of its market freedom. This is because government expenditures for control may not parallel the degree of control. A country may, for instance, pass comprehensive price-control laws, thus making every marketable item in the nation unfree and do so at only a nominal expense for passing the law.

It is generally believed that practically all controls have been abandoned in this country since the end of the war. But they have not. Direct and indirect controls still operate over many parts of the economy which are not fully reflected in this 31% figure for government expense. Note, as one of the many illustrations, the creation, under governmental encouragement and support, of monopoly controls over the laboring man by much of "organized labor." Note also the present controls over transportation rates and operating costs, in an industry nominally in private hands. Many others could be listed.

In my opinion, the essence of a voluntary society, of private enterprise and free markets, cannot long be preserved if the economy of the nation does not rapidly abandon a sizable part of its present burden of government.

(2) An Unstable Money System—A thoroughly free market, as we know it, is not likely to be preserved if money is highly unstable.

Money is as essential to an exchange economy as is the conducting wire for the transmittal of electric current. In many respects the two are similar. The exchange process is conducted on the transmittal belt of money. The goods of exchange, not the money, is what people really want, just as it is the electricity rather than the electric wires which they want.

Neither transmittal process works well on faulty conveyors. If the conveyor is faulty, the flow of electricity or of goods is interfered with and, if faulty enough, it will stop the flow completely. In the case of exchange, one should say almost completely. If people lose all confidence in the money, they can exchange goods only by the awkward device of barter. Barter is a free market operation, but it could not sustain a very large portion of the exchange of goods and services in an advanced economy. For this reason, one may say that loss of the money aid to exchange would eliminate most free market trading in our economy.

We all know that our money has become highly unstable. I mention it here merely to list its instability as one of the greatest perils to the free market, with only brief evidence of its degree of instability.

If you had sold commodities at wholesale in 1939 and put the dollar received therefrom into your sock, and if you were to take the dollar out now and buy back the same types of commodities, you would find that you had been short-changed in the process by nearly half. Even that does not fully reflect the dilution of our money that has occurred since 1939. Money in circulation, for instance, has been diluted four times since then.

The continuance of a free market is seriously endangered by such an unstable money. The danger comes in part from the reluctance of people to engage in exchange if there is a threat that the value of the money will change rapidly one way or the other.

More serious as a threat to free markets, however, is the damage done to the exchange process when misguided individuals attempt to control the *effects* of an unstable money. That is how price control and other similar schemes come into being and destroy the legality of the free market.

As prices continue to rise, with further rises in wage rates and as people try to spend the sterile dollars "saved" during the war, the cries of "inflation" and demands for all sorts of government controls may be expected to increase. There will then be an important test of whether even the essence of the free market is to be preserved. The only effective way to meet the issue is to first have a correct diagnosis of what causes the trouble in order to be able to avoid suffering from the wrong treatment.

* * *

The two perils to the free market which have been mentioned may be considered "national" perils. Most other nations suffer the same perils in even greater degree than we do. But these are national perils in the sense that each nation can, if it chooses, avoid them.

International Perils to Free Market

Then there are two important types of "international" perils.

(3) **International Commodity Controls**—Most people think that the idea of controlled prices, with which we had such vivid wartime experience, has been effectively buried—with a few exceptions like rents and sugar. More accurately, I believe, the idea still strongly persists although it seems to have moved into prominence in the international sphere. Some might say that the idea of controls has merely "grown up," which I would accept as a description of the situation, remembering that a mistake is still a mistake after it has grown into long pants.

The program for elimination of free markets on the international level marches under many labels. It appears as a component of plans for "international wartime relief," "reconstruction aids," "permanent relief of the poorer nations," "orderly international trade," "allocation of limited supplies," "settlement of debts between nations," "meeting the dollar shortage," and many others.

The entering wedge for control in world markets appears harmless enough to those not discerning in such matters. In a blueprint plan, drawn up in this country, the "general purposes" provide that the nations agreeing to the plan shall solve their economic problems by neighborly collaboration. It provides that fences hindering greater welfare through exchange are to be reduced, trade is to be set free, and discriminatory practices of favor between nations are to be abhored and later forbidden. As fruits of the plan in action, there is promised great increases in welfare, full employment and peace.

These are the stated objectives. They sound enticing and remind one of some of the internal rules of economic conduct by means of which this nation acquired its greatness. It is only when looking behind the mask of these general objectives, into the stated or implied aspects of the plan, that one can fairly appraise it.

It is proposed that an international council table be set up to solve such problems as the allocation of surpluses and deficits. Does that sound like the description of a free or of a controlled market? Such a council, like the administrative body of OPA, is not designed to spend all its time playing chess. Their function is intended to be the control of something.

So we study it further. No nation is to be allowed to engage in "exporting its unemployment" to other nations. Through this world organization, it shall be compelled to retard its production and carry its share of the then-existing world unemployment, as an obligation under the Charter. Think this one over. What does it mean? It amounts to someone with power of control sitting in judgment on matters of production and price for the participating nations. It is like a factory that is working full time while an inefficient competitor, working only half-time, suffers partial unemployment; the more efficient producer would not be allowed to continue to "export his unemployment" to the market; he would be compelled to reduce his operations to that of his less able competitor. Does that describe a free or a controlled market? Is it descriptive of our traditional system in this country, which brought such phenomenal progress, or is it reminiscent of the controlled economies of other nations?

Time does not allow me to go further into the analysis of this plan; you can do it for yourself—always having in mind as your test of its wisdom the characteristics of a free market, as I have attempted to set them forth. You will then see why I list such schemes as an important peril to free markets throughout the world.

It is strange that this nation, still perhaps the world leader in a free economy, however much battered, should take leadership in a plan having as its essential features various forms of control of the markets of its participating members. It is easy to see why other nations, with opposite ideologies from ours, should favor it. But why the United States?

National planning, it should be noted, does not force international planning on other nations. While one nation chooses to go completely totalitarian, another may pursue economic liberalism as this nation did during the last century. But once international planning is agreed to, controls are thereby forced on all participating nations in the same manner as OPA was imposed on every person down the road.

Where would that leave the free market and our traditional system of a voluntary, competitive economy?

(4) **Control of Exchange Rates**—Lastly, I wish to mention briefly the control of exchange rates between currencies. It operates in international trade, as a result both of national policy and of international agreements.

The idea of controlling exchange rates is based on the same economic fallacy that argues for price control of commodities within a nation. It is precisely the same basic idea, though this one is a little more obscure to our view.

We are familiar with the way commodity price control works, and its tragic effects. Suppose that the price of wheat in a free market is \$1 a bushel. That means that the consensus of opinion reports (1) \$1 and (2) 60 pounds of wheat, to be of equal worth in trade. Suppose that the currency becomes diluted by pouring into the exchange system counterfeit or worthless dollars, until the consensus of opinion fixes \$1 as worth only 30 pounds of wheat. If the government, "to stop inflation," steps in with a law that prohibits wheat prices from rising above the former level of \$1, legitimate trade will be stopped, as was so well illustrated by meat and other products under OPA. If law thus flies in the face of reality, and if it is enforced, trade will stop and force production for sale to stop too.

The effects of exchange control are exactly the same. By merely substituting a foreign currency for either the money or the wheat, the rest of the story will remain the same. What happened in the wheat illustration was that the money lost worth because of its counterfeit dilution. Suppose in this exchange question that the currency of one or two nations loses worth for the same reason. The idea of control is to attempt to conceal its reduced worth by fixing its exchange value out of line with its true market value. As a result, legitimate trade will be shut off between the two countries.

We are now under the spell of worldwide attempts to conceal the true degree of worthlessness of many national currencies. The control method of meeting the situation might be called an "international currency OPA." Just as under our OPA the results were called a "meat shortage," etc., under the exchange control schemes the results are called "dollar shortage," etc.

These currency controls are raising unbelievable havoc with world trade and recovery. They are a serious threat to the reestablishment of free world markets.

* * *

I have listed what seem to me to be the four principal perils to free markets, national and international. In summary, they are:

1. The Growth of Government, as a Drain on our Private Enterprise Economy.
2. An Unstable Money System.
3. International Commodity Controls.
4. Control of Exchange Rates.

If the nature of these perils do not promptly become known through education, so that sound action will follow, future historiians may write of the economic marvels and progress that was once America, just as they have written of the past glories of other famous civilizations.

At the heart of the problem of re-education is an understanding of the functioning of the free market and its result in economic and social justice.

Let's not abandon the free market without even understanding it. I am confident that if it is understood it will not be abandoned.

What of America's Future?

(Continued from page 10)

tem has been growing as a jerry-built structure erected to serve political expediencies. The taxing power was prostituted time and again in the most flagrant and indefensible manner to punitive uses. Men and businesses who did not agree with the New Deal notions found themselves penalized. Their records were impounded. Their businesses were interfered with. Their private rights were invaded and flaunted by Federal agents, and they were without recourse. We were under a government by administrative regulations numbering more than seventy-six thousand. Many of them denied the citizens the right of judicial review or redress. We do not want regimentation of people or professions.

Social theories were promoted by the taxing power, and favoritism was rampant. It is probable the whole story of that dreadful chapter in our American history will never be told because many of the papers and records have been impounded.

So a special committee is working with the Ways and Means Committee of the House and the corresponding committee of the Senate to lay down proper, just, scientific rules and regulations to confine the taxing power in its proper channels, and to the performance of its proper functions.

It was clear we would have to know for ourselves the real facts about conditions in Europe. The information the people and the Congress have been given piecemeal has been murkey, contradictory, incomplete. It has been filled with vacuums which are too obviously created by deliberate concealments for us to ignore them. Therefore, we have two committees of the House going to Europe to determine the facts for us. Those committees will find out the real conditions. They will talk first-hand with the responsible spokesmen of other nations and will determine what we can count on in the way of efforts by those nations to help themselves. Every American wants his nation to do its part to help restore peace and sanity throughout the world, but we must not bankrupt ourselves, wreck our own economy.

No man ever saved another from drowning by going down with him.

So these three vitally important lines of inquiry are going forward concurrently. We are sure the second session of the 80th Congress will have first-hand information upon which we can base intelligent foreign policies; proper extraction from the governmental anatomy of useless, expensive, wasteful, tax-absorbing bureaus and commissions; and set up a taxing system which will scientifically and equitably assess taxes on the basis of real Federal needs and the capacity to pay.

In passing I want for a moment to advert to something. A few years ago when a congressional committee or a President went on a journey at the public expense it was "an inspection tour." Also it was a "top secret" inspection tour. Today when hard worked, tired members of the Congress are willing to continue their arduous labors and sit in session at points where vital information is most easily to be gotten, our opponents and those who would destroy the faith of the American people in their Congress call these trips junkets. Let me say to you if anybody believes a five- or six-weeks' inspection trip to any part of Europe or the Far East with the bad water, worse food, rubble, desolation and desperate peoples constitute a joyful junket he ought to try it once.

This job of saving the world and at the same time of keeping America free, sound and solvent is one calling for the fullest co-operation between all races, creeds and parties. If America goes down we all lose. If our free Constitutional system of government, economy and society are wrecked and ruined, we all lose. If our liberties are destroyed, if our freedoms are abolished, if our American way of life is warped out of form, we all lose. If our living levels, our working conditions, our social traditions are destroyed, we all lose. The only people who believe they might gain something by such a catastrophe are the subversionists — those who would overthrow our form of government, our free economy and our free society in order to loot us. I care not by what name you call them, whether Communists, Fascists or just plain agitators — they menace our way of life and they must be defeated and cast out. The Constitution must stand. The Bill of Rights must endure. Our American way of life must be perpetuated. The youth of this land, the young veterans—all must have their fair chance for a full, happy and constructive life as did their fathers before them. By cooperation we can assure that. By division, we can fail. We must not fail. We will not fail. America will stand.

As We See It

(Continued from first page)

low wages, or, at any rate, due to the selfishness of business (except labor, of course, and for the most part except the farmer, also) another 1920 or perhaps another 1929 was definitely in the cards for the near future unless the politicians stepped in without any delay to cure the situation.

No Proof Needed

There is no need to cite proof of such statements, or make invidious mention of names in connection therewith. No one will need any evidence. It all happened too recently for even the short-memoried public to have forgotten. It would be difficult to know whether the professional economists in the employ of government were unduly impressed by the economist-politician, or not, but their edicts for a number of months lent considerable support to those of the political policy makers—even if the reasoning by which they reached their conclusions was less naive. We suspect that the thinking of a dishearteningly large proportion of those who observe and comment upon the current trends of business have got too much under the influence of some of the persuasive present day heretics and the devotees of planned economy.

But this particular phase of the situation appears to have passed, or at the very least to be in the process of passing. The volume of business activity, the amount of employment, the rate of wages being paid, and all the rest so stubbornly refused to honor the predictions of the pundits and the soothsayers in and around Washington that it has become very difficult to maintain any such position as had been taken by them. For some time we have heard little from these vocalists—and what they have said has made but little impression. Perhaps, the best course of action now is to forget it all as "just one of those things."

But the politician must have a "cause." He simply can not do without one. He is adept in finding one, and the degree in which he is able to impress the public with it is usually a fairly good measure of his ability as a politician. The President and his advisers have found theirs, which will doubtless serve their purpose for the time being at all events. It is our old friend, the cost of living. What has of late been rechristened the "consumers' price index" has been rising. Of course, the housewife, who has the duty of keeping the family larder filled, has not had the need of any sort of index to tell her that the prices of meat, and of a great many other of the necessaries, have for a good while past been burdening the family budget more and more—indeed have gotten to the point where at least some of the people are threatened with the necessity of returning to something fairly closely approaching their prewar scale of living! And the tradesmen have not been laggard in warning her that prices are going higher.

An Excellent Issue

What an issue for the politician who is building carefully for the 1948 general election! Everyone knows about the course of prices in the local grocery store and in the butcher shop. Most of them are aware of what is asked for the things they must have from time to time in other stores. Those prices always look high to the consumer. It is never very difficult to convince him that "there is something rotten in the State of Denmark" as to all this. Either the manufacturer, the processor, the wholesaler, or the retailer must be "gouging" him—or at least he usually is quite ready to listen to such a story. He is the more ready to listen to it when prices are really high—regardless of the cause—and moving upward, as they are doing now. It appears an excellent bit of political strategy to make political capital out of the state of affairs. And the campaign for that purpose has been launched. The Attorney General has been directed to "investigate"—that is to find some culprit who may be charged with something, most probably, so the plan goes, of violation of the anti-trust laws. Supplementing this tactic is of course that which never lets a day pass without some reference to the sad state of affairs in a country where such abundance exists side by side with such "outrageous" prices.

The effectiveness of all this, or whether it will be effective at all, will depend upon the gullibility of the general public. The cost of living is high, of course, but the current official analysis of the situation which brings these high retail prices into existence is as faulty as the reasoning which led so many of the wiseacres to say and to reiterate almost without end that the "bust" which must follow the "boom" was upon us. Monopoly—except among the wage earners of the nation, of course—is not among the causes. Naturally, we can not assert that nowhere in our vast economy has there been any breach of the statutes loosely known as the anti-trust laws. The probability is that such violations occur daily at some point or other. It is a chronic state. The interpretations placed by the courts upon these statutes change so constantly that, if the truth be told, not even the proverbial Philadelphia lawyer can be sure what is and what is not a violation.

The Real Causes

The point we are making here is that it is not in the least necessary to posit any such restraint of trade to explain the high and rising tendency of prices at this time—and correspondingly little real reason why it should be widely indulged in now. The real reasons are to be sought elsewhere, and a careful ferretting of these causes would not be particularly profitable to the politician—particularly to the politicians surrounding the President. In brief, the causes are to be found in the almost inevitable consequences of large scale war, and, of course, have been strongly fortified by the methods used in financing that war. No such war could be fought successfully without reduction in the production of many types of things the consumer wants, and, in consequence, accumulation of "wants" and "needs." It might have been fought with less of an accumulation of money in the hands of the rank and file—but it was not. Here are the real explanations. The latter is amenable to gradual correction. Nothing much can be done about the other.

But anti-trust suits are more spectacular — and, maybe, better politics.

Trading in Metal Futures

(Continued from page 4)

cally, everywhere. As long as prices are fixed under government ceilings, and distribution is subject to priorities and allocations, there is no room for futures markets because these can function only under free market conditions. That is the reason why there can be no resumption of trading in tin futures so long as all imports remain in government hands and the white metal is resold to industry at a fixed price. As soon as conditions warrant, Commodity Exchange will reestablish tin futures trading also.

Meanwhile, Commodity Exchange is now redoubling its efforts for the restoration of a silver futures market in New York and is also studying the feasibility of inaugurating futures trading in secondary aluminum.

New York today is the leading world metals market! It has replaced London in that role!

This shift possibly may be a matter of international political and strategic significance. Certainly, it is of vital importance to the business interests of the United States.

The change has come about because of many changed conditions in the postwar world, but largely because no time was lost, here in New York, in returning to free trading in the metals as soon as the war emergency was over. In England, on the other hand, the British Labor Government approached the problem of afterwar trading in all commodities with what from this side of the Atlantic appears to be a deep-rooted distrust of free markets.

After a series of quick re-conversion moves late in 1946, the return to free trading in metals in the United States was climaxed and made effective by resumption of futures trading in copper and zinc at Commodity Exchange, in New York a few weeks ago. Trading in lead futures will be resumed on this same Exchange soon.

Advantages of New York

There can be no doubt that tremendous economic advantages will result from New York's role as the leading international metals trading center. Not only does this mean broader markets and improved marketing conditions for our own metal producing and consuming industries, but it will attract to us a larger share of the international metals trade. This will mean added business for custom smelters and refiners; it will mean more business for steamship companies, for insurance companies and for banks. But all of these advantages will accrue and prove lasting only if we succeed in building up and maintaining broad and smoothly functioning metals futures markets in New York.

The importance of futures trading in the metals field can hardly be exaggerated. This is due to the fact that metal smelting and refining, as well as many processing operations, usually require relatively long periods of time and hence involve considerable price risks.

Many of us may have forgotten this because of the acute metal shortages since the start of the war which made price a secondary consideration—but we all know that the sellers' market in metals will not last forever.

Already trade and industry members are exploring the possibilities for protection against future unforeseen price fluctuations and are stressing again the need for a continuance and reliable barometer that makes possible the evaluation of future price trends.

Functions of Futures Market

This means that the two major functions of the metals futures markets are regaining their traditional importance.

These two functions are: to provide facilities for price protection and to provide a continuous market where positions can be taken and liquidated immediately, at prices arrived at by free and open bids and offers from every part of the world.

Thus there is no basic difference between futures trading today in agricultural crops and in nonferrous metals. They all serve the major purpose of bridging the time gap that usually exists between the production and consumption of basic commodities and by eliminating the price hazards inherent in the marketing of such materials. That, of course, is hedging. The principal of hedging is the same in all markets. It is the proper use of futures markets in order to eliminate, or at least reduce, price risks existing in cash commodity commitments or positions, such as forward sales or purchases, existing inventories or order backlogs.

Here is a typical example of how hedging operates in the metals field. A metals dealer requires an available stock for prompt deliveries in order to conduct his business. He is therefore compelled to buy, even though he may be uncertain as to the course of prices, or even if he feels that current prics are too high.

Let us say he buys 300 tons of zinc under these circumstances. Without hedging his stock, he would immediately assume the risk of a price decline that might burden him with heavy losses if the market goes against him.

The futures market affords him facilities to insure himself substantially against this risk. As soon as he buys the 300 tons of zinc, he offsets his price risk by selling 10 contracts on the Exchange. He sells these contracts on the Exchange for delivery in a month far enough ahead to give himself time to dispose of the physical commodity before the maturity of the futures contracts. As he sells the zinc from his stock, he buys back an equivalent amount of his outstanding Exchange contracts.

Since normally spot and futures prices move in harmony, here is what will happen to him. If there is a price drop before he can sell his physical zinc, he will of course receive a lower price than he had anticipated. But at the same time he will realize a profit in the futures market because he can buy his exchange contracts back at a lower price than he sold them.

On the other hand, if the market rises, he makes a profit on his inventory, but this is offset by a loss in the futures market because he is compelled to buy back his exchange contracts at a higher price than he sold them.

This surrender of extra inventory gains is the price the dealer pays for protection against otherwise uninsured inventory loss.

In effect, a dealer who uses such hedge protection declares that he will be satisfied with his normal legitimate profit and that he foregoes the opportunity of speculative profits. The temptation to seek larger profits is, of course, strong and that accounts for the fact that numerous trade or industry members use hedge protection only if they are fearful that the market will go against them. Half the time they may be willing or even eager to take a change on the market. That is human nature, but of course it does not represent a genuine hedging policy.

How a true hedging policy works in the metals field is best illustrated in the 1946 annual report of the American Metal Co. of New York. In summarizing the 1946 billings of the company, the report states that the total included:

(1) refined metals handled on a commission basis,

(2) refined metals purchased for resale, and

(3) metals purchased in the raw material for treatment.

Then the report continues (and I quote): "With respect to the last category—the purchase of raw materials for smelting—it is the general policy to rely for profit only on the treatment charges and to resell the metals for future delivery, when feasible, immediately upon intake, such sales USUALLY RESULTING IN NO MARKET PROFIT."

That is no textbook statement, but the considered policy of one of our leading metal companies.

Situations for Use of Hedges

All through the metals field there are situations which lend themselves to the use of hedge protection against unforeseen price changes. They can be classified in the following five major types of metal hedges:

The smelter's hedge
The refiner's hedge
The processor's hedge
The dealer's hedge
The producer's hedge

Let me briefly outline these to you.

First, the *smelter's hedge*. Smelting operations usually require from 60 to 90 days. Where custom smelters bring in foreign ores, the time between ore purchases and metal sales is even longer. During this period the smelter can protect himself against a price drop by the immediate sale of futures contracts on the Exchange. Then should the sale of blister copper, for instance, bring a lower price than anticipated, an offsetting profit would be obtained in the futures market when the contracts, previously sold short, are bought back.

Next is the *refiner's hedge*. The refiner's case is very much the same as that of the custom smelter. He can use the sale of futures as a hedge against a spot price decline.

In his case, however, a reverse situation could also arise. A refiner might commit himself to deliver refined metal at a specified price before his raw material needs are covered for such a contract. In order not to run an undue price risk, he could under such circumstances buy futures contracts when he enters such commitment. Then should there be an unforeseen advance in the price he has to pay for his raw materials, this could be at least partially offset by a profit on his long futures transaction. Actually, however, most of the business in refined metals is at present done on a relatively short time basis.

The *fabricator* of metals can use the futures markets to equal advantage. This applies to companies making semi-manufactured metal products as well as to ultimate consumers of metals who manufacture finished goods. A fabricator may find himself with a large inventory on hand while at other times his commitments may exceed his stocks. In both instances the futures market offers a chance for protection. Inventories can be protected by a sale of future contracts; outstanding and uncovered commitments by a purchase of futures.

In periods of uncertain business prospects, the protection of inventories against sudden price declines is, of course, most valuable. Where inventories are hedged, a sudden price drop would at least be partially offset by a profit on the futures transaction—when the short sale is liquidated below the selling price.

The *dealer's hedge* has already been described. The need for dealer's protection is particularly acute when the dealer also is an *importer*. In normal times this applies principally to tin, because all our tin requirements must be imported. Where a dealer or importer does not immediately offset a purchase abroad with a sale at home which nets him his customary profit, he can operate safely only if he is able to protect himself by a short hedge on a futures exchange.

That is why futures markets are as essential for the trading in imported commodities, such as tin and rubber, as those in the agricultural field, such as sugar, coffee or cocoa.

As a matter of fact, in normal times the dealer's and importer's hedge is the most widely used hedge in all futures markets. That is why the tin futures market on Commodity Exchange will be reopened as soon as the government returns tin imports to the private trade.

The fifth type of hedging operations in the metals field is the *producer's* hedge. A mining company believing that prices will decline, yet anxious to maintain continued operation and employment of its miners, may use the mechanism of the futures market to sell its production well ahead in the form of contracts for future delivery. It then has the choice either of buying back these futures contracts as its production is sold through trade channels or of delivering actual metal processed from its production against the outstanding futures contracts at time of their maturity.

Volume of Futures Trading

To fulfill their hedging functions adequately, futures markets must be reasonably broad. That means trading volume and the amount of total outstanding contracts must be large enough so that a hedge can be "lifted"—without causing undue price fluctuations in the futures market—when the corresponding cash commodity position has been closed out.

That is why the Commodity Exchange is directing its efforts toward the broadening of its metals futures markets. The first objective to shoot at is the Exchange's prewar volume of metals trading—but I firmly believe that this will be only a beginning.

In 1939 futures trading in metals in New York reached a grand total of 16,208 contracts. The total was divided as follows: copper 13,994 contracts, tin 981 contracts, lead 743 contracts, and zinc 490 contracts. The open interest in copper futures at the end of 1939 amounted to roughly 1,000 contracts. These figures show that the market was broad enough to fulfill its purposes.

It will, of course, take some time before the metals futures markets are all reestablished and regain their prewar status. They are not likely to regain this place completely as long as spot metal shortages still are acute enough to warrant premiums for spot prices or nearby deliveries over the more distant delivery months.

Normally distant deliveries in the futures markets sell at premiums over the nearby positions because the quotations for the distant deliveries include the carrying charges that arise when a commodity is stored in a warehouse for a period of time. At present this price relationship is just the reverse in virtually all futures markets. Nevertheless this price reversal does not rule out completely the use of the exchanges for hedging purposes, even though it may make hedging less effectual than under normal conditions.

The added handicap lies in the fact that distant hedges cannot be placed at prevailing prices, plus normal carrying charges, but only at substantial discounts under spot prices. Since most hedges are hedge sales rather than purchases, this means that even should spot prices develop moderate weakness, the gap between spot and futures quotations still may be closed, at least partially, by a relative firming in the distant positions as their maturity comes nearer.

This is a condition that will prevail in each individual field until supply and demand once more is in better balance. Until such time, the value of futures markets as hedging medium will be limited.

Futures Market as Price Barometer

However, this does not make the early reopening of the metal futures markets any the less important. There are other vital services which a futures market provides, chief among which is the role of a highly sensitive price barometer.

The need for such a price barometer is particularly urgent in the case of metals, because prices quoted on Commodity Exchange frequently reflect more accurately the psychology of the respective trades, than the published prices at which producers offer to sell their products to consumers directly.

Metal futures quotations vary from day to day, whereas producers' prices often do not change over a rather long period of time. Producers aim at price stability. However, the efforts to hold prices stable is bound to find itself confronted from time to time by changed conditions. It is then usually found that the machinery of producer price adjustments does not function as rapidly as does the machinery of an exchange market.

Trading in copper futures on Commodity Exchange, Inc. was resumed July 15. Since that time copper transactions have totaled only about 250 contracts, and the open interest at the moment is still only about 100 contracts. The true significance of the copper reopening can not be measured in terms of these figures alone. Resumption of futures trading restored a sensitive price barometer for the red metal and it also served notice to the world that free metals trading once more had become a reality in the United States.

Hopes for Restoration of Silver Market

One further important step remains to be taken in order to firmly establish New York's position as the leading world metals trading center. That is the restoration of a futures market for silver. With chances slim that the London silver futures market will be restored in the foreseeable future, the need for such a hedging market in New York has become extremely urgent and no time should be lost in clearing away the legal obstacles which lie in the path of such a development.

A silver futures market is no stranger to metal and financial circles in New York. Such a market was inaugurated in 1931 by the National Metal Exchange and was taken over in 1933 by Commodity Exchange, Inc., following the merger of the four New York commodity exchanges dealing in metals, rubber, hides and raw silk.

During the seven months from May through November of 1933, silver futures trading on Commodity Exchange, Inc., reached a total of over 1,000,000,000 ounces. And from December 1933, to Aug. 9, 1934, the volume was over 850,000,000 ounces. On Aug. 9, 1934 a bomb exploded under this market when the United States Government nationalized silver. Commodity Exchange had no recourse but to suspend trading in silver futures.

What actually spelled the end of the New York silver futures market was not so much the nationalization of silver decreed by the Government late in 1934 nor even the extraordinary monetary policies adopted at that time—but rather the imposition of a 50% penalty tax on all profits derived from transactions in silver bullion.

The expressed purpose of this measure at that time was to tax away the profits of speculators who had bought silver in anticipation of a price rise once it had become apparent that the Government was about to enter the silver market on an unprecedented scale. However, the initial impact of this tax was a blow to trade sources rather than to speculators because the largest part of the 113,000,000 ounces of silver which were delivered to the Government under nationalization was not speculatively held but had been acquired for normal commercial purposes.

There were other long-range effects of this silver tax. Since it was applied not only to U. S. citizens but to foreigners as well, it spelled the death-knell not only for the New York silver futures market but for its normal open market in silver as well, and, with one fell stroke, drove the silver market back to London.

This move completely nullified the progress that had been made since World War I in the development of an independent silver market in the United States. Early in the '30s the American commercial silver market was at full parity with London. It was a market in which domestic and foreign producers, smelters, refiners, manufacturers, banks, dealers and brokers participated and in which transactions were predominantly non-speculative. The final step in its broadening occurred when the inauguration of silver futures trading opened the field to speculative participation as well, and through the mechanism of a hedging market permitted the diffusion of trade risks. There was nothing insidious about such a development, as the spreading of price risks among outsiders is one of the very cornerstones on which futures trading rests.

All attempts thus far to have the silver transfer tax repealed have failed. That means that we are missing a valuable opportunity now—while England is out of the picture—to lay the foundation for the development of a strong commercial and futures market in silver in New York. As things now stand, the law not only discourages foreigners from doing business here but it deprives commercial silver users in this country of the benefits of a hedging market, enjoyed by other metal industries. How considerable are the price risks of commercial silver users is best illustrated by the fact that this year, to date, the silver price in New York has fluctuated between a high of 86½ cents and a low of 59¾ cents.

Restoration of a free silver market in New York would constitute a valuable contribution to the national income in the form of additional smelting, refining, marketing, manufacturing, insurance, trucking and similar earnings. On the other hand, the silver transfer tax has no longer even a nuisance value. We expect at its next session, Congress will repeal this obnoxious tax, and thus write *finis* to a chapter in our economic history of which we have little reason to be proud—the Silver follies of the early '30s.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The terms of the September refunding operation by the Treasury was no surprise to the financial district, which had been expecting a short-term low-coupon issue, and that was exactly what was received. . . . In offering a 10 months ⅞% certificate in place of the Sept. 1 maturity and a 12½ months 1% note to refund the 1¼% and 1½% notes due Sept. 15, the monetary authorities have definitely broken the wartime pattern of interest rates. . . . The rise in short-term rates is now an actuality with the unpegging of the certificate rate. . . . A 10 months ⅞% obligation is just a shade under 1% on a yearly basis. . . .

PREMATURE

The issue of non-marketable restricted 2½% bonds that will be offered to non-bank investors and commercial banks with savings deposits late next month was not expected at such an early date. . . . It is still too soon to indicate to what extent commercial banks with savings deposits will go for such an issue. . . . Until the terms of the offering and maturity dates are known these institutions will express no opinion on the new offering. . . .

There has been, nevertheless, a definite distaste for a non-marketable obligation, but this may change when more is known about the coming offering. . . . Trust accounts are expected to be heavy buyers of the new bond with insurance companies and savings banks also coming in for sizable amounts. . . .

Although many non-bank investors would prefer a marketable obligation or would rather ride the yield curve and trade the outstanding marketable securities, there has been so much heat put on for a new restricted issue at 100 that they cannot afford to do other than go along in an important way. . . There is no doubt about the success of the forthcoming non-marketable obligation. . . .

UNCERTAINTY

The unpegging of the certificate rate has injected an element of uncertainty into the money markets, but the full effects of higher short-term rates is not likely to be felt for some time, probably as long as a year, because the rise will be slow and gradual. . . .

In the interim the commercial banks must maintain income to meet increased operating expenses, and this can be done by taking on the higher yielding, longer-term obligations. . . . The deposit institutions feel they have no alternative now but to buy the outstanding issues, since the Treasury has not seen fit to offer a security with a high enough coupon to keep them from going into the longer maturities in order to get needed income. . . .

MARKET REACTION

The reaction in the market to the Treasury financing was a great display of strength in the eligible obligations. . . . The rise was very general with all issues sharing in the upswing, the near-term and intermediate maturities, as well as the longer-term obligations. . . . New highs were made in some of the more distant obligations with gains of ¼ of a point being registered in many issues since the announcement on Monday. . . .

All the 2% taxables were in demand from the larger commercial banks as were the last four partially exempt issues. . . . The smaller institutions seemed to have concentrated in the longer term obligations such as the 2¼s due 1956/59, and the 2½s, due 9/15/67/72. . . .

Despite the sharp rise in prices of the eligibles the demand is still very substantial. . . . Dealers, according to reports, have been adding to their positions in the bank issues. . . .

RESTRICTEDS A DILEMMA

The ineligible issues have also done better, probably in sympathy with the strength in the bank obligations. . . . The powers that be still are letting out some of the restricted bonds, but the activity in these securities has not been nearly as great as in the eligible obligations. . . .

There seems to be a mixed feeling as far as the restricted bonds are concerned, with some holding the opinion that the outstanding marketable obligations should do better, especially those issues that become bank eligible in 1952. . . . Others contend that the mopping up of a large part of the existing demand by the non-marketable issue next month will take the edge off the market for the outstanding obligation. . . .

The 2¼s due 1959/62 and the 2½s due 1962/67 and 1963/68 have a firm tone with indications of a good institutional demand for these issues. . . . There has been some good buying by out-of-town institutions in the longest 2½s. . . .

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

It is announced by the New York State Banking Department that the **United Industrial Bank of Brooklyn, N. Y.** has approved a certificate of reduction of capital stock from $300,000, consisting of 3,000 shares of the par value of $100 each, to $200,000, consisting of 2,000 shares of the par value of $100 each. The change became effective Aug. 6.

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The Crestwood National Bank in Tuckahoe, N. Y. has increased its capital effective Aug. 4 from $75,000 to $100,000 by the sale of $25,000 of new stock.

* * *

Hubert F. O'Brien, President of the A. P. Smith Manufacturing Co. of East Orange, was recently appointed a member of the Advisory Board of the Essex County Trust Branches of the **Fidelity Union Trust Company of Newark, N. J.** The Essex County Trust Branches are located at Main Street and South Arlington Avenue, and at Central Avenue and South Clinton Street, East Orange. Announcement of Mr. O'Brien's appointment was made by Horace K. Corbin, Fidelity Union President.

Mr. O'Brien is a director of the National Association of Manufacturers. He is active in the programs of the American Waterworks Association, the National Metal Trades Association, and the Foundrymen's Association, and is a former director of the Chamber of Commerce of the Oranges and Maplewood.

* * *

An increase of $50,000 in the capital of the **Calumet National Bank of Hammond, Ind.** raising it from $400,000 to $450,000 is made known by the Office of the Comptroller of the Currency. The enlarged capital was made effective as of August 7.

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Changes made in the top personnell of the Chicago **Title & Trust Co. of Chicago**, have resulted in the appointment of five men as Senior Vice-Presidents and six younger men to head the operating divisions of the firm it was indicated in the Chicago "Journal of Commerce" of Aug. 15, which in part said:

"Holman D. Pettibone, President, said the reorganization was unique because it was accomplished without firing or hiring any officials. He said Chicago Title & Trust 'simply changed the responsibilities of the older men and opened the way for new responsibilities for many of the younger executives.'

"The five Senior Vice Presidents, he said, will devote their attention to general policies and company-wide problems. They include Kenneth E. Rice and Arthur C. Marriott from the title division, Chester R. Davis of the trust division, Harold A. More of the administrative division and treasurer's office, and Harold L. Reeve from the law department.

"The operating Vice Presidents and the general counsel who will head the six divisions are Paul W. Goodrich, title division; William B. Wiseman, trust division; Albert Y. Bingham, investment division; Joseph J. Snyder, administrative division; Joseph D. Shelly, public relations division, and Charles F. Grimes, law division. Mr. Pettibone also announced the appointments of John D. Binkley, Victor Cullin, Leon D. McKendry, Kenneth W. Moore and Harry G. Aimmermann as Vice Presidents.

"Willis Monfort will become Treasurer; George L. Emerich, Robert E. O'Dea and Philip P. Paulson, Trust Officers; Logan D. Fitch, Gifford N. Holden, Gordon Marcovitz, John Y. Meloy and Glenn M. Trumbo, Assistant Vice-Presidents; Roy A. Holmes, manager of the real estate and mortgage department, and Gustave C. Buchholz, Henry N. Buehler and Fillmore W. Galaty, Assistant Secretaries."

The men will take over their new duties Nov. 1.

* * *

Through a stock dividend of $100,000, the **First National Bank of Holdenville, Okla.**, has increased its capital from $100,000 to $200,000 as of Aug. 5, it is learned from the Aug. 11 Bulletin of the Office of the Comptroller of the Currency.

* * *

Announcement is made by the Board of Governors of the Federal Reserve System that the **Wachovia Bank & Trust Company, of Winston-Salem, N. C.**, a State member, has established, effective Aug. 16, a branch at Raleigh, N. C., to be known as the West Raleigh Office.

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Ben R. Meyer, President of the **Union Bank & Trust Co. of Los Angeles**, announces advancement of H. N. Herzikoff from Assistant Cashier to Assistant Vice-President. Mr. Herzicoff will celebrate his 25th anniversary with the bank on Sept. 1 with his promotion to Assistant Vice-President; he will continue to direct the activities of the installment loan department. He is a past member of the Board of Governors of the American Institute of Banking, Los Angeles chapter, and is a holder of the Institute's standard certificate. Following an established bank policy, President Meyer will present Mr. Herzikoff with a watch on the 25th anniversary date.

President Meyer has also announced the inauguration, Aug. 16, of a plan to allow each employee of the bank one Saturday off during each calendar month. In announcing the plan Mr. Meyer pointed out that New York and other States now have Saturday closing for banks and that he believes it will be only a matter of time until California follows their example. "In inter-bank discussions of this subject," Mr. Meyer said, "we have consistently voted for Saturday closing. Pending common action by banks in California, however, we are acting now to give each of our employees the benefit of one Saturday off each month. This is in addition, of course, to regular annual vacations and other legal holidays throughout the year."

* * *

Frank Belgrano, Jr., new President of the **First National Bank of Portland, Ore.**, was welcomed by the bankers of the city at a dinner in his honor on Aug. 7 under the sponsorship of the Portland Clearing House Association, it was stated in the Portland "Oregonian" of Aug. 8, from which we also quote:

"Russell F. Watson, Vice-President of the United States National Bank and President of the Clearing House, presided. Frederick Greenwood, Vice-President and manager of the local branch of the Bank of California, gave the address of welcome which was responded to by Mr. Belgrano.

Sugar Future Trading in New York

(Continued from page 5)

mon in the merchandising and distributing trades, the coffee merchants of New York were constantly buying and selling "spot" and "to arrive" lots among themselves.

As this type of trading grew with the expansion of the entire market, it frequently became quite burdensome just to pass the essential documents of title down the chain of buyers and sellers and make settlement on a specific lot. Sometimes in an active market it was found that a bill of lading, a dock receipt or warehouse receipt had changed hands so many times that all available space for endorsements had been used up. Sometimes an intermediate receiver would find the same lot of coffee coming back to him from another receiver further down the chain.

The brighter members of the trade finally got together and said, in effect, "Look here, we should have enough intelligence to do this thing more efficiently and more safely. We should set up machinery whereby all of this burdensome physical handling and transferring are eliminated as much as possible." This led to the procedure known as "ringing out." Under this system, as it was established that prior to delivery the same lot of merchandise had been sold and resold among the "ring" group, the original seller presented documents direct to the ultimate buyer and all others involved in the series of transactions paid each other off by settlement of the respective differences in the prices involved. This was a vast improvement over the system of the physical delivery of the documents in each instance as it eliminated the laborious checking and duplicate checking of invoice, weights and grades.

There was another very important consideration in this type of trading. That was the factor of financial risk. Several months might elapse between the time goods were contracted for and delivered. One could never be sure, especially in periods of drastic price change, of the solvency of any one of the parties of a chain of transactions which might form the so-called "ring." This credit risk, of course, applied to a lesser degree on simple transactions for extended delivery between two firms alone. To eliminate this credit risk, the interested merchants agreed for their self-protection to establish margins prior to delivery.

Here, then, in the "ring" settlements and margin requirements, we have the forerunners of our modern futures markets and auxiliary clearing houses. I think it is of interest to state to you gentlemen the fact that never in the history of our country has any commodity exchange clearing house defaulted in its obligations to any buyer or seller.

Sugar futures trading was inaugurated in December, 1914. Prior to that time the sugar trade had looked to the terminal markets of Hamburg and London for hedging facilities. When these markets were closed upon the outbreak of World War I, leadership passed to New York. To overcome the inconvenience resulting to producers, dealers and consumers of sugar from the absence of recorded sales showing the consensus of the world's opinion with respect to prices; and to reestablish hedging facilities in sugar, the Coffee Exchange added sugar to its trading list. In 1916, the name was changed to the "New York Coffee & Sugar Exchange, Inc."

Upon the entry of the United States into World War I, trading was suspended in sugar and not resumed until late in 1919. The real beginning of sugar futures trading in this country, therefore, dates from about 1920.

Administrative Organization

I shall pass very briefly over the administrative organization of the Exchange, since it is very similar to that of other commodity exchanges or corporations organized under our State laws. There are the usual elective officers, a board of managers and various committees. The day-to-day work of the Exchange is carried on by an executive secretary and a staff of paid assistants.

The by-laws provide for a membership of 350. Of this number, 344 are outstanding, but because some individuals hold more than one membership or "seat," the actual roster contains some 308 names.

Membership is by election of the board of managers after investigation and approval of the candidate by the membership committee. A member-elect must buy a membership or "seat" from the Exchange or from another member and pay an initiation fee of $1,000 to the Exchange. Prices of memberships have ranged from $31,000 in 1929 down to $350 in 1942, during the wartime suspension of trading. At the present time, they are about $6,000.

I never tire of emphasizing the fact that commodity exchanges themselves do not buy or sell the commodities dealt in on their floors. Neither do they make or in any way influence the prices registered on their quotation boards. The actual trading is done by brokers who, in many cases, are acting for clients such as producers, dealers, refiners, processors, importers, industrial users and speculators. The Exchange merely provides a meeting place where certain approved individuals or firms may execute their orders in a very rigid exact contract, in accordance with the trading rules prescribed by the Exchange under the watchful eyes of the floor committee.

It might be noted in passing that the Coffee & Sugar Exchange is not under the jurisdiction of the Commodities and Exchange Administration and this is true, I believe, of all the import commodity exchanges.

Sugar Futures Contracts

Prior to 1936, the Exchange provided only one principal sugar contract which was based upon raw sugar delivered in licensed warehouses in New York. Our quotations reflected the approximate c. i. f. delivered value of Cuban raw sugar and it was an easy matter, by deducting current ocean freight and marine insurance, to compute f. o. b. Cuban equivalent at which price sugars were offered indifferently to all buyers whether in the United States, United Kingdom, Europe or elsewhere. In other words, there was a one-price market in Cuba for the entire world and a single contract was sufficient to give hedge protection for all buyers and sellers throughout the world.

During the middle '30s, our domestic sugar legislation establishing sugar quotas for the areas supplying the United States changed all this and established a two-price market: One price for consumers in the United States; another price for buyers in other parts of the world. Cuban producers and other producers who had a quota in this market soon found that they could still hedge that part of their production on our Exchange; but not that part which must be sold outside of the United States. Our Exchange quotations, as a result of this quota legislation, had begun to reflect our internal domestic prices, which, in turn, fluctuated inversely with changes in quotas and were often wholly unrelated to world values. Our contract overnight had become virtually useless as a hedge medium for Cuban "world" sugars, or for the production of other areas such as Santo Domingo, Peru, Java or Europe that had no quota, or an insignificant quota, in the United States market.

To remedy this defect, the Exchange devised an entirely new contract in 1936, designated Number 4, based upon raw sugar delivered in licensed warehouse in Cuba, which would give producers throughout the world the same protective hedge facilities for "world" market sugars that they had theretofore enjoyed in our old contract. The Cuban Government cooperated with the Exchange in devising the new contract and by Presidential Decree conferred certain preferential rights and exemptions upon sugars entering into the channels of Exchange trading. The contract worked very satisfactorily for six years until trading was suspended shortly after our entry into the war, and was used extensively by Cuban and other producers throughout the world for the purpose for which it was designed.

Thus, we have devised two contracts, one a domestic contract which we call the No. 5 and the other, a "world" contract identified as No. 4. Each calls for the delivery of 50 long tons in licensed warehouse either in New York or in specified Cuban ports. The trading range in both is 18 months, including the current month. In other words, we are trading now for deliveries as far ahead as January 1949. We have recently resumed trading in contract No. 5 after a wartime suspension of more than 5 years. Trading in the world contract No. 4 has not been resumed for reasons which I shall not enter into now, but we hope that trading will soon be under way.

Hedging Examples

I should like to give you a few examples of how our Exchange was used daily by various segments of the industry in the prewar free sugar market:

Hedging by a Raw Sugar Producer—In Cuba there are about 160 active mills that grind cane and process it into raw sugar. The cane is planted and cultivated in part by farmers known as "colonos" and in part by the mills themselves on company-owned land. During the grinding season, which extends from the first of January to the end of May, the colono delivers his cane to the mill and is paid for it on the basis of the average New York market price for sugar. These cane settlements are made fortnightly. At the same time, the mill is grinding its own company-owned cane. From this you can see that the mill becomes the owner each fortnight of two batches of raw sugar; one batch produced from its own cane and the other produced from the cane bought from its farmers or colonos. Since the Cuban crop is sold over a period of 12 months, the mill assumes a very substantial market risk during the grinding season. It is the almost universal practice of the modern enlightened millowners to sell on our Exchange all or a substantial part of the colono sugar which they are required to take over during the grinding season. They may likewise hedge part of the sugar that has been produced from their own cane. Many mills, of course, make sales of actual sugar to American seaboard refiners during the grinding season but, since there is a limit to refiners' storage capacity, it is necessary that the Cuban producers have some other sales outlet if they are to protect themselves against market declines during the second half of the year.

Hedging by the Colonos—The cane farmer or colono also utilizes our Exchange. Sugar cane requires 12 to 15 months to mature. During this period the colono incurs certain cultivation expenses. Sugar prices and labor costs may be very high during the year of cane growth, but the colono is not able to cash in on these high market prices since he is not paid for the cane by the mill until it is actually cut and delivered. Therefore, if he anticipates a substantial decline in the market during the crop year in which his cane will be harvested, he sells sugar futures for delivery 6 to 12 months in advance. If his forecast has been correct, he will receive less money for the cane, but this will be offset in a general way by the profit on his futures sale. When the cane is delivered to the mill, he naturally repurchases his outstanding futures unless he is still bearish on the market and wishes to remain short. In that case, his position changes from that of hedge seller to outright speculator on the bear side.

Hedging by Seaboard Cane Refiners—Cane refining is a big volume business requiring large plants and ample capital. Despite the fact that sugar is used daily by every citizen in more or less equal quantities, its distribution from the refiner level is extremely uneven. The distributing trade buys on what are called "moves"; taking on at one time 30 to 45 days' supply. This means that the refiner must buy large quantities of raw sugar, process it into refined and carry it in his warehouses until the trade is ready to take it off his hands. Many times when his inventories become uncomfortable on a declining market, he has resort to our futures market for temporary protection.

Hedging by Beet Processors and Growers—The situation of the beet factories in our Western States is not greatly different from that confronting the Cuban raw sugar mill. The farmer grows the beets and delivers them to the factory. The beets are processed by the factory and the resulting refined sugar sold over a period of 12 months. After deducting taxes, discount, freight and selling expenses, the net proceeds of the year are divided approximately on an even basis between the factory and farmers. In this case, you will note that the beet processor does not take the same market risk as the Cuban mill because he does not pay for his beets at a fixed market price during the harvesting period. Nevertheless, if the market is declining, both the factory and the farmer receive a lower average net price. If the market is attractive during the harvesting season, it is not at all uncommon for the best factory to sell part of its expected production on the Exchange, repurchasing later as the sugar is sold. The beet farmer can also sell futures against his growing crop if he anticipates a decline but it is probable that our American farmers use the Exchange less for this purpose than do the cane farmers in Cuba.

Hedging by Industrial Users of Sugar—Many of our large industrial users of sugar, such as the bottlers, candy manufacturers, bakers and others, use the Exchange as a matter of ordinary business routine. For example, a candy manufacturer may book orders for the Christmas or Easter trade several months in advance. If he finds it inconvenient or impossible at that time to buy the necessary sugar from a refiner, he merely purchases an equivalent amount of sugar futures on the Exchange. Then later, as the sugar is needed for processing in his plant, he goes to a refiner and purchases for prompt delivery and closes out his Exchange hedge. If the price of sugar has advanced, he pays the refiner more but makes an approximately offsetting profit on his futures purchase. If the market has declined, he would naturally sustain a loss on his futures but then he would be paying less for his refined sugar.

It frequently happens that an industrial user will over-estimate the demand for his product. He buys too much sugar and then finds that his goods are moving too slowly on a declining sugar market. In this case, he would protect himself against inventory loss by selling futures in an amount equal to his processed sugar.

These are by no means all of the hedge possibilities of the sugar futures market. I have cited perhaps the most outstanding examples and most of them have been taken from the records of the firm with which I am connected.

Services of the Futures Market to Producer and Consumer—I should like to call to your attention the very distinct service that the futures market has performed in lessening the cost of the distribution of sugar between Cuban factory and consumer. During the early part of this century, sugar refining was virtually a monopoly. There were only two or three buyers of any consequence. The Cuban producer was more or less at the mercy of the American buyers. They could not out-wait the buyer, but had to turn part of their sugar into cash during the grinding season. As a result of this situation, a few powerful commercial firms established themselves in Havana and acted as buyer and banker for the producers. Since these Havana buyers had to take the market risk for a long period of time, they naturally charged high interest rates on their loans and bought the producers' sugar at substantial discounts. With the coming of the futures market, this situation has undergone a very radical change during the past 25 years. There are now a large number of firms here and in Havana that will buy any producer's sugar at the New York quotation and in some cases they will pay a few points premium, depending upon the temporary fluctuations on the Exchange. Interest rates have also dropped, since the producer by hedging some part of his production on the Exchange can get very favorable loans from the banks because the market risk has been eliminated.

The sugar markets of the world have become a homogeneous whole as a result of the quotations constantly going out from our Exchange. By appropriate adjustments for differences in freight, insurance and duties, the buyers and sellers in London, Havana, Java or Peru know the world market value of sugar as well as the sugar brokers in New York.

In summary, we see that our Exchange provides price insurance for the farmer, the beet and cane processors, refiner and industrial user of sugar. It has materially lessened the costs of distribution; facilitated the financing of growing crops and warehouse stocks; it has linked all the markets of the world and supplied a continuous ready market for both buyers and sellers at all times; by supplying accurate statistical and price information, it has facilitated the forecasting of future trends in supply and demand and enabled businessmen to more intelligently plan ahead.

I should like to emphasize at a little greater length the importance of the price-registration function of the Exchanges. During the war when sugar was under government control, no one had any idea as to the true value of sugar. When decontrol was being debated during the early part of this year, we heard responsible officials of the Department of Agriculture prophesy that a price of 30c. to 40c. per pound might result if sugar were suddenly decontrolled. Today, some seven months later, we see prices of slightly over 5c. per pound quoted on our Exchange for raw sugar for 1948 delivery. This would translate itself into a price of about 8c. wholesale for refined sugar and not 40c. or 30c. or some other price arrived at by guess. The point is, in a controlled market, buyers and sellers have no way of expressing their individual judgment. In a free market, each producer has a good idea of how much he will produce, what it will cost him and at what price he is willing to sell it. The buyer knows his requirements because he makes it his business to estimate the probable demand from his customers. Governments that attempt to estimate the demand for a commodity must guess at the financial ability of the probable buyers. In a free market, each of these buyers knows in advance his financial resources and can estimate within a very narrow range just how much he can buy at various price levels. Therefore, when buyers and sellers are permitted to come together in a free market place, they very quickly establish the price of a commodity for delivery today, next month, or next year.

Most of you present today are no doubt familiar with these valuable economic services performed by our Commodity Exchanges, but they are not so well known by the public at large and by many of our legislators. In the minds of some people there seems to be the impression that something mysterious and even shady goes on on the floors of our Exchanges. There is nothing new, nothing mysterious, and nothing shady in futures operations. They are merely highly specialized technical methods of doing business that grew directly out of trade practices of the spot markets.

We of the sugar trade accept the Exchange not only as a matter of course, but as an absolute necessity for the conduct of our business. During the formation of some of the organized import commodity exchanges, there was some opposition from the firms dealing in the spot article. These firms were usually in an entrenched position and feared competition and the enlightenment that would come from the formation of an organized exchange with its continuous ready market and widely disseminated quotations.

I know of no firm or individual, whether he be producer, distributor or user, who would willingly suppress or destroy the Sugar Exchange. They all look upon it as a useful, necessary part of the delicate and complicated marketing mechanism.

We of the National Association believe that commodity exchanges are an integral part of our free enterprise system; that they operate to the advantage of both producer and consumer, and that they are vested with a public interest. Today, the world is divided into two camps: one believes that the State can most efficiently direct the economic activities of man; the other believes that the individual himself can best work out his own destiny with a minimum of regimentation. The Exchanges are definitely lined up on the side of free markets which we believe to be inseparable from economic freedom, political freedom and individual freedom.

With Frederick Adams

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS.—John V. Flanagan has become associated with Frederick C. Adams & Co., 30 Federal Street. Mr. Flanagan was previously with J. H. Goddard & Co., W. F. Rutter & Co. and Elwell & Co.

With Goldman, Sachs

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS.—Theodore A. Waldron has been added to the staff of Goldman, Sachs & Co., 75 Federal Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

News effect on prices comparatively nil. See no nearby change in market trend. Suggest continued caution.

Whatever has happened during the past week has all been grist for the headlines. Little of it, however, has bothered the stock market. The market just yawned and gaped barely moving in either direction for hours at a time.

The biggest news is of course the British financial situation with everybody taking a pot shot at guessing how it will come out of its dollar-shy problem. The next important event is the highly publicized Justice Department probe of prices, with the steel industry as the candidate for the first straw man. These investigations will undoubtedly make interesting reading. They'll serve to keep the political pot boiling, or at least simmering, while the law makers are either off on expensive junkets to make personal investigations, or back home explaining to voters why things are what they are.

During all this fol-de-rol the market is placidly chewing on its cud and the onlookers are getting impatient.

Last week the averages were hugging that 178 level and looked like they would break it on the slightest provocation. Before the week was over the market sort of hitched up its pants, spit on its hands and held on. So by the end of the week, and up to this writing, it has managed to lift itself slightly from the danger point by about two points.

This kind of action is gratifying even if it doesn't settle anything. It serves to make the bears a little more nervous and it acts as a bromo-seltzer for the bulls. The only ones who don't benefit from that kind of market are the brokers. There just isn't any business in that kind of market.

Now that the picture of last week has slightly changed the outlook tends to become a little optimistic; optimistic to the extent that the nearby reaction has been averted. I wish I could interpret the present action into a signal to advise repurchasing, but I can't. At least I can't because the market itself is saying nothing one way or another. A few stocks look capable of going up but these are cancelled by others that look down. And unless the preponderence of market action points up I shall continue advising the side lines.

The only stock left in our theoretical list is Bethlehem Steel. The 87 stop was threatened last week but never broken. You have it at 83 and it's now about 88. So long as it stays at 87 or better hold on.

—Walter Whyte

More next Thursday.

[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.]

Business Man's Bookshelf

Aids and Suggestions for Improving Bank Operations—Bank Management Commission, American Bankers Association, 12 East 36th Street, New York 16, N. Y.—Paper.

German Experience With Social Insurance—Walter Sulzbach—National Industrial Conference Board, 247 Park Avenue, New York 17, N. Y.—Paper—$1.00.

Practical Rules for Graphic Presentation of Business Statistics—L. E. Smart and S. Arnold—Bureau of Business Research, College of Commerce and Administration, The Ohio University, Columbus, Ohio—Fabrikoid—$2.

Buenos Aires Bonds Called for Redemption

Hallgarten & Co. and Kidder, Peabody & Co., as paying agents, are notifying holders of 4⅛%-4⅜% external readjustment sinking fund dollar bonds of 1935, due March 1, 1977, of the Province of Buenos Aires (Argentine Republic) that all of these bonds outstanding will be called for redemption on Sept. 1, 1947. Redemption will be made at the New York offices of the paying agents at par and accrued interest.

With Hope & Co.

Special to THE FINANCIAL CHRONICLE

SAN DIEGO, CALIF.—Wilbur H. Harley has been added to the staff of Hope & Co., San Diego Trust & Savings Building.

Joins Elworthy Staff

Special to THE FINANCIAL CHRONICLE

OAKLAND, CALIF. — David Bullen has joined the staff of Elworthy & Co., 1710 Franklin Street. He was previously with First California Company.

Bretton Woods in Retrospect and Prospect

(Continued from page 6)

no more favorable in respect of other countries hit by the war.

Theoretically the objections mentioned are important, but it is doubtful whether they will appear to be of equal importance in practice, at any rate in the near future. If the Fund wishes to avoid failure in the "transitional period" recognized in its Statutes, it will inevitably have to observe the necessary suppleness both as regards the currency stability aimed at as well as in connection with the desired abolition of the foreign currency restrictions; a proper use of the numerous "escape clauses" will, it appears to me, most certainly be able to avoid an impasse. No direct danger need therefore crop up here. On the contrary, in forthcoming turbulent years it may be very important that the measures, which will undoubtedly prove necessary in the sphere of currency, will be carried out in an orderly fashion under the guidance of the Fund.

The impression is therefore gained that those who aim their shafts at the Fund are at the moment aiming at the wrong target. On the one hand, the Fund will not be able to oppose necessary exchange revisions and will not be able to bring about forcibly the liquidation of the foreign currency regulations. On the other hand it will be able to contribute little to bridge the existing balance of payment deficits. If it is the aim of the Fund to fulfill correctly the task allotted to it as a financing institution—and the first directors' report leaves no room for doubt in this respect—the task of the Fund will not be an extensive one in the next few years. The Fund is a typical organ that comes into action as soon as a certain degree of equilibrium has been achieved; it is not called upon to contribute towards establishing that equilibrium. The Board of the Fund therefore does not intend to sell unlimited foreign currency to every interested party, within the framework of the latter's quota, but will most certainly examine whether such purchases are admissible. "The essential test of the propriety of use of the Fund's resources is . . . whether the prospective balance of payments position of the country concerned will be such that its use of the Fund's resources will be of relatively short duration." (First annual report by the Executive Directors.) According to this criterion the Fund will undoubtedly be compelled to refuse many requests for the purchase of currency.

Operations of the Bank

During the difficult transitional years, therefore, stress will have to be laid on the operations of the Bank. Generally speaking, fewer objections have been raised against the Bank than against the Fund. It has been clear from the outset that the Bank should not so much be regarded as an organ of international cooperation, but rather as a channel through which the United States propose to provide the world with dollars. Experience after the first world war has shown adequately that the granting of unlimited private credits does not contribute towards the realization of an equilibrium of the balance of payments. The combination of circumstances that loans too easily received were often used extremely unwisely, that insufficient harmony existed between the nature of the investments made and the duration of the credit provided, and that it was not borne in mind enough to what extent the balance of payments position of the debtor country made possible the regular transfer of the compound interest of the loans, caused much economic mischief in the thirties. If the Bank proves to be an organ that can make available sufficient loans with sufficient guarantees with regard to the aforesaid aspects of the loan policy, it will be able to make extremely important contributions to economic reconstruction and to the recovery of the general equilibrium of the balance of payments.

May it be deducted from the foregoing that everything connected with Bretton Woods is plain sailing? I believe that specially as regards the Bank an important influence for the good may be expected in the near future, whilst, as far as the Fund is concerned, it need not be particularly feared that unpleasantness will arise. It goes without saying, however, that much will depend on the manner in which both organizations carry out their tasks, whereby they have to be most keenly conscious of the extremely vulnerable position in which a large part of the world finds itself today. Acute difficulties have already been known to arise in various countries when it appeared that the Bank began its activities more slowly than was initially expected; as far as our country is concerned, the recent foreign currency memorandum of the Minister of Finance provides conclusive evidence. It is also in this spirit, that the "Economist" considered it necessary to urge the Fund not to be too orthodox:

". . . The Fund should realize that it is dealing with some very sick members and that if it waits until each patient shows signs of reasonable health before offering its aid, it may soon find itself with several corpses on its hands." ("The Economist" March 8, 1947.) In this connection we must place our trust in the sound judgment of the executive bodies, to which also the debtor countries can explain their point of view.

The international situation will in the near future be such that a more or less sensible policy can but contribute to an improvement of the situation; the actual difficulties will not become evident until a more advanced stage of development has been reached. Considerably more reservations must, however, be made in connection with the functioning in the more distant future. It is at present still an open question how Bretton Woods would behave, should the Bank succeed in finding a solution to the most urgent problems of reconstruction and in bringing about an approximate balance of payments equilibrium.

Two Significant Points

Two points are significant in this connection. In the first place the question arises as to whether the means to reestablish a disturbed equilibrium, possessed by the Fund, will prove adequate for their task. In the second place the question arises whether there is a danger of the inter-currency equilibrium being threatened by serious disturbances.

The powers invested in the Fund to call to order a debtor or creditor country which disturbs the international regulations, are not very convincing, at least not on paper. The authority in question was a great deal more far-reaching as envisaged in the plan of Keynes as well as in that of White, but was not adopted in the Final Act. A direct influence on the management of the participants is denied the Fund. Declaring a currency "scarce" is no solution, be it only because thereby the abhorred foreign currency restrictions are rehabilitated. If the Fund were, nevertheless, to exercise a wholesome influence in this respect, this could only come about by virtue of the international authority which it will have to acquire.

There is for the time being also no cause for optimism regarding the intensity of the shocks to which an eventual balance of payments equilibrium would be exposed. The currency organization of Bretton Woods will only then meet its purpose if it combines the advantages of the Gold Standard and the Floating Standard. The great merit of the gold standard was international stability, which was, however, achieved at the cost of radical internal dislocation. The position was exactly the reverse in respect of the floating standard. Bretton Woods will most certainly fail if the participations have to struggle through the same internal difficulties as previously for the sake of a reestablished international stability. On this point there exists a very understandable feeling of discomfiture in Europe, where there is in general no inclination to submit anew to the whims of unlimited development of conjuncture. The speed with which wartime controls have been dropped in America, the rapid American price increase and, in general, the lack of American inclination to carry on a long-term economic policy aiming at stability, conjure up the fear again that an orthodox depression cannot be avoided, if not immediately then certainly within a few years' time. It remains to be seen whether Bretton Woods will be proof against such a calamity.

Will an Equilibrium Stage Be Reached

So far I have spoken of the bad chances which would crop up once a reasonable equilibrium had been brought about. There is, however, a more real danger that this stage will never be reached. Seen in this light, even the doubts just mentioned are futile, because they are related to a situation of which it still remains to be seen whether it will be achieved. Can it be assumed that Bretton Woods will at least solve the difficulties of the transitional period, or is there a possibility that these problems will prove to be beyond the strength of the Fund and the Bank? I am not able to provide a definite answer to this question, but I can draw attention to a number of complications which it would be wise not to take too lightly. The present problem is above all a dollar problem. Only the dollar area is able to offer adequate help to the countries struggling with their reconstruction difficulties. But also the current payment and trade intercourse between the countries which are short of foreign currency mutually threatens to stagnate through lack of a generally accepted international means of payment, in which capacity the dollar alone can ultimately serve. For the time being everything is centered around the help America is prepared to give. I shall not deal here with the questions as to whether this help will be timely and adequate, whether no political criteria will be applied which run contrary to the economic yardstick, whether the extent of the necessary assistance will not, if it does not exceed the strength, nevertheless exceed the inclination of the American investor to cooperate. Even if all these points are satisfactorily settled, will the problem be solved? I do not believe so.

Question of Dollar Shortage

At this moment there is an acute shortage of dollars everywhere, caused by the demands of reconstruction; but behind this temporary problem is hidden a problem of a more permanent nature. Once the temporary lack of balance has been corrected, once the recovery process has been completed, the possibility that the more profound structural readjustments, which are a result of the war, will have caused a chronic dollar deficit, will most definitely have to be taken into consideration.

The import surplus which most European countries had in their trade relations with America also before the war was financed partly from the income from American investments, partly from the transfers from their East Asian territories which themselves registered an export surplus in their relations with America. At the end of the recovery period, however, Europe will not be the creditor of America, but the other way round. In addition, the prewar trilateral trade relations—Europe-East Asia-America—have already now been destroyed for a long time to come, perhaps even permanently. The dollar resources at the disposal of Europe will therefore be decisively reduced. Dollar requirements, on the other hand, will prove to have increased considerably.

The European countries concerned will only be able to honor the interests on the loans granted to them if they succeed in building up an export surplus to the dollar area. This necessity, the condition *sine qua non* for a durable balance of payments equilibrium, will, however, as can be assumed, encounter difficulties from both sides. In the first place, Europe has a permanent need to import American foodstuffs and raw materials which it does not produce itself, whilst, reversely, the exports to the New World comprise to a considerable degree products which compete directly with American production. In the second place, there are so far few symptoms indicating that the United States will, in the long run, tolerate an import surplus. The opposite is true. All indications point to the fact that the United States regard an enormous export drive as *the* means to counter a depression on the home market, which is expected also in that country. This is the crux of the matter. If the United States are prepared, when the time comes, to behave in a manner befitting a creditor insisting on the repayment of his loans, a lasting currency arrangement is not out of the question. However, if it is America's intention to make use of foreign countries to counteract her own conjuncture difficulties, of foreign countries lacking the means to finance an American export surplus, it is difficult to see how Bretton Woods will be able to maintain itself. The monetary question cannot be solved ultimately as an isolated problem, but only in close relation to the regulation of international trade relations, which in turn is bound up with all questions of conjuncture control and "full employment."

As I have already remarked, it was not my intention to give a definite opinion on Bretton Woods. It was merely my intention to point to several problems which will inevitably have to be faced. In view of the great difference in the mentality on the two sides of the Atlantic it cannot be doubted that profound differences will still have to be overcome. The Allied initiative that led to Bretton Woods is both important and encouraging. One should, however, not allow oneself to be lulled to sleep by the illusion that the universal remedy for all postwar currency perils has been found once and for all.

European Recovery Vital: Marshall

(Continued from page 6)

by the war have developed political and moral problems in Europe and the East which can not be ignored. We of the American republics won our freedom in the name of democracy. We have fought for the dignity of the individual—an individual endowed with certain inalienable rights that cannot be taken from him by any law or decree, an individual whose standards of moral conduct are the essence of a peaceful world. But what is more important, we are devoted to the principle that States and nations should be bound by the same standards of moral conduct we set for the individual. Good faith and fair dealing, honesty and friendly cooperation, mutual respect and freedom of intercourse—these we expect of each other as individuals, these we should demand of each other as States.

"This is the basis of our fundamental belief in the equality of individuals, on the equality of States.

"We must reject encroachment upon the fundamental rights of the individual with the same determination that we reject any encroachment upon the fundamental rights of the State. I am confident that we all agree that the State exists for man, not man for the State—and that we abhor any limitations upon the freedom of expression of men throughout the world. For only when we have access to the thoughts of men, to the forces of public opinion free of coercion or connivance, only then can we develop a wholesome common interest while at the same time respecting separate national traditions.

"We of the Americas, I think, have achieved this goal—we have no secrets from each other—we have confidence in our pledged words because we know the forces of public opinion from which they stem. We stand to all the world as an example of States striving to live in harmony determined to abide by the same principles of moral conduct we demand of the individual citizen.

"With a foundation of these principles we can have faith and assurance that we can solve the problems that may present themselves in the years to come. Today, at Rio de Janeiro, our concern is with mutual defence and security; tomorrow, at Bogota, we we shall go on to reorganize and strengthen our inter-American system and to make it a more effective agency of cooperation in the pursuit of our common interest. With good will and mutual respect for one another both of the objectives will be attained. And the world will learn, I hope, a great lesson."

Herrick, Waddell Adds

Special to THE FINANCIAL CHRONICLE

KANSAS CITY, MO.—Herrick, Waddell & Co., Inc., 1012 Baltimore Avenue, have added G. H. McCullough to their staff.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y. (9/3)
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.

• Alliance Acceptance Corp., Alliance, Ohio
Aug. 15 (letter of notification) 3,000 shares ($100 par) 4½% cumulative preferred, of which 1,000 shares was exchanged share for share for outstanding 6% preferred and 2,000 shares will be sold at $100 a share. No underwriting. For working capital.

• American Telephone & Telegraph Co., New York
Aug. 15 filed 2,800,000 shares ($100 par) capital stock. **Underwriting**—No underwriting. **Offering**—Shares will be offered to employees of A. T. & T. and those of 38 subsidiaries, with the exception of officers, at approximately $20 below the market price. Payments are to be made in instalments at rate of $5 per share per month, beginning December, 1947. **Proceeds**—To finance construction programs.

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. Name of company will be A. B. C. Vending Corp.

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.

• Associated Baby Service, Inc., New York
Aug. 18 (letter of notification) 17,419 shares of common stock (no par). **Price**—$7 per share. **Underwriting**—None. Stockholders of record Aug. 15 given rights to subscribe in ratio of one new share for each 10 shares held. Rights expire Sept. 30. **Proceeds**—To pay usual business expenses.

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.

• Blank, (R. H.) & Son, Inc., Walcott, Ia.
Aug. 12 (letter of notification) 1,000 shares 5% preferred ($50 par) and 1,400 shares (no par) common. **Price**—$50 a preferred share and $35 a common share. No underwriting. For equipment and machinery.

• Bob's Cola Co., Inc., Atlanta, Ga.
Aug. 12 (letter of notification) 88,750 shares ($1 par) common. **Price**—$3 a share. No underwriting. For expansion of business.

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.
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.

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.

• Carshaw Porcupine Gold Mines, Ltd., Windsor, Ont.
Aug. 18 filed 700,000 shares ($1 par) common. **Underwriter**—Davis, Hunter, Scott & Co., Detroit. **Price**— $1 a share. **Proceeds**—To purchase mining equipment and for working capital. **Business**—Mining.

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.**

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.

• Community Loan Corp., DeKalb, Ill.
Aug. 11 (letter of notification) 4,984 shares ($10 par) common. To be offered to stockholders at $13 a share. No underwriting. For working capital.

Conlon-Moore Corp., Chicago (10/1)
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.

• Continental Casualty Co., Chicago
Aug. 15 filed 100,000 shares ($10 par) capital stock. **Underwriters**—Glore, Forgan & Co., and William Blair & Co., both of Chicago. **Offering**—Shares initially will be offered for subscription to company's stockholders on basis of one new share for each five shares held. Unsubscribed shares will be offered to the public. Price by amendment. **Proceeds**—For its capital stock and surplus accounts. **Business**—Insurance business.

• Cordrey Mfg. Co., Chula Vista, Calif.
Aug. 15 (letter of notification) 20,000 shares ($1 par) common. **Price**—$1 a share. No underwriting. For general working capital.

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 (9/9)
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. **Bids**—It is expected that bids will be advertized Aug. 29 to be opened Sept. 9.

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.

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. (9/9)
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. **Bids**—It is expected that bids will be opened Sept. 9.

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.

(Continued on page 34)

NEW ISSUE CALENDAR

(Showing probable date of offering)

August 25, 1947

Hajoca Corp. ____ Common
Public Service Co. of Indiana
11 a.m. (CDT) ____ Debentures

August 26, 1947

Arnold, Hoffman & Co., Inc. ____ Common
Libby, McNeill & Libby ____ Debentures
Plywood Inc. ____ Debentures

August 27, 1947

Potomac Electric Power Co. ____ Preferred
Baltimore & Ohio RR.
Noon (EDT) ____ Equip. Trust Ctfs.
San Francisco Bank ____ Stock

September 3, 1947

Acme Electric Corp. ____ Common
Chicago, St. Paul, Minn. & Omaha
Noon (CDT) ____ Equip. Trust Ctfs.

September 4, 1947

Pacific Finance Corp. of Calif. ____ Common

September 8, 1947

Illinois-Rockford Corp. ____ Common
McPhail Candy Corp. ____ Preferred and Com.

September 9, 1947

Detroit Edison Co. ____ Bonds
Duquesne Light Co. ____ Bonds
Florida Rami Products Inc. ____ Common

September 15, 1947

Revere Racing Association, Inc. ____ Common

September 19, 1947

Monongahela Power Co. ____ Bonds and Preferred

September 20, 1947

Consumers Power Co. ____ Bonds

October 1, 1947

Conlon-Moore Corp. ____ Bonds

Continued from page 33)

East Coast Electric Co.
Mar. 28 filed 60,000 shares of $10 par common. **Underwriters**—To be determined by competitive biding. Probable bidders include Harris, Hall & Co. (Inc.); Otis & Co.; Kidder, Peabody & Co. The stock is being offered by East Coast Public Service Co., parent. Bids for purchase of the stock scheduled for May 19 has been postponed indefinitely.

● **Eastern Stainless Steel Corp., Baltimore, Md.**
Aug. 5 (letter of notification) 4,300 shares of common. To be sold at market through facilities of the New York Stock Exchange. The shares are being sold on behalf of John M. Curley, Board Chairman and President of the Company.

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.**

● **Engineers Waterworks Corp., Harrisburg, Pa.**
Aug. 14 (letter of notification) $125,000 4% debentures due 1971. **Price**—$1,000 per unit. **Underwriters**—C. C. Collings & Co.; E. H. Rollins & Sons, Inc., and Stroud and Co., Inc., of Philadelphia. For working capital and purchase of additional securities of other water or public utility companies.

Federal Electric Products Co., Newark, N. J.
Feb. 26, filed 150,000 shares ($1 par) common class A. **Underwriter**—E. F. Gillespie & Co., Inc., New York. **Price**—$7.25 a share. The registration states principal stockholder has granted the underwriters an option to purchase 45,000 shares of class B ($1 par) common at $7.25 a share, exercisable for a period of three years. **Proceeds**—Proceeds of approximately $870,000, together with $755,000 of other bonds, will be used to repay the balance of $34,000 of a property mortgage, to pay off loans in the amount of $1,295,000 to Bankers Commercial Corp., New York, and for additional working capital.

Federated Department Stores, Inc., Cincinnati
July 31 filed 584,554 shares (no par) common. **Underwriting**—No underwriting. **Offering**—Of the total 102,380 shares will be offered in exchange for common stocks of Wm. Filene's Sons Co.; Abraham & Straus, Inc.; Bloomingdale Bros., Inc., and the F. and R. Lazarus and Co., all subsidiaries of Federated. In addition, the registration covered 482,174 shares of common for a tentative public offering by 18 stockholders. These may be sold from time to time at the market on the New York Stock Exchange.

● **Finch Telecommunications, Inc., New York**
Aug. 14 (letter of notification) 550 shares ($1 par) common on behalf of Wm. G. H. Finch, President of the company, of which 400 shares will be sold at $4.25 each and 150 shares at $5.50 each. No underwriting.

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. (9/9-12)
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 Telephone Corp., New York**
Aug. 19 filed 200,000 shares ($50 par) cumulative preferred. An unspecified amount of common also was registered for conversion privilege of preferred. **Underwriters**—Paine, Webber, Jackson & Curtis, and Stone & Webster Securities Corp., both of New York, and Mitchum, Tully & Co., San Francisco. Price by amendment. **Proceeds**—To finance construction programs of its 30-subsidiary telephone companies operating in 17 states. **Business**—Telephone communications.

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.

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.

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. Reported Aug. 15 that company plans to offer 134,000 common shares for subscription to stockholders in lieu of the preferred financing.

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 (9/8-12)
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 Blyth & Co., Inc. (jointly); The First Boston Corp.; A. C. Allyn & Co.; Harriman Ripley & Co., and Equitable Securities Corp. (jointly). The common will be offered to the company's stockholders at the rate of one new share for each five held. Unsubscribed to Sioux City Gas & Electric Co. **Proceeds**—For construction and expansion of system. **Bids**—Bids for purchase of securities expected about Sept. 16.

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.

Jeannette (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.

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.

● **Laurel (Md.) Harness Racing Assoc., Inc.**
Aug. 15 (letter of notification) 299 debentures in units of $1,000, 6% cumulative, and 94,900 shares of common. **Price**—$1,000 per debenture and one cent per common. Of the debentures $10,000 will be issued in payment of first year's rental on property. No underwriting. For erection of harness racing track.

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, construction of additional storage space, purchase of machinery and equipment and to increase working capital.

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.

● **McCormick & Co., Inc., Baltimore, Md.**
Aug. 13 (letter of notification) 1,400 shares ($100 par) 5% cumulative preferred. **Price**—$100 a share. No underwriting. For additional working capital.

McPhail Candy Corp., Chicago (9/8-12)
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.

● **Messenger Corp., Auburn, Ind.**
Aug. 12 (letter of notification) $200,000 3½% serial debentures, due 1948-1961. **Underwriters**—The First Trust Co., Lincoln, Neb.; Cruttenden & Co., Chicago. **Proceeds**—For additions and improvements, purchase of machinery and equipment.

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.

● **Musicraft Records, Inc., New York**
Aug. 15 filed 317,259 shares ($1 par) capital stock. **Underwriter**—To be sold through brokers and other agents. **Offering**—100,000 of the total will be offered publicly at $2.50 per share; 165,259 shares are reserved for issuance when, as and if stock purchase warrants issued and to be issued are exercised, and 52,000 shares are reserved for issuance if certain loans having conversion features shall be converted into shares of capital stock. The reserved shares will not be underwritten. **Proceeds**—For general corporate purposes. **Business**—Recording phonograph records.

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.

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 (9/4)
Aug. 11 filed 150,000 shares ($10 par) common. **Underwriter**—The First Boston Corp., New York. **Price**—By amendment. **Proceeds**—For working capital.

● **Pan-American Export Corp., Newark, N. J.**
Aug. 14 (letter of notification) 3,000 shares ($1 par) Class A common and 23,250 warrants for purchase of Class A common. **Price**—$2.625 per common share and warrants are to be sold to the underwriter at one cent per warrant. **Underwriter**—Henry P. Rosenfeld Co., New York. For expansion.

● **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.

Plywood Inc., Detroit (8/26
July 18 filed $500,000 5% sinking fund debentures, due 1967. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Price**—Par with a 9% discount to underwriter. **Proceeds**—To purchase all the outstanding stock of Kalpine Plywood Co., Klamath Falls, Ore., and to retire bank indebtedness and for working capital.

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.

Public Service Co. of Indiana (8/25)
March 26 filed $11,077,800 15-year 2¾% convertible debentures. **Offering**—Common stockholders of record July 16 were given right to subscribe in the ratio of $10 principal amount of debentures for each share of common held. Rights expired Aug. 18. **Price**—Par. **Proceeds**—For repayment of $11,500,000 of bank loan notes. Stockholders subscribed for $9,697,800 of the debentures. Company is requesting bids for $1,138,000 of the debentures. Bids will be received up to 11 a.m. (CDT), Aug. 25, at company's office, 110 North Illinois Street, Indianapolis.

Public Service Co. of New Hampshire
July 28, 565,553 common shares (par $10), now owned by New England Public Service Co., filed with SEC. **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. Aug. 15 New England Public Service Co. filed application with SEC to change its plan to sell stock competitively and use alternative plan instead. New England has employed Blyth & Co., Inc., and Kidder, Peabody & Co. to solicit exchanges of prior lien stock of New Hampshire under alternative plan.

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.

● **Red Rock Bottling Co. of Pittsburgh**
Aug. 15 (letter of notification) 125,000 shares (50c par) common. **Price**—$1.50 a share. No underwriting. For general corporate purposes.

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.

● **Russell (F. C.) Co., Cleveland**
Aug. 20 filed 113,678 shares ($1 par) common. **Underwriter**—McDonald & Co. **Price**—By amendment. **Proceeds**—Shares are being sold by stockholders who will receive proceeds. **Business**—Manufacture of metal awnings, windows.

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.

● **Seaboard Finance Co., Los Angeles**
Aug. 20 filed 100,000 shares ($50 stated value) convertible preferred. Company also registered an unspecified amount of common to be issued upon exercise of the conversion privilege of new preferred. It also will sell $1,250,000 of 4% subordinated notes, due 1951, to Mutual Life Insurance Co., New York. **Underwriter**—The First Boston Corp., New York. **Offering**—New preferred will be issued in exchange for outstanding class A and B preferred stocks. Shares of new preferred not issued in exchange will be offered publicly. **Price**—For public offering to be supplied by amendment. **Proceeds**—To redeem old preferred and for working capital. **Business**—Personal finance business.

● **Selected Risks Indemnity Co., Branchville, N. J.**
Aug. 18 (letter of notification) 7,500 shares of capital stock (par $110). **Price**—$35 per share. **Underwriting**—None. Establish reserves as result of increasing business.

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.

● **Silver Creek (N. Y.) Precision Corp.**
Aug. 13 (letter of notification) $300,000 of 5% sinking fund convertible debentures and a maximum of 66,666 shares of 40 cents par common for conversion of debentures. **Price**—$95 per debenture to be offered to stockholders. It is contemplated that after Sept. 2 they will be offered to the public at not more than $100. No underwriting. For additional working capital.

● **Slocan Charleston Mining Co., Ltd., Kaslo, British Columbia**
Aug. 13 filed 200,000 shares ($1 par) common. **Underwriters**—Elmer J. Edwards and Van Tine, both of Seattle, Wash. **Price** — 50 cents a share. **Proceeds** — For mining equipment, development work and for working capita. **Business**—Mining.

● **Sno-King Theatres, Inc., Seattle, Wash.**
Aug. 11 (letter of notification) 500 shares ($100 par) common. **Price**—$100 a share. No underwriting. To complete construction of Drive-in Theatre, for purchase of equipment, pay balance on real estate contract, and to retire present obligations.

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.

● **Southwest Lumber Mills, Inc., McNary, Ariz.**
Aug. 11 (letter of notification) 40,000 shares ($1 par) capital stock. **Price**—$7.50 a share. To be offered to stockholders. Any shares not purchased by stockholders will be bought by Imperial Trust Co., Ltd., of Montreal, Can. To restore working capital.

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.

● **Taylorcraft, Inc., Alliance, Ohio**
Aug. 15 (letter of notification) 30,000 shares ($10 par) common. **Price**—$10 a share. No underwriting. For manufacture of light aircraft.

● **Tennessee Drugs, Inc., Chattanooga, Tenn.**
Aug. 13 (letter of notification) 25,000 shares of preferred and 10,000 shares of common. **Price**—$11 a preferred share and $1 a common share. One share of common will be furnished for each 10 shares of preferred subscribed and paid for. No underwriting, the stock possibly will be sold through a brokerage firm. Working capital for manufacture of drugs and lotions.

● **Tennessee Gas Transmission Co., Chicago**
Aug. 18 filed $40,000,000 of first mortgage pipe line bonds, due 1967, and 100,000 shares ($100 par) cumulative preferred. **Underwriters**—Stone & Webster Securities Corp., and White, Weld & Co., New York. Price by amendment. **Proceeds**—To finance new construction and repay $7,500,000 of outstandnig notes. **Business**—Operation of natural gas pipe line from Texas to West Virginia.

● **Texas Co., New York**
Aug. 14 filed an unspecified number of common (par $25) shares (maximum number, 2,248,932 shares). **Underwriters**—No underwriting. **Offering**—Shares will be offered at below the market price for subscription to stockholders. Price by Amendment. **Proceeds**—To be added to general funds for corporate purposes. **Business**—Oil refining.

Textron Inc., Providence, R. I.
Feb. 28 filed 300,000 shares ($25 par) 5% convertible preferred. **Underwriters**—Blair & Co., Inc., New York and Maxwell, Marshall & Co., Los Angeles. Price by amendment. **Proceeds**—For payment of $3,950,000 of bank loan notes; purchase of two notes issued by a subsidiary, Textron Southern Inc. in the amount of $1,000,000 each, and for working capital. Offering date indefinite.

Thomascolor Inc., Los Angeles
July 9 filed 1,000,000 shares ($5 par) class A common. **Underwriter**—No underwriting. **Price**—$10 a share. **Proceeds**—To purchase production facilities and for working capital.

United 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

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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.

● **Westvaco Chlorine Products Corp., New York**
Aug. 18 filed 30,000 shares of $3.75 cumulative preferred and 30,000 shares of common, both without par value. **Underwriter**—F. Eberstadt & Co., Inc., New York. Price by amendment. **Proceeds**—Complete soda ash mining facilites in Wyoming and construction of a soda ash plant. **Business**—Production of industrial chemicals.

● **Wire Industries of California, Inc., San Fran.**
Aug. 13 (letter of notification) 1,500 shares ($100 par) cumulative 6% preferred. **Price**—$100 a share. No underwriting. For acquisition of small dry winery and instalation of equipment for bottling wines.

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.

Prospective Offerings

● **American Bemberg Corp.**
Aug. 9 Office of Alien Property has taken over the Dutch and German interests in American Bemberg Corp. and North American Rayon Corp. Reported the value of interest transferred to U. S. Government is about $15,000,000. Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. reported to have account.

● **American Brake Shoe Co.**
Aug. 15 William B. Given, Jr., President stated that the company contemplates the offering to common stockholders early in October of new convertible preferred stock (par $100) authorized last April. The terms of such offering will be determined at a later date. Arrangements for an underwriting of a part of the proposed issue have been made with a group managed by The First Boston Corp. and Harris, Hall & Co. (Inc.).

● **American Telephone & Telegraph Co.**
Oct. 15 stockholders will vote on authorizing an issue of approximately $354,000,000 convertible debentures, with interest rate of not less than 2½% nor more than 3%. Debentures will be dated Dec. 15, 1947 with maturity date not earlier than Dec. 15, 1957 and not later than Dec. 15, 1967. Convertible at not exceeding $150 per share. Debentures will be offered to stockholders in ratio of $100 of debentures for each six shares held. **Proceeds**—For capital expenditures.

● **Amra Corporation**
The Investment Corp. of Philadelphia, which owns 25,000 shares of Amra Corp. stock, contemplates before the year is out to offer the stock publicly.

● **Baltimore & Ohio RR. (8/27)**
Bids will be received at company's office, 2 Wall Street, New York, up to noon (EDT) Aug. 27 for the purchase of $5,600,000 equipment trust certificates, Series V, to be dated Sept. 1, 1947, due $560,000 each Sept. 1, 1948-57.

● **Chicago, St. Paul, Minn. & Omaha (9/3)**
Bids for the purchase of $1,560,000 equipment trust certificates to be dated Oct. 1, 1947 and due $15,600 annually Oct. 1, 1948-57 will be received up to noon (CDT) Sept. 3, at office of R. L. Williams, President, 400 West Madison St., Chicago. Probable bidders include Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

Consumers Power Co., Jackson, Mich. (9/22)
Aug. 1 company filed with the SEC a statement covering $25,000,000 30-year first mortgage bonds of a series bearing interest at a rate not to exceed 2⅞%. Bonds will be sold at competitive bidding. Company plans to spend $100,000,000 through 1949 on improvements and may start construction of a steam-electric generating plant on Lake Erie in the southeast corner of Michigan. Company expects to advertize for bids Sept. 12, to be opened Sept. 22. Probable bidders include: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co.; W. C. Langley & Co.

● **Hooker Electrochemical Co.**
Aug. 15 reported company is planning to offer 134,000 common shares for subscription by stockholders in ratio of one new share for each five owned. Smith, Barney & Co. probable underwriters. The company recently planned an offering of $11,000,000 of preferred stock to finance expansion but decided not to proceed with this financing.

● **Jones & Laughlin Steel Corp.**
Aug. 15 company confirmed reports that it is considering new financing. No details of amounts or purposes furnished but rumors are that company will raise between $80,000,000 and $120,000,000 mainly for plant improvement and additions. Sale of any new securities probably will be effected privately through The First Boston Corp.

● **Liberty Loan Co.**
Aug. 16 reported company contemplates issuance of 100,000 shares of 5% convertible preferred stock, with Sills, Minton & Co. as underwriters.

● **Metropolitan Edison Co.**
Aug. 19 company filed an application with SEC requesting permission to issue and sell at competitive bidding $4,500,000 first mortgage bonds, series due 1977. The coupon rate and the offering price would be determined by the successful bidder. Proceeds would be used for construction purposes and to reimburse the treasury for capital expenditures made. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Drexel & Co.

● **Minnesota Mining & Manufacturing Co.**
Aug. 10 reported company has under discussion financing which may involve $20,000,000. Probable underwriters: Goldman, Sachs & Co.; Kidder, Peabody & Co.; Piper, Jaffray & Hopwood.

Monongahela Power Co. (9/19)
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). Blyth & Co. and Goldman, Sachs & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane (bonds only); Kidder, Peabody & Co., and White, Weld & Co. (jointly). Bids expected about Sept. 19.

San Francisco Bank (8/27)
Tom C. Clark, Attorney General of the United States, invites bids for the purchase, as a whole, of 20 shares of common stock (par $1,000) (five-sixths paid). The shares constitute approximately 1.666% of the outstanding capital stock of The San Francisco Bank, 526 California Street, San Francisco, Calif. Bids for the shares must be presented at office of Alien Property Department of Justice, 120 Broadway, New York 5, N. Y., on or before noon (EDT) on Aug. 27.

● **Young Radiator Co., Racine, Wis.**
Aug. 16 reported company contemplates issuance of common and preferred stocks involving about $1,700,000, with Sills, Minton & Co. as underwriters.

Leading the World in Achievement

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herculean effort will have to be made by the people, the Congress and the Executive Branch to bring the expenditures down to a figure of between $25 and $20 billion which appears to be a likely objective for our post-war peacetime budget level.

This can only be brought about by a major revamping of our overgrown complex governmental structure with its 1,039 principal component parts. The whole mechanism cries for streamlining and the 80th Congress recognized the necessity for such action by the passage of the Lodge-Brown Resolution setting up a bi-partisan commission on organization of the Executive Branch.

It seemed to me that sound fiscal policy required a definite program of debt reduction. For this reason I proposed in the joint committee on the legislative budget such a program. When this was defeated there I carried the fight to the floor of the Senate where my amendment to reduce the debt by not less than $2,600,000,000 a year was carried by an overwhelming vote. It was my belief then and it is now that after providing for debt reduction we could give some tax reduction.

The Tax Reduction Veto

Twice the Congress passed tax reduction bills and twice the President exercised his veto. Only once before in the nation's history had a President used his veto on a tax bill. This was in 1944 and Congress had overridden it.

The long struggle for Parliamentary Government has been filled with clashes over control of the purse strings. Our own constitution makes clear that Congress has the power to levy and collect taxes and that no funds may be appropriated except as provided by law. While the President's constitutional right to use the veto is not questioned, strong American precedent has supported the supremacy of the Congress in the field of taxation.

When Congress meets in January, the President can still deny tax relief by the veto but he cannot legislate on the subject. Only Congress, the same 80th Congress, can do that.

In 1939, when taxes were already high, the collections amounted to $5,200,000,000. The early estimates for the 1948 budget were $37 billion. The collections will be larger than that.

Our problem, of course, is to maintain a revenue system that will yield the necessary sums to cover our yet huge budget and provide for a substantial debt reduction while at the same time it will leave room for a dynamic flourishing free enterprise system under which the debt burden may be carried more easily. Excessive taxes are perhaps the greatest handicap to our country's dynamic growth and must be reduced as rapidly as we can soundly do so.

Housing Problems

Congress passed no major housing legislation at this first session. I have grave doubts that the solution to this problem can be found on the Federal level. Neither the socialist government of Britain or the communist government of Russia with all their power have been able to produce a satisfactory solution.

This nation is too large and its economic problems are too complex to be effectively or efficiently operated out of the nation's capital. There is too often the tendency to "pass the buck" to Washington.

My present belief concerning housing is that it will only be solved by the cooperative action of private industry, labor, municipalities, states and the Federal Government.

Private industry must be willing to take moderate profits and through able management develop ways of producing more at lower unit costs. Labor must increase its productivity in the building trades and realize that they have an equal share of responsibility with management in seeing to it that they are not priced out of employment by high costs. Municipalities can contribute greatly by enforcing their health and sanitation codes while at the same time they discard codes that encourage monopoly and discourage modern low cost substitutes for existing materials used in home construction. States could give assistance along with municipalities in working out incentive taxation for low cost housing, while the Federal Government can see to it that short supplies are not drained out of the country and that if ample private capital funds at reasonable interest rates are not available, sufficient public funds be provided so that construction of low cost housing can be expedited.

The Labor Relations Act

It should be apparent to everyone that our national well being and our national security rests to a large extent upon the continual functioning of our economy.

In order to protect the public interest and bring a balance between management and labor the Congress passed the Labor Relations Act of 1947. It in no sense destroys any of the fundamental rights of labor. I supported the bill.

The bill was passed by an overwhelming vote of both Houses of Congress and vetoed by the President. The veto was overridden by more than a two-thirds vote in both houses. More than a majority of the members of the President's own Democratic party voted to override the veto.

For 12 years the leaders of organized labor and their allies in Congress refused to permit amendments to the Wagner Act even though obvious inequities were apparent. At this session despite the pleas of many of their friends in Congress they refused to come forth with any constructive amendments to solve the intolerable conditions growing out of the use of the jurisdictional strike and the secondary boycott. Their position was not unlike that of the leaders of big business at the turn of the century. They wanted no restraints upon their power.

Whether it be in government, business or in labor organizations responsibility must always be a corollary to power. The people have a right to establish traffic signals in our economy so that the public will not get run down by the industrial warfare hit and run drivers on our economic highway, be they management or labor.

The conspiracy to circumvent the new labor legislation on the part of labor organizations and by some business organizations is against sound public policy. The law was enacted to protect the public and the individual union members from certain abuses growing out of the Wagner Act. No one has the right to barter those rights away.

If it appears that "big business" is teaming up with "big labor" to fix prices and working conditions so that small business, the public and individual employees are at the mercy of such combinations, then the full power of the Federal Government should be used under the existing antitrust laws or such modifications as may be necessary.

I stated on numerous occasions during my campaign last fall and since then on the floor of the United States Senate that no one has the right to strangle the economic life of one hundred and forty million Americans.

During the time the labor relations bill was before the Senate I voted against and helped defeat a number of amendments that I believed were too restrictive. During the 79th Congress I voted against the President's proposal to draft strikers into the Army.

Despite the threats of political annihilation by some top bracket labor leaders, regardless of almost daily villification by the communist spokesmen, the "Peoples World" and the "Daily Worker," the members of Congress voted for a bill they believed was in the best interests of the American people and of the rank and file of organized labor itself.

It is my firm belief that representative government functions best when the legislators get the facts, vote their convictions and let the chips fall where they may. This I have endeavored to do as a State Legislator and as your United States Senator.

The Armed Services

I have already mentioned that the Congress passed the Unification of the Armed Services Bill. It will do much to bring about the cooperation and coordination that was lacking at Pearl Harbor.

Both to assure our national security and to fulfill our obligations under the United Nations Charter we must maintain an adequate Air Force, Army and Navy. It will be costly but not nearly so costly as not having the insurance. I have seen the territory of three defeated and occupied powers. As long as I have a voice and a vote I will not knowingly contribute to the remote possibility of such a thing happening to our nation.

There is still pending before a Senate committee and on the House calendar the Universal Military Training Bill. This bill provides that between the ages of 18 and 20 every physically fit young man shall have military training in order to be able to help defend his country should the need ever arise.

There are some opponents to the proposals who think this will interfere with the "rights" of our young citizens. I think we should also consider the "obligations" of citizenship.

Having served in the Army for three years as an enlisted man and an officer, and as the father of a 17 year old son, I would be less than frank if I did not admit that I did have some few mental reservations regarding the program.

Ten days ago I went to Fort Knox, Kentucky, where the experimental UMT unit is located. I was a little surprised to find that I was the first member of either House of Congress who had made a personal inspection.

I ate dinner and breakfast with the young men in their mess without any officers being present. I talked to them in their barracks under the same conditions. I stood reveille with them and attended their class rooms and field work. I talked to their officers and their non-commissioned cadre. I spent some considerable time with the Catholic and Protestant Chaplains and with the information and education officer.

The morale of the young men is excellent. I have seen few units with more pride in their outfits than have these UMT men.

They work hard but are well cared for. It is in no sense, as some articles have tried to indicate, a "panty-waist" outfit. There is discipline but it is the type that comes from good leadership and not from driving, swearing sergeants of the old Army.

Both Chaplains told me they had joined the outfit in a skeptical frame of mind. They, too, had served during the war at home and overseas. Both were now enthusiastic over the program. Chapel attendance has increased in both the first group that completed their six months training and in the second group which is now in the process. The morals of the men were high and delinquencies were but a small fraction of what one might find among a like group of 600 young men of 18 years of age.

I came away with no mental reservations whatever. I would be proud to have my son in such an outfit, associated with other young Americans of the same age from all sections of the nation, preparing to fulfill their obligations as citizen-soldiers in defense of the Republic should the need ever arise. I shall do what I can to bring about early passage of such legislation at the next session.

Little progress has been made in the international control of atomic energy. Neither the Baruch proposal or any other satisfactory form of international control can be accomplished as long as the veto exists in the security council. There can be no peace of mind as long as a potential violator of atomic regulations can use the veto to prevent action by the supporters of international law and order against the aggressor.

Atomic power is not an American secret in the sense that documents and blue prints can be locked in a safe, and this in itself will assure protection to our people. We must face the cold reality that within five years it is not unlikely that other nations will have made such a bomb. Our only alternative, as unpleasant as it may seem to some, is for the United States to keep no less than five jumps ahead. When others have a "model T" we will have much later types far more potent than the Hiroshima or Nagasaki models.

Until adequate guarantees can be established I am unalterably opposed to the surrender of any of our atomic "know how" to any other nation on the face of the earth.

I have discussed a wide range of public questions with you with complete frankness. I realize that on many of these questions there is an honest difference of opinion. But it seems to me that the times require candor on the part of men holding positions of responsibility. This is no time for generalities or pleasant platitudes.

There are many in our nation who doubt our capacity to carry on in the face of the problems ahead. I have no such doubts. It is my strong belief that the masters of the Kremlin are making a mistake when they "sell America short" and look forward to our collapse so they may with leisure gather other peoples behind the iron curtain.

No, America will not fail. No longer an adolescent among nations we have come of age. We recognize our possibilities and our obligations, at home and abroad.

Twice in my generation Old World dictators have pictured us as a decadent democracy, unable to mobilize our resources or our manpower. Perhaps if they had not so miscalculated there would have been no World War I or II. Let no such mistake be made again.

Within our hands we have the power to lead the world to new paths of achievement. Under our constitutional government and our capitalistic free enterprise system, we will increase the standard of living of our people by producing and distributing more rather than following the socialist system of dividing what already exists. The years ahead are as great a challenge to the young men of America as was the frontier to our forefathers. All we need to do is to pull together instead of pulling apart. In this Atomic Age, we dare not fail.

The Task of World Peace

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that they would seek the creation of a world organization.

That was a first great decision. It remained to be decided what kind of an organization it would be.

Many thought that the new world organization should be primarily a military organization to perpetuate the existing war alliance. That was the conception which dominated the representatives of the Soviet Union, Great Britain and the United States when they met at Dumbarton Oaks in the Summer of 1944 to make a first draft of the Charter. But our church people did not think much of an organization which would be primarily military and which would depend chiefly on physical force. So they worked hard to make their point of view prevail. It did largely prevail at the San Francisco Conference of 1945, thanks in great part to the small nations which did not want to be placed permanently under the military dictatorship of the three big powers.

So, the San Francisco Conference radically changed the plan of Dumbarton Oaks. It emphasized the United Nations General Assembly as a place where the representatives of all States, big and little, would meet and discuss any problems of international relations, and where even the greatest nations could be required to submit their conduct to the judgment of world opinion. The conception of justice was introduced and the Assembly was authorized to establish agencies to promote human welfare. The San Francisco Conference saw peace, not as a condition of enforced stagnation, but as a condition of healthy growth.

How the United Nations Works

The United Nations has now been functioning for over a year and a half and the Assembly is shortly to hold its fourth meeting. It has revealed great possibilities. Of course, it has not settled everything. Indeed, the international situation is gravely troubled. But the United Nations has shown that it need not be a mere spectator. It can do something. It can call every nation's international acts to the bar of public opinion, with confidence that that will have healthy practical consequences.

We have seen how, in time of war, the public verdict of right and wrong exercises a powerful effect. The United Nations has begun to show how, in time of peace, public opinion can exercise a powerful effect. At the San Francisco Conference and at the three subsequent Assemblies of the United Nations political leaders from many lands have presented views on many matters. Always the speakers were obviously conscious of the fact that they were talking to representatives of some two thousand million people, of whom many millions personally followed, by press and radio, what was said and done. Every speaker presented his case with regard to what he thought was world opinion and he tried to get its backing. Almost always the different governments presented their positions otherwise than they would have done had they been meeting in secret and if world opinion were not sitting in judgment. That is a fact of great moment. It does not make future war impossible. It can make war less likely.

You may recall the school book axiom that things equal to the same thing are equal to each other. If world opinion can bring the foreign policies of the different nations toward harmony with the world's moral judgment, then those policies will automatically move toward harmony with each other.

United Nations Influence on Concrete National Policies

The United Nations can be used in this way much more than is yet the practice. It ought to be normal that major international policies which create fear or resentment anywhere should be subjected to the scrutiny of the Assembly. The Assembly might even, by a vote of confidence or of non-confidence, pass judgment on the compatibility of such policies with peace and justice. For example, the so-called "Truman Policy," in relation to Greece and Turkey, was looked upon by the Soviet Union as unfriendly to it. The recent Soviet action in Hungary was characterized by the President of the United States as outrageous. Most Americans do not consider the two policies to be comparable. We believe that our government's policy was designed to preserve small nations' independence and that Soviet policy destroyed a small nation's independence. But in such matters the final judgment ought not to be a national judgment, but an international judgment. From the standpoint of the United Nations, the significant fact is that both policies increased tension between great nations. As such, each policy ceased to be of merely national concern—it became impressed with an international interest.

The United Nations Charter provides that the Assembly may discuss any situation, regardless of origin, which it deems likely to impair friendly relations among nations. The situations referred to surely qualify under this provision. The United States should welcome, not resent, any move to put its action in Greece and Turkey on the agenda of the Assembly for discussion. The same should be true of the Soviet Union in relation to Hungary. These matters are being discussed elsewhere, wherever men talk of peace. Why should they not be discussed at the "town meeting of the world," which was especially designed to make discussion productive of peace? If any nation is afraid to have its international policies discussed, that is good proof that they ought to be discussed. In the Assembly the sponsors of questioned policies would explain them and welcome an expression of the confidence of the Assembly. The verdict would not have any legal consequences. But an unfavorable judgment would doubtless influence the future of the condemned policy and make more likely its modification or abandonment. No nation, however strong, will lightly defy a verdict which seems to reflect the informed and aroused moral judgment of mankind.

We have had this week a striking demonstration. The Dutch stayed their military hand in Indonesia in response to the call of the United Nations Security Council. That was not because the United Nations could have compelled them, for it has, as yet, no military contingents and no police force. Indeed, it is not certain that the Security Council resolution was legally in order. But that resolution registered the moral judgment of a large portion of mankind. That was the essential fact and it was that fact which the Dutch Government respected. The Indonesian situation is far from being settled. But at least we have one more illustration of how world opinion can influence national conduct.

World Government Not Yet Feasible

Of course the United Nations processes of which I speak are elementary and inadequate. Some societies have much more elaborate procedures for enabling the moral force of the community to keep order and assure peaceful evolution. The United Nations Charter did not attempt to reproduce those processes. That is not because the authors of the Charter were politically stupid or reactionary. It is because they knew that political institutions are not created merely by fine words. They depend on human foundations, and it is not practicable to create a world structure which outweighs the available world foundation. President Wilson said, "peace must be planted upon the tested foundations of political liberty." Those foundations are not yet world-wide. On the contrary, free societies represent only about 20% of the population of the world, and even within them there are many inadequacies, notably as race discrimination is practiced. About 80% of the people of the world have no tested institutions of self-government. Some are the dependent colonial peoples. Some, like the peoples of India and certain Arab States, are only now moving from dependency to full independence. Some, like the peoples of China and Indonesia are in chaos and strife. Some live under constitutions which, in words, vest sovereignty in the people, but in fact they are ruled by a small group which perpetuate themselves in power subject to change by revolution. Some are under the war rule of victors. Some, like the Russian people and others within the orbit of Soviet influence, are governed by dictatorships which call themselves "dictatorship of the proletariat."

To develop free societies is a long, hard process. It is nowhere perfected. But with all their defects, the free societies represent something precious in the world. They best reflect the Christian concept of the nature of man and his relationship to God and to fellow man. They best assure progressive peaceful change to what may, from time to time, seem the greatest good of the greatest number. They best assure that government will be responsive to enlightened moral judgment. It would not advance us if we subjected free societies to a world government which today could not be other than despotic. That would sacrifice a living hope to the lure of a mirage.

Development of International Processes

I do not conclude that present inadequacies should be accepted as permanent. On the contrary, they should be remedied and they can be remedied, though not all at once. In the United Nations Security Council the veto power should be curtailed. The veto ought not to apply to administrative matters. Also, no single nation should be free to block an investigation of the facts or the carrying out of particular international policies which have been agreed to. The biggest task, however, is to improve the foundation. The western democracies, largely through the inflence of Christianity, have developed for themselves free political institutions. But they have not built broadly enough. It is that deficit which is the most serious limiting factor. It is that deficit which, as rapidly as possible, must be made good.

Summary of Task

Let us now seek to summarize the task and the opportunity which lie before us.

First, we must see, as most do

(Continued on page 39)

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. 24	92.8	93.2	93.1	89.7
Equivalent to—					
Steel ingots and castings produced (net tons)	Aug. 24	1,623,900	1,630,900	1,629,200	1,580,900
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Aug. 9	5,104,500	5,087,600	5,045,350	4,821,450
Crude runs to stills—daily average (bbls.)	Aug. 9	5,184,000	5,271,000	5,229,000	5,784,000
Gasoline output (bbls.)	Aug. 9	16,163,000	16,517,000	16,197,000	15,156,000
Kerosine output (bbls.)	Aug. 9	1,964,000	2,043,000	2,194,000	1,899,000
Gas oil and distillate fuel oil output (bbls.)	Aug. 9	5,932,000	6,004,000	5,909,000	5,517,000
Residual fuel oil output (bbls.)	Aug. 9	8,757,000	8,582,000	8,679,000	7,995,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 9	84,898,000	85,645,000	88,791,000	87,186,000
Kerosine (bbls.) at	Aug. 9	18,562,000	17,665,000	16,057,000	17,111,000
Gas oil and distillate fuel oil (bbls.) at	Aug. 9	49,545,000	*48,574,000	45,261,000	49,057,000
Residual fuel oil (bbls.) at	Aug. 9	53,531,000	53,107,000	50,529,000	51,925,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 9	905,244	921,591	806,961	899,086
Revenue freight rec'd from connections (number of cars)	Aug. 9	692,757	694,195	531,398	700,227
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	Aug. 14	$57,401,000	$109,768,000	$104,350,000	$129,096,000
Private construction	Aug. 14	24,425,000	47,943,000	51,195,000	101,189,000
Public construction	Aug. 14	32,976,000	61,825,000	53,155,000	27,907,000
State and municipal	Aug. 14	27,030,000	45,245,000	39,084,000	24,817,000
Federal	Aug. 14	5,946,000	16,580,000	14,071,000	3,090,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 9	11,750,000	*11,700,000	*6,100,000	12,312,000
Pennsylvania anthracite (tons)	Aug. 9	Not avail.	1,126,000	1,008,000	1,255,000
Beehive coke (tons)	Aug. 9	Not avail.	131,300	51,200	112,300
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Aug. 9	222	*220	228	228
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 16	4,923,000	4,874,172	4,732,434	4,422,242
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 14	78	60	63	17
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 12	3.19141c	3.19141c	2.88239c	2.70711c
Pig iron (per gross ton)	Aug. 12	$36.52	$36.38	$33.43	$28.13
Scrap steel (per gross ton)	Aug. 12	$40.42	*$41.67	$37.75	$19.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 13	21.225c	21.225c	‡	14.150c
Export refinery at	Aug. 13	21.425c	21.250c	21.175c	16.025c
Straits tin (New York) at	Aug. 13	80.000c	80.000c	80.000c	52.000c
Lead (New York) at	Aug. 13	15.000c	15.000c	15.000c	8.250c
Lead (St. Louis) at	Aug. 13	14.800c	14.800c	14.800c	8.100c
Zinc (East St. Louis) at	Aug. 13	10.500c	10.500c	10.500c	8.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Aug. 19	122.55	122.05	121.70	123.39
Average corporate	Aug. 19	117.20	117.20	117.00	118.40
Aaa	Aug. 19	121.88	122.09	122.09	122.92
Aa	Aug. 19	120.22	120.22	120.22	120.63
A	Aug. 19	116.80	117.00	116.61	118.20
Baa	Aug. 19	110.15	110.15	109.97	112.56
Railroad Group	Aug. 19	112.56	112.56	112.00	115.24
Public Utilities Group	Aug. 19	118.60	118.60	*118.60	119.00
Industrials Group	Aug. 19	120.43	120.63	120.84	121.46
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Aug. 19	1.51	1.54	1.57	1.52
Average corporate	Aug. 19	2.79	2.79	2.80	2.73
Aaa	Aug. 19	2.56	2.55	2.55	2.51
Aa	Aug. 19	2.64	2.64	2.64	2.62
A	Aug. 19	2.81	2.80	2.82	2.74
Baa	Aug. 19	3.16	3.16	3.17	3.03
Railroad Group	Aug. 19	3.03	3.03	3.06	2.89
Public Utilities Group	Aug. 19	2.72	2.72	2.72	2.70
Industrials Group	Aug. 19	2.63	2.62	2.61	2.58
MOODY'S COMMODITY INDEX	Aug. 19	421.8	425.1	418.5	349.7
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	Aug. 16	223.9	222.0	222.5	185.1
Fats and oils	Aug. 16	180.0	187.8	200.1	223.8
Farm products	Aug. 16	257.4	259.0	257.1	219.0
Cotton	Aug. 16	329.4	344.4	365.0	341.0
Grains	Aug. 16	260.8	257.2	251.9	210.6
Livestock	Aug. 16	249.7	249.9	244.5	204.2
Fuels	Aug. 16	182.4	180.1	178.6	154.2
Miscellaneous commodities	Aug. 16	164.8	165.8	162.1	146.0
Textiles	Aug. 16	218.0	220.5	222.5	205.4
Metals	Aug. 16	159.1	158.8	149.0	124.4
Building materials	Aug. 16	221.9	221.3	187.0	177.4
Chemical and drugs	Aug. 16	149.7	149.8	151.2	127.5
Fertilizer materials	Aug. 16	129.7	129.8	129.5	121.4
Fertilizers	Aug. 16	135.4	135.0	135.0	121.4
Farm machinery	Aug. 16	127.1	127.1	126.6	115.1
All groups combined	Aug. 16	206.8	206.4	202.3	174.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 9	169,653	206,732	139,288	156,766
Production (tons)	Aug. 9	174,180	173,527	133,950	163,034
Percentage of activity	Aug. 9	97	99	76	96
Unfilled orders (tons) at	Aug. 9	488,283	494,554	505,183	610,459
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Aug. 14	140.4	141.3	142.7	136.4
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	Aug. 9	152.2	151.3	148.3	127.1
Farm products	Aug. 9	181.2	180.8	178.2	162.3
Foods	Aug. 9	171.1	168.0	165.8	144.0
Hides and leather products	Aug. 9	176.5	174.5	173.3	138.3
Textile products	Aug. 9	139.5	139.0	138.3	114.6
Fuel and lighting materials	Aug. 9	110.7	109.7	105.8	96.6
Metal and metal products	Aug. 9	146.7	146.1	141.6	113.5
Building materials	Aug. 9	178.0	176.6	175.4	132.4
Chemicals and allied products	Aug. 9	116.9	116.9	117.5	98.2
Housefurnishing goods	Aug. 9	131.8	131.4	131.0	113.4
Miscellaneous commodities	Aug. 9	116.0	116.8	114.6	101.7
Special groups—					
Raw materials	Aug. 9	166.4	165.6	162.0	145.7
Semi-manufactured articles	Aug. 9	147.1	147.2	142.2	110.4
Manufactured products	Aug. 9	147.2	146.0	143.7	121.3
All commodities other than farm products	Aug. 9	145.9	144.8	141.8	119.3
All commodities other than farm products and foods	Aug. 9	135.2	134.7	132.1	110.8

*Revised figure. ‡No market previous quotation 21.225c.

	Latest Month	Previous Month	Year Ago
BANKERS DOLLAR ACCEPTANCES OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of July 31:			
Imports	$114,898,000	$110,764,000	$146,452,000
Exports	45,056,000	45,722,000	23,974,000
Domestic shipments	9,439,000	10,622,000	11,422,000
Domestic warehouse credits	11,286,000	9,347,000	14,217,000
Dollar exchange	1,000	1,000	40,000
Based on goods stored and shipped between foreign countries	6,664,000	6,061,000	9,276,000
Total	$187,344,000	$182,517,000	$205,381,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of July:			
Manufacturing number	107	95	36
Wholesale number	40	36	5
Retail number	105	108	17
Construction number	17	23	9
Commercial service number	30	21	7
Total number	299	283	74
Manufacturing liabilities	$12,466,000	$14,220,000	$1,948,000
Wholesale liabilities	2,144,000	1,874,000	76,000
Retail liabilities	2,280,000	1,614,000	835,000
Construction liabilities	384,000	664,000	162,000
Commercial service liabilities	19,863,000	610,000	413,000
Total liabilities	$37,137,000	$18,982,000	$3,434,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of July 31	$243,000,000	*$234,000,000	$131,000,000
COTTON ACREAGE AND PRODUCTION—U. S. DEPT. OF AGRICULTURE—As of Aug. 1.			
Acreage	20,989,000	21,389,000	17,991,000
Production, bales lint	11,844,000	-------	8,640,000
CROP PRODUCTION IN U. S.—U. S. DEPT. OF AGRICULTURE—Estimate as of Aug. 1:		000's omitted	
Corn, all (bu.)	2,659,949	2,612,809	3,287,927
Wheat, all (bu.)	1,427,747	1,435,551	1,155,715
Winter (bu.)	1,095,648	1,092,122	873,893
All Spring (bu.)	332,099	343,429	281,822
Durum (bu.)	45,734	48,018	35,836
Other Spring (bu.)	286,365	295,411	245,986
Oats (bu.)	1,223,624	1,247,454	1,509,867
Barley (bu.)	289,845	284,867	263,350
Rye (bu.)	25,405	25,219	18,685
Buckwheat (bu.)	8,931	------	7,105
Flaxseed (bu.)	39,480	38,374	22,962
Rice (bu.)	74,885	75,485	71,520
Sorghums for grain (bu.)	93,190	------	106,737
Hay, all (ton)	103,232	103,182	100,860
Hay, wild (ton)	13,406	13,428	11,530
Hay, alfalfa (ton)	33,710	33,434	31,817
Hay, clover and timothy (ton)	33,149	33,198	34,330
Hay, lespedeza (ton)	6,990	6,870	7,182
Beans, dry edible (100 lb. bag)	16,366	16,145	15,797
Peas, dry field (100 lb. bag)	6,544	6,239	6,926
Soybeans for beans (bu.)	187,906	------	196,725
Peanuts (lb.)	2,136,895	------	2,036,430
Potatoes (bu.)	361,793	351,674	475,969
Sweet potatoes (bu.)	60,238	61,897	66,807
Tobacco (lb.)	2,126,477	2,101,154	2,312,080
Sugarcane for sugar & seed (ton)	6,420	6,702	5,997
Sugar beets (ton)	12,086	11,888	10,562
Broomcorn (ton)	33	------	44
Hops (lb.)	49,520	53,282	53,171
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX JAN. 2, 1931=100 (COPYRIGHTED AS OF AUG. 1)—			
Composite index	124.1	123.7	115.1
Piece goods	120.4	120.1	113.3
Men's apparel	121.7	121.4	106.6
Women's apparel	120.6	120.4	115.7
Infants' & children's wear	122.0	121.7	108.2
Home furnishings	131.2	130.7	117.4
Piece goods—			
Silk	79.1	79.5	85.1
Woolens	114.1	113.2	109.9
Cotton wash goods	168.1	167.5	145.0
Domestics—			
Sheets	167.3	167.2	133.1
Blankets & comfortables	143.3	143.2	135.5
Women's apparel—			
Hosiery	82.4	82.7	90.0
Aprons & house dresses	152.3	151.8	138.9
Corsets & brassieres	122.5	122.6	113.4
Furs	143.4	143.2	154.6
Underwear	111.8	111.5	102.5
Shoes	110.9	110.5	95.0
Men's apparel—			
Hosiery	119.7	119.5	108.3
Underwear	131.1	130.3	118.1
Shirts & neckwear	112.4	112.6	100.4
Hats & caps	105.0	105.3	94.4
Clothing including overalls	114.6	114.4	107.5
Shoes	147.2	146.5	110.9
Infants' & children's wear—			
Socks	125.6	125.9	114.6
Underwear	111.6	110.7	103.3
Shoes	128.9	128.6	106.8
Furniture	141.0	140.4	131.3
Floor coverings	164.6	164.1	149.2
Radios	73.3	72.9	67.7
Luggage	96.0	95.7	94.3
Electrical household appliances	108.3	107.3	94.5
China	120.6	119.8	110.8
STATUTORY DEBT LIMITATION U. S. GOVT.—As of July 31:			
Total face amount that may be outstanding at any one time	$275,000,000,000	$275,000,000,000	$275,000,000,000
Outstanding—			
Total gross public debt	259,447,739,778	258,286,383,109	268,270,022,261
Guaranteed obligations not owned by the Treasury	79,971,276	89,520,185	333,227,821
Total gross public debt and guaranteed obligations	$259,527,711,054	$258,375,903,294	$268,603,250,082
Deduct—Other outstanding public debt obligations not subject to debt limitation	879,611,568	884,487,234	960,589,345
	$258,648,099,486	$257,491,416,060	$267,642,660,737
Balance face amount of obligations issuable under above authority	$16,351,900,514	$17,508,583,940	$7,357,339,263
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—As of July 31	$259,527,711,055	$258,375,903,294	$268,603,250,082
General Fund Balance	3,068,793,567	3,308,136,929	12,028,942,105
Net Debt	256,458,917,488	255,067,766,365	256,574,307,977
Computed Annual Interest Rate	2.116%	2.107%	2.008%

Half of Foreign Dollar Bonds Paying Full Interest

Dean John T. Madden of New York University issues statistical analysis of publicly offered foreign dollar bonds in U. S.

In 1946 debt service has been paid in full on $2,255,399,950 or on 50.04% of the total of $4,507,084,749 of publicly offered foreign dollar bonds outstanding on Dec. 31, 1946, according to a bulletin entitled "Statistical Analysis of Publicly Offered Foreign Dollar Bonds" issued by Dean John T. Madden, Director of the Institute of International Finance of New York University.

Dean J. T. Madden

The slight decrease in proportion of bonds serviced in full from 50.77% in 1945, despite resumption of interest payments on a number of defaulted issues, was due to the fact that during the year amortization and payment at and before maturity of fully serviced bonds exceeded the repurchases and cancellations of bonds in total or partial default.

Data on the status of all publicly offered foreign dollar bonds as of Dec. 31, 1945 and 1946 are summarized in the following table:

	December 31, 1945 (000,000)	Per Cent	December 31, 1946 (000,000)	Per Cent
Debt service paid in full	$2,469.0	50.77	$2,255.4	50.04
In default as to interest	2,277.8	46.84	2,145.1	47.60
In default as to sinking fund or principal	116.3	2.39	106.6	2.36
Total	$4,863.1	100.00	$4,507.1	100.00

On Dec. 31, 1946 European and Latin-American obligors accounted for 86.3% of defaulted bonds. Of the total Latin-American bonds in default, Mexico and Chile account for 34.0 and 19.8%, respectively, while German issues represent 57.9% of total European defaulted bonds. At the end of 1946 Latin America accounted for 32.7% of total defaulted bonds, practically unchanged from Dec. 31, 1945. Europe's percentage increased from 51.2% at the end of 1945 to 53.6% on Dec. 31, 1946. The Far East accounted at the end of 1946 for 13.5% of total defaulted bonds.

The geographical distribution of foreign dollar bonds in default as to interest on Dec. 31, 1946, is shown in the following table:

	Amount Outstanding (000,000)	Amount in Default (000,000)	Per Cent of Total Defaulted Bonds
Latin America	$1,167.1	$ 701.8	32.7
Europe	1,392.0	1,148.9	53.6
Far East	515.5	288.8	13.5
North America	1,432.4	5.5	0.2
Total	$4,507.0	$2,145.0	100.00

At the end of 1946, 82.5% of the European, 60.1% of Latin American and 56.0% of the Far Eastern bonds outstanding were in default as to interest, while North American defaulted bonds amounted to less than ½% of total outstanding bonds. An analysis of interest defaults by types of obligors shows that bonds of national governments account for 43.0%; corporate bonds for 40.6%; states, provinces and departments for 7.3%; and municipalities for 9.1%.

The Task of World Peace

(Continued from page 37)

see, that under modern conditions war is an intolerable institution.

Second, we must also see, as many do not see, that it is ineffectual merely to oppose war. Opposition to war can be successful only as it also develops new institutions for coping with international problems.

Third, we must see the United Nations as a place where the moral conscience of the world can drive the nations into following policies of justice, righteousness and concord.

Fourth, we must see the possibility of improving international procedures. To some extent this can be done now, within the framework of the United Nations. Major improvement requires, in the world, more societies of freedom.

Fifth and finally, we must act in the light of what we see.

Special Christian Responsibility

This great audience meets as a Christian audience. I appeal to you as such. In all of these matters the Christian people of the world carry a special load of responsibility.

What is the need? The need is for men and women who can see what now is and what can be. Christ put particular emphasis on vision and light. He taught men to see truly and to avoid the hatred, hypocrisy and selfishness which blind men or warp their visions. If Christians do not produce the needed vision, what can we expect but that mankind will stumble?

The need is for more effective use of moral power. The moral law, happily, is a universal law. it is reflected by many great religions. Even without religion there is general agreement on "right" and "wrong" in their crude and obvious aspects. That fact is of immense value. It is why, even today, moral concepts can have world-wide influence. But Christians believe that, through Christ, the moral law has been revealed with unique clarity. Christians ought, therefore, to be especially qualified to form moral judgments which are discerning and to focus them at the time and place where they can be effective.

The need is for full use of the present great possibilities of the United Nations. It was Christians most of all who wanted a world organization which would depend primarily on moral, rather than physical power. They have it. Now it is up to them to generate the moral power required to make the organization work.

The need is to build the foundation for a more adequate world organization. That foundation is a world of free societies, and free society depends, in turn, on individuals who exemplify Christian qualities of self-control and of human brotherhood, and who treat freedom not as license, but as occasion for voluntary cooperation for the common good. So, again, Christians have the great responsibility.

The need is for effort on a world-wide scale. The Christian church is a world-wide institution. Christianity is not a national or regional religion, nor a class religion nor a race religion. It transcends every known human difference. That fact peculiarly qualifies Christians to discharge tasks of world-wide import.

So it is that, as we analyze the need, Christian responsibility emerges as an inescapable fact. It is a fact that ought to have practical consequences. If Christians are to play their clearly indicated part, they must have better organization, more unity of action and more emphasis on Christianity as a world religion. To some extent, these things are happening. The World Council of Churches is completing its organization, interrupted by war. Already under its auspices and those of the International Missionary Council there has been created a Commission of the Churches on International Affairs. The American churches are raising large restoration funds to help churches elsewhere. Missionary activity is reviving. Two great international church convocations are planned —one for 1948, one for 1949.

The Urgency

All of that is good, but it is not good enough. The present rate of movement will not quickly produce a powerful impact on world affairs. The need is urgent. We are dealing with the typical war cycle. The first phase is war. The second phase is moral fervor, mounting to win victory for justice and righteousness. The third phase is victory itself and the fourth phase is moral relaxation, letting the international situation slip back into the rigidities and stagnation which breed new war. That is the cycle which must be broken if there is to be just and durable peace. At the moment we are in the particular phase of the war cycle where, most readily, it can be broken.

This is no time for moral vacation. Further effort is imperative. Of course, people feel tired and to some extent disillusioned. But that mood would quickly pass if only men's eyes were opened to the immense possibilities that lie before them. If many today are lethargic, it is only because they do not see what, if seen, would surely stir them to eager action.

May God give us the vision to see clearly. Out of that vision will come the ability to plan wisely and the will to act strongly. Thus may we become a living part of that Tree of Life whereof the leaves serve the healing of the nations.

New Anti-Trust Moves

(Continued from page 8)

Rubber Co., Akron; U. S. Rubber Co., New York City.

Also, J. L. Cochrum, Seiberling Vice-President; I. Eisbrouch, Dayton Rubber Vice-President; A. A. Garthwaite, Sr., Lee President; H. H. Hawkes, U. S. Rubber Assistant General Manager; Lee R. Jackson, Firestone Executive Vice-President; L. A. McQueen, General Tire Vice-President; J. J. Newman, Goodrich Vice-President; R. S. Wilson, Goodyear Vice-President; R. S. Wilson, Goodyear Vice-President; A. L. Viles, President of the Rubber Manufacturers Association, and George Flint, the association's Assistant Secretary.

The Department of Justice also has filed an anti-trust suit against the colored film producers and the Eastman Kodak Company.

Olds Answers Charges

Regarding the Federal Trade Commission's charges against the steel companies and the American Iron and Steel Institute, Irving S. Olds, Chairman of the U. S. Steel Corporation, in a statement recalled that previous attacks had been made on the basing point system "without a basis in fact or in law."

"In our opinion," Mr. Olds said, "the basing point charges now made against the subsidiaries of United States Steel by the Federal Trade Commission have no more basis in fact or in law than the similar unfounded accusations advanced by the commission in our basing point hearings before the Temporary National Economic Committee in 1939 and 1940.

"It was testified in those hearings that the basing point practice of delivered prices in the steel industry is not a collusive or illegal arrangement, but on the contrary is a method of marketing steel products which has evolved over the past 50 years or more as a natural consequence of the fundamental economic and competitive conditions existing in that industry."

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Don't waste hope—or fear—on Attorney General Tom Clark's boast he aims to throw into jail those parties conspiring to hike food, clothing and housing prices. Neither the Attorney General—nor his White House boss—expects to frighten prices lower with the jailer's keys. They know, as most of us do, that current high prices aren't of conspiracy origin.

* * *

Actually, what the AG wants—and will get—is newspaper attention. And that's about all. And it may peter out before long. That's why he took over the political publicity chore from the White House. The press wasn't paying enough attention to Mr. Truman's price propaganda. The idea boys figured it might be jazzed up with threats. Hence—the Justice Department press release promising prison for the price scoundrels. That's simply the whole story.

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And now, Messrs. Truman and Clark, here's a practical word on prices from Charles A. Burmeister, Agriculture Department economist for 30 odd years, who has charted supply and demand with honest rather than political motives. Says Mr. Burmeister . . . "If the corn crop continues to be damaged by droughts, consumers who think they are paying high prices for meat now really have a surprise coming next summer when meat prices will probably jump as much as 25% over present levels."

Burmeister invites skeptics to look at the record. Figures maintained since 1865 by the Bureau of Agricultural Economics definitely prove that each serious spoilage of corn has been followed about nine months later by abnormally small meat supplies and abnormally high prices. This means consumers can expect normal quantities of pork and beef in retail grocery stores until just before April, 1948, and gradual price hikes thereafter to a peak between August and October. That's how Economist Burmeister projects this historical formula into 1948.

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And not even Attorney General Clark claims he can grow more corn with jailers and news headlines!

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Also, the Attorney General has learned he can't build more freight cars by political trust-busting. His charge of monopoly law violations against car builders has backfired, is embarrassing the Justice Department, probably can't be successfully pushed by the AG's lawyers. More important, it has nullified O.D.T. efforts to have builders pool their resources to expedite car construction.

* * *

State fair trade practice laws are apt to immunize some people Mr. Clark would like to jail as price fixers. Justice Department and Federal Trade Commission are both gunning for the Miller-Tydings Act giving validity to these state statutes, want the act repealed, won't get what they want. The trust-busters can't do more than scowl at those price practices condoned by the state codes.

* * *

Don't forget—three joint Congressional subcommittees will take the field in mid-September and compete with Attorney General Clark for consumers' attention. The three will hold public hearings on high prices, will bid the little folks to come and talk. They won't announce it, and they may be coy about it, but GOP committeemen will steer testimony into channels calculated to convince voters the Administration's foreign policy is promoting scarcity and costly living at home. That's to be an issue next election.

* * *

If you're interested in co-ops, better follow a House Small Business Committee inquiry into tax-exempt privileges of such groups. It gets going here August 22 will progress to other major cities for six weeks or two months, will actually be a prelude to Ways and Means Committee hearings on co-op taxation in November. Two Ways and Means committeemen are sitting in on the probe as observers.

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Treasury Secretary Synder and assistants sound convincing when they insist a higher gold value isn't under discussion, hasn't even been talked of officially. They claim no nation has suggested such a move. They stop there, won't foretell the future.

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Revision of Britain's 75% tax on American films looks likely. The London delegation here this week on British loan revisions found American spokesmen pretty grim about the film excise.

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Right now our dollar diplomats are suspicious of any contrivance walling out American goods. In the "Keep Out" signs already posted on our Mexican and British frontiers they foresee (1) crippling of the reciprocal trade program, (2) and an untimely curb on U. S. foreign trade. They view neither prospect with tranquillity, professional or political.

* * *

At least some utility executives won't be too sad if regional power shortages pester the public this winter. They've been warning Congress that prohibiting intrastate power companies from setting up regional grids without subjecting their plants to FPC domination makes for inequitable distribution, faulty flow of electric energy. A little concrete evidence might nudge along pending legislation permitting utilities to establish such grids without actually entering interstate commerce. FPC is hopeful—but not confident—the predicted shortages won't materialize.

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For a quarter you can buy from FPC its newest report—out this week—on the trend of residential and commercial electric power costs in cities of 50,000 population and more. If you wish a copy, order FPC R-33.

* * *

Home improvement and repair loan liberalizations have become effective with President Truman's signature of a bill passed just before adjournment. Under this Act Federal saving and loan associates may (1) make unsecured improvement and repair loans up to $1,500 when such loans are insured by the FHA or insured or guaranteed by the Veterans' Administration, (2) make unsecured or junior lien loans to the same amount without any requirement of government insurance or guarantee.

* * *

The big cigarette companies may not know it yet, but there's a good chance—and it's getting better every day—that Congress may lower the excise on economy brand smokes to encourage the smaller independent manufacturers. House Ways and Means Committee now has on its calendar a bill boosting the present $3.25 per thousand excise on cigarettes to $3.50 on those netting manufacturers more than $2.25 and lowering the rate to $1.75 on cheaper brands netting not more than $2.25.

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The bill has strong Republican backing. Federal Trade Commission and Agriculture Department have written eloquent indorsements—not yet made public—and Commerce, Justice and Treasury Departments are to do likewise. Treasury is expected to report the change would boost rather than lower Federal revenue. That's important.

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In 1929, before the advent of the 10-cent brands, the big three manufactured 86% of all cigarettes sold in the U. S. The percentage declined sharply after the onset of the depression when tobacco prices and economic conditions favored the cheaper cigarette, and in 1939 the big three produced only 67.6% of the nation's total. With rising tobacco prices largely squeezing out the economy brands, the big three's share of the market rose again to 83.9% in 1946.

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Agriculture Department argues a lower excise on 10-centers would encourage small manufacturers to bring out new economy brands. FTC holds the graduated tax would mean more competition for the big three, influence them to keep their brands "within reasonable price limitations."

* * *

Don't expect early settlement of the Federal Trade Commission's unlawful practices complaint against American Iron and Steel Institute. FTC doesn't. Actually, the case can be litigated for years, can't be used by the Administration as a club to knock the props from under high prices. It's really just another of FTC's protests—already numerous—against use of the so-called basing point system.

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The flow of GI insured loans continues unabated despite predictions it would dry up after Congress outlawed the RFC's secondary market for such mortgages. Applications for such loans passed the million mark in July and the face value of loans approved by the Veterans' Administration soared above $5 billion. The 938,000 approved loans include 831,000 homes, 33,500 farm, and 73,500 business ventures, with approximate face value, respectively, of $4.7 billion, $127, million, and $232 million.

Oh! For Such a Prophet to Lead Us!

"You have not always listened to my warnings. Please pay good attention to this now. I offer you no easy passage. An intense struggle for life will have to be made by all. Many will be wounded and faint or fall in our supreme effort to keep our national body and soul together. These we will succor from our growing and victorious strength. The strong will have to help the weak. Instead of attacking capital, we will attack monopoly. Instead of imposing restrictions and controls, we will attack restrictive practices of all kinds. It is only along the path of freedom that Britain can win salvation, and when we win, as we shall surely do, we will make this ancient, glorious land honored again among nations, and a free and decent home for all its peoples who love it so well."

WINSTON CHURCHILL

Winston Churchill

It may be that we in this country would no more heed such advice as this than the British apparently intend to do—but we nonetheless wish it were more often and more pointedly offered!

Ridgway & Co. to Be Formed in N. Y. City

Ridgway & Co., members of the New York Stock Exchange, will be formed on September 1 with offices at 15 Broad Street, New York City. Partners will be William C. Ridgway, Jr., member of the Exchange, and Richard A. Balsam, general partners, and J. Lester Parsons, Jr., limited partner.

Investment Firm of Lloyd E. Canady & Co.

RALEIGH, N. C.—Formation of the investment securities firm of Lloyd E. Canady & Company with offices in the Commercial Building, Raleigh, N. C., has been announced.

Mr. Canady who heads the firm has been a resident of Raleigh for the past 30 years, and has had long experience in finance. For the past 13 years he was Vice-President of Oscar Burnett and Company, investment bankers of Greensboro and Raleigh, N. C., serving as Manager of their Raleigh office until recently. Before entering the securities business in 1934, Mr. Canady was a special examiner for the North Carolina State Banking Commission, prior to which he was Secretary and Treasurer of the Atlantic Joint Stock Land Bank of Raleigh, now liquidated, of which former Governor A. W. McLean was President. Mr. Canady was instrumental in the organization of this bank in 1932 and was connected with it for about ten years. He was also at one time a director of the Virginia-Carolina Joint Stock Land Bank of Elizabeth City, N. C.

The firm will act as underwriters of securities issues and deal in over-the-counter stocks and bonds as well as in U. S. Government, state and municipal bonds.

Formation of Lloyd E. Canady & Company was previously reported in the "Financial Chronicle" of August 14.

Col. Purcell With First Investors Shares

John L. Thomas, President of First Investors Shares Corporation has announced that Colonel William L. Purcell, A. U. S., recently retired from active service with the Army Air Forces, has resumed his association with the company and is now at the uptown office, One Park Avenue, New York City.

Clifford Hawley Dead

Clifford B. Hawley, Sheridan, Bogan Co., Philadelphia, died on Aug. 13 at the age of 58.