

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 166 Number 4624

New York, N. Y., Thursday, August 28, 1947

Price 30 Cents a Copy

Germany Revisited

By JAMES S. KNOWLSON*

President and Chairman of Board, Stewart-Warner Corp.

Asserting, despite physical progress in re-establishing tools of industry, no advance has been made in solving basic problems of German economy, Mr. Knowlson described present unsatisfactory situation in food, coal, transport, and inflation. Concludes German economy is running down hill, notwithstanding U. S. and British aid, and holds aim to reduce Germany to pastoral state is "biting off nose to spite face." Sees need for new capital investment in Germany and contends keeping Germany in chains will mean a communistic Europe.

Published accounts of conditions in Germany today are apt to leave one with the feeling that our occupation of the German territory has been



James S. Knowlson

badly handled and that the accomplishments of this occupation have been practically nil.

However, anyone who traveled through the ruined cities of the Reich in 1945 cannot fail to be impressed with the things that

have been done in reviving what, at that time, was a wholly paralyzed urban economy.

In 1945, the streets in most of the cities in Germany were so clogged with rubble that many were entirely impassable for cars. Telephone poles lay on the ground and telephone and power wires looped themselves along the road-

*An address by Mr. Knowlson at a luncheon meeting of the Chicago Association of Commerce & Industry, Chicago, Ill., Aug. 20, 1947.

side, and along both sides of these same roads a never-ending line of people moved on foot—men, women, children—whose every possession was on their backs or in pushcarts. Aimless, homeless, beaten. When you approached they drew back to give you room. Fraternization of our troops with Germans was forbidden.

Long lines of freight cars stood idle on sidings because the overpasses had been dynamited. Nothing moved on the rivers, for bridges blocked the streams. There was no telephone—no mail service. Water mains were largely out of commission.

You felt everywhere you turned, that except for the occupation troops all city life was in a state of suspended animation.

Today this is all changed. Bridges still lie in the rivers, but a section has been cut away and a channel opened through which boats are moving. The railroads are running. Road bridges, in a large part, have been replaced or good detours made available. Telephone lines are up and carrying messages. The endless line of homeless wanderers has disappeared.

While very few buildings have been repaired, you will see here and there behind boarded-up

(Continued on page 28)

What Is the Future of Air Transportation?

By SIGMUND JANAS*

President, Colonial Airlines, Inc.

Asserting air transportation has crossed threshold of uncertainty and will have a development seldom equaled in history of American enterprise, aviation executive points out adverse as well as optimistic trends. Holds airlines have weathered critical point in transition from war period and are on upward surge. Sees opportunities in airlines' stocks.

My remarks to you today will be directed toward the much discussed current question in both transportation and financial circles: "What does the future hold for the air transportation industry?" Volumes have been printed and spoken on this subject during

EDITORIAL

As We See It

The Cost of Tinkering with Prices

So accustomed has the American public become to the underlying notion of direct or indirect price control that many of us appear no longer to realize what is involved. Certainly we do not seem to have even a suspicion of what these policies are costing the world today. Many probably have never dreamed that much of the difficulty about which there is so much complaint at present stems inevitably from some form of price tinkering. Yet this is a fact well known to thoughtful economists everywhere.

Take first the international field. We hear a great deal of "dollar shortages" everywhere today. We have been informed rather dramatically that very large drafts by the British upon the balance of their loaned dollars were necessary to make currently acquired sterling balances "convertible," and to avoid "discriminatory" purchases of goods in countries other than the United States. In a technical sense all this may well be true—although it remains to be seen whether release from contract restrictions in respect of these matters does very much to relieve the situation.

What very, very few appears to understand is that all this goes back to the dollar price set for the pound sterling. "Convertibility" of current sterling balances means in this case convertibility at an arbitrarily fixed dollar-pound rate, and it is this fact which is, of course, responsible for the embarrassment of the British. It is

(Continued on page 30)

the critical period since the late war ended, and I can only hope in my brief remarks to skin the surface of so broad a subject, and to highlight some intimate observations gleaned in my executive capacity as President of Colonial Airlines.



Sigmund Janas

Unfortunately, I think, much has been written and spoken on the subjects of both aviation and air transportation by many who lack the qualifications to speak with authority on those subjects. Let me assure you that even though I have been either directly or indirectly engaged in the business of air transportation almost since its inception in this country,

(Continued on page 22)

*An address by Mr. Janas before the New York Society of Security Analysts, New York City, Aug. 20, 1947.

Havana Lithographing Co.

— ★ —

HIRSCH & Co.

Members New York Stock Exchange and other Exchanges

25 Broad St., New York 4, N. Y.

HANover 2-0600 Teletype NY 1-210

Chicago Cleveland London Geneva (Representative)

R. H. Johnson & Co.

Established 1927

INVESTMENT SECURITIES

64 Wall Street, New York 5

BOSTON PHILADELPHIA
Troy Albany Buffalo Syracuse
Baltimore Dallas Harrisburg
Pittsburgh Scranton Wilkes-Barre
Williamsport Springfield Woonsocket

STATE AND MUNICIPAL BONDS

THE NATIONAL CITY BANK OF NEW YORK

Bond Dept. Teletype: NY 1-708

AMERICAN MADE MARKETS IN CANADIAN SECURITIES

HART SMITH & CO.

Members
New York Security Dealers Assn.
52 WILLIAM ST., N. Y. HANover 2-0980
Bell Teletype NY 1-395
New York Montreal Toronto

State and Municipal Bonds

Bond Department

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

SERVING SOUTHERN CALIFORNIA SINCE 1927

Wagenseller & Durst, Inc.

Investment Securities

626 S. SPRING ST.
TRinity 5761
LOS ANGELES 14

CLAREMONT • PASADENA • REDLANDS
MEMBER LOS ANGELES STOCK EXCHANGE
TELETYPE: LA 68

OTIS & CO.

(Incorporated)
Established 1899
CLEVELAND

Underwriters and Distributors of Municipal and Corporate Securities

New York Chicago Denver Cincinnati Columbus Toledo Buffalo

Raytheon Manufacturing Co.
\$2.40 Conv. Preferred

Solar Aircraft Company
90c Conv. Preferred

*Twin Coach Company
\$1.25 Conv. Preferred

*Universal Winding Company
90c Conv. Preferred & Common
*Prospectus on request

Reynolds & Co.

Members New York Stock Exchange
120 Broadway, New York 56 N. Y.
Telephone: REctor 2-8600
Bell Teletype: NY 1-833

Bond Brokerage Service

for Banks, Brokers and Dealers

HARDY & Co.

Members New York Stock Exchange
Members New York Curb Exchange
30 Broad St. New York 4
Tel. DIgby 4-7800 Tele. NY 1-733

Portland General Electric Company

Common Stock

When Distributed

IRA HAUPT & CO.

Members New York Stock Exchange and other Principal Exchanges

111 Broadway, N. Y. 6

REctor 2-3100 Teletype NY 1-2708
Boston Telephone: Enterprise 1820

Arden Farms Co.

Preferred
Common
Rights*

*Expire September 22nd

Memo on request

New York Hanseatic Corporation

120 Broadway, New York 5
BArcly 7-5660 Teletype NY 1-583

Savoy Plaza

3/6s, 1956

Savoy Plaza Class "A"

Vapor Car Heating Common

Vanderhoef & Robinson

Members New York Curb Exchange
31 Nassau Street, New York 5
Telephone COrtlandt 7-4070
Bell System Teletype NY 1-1548

Public Service of Indiana

Conv. 23/4s, 1962

Bought—Sold—Quoted

Prospectus on Request

McDONNELL & Co.

Members
New York Stock Exchange
New York Curb Exchange
120 BROADWAY, NEW YORK 5
Tel. REctor 2-7815

Actual Markets In

Taylor Wharton Iron & Steel
U. S. Finishing com. & pfd.
Virginia Electric Power Co.
Electric Bd. & Share Stubs
New Eng. Electric System
Gen'l Aniline & Film "A"
Title Guaranty & Trust
Northern New England
United Piece Dye Wks.
United Artists Theatre
Dumont Laboratories
Boston & Maine R.R.
Aetna Standard Eng.
Punta Alegre Sugar
Warner & Swasey
Newmarket Mfg.
Moxie Common
Hood Chemical
Foundation Co.
Haytlan Corp.
Int'l Detroit
J. P. Stevens
Lea Fabrics
Time, Inc.
Argo Oil

Breene and Company

Members N. Y. Security Dealers Assn.
37 Wall St., N. Y. 5 Hanover 2-4850
Bell Teletypes—NY 1-1126 & 1127

Trading Markets in

American States Utilities
Preferred & Common

Buda

Cleveland-Cliffs Iron

Preferred & Common

Detroit & Canada Tunnel

Ohio Water Service

Taca Airways

*West Virginia Water Service

*Prospectus available to
dealers and banks only

G.A. Saxton & Co., Inc.

70 FINE ST., N. Y. 5 Whitehall 4-4970
Teletype NY 1-609

Prices, Wages and Profits—A Plea for Labor-Management Understanding

By F. D. NEWBURY*

Director and Former Vice-President, Westinghouse Electric Corp.

Industrialist ascribes mental chasm in thinking of management and of organized labor as due to different sets of economic principles, and holds problem of correction is one of education to bring the two together. Contends profits in relation to investment have been declining, and points out high profits, high productivity, and skillful management are essential to full employment and high wages. Denies monopoly is an increasing factor in industry.

I have been asked to talk about prices, wages, and profits as management sees them. I am going to do this, but I have added a sub-title to this address: A Plea for Labor-Management Understanding. I have one purpose only: to bring to your attention and to emphasize the vast chasm—a mental Grand Canyon—that separates the thinking of management from the thinking of organized labor on these important economic subjects. While doing this, I wish to avoid any semblance of argument or debate. At the moment I am not interested in trying to convince you that man-



F. D. Newbury

agement's views are right; I am interested in telling you what they are merely to demonstrate how different they are from the views that come from labor economists and from labor officials.

I wish to bring to your attention three points that result from this mental chasm:

(1) My first point is that management believes in one set of economic principles; organized labor believes in a very different set of principles. Principles are important. They determine the way labor thinks and the way management thinks. Consequently labor and management have reached different answers to problems about wages, prices, and profits, over the years, and particularly during the past two years of reconversion to peacetime production.

Labor and management look at these fundamental economic relationships so differently they

might as well be talking two different languages without benefit of interpreters.

(2) My second point is that unless labor and management learn to talk the same economic language—to believe in and apply the same economic principles—there is little chance that labor and management will get together, understand each other's position, and cooperate as well as we all hope they will.

(3) My third point is that progress in this direction is a problem of education. Permanent progress will depend on educating the new generation of labor officials and management officials, executives, and supervisors to a common understanding of the fundamentals of joint problems. Forget what Mr. Reuther believes; forget what I believe. We are both too set in our opinions to change them. The hope of real

(Continued on page 26)

Foreign Trade, Loans and Prosperity

By DR. MAX WINKLER*

Consulting Economist, National Securities and Research Corp.

Dr. Winkler reviews foreign trade figures and sees an export deficit of \$5 billions for Europe and \$2 billions for Latin America. Although asserting America's program to aid in world reconstruction is sound on purely economic grounds and desirable for humanitarian reasons, holds existing barriers impair or destroy ability of foreign debtors to meet their obligations and should be removed.

Nowhere are the needs for American goods and for dollars to buy them with more concentratedly reflected than in U. S. export and import figures. If needs are held within reason, imports (a reason of payment) increased and ways of financing the balance found, the problems of world rehabilitation may be largely solved. But success or the degree of failure should be shown, perhaps more plainly than anywhere else, in our export-import picture. Important among the questions raised is whether this country would, or even should, run the risk of impoverishing itself in order to aid world recovery and prevent a new worsening of conditions.



Dr. Max Winkler

One reason why this question is raised is the sheer size to which

*Reprinted from "Investment Timing," Aug. 14, 1947, published by the National Securities & Research Corporation, New York City.

our foreign commerce has swelled. America's foreign commerce for 1947 is estimated, on the basis of available statistics for the first half of the current year, at over \$20,000 million, compared with an actual turnover of \$14,679 million in 1946, an annual average of \$5,456 million for the period of 1936-38, \$9,640 million in 1929—a banner year in world trade, and \$4,277 million in 1913.

Before proceeding further, it might be interesting to discuss some of the trends shown and conclusions indicated in the accompanying table. It is evident first that Africa has been and remains the least important of the regions covered. Europe has been throughout the most important taker of our exports, but has declined in importance as a source of imports, this year and last, occupying fourth place among the five regions. Latin America has grown greatly in export importance, and occupies first place in imports: The relative positions of Canada (Northern North America) and the Far East (Asia and

Oceania) have not changed so much. While we have had export balances with all five regions recently, in the past Latin America and the Far East have usually shown import balances.

Exports and Employment

Record-breaking figures for employment and corporate profits, exceeding even those recorded during the war, are due, to a very large extent, to the unprecedented volume of foreign trade. In some respects, the size of our foreign commerce is alarming: Our favorable balance of trade with the rest of the world is at an annual rate of \$9,360 million compared with a balance in our favor of \$4,807 million last year. How Europe will be able to meet a trade deficit of almost \$5,000 million or how Latin America can possibly take care of a deficit of close to \$2,000 million, is hard to tell.

European dollar balances of all categories and holdings of U. S. securities, estimated at \$12½ billion could thus be used up in

(Continued on page 21)

We Maintain Active Markets in U. S. FUNDS for

Canadian Industrials	United Kingdom 4% '90
Canadian Banks	Rhodesian Selection
Canadian Mines	Gaumont-British
Canadian Utilities	Scophony, Ltd.

Canadian Securities Department *British Securities Department*

GOODBODY & Co.
Members N. Y. Stock Exchange and Other Principal Exchanges
115 BROADWAY NEW YORK 6, N. Y.
Telephone BArcly 7-0100 Teletype NY 1-672

SOUTHWESTERN PUBLIC SERVICE COMPANY
Common
Memorandum on request

J.G. WHITE & COMPANY
INCORPORATED
37 WALL STREET NEW YORK 5
ESTABLISHED 1890
Tel. HAAnover 2-9300 Tele. NY 1-1815

Alabama & Louisiana Securities
Bought—Sold—Quoted

STEINER, ROUSE & Co.
Members New York Stock Exchange
25 Broad St., New York 4, N. Y.
HAAnover 2-0700 NY 1-1557
New Orleans, La.—Birmingham, Ala.
Direct wires to our branch offices

Elk Horn Coal Com. & Pfd.
Interstate Hosiery
May, McEwen & Kaiser Co.
National Dyeing & Printing
Wabash R. R. Com.
Sweets Steel

Mitchell & Company
Members Baltimore Stock Exchange
120 Broadway, N. Y. 5
WOOrth 2-4230
Bell Teletype NY 1-1227

Central States Elec. (Va.)
Common Stock
Detroit Int'l Bridge
Reiter Foster Oil
Tudor City Units

Frank C. Masterson & Co.
Established 1923
Members New York Curb Exchange
64 WALL ST. NEW YORK 5
Teletype NY 1-1140 HAAnover 2-9470

Curb and Unlisted Securities

MICHAEL HEANEY, Mgr.
WALTER KANE, Asst. Mgr.

Joseph McManus & Co.
Members New York Curb Exchange
Chicago Stock Exchange
39 Broadway New York 6
Digby 4-3122 Teletype NY 1-1610

Shepard Niles Crane & Hoist
New \$5 par (5 for 1 split)
3rd quarter dividend—60c
Current Market 14-15

Troster, Currie & Summers
Members
New York Security Dealers Ass'n

Air Products, Inc. Com. & "A"
Detroit Harvester Co. Com.
Emery Air Freight Corp.
Common
*Georgia Hardwood Lumber Co.
Common
*Prospectus on request

Reynolds & Co.
Members New York Stock Exchange
120 Broadway, New York 5, N. Y.
Telephone: REctor 2-8600
Bell Teletype: NY 1-635

INDEX

Articles and News	Page
What Is the Future of Air Transportation? —Sigmund Janas	Cover
Germany Revisited—James S. Knowlson	Cover
Prices, Wages and Profits—A Plea for Labor-Management Understanding—F. D. Newbury	2
Foreign Trade, Loans and Prosperity—Max Winkler	2
The Securities Business and Securities Acts —Francis Adams Truslow	3
The Investor Looks Abroad—Col. Herbert G. King	4
Food Prices Not Out of Line—C. Chester Du Mond	4
The World Crisis—A. W. Zelomek	5
We Must Help Europe, but Keep U. S. Economy Strong —Harry A. Bullis	6
Ruhr Coal and European Recovery—M. S. Szymczak	7
U. S. Task in Promoting World Peace—W. Averell Harriman	9
Market in Delicate Balance—G. Y. Billard	10
Why Upset the Apple Cart?—John Ellis	12
Labor Conditions—Roger W. Babson	13
Why Stocks Are Not Discounting High Earnings —Charles J. Collins	15
Private Investment and the Secondary Market for GI Home Loans—T. B. King	16
* * *	
Chicago Transit Bond Issue All Sold	7
Secy. Snyder Denies Revision of British Loan Agreement	8
American Society of Corporate Secretaries Urge Revision of Exchange Acts and SEC Rules	8
Ralph M. Smith, of U. S. Savings & Loan League, Reports Increase in Home Building	9
Nat'l Industrial Conference Board Reports Rise in Consumers Price Index	9
Senators Bridges and Taber Attack Truman's Budget Statement	11
Truman Releases Mid-Year Budget Estimate	11
Jarvis Slated to Head Customers' Brokers	12
Arnold G. Dana, Former "Chronicle" Editor, Dies	14
A View of Postwar Russia	15
SEC Reports on Sept. 3, 1946 Market Crash	17
Court Holds Firms Violated Margin Rule Unintentionally	17
Hugh Dalton Reports on Use of American Loan	18
"No Recession," Says Labor Department Statistical Head	18
FDIC Reports Increased 1946 Earnings of Commercial Banks	19
Commerce Department Reveals Record Individual Incomes in 1946	20
NYSE Trading and Trend of Savings Deposits for 1910-1946	20
ITO Charter Drafted	21
R. C. Patch Sees Consumers Getting More Goods	21
No More World Bank Bonds to Be Sold This Year, Says John J. McCloy	21
Denmark Gets \$40 Million Loan From World Bank	23
Irving Reynolds Resumes Law Practice	27

Regular Features

Page	Page
As We See It (Editorial).....Cover	Observations—A. Wilfred May.....**
Bank and Insurance Stocks.....10	Our Reporter on Governments.....22
Business Man's Bookshelf.....27	Our Reporter's Report.....22
Canadian Securities.....20	Prospective Security Offerings.....37
Coming Events in the Investment Field.....8	Public Utility Securities.....8
Dealer-Broker Investment Recommendations.....8	Railroad Securities.....12
Einzig—What Solution for the British "Dollar" Crisis.....13	Real Estate Securities.....**
From Washington Ahead of the News—Carlisle Bargeron.....7	Securities Salesman's Corner.....18
Indications of Business Activity.....38	Securities Now in Registration.....34
Mutual Funds.....14	The State of Trade and Industry.....5
News About Banks and Bankers.....40	Tomorrow's Markets (Walter Whyte Says).....29
NSTA Notes.....13	Washington and You.....40

SECTION TWO

(NSTA Convention Issue)

Investor Confidence in the Securities Market —Edmond M. Hanrahan	6
Free Enterprise—A Challenge to Business —Laurence F. Whittemore	7
Security Prices and Inflation—Ivan Wright and Margot Henn	8
How Things Look to a Yankee Banker—Robert Cutler	10
The Tax Battle on the Potomac—Harley L. Lutz	11
A Call for Balanced Economic Thinking—Harold B. Dorsey	12
Financing Public Sanitation Projects—Reid W. Digges	13
What's Ahead for Utilities?—A. M. Sakolski	14
Growing Responsibilities in Distribution—Don Francisco	15

The Securities Business and Securities Acts

A Few Problems and Some Guesses

By FRANCIS ADAMS TRUSLOW*
President, New York Curb Exchange

Outlining functions of Securities industry as: (1) raising capital; (2) investing capital; and (3) providing a market, Mr. Truslow says these can be impaired by provisions of the Securities Acts. Sees revision of Acts required and recommends: (1) simplification of registration and of prospectuses; (2) giving investing public advance information, and (3) reduction of mandatory period for submitting prospectus with sales. Attacks margin restrictions as "illogical" and scores limiting information requirements to listed securities. Advocates, when security is registered, pledge be given to furnish future data and comply with proxy regulations.

Any glance back over the last 50 years of the securities business will reveal that that business has exhibited a remarkable capacity to accept change



Francis A. Truslow

and to adjust its procedures to increased demands and to new points of view. Any attempt to glance forward is, of course, merely an attempt to guess, but I will hazard the guess that even though future demands on our business may be enormous in their volume, and even though future points of view as to how the business should be operated may differ widely from those held today, our business will satisfy those demands and will adapt itself to those new points of view. My guess is based partly on our past record, and in part on the hope and expectation that our offices will continue to be staffed by men who are energetic and who have the capacity to understand and accept change. Energy and adaptability are youthful virtues and we will always desperately need those virtues and the young men who own them.

Although its roots go back nearly a century, the New York Curb Exchange, in its present form, is relatively young in the age scale of great financial institutions. Perhaps this relative youth is the source of that energy and adaptability which this Exchange has exhibited so fully in this recent period of great change. I also have some claim to youth and, therefore, am delighted to exaggerate, if that is possible, the importance of meeting you young bankers and brokers in the surroundings of the New York Curb Exchange.

You have asked me to refer, in my talk today, to the Securities Act of 1933 and to the Securities Exchange Act of 1934. I plan to do your bidding by suggesting to you the size of the job that may need to be done by the securities business in the next few years under the conditions established by those Securities Acts, and by

*An address by Mr. Truslow, before the Union Investment Bankers and Brokers Association of New York City, Aug. 26, 1947.

suggesting some of the problems that may arise in the doing. If time permits, I may also indulge in some guessing as to how a few of those problems will be solved—although I assure you my guesses are no better than yours.

Functions of Securities Industry

The securities industry performs three broad functions. It raises capital for industry; it invests capital for individuals and it provides a market for the purchase and sale of documents evidencing the capital which industry has acquired and individuals have invested.

Sitting here in 1947 and peering into the next few years, it may not be altogether a waste of time to guess at the size of the job which we may be called on to perform in carrying out each of those three functions.

If forced to select I would say that the job of raising capital for industry is the primary responsibility of the securities industry. It is this function of our business which will, I believe, be subjected to the greatest demand during the next few years. In a recent speech Lionel D. Edie, one of the most competent economic analysts of our time, expressed the opinion that during the next five years American business will require about \$105 billions of new capital—or about \$21 billion a year—to support a dollar value of business within 5-10% of the present level. He estimated that of this huge annual requirement \$3½ to \$7 billion must be raised in the new capital markets and through bank loans and similar sources. If we accept his analysis, the alternative to meeting this need will be a proportionate reduction in the gross national product with consequent economic depression. Whether or not we fully accept Edie's estimates, we must, I believe, recognize that the amount of new capital which industry must obtain in the next few years will be very great if we are to avoid a major depression. We must also expect that a large part of those requirements can only be supplied through the work of the securities industry.

In these years ahead, about which we are attempting a guess, the second function of the securities industry—the investment of

(Continued on page 33)

B. S. LICHTENSTEIN AND COMPANY

DON'T TELL ME

—you don't know what to do with your obsolete stocks and bonds. I'll take any cats and dogs you have and pay darn good prices, too.

99 WALL STREET, NEW YORK
Telephone: WHitehall 4-6551

Aeronca Aircraft Com. & Pfd.
Hoving Corp.
Jack & Heintz
Haile Mines
U. S. Finishing Com. & Pfd.
U. S. Trust Co.

J.K. Rice, Jr. & Co.

Established 1908
Members N. Y. Security Dealers Assn.
REctor 2-4500—120 Broadway
Bell System Teletype N. Y. 1-714

Haytian Corporation
Punta Alegre Sugar
Lea Fabrics
U. S. Sugar
Susquehanna Mills

DUNNE & CO.

Members New York Security Dealers Assn.
25 Broad St., New York 4, N. Y.
WHitehall 3-0272—Teletype NY 1-986

Le Roi Company

BOUGHT — SOLD — QUOTED

FIRST COLONY CORPORATION

52 Wall St. New York 5, N. Y.
Tel. HA 2-8080 Tele. NY 1-2425

Established 1856

H. Hentz & Co.

Members
New York Stock Exchange
New York Curb Exchange
New York Cotton Exchange
Commodity Exchange, Inc.
Chicago Board of Trade
New Orleans Cotton Exchange
And other Exchanges

N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.

CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

OFFERING WANTED

Central States
Elec. Corp.
5s, 1948

Central States
Elec. Corp.
5½s, 1954

C. E. Unterberg & Co.

Members N. Y. Security Dealers Ass'n
61 Broadway, New York 6, N. Y.
Telephone Bowling Green 9-3565
Teletype NY 1-1666

We are interested in offerings of

High Grade Public Utility and Industrial
PREFERRED STOCKS

Spencer Trask & Co.

Members New York Stock Exchange Members New York Curb Exchange
25 Broad Street, New York 4 135 S. La Salle St., Chicago 3
Tel: HANover 2-4300 Tel: ANDover 4690

Albany - Boston - Glens Falls - Schenectady - Worcester
Teletype—NY 1-5

TITLE COMPANY CERTIFICATES

Bond & Mtge. Guar. Co.

Lawyers Mortgage Co.

Lawyers Title & Guar. Co.

N. Y. Title & Mtge. Co.

Prudence Co.

Newburger, Loeb & Co.

Members New York Stock Exchange
15 Broad St., N.Y. 5 WHitehall 4-6330
Bell Teletype NY 1-2033

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 8, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. BIGGS, Business Manager

Thursday, Aug. 28, 1947
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue—market quotation records, corporation news, bank clearings, state and city news, etc.).

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

Copyright 1947 by William B. Dana Company

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

Subscription Rates
Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, \$35.00 per year; in

WARD & Co.

EST. 1926

ACTUAL MARKETS
IN 250
ACTIVE ISSUES

- Abitibi Power
- Alabama Mills
- American Hardware
- Aspinook Corp.
- Brockway Motors
- Buda Co.
- Cinecolor
- Diebold*
- Elk Horn Coal
- General Dry Batteries
- General Machinery
- Gt. Amer. Industries
- Hooker Electro Chem.
- Hoover Co.
- Lanova*
- Lawrence Port. Cement*
- Liberty Aircraft Prod.
- Majestic Radio & Tel.
- Michigan Chemical
- Minn. & Ontario Paper
- Moxie
- Nu-Enamel
- Philip Carey
- Polaroid
- Purolator Prod.*
- Rockwell Mfg.
- A. E. Staley
- Stand. Fruit & Steamship
- Standard Ry. Equip.
- Sterling Motors*
- Stromberg Carlson
- Taca
- Taylor-Wharton*
- Textron-Pfd. & Wts.
- Tokheim Oil Tank
- U. S. Air Conditioning
- United Artists*
- United Drill & Tool "B"
- Vacuum Concrete*
- Wurlitzer

- Amer. Gas & Power
- Cent. States Elec. Com.
- Cumberland Gas
- Federal Water & Gas
- New Eng. Elec. System
- Puget S'nd P. & L. Com.
- Standard Gas Elec.
- Tide Water Pwr. Com.

*Bulletin or Circular upon request

WARD & Co.

EST. 1926

Members N.Y. Security Dealers Assn.

120 BROADWAY, N. Y. 5

REctor 2-8700

N. Y. 1-1286-1287-1288

Direct Wires to

Philadelphia and Los Angeles

ENTERPRISE PHONES

Marl 6 6111 Buff. 0021 Bos. 2100

The Investor Looks Abroad

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

Col. King contends investing public has become too much alarmed over European conditions and there is too much pessimism over England's position. Looks for revival in Britain and says economic conditions in Russia are so bad, she must have peace.

Of late, the investing public has allowed itself to be too much influenced by fears of what may happen abroad. Wall Street has



Col. Herbert G. King

or Greece makes many a profitable position in the market has been sacrificed because of some needless scare that was soon forgotten.

To begin with, it seems to me that the pessimism over England's condition has been greatly over emphasized. Just one-hundred years ago, Ralph Waldo Emerson was in England and he was invited to make a speech at a city banquet in Manchester. The City was in a terrible condition, because a severe European depression was taking place, aggravated by political uprisings and crop failures throughout the continent and the British Isles. But what impressed Emerson most was the gloom that was prevalent throughout England. Prophets were predicting the end of everything. The speech he delivered is preserved for us in his "English Traits" and we can still read how cheerfully and confidently he told the British to take no heed to the prophecies of an approaching end of the nation. He reminded them that earlier, John Milton had said the same to his countrymen in his beautiful "Areopagitica."

"There have been prophets of doom in all ages. The horrors of 1847 and 1848 passed away from Europe and were soon forgotten. Great Britain became many times more wealthy than in the days of Emerson and a great empire took the lead in the creation of wealth

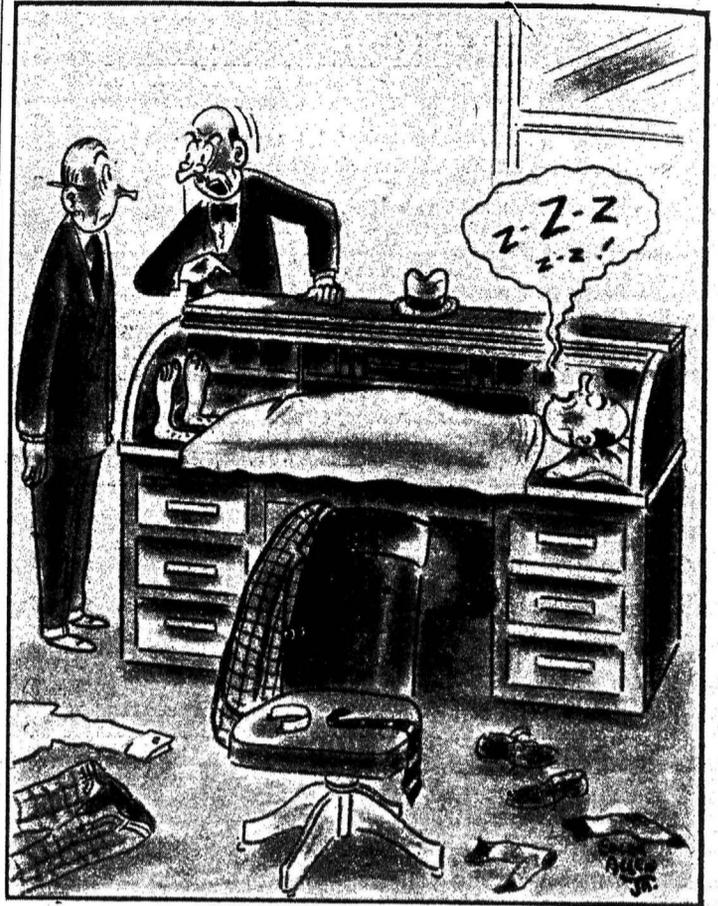
now become the financial capital of the world and many security holders shudder every time they hear some dole prediction on the foreign situation. People who should know better, become alarmed every time a politician in England, Russia, and the advancement of science and civilization throughout the world.

A recent conference of bankers in London brought out the interesting fact that the city of London is still the largest insurance and reinsurance market in the world and that overseas banking is bringing the country a profit that rose to \$150 millions in 1946. The gloomy side of the British picture is being over emphasized and probably for a very good reason, but the American investor should not allow himself to become unduly alarmed. I personally believe that there will be a tremendous revival throughout Great Britain within the next two years and that none of us will live to see the end of the British Empire.

As for Russia, the last thing in the world she could endure or wants is a war with anybody, and least of all with the United States. Russia is in a very bad state. It will be a long time before she recovers from the last war and it will take all her energy and manpower just to survive. In order to continue, Communism must have peace. Internal dissention and privation are increasing and Stalin has been slipping ever since the war ended. The present regime there will be very lucky indeed, if they can retain their power. Economic conditions are formidable enough to keep them occupied for a long time to come.

If investors will stop worrying about Europe and pay more attention to our own domestic problems, they will profit more. The investment market as a whole, represents a well considered effort on the part of far-sighted and well informed men to adjust prices to such values as are expected to exist in the not-to-remote future. The future looks very bright for us, indeed, and optimism over our domestic outlook will be infinitely more profitable than any false pessimism over European affairs.

BUSINESS BUZZ



"Stop sub-letting this roll top desk!"

Food Prices Not Out of Line

By C. CHESTER DU MOND*
N. Y. State Commissioner of Agriculture

Mr. Du Mond points out higher prices of food are due mainly to higher production costs and more food is being consumed in U. S. because of higher individual incomes and rising standard of living. Foresees no food shortage here, despite relief contributions to Europe, and denies farmer is profiting at the expense of the rest of the population.

There is a great hue and cry over the land today regarding the high cost of food. Few people who consider or discuss the subject



C. Chester Du Mond

able and a standard of living to be maintained if possible, yet we have completely forgotten that we have just been through a period when billions of dollars were absolutely destroyed so far as their contribution to human welfare is concerned and that millions of man-hours have been spent producing materials which have been destroyed by war or made worthless by its ending.

When we entered World War II we had cash available in currency in the United States amounting to approximately \$8 billion. By 1946 we had issued currency to the extent of approximately \$28 billion with which to pay ourselves for producing, not articles which could contribute to our standard of living, but material to be used in prosecuting the war. We have all, therefore, suffered a net loss in wealth, since wealth is only produced by constructive effort. It would seem logical that instead of expecting to live better today we should expect to be making great sacrifices in our diet and our conveniences of living, to make up for the time lost in unproductive effort.

It is quite true that our national income, which is a total of the take-home pay or income of all of us, has reached a point which is the highest in our nation's history. I understand that the national income this year, based on March figures, will be \$193 billion. We must understand that the dollar is only a medium of exchange, that instead of trading goods of real value for other similar goods, we use money to make the exchange

Today I want you to consider with me for a few moments the facts underlying the price situation and how those facts affect each of us in our everyday living. Most of us are taking in more money today than we were before the war. We have gauged our mode of living accordingly. I believe it to be a fact that our people today are enjoying a standard of living possibly one-quarter better than ever before. Families which formerly enjoyed meat on their tables perhaps twice a week now expect it every day, and perhaps at almost every meal. Our people as a whole are better dressed, are putting in shorter hours of work, and are taking more vacations than in the past. We must admit that this is desir-

*An address by Commissioner Du Mond over Radio Station WGY, Schenectady, N. Y., Aug. 21, 1947.

(Continued on page 39)

Bought—Sold—Quoted at Net Prices

EASTERN CORPORATION

Central National Corporation

ESTABLISHED 1927

22 East 40th Street, New York 16, N. Y.

Telephone: LExington 2-7300 Teletype: NY 1-2948

Graham-Paige Motors Corporation
4% Convertible Debentures due 1956

Osgood Company "B"

Wellman Engineering Co.

Tennessee Products & Chemical

Analyses on request

Seligman, Lubetkin & Co.

INCORPORATED

Members New York Security Dealers Association

41 BROAD STREET NEW YORK 4, N. Y.

The State of Trade and Industry

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

A slight rise in over-all industrial output above that of the previous week took place the past week. This improvement occurred notwithstanding the closing of some factories because of the excessive hot weather. This condition is of a seasonal nature and played a very negligible part in cutting production during the war, and now with the pressure of demand so great the hot weather toll on production continues to remain small.

In the matter of employment, the number of engaged workers remained at a high level and labor-management relations with a few exceptions were generally tranquil.

Steel production while slightly lower the past week is scheduled to operate at a higher percentage rate of capacity the current week. Output of machine tools and gauges increased moderately along with a continued rise in demand of heavy industrial equipment and supplies. Output of farm machinery was limited by the difficulty to obtain steel and steel parts.

Automotive production the past week again failed to reach its objective of 100,000 units, held down as it is at present by material shortages and some labor disputes. It did, however, exceed the previous week's output by 1,238 units.

Lumber production for the week ended Aug. 9 increased about 4% to 207,235,000 from 198,821,000 board feet, while lumber shipments were about 4% below production and new orders almost 8% below production.

Clothing production increased moderately last week, though the scarcity of certain fabrics persisted. The production of shoes rose slightly and manufacturers proceeded cautiously due to price uncertainties. The state of shoe order backlogs, however, was small.

Civil engineering construction totaled \$109,382,000 for the week ended Aug. 21, an increase of 91% above the previous week, while private construction was more than 2½ times that of the previous week.

Included in the news on Wednesday of last week was a forecast by President Truman of a budget surplus for the Federal Government this fiscal year totaling \$4,700,000,000, the largest in the history of the United States.

This big surplus is attributed by the Budget Bureau to a phenomenal rise in revenue from excise and corporate and individual income taxes, the new estimates placing revenue at \$41,700,000,000 compared with \$37,700,000,000 in January.

Lest the taxpayer entertain any thoughts of a reduction in income taxes, the President in announcing his budget forecast cautioned, by pointing out the foreign economic crisis along with the cost of a possible Marshall plan for further aid to Europe might alter future expenditures, adding that the surplus should be continued as a reserve against contingencies.

On Monday of the current week, Henry Ford 2nd, President of the Ford Motor Co., announced price increases on most of its passenger cars and truck models ranging from \$20 to \$97. Seven months ago the company cut the list prices on its passenger cars from \$15 to \$50, which, said Mr. Ford, "had the effect of retarding the upward movement of prices." However, he added, that since that time "slowly but steadily . . . the cost of things we buy to make our product has risen."

STEEL OPERATIONS SCHEDULED AT HIGHER RATE THIS WEEK

The steel industry is straining everything it has to keep output at a high level. But the steel shortage measured against consumer demand is expected to continue for some months to come, states "The Iron Age," national metalworking weekly, in its current outlook for the steel trade. The easing off in demand for some major steel products, expected by a few steel officials, has failed to materialize.

The inability of the industry to get the steel ingot rate above 95% of capacity has resulted in an important increase in steel backlogs at many steel firms. Unshipped order tonnage the past week was in greater volume than a few months ago with many producers.

The long term scrap shortage, lack of pig iron and the necessity for mechanical repairs on steel mill equipment, is expected to plague steelmakers for some time, the magazine notes. In the midst of this situation some producers continue to withdraw from territories where the freight absorption is too high leaving customers in that area without a regular source of supply. Some cases involving the temporary elimination of some steel products from the market have been due to enforced reduction in steel output because of blast furnace repairs.

Pig iron requirements for steelmaking and for merchant use are at an all-time high. Because of blast furnace rehabilitation this condition is expected to be serious for several months at least. Some steel firms, "The Iron Age" reports, have been receiving a better supply of steel scrap but they have been unable to lay aside inventories for use this winter. Other sources feel that the steel industry

(Continued on page 25)

The World Crisis

By A. W. ZELOMEK*

Economist, International Statistical Bureau, Inc., and Fairchild Publications

After reporting impressions gained from European trip, Mr. Zelomek contends stable Europe is impossible with a divided Germany, but holds Western Europe will not fall under Russian control. Sees compromise with Russia still possible, and calls for integrated economic plan for Europe as whole. Predicts economic difficulties in Canada if sharp decline in European purchases comes about, and looks for closer trade relations between Canada and U. S. with substantial investment of U. S. funds in Canadian development.

When the war ended just about two years ago, there was widespread hope throughout the Western Hemisphere that the United Nations would form a foundation for permanent peace and prosperity. I hoped as much as anyone that this would be true. But I



A. W. Zelomek

could not convince myself that the prospects were quite as favorable as many people assumed. The business of our organization requires us to lay personal feelings aside when considering the future. Our sole job is to weigh possibilities as dispassionately as possible and to present the conclusions and the facts whether or not they are what we would prefer to hear.

A few months ago I visited Europe and made a personal study of conditions in various countries. I had been prepared to observe great hardships and to come in contact with vexing economic and political problems before I left. I confess, however, that it was not many days after my arrival that I became convinced that my earlier pessimism had been, if anything, too mild.

You may perhaps believe that this impression can be explained by the poor food in Europe, by the depressing sight of bombed-out buildings in England, by the obvious decline of moral fiber in France; I assure you, however, that this was not the case. A return to the comfortable atmosphere of the Western Hemisphere has not caused the least change in these views.

I hope to discuss many subjects in a very brief period of time. Let me say right now, however, that the most vivid impression I brought back from Europe involves the great fear of war that seemed to pervade the thinking of

*An address by Mr. Zelomek before the Kiwanis Club of Montreal, Canada, Aug. 21, 1947.

everyone with whom I talked. It is not only the politicians that expect a great clash between the United States and Russia, but the petty artisans, the waiters, the cab drivers and the businessmen.

I know that you are not unaware of this feeling and that you cannot fail to be disturbed about it. Should there be a war between Russia and the United States, it seems very probable that Canada would be in the middle. Fighting might occur in Europe, but it would be a brave student of military trends who would predict that there would be no battles fought on this continent, at least from the air. The great concentration of Russia's military construction in the Far East including Kamchatka and the eastern parts of Siberia, and our own preparations in the Arctic, make it clear that air power and the possibility of atomic warfare have placed Canada in a somewhat exposed geographical position.

Yet I do not believe that such a war will be fought in the near future. I have taken particular pains to guard against over-optimism in this respect and I am convinced that this hope rests on more than wishful thinking. Its origin, in fact, is the economic and political condition of Europe and Russia and the decisive role that will be played by Germany, whether its industries are revived or ravished. It may seem like a paradox that the very acuteness of current European problems is one of the reasons why I doubt the probability of an early war. Let us see if a careful analysis of present conditions will not provide support for this conclusion:

A Stable Europe Is Impossible With a Divided Germany

Theoretically, this statement may not be true. A Western European bloc could probably be supported if the United States was willing to pour \$4 or \$5 billion

annually into the deficit economies of that area. This, however, seems to me to be an unlikely possibility. If I am correct in this reading of political indications in the United States, then the statement that a stable European Western bloc cannot be based on a divided Germany becomes more apparent. Neither France nor England has the economic resources, even if there were no political obstacles, to bring about such a condition.

You know as well as I do that Great Britain's crisis is not a monetary one, but one that has been developing for decades. Before the first world war Great Britain had a sufficient volume of invisible income to more than balance her necessary import deficit. Consequently, she was in a position to make new investments, both at home and abroad. This was the period of her greatest economic and political power.

Between the last two wars her invisible income would pay for import surpluses in good years, but was inadequate in bad years.

(Continued on page 24)

AMERICAN MADE
MARKETS IN
CANADIAN
SECURITIES

- Anglo Huronian Ltd.
- Giant Yellowknife Gold Mines Ltd.
- Mining Corp. of Canada Ltd.
- Noranda Mines Ltd.
- Sherritt Gordon Mines Ltd.
- Ventures Ltd.

HART SMITH & CO.

52 WILLIAM ST., N. Y. 5 HANOVER 2-0980
Bell Teletype NY 1-395
New York Montreal Toronto

LAMBORN & CO., Inc.

99 WALL STREET
NEW YORK 5, N. Y.

SUGAR

Raw—Refined—Liquid
Exports—Imports—Futures

Digby 4-2727

Portland General Electric Com. WD
Portland Electric Power 6s, 1950
Tennessee Gas & Transmission

Bought—Sold—Quoted

FREDERIC H. HATCH & CO., INC.

Established 1888

MEMBERS N. Y. SECURITY DEALERS ASSOCIATION
63 Wall Street, New York 5, N. Y. Bell Teletype NY 1-897

REORGANIZATION & "WHEN-ISSUED" SECURITIES RIGHTS & SCRIP

Josephthal & Co.

Members New York Stock Exchange and other exchanges
120 BROADWAY, NEW YORK 5, N. Y.
REctor 2-5000 Bell System Teletype NY 1-319
19 CONGRESS ST., BOSTON 9, MASS.
Lafayette 4620 Bell System Teletype BS 360
Direct Telephone to Boston and Private Wire System
To Correspondents in Principal Cities

Specialists in
Domestic, Canadian and
Philippine Mining Issues
Bulolo Gold Dredging, Ltd.
Kerr Addison
Big Wedge Mines
Far East Oil

MAHER & CO.

62 William St., New York, N. Y.
Tel. WHitehall 4-2422
Branch Office
113 Hudson St., Jersey City, N. J.

Portland General Electric

(When Delivered)

Stock Exchange Contracts

STRYKER & BROWN

50 BROAD ST., NEW YORK 4, N. Y.

Tel. HANover 2-3970 Teletype NY 1-1582

Heim With Cohu & Torrey
Special to THE FINANCIAL CHRONICLE
LOS ANGELES, CALIF.—Har-
rison B. Heim has become asso-
ciated with Cohu & Torrey, 634
South Spring Street. He was for-
merly with First California Co.

With Harris, Upham & Co.
Special to THE FINANCIAL CHRONICLE
DENVER, COLO.—George P.
Davis has become affiliated with
Harris, Upham & Co., 740 17th
Street.

With Fewel & Co.
(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—Ar-
lene J. Daniels has been added
to the staff of Fewel & Co., 453
South Spring Street, members of
the Los Angeles Stock Exchange.

With Chas. A. Day & Co.
Special to THE FINANCIAL CHRONICLE
SPRINGFIELD, MASS.—Theo-
dore Walcott has become asso-
ciated with Chas. A. Day & Co.,
Inc., Washington at Court Street,
Boston.

We Must Help Europe, but Keep U.S. Economy Strong

By HARRY A. BULLIS*
President, General Mills, Inc.

Industrial executive asserts it is in our interest to prevent further deterioration in rest of world, but foreign commitments should not be so large as to cripple our economy. Sees mainsprings of strength of our free enterprise system in innovation, investment and competition, and stresses importance of ex-ports. Says challenge to American industry is to increase productivity and to lower unit costs.

The extent to which our Government decides it is necessary to ship the necessities of life abroad will be the key factor in the cost of living at home. The worldwide food shortage is the inevitable aftermath of the war. Doing our utmost to alleviate it is the

duty of the United States as a humanitarian nation. It is also to our selfish interest to prevent the further economic deterioration of the rest of the world, and to help to hasten its recovery. However, commitments to foreign nations should not be so large as to cripple our own economy. Only if the United States remains strong can it successfully carry out the new role of world leadership which events of the past decade have forced upon it.

The mainsprings of strength in our free enterprise system are innovation, investment, and competition.

Innovation

In the United States we have over three million separate business enterprises. Each is the result of business initiative and the potential source of something new. Initiative is our defense against our economy becoming like the "tired, regimented Old World economies." We need to encourage the initiative which is necessary to the health and growth of small businesses.

In larger enterprises, of which General Mills is one, we need to keep open many sources of innovation. Only by new things can we keep abreast of progress; and only by steady growth can owners, management, and labor all receive the benefit of satisfactory financial rewards.

Investment

Investment is a requirement of a healthy, progressive economy. If business is to grow, there must be money to put innovation into practice and supply the new plants and new equipment. Investment in General Mills is being increased steadily. In fact, all progressive concerns are increasing their investment. Very few other countries have attained even half the

*From an address on by Mr. Bullis at the Nineteenth Annual Stockholders' Meeting of General Mills, Wilmington, Del., Aug. 19, 1947.

investment per worker which we have in the United States.

Competition and Prices

Competition is a vital part of free enterprise. The competitive principle permits prices to be freely determined by the supply and demand of the market place. It means freedom of entry into any line of business and therefore freedom to compete.

Our economy is in the high tide of prosperity and we may expect the future to bring more, not less, pressure on prices. The essential mechanism of our price system is free markets, without price fixing. As some prices go down, they discourage expansion and the use of workers and resources in the fields where prices are declining. As other prices go up, they represent a signal for expansion in such profitable price-improving lines. Here is the origin of the flexibility and adaptability of American business.

This mechanism is threatened by those who, at the first sign of distress in markets, ask government intervention to fix prices. In one quarter, they may ask government to buy for foreign relief. In another, they may ask the creation of government-protected monopolies. These attacks on free enterprise must be resisted. The flow of purchasing power is far above average, and prices should be permitted to seek their proper relative levels. In fact, to interfere with the flexibility in our price structure at the present time would be tantamount to sabotage of the work which we are doing to rebuild our free economic system.

This should not be construed to deny that, in a period of substantial price declines and substantial unemployment, measures should be taken to expand investment and employment. However, at the present time, employment has reached 60 million compared with about 48 million in 1929. The amount of private investment has reached twice the 1929 level. Price adjustments should now be made steadily, and as more and more lines of production pour forth supplies at lower prices, we will move more easily in the direction of a self-sustaining economy. There is so much "catching-up" needed in the discernible future that we are going to make real progress.

The United States and Europe

This summer I spent six weeks surveying the economies of England and seven countries of Western Europe. What I saw strengthened my conviction that we in the United States must maintain a vigorously functioning domestic economy. We must keep our economy strong if we are to be in a

position to make advances to other countries, especially Europe, where reconstruction needs are obvious. We must keep our economy strong if our system is to survive. Only as we keep busy and prosper can we help other nations to win their way back to prosperity. We must realize that the United States cannot long continue prosperous if the rest of the world remains depressed.

Must Get Facts About Our Economy to Peoples of Other Countries

We should let the rest of the world know about the high productive levels attained under our private enterprise economy. We can tell this in terms of the amount and quality of products furnished the American consumer. Generous samples of these products have been going abroad.

We should inform the world about the wages of workers in our free enterprise system. We should tell, too, how the tax gatherer has fared. He has garnered in about \$50 billions, with the Federal Treasury accounting for \$43 billions, in each of the two years since the war ended.

We should tell the world the secret of how these results are attained—that management has a free hand to produce results, with invested capital per worker in an amount that would be a competence for retirement in practically every other quarter of the globe.

In short, we should tell the world and show the world how the free enterprise system works.

Next, we should help those countries that show evidence of a determination to help themselves. When we as a nation make any loans or advances in the future, we should specify conditions which will help the borrowing countries work out of their predicament; and as they do this, the terms of the agreement should require repayment to us.

Imports Important

To promote such repayment, we should be ready to buy more goods from foreign countries as soon as they have them available for export.

In the past this country has been "export-minded." We have tried to maintain what we call a "favorable balance of trade," exporting more than we imported. Doubtless this relation between imports and exports will continue for a time, but as it becomes evident that in this country as well as in the rest of the world there continues to be a shortage of workers, we will more willingly accept the imports by which alone we can justify our lending policy.

In fact, today we should no more

(Continued on page 14)



Harry A. Bullis

BALTIMORE

Bayway Terminal
Davis Coal & Coke
Jacksonville Coach Company
Common
Artkraft Manufacturing
Preferred

STEIN BROS. & BOYCE
Members New York & Baltimore Stock
Exchanges and other leading exchanges
6 S. CALVERT ST., BALTIMORE 2
Bell Teletype BA 393
New York Telephone REctor 2-3327

BOSTON

B & M

Boston & Maine RR.
Prior Preferred

Traded in Round Lots

Walter J. Connolly & Co., Inc.
24 Federal Street, Boston 10
Tel. Hubbard 3790 Tele. BS 128

CLEVELAND

Drackett
Harshaw Chemical
Richardson

—★—

Field, Richards & Co.
Union Com. Bldg. Union Cent. Bldg.
CLEVELAND CINCINNATI
Tele. CV 174 Tels. CI 150

LOUISVILLE

American Air Filter
American Turf Ass'n
Consider H. Willett
Murphy Chair Company
Reliance Varnish Co.

THE BANKERS BOND CO.
Incorporated
1st Floor, Kentucky Home Life Bldg.
LOUISVILLE 2, KENTUCKY
Long Distance 238-9 Bell Tele. LS 186

LYNCHBURG

Trading Markets

American Furniture Co.
Bassett Furniture Ind.
Dan River Mills

—★—

Scott, Horner &
Mason, Inc.
Lynchburg, Va.
Tele. LY 83 LD 11

PHILADELPHIA

Bird & Son, Inc.
Eastern Corporation
Southern Production Co.
Data on Request

BUCKLEY BROTHERS
Members New York, Philadelphia and
Los Angeles Stock Exchanges
Also Member of
New York Curb Exchange
1420 Walnut Street, Philadelphia 2
New York Los Angeles
Pittsburgh, Pa. Hagerstown, Md.
N. Y. Telephone—Whitehall 3-7253
Private Wire System between
Philadelphia, New York and Los Angeles

American Box Board
Botany Mills
Empire Steel Co.
Empire Southern Gas
Pittsburgh Rys. Co.
Sterling Motor Truck
Nazareth Cement
Warner Company

H. M. Byllesby & Company
PHILADELPHIA OFFICE
Stock Exchange Bldg. Phila. 2
Telephone Teletype
Rittenhouse 6-3717 PH 73

RICHMOND, VA.

Dealers in
VIRGINIA—WEST VIRGINIA
NORTH and SOUTH
CAROLINA
MUNICIPAL BONDS

—F. W.—

CRAIGIE & CO.
RICHMOND, VIRGINIA
Bell System Teletype: RH 83 & 84
Telephone 3-9137

ST. LOUIS

STIX & Co.
INVESTMENT SECURITIES
509 OLIVE STREET
St. Louis 1, Mo.
Members St. Louis Stock Exchange

SPOKANE, WASH.

NORTHWEST MINING SECURITIES
For Immediate Execution of Orders
or Quotes call TWX Sp-43 on Floor
of Exchange from 10:45 to 11:30
A.M., Pac. Std. Time: Sp-82 at
other hours.

STANDARD SECURITIES CORPORATION
Members Standard Stock Exchange
of Spokane
Brokers - Dealers - Underwriters
Payton Building, Spokane
Branches at
Kellogg, Idaho and Yakima, Wn.

**Artkraft
Manufacturing Corp.**
Lima, Ohio
COMMON STOCK

Manufacturers of Maytag Home
Freezers, Commercial Beverage &
Food Refrigerators, Liquid Vending
Machines and Outdoor Advertising
Signs.

Current sales and earnings are
establishing new records.

Approximate price 2 5/8

Descriptive and illustrated brochure
available to dealers only

COMSTOCK & Co.
CHICAGO 4
231 S. La Salle St. Dearborn 1501
Teletype CG 955

TRANE COMPANY
COMMON STOCK

A special report on TRANE... a leader in the Heating
and Air Conditioning industry... appears in the
August issue of our "Business and Financial Digest".

A copy will be sent on request!

LOEWI & CO.
Members: Chicago Stock Exchange
225 EAST MASON ST. MILWAUKEE (2)
PHONES—Daly 5392 Chicago: State 0933 Teletype MI 488

From Washington Ahead of the News

By CARLISLE BARGERON

SAN FRANCISCO—One of this country's perennial political issues is that between the proponents of publicly owned power projects and the private enterprisers. This issue ante-dated the New Deal. In fact, the public power proponents were our "radicals" of those days. I remember back in the 30's when Homer Bone was elected to the U. S. Senate from the State of Washington. He was loudly hailed as



Carlisle Bargeron

just about the wildest and woolliest thing ever to come out of the West. But before he had an opportunity to show any of this wildness and wooliness in the Nation's Capital, in came the New Deal and he seemed mild mannered and gentle in comparison.

Any way, we've had a lot of propoganda about the merits of publicly owned power, how the people not only get cheap power but the community gets all sorts of revenue which would otherwise go to the private "exploiters."

The State of Washington is one of, if not our foremost public power State. The private utilities have almost been crowded off the map.

Having heard so much about how the coffers of the public treasury are enriched by the publicly owned power projects, you can imagine my surprise to find this State levying the highest sales taxes in the country. What good does it do the people to get cheap power, so to speak, and the State "to make" (even if it's true, which many question) the profit from the manufacture and distribution of power, if those people are still taxed in other ways?

California, too, has a heavy sales tax and in addition, many municipalities have additional sales taxes. Politicians used to make a great play about not applying the sales tax to foodstuffs or the necessities of life. Such political timidity has disappeared in Washington and California. Insofar as public eating places are concerned, the sales tax is levied with seeming abandon.

One is, indeed, tremendously impressed as he travels about our grand and glorious country by the ingenuity of our politicians in levying taxes. The new ways they have found, their cunningness, once again emphasizes the initiative of our people. They utterly refute the old adage that you can't get blood out of a turnip. Our politicians have found ways to do so. They seemingly have made as great strides as our chemists have made in the development of the plastics. The development of rayon is no more remarkable an achievement than the way in which the politicians have come to bite off your dollar.

You find a certain refinement about some of them such as the woman uses in the decorating of her home; the way in which she arranges soft glows in the living and dining room; a certain softness of view as you find in the more elegant cocktail rooms. These higher natured tax collectors have devised little metallic and celluloid chips of various hues — the pale bluish ones of Washington State are downright appealing, make you want to collect more of them.

But in California, apparently with a hold-over ruggedness of its pioneer days, they pay no attention to little chips. Their sales

tax is levied in nickles and pennies on the smallest objects.

We have advanced mightily against the old prejudice on sales taxes. Years ago they were suggested in lieu of higher income taxes and such a howl was raised by our bleeding heart politicians that the suggestion got nowhere at all. But now that we can have the sales taxes and the high income taxes together apparently it is all right.

I imagine that when the State Governors meet every year in convention they pay some sort of homage to a fellow named O'Connor who was Governor of Mississippi several years ago. Because it was he who broke the ice on sales taxes. He was described by the editors as a mighty courageous man at the time.

The way in which our State officials are levying them now should be described as audacious.

The officials of Washington have shown their tax levying ability in many other ways than the sales tax. Both this state and Oregon have a monopoly on the sale of whiskey, and both States get a handsome take from the sale of permits which everyone must have before he can buy so much as a pint. With the thousands of tourists pouring into the two States, some of them for only a day or two, it can be appreciated what a nice racket has been developed.

But in Washington, in addition to this tax there is a mark up of about 60% on the cost of whiskey. A bottle of bonded bourbon, for example, costs around \$10 as compared with a price of \$5.50 charged by private dealers in the East.

You can't help but wonder what a State does with all this money—from the sale of whiskey, from sales taxes, from the sale of electric power. One explanation is, of course, that the West Coast is a haven for people seeking to live without working.

Chicago Transit Bond Issue All Sold

The selling syndicate headed by Harris, Hall & Co. (Inc.), The First Boston Corp. and Blyth & Co., Inc., announced yesterday (Aug. 27) that the entire \$105,000,000 issue of Chicago Transit Authority bonds had been sold.

The surprise completion of the conditional underwriting was well in advance of the Sept. 12 deadline for selling \$84,000,000 of the issue. The underwriters had agreed to take the entire issue after the minimum mark was reached.

J. Heyward Silcox Forms Company

Special to THE FINANCIAL CHRONICLE

CHARLESTON, S. C.—J. Heyward Silcox has formed J. Heyward Silcox & Co. with offices at 36 Broad Street to engage in the securities business. He was previously a partner in Silcox & Townsend.

Ruhr Coal and European Recovery

By M. S. SZYMCAK*

Board of Governors, Federal Reserve System

Pointing out main bottleneck of European rehabilitation is coal scarcity, Federal Reserve official asserts German coal is essential to surrounding countries, and thus European economic recovery is based on increased Ruhr coal production. Sees difficulty in restoring managerial efficiency in mines, but doubts socialization, as advocated by British, will result and looks for compromise arrangement.

When I came back from Germany, about 3½ months ago, I felt that the American public needed to be more fully informed of the crucial role to be played by the German economy in the reconstruction of Europe. In the meantime, the German question has be-



M. S. Szymczak

come the center of attention. At present, Anglo-American discussions are taking place on the subject of German coal mining, and another conference, with the participation of French delegates, is going to tackle the over-all problem of the level of German industry. Thus the need for emphasizing the urgency of these subjects has lessened, but it still may be helpful to point out the essential questions involved in those discussions.

The main bottleneck of European rehabilitation is the scarcity of coal, caused mainly by the decline in British and German coal production. In the Ruhr, where the most important German coal mines are located, daily output averaged some 430,000 metric tons before the war. In 1946, it stayed at less than 200,000 tons until late in the fall when an increase in food rations for miners raised it gradually to 238,000 tons in March 1947. Unfortunately, at that time growing unrest appeared in the Ruhr. The food situation deteriorated because of the unprecedented severity of the winter of 1946-47 that hampered transportation and production in all of Europe, and the uncertainties of international political developments made the outlook even more gloomy. Output dropped to an average of 212,000 tons. Only in recent weeks did production again approach the March figures, after the food situation had improved because of increased imports from the U. S. and after added incentives in the form of other consumer goods had been promised to the miners.

What did the drop in coal output mean to Germany? The four occupying powers in the level-of-industry plan adopted in the spring of 1946, agreed that German steel production, which is the basis of Germany's heavy industry, was to be limited to 5.8 million metric tons annually, a figure corresponding to the depression level of 1932. Actually because of the lack of coal the Ruhr district, to which the great bulk of total German steel production was allocated, did not even produce half of the permitted amount. As the result of the lack of steel, heavy industrial production in the combined US-UK zones of Germany also has remained well below the limits of the level-of-industry plan. Moreover, the production of building materials (cement) urgently needed for rebuilding the shattered German cities, and of textiles (artificial fibers) also was decisively affected by the lack of coal. Total industrial production in the combined US-UK zones stood at 39% of 1936 in May and June 1947, the best months of the period of occupation, as against a planned level

of 55-60%. In the field of agriculture, domestic production has declined to about 60% of prewar. This decline is due largely to the lack of artificial fertilizer, and this in turn to the lack of coal.

The scarcity of consumer goods leads to a vicious circle; the miners won't produce more coal if they don't receive more food, better housing facilities, more clothing, and other consumer goods. In order to improve food production, housing conditions and the supply of other consumer goods, however, more coal must be mined.

German Coal Essential to Other Countries

We might say that this dilemma is the consequence of German aggression, and that it is historic justice that the German people suffer. But what are the consequences for the victims of German aggression? German coal always has been essential for the industries of most Central and Western European nations. The Ruhr alone used to export more than 30 million tons of coal per year. In 1946, for reasons of justice and diplomacy we forced the export of coal at the expense of German

consumption. Even so, we were unable to export more than 11 million tons—less than one-third of prewar. And this smaller quantity had to be sufficient for countries which suffered from a decline in their own coal production and in British coal exports. Thus the lack of coal also prevented the French, Belgian, Netherlands, Italian, and Austrian industries from utilizing their full productive capacities. In the winter of 1946-47, the catastrophic situation of the German economy compelled us to curtail coal exports far below the level reached in previous months so that in February, 1947, exports dropped below half of the 1496 average, and in the first five months of 1497 had reached an annual rate of only 8 million tons, less than one-fourth of the prewar level. This decline in Ruhr coal exports was one of the most important reasons for the deterioration in the European economic situation in the spring of 1947.

The drop in coal exports is not the only adverse effect of the lag in German coal production. Equally disastrous for Europe is the lack of exports of German in-

(Continued on page 30)

SKILL IN KNOWING

NEEDS SKILL IN DOING, TOO!

WATCHING business and world news for indications of market trends . . . keeping in touch every day with the actual markets . . . assessing security values as they change . . . these tasks are just part of our business.

Putting this composite knowledge to the test in our trading activities completes the task of serving dealers efficiently, no matter where they are located.

That this approach to the many problems of dealers—large and small—is successful has been abundantly demonstrated in countless instances over the years.

If you have not had the opportunity to make use of this market-wise service, we urge you to do so now. Just wire, teletype or phone us . . . we'll do our best to cooperate.

R. W. Pressprich & Co.

68 William Street Telephone HANover 2-1700
NEW YORK 5 Teletype NY 1-993

201. Devonshire Street, BOSTON 10

Members New York Stock Exchange

GOVERNMENT, MUNICIPAL, RAILROAD,
PUBLIC UTILITY, INDUSTRIAL BONDS
AND INVESTMENT STOCKS

*An address by Mr. Szymczak before the Rotary Club, Washington, D. C., Aug. 20, 1947. Mr. Szymczak recently returned from Germany where he served as Director of Economics Division in the American Military Government.

Public Utility Securities

United Light & Railways

United Light & Power was dissolved after the U. S. Supreme Court approved the SEC plan. Since that time, little progress has been made with the integration program of the United Light & Railways system. Continental Gas & Electrical disposed of Columbus & Southern Ohio Electric and used the proceeds to reduce its senior securities, which now consist of only about \$9,000,000 bank debt.

For several years American Light & Traction, the other subholding company, has been trying to obtain SEC approval for the financing of an \$80,000,000 natural gas pipeline system which would supply the gas (now obtained through Panhandle Eastern Pipe Line) for its big subsidiary, Michigan Consolidated Gas and also for Milwaukee Gas Light. To finance the equity interest in this company (estimated at \$17,000,000, but possibly much larger) American has about \$9,000,000 cash and about \$30,000,000 worth of Detroit Edison stock, held as an investment. These resources would be ample both to pay off its own preferred stock and finance the pipeline. But the preferred is non-callable and there has been a long fight with an important holder, Allied Chemical & Dye, over the price to be paid in retirement. Allied demanded \$40 per share, the company wanted to pay only \$25 (the par value) and the SEC compromised by suggesting \$33. The company apparently is now willing to pay the latter figure, if Allied Chemical will accept it.

United Light filed a new plan a few weeks ago and a holder of 10,000 shares of common stock has also filed a plan. Allied Chemical tried to prevent consideration of the official plan but without success, and hearings are currently being held. The plan would permit American Light & Traction to continue in existence. Cash would be conserved by paying American dividends with Detroit Edison shares, and United Light dividends with American shares. The plan is a little vague as to timing, but after the new pipeline has been completed American Light would eventually be separated from the parent company, through sale or distribution. This would leave United Light in control of the electric portion of the system, consisting of its own medium-sized operating subsidiary, Iowa-Illinois Gas & Electric, and the subsidiaries of Continental Gas & Electric—Kansas City Power & Light, Iowa Power & Light and several smaller electric companies. United would eventually retire its \$25,000,000 bank debt, and

the \$18,900,000 high-dividend-rate preferred stocks would doubtless be refunded or retired.

The Fierman plan would simplify the picture somewhat by combining the three holding companies (United, American and Continental). Each publicly-held share of American Light & Traction would receive 8/10 share of United Light and the dividend rate on the latter (now \$1) would be raised to \$1.50, the share income thus being equalized to the \$1.20 rate long paid on American Light.

The SEC staff has not yet indicated its findings on either plan (the official plan has the right-of-way at present hearings). The major question at stake seems to be whether United can remain in control of both the gas and electric systems until the pipe line is completed. The major difficulty is that American is rich in assets and borrowing power, while United Light has a rather top-heavy structure. One step which seemingly should be taken as soon as possible is to retire the 7%, 6.36% and 6% preferred stocks of United Light. This could probably be worked out through application of present net current assets of the top company together with some \$6,000,000 cash to be realized from retirement of American Light preferred (of which it holds some 202,000 shares) together with a slight increase in the \$25,000,000 bank loan. Continental Gas should also be able to retire its bank loan from cash on hand perhaps during the coming year, which would permit merger with the top company and strengthen the overall position. Clarification of the financial picture would seem advisable if United is to retain control of American and supervise the latter's big venture into the pipeline field. Otherwise, it would seem more logical for United to dispose of its investment in American entirely, possibly by an exchange offer of American common stock to the holders of its preferred stocks.

Denies Revision of Loan Agreement

Secretary Snyder says only temporary and partial suspension of sterling convertibility was made at recent conference with British representatives.

At a news conference on August 27, Secretary of the Treasury John W. Snyder denied that any revision has been made in the



John W. Snyder

Anglo-American Loan Agreement, other than a temporary suspension of a provision in the sterling convertibility requirement. Mr. Snyder asserted this change was made to permit a breathing spell and said that the British had promised to restore full payments in dollars as quickly as possible. He added that he expects the British to initiate renewal of the talks sometime after September 19. When the British representatives left for London to talk over the meetings held in Washington, there was a general understanding for discussions later should the British request them. Mr. Snyder said the head of the British mission, Sir Wilfrid Eady, told him "positively no" when asked whether the British contemplated a revision of the agreement clause prohibiting trade discrimination against the United States. "I think the British situation is serious, but I have great confidence in the energy with which the British usually approach their problems and I feel they will find a solution to the present one," Sec. Snyder commented in reply to a question.

Seek Changes in Securities Acts and SEC Rules

American Society of Corporate Secretaries advises members of suggested revisions.

Reed Hartel, Secretary of National Dairy Products Corporation, and President of the American Society of Corporate Secretaries, Inc., has addressed a letter to all members of the Society calling their attention to various changes that this organization intends to propose in the Securities Acts and the Rules and Regulations of the SEC. In this connection, he points out that at the invitation of the SEC, a Special Committee of the Society composed of John H. Mathis, Chairman, who is Secretary of the Lone Star Cement Corporation; B. H. E. Gill, Secretary-Treasurer of Deere & Company; A. D. Marshall, Assistant Secretary of General Electric Company; Irving Reynolds, Vice President of The Chase National Bank, and J. Taney Willcox, Secretary of The Pennsylvania Railroad Company, has already held a conference with some of the Commissioners and members of the SEC staff which resulted in an interchange of views regarding these proposed modifications.

Members of the Society, which includes secretaries of the larger corporations of the United States and Canada, are asked to comment on these proposals and make any additional recommendations believed necessary.

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.

New Jersey Municipalities—Analysis of revised debt statements of over 275 New Jersey municipalities—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Portfolio for the Professional Man—Tabulation of a suggested \$15,000 portfolio of common stocks—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Also available is an analysis of **Commonwealth & Southern Corporation**.

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

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

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

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

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

Chicago Transit Authority Revenue Bonds—Discussion—Estabrook & Co., 15 State Street, Boston, Mass.

Christiana Securities Company—Analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

C. I. T. Financial Corporation—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Colonial Mills—Memorandum—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Continental Casualty Company—Report—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Also available is a detailed report on **National Union Fire Insurance Company**.

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

Also available is a memorandum on **Speculative Suggestions Among Leveraged Rail Issues**.

Diebold Incorporated—Recent bulletin—Giving earnings for first six months and indicating annual return on basis of shipments—Ward & Company, 120 Broadway, New York 5, N. Y.

Fairbanks Co.—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **Taylor Wharton Iron & Steel**; **Purolator Products**; **Upson Corp.**; **United Artists**; **Vacuum Concrete**; **Fleetwood Air Flow**; **Lanova Corp.**; **Lawrence Portland Cement**; **Sterling Motors**; **Diebold**; **Lamson & Sessions Co.**

Giddings & Lewis Machine Tool Company—Memorandum—Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

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.

John Irving Shoe Corporation—Analysis—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

Also available are analysis of **National Alfalfa Dehydrating & Milling Company** and **Puget Sound Power & Light Company**.

Lipe Rollway Corporation—Descriptive brochure—Morris T. Sitkoff, 40 Exchange Place, New York 5, N. Y.

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

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

New Haven Allocations Revised—Memorandum on reorganization plans—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a circular on the **Railroad Developments of the Week**.

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.**

Southwestern Public Service Company—Memorandum—J. G. White & Company, Inc., 37 Wall Street, New York 5, N. Y.

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

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

Woodall Industries, Inc.—Circular—Charles Plohn, 30 Broad Street, New York 4, N. Y.

With Herrick, Waddell & Co., Inc.

Special to THE FINANCIAL CHRONICLE

ST. LOUIS, MO.—Charles A. Herrod has been added to the staff of Herrick, Waddell & Co., Inc., 418 Locust Street.

Louis C. Rogers Co. Adds

Special to THE FINANCIAL CHRONICLE

CHARLOTTE, N. C.—William H. Lockhart, Jr., is now with Louis C. Rogers & Co., Johnston Building.

COMING EVENTS

In Investment Field

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

Sept. 19, 1947 (St. Paul, Minn.)
Twin City Bond Traders Club Annual Golf Party at the Southview Country Club.

Nov. 30-Dec. 5, 1947 (Hollywood, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Trading Markets in Common Stocks

Bates Manufacturing Co. Liberty Products Corp.
Buckeye Steel Castings Rockwell Manufacturing Co.
Crowell-Collier Publishing Co. U. S. Potash Co.

PAINE, WEBBER, JACKSON & CURTIS

Established 1879

New England Public Service

\$6 & \$7 Prior Pfd.

GILBERT J. POSTLEY & CO.

29 BROADWAY, NEW YORK 6, N. Y.

Direct Wire to Chicago

U.S. Task in Promoting World Peace Reports More Rapid Home Building

By W. AVERELL HARRIMAN*
Secretary of Commerce

Secretary Harriman reviews economic and political developments in Europe and Asia since World War I and notes, that although the old imperialism has declined, a new and more threatening imperialism—the Police State—must be dealt with. Says task of U. S. is to assume leadership in upholding democratic concept of government and to afford support to democratic nations. Holds Russian vetoes should not block our pledge to maintain world peace, and lauds Marshall Plan.

The first World War, with its vast destruction of life and property, vitally affected the development of what we call western civilization. In the period up to 1914 men, ideas and goods were moving freely about the earth largely unhampered by passports, immigration



W. Averell Harriman

restrictions and exchange regulations. The age was far from perfect but there had been enlightened progress in the direction toward which man by a zigzag course had been struggling ever since the Renaissance to attain greater individual freedom and a better and more secure physical existence.

The years following the first World War were literally a period of crashing empires and breaking of nations. The great czarist empire of Russia, occupying a sixth of the surface of the globe, fell and there arose in its place the revolutionary Union of Soviet Socialist Republics. The Austro-Hungarian Empire was dismembered. New states came into being, such as Poland, Czechoslovakia, Yugoslavia, Finland, Estonia, Latvia and Lithuania.

Germany's attempt to establish a democracy failed to give economic stability, and Hitler seized power. The Italians to escape their misery turned to Mussolini. The Ottoman Empire lost its hold on the peoples of Iraq, Palestine, Syria and Lebanon. Japan emerged from the war richer and thirsting for more spoils of victory. China's attempt to establish order under a republic failed from forces both within and without. Among the colonial peoples the urge for independence began to take form.

In that first post-war world there were tremendous changes in political systems and governments. There were such shiftings of people, boundaries and trade as had never before been known in so brief a period. Despite all the struggles to regain the losses of the war little progress was made. Then the world, as now looking to the United States, saw that it had emerged from the war relatively unscathed and stronger than any other nation on earth. But we were so engaged in our own problems of expansion and readjustment that we paid little attention to what was going on elsewhere.

Important Factors in Future

The aftermath of the first World War was marked by three factors of transcendent importance to the future of mankind.

First, the enormous damage done to the manpower and economies of Britain and France, the two great democracies of the west who had supported a large part of the structure of the world; second, the rise of the Union of Soviet Socialist Republics, its system totalitarian Communism, and its concept of worldwide revolutionary Marxism; third, the acceleration of the desires of colonial peoples to gain their freedom.

As for the French, prior to 1914 they were in some ways the rich-

est people per capita on earth. The human and material devastations of the war, however, seriously reduced their wealth and vigor. France had not recovered from the effects of that conflict when she was thrown into the even more destructive second World War. Britain, too, had lost so heavily in her domestic and overseas strength that when Hitler planned his conquest of Europe he thought that Britain would not fight. Fortunately for us and the world, how wrong he was.

The period following the first World War saw varying degrees of unrest, chaos and revolution throughout a large part of the earth. But it was in Russia where a group of the most aggressive revolutionists of all time seized power and by their programs have profoundly altered the course of human events. No one can foretell its ultimate end. Yet there is no doubt it will affect us throughout our lives and beyond. It is the great issue of our times. It exercises so powerful an influence that it has split the world roughly into two groups. At the risk of great oversimplification I should say that in one group are those who believe in or aspire to a Bill of Rights with all of its human implications. In the other are those who neither believe in nor aspire to a Bill of Rights.

The second World War was man's first real World War. All continents were involved. The losses of the war in men and property stagger the imagination. The effect upon the economies of most of the world has been shattering. This war—like the first World War, but to an infinitely greater degree—has been followed by unrest, chaos and revolution, varying in degree and intensity from country to country. Colonial peoples, for centuries under the tutelage or domination of western powers, are being given their freedom. We ourselves have freed the Philippines, India, Burma and Ceylon are becoming free dominions within the British Commonwealth of Nations.

But a new and more threatening imperialism—that of the police state—has come into the world. This imperialism has submerged not colonial peoples but nearly all of those who live in eastern Europe, and it threatens to engulf western Europe.

Divergent Concepts of Human Organization

Now I want to repeat that there exist today two widely divergent concepts of human organization—one that has or aspires to a bill of rights, and one that neither has nor aspires to it. Expressing it another way, there is one concept where governments are established to serve the individual, and the other where the individual must serve the state. The first is the concept that the people are to be trusted and on them, after free and open discussion, must rest the ultimate decisions. Governments must respond to their wishes. The other concept fundamentally distrusts the people as an ignorant mass. It is the few who have seized power who know best; the people through force and controlled education must conform. Information is rationed to support the infallibility of those in power, however adverse to the

real interests of the people their decisions may be. Let there be no misunderstanding of the fundamental nature of these two basic concepts of human organization. We as a people have learned that wherever there is free decision by the people in any country we have friends. We have learned that wherever there's dictatorship, whether it be under the guise of communism or fascism, there is a threat to the security and progress of free men.

The seizure of power can come by the use of military force but more insidiously through the use of a new weapon—that of infiltration by seductive propaganda and false promises. We must recognize that this has had a measure of success in all countries, including our own. Citizens in every country, some of them well-intentioned people, have become, consciously or unwittingly, the agents of a foreign power against their own country.

The United States now finds itself overwhelmingly the strongest power to meet this threat to free institutions. It would be a pleasanter outlook for us if we could close our eyes to the destiny that has made us the standard-bearer of freedom. Fortunately, we have learned that we cannot again turn our backs to the world; that we must for the preservation of ourselves and our own way of life do our full part in re-establishing economic and political order. We understand that we must help other free peoples to help themselves to preserve their free institutions. We also should not lose sight of the great and profitable opportunities we have to help the backward peoples through financial and technical aid to raise their production essential for the development of free institutions.

Task of U. S.

In undertaking this great task I feel that we should have in mind four principal factors. First and foremost, we must preserve and strengthen our own life in this country. Our American system is far from perfect. It is, however, our virtue and our strength that we are constantly searching for its imperfections even though our political parties do not always agree on what they are and how to remedy them. Nonetheless, we are ready to face the need for change and through the decades make salutary advances. We have afforded greater happiness and prosperity than men have ever known. Of first importance is the preservation of our liberties and second is the expansion of our productivity. The

(Continued on page 37)

U. S. Savings and Loan League holds it is one of the most hopeful signs in building picture.

Most of the homes for which ground is being broken this month can be planned as the scene of Christmas house-warmings. This prospect for more rapid completion of homes than has been the post-war pace is read by the Home Building and Home Owning Committee of the United States Savings and Loan League in statistics from the home building front indicating a trend back to the three-to-five period for completion of homes.



Col. Ralph M. Smith

Col. Ralph M. Smith, West Somerville, Massachusetts, chairman of the committee, cites the fact that more than 2½ times as many homes were completed in the first seven months of this year as during the same 1946 period. He said that the experience of the savings and loan associations and co-operative banks, which are now placing 22.2% of their loans for construction of new homes, is bearing out the good news of the approach to normal in the time required for building homes.

"The Bureau of Labor Statistics counts 428,700 completed new places to live as the fruit of the January-July building period," said Col. Smith. "The carry-over from 1946 was 275,000 to 300,000 incompletes houses. When we subtract these from the 428,000, we realize that somewhere between 130,000 and 155,000 units started the early months of this year have been ready for occupancy by July. This would have to include some started as late as March and April since the first two months of this year accounted for only 84,000 new starts.

"This is one of the most hopeful signs we can discern in the building picture. Not only did the delays in completing home during the first year and a half after the war contribute to the cost of homes, but they also meant that progress was slowed down in overcoming the shortage.

"Experience of the savings and loan and co-operative bank managers, whose institutions furnished approximately \$386,165,000 for new home construction the first half of the year—an increase of 42% over new construction loan volume for the first half of 1946—is in line with the statistical analysis of new homes begun and completed. Many of these managers tell us that homes can be completed in their localities today in about the same time required for that process in 1940. Of course the situation varies with localities, some having made more progress than others in combating the delays, but we are definitely on our way to the old timing in the building of homes, and probably will soon surpass

it in the speed with which both conventionally built and manufactured homes are made ready for living. The war-developed techniques can be utilized in many way."

Reports 0.5% Rise in Consumers Price Index

National Industrial Conference Board finds purchasing power of dollar at mid-year dropped 12.7 cents compared with year previous. Variation not uniform in all localities.

The consumers' price index for June, 1947, rose 0.5% above that for March, 1947, according to figures just released by the National Industrial Conference Board. The index for June 1947 stood at 125.4. Previous highs recorded were in June 1920 (123.1) and March 1947 (124.8 revised). Base date of the series is 1923 as 100.

Over the previous year (June 1946-June 1947) the weighted average of all items in the index climbed 15.9%.

Expressed in 1923 dollars, the purchasing power of the dollar stood at 79.7 cents in June 1947. This represents a drop of 0.4 cents from March 1947 and a drop of 12.7 cents from June 1946.

City-by-City Changes

In 21 of the 66 cities included in the survey, the index was unchanged or lower. The cities which showed the greatest decline are: Macon, Ga. (down 2.0%); Birmingham, Ala. (down 1.7%); Chattanooga, Tenn. (down 1.6%); and Dallas, Texas (down 1.3%). Cities showing the greatest increase are: Erie, Pa. (up 4.2%); New Orleans, La. (up 3.5%); and New Haven, Conn. (up 3.3%). The index remained unchanged in Cincinnati, Ohio, and Lansing, Mich.

Changes by Index Component

During the second quarter of 1947, sundries showed the greatest increase, up 0.9%. During the same period, clothing was down 0.9, which is the greatest decline noted among the major components of the index. During the second quarter, fuel and light was down 0.3%.

Food, which was up 0.7% from March 1947 to June 1947, rose 31.9% during the 12 months (June 1946-June 1947).

Over the year (June 1946-June 1947) the following changes were noted: clothing, up 11.2%; fuel and light, up 3.9%; and sundries, up 8.9%. Housing remained unchanged.

With McDaniel Lewis Co.

Special to THE FINANCIAL CHRONICLE
GREENSBORO, N. C. — Corrie V. Holt, Jr., is with McDaniel Lewis & Co., Jefferson Building.

ACTIVE MARKETS

50 BROADWAY
Bonds and New Common

80 JOHN ST.
4-5s 1950

Bought—Sold—Quoted

SIEGEL & CO.
39 Broadway, N. Y. 6 Dlgby 4-2370
Teletype NY 1-1942

AMOTT, BAKER & Co.
INCORPORATED

Wholesaler and Retailer of
Investment Securities

Our Trading Department specializes in real estate bonds and stocks, title company and bank participation certificates.

150 BROADWAY NEW YORK 7, N. Y.
Boston Philadelphia

REAL ESTATE SECURITIES

★ ★ ★

SHASKAN & CO.
Members New York Stock Exchange
Members New York Curb Exchange
40 EXCHANGE PL., N. Y. Dlgby 4-4950
Bell Teletype NY 1-953

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Total premium volume of all stock and mutual fire and marine insurance companies reached the unprecedented figure of \$1,980,109,000 in 1946, according to figures tabulated in "The Spectator Insurance Year Book." If the volume written by Lloyds and Reciprocal Underwriters is included, the annual total exceeded \$2 billion, viz., \$2,042,435,000.

The accompanying tabulation shows the year-by-year aggregate volume written by stock companies and mutual companies, respectively, from 1926 to 1946 inclusive.

Year	Premium Receipts		Total	—Per Cent of Total—	
	Stock Companies	Mutual Companies		Stock	Mutual
1926	988,334	122,561	1,110,895	89.0%	11.0%
1927	980,105	128,330	1,108,435	88.4	11.6
1928	990,605	141,351	1,131,956	87.5	12.5
1929	1,027,028	152,604	1,179,632	87.1	12.9
1930	918,039	153,495	1,071,534	85.7	14.3
1931	787,019	142,233	929,252	84.7	15.3
1932	680,521	97,391	777,912	87.5	12.5
1933	622,277	112,190	734,467	84.7	15.3
1934	672,437	130,433	802,870	83.8	16.2
1935	702,620	134,415	837,035	83.9	16.1
1936	759,429	131,426	890,855	85.2	14.8
1937	831,622	140,506	972,128	85.5	14.5
1938	782,204	139,469	921,673	84.9	15.1
1939	814,514	142,128	956,642	85.1	14.9
1940	932,074	156,298	1,088,372	85.6	14.4
1941	1,075,617	183,206	1,258,823	85.4	14.6
1942	1,144,461	199,826	1,344,287	85.1	14.9
1943	1,074,725	212,042	1,286,767	83.5	16.5
1944	1,154,056	217,764	1,371,820	84.2	15.8
1945	1,252,253	251,769	1,504,022	83.3	16.7
1946	1,658,308	321,801	1,980,109	83.7	16.3
Totals	19,848,248	3,411,238	*23,259,486	85.4%	14.6%

*Average.

The average proportion written by the mutuals over this 21-year period is 14.6%, and by the stock companies, 85.4%. The mutuals' share of the total business has gradually increased from 11% in 1926 to around 16% in recent years. In 1946 their share was 16.3% compared with 16.7% in 1945.

The business of the mutuals is more restricted and selected than is that of the stock companies, who serve the public more widely. In consequence, the underwriting experience of the former is generally more profitable. For example: In 1946, total losses paid by the stock companies aggregated \$731,337,992, which represented 44.1% of premium receipts for the year; losses paid by the mutuals totaled \$131,683,291 or 40.9% of premium receipts. In recent years the respective ratios have been as follows:

Year	Ratio of Losses Paid to Premium Receipts	
	Stock Companies	Mutual Companies
1937	42.8%	34.6%
1938	48.3	37.7
1939	45.0	38.1
1940	43.5	37.6
1941	43.8	38.4
1942	55.0	36.4
1943	47.2	33.1
1944	48.1	37.7
1945	50.0	34.1
1946	44.1	40.9
10-yr. aver.	46.8%	36.9%

Comparatively, Lloyds and the Reciprocal suffered the heaviest

losses of the three groups in 1946. Their losses aggregated \$33,132,032 against premium receipts of \$62,325,982, which gives a ratio of 53%.

Mutual companies favor bonds in their investment portfolios to a greater extent than do the stock companies. Their respective allocations of aggregate admitted and invested assets on Dec. 31, 1946, as reported by "The Spectator," compare as follows:

Item	PERCENT ALLOCATION OF TOTAL ADMITTED ASSETS, DEC. 31, 1946	
	364 Stock Companies	160 Mutual Companies
Cash	10.2%	12.2%
Agents' balances	5.0	4.2
Miscellaneous assets	1.7	1.3
Real est. & mtgcs.	1.8	4.2
U. S. Gov. Bonds	33.0	50.1
All bonds	40.3	63.5
All stocks	41.0	14.6
Total	100.0%	100.0%
Total adm. assets	\$3,887,057,566	\$602,400,024
Total investment income of the		

stock companies in 1946 was \$110,336,000, equivalent to a return of approximately 3.4% on invested assets at the year-end; this compares with \$14,041,000 for the mutuals and a return of approximately 2.8%.

Percentwise, the volume of annual business written by the mutuals has expanded 162.6% from their small 11% share of total business written in 1926, while that of the stock companies has risen by only 67.8%. Dollarwise, however, the mutual's annual business has increased by less than \$200 million while that of the stock companies has increased by \$670 million. The combined increase of the two groups over 1926 is approximately \$370,000,000 or 78.5%.

Investors in sound fire insurance stocks have nothing to fear from the competition of the mutuals.

Market in Delicate Balance

By G. Y. BILLARD
Partner, J. R. Williston & Co.

Stock market analyst reviews market situation and contends market is in rather strong than weak technical condition. Points out leading investment trusts are purchasing common stocks, and proposed large increase in capitalization of American Telephone and Telegraph Co. does not reflect a defeatist attitude of big investors. Holds any sharp decline in exports will be offset by resurged domestic demand.

The present stalemate in the stock market represents a delicate balance, which usually characterizes pre-Labor Day markets. Bar-

ring important news of a nature to influence investment sentiment, continuing narrow price movements would seem in nearby prospect. Further observation which could be made is that the market appears to be in a position to respond more vigorously to favorable than to unfavorable news. This is merely another way of saying that the stock market is in a relatively strong rather than weak technical position. In our opinion, higher prices for selected equities, particularly those qualifying for investment purposes, are in prospect whenever the international outlook clarifies.



Gordon Y. Billard

Fears

Most recent comparable period to the present, when there was flagrant subnormal capitalization of earnings power, was in the period immediately preceding World War II. What has happened since then is history and is only of interest in that it affords some background for appraising the present situation.

Current and prospective earnings power has hardly ever been more conservatively capitalized—and earnings never more conservatively stated. As a point of illustration, note the Goodrich report released during the past week showing earnings for the six months period ended June 30 of \$7.82 on the common stock, after setting aside contingency reserves equal to about \$1.53 a share of common, or almost as much as the amount paid in dividends to stockholders for the period. Moreover the longer-term fundamental relationship between stock and bond yields has never been more distorted. Explanation lies to a very large extent in fears concerning ultimate repercussions on the domestic economy from the failure to bring recovery in Western Europe. Recognition that the

framework has been set for early solution of this major problem, plus some measure of confidence of relative stability in the purely domestic outlook, is the cornerstone for a constructive view toward the stock market.

Big Investors

The present attitude of "Big Investors" may be seen by observing the policies pursued by those charged with the serious business of investing sizable public funds entrusted to the management-type investment trust. The administration of such funds is not conducted in any haphazard fashion but rather deliberately and with reasoned consideration.

Here is an outstanding management-type investment trust which as of June 30, 1947, had less than 3% of its funds in cash, about 11% in U. S. Government bonds and the balance mainly in a diversified list of common stocks. Another large management-type investment trust had 2% of its funds in cash, 2% in U. S. Government bonds and most of the balance in common stocks. And here is another large trust with 9% in cash, about 16% in U. S. Government bonds and most of the remainder in equities. The management of these three trusts are not interrelated. They are representative of independent important banking groups controlling nearly \$200 million of stockholders' funds. This hardly can be construed as a defeatist attitude toward common stocks, which characterizes a very large segment of the investing public. Despite the SEC and its noble objectives in attempting to iron out price fluctuations through rules and regulations designed to restrict the market to a purely investment affair, investors today as a class are more gun shy than ever. The truth probably is that the public is not so bearish as it is just plain scared—and for obvious reasons.

Export Trade

Principal bugaboo raised concerning the domestic business outlook is the fear of the effect of sudden collapse of export trade upon the domestic economy. That the volume of business transacted for foreign account is abnormally

high and will eventually decline is undeniable. Just when and by how much foreign trade will decline is beyond the realm of prediction. Much depends upon the action of Congress in implementing the Marshall Plan and the policies of the World Bank. However, on this score it is pertinent to observe that the Director of the Bureau of Labor Statistics of the U. S. Department of Labor stated during the past week that even if exports dropped "drastically," there would still be a resurgent domestic demand to fill the gap. Furthermore, when asked what happened to the summer business slump which had been freely predicted in some quarters, the reply was "It has been postponed indefinitely." Basic fact not to be overlooked in appraising the business outlook, is that the industrial plants of two of the world's leading industrial nations—Germany and Japan—have been virtually destroyed in the most devastating war in history. The U. S. alone has available resources for world rehabilitation. The shortage of goods is far more acute today than the shortage of dollars. What is needed is more, not less, production of automobiles, electrical, industrial and farm machinery, railway equipment, steel, building, etc.

Big Business

Contrast the defeatist attitude as reflected in the stock market with that of "Big Business."

During the past week came the announcement of the intention of American Telephone to raise an additional \$354 million for further plant modernization and expansion. Such financing would represent the largest single piece of corporate financing in history. "Despite the vast expansion of the past two years," the company said, "the Bell System still is faced with a very large construction program to meet the continuing unprecedented demand for telephone service and to improve the service. The new plant will be composed of the best types of facilities that telephone scientists and engineers can devise. This means more dial service to more people, more dialing of toll calls, extension of the coaxial cable and radio relay system with their capacity to carry television programs, extension of mobile telephone service, more telephones on farms and achieving the goal of giving everyone service when and as he wants it." This does not spell for lack of confidence in the future. There is no management more astute than that of American Telephone.

Now consider the estimates collected some time ago by the SEC indicating that American business expects to spend \$3,770 million in the current quarter—a new high mark, if attained. This is equal to an annual indicated rate of about \$15 billion compared with \$12 billion in 1946 and \$5 billion in 1939. With the subsequent lifting of building restrictions, even this latest estimate might prove conservative in view of the recent revival of optimism on the part of business executives and the corresponding willingness to proceed with expansion plans despite present high costs.

Rate of capital expenditures is the life blood of a vigorous economy. It is the forerunner of things to come—and is a potential market factor of far greater import than export trade.

R. D. French & Co. Formed

HOUSTON, TEX.—R. D. French is engaging in the investment business under the firm name of R. D. French & Co. from offices in the City National Bank Building. He was previously with Harris, Upham & Co.

BANK and INSURANCE STOCKS

Laird, Bissell & Meeds
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BARclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Dept.)

NATIONAL BANK of INDIA, LIMITED

Bankers to the Government in Kenya Colony and Uganda

Head Office: 26, Bishopsgate, London, E. C.

Branches in India, Burma, Ceylon, Kenya Colony and Aden and Zanzibar

Subscribed Capital—£4,000,000
Paid-Up Capital—£2,000,000
Reserve Fund—£2,300,000

The Bank conducts every description of banking and exchange business

Trusteeships and Executorships also undertaken

We offer Comprehensive Dealer Service

BANK STOCKS INSURANCE STOCKS

BUTLER-HUFF & CO.

210 WEST SEVENTH STREET
LOS ANGELES 14, CALIFORNIA

TELEPHONE TRINITY 7971
TELETYPE: LA 275, LA 280

Direct and Connecting Wires to
BOSTON • NEW YORK • PHILADELPHIA • DETROIT
CHICAGO • ST. LOUIS
DALLAS • SAN FRANCISCO • SEATTLE

Primary Trading Markets—Analytical and Sales Service

Scores President Truman's Budget Statement

Sen. Bridges, Chairman of Senate Appropriations Committee, and Rep. Taber, Chairman of House Appropriations Committee, issue joint statement attacking President for "high spending" and "high taxing."

The following statement was issued jointly on Aug. 21 by Sen. Styles Bridges (R-N. H.), Chairman of the Senate Appropriations Committee, and Rep. John Taber (R-N. Y.), Chairman of the House Appropriations Committee, in criticism of President Truman's mid-year Budget Statement.

"President Truman's political



Sen. Styles Bridges John Taber

statement on the Federal Government's fiscal situation must be disturbing to the country. It is designed to perpetuate his spend and spend policy, and to deny to the American people the tax relief they demand and so well deserve; the tax relief they are entitled to on the basis of Mr. Truman's own figures. He again reveals himself as high-spending, high-taxing Harry.

"Confidence in his estimates and statements on fiscal affairs is shattered by his shocking admission that in his budget message to the Congress last January—less than eight months ago—he underestimated Federal revenue by \$3,937,000,000. He now predicts that the Treasury on June 30, 1948, barring contingencies, will have a surplus of \$4,667,000,000 of which he attributes \$2,100,000,000 to increased revenue.

"Obviously, it did not occur to him that when the people repudiated his administration last November and elected a Republican Congress their purpose was to get going, freed of New Deal-Democrat shackles that were strangling free, competitive enterprise. Nor did it occur to him that a sigh of relief went up from the people that they now had a Congress responsive to their will. Production of long-deferred goods, without unnecessary government meddling into their affairs, so essential to the full enjoyment of life is uppermost in the public's mind. That is why employment now is at an all-time high and goods long absent from the market are now appearing in increasing volume. That is why the Federal treasury has a tidy surplus and revenue is mounting tremendously.

"Repeatedly, Republican Congressional leaders, in pressing for relief from the intolerable wartime tax rates, insisted that with the Republican Congress on the job the country could expect solid foundations for prosperity and happiness, and a reversal of New Deal tax squandering. When we Republicans were battling for tax relief there were cries from among the Democrats that the fiscal situation was too cloudy; that we might run into the red if we cut the intolerable wartime tax rates. Now Mr. Truman resorts to more bug-a-boos to deny the people tax relief.

"In this connection, it is significant that his forecast of a treasury surplus of nearly \$5,000,000,000 is given to the country only 24 days after adjournment of the first session of the Republican Congress.

"Let us hope and expect that the books of the Treasury Department are being kept as honestly in contrast to Mr. Truman's purely political interpretation of the figures, so that the people can keep tab on the fiscal situation for guidance when the second session of the Congress begins. In his insistence upon continuing in peacetime the back-breaking wartime tax burden, Mr. Truman again under-estimates what the American people can do and what they are doing under the freedom voted by the Congress.

"His treasury surplus estimated for the present fiscal year is too low and he does not take into consideration that the Congress during its next session will continue to hammer for greater efficiency in the administrative branch—efficiency that should save the taxpayers' dollars. Nobody can have faith in Mr. Truman's budget estimates, because they are political estimates, issued from time to time to protect some policy in mind and later to be sprung upon the people. Last year he was so consistently wrong that his various estimates now appear ridiculous. Note the accompanying table.

"His estimated treasury surplus of \$4,700,000,000 for the present fiscal year, if he has his way, would all go toward reduction of the national debt, except such funds as he deems necessary for aid to Europe and other parts of the world.

"He talks about public debt retirement as though it would have the effect of arresting inflation. The economic fact is that when the government retires its bonds it pays the holders cash and that cash goes into the banks and into circulation by those who hold the bonds.

"Government bonds are a basis for credit expansion. Everybody with the good interest of our government at heart wants the national debt reduced, because that would further buttress our Government's fiscal situation which is now sound.

"Under the tax reduction bills which the Congress twice passed and which President Truman vetoed there would have been ample surplus in the treasury to cover the tax relief provided and also to apply a substantial amount on the public debt. Mr. Truman belatedly concedes that the treasury surplus will far exceed his original estimate.

"The country knows that Mr. Truman fought the economy efforts of the Congress so recently elected by the people. He said his budget could not be cut and that it must not be cut. But Congress cut it and the squeals of unnecessary bureaucrats who have been dropped from the payroll attest to that fact.

"Running through Mr. Truman's political statement is the custom-

(Continued on page 19)

President Releases Mid-Year Budget Estimate

Places receipts for 1948 fiscal year at \$41.7 billions and expenditures at \$37 billions, with budget surplus at \$4.7 billion, instead of only \$200 million as estimated in January. Shows net reduction of estimated expenditures by Congress was only one-half billion dollars, and points to possibility of increased outlays for foreign aid. Surplus to be applied to debt reduction.

On Aug. 19, President Harry S. Truman released a revised estimate of the Federal Budget for the fiscal year ended June 30, 1948. According to the figures of the new estimate, the net reduction made by Congress of proposed expenditures by the President



President Truman

amounts to scarcely a half billion dollars, but owing to a rise in the estimated revenues, (due in part to the retention by Congress of the war excise taxes), the estimated surplus for the present fiscal year is placed at \$4.7 billion, instead of but \$200 million as originally estimated.

In releasing the new budget estimates the President issued the following explanatory statement:

In any analysis of the Federal Budget, we must always keep in mind the fact that about three-fourths of our expenditures relate directly to war, the effects of war, or our efforts to prevent a future war. Thus, as finally approved by the Congress, 28% of our expenditures for 1948 are for national defense, 20% for our veterans' service and benefits, 14% for interest on our national debt (which is largely a result of war), and almost 12% to support our international programs and activities for world peace. This leaves 26% for all other Government programs, of which the share of "general Government" is only 4%.

From another point of view, 40% of the civilian employees of the Government are engaged in national defense activities, 10% in the conduct of our veterans' programs, and 22% in the postal service. This leaves only 28% to carry out all other Federal activities.

We cannot disregard these facts if we are to reduce our expenditures intelligently and without crippling those public services to

which we are by law committed.

When I transmitted the 1948 Budget to the Congress last January, I said that it was a realistic Budget and as complete as I knew how to make it. I added that in its preparation we had been forced to make drastic reductions in the requests for a number of worthwhile programs because of the urgent need to cut expenditures.

Now after eight months we can look back on many events which were then hidden in the uncertainties of the future, and on new conditions which could not then be anticipated. Nevertheless, the fundamental fiscal policy on which the Budget was based has proved sound. Furthermore, the searching review of the Budget by the Congress and the country must convince everyone willing to look squarely at the facts that it was a tight Budget. It was, in fact, a hard-boiled Budget predicated on an efficient and economical administration of the programs established by the Congress.

The Budget included in detail for the first time all Government corporations and war agencies. This enabled both the Congress and the people to get a better perspective and a clearer understanding of the necessarily complex ramifications of the programs of the Federal Government. These programs are all authorized by the Congress in response to the needs or demands of the various segments of our democracy. They are carried out only so long as the Congress continues its authorization and supports them through appropriations. Hence, it is essential that all citizens and the Congress continuously weigh the need for these services against the costs if we are to strike a just balance between the two.

The actual reduction in expen-

ditures of 528 million dollars for the fiscal year 1948, as indicated in the Budget review, reflects this balancing of needs against costs by the Senators and Representatives in the Congress, as they came to grips with the problem during its session just ended. The indicated surplus of \$4.7 billion applied to reducing the national debt, will be an important bulwark against the severe inflationary pressures to which the country is now subjected. The international situation has also made it imperative that we plan for a surplus, both in view of the problem of promoting world recovery and of the need for a reserve against emergencies, whether at home or abroad. Elementary prudence requires that we be prepared to face the unforeseeable as well as the foreseeable. This, we are now in a much stronger financial position to do than we were last year.

The summary portion of the revised budget statement follows:

Continuing the practice of former years, I submit at this time my annual midyear review of the Budget. Since the 1948 Budget has aroused unusual public interest, I am presenting this year a detailed analysis of how the changes in it came about.

The revisions in this statement bring up to date the initial Budget estimates for the fiscal year 1948 which were transmitted to the Congress in January. They take account of Budget amendments submitted to the Congress, the action of the Congress on appropriations and other legislation, and numerous developments which have affected the outlook for Government programs.

Summary: Budget Totals and Major Revisions

The expenditures of the Federal Government during the fiscal year 1948.
(Continued on page 32)

RECEIPTS AND EXPENDITURES: OFFICIAL ESTIMATES AND ACTUAL EXPERIENCE IN THE FISCAL YEAR 1947

(In Billions of Dollars)

	Original Estimate	Budget Review of	Budget Estimate	Revised Estimate	Actual
	Jan., 1946	Aug., 1946	Jan., 1947	Apr., 1947	
Receipts	\$31.5	\$39.6	\$40.2	\$42.5	\$43.3
Expenditures	35.1	41.0	42.5	41.3	42.5
Surplus and deficit	-3.6	-1.4	-2.3	+1.2	+ .8

This advertisement does not constitute an offering. The offering is made only by the Prospectus, which may be obtained from such of the undersigned as are registered dealers in this State.

NEW ISSUE

August 26, 1947

\$15,000,000

Libby, McNeill & Libby

(A Maine Corporation)

Twenty-Year 2 7/8% Sinking Fund Debentures

Dated August 1, 1947

Due August 1, 1967

Price 100.50% and accrued interest

Glore, Forgan & Co.

Harriman Ripley & Co.
Incorporated

Blyth & Co., Inc.

The First Boston Corporation

Goldman, Sachs & Co.

Hayden, Stone & Co.

Hornblower & Weeks

Lee Higginson Corporation

White, Weld & Co.

Dean Witter & Co.

Railroad Securities

The late spring advance in prices for railroad stocks and speculative bonds has lost its momentum and has been followed by a desultory period of backing and filling with the general trend slightly lower. Partly this recent action may be attributed to the usual summer doldrums which have affected all sections of the securities markets. Additionally, there have been two factors particularly affecting the railroads which have apparently contributed to the tendency to postpone new purchases.

June and July earnings have been spotty, and in a number of cases results in those two periods have compared unfavorably with the earnings of the like 1946 periods. Were the results of the last two months to be accepted as indicative of a trend towards declining earnings, there might be some valid reason for this hesitant attitude. Most rail analysts, however, consider that the influences affecting June and July results were of a temporary nature. In June, many of the western roads were severely handicapped by floods. Maintenance outlays were inflated by the necessary repair work (probably carrying over in many instances into July) while transportation costs were affected by the necessity for extensive detouring and rerouting.

The June report of Chicago, Burlington & Quincy gives a good picture of what the floods meant to the individual carrier. The June transportation ratio of 41.8% was 4.6 points above a year earlier and almost eight points above the showing for May, 1947. Obviously no one can seriously consider that the June results are indicative of any sharp and sudden turn for the worse in the company's operating status. This, and similar experiences of other roads in the flood area, must be considered merely as a temporary interruption of the earlier 1947 trend towards more efficient operation.

The temporary adverse influences at work in July generally affected a different group of roads than those influenced by the June floods. The early July earnings results indicate sharp year-to-year declines for a number of the Eastern industrial roads. For one thing, there was the coal stoppage in the early days of the month. Secondly, there were a number of important manufacturing plants that closed up for periods ranging from one to two weeks for vacations. More and more plants are finding it more profitable to close up completely for a short period than to scatter vacations and operate at a restricted level for a longer period. For the railroad industry as a whole the loss of traffic due to the coal and industrial stoppages was obscured by the heavy grain movement and large shipments of iron ore down the Lakes, but for the individual roads largely dependent on coal and heavy industrial activity the results were only too plainly evident in July earnings.

Aside from the temporary influences affecting June and July traffic and earnings, it is obvious that rail securities are currently being influenced by the impending wage and rate decisions. The request of the non-operating unions for increased wages is now

in arbitration. Both sides have agreed to accept the decision of the arbitration board which will be handed down some time around the middle of next month. There is naturally considerable concern as to the possibility that any increases will again be made retroactive for a considerable period. In the meantime, the hearings are characterized by ominous forecasts by railroad management.

As hearings on the request of the railroads for rate relief do not even start until September 9, any decision will naturally be delayed well beyond the date of decision on the wage increases. Also, if the 1946 experience is to be accepted as any criterion, it may be expected that earnings estimates filed by many of the railroads during the proceedings will make pretty sorry reading. On the other hand, the Commission should not take so long this year as in 1946 to grant the rate relief. Even with a lag of a few months between wage and rate increases the great majority of reasonably sound roads are almost certain to show substantial earnings this year. It is expected that eventually the market will give greater recognition to the good 1947 earnings.

Brooks & Co. Offers Plywood Inc. Deb.

P. W. Brooks & Co., Inc. is offering \$500,000 5% sinking fund debentures, with detachable common stock purchase warrants attached, of Plywood Inc. The debentures are priced at 100% plus accrued interest from Aug. 1. The attached warrants will entitle the holders to purchase 100 shares in the case of \$1,000 debentures and 50 shares in the case of \$500 debentures of the company's common stock at \$3 per share on or before July 31, 1948, \$4 per share thereafter until July 31, 1949, and \$5 per share thereafter until July 31, 1952.

Proceeds of this offering plus proceeds of an offering of 200,000 shares of the company's common stock (par \$1) will be used by Plywood Inc., to exercise its option to purchase all of the outstanding stock of Kalpine Plywood Co. The balance of the proceeds will be used for the retirement of bank and mortgage indebtedness of approximately \$280,000 and for additional working capital.

Plywood Inc. is engaged in the manufacture and sale of plywood and related items, and is continuing the business formerly conducted by its predecessor corporations and co-partnerships. Approximately 95% of the company's dollar volume business is represented by the sale of plywood, of which approximately 25% is produced by the company's present manufacturing facilities. After acquisition of the Kalpine Plywood Company, approximately 70% of all plywood sold by the company will be produced in its own plants.

Two With Anchor Inv. Co.
Special to THE FINANCIAL CHRONICLE
ST. JOSEPH, MO.—Frank C. Dressman and George H. Gee have become affiliated with Anchor Investment Co., Inc. Mr. Gee was formerly with Atlas Investment Co.

Customers Brokers Ass'n Gets Slate

The slate of Officers and Executive Committee Members of the Association of Customers' Brokers, to be voted upon at its annual election, Sept. 24, has been announced by the Nominating Committee. The nominees are:



N. Leonard Jarvis

President—N. Leonard Jarvis, Hayden, Stone & Co.

Vice-President—Archie F. Harris, Merrill Lynch, Pierce, Fenner & Beane.

Treasurer—Maurice Glinert, Hirsch & Co.

Secretary—Frank P. Rinckhoff, E. F. Hutton & Co.

Members of the Executive Committee (term expires in year indicated):

Walter McKeag, Jr., Merrill Lynch, Pierce, Fenner & Beane (1951); Richard M. Ross, Dean Witter & Co. (1951); Anthony Smith, G. H. Walker & Co. (1951); Donald J. Watrous, A. M. Kidder & Co. (1951); Milton Leeds, Pershing & Co. (1948).

Mr. Jarvis, nominee for Presidency of the Association, was President of the Security Analysts 1945-1946. He started as a runner for the New York Stock Exchange twenty-four years ago, and is a graduate of N.Y.U. He is a member of the Economic Club, University Club and Governor of the Wall Street Forum.

Members of the committee which made the nominations are:

Anthony Smith, Chairman; John S. MacLean, Secretary; Shearson, Hammill Co.; H. E. Broadfoot, Hayden, Stone & Co.; William Cogswell, Fahnestock & Co.; Arthur J. Hansen, Francis I. du Pont & Co.; Walter E. Hoskins, Eastman Dillon & Co.; Ralph A. Rotnem, Harris, Upham & Co.; Frank A. Saline, James N. Leopold & Co.; John J. Tuffy, Stokes, Hoyt & Co.; Kenneth Ward, Delafield & Delafield.

San Francisco Exch. Permits Incorporation

SAN FRANCISCO, CALIF.—Ronald E. Kaehler, President, San Francisco Stock Exchange, announced August 19, 1947, that a majority of the members of the Exchange had approved the amendments to the Constitution providing for Permissive Incorporation of member firms.

The amendments adopted by the San Francisco Stock Exchange conform closely to those which have been under consideration by the Governors of the New York Stock Exchange.

Mr. Kaehler stated there are no applications for corporate memberships presently before the Board of Governors, but that it is quite likely some may be received from members of the Exchange, and there may be other non-member corporations who may be interested in joining the Exchange under the plan.

Chapman Opens Offices

SAN ANTONIO, TEX.—J. Wilbur Chapman will engage in a securities business from offices at 106 Broadway. He was formerly an associate of the Texas National Corporation.

Why Upset the Apple Cart?

By JOHN ELLIS*

Mr. Ellis points out both wage earners and employers have gained in last half century and are likely to continue to do so unless the applecart is upset. Urges a "stop worrying" attitude over rising prices and higher wages and proposes gradual amortization of national debt, increasing pay of workers in South, a universal currency, uniformity of wages in individual industries and a shortening of hours.

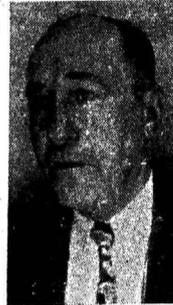
During the last six months or more, an alarmingly large number of men, prominent in the world of finance, industry, banking,

and in the educational field, and others who have attained importance as statisticians and analysts, have rendered a serious disservice to business, the country and the world, through their lip-service to the theory that we are headed straight for a depression (pardon, a recession), unless, provided, in case, etc. The fact that it is written in impeccable grammar and flowery rhetoric still does not make it any the more mentally palatable; *vox et praeterea nihil*.

Many distinguished men, through being too young, have been unable to appraise properly the economic revolution that has taken place within the past 50 years; some of the older men seemingly have forgotten what has happened from 1897 to 1947. When quite a percentage of our population, in all walks of life have such a child-like psychology that hardheaded businessmen are compelled, when building skyscrapers costing many millions, to omit the 13th floor, it becomes a serious matter to give voice to any thought that may influence people to fear. As our late lamented (?) President said: "All we have to fear is fear itself."

Our dean of financiers, John Pierpont Morgan, said: "Don't sell America short." A broad, logical interpretation of that statement would be that if you can't say something constructive about the United States, don't say anything. To view-with-alarm may be quite harmless in a discussion among friends, but when these same thoughts are publicized in print, radio or in an address, where many thousands or even millions of people hear or read these dire prophecies, it becomes extremely unfitting if not dangerous. A case in point was a radio skit, when thousands thought the world was coming to an end, by an announcement that broke into the program, which, while part of the play, led thousands to believe that it was an actual news announcement. If this subject were not so terribly serious it could quite properly be titled: "A Dissertation on Worry." But the business world is not interested in abstract philosophy, but must needs deal with realities; however, when psychology and philosophy have a bearing on business and finance the businessman must use them both in coming to decisions that will render his judgment profitable.

A financial journal is hardly the place for a purely academic discussion of philosophy, but when philosophy has an essential bearing in depicting some of the highlights and shadows of the financial picture it may well be introduced to clarify the flow of thought. A first principle of philosophy is that by iteration one can act psychologically on millions. Lit.: "He kept us out of war"; resulting in Wilson's re-election. "I promise you mothers and fathers again and again your sons will not be sent to foreign shores to fight"; leading to Roosevelt's third term. "Heil Hitler!" was the peer of them all. We may cite numberless cases throughout history where a catch phrase caught millions in a snare.



John Ellis

bearing in depicting some of the highlights and shadows of the financial picture it may well be introduced to clarify the flow of thought. A first principle of philosophy is that by iteration one can act psychologically on millions. Lit.: "He kept us out of war"; resulting in Wilson's re-election. "I promise you mothers and fathers again and again your sons will not be sent to foreign shores to fight"; leading to Roosevelt's third term. "Heil Hitler!" was the peer of them all. We may cite numberless cases throughout history where a catch phrase caught millions in a snare.

Objective of This Article

The sole objective of this article is to nullify as far as possible the destructive economic viewpoint held by so many. So while seemingly discussing the subject in a "pollyanna" vein, it is but to bring home, simply, to the men of the business world, the history of the past and apply it to the present. Worry is compounded with some dangerous ingredients, some of which make the patients (the individual, the nation and the world) all the more sickly. Half of the worry is foolish and the other half unnecessary. The world will still move in its regular orbit, and will progress and move on to its destiny. The little we can do will little or long delay what is to be.

With dividends for the first quarter of 1947 up 21% over the first quarter of 1946 ("Chronicle," June 12, page 3159), the May sales of a big shoe chain up 54.2% over last year ("Chronicle," June 16, page 3162), the employment figures the highest in the country's history and the market making highs for the year in many issues, all in the face of the Summer doldrums, surely leaves no room for pessimism. So the picture can not be as black as some would paint it.

As the chief source of worry seems to be the relations between capital and labor, let us take this subject first, with something concrete. In the words of one of the country's picturesque politicians, "let's look at the record." Let us follow capital and labor while they make a sort of "Pilgrim Progress" and see who really got hurt in arriving at where we are today.

Up to 1906 a weekly wage of \$9 was considered fairly good for the average worker; this was for a 60-hour week. This brings us to the start of this review (1897) of labor relations for the past 50 years. Scales were approximately \$12 for a 60-hour week (10-hour day), for the higher paid worker.

The employer came to work about an hour before the men and stayed sometimes two or three hours after the men went home and earned about as much as three men. In 1898 there was agitation for a nine-hour workday but was settled for 9½ hours generally and in lieu of the additional ½ hour the wages went up to \$15 per week, the employer now earning about as much as four men. Then in 1899, a period of prosperity, hours were shortened to nine per day, wages went up to \$18 per week. The employer came in about ½ hour before the men and quit about ½ an hour after the men and receiving in earnings about as much

**Guaranteed Stocks
Bonds
Special Securities**

B. W. Pizzini & Co.
INCORPORATED
GUARANTEED RAILROAD STOCKS-BONDS
25 Broad Street New York 4, N. Y.
Telephone Bowling Green 9-6400
Teletype NY 1-1063

What Solution for the British "Dollar" Crisis?

By PAUL EINZIG

Correspondent reports almost unanimous opinion in Britain of need for suspending sterling convertibility and non-discrimination clauses of Anglo-American Loan Agreement, but little enthusiasm for use of facilities of the International Monetary Fund. Criticizes Dalton policy of "giving away" dollars to Egypt, India and Iraq.

LONDON, ENGLAND—Now that official negotiations for a solution of the British "dollar crisis" are under way there is speculation about the nature of the solution that is likely to be chosen. A certain amount of unsolicited advice is also given in the correspondence columns of the "Press," but not nearly as much as one would expect in such a situation. Opinion was almost unanimous about the need for a suspension of sterling convertibility and the non-discrimination clauses, or at any rate their drastic reinterpretation so as to enable Britain to import from countries which do not insist on payment in dollars. A more controversial question is the suspension of Article 7 concerning sterling area exchange arrangements. The government is also urged to secure American approval for making full use of its facilities with the International Monetary Fund. The idea of another direct American inter-government loan is dismissed as impracticable for the solution of the present crisis, owing to the delay it involves. On the other hand, there is some talk about the possibility of inducing the Federal Reserve authorities or the United States Treasury to accumulate, for the time being, the sterling received in payment from non-sterling countries, which would take advantage of convertibility. There is also some talk about arranging private loans or credits to tide Britain over pending the adoption of the Marshall Plan. Last but not least, the suggestion that some of the British colonies on the Western Hemisphere should be sold to the United States has also been revived.



Dr. Paul Einzig

Many of those in favor of suspending non-discriminatory import arrangements are, curiously enough, opposed to the suspension of the sterling area exchange arrangements. Yet, they ought to know that, if sterling remains convertible, Britain would stand to derive but little benefit from discrimination in trade. Apparently even the government has not realized this elementary truth, judging by the fact that fruit and vegetables are imported from Italy during the season when there are ample home-grown supplies. Food Minister Strachey seems to be unaware that Italy was in a position to convert the sterling proceeds of these exports, so that the amount spent rather uselessly in that direction will necessarily result in additional cuts in vital food imports from the United States a few months hence. But perhaps he cannot be expected to know, seeing that even his learned colleague Chancellor Dalton is unaware of it.

Nobody is very enthusiastic about using the facilities with the International Monetary Fund—for one thing, the interest charged is considered to be practically usurious. In any case, short-term facilities of any sort are not looked upon with much favor, owing to the doubts entertained about the chances of the Marshall Plan with the aid of which they are supposed to be repaid. Little is

known on this side whether the United States authorities have the legal power to accumulate sterling balances, but even many of those who consider the idea practicable are against it on the ground that it would merely prolong convertibility at the expense of contracting more short-term debts in the United States, all for the benefit of other countries.

A year or two ago Mr. Wirttingham's suggestion in "The Times" to sell out Honduras and British Guiana to the United States would have provoked a wave of indignation in the Clubs where any idea of bartering away any part of the Empire is looked upon as high treason. But meanwhile we have seen Britain abandon the vast Indian Empire, Egypt and Burma, without even receiving dollars in compensation; on the contrary, it is Britain who is paying them heavily through release of wartime sterling balances. Having swallowed several camels, surely the British public should not strain at the gnats! And yet, even those who shrug their shoulders fatalistically when looking at the picture of the Union Jack being hauled down for the last time at the Residency of Lucknow feel uncomfortable at the thought of parting deliberately, as a result of cold bargaining, with any territory under the Crown. Should the government adopt the suggestion, it would have to overcome much sentimental opposition, even though it should be obvious to all that at the cost of losing some minor territories the rest of the Empire and the mother-country itself would materially improve its chances of survival.

Meanwhile, Mr. Dalton continues to give away dollars with both hands. Having given away over \$200,000,000 just to keep Egypt quiet for six months, he has just signed away another \$260,000,000 for the benefit of India between now and the end of this year. The terms of the agreement concluded with Iraq are said to be even more unfavorable, although the amount involved is much smaller. Publication of the Indian and Iraq agreement has been deferred till Parliament was safely away for Summer vacation. Otherwise Mr. Dalton would have had to answer a few awkward questions. By the time Parliament reassembles in October so many things will have happened that the dollars given away in these and other payment agreements will have been forgotten.

There is a growing feeling of uneasiness, resulting from the convertibility crisis, that Britain's financial affairs are handled with gross incompetence. The public is beginning to lose its hitherto implicit faith in the skill of the Treasury. Even the traditional belief in "muddling through eventually" has weakened materially lately. Everybody is asking everybody else what will happen when there will be no more dollars left, and nobody can give the answer.

Joins Hutton Staff

Special to THE FINANCIAL CHRONICLE

SACRAMENTO, CALIF.—William H. Hopkins has become associated with E. F. Hutton & Co. He was formerly with Dean Witter & Co. in San Francisco.

Labor Conditions

By ROGER W. BABSON

Mr. Babson cites instance in which higher railroad wages brought about less work and increased competition of other carriers. Says remedy is a lower wage system, with bonus as incentive for more work. Scores lack of interest of railroad employees in their companies.

Last night, I spent in Wellesley. Desirous to get to Boston early, I went to the Wellesley Hills railroad station to take the 7:16 a.m. train. This is a very fine stone station of the Boston & Albany (New York Central System) Railroad. To my surprise, I found no ticket



Roger Babson

agent, no baggage master and no newspapers. The doors were locked and bolted. Upon inquiring the reason, I was told later in Boston that, in view of a recent forced raise in wages, the railroad cut down the working hours of the station employees so the railroad did not have to pay out any more money. This, of course, resulted only in enabling the station employees to lie abed a little longer in the morning.

The station did not open until 7:30 a.m. Until then no tickets could be bought, no newspapers were available, no baggage could be checked and the public telephone could not be used. I stood out in the mist awaiting my train; but a neighbor who was also shaking the door said: "Okay, I'm going down to the Square and get a bus into Boston."

Why Living Costs Are High

Now let us forget, for a moment whether our sympathies are with the railroad or its employees. The fact is that only the bus company wins by such nonsense! The employees have no more money to take home; the railroad loses customers; the newspapers lose sales and the public is much inconvenienced. Of course, this foolishness can't go on forever. More hourly wages, shorter working hours, higher retail prices—all expanding like a balloon—are bound to collapse some time. I don't blame any special group; but do say that the present system is a losing game to all concerned and the true reason for high prices.

The hope of every reader lies with more production, which means more work by all of us. What we get in money wages means nothing until we turn it

into "goods." What we can get for our weekly pay in food, clothing and shelter is our real wages. This can be increased only through increased production which requires longer and better work and more new inventions. In fact, the real reason why wage-workers have more goods today is due to inventors and laboratories—not to labor leaders and politicians.

What Is the Remedy?

Shall we destroy unions? No! Shall we abolish collective bargaining? No! Shall we enact more anti-labor legislation? No! Consumers want happy and satisfied labor with the highest real wages possible. But both employers and wage-earners must cooperate to increase production and the quality of the product. This could be brought about by the union and the employer agreeing on a wage that the "below the average" is worth and then pay a bonus for good work and more of it. Some sort of piecework or incentive pay is the consumer's

only hope; and the wage-workers make up 66% of these consumers.

The finished costs would then go down, causing lower prices to benefit consumers; while both real wages and real profits would go up for the more efficient. How can this be brought about? Well, the first step would be to insert a clause in every labor contract that neither the labor officials nor the company officials can get any pay while a strike is on! This simple clause would do more to help out us consumers than any other one thing.

P.S.—I forgot a part of my railroad story. The train conductor was so busy gossiping with a woman that he failed to take up my ticket, although I had it out in sight. After leaving the train at Boston, I hunted him up and gave it to him. He did not even thank me; but I surely am thankful that I own no railroad stocks! Indifference and lack of interest by both employees and stockholders is the curse of the railroads.



NSTA Notes

BOND CLUB OF DENVER

The Bond Club of Denver has announced the prize winners in the Bond Club—IBA Frolic held on Aug. 22 at the Park Hill Country Club.

Grand prize winner was Al Peterson of the Securities and Exchange Commission in Denver. Don Brown, Boettcher & Co., won low gross with a 74 golf score. Glen Clark of Sidlo, Simons, Roberts & Co., was second and Bob Mitton, Robert Mitton Investments, third. For the Jim Newton Cup, low net was a three-way tie and Emmett Kullgren of the Colorado State Bank was the lucky matcher. The three all had a net of 60.

Twenty-five out-of-town guests attended and Don Brown, who was Chairman of the Committee and his helpers were congratulated for one of the most successful parties held in Denver.

TWIN CITY BOND TRADERS CLUB

Twin City Bond Traders Club will hold its annual golf party at the Southview Country Club, St. Paul, on Friday, Sept. 19, 1947. A cordial invitation extended to all members of the investment fraternity to attend.

This announcement appears for purposes of record. These securities were placed privately through the undersigned, and have not been and are not being offered to the public.

\$116,500,000

United Gas Corporation

First Mortgage and Collateral Trust Bonds

2¾% Series due 1967

Dillon, Read & Co. Inc.

August 26, 1947.

Mutual Funds

By HENRY HUNT

Mr. Stevenson Sums Up

Mr. Alec B. Stevenson, Vice-President of the American National Bank of Nashville (Tenn.), has concluded a series of five interesting articles on "Investment Company Shares" which appeared in the monthly magazine, "Trusts and Estates." In his final article, Mr. Stevenson sums up some of the advantages of mutual funds as follows:

"The investment company share offers both individual and fiduciary investors enough conveni-

ences and advantages to justify its use for permanent investment.

"(1) Informed, selective, continuously supervised diversification of investments can often be had more cheaply and more conveniently through investment company shares than in any other way.

"(2) The safeguards, afforded by government statute, regulation and supervision are more complete than is the case with respect to equivalent selections of individual securities, individually supervised.

"(3) The amount and frequency of information available for the exercise of investment judgment are likely to be greater than in the case of individual securities.

"(4) There is a distinct margin of economy and convenience in the mechanical details of trading, bookkeeping, and investment supervision, as compared with an equivalent measure of investment diversification acquired in separate purchases.

"(5) The investment-grade common share provides in one convenient package a level of investment performance, both as to principal and income, which is not readily duplicated except through other forms of group investment or of professional investment management less easily available either to the public or to trustees in general.

"The investment companies are growing and will continue to grow because they meet the needs of investors. The investment company today is making valuable contributions to the art of investment management. Trustees and individual investors who seriously study investment companies will be the wiser for it. If after such study they buy the shares, they will have joined an increas-

ing group whose studies led them to the same final action."

Scudder, Stevens to Eliminate "In and Out" Charges?

It is rumored that the Scudder, Stevens and Clark Fund, an offshoot designed for the smaller accounts of the prominent investment counsel firm of the same name, will shortly eliminate the present 1% premium on purchases and 1% discount on liquidations. These premiums and discounts are credited to the fund, but, of course, the purchaser pays them under the present set-up.

However, under the anticipated new set-up, an investor could purchase one day and sell out the next at no loss, assuming no change in the market value of the portfolio. The costs of buying and selling the underlying stocks are expected to be absorbed by the fund itself.

The Scudder, Stevens & Clark Fund, which is of the balanced variety, has been known in the past for the conservative quality of its portfolio and the relatively narrow price movements of its own shares. Its portfolio as of June 30, 1947 was divided as follows: 8.5% in cash and government securities, 23.9% in investment grade bonds and preferred stocks and 67.6% in common stocks and lower grade bonds and preferred stocks. Common stock holdings alone at mid-year amounted to \$14,037,000 equal to 62% of net assets of \$22,637,000.

Fire Insurance Stocks Undervalued?

According to Hare's Ltd., "Currently, stocks of the leading fire insurance companies in which Insurance Group Shares provides ownership, can be purchased, on average, for about 25% less than their liquidating value. In other words, \$10 of net assets or liquidating value may be purchased for \$7.50. Historically such a favorable ratio has always proven to be a profitable level at which to invest."

Paging Mr. Morgan

The following story, probably apocryphal, is old but still a favorite of the writer. Some years ago a partner of Kuhn, Loeb & Co., gave a sealed envelope to his colored valet with instructions to deliver it to Mr. J. P. Morgan in

person. After a considerable wait, the colored boy was ushered into Mr. Morgan's inner sanctum, whom he greeted as follows: "Is you de Mo'gan of J. P. Mo'gan?" "I am," replied the great man. "Well, I's de coon from Kuhn, Loeb," was the rejoinder.

Notes:

Hugh W. Long & Co. reports that nearly a million dollars worth of Diversified Preferred Stock Fund has been sold since the fund was brought out last April.

The current issue of Cavlin Bullock's "perspective" covers the rubber industry.

"National Notes No. 421," issued by National Securities & Research Corporation, points out that National Stock Series, comprised entirely of common stocks that both earn and pay dividends, now affords a net return of approximately 7%.

"Keynotes," published by the Keystone Company of Boston, describes how an investor with \$5,000 can obtain a well rounded investment program represented by more than 250 underlying issues.

Distributors Group has issued recent bulletins on its Petroleum Shares and Building Shares.

Death of Arnold G. Dana, Formerly Identified With the "Chronicle"

It is with regret that we record the death, on Aug. 23, of Arnold Guyot Dana, the last of a trio of individuals who figured in the development of the "Commercial & Financial Chronicle." Mr. Dana, who was 85 years of age, died at his home in New Haven, Conn., where he was born in 1862. In 1887 he joined the editorial and statistical staff of the "Chronicle," of which his uncle, William B. Dana, was founder, publisher and editor.

Mr. Arnold G. Dana, who retired from the "Chronicle" in 1922, had been associated with it for 35 years, during which time he was Editor of its investment news department and Managing Editor of the Railway and Industrial section of the publication. Following his withdrawal from the "Chronicle" Mr. A. G. Dana returned to his native city of New Haven and in 1923 wrote a series of articles for the "Chronicle" on "False Prosperity," later also having written on other subjects for the paper. In the New Haven "Evening Register" of Aug. 24, it was noted that in 1925 he prepared a series of articles for the San Juan "Porto Rico Progress" on social and financial problems of Puerto Rico under American rule. These articles later formed the basis for his pamphlet "Porto Rico's Case."

Shortly after returning to New Haven Mr. Dana became a director of the Franklin Process Company of Providence, a textile manufacturing firm with mills in New England, the South and Europe. He continued active in this business until ill health forced him to retire in 1943. The New Haven "Register" also said:

"During the past 10 years Mr. Dana collected editorial and other material pertaining to the New Haven area and Yale history. He compiled more than 300 volumes which are preserved in the Yale University Library and the New Haven Colony Historical Society.

"The award of the Advertising Club's Gold Medal was for an exhaustive study made of New Haven's general economic position made at the request of the Chamber of Commerce. He published his findings under the title 'New Haven's Problems'."

Mr. Dana is survived by two daughters, Mrs. Philip H. English of New Haven and Mrs. Thomas Denison Hewitt of Greenwich; a

son, Albro Newton Dana of Providence, and a sister, Maria Trumbull Dana of New Haven, as well as several grandchildren.

Mr. Dana was a member of a family of Yale graduates who were in classes dating from 1727 to 1933.

We Must Help Europe, But Keep U. S. Economy Strong, Says Bullis

(Continued from page 6)

interfere with the enlargement of imports than with the price mechanism. Enlarging our imports will not reduce the number of jobs for American working men. If we cut down our imports, thereby reducing our exports, we would lose jobs making goods for export, and gain jobs making substitutes for imports. The chief difference would be that the jobs making substitutes for imports would be poorer paying jobs.

Marshall Plan Will Increase Our Exports

American companies such as General Mills are interested in maintaining large export markets, and large export markets will be to the benefit of our national economy. It is my belief that if the Marshall Plan is put into effect, it will result in larger export markets for the products of American agriculture.

It seems likely that Western Europe will become increasingly industrialized and less involved in agriculture. As Europe increases its imports of foods, our export markets for food will be correspondingly enlarged. The agriculture of Western Europe will find it advantageous to shift from the production of non-perishable staples like grains to the production of perishable and protective foods like meats and dairy products.

Challenge to Industry

The problem and the challenge to American industry is to increase productivity and to reduce costs per unit not only in the factory, but all the way from the factory to the consumer.

We in General Mills are not fearful of competition. We always had it in prewar years and we consider it to be normal. We shall continue to move ahead with the production and distribution of high quality products and services to meet the needs of the public. We shall continue to strive for improvement and greater efficiency. I have confidence that every member of our company will do his or her part to meet the challenges and opportunities of the future. I look forward to our 20th year with enthusiasm and optimism.

RAILROAD BOND SHARES

OF GROUP SECURITIES, INC.



A PROSPECTUS ON REQUEST from your investment dealer or Distributors Group, Incorporated 63 Wall Street, New York 5, N. Y.

NATIONAL TRUST FUNDS

Prospectus upon request from your investment dealer, or from NATIONAL SECURITIES & RESEARCH CORPORATION 120 BROADWAY, NEW YORK 5, N. Y.

Keystone Custodian Funds

Certificates of Participation in INVESTMENT FUNDS investing their capital

IN BONDS (Series B1-B2-B3-B4)

PREFERRED STOCKS (Series K1-K2)

COMMON STOCKS (Series S1-S2-S3-S4)

Prospectus from your local investment dealer or

The Keystone Company of Boston
50 Congress Street
Boston 9, Massachusetts



American Business Shares, Inc.

THE LORD-ABBETT GROUP OF INVESTMENT COMPANIES

Prospectus upon request

LORD, ABBETT & Co.

INCORPORATED

New York — Chicago — Los Angeles

SHARES OF CAPITAL STOCK OF



INCORPORATED INVESTORS

Prospectus may be obtained from your local investment dealer, or

THE PARKER CORPORATION

ONE COURT STREET, BOSTON 8, MASS.

Fundamental Investors Inc.



Prospectus from your Investment Dealer or

HUGH W. LONG & CO.

48 WALL STREET, NEW YORK

Why Stocks Are Not Discounting High Earnings

By CHARLES J. COLLINS

President, Investment Letters, Inc., Detroit, Mich.

Investment analyst ascribes failure of stocks to rise along with increased corporate earnings to unsatisfactory international situation and crises in foreign countries.

We do not regard current business as being so robust as appears on the surface. Possibly some others who read these words may be in agreement with our viewpoint.



Charles J. Collins

There is a body of opinion that takes an opposite position. Let us all, however, in order to limit the present argument, make the assumption that, except for the minor and temporary problems that will continuously arise in any active business period, all is well on Main Street, America, and that, so far ahead as we can reasonably reckon, all is going to remain well.

Having made the above assumption, we are still faced with the question: What is wrong with Wall Street? Stated otherwise, why have individual stocks, over the past year, refused to recognize, in their price level, the brilliant earnings that are being reported? If the business picture is as good as appears, the Dow-Jones average of 30 leading industrials should turn in earnings this year of \$18 to \$19. Under similar earnings in 1928 and 1929 it sold at over 300 and during the active years 1936-37, even though earnings were not as high as in 1928-29, it discounted each dollar of earnings at the 1928-29 rate. Yet the average is now at 180.

An immediate answer to this paradox is that investment psychology is low. This answer, however, is not satisfactory. Except for those few who, with Dr. Dewey, make allowance for recurrent natural cycles of pessimism and optimism, it begs the question. It is like saying that a man died because he had a high fever: Fever is an infection accompanying disease in the human body and the general consensus is to regard lowered public psychology as an infection accompanying underlying difficulties in the body economic. What, then, can have been the influence at work over the past year that has affected public sentiment?

If, as posited in the opening paragraph, we are to look outside of domestic business for the answer, we cannot bring forth the possibilities of over-extended inventories, contracting working capital, dangerously high break-even points, or prices beyond the purses of consumers. This leaves an important factor not yet considered. This is the whole field of international relationships—political, financial, and economic or trade. Here is room for thought.

America, until recent years, gave little attention to the world at large. For a century and a half we remained immersed in our own problems and did a magnificent job of solving them. The British, so far as we were concerned, could have the rest. Two world wars, the exhaustion of one foreign economy and another, plus the impact of these developments on our own well being, and finally, the globular implications of nuclear energy, have recently changed the American disposition. Willy-nilly, we have been drawn into world affairs, and as the world's most powerful

nation have been plunged into a pivotal position.

Faced with this new situation, our first objective, at the last war's end, was the organization of a world federation whereby the peace might be kept and world trade promoted. Institutions, at financial sacrifice on our part, from the United Nations through to the International Bank and the Monetary Fund, were evolved for the purpose. The movement started off with high hope. Over the past year it has collapsed. Root cause of the collapse has been the diametrically opposed ideologies of our government and the Russian Government. Each government has become a nucleus toward which the rest of the world, in the one direction or the other is being drawn.

A World Divided

In short, we are witnessing the slow approach, between a world divided, of what most Americans sense will be a death struggle, a war of unconditional surrender, between two systems. There are things that could happen, such as overthrow of the present Russian Government by the people of Russia, that could change this outlook. But, on any past or present evidence, developments are under way whose concatenation spells but one thing—an onslaught, not between capitalistic groups or on a capitalistic group, but on capitalism itself. Not loot, or plunder, or territory is at stake; but an idea. Wars of this kind attain a frenzy above those of pillage.

In the drying up of international commerce that is being witnessed out of the current trend of world events, other capitalistic nations, of which Great Britain is a chief example, are facing internal crises, with no clear-cut indication that their conditions can improve before they get worse. Thus, at a time when our resources should be husbanded we are daily, weekly, and monthly witnessing the atrophy of the sinews of such outside world strength as we might hope would be of assistance as the ideological clash intensifies.

Earnings, and the ability of investors to share in them through corporate ownership, are one of the important fruits of capitalism. Any major threat to capitalism is, therefore, a threat to earnings. While few Americans will doubt the eventual outcome of the ideological struggle now marching to its denouement, neither can they overlook the threat that it contains. Is it not possible that, even though the domestic business outlook be assumed as favorable, and even though the implications of the cycle theory be ruled out, the international situation, as just outlined, is sufficiently grave as to cause modification on the American exchange of the rate at which earnings have been habitually discounted?

With McAlister, Smith & Pate

Special to THE FINANCIAL CHRONICLE

PINEHURST, N. C.—Herbert J. Diethofer has become associated with McAlister, Smith & Pate, Inc., of Greenville, South Carolina. He was formerly Pinehurst Manager for J. H. Goddard & Co. of Boston, with which he had been associated for many years.

A View of Postwar Russia*

Finnish visitor paints dark picture of economic conditions in Russia, with lack of food and consumer goods and disorganization of transport. Says Russians hope for economic collapse in U. S.

A Finnish subject who has recently visited Moscow has told us the following about life and conditions in the Soviet capital: Russia is waiting and hoping that the U. S. A. will soon be shaken by an economic crisis with an unemployment of 6-8 millions in its train. It is anticipated that the resulting chaos will compel the U. S. Government to leave European affairs alone and to abandon its present policy of resistance to Moscow's plans. Moscow's scientific propagandist, Professor Varga, has already written scores of articles prophesying an American crisis within the next months.

Another hope of the Soviets was to build up Russia by means of war booty from the occupied countries which are being stripped literally to the bone in the interests of Russia's economy. Great reparations were expected from the Allied Zones of Germany in the belief that the Allies would not refuse delivery, being anxious to maintain friendly relations with the USSR. These hopes have now come to nothing. The pace of reconstruction has slowed down considerably since America has ceased sending relief to the Soviets. The robbing of the occupied countries has proved less gainful than was hoped. Two bad harvests in succession also make themselves painfully felt. There is a shortage of grain and sugar is a still rarer commodity. The want of food entails a decrease of productivity in every industry. Russia is really in a very difficult position and actually undergoing an economic crisis similar to the one predicted by Professor Varga for the U. S. A. In a state capitalistic country, such as the USSR, this crisis is, of course, bound to be of a different nature. For the first, there is no unemployment. People are more ruthlessly compelled to work than ever before and the fullest possible use is made of the labor of war prisoners and convicts, whose total number is at present evaluated at 20 millions.

The crisis mainly expresses itself in the lack of food and consumer goods and in the disorganization of transport. Millions of men in their best working age have either fallen or been disabled by the war and the people

*Abstracted from "Newsletter from Behind the Iron Curtain," compiled by "The Baltic Review," Post Box 724, Stockholm 1, Sweden.

can no longer work at the prewar pace. Productivity is decreasing in every field. The government, however, wants to increase it by up to 25% and hopes to attain this by lengthening the working day and by increasing the workers' individual quota. The more information about the Soviet crisis penetrates abroad the greater are the government's efforts to make the iron curtain even denser than it already is. That the productive apparatus of the country is at least partly in a chaotic condition is borne out by the punitive measures repeatedly applied by the authorities. The purges have hitherto been directed mainly against the agricultural population.

Moscow, the capital, with its population of six million people, makes an impression of utter misery. The majority of the inhabitants are literally dressed in rags. Food prices have been raised by 200% within the last nine months. The life of the people is indescribably hard but the government, nevertheless, has not abandoned its plans to industrialize the country. The housing crisis is appalling; even small rooms have to do for a family of five on the average. That several families live in one flat and cook in a common kitchen has ever been the rule in the Soviet Union. The war has further reduced the available living space. On paper the Five-Year Plan provides for considerable building activity. In Moscow alone it is proposed to build apartments to the tune of three million square metres of floor space. This giant plan has hitherto not been carried out to any extent worth mentioning: during the last year building activities confined themselves to less than 100,000 square metres of floor space.

A worker's average wages are 500 rubles per month. Half of this he has to spend on his food, about one-sixth is deducted in taxes and loans and on the rest he has to keep his family, buy his own and their clothes, pay the rent, etc. A suit of clothes of shoddy material costs 900 rubles when bought with a purchasing permit, which are sometimes issued as bonuses to contributions toward various state exemplary workers; on the free market its price is 3,000 rubles. A pair of rough women's shoes costs 280 rubles when bought with

a purchasing permit and up to 1,500 rubles on the free market. Hence, the rags the population have to wear. Shopping for clothes is mainly done at second hand, soldiers occasionally selling cheaply things they have robbed abroad. Even European luxuries can sometimes be obtained from these same soldiers but at prices which are inaccessible to the ordinary Soviet citizen.

The only well-dressed people in the Soviet country are Communist party members, officers, high officials and members of their families. This privileged Soviet aristocracy shops in special stores which an ordinary mortal may not even enter.

Frederic A. Adams Is Resuming Inv. Business

DENVER, COLO.—Frederic A. Adams is resuming the investment business from offices at 745



Frederic A. Adams

Marion Street. Mr. Adams has recently been engaged in government service. In the past he was a partner in Engle, Adams & Co.

M. C. Brittain Joins John B. Dunbar Staff

Special to THE FINANCIAL CHRONICLE
LOS ANGELES, CALIF.—Milton C. Brittain has become associated with John B. Dunbar & Co., 634 South Spring Street. Mr. Brittain was formerly with Crutenden & Co. and Bateman, Eichler & Co.

With John B. Joyce & Co.

(Special to THE FINANCIAL CHRONICLE)
COLUMBUS, O.—John B. Joyce, Jr., and Arthur J. Duffy have joined the staff of John B. Joyce & Co., Huntington Bank Bldg.

NOT A NEW ISSUE

100,000 Shares

Fedders-Quigan Corporation

Common Stock

Price \$11.50 per share

Van Alstyne Noel Corporation

August 21, 1947.

Private Investment and the Secondary Market for GI Home Loans

By T. B. KING*

Director of Loan Guaranty Service, Veterans Administration

VA official urges private investment institutions, such as insurance companies and investment pools, take up function of RFC as secondary market for GI Home Loans, since Congress ended operations of the RFC Mortgage Corporation on June 30. Says secondary market is badly needed for GI Loans in rural areas and small communities and taking up this slack would prove private investment is capable of providing credit without government aid.

Early in the Fall of 1946, the open market that had previously existed for GI home loans practically vanished. Post-analysis of that development traces it to three primary influences:

(1) A shortening of the sails of credit preparatory to riding out the recession then thought to be imminent, and supposedly heralded by the abrupt break in the security markets which then occurred;

(2) Observation of the general inability of the VA appraisal system then in effect to curtail excessive prices on the sale of homes to veterans, and;

(3) Failure of private secondary market investors to anticipate and to plan for inclusion in their portfolios of the unprecedented volume of such loans that were being processed each month.

With the continuance of economic prosperity, and the checks put on the VA appraisal system in January, 1947, the participation of the secondary investor in the supplying of credit to the GI loan program has steadily expanded. The larger insurance and investment institutions have in particular developed and expanded conduits through which many millions of dollars in such loans flow into their portfolios each week.

The steadiness of the rate of private absorption of these loans is evidenced by the fact that up until the final flurry to market loans to RFC in anticipation of the June 30 cut-off, the RFC Mortgage Co. had purchased only about \$50 million of GI loans in about nine months of operation, only a little more than 1% of the aggregate dollar volume of GI home loans made since the inception of the Program.

*Reprinted from "The Mortgage Banker," organ of the Mortgage Bankers Association of America, August, 1947.



T. B. King

Whether or not this trend toward expanding participation will serve measurably to bridge the gaps which opened in the wall of available credit with the elimination of the RFC market is dependent largely on the geographic orientation followed by investors in their mortgage purchase programs.

It is my belief that insurance companies and other investment groups with substantial capital resources can go far toward providing an adequate secondary market for GI home loans if they will expand and extend their investment activity in the less populous sections of the Nation. These same institutional groups are already investing millions of dollars in GI home loans either by originating the loans themselves through local offices or agencies or by purchase from correspondents. Generally speaking, throughout those areas adjacent to the metropolitan centers, there is a satisfactory participation of investment capital in providing a market outlet for those local lending institutions who wish to sell GI home loans. If this type of investment activity were taking place in all sections of the country, especially those sections distant from the large urban capital centers, the problem of affording a secondary market for GI loans would largely evaporate.

This concentration of the need for a secondary market for GI home loans in the semi-rural and more sparsely industrialized areas of the nation results from the fact that local lending institutions tend to have relatively limited resources for investment in long-term real estate loans, or are accustomed to employ such resources as they have at yields far above those considered attractive by capital in the urban industrial areas.

Community lending institutions in the non-metropolitan areas find it difficult to extend sufficient credit to veteran home buyers

without putting a strain on their reserves. They are the groups with a real need for a secondary market which institutional investors such as insurance companies have the financial resources to provide. Outside capital to augment the deficient capital supply is the answer to the problem. Outside capital in the form of secondary market outlets would encourage the smaller lenders to supply needed credit to the veteran by providing a means for converting GI loans to cash when their credit exhaustion point is approached, or when they require additional cash to meet fluctuating demands for agricultural or business credit.

The tendency toward a scarcity of capital resources in some of the less industrialized areas is borne out by the record of GI home mortgage purchases made by the RFC Mortgage Company prior to June 30, 1947. At the end of May 1947 four of the five RFC offices which had bought the largest dollar volume of GI home loans from private lenders were Jacksonville, Atlanta, Houston and Oklahoma City. In contrast, the volume of purchase in the larger urban areas such as New York, Detroit and Chicago lagged behind, indicating a plentitude of private investment capital in these centers.

It is significant to point out that some of the less urbanized sections of the country are experiencing a more rapid economic development than the older, more settled areas. The South is an example of this trend. According to a recent report of the Bureau of Labor Statistics industrialization in the South had proceeded at a faster rate than the national average. In 1880 the South had less than 8% of the total U. S. manufacturing population; by 1939 it had 17%. The report also shows that the potential rate of labor force growth in the South is the nation's greatest. Expansion in other areas of the U. S. which have been generally regarded as predominantly rural and sparsely populated has also been rapid. It seems probable in these areas with a brightening economic future that mortgage investment possibilities will develop with increasing tempo. The GI loan is a forerunner of those possibilities.

The problem of providing adequate investment capital for GI home mortgages could well be solved if large insurance companies and other investment pools can expand their mortgage origination and purchase programs into these areas, and if smaller insurance companies and other investors already located on the scene will step up their investment activity in their home territory.

There are a number of factors in the present situation which suggest that an extension of investment activity into regions where there is a lack of adequate investment capital would work to the benefit not only of veterans, but also of the institutional investors themselves. Discussion of these factors in some detail may serve to good purpose.

It is widely known that insurance companies and other large investors are currently faced with a very real problem of finding attractive investment outlets for the excess funds now available to

them through greatly expanded asset holdings. For example, a recent article in the "Harvard Business Review" on the subject of life insurance investment outlets estimates that life insurance companies are now struggling to invest profitably an accumulation of \$3.5 billions of new assets each year. The article further estimates that about \$700 million of this annual increment may not find a productive investment outlet.

It is to be hoped and expected that GI home loans will absorb a substantial amount of these excess funds. During the next 12 months there is every expectation that the number of guaranteed or insured home loans will exceed 550,000 with a total principal amount of well over \$3 billions. GI home loan approvals during June exceeded 51,000 bringing the cumulative total to almost 790,000 home loans with a principal amount of over \$4.5 billions.

Before discussing the attractive features of GI home loans as an investment outlet, it should be emphasized that the interest of the VA in broadening the secondary market is not motivated by a desire to expand the current volume of GI home loans to higher levels. Rather our interest is to assure a steady flow of needed capital into the program, particularly with reference to those parts of the country where such a flow is lacking.

GI home loans offer a number of attractions which recommend them as additions to investment portfolios.

Recent changes in VA's appraisal policies have enhanced the soundness of GI loans as investments. Early in 1947 the VA system of appraising reasonable value for GI home loans was tightened up. Whereas previously lenders were empowered to select any one appraiser from a designated panel within the locality, under the revised system the VA itself designates an individual appraiser for each property and appoints a selected group of appraisers to act in each case where five or more similar houses may be involved. This increased VA supervision over the appraisal procedure has been generally welcomed and observed to afford additional protection for veteran borrowers, lenders, investor purchasers of GI home loans, and the government alike.

Also important is the fact that GI home loans offer an attractive yield to institutional investors. As a general rule, the yield to institutions which purchase GI home loans for investment is higher than alternative investments, such as government or corporate bond issues. This is true even if they are purchased at a moderate premium.

The investor-appeal of these loans has been augmented by the excellent record veterans have made in repaying their GI loans. Of 790,000 home loans approved through June 25, 1947, less than 5,000 have been reported in default, while more than 12,000 have been paid in full. This represents a default ratio of only 6% or barely over 1/2 of 1%. Moreover, about 1,800 of these reported defaults have already been cured.

Emphasis should also be placed upon the protective character of the VA guaranty which greatly reduces the element of investment risk in GI loans. Under the guaranty the values of residential real estate which represents are security for GI home loans would have to plummet drastically before the investor would face possible loss on his investment in the event of default. As an example, take the case of a \$10,000 amortized home loan running for 20 years which is guaranteed for the maximum of \$4,000. The market value of the home which is the underlying security for the loan would have to decline to a point 42% below the amount of the loan at the end of the first year of the

loan before the investor would face a prospective principal loss in case of default. At the end of the sixth year of the loan, the marketable value of the property securing the loan would need to sink to 53% below the amount of the original loan before the investor would face possible principal loss. It is difficult to see how, within the foreseeable future, such a drastic decline in real estate values could occur unless our economy experiences a depression of tragic magnitude. And in that event, it is quite probable that other presumably gilt-edged investments would be on an even more precarious footing.

The fact that the claim is paid in cash and not in the form of bonds or debentures with varying maturities should also appeal to the investor in GI home loans.

Taking all of the factors into consideration, it may be expected that the larger insurance companies and other investment pools will concern themselves with a reexamination of the geographic locations in which they invest in urban home mortgages with a view toward possibly expanding their GI home mortgage purchase program in previously neglected regions and less-populated areas. Similarly, smaller insurance companies and other investors already located in these areas should consider including a more sizable block of GI home loans in their portfolios for the present year and for 1948. If this can be done, the problem facing lenders with inadequate secondary market facilities for GI home loans will be greatly minimized. Such a development, moreover, by giving evidence of the ability of private investors to furnish the necessary flow of capital into the GI loan program, would indicate the answer as to whether or not there is need for a government-provided secondary market by the time Congress returns in January 1948.

H. E. Scott to Open Own Firm in New York

Herbert E. Scott will shortly engage in a general market securities business from offices at 25 Broad Street, New York City (Room 1541). Mr. Scott was formerly with A. E. Ames & Co., Inc. and prior thereto did business under the firm name of H. E. Scott Co.

Thomson & McKinnon Branch in Atlanta Under L. P. Crouch

ATLANTA, GA.—Thomson & McKinnon, members of the New York Stock Exchange and other Exchanges, have opened an office in the Healey Building Arcade under the direction of Leo P. Crouch.



Leo P. Crouch

Mr. Crouch was formerly Manager of the firm's St. Petersburg branch.

Joins Clark Davis Staff

Special to THE FINANCIAL CHRONICLE
MIAMI, FLA.—Eugene V. Walter is now connected with Clark Davis Company, Lanford Bldg.

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offering is made only by the Prospectus.

NEW ISSUE

\$500,000

PLYWOOD INC.

5% Sinking Fund Debentures

(With Warrants to Purchase 50,000 Shares of Common Stock)

Dated August 1, 1947

Due August 1, 1967

Price: 100% plus accrued interest

Copies of the Prospectus may be obtained within any State from the undersigned only by persons to whom the undersigned may regularly distribute the Prospectus in such State.

P. W. BROOKS & CO.

INCORPORATED
ESTABLISHED 1907

115 BROADWAY

NEW YORK 6, N. Y.

August 26, 1947.

SEC Reports on Market Break of Sept. 3, 1946

James A. Treanor, Jr., Director of the Trading and Exchange Division, finds no concerted action by any group and reports largest sellers on balance were individual investors, and largest group of buyers were investment trusts and institutions. Says study will be continued.

After a study extending almost a full year, the Trading and Exchange Division of the Securities and Exchange Commission, headed by James A. Treanor, Jr., on Aug. 22, released its report on the trading on the New York Stock Exchange on Sept. 3, 1946, when stock prices underwent a severe decline. The statement issued by the SEC in connection with the report follows:



J. A. Treanor, Jr.

"On Sept. 3, 1946, the average share price of the 945 issues traded in 100 share lots on the New York Stock Exchange declined from \$39.35 to \$36.95. Some time thereafter we began a study of that day's stock trading on the Exchange. The Trading and Exchange Division of the Commission has recently completed a report entitled 'Stock Trading on the New York Stock Exchange on Sept. 3, 1946.' We have this day released the Report.

"The Report analyzes the buying and selling of various types of buyers and sellers, in 15 minute (and in some cases, shorter) periods throughout the day. It traces prices for each minute of the day and describes the buying and selling in all stocks traded in 100 share lots and in various classifications of these stocks. It shows what was being done at given times by public buyers, foreigners, banks, investment trusts, odd lot dealers, member and non-member firms (for firm and individual accounts, and for wives and dependents), and by floor traders and specialists. These activities are in turn sub-divided into transactions in all stocks, in stocks graded according to activity, according to their use in standard indices, in stocks with different rates of decline throughout the day, and in stocks of various industrial classifications.

"In gathering material for the study, our staff had access to the records of the Exchange and of its members; their facilities were made freely available and the study has been greatly facilitated by their cooperation. The same is true of the many public traders who gave information about their own transactions. Attached to the Report are statistical data gathered in the study consisting of over 70 tables, charts and graphs.

"We have afforded to the Exchange an opportunity for comment on the Report. It has made certain suggestions. We have not felt it necessary to reflect any of these suggestions save those which were helpful in clarifying and making more concise the statement of the facts contained in the Report.

"The Report is limited to a description of market activity and does not deal with the general domestic and international economic background of the day's market. Based on a voluminous collection of detailed information, it gives the most comprehensive picture of a day's market yet presented. It reaches no conclusions.

"This limitation was inevitable. While the study may be susceptible to a variety of interpretations based on differing outlooks and standards, no group or individual, professional or public, nor any single market factor, plainly appears as exclusively or primarily

accountable for the character of the trading throughout the day.

"The study was not undertaken because of evidence that anyone had manipulated the market in violation of our statutes or rules. In surveying the collected data we find no evidence that market prices depended at any moment on manipulative activities. Nowhere does it appear that the overall market action resulted from planned or concerted action by any group; nor do the activities of any group seem to have amounted to more than the free play of different opinions as to when to buy and when to sell. As the Report makes clear the 'on balance' purchases or sales of any group for the day do not necessarily mean that the group maintained a consistent purchase or sale policy throughout the day in all stocks or in any given classification of stocks. Nor does the 'on balance' position of any group necessarily signify that all or most of the individuals in the group shared the group's position or behaved typically with the group throughout the day.

"The Report shows that the conduct of groups varied with intervals of time and with classifications of stocks. For example, in most periods when some groups composed of members of the Exchange were buying, others were selling. There are two 15-minute periods in which all member groups had a sale balance position in the 945 stocks traded. They had different balances in the other 18 15-minute periods of the day. Except in one of the 15-minute periods in the case of the most active stocks (as distinguished from all stocks) and without exception in other classifications of stocks, the pattern of their positions was different throughout the day.

"For the entire day specialists were on balance buyers in the 945 issues traded, and in all classifications of stocks except the five most active and 50 utilities. Floor traders were on balance buyers for the day in value of stocks traded, were on balance share buyers for the day in the Dow-Jones stocks, high-priced, medium priced, all inactive stocks, in 45 of the 50 most active stocks, and sellers in other categories. In the 215 stocks with the largest price declines of the day, specialists, floor traders, and member and non-member firms, (trading for firm, individual, and dependents' accounts) were on balance buyers.

"The largest group of sellers on balance for the day consisted of members of the public and the largest group of buyers on balance consisted of investment trusts and other institutional purchasers.

"Short sales appear from the study to have been an insignificant factor in the day's market. According to the Report they amounted to no more than 1.5% of all sales. Under our rules short sales cannot be made below the last sale price and cannot be made at the last sale price unless that was higher than the preceding different sale price. These limitations act as a brake on the depressing effect of short selling. Consequently the net effect of short selling may be less than that of a similar volume of sales against inventory.

"The graph of average prices for the day shows a moderate decline from the opening until shortly after 11 a.m. Thenceforth, and until about noon, there was a sharp decline followed by a more gradual decline until about

12:45. For the next hour prices declined sharply again, then began levelling off until near closing when, in the last few minutes, they had a short decline. From the opening until 11:45 foreigners were on balance heavy sellers; their sales concentrated in the first few minutes of the day. Public traders were also on balance sellers in the opening half hour. With the exception of specialists, who were large on balance buyers in the first half hour, all member groups were on balance sellers during that period.

"During the first part of each of the two periods of sharp decline, most member groups were sellers on balance, while odd-lot dealers, public traders, and investment companies were on balance buyers. In the latter parts of those declines, the positions were reversed, member groups being, in general, buyers and public traders being sellers on balance — the public traders' selling continuing on balance for the remainder of the day. However, member and non-member brokers and dealers were at times buying for some controlled accounts while during the same periods they were selling for others. For most periods of the day member groups did not have the same on balance positions.

"Respecting member groups' trading the study shows what is already known: that it is an integral part of the whole market. Selling on balance by specialists as a group and by other member groups preceded and coincided with the first parts of the major price declines; their reversal to buying on balance in the latter parts of the declines preceded periods of relative levelling.

"Concentrated selling by any group, public or members of the Exchange puts pressure on the market. Its effect varies with many factors. It may occur in rising as well as falling markets. As refined as the study is it does not, in our view, afford a basis for any assured generalization about the effect of the trading by any group on either the whole character of the Sept. 3 market or its character in any given period of the day. Indeed, it seems clear from the Report that it would be fallacious to think of any of the groups trading on that day as a single responsive body. The buying and selling of all groups on Sept. 3 (as is probably true of other days) is a statistical composite of the separate trading of different individuals, each acting on his own initiative and from his own motives. Some acted contrary to the average of the groups.

"This does not, however, imply that a composite view of group activities may not aid the formulation and evaluation of standards designed to maintain fair and orderly markets. The challenge in working out such standards is to preserve a maximum of freedom for the interplay of individual opinion while minimizing such restraints on a free market as may arise from the unwarranted exercise of advantage derived through special position. A purely factual analysis of this one day's market, considered alone, does show what further controls, if any, may be necessary or desirable to achieve that objective. It adds to our previous knowledge a wealth of factual detail that should give perspective to further analysis of broader scope. But more needs to be known, and we propose to find out more, than this highly intensive but limited study tells us. We shall continue also to consider whether, with this and other additional information, it may not be possible to reach a more precise definition than anyone has yet been able to achieve, of what constitutes a fair and orderly market within our tradition of free markets. In so doing it is neces-

sary to keep constantly in mind what we regard as a basic premise of the laws we administer: that fair and orderly markets are intended also to be free markets—free alike from the restraints of arbitrary or capriciously contrived

regulation and from the restraints imposed by manipulation, fraud and abuse of special advantage. Free markets are never likely to be precisely predictable, or static or to go only up."

Holds Firms Violated Margin Rule Unintentionally

U. S. District Court at Cleveland enters final injunction for violation of Rule T of Federal Reserve Board.

Judge Robert N. Wilkin, of the U. S. District Court of Cleveland, on Aug. 21 upheld the injunction against several securities brokerage concerns, three of them member of the New York Stock Exchange, accused of violating Regulation T governing extension of credit by members of national securities exchanges and other brokers and dealers to customers. The New York Stock Exchange members involved were Hirsch & Co. in Cleveland, Butler, Wick & Co., Youngstown, Ohio, and A. E. Masten & Co. of Pittsburgh. The over-the-counter house of S. T. Jackson & Co., Inc., of Youngstown, was also included in the injunction against A. E. Masten & Co. Each of the three judgments by Judge Wilkin upholding the injunctions contained a statement to the effect that the violations had been committed unintentionally, and no charge of inten-

tional violation had been made by the Securities and Exchange Commission in its complaint.

With Southeastern Securs.

Special to THE FINANCIAL CHRONICLE
WASHINGTON, N. C.—Harvey C. Elliott has become associated with Southeastern Securities of Charlotte. In the past he was Washington, N. C., representative for the Carolina Securities Corp.

With Geo. I. Griffin

Special to THE FINANCIAL CHRONICLE
RALEIGH, N. C.—Louis L. Moorman, Jr., has become affiliated with George I. Griffin, Insurance Building.



You'll have the news before the flames are out!

Speed is a creed with newsmen. They flash the news to you as fast as it happens.

The Bell System helps make that speed possible. It provides the local, long distance and radio-telephone, telegraph, teletypewriter and wire-photo facilities over which the news is channeled to presses and microphones.

Keeping these facilities in top condition is the job of skilled telephone company technicians.

They work 'round the clock and the calendar with the newsmen in order that you may have a "front-row seat" for the passing parade of world events.



BELL TELEPHONE SYSTEM

Securities Salesman's Corner

By JOHN DUTTON

Many dealers have wished that there was a short cut method of doing business by mail. It would be an ideal set-up if securities could be sold in large volume through the use of mail campaigns but up to this point I have never heard of anyone doing it to the exclusion of all other methods of solicitation. Some have had success with an occasional mail idea but the main benefit from sales correspondence has been its use in conjunction with direct sales solicitation.

There are several important factors which must be present if you are going to be successful in obtaining new accounts from a mail campaign. If any one of the following are missing you are very likely to waste your money and your time.

(1) Choice of list. It is vital that you send your first message to a group of qualified people. After experiencing quite a number of tests with various mailings the writer has found no absolute method of determining in advance what constitutes a good prospect list. Some lists will pull replies and others will do very poorly. The insurance stockholders lists have never brought in a very large percentage of replies in our experience but in most cases the quality of leads is above average. A reorganization situation seems to be the best producer of replies especially if you make an offer of information without obligation. Often the lists that you least expect to produce do the best. Another good list is a company that has been experiencing difficult times (such as the passing of a dividend or an interest payment) and you can make an offer of information.

(2) After you send out your first replies to inquiries received keep a record of what you have done. Follow up this mailing with another offer of information. Suggest a free offer of statistical reports, enclose a list form, etc. Or offer a particular security but always MAKE YOUR PROSPECT WRITE TO YOU. The following letter is an example of what we mean and if used properly it will pull replies.

Dear Mr.-----

We have just completed a study of the common stock of a very excellent company which is now available under \$---- per share. The common dividend is at the current rate of \$---- a share per annum.

This company is engaged in the steel industry and is one of the major producers of ----- and ----- in the country.

In case you would like to have the latest report we will be pleased to send it to you.

Yours very truly,
Blank & Co.

Please send above information-----

You will notice the line at the bottom of the letter for your prospect to sign. The objective of a successful mail campaign is to make him do something too. The more often your prospect writes to you the more likely he is of doing business with you. It isn't only the number of times he sees your name and literature that counts, it is bringing him into action that paves the way for confidence and future business.

(3) Always make it easy for your prospect to reply. This is such an obvious necessity for obtaining replies but many times it is overlooked. Always enclose self addressed, postage paid reply envelope. Use double cards.

(4) After you have received a few replies start to write a more personal letter. At the beginning of your correspondence it is natural that you should be formal (but never stiff). But after the second or third letter try and elicit a response along more direct lines. If you are good at writing a chatty letter about the outlook for securities, or any general subject of interest to investors this is the time to do it. From here on you must play the law of averages. Remember if you obtain one or two good accounts that run into the six or seven figures you've got something worthwhile. The nice part of selling anything is that you never know when you are going to hit something big and once in a while it happens.

(5) Good stationery—neat typing—short concise phrases—no overstating or overselling—these things are very important. In mail selling you are judged by the quality of your approach.

"No Recession," Says Labor Department Statistical Head

Ewan Clague, Director of Bureau of Labor Statistics, holds that even sharp decline in exports will not cause business slump.

At a news conference on Aug. 20, Ewan Clague, Director of the Bureau of Labor Statistics of the Department of Labor, expressed the opinion that there would be no serious recession, and that the predicted summer business slump has been postponed indefinitely. "From my vantage, viewing employment and construction, I don't see any weakness yet," said Director Clague. "Nothing looks startling and I don't see anything that will topple us over," he added.

Referring to the effects of drastic decline in exports, Mr. Clague remarked that even if this occurred "we have a very resurgent domestic demand which could absorb a large part of it."

Asked if he expected the Marshall Plan for European aid to keep up exports, Mr. Clague replied: "Exports are now exceeding imports by a very large vol-

ume. Obviously this great excess of exports over imports can't be kept up without some form of loans abroad."

Fleetwood Inv. Co.

DENVER, COLO.—G. D. Fleetwood and Wm. McCullough Fleetwood have formed the Fleetwood Investment Co. with offices at 1080 Sherman Street to engage in the securities business.

Patrick Buckley Dead

Patrick E. Buckley, partner in Harris, Upham & Co., with headquarters in Chicago, died at his home at the age of fifty-nine.

British Treasury Reports on Use of American Loan

Dr. Hugh Dalton, Chancellor of the Exchequer, tells Parliament how loan was spent and plans to overcome export deficit. Foresees exhaustion of U. S. credit by October and estimates sterling blocked balances above \$14 billions.

Dr. Hugh Dalton, formerly Professor of Public Finance at the London School of Economics and now Chancellor of the Exchequer in the Labor



Sir Hugh Dalton

Cabinet of Great Britain, explained to Parliament on August 7 the use made of the \$3,750,000,000 U. S. loan granted Britain and the reasons why it is expected to be exhausted by October of this year. Excerpts of his remarks, as furnished by the British Information Services, follow:

"It has been alleged that the loan has been squandered. The following figures, in millions of dollars, will show how the loan has been drawn and spent.

"Regarding the July figure, we postponed until July 1, at the request of the United States Government, a drawing of \$150,000,000 which we had desired to make in June. Secondly, July included one of the large periodic dollar payments on behalf of the Germans—to keep them alive. In July \$50,000,000 were drawn for that purpose. Thirdly, in July we began to make payments for the Canadian grain shipments under the four-year contract, which are always concentrated in the few summer months when the St. Lawrence is open. During these months the Canadian wheat flowed at an exceptional pace. There was an additional payment of \$40,000,000 in respect of Canadian grain.

"Further, there is a distinction to be drawn between drawings and spendings in a month. For instance, of the \$700,000,000 drawn in July some were carried over into August. Therefore, in looking at the rate of exhaustion of the credit it is more important to look at spendings rather than drawings.

"On direct United Kingdom purchases in the United States in the 12 months ended June 30, 1947, we spent \$1,540,000,000, as against earnings in the United States of exports, visible and invisible, amounting to \$340,000,000—an adverse balance of \$1,200,000,000. These direct purchases were divided up as follows:

Food	25%
Raw materials (including petroleum)	27%
Machinery	14%
Ships	7%
Tobacco	12%
Films	4%
Germany (food and other supplies)	11%

"But this is only the first item in the account. There are also United Kingdom purchases with dollars in the rest of the Western Hemisphere—Canada and Southern America. During the same period we spent 615,000,000 United States dollars, divided thus: In Canada, \$220,000,000 practically all food, predominantly wheat; in Central America, \$260,000,000 principally oil and sugar; and in Argentina and other South American countries, \$135,000,000, principally meat and some cereals. The

	Net Spent	Drawn from Loan	Cumulative Total	Balance Left
		(In Millions of Dollars)		
1946—3rd Quarter ..	\$210	\$400	\$400	\$3,350
4th Quarter ..	369	200	600	3,150
1947—January	137	200	800	2,950
February	224	100	900	2,850
March	323	200	1,100	2,650
April	307	450	1,550	2,200
May	334	200	1,750	2,000
June	308	300	2,050	1,700
July	538	700	2,750	1,000

question of convertibility is not principally what is written in the Anglo-American loan agreement. These countries are running very short of dollars and are increasingly demanding from us sterling convertible at once into dollars. If we had not agreed to that they would have invoiced the bill to us in dollars straight away.

"Our grave difficulties would be almost over if we could export enough of our own goods and services to pay for the imports we need. Our difficulties all rise from our inability to do that. . . .

The Sterling Area

"... We, in this country, are the bankers of the sterling area and we hold the gold reserves for the whole sterling area. In the first six months of this calendar year we were asked to find \$205,000,000 for the current trading of the sterling area as a whole—that was \$50,000,000 for South Africa, \$60,000,000 for Australia, and \$235,000,000 for the major part of the area, including all the Colonies and India; while on the other side of the account Malaya had earned \$140,000,000 by the sale of her natural products.

"But in the last six months of the previous year, instead of our having to pay out to the rest of the sterling area, the rest of the sterling area paid in to us, in the aggregate, \$155,000,000. Therefore, taking the year as a whole our total payment out was \$50,000,000.

"Our sterling balances stand at nominal figures which can not be regarded as figures which can be finally taken for granted for commercial and trading transactions. The totals of those sterling balances arose in the ordinary way of trade since the end of the war and under special war-time conditions. These resemble war debts as we have known them in the past and to which correspond no tangible assets at all, except victory. . . .

"The nominal figure of the total of these balances at the end of June stood at \$14,236,000,000. This excludes all liabilities in respect of the United States and Canada. It includes balances representing the turnover of trade since the end of the war, but by far the larger part are balances accumulated during the war. . . .

"When the United States credit has been exhausted—it will probably be in the month of October—a number of measures we are going to take will have effects—some of them immediate, such as stopping the buying of foodstuffs in hard-currency countries, and others less immediate, such as the cut in foreign travel allowances. The effect of these cuts, I hope, will be somewhat to extend the period before the exhaustion of the United States credit.

Canadian Loan

"Beyond the United States credit stands three elements: There is the remains of the Canadian loan—at the present time there is outstanding \$500,000,000. But the Canadians have themselves run into a storm and have frankly told us that they are finding great difficulty in paying for imports from the United States with the export

of their own produce. They have asked us to go slow in drawing on this credit, and of course we have acceded to their request. It has been agreed between the two Governments that we should meet our Canadian dollar expenditure—payment for the purchase of wheat in particular and other things—only as to 50% by drawing on the Canadian credit and as to the other 50% by drawing on United States credit.

"In the second place, there is the possibility of drawing on the International Monetary Fund. This Fund was never intended to make long-term loans or to correct anything as fundamental as a world-wide dollar famine from which the world is now suffering. . . . The present emergency is very much more than a temporary emergency, not only for ourselves but for other members of the Fund. Our drawing rights under the constitution of the Fund are limited to \$320,000,000 a year for four years—\$1,280,000,000 in all.

"In the third place stand our gold and dollar reserves: these now stand at \$2,400,000,000. They have varied very little over the past year. It is important that this should be explained in the United States because some people think we have been using the United States credit to pile up gold and dollar reserves. Such is not the case. . . .

"Our trouble is this wide yawning gap between exports and imports, and no less or more than that. Therefore, all our measures must be aimed at narrowing the gap at both ends, and to operating on both sides of the gap to narrow it. We shall only get straight when we can pay with our current exports, visible and invisible, for our necessary imports. That is the goal at which we must aim, and we must accomplish this in any case, whatever temporary alleviation may be got, whether through international discussions in Paris, regarding Europe, or international discussions in Washington regarding the part the United States can play. We must close this gap within, at the outside, a short span of years, and all the other devices must be no more than bridging devices for a year or two.

"This means that we must spend fewer dollars on imports, fewer dollars on overseas Government expenditure, and we must earn more dollars by our own efforts, and these are the only factors in the case. Our own imports, including invisible, and our own overseas expenditure must be so adjusted that, within a few years at the most, we can close this gap. We are confronted, as to the size of the gap, in terms of dollars, with \$2,400,000,000 worth in this year, so far as the western hemisphere as a whole is concerned, including Canada and the Latin American States as well as the United States.

"With a view to closing this gap we are proposing these measures. We are proposing to reduce our foreign exchange expenditure on imports of food from hard currency sources at the rate of \$48,000,000 a month, and with regard to a large number of other items of expenditure, giving a total, additional to food, of over \$200,000,000 a year. The result of this will be, in round figures, that if we were to continue the reduction in food imports from hard currency sources, while hoping to supplement these in considerable amount from soft currency sources, there would be a total saving at the annual rate of \$800,000,000 a year—a fair contribution towards reducing the size of the gap. In addition, there will be savings in respect of Germany, savings which we cannot yet estimate with precision. But this still leaves a wide gap which can only be reduced by the rapid expansion of our own exports. . . ."

FDIC Reports Increased 1946 Earnings of Commercial Banks

Process has been continuous since 1938 and larger earnings in 1946 attributed both to higher rates and increased volume of loans, offset in part by higher operating expenses. Net profits average about 10% on capital accounts of which about one-third was paid out in dividends.

The 1946 Annual Report of the Federal Deposit Insurance Corporation, just released, furnishes some interesting data regarding the earnings and dividend payments of insured commercial banks. According to the report:

Both total and net current operating earnings of insured commercial banks have increased in each year since 1938, and in 1946 attained the highest levels on record. The 1946 increases, in each case 15%, reflected chiefly the higher average rate of return secured on loans and the larger volume of loans. Net profits after taxes were slightly below the level attained in 1945 because charge-offs and income taxes were higher, and recoveries and profits on assets sold were lower. The 1946 net profits represented a rate of 10% of total capital accounts.

Dividends paid to stockholders, though higher than in any previous year of deposit insurance, absorbed about one-third of net profits after taxes. Continuance of the conservative dividend policy followed by the banks during the war years resulted in substantial net additions to total capital accounts. These additions, coupled with a decline in total assets, brought about a rise in the ratio of total capital accounts to total assets—the first rise since 1937.

The improvement in the profitability of banking operations, which has been characteristic of recent years, has been general throughout the banking system. In each of the last three years, practically no banks have sustained net losses after taxes.

The improvement in rates of net profit in 1946 over the preceding year was also widespread; it occurred among banks throughout the country, except the larger banks in the large centers. It was the latter which had shown the most favorable rates of net profit in 1945, due in considerable extent to large profits on securities sold, chiefly United States Government obligations, and to a large expansion in security holdings. It was these banks which were most affected by the Treasury retirement program and by the less favorable market for United States Government obligations.

In 1946, as in each year for a number of years, there have been more banks with satisfactory and high rates of net profit, and fewer banks with losses or unsatisfactory rates of net profit.

In 1946, over 65% of all insured banks reported a rate of net profit after taxes of more than 10% of total capital accounts, as compared with 55% in 1945, 37% in 1943, and 23% in 1938. In 1938, the earliest year for which comparable figures are available, 16% of the banks sustained a net loss, whereas in each of the last three years less than 1% of the banks reported a net loss.

There was little relationship between size of bank and the ratio of net profits to total capital accounts in 1946. This is shown by the distribution of banks according to amount of deposits. The smallest and the largest banks showed somewhat less favorable results than the intermediate groups. About 30% of all insured commercial banks had net profits in excess of 15% of total capital accounts. This proportion was exceeded by banks with deposits of from \$1 million to \$10 million each; the next smaller and next larger size groups showed a somewhat smaller proportion. However, only 14% of the smaller banks, with deposits of less than \$1 million each, and only 13% of the largest banks, with deposits of \$50 million or more each,

attained such favorable results. Furthermore, almost 25% of the smallest banks, with deposits of less than \$500,000, but only 6% of all insured commercial banks, reported net losses or net profits of less than 5% of total capital accounts.

In 1946, increases over 1945 were reported in all major categories of current earnings. Income from loans showed the largest gain, increasing 31% to \$951 million, the highest amount in any year since the establishment of Federal insurance of deposits. Income from loans accounted for 33% of total current operating earnings in 1946, as compared with 29% in 1945. This increase in the proportion of income derived from loans represented a reversal of the downward trend since 1942. Income from loans had accounted for from 42 to 49% of total current earnings in each year from 1934 through 1941.

The gain in income from loans resulted both from a growth in the volume of loans and an increase in the rate of income from loans. Average loan holdings were about one-fifth higher in 1946 than in 1945, and the rate of income on loans was about one-tenth higher. For the first time since 1939, there was an increase in 1946 in the rate of income from loans. This reflected some firming of interest rates, but primarily a change in the composition of the loan portfolio. Banks held a higher proportion of high-income-producing loans, such as consumer instalment loans, and a lower proportion of low-income-producing loans, such as those made for the purpose of purchasing and carrying United States Government obligations.

The amount of income on securities increased in 1946, as it has in every year since 1940. From 1940 through 1945, the relative importance of securities as a source of income had increased steadily. However, in 1946 income from securities provided 49% of total current operating earnings, as compared with 52% in the prior year. Interest on United States Government obligations increased from \$1,133 million to \$1,219 million in 1946. Interest and dividend income from other securities also increased, from \$167 million to \$177 million.

The average rate of income on securities rose to 1.56% in 1946 from 1.46% in 1945; the rate had declined in every previous year since 1937 when the rate was 2.68%. The average rate of return on United States Government obligations was higher, 1.49% as compared with 1.37% in 1945, reflecting smaller holdings of bills, certificates and notes, and larger bond holdings. The average rate of income on securities of other obligors declined further in 1946 to 2.34%, from 2.52% in 1945.

The remaining portion of current operating earnings—some-what less than one-fifth—was derived from various sources. Income from trust department and service charges on deposit accounts each accounted for slightly under 5% of total current earnings. These, as well as commissions, fees, safe deposit and real estate rentals, and other income grew at a rate commensurate with the growth in total current earnings.

Four-fifths of the increase in current operating expenses of banks since 1934 occurred in the last three years. All major cate-

gories of expense shared in the increase.

Salaries and wages, the most important item of bank expense in recent years, accounted for one-half of the increase in all current operating expenses over the three-year period. The largest increase occurred during 1946. The 1946 figure of \$831 million represented a 20% rise from 1945 and a 43% rise since 1943. The increase in the number of employees was a less important influence than higher salaries in causing the larger payrolls.

From 1945 to 1946, the average number of officers and employees increased 5 and 9%, respectively. The average salary of officers increased 10%; that of employees, 13%. From 1943 to 1946, the average number of officers and employees increased 11 and 17%, respectively. During the same period the average salary of officers increased 24%; that of employees 25%.

Interest on time and savings deposits, \$269 million in 1946, rose 16% from 1945 and 64% from 1943. The increase since 1943 accounted for one-fifth of the increase in all current operating expenses in the last three years. The passage of the Banking Act of 1933 provided for elimination of interest on demand deposits. Prior to that date interest on demand and on time deposits combined had been the largest single item of current operating expense in most banks, and consistently amounted to about one-third of total current operating earnings. Since 1933, interest on time and savings deposits has been the second largest single item of expense, after salaries and wages. From 1934 through 1943 the amount of interest paid on time and savings deposits declined as a result of the progressive lowering of the rate paid on such deposits. The significant increase since 1943 in the amount paid, in the face of continued decline in the rate, is attributable to the 81% increase in the amount of such deposits outstanding.

Taxes, other than those based upon or measured by net income, and recurring depreciation have fluctuated slightly from year to year, without significant change in level. Other expenses at \$526 million in 1946 absorbed 18% of total earnings and have increased in recent years at about the same rate as total operating expenses.

In 1946 insured commercial banks reported profits on securities sold, chiefly United States Government obligations, of \$209 million. Although this was 22% less than the 1945 figure, it was significantly higher than the amount reported for the other war years. Profits in 1943 were exceeded in only three other years of the 13 since establishment of Federal insurance of deposits. These profits on security sales contributed materially in 1946, as in 1945, to the high level of net profits.

Recoveries on securities, at \$60 million, were less than one-half the 1945 figure. Recoveries on loans, and recoveries and profits on other assets did not differ greatly from the amounts reported in recent years.

In 1946, insured commercial banks made provision for losses on assets by charge-offs or by additions to valuation allowances at the rate of about one-fifth of 1% of total assets or \$283 million. Recoveries in 1946 on losses previously charged off, and reductions in valuation allowances, amounted to almost three-quarters of charge-offs. As a result, the rate of net charge-offs in 1946 was only one-twentieth of 1% of total assets. In the preceding ten years, net charge-offs averaged about one-fourth of 1%, and during the first two years of deposit insurance were much higher.

Charge-offs on loans amounted to one-fourth of 1% in 1946. As in the three preceding years, recoveries exceeded charge-offs, thus resulting in net recoveries on loans

in each of these years. Charge-offs on securities were no higher than in the preceding year, but recoveries were much lower, so that net charge-offs were significantly higher than in the preceding war years.

Net Profits Before Income Taxes

Net profits before income taxes of insured commercial banks, at \$1,226 million, were 2% larger than in 1945, and amounted to 13.6% of total capital accounts. Both the amount and the rate for 1946 were more than double the estimated amount and rate for each of the prewar years since the inception of deposit insurance, except 1936.

Income Taxes

Federal income taxes, at \$301 million, were 9% larger than in 1945, and were more than four times the amount paid in 1942. State income taxes at \$22 million were virtually unchanged from the preceding year. Federal and State income taxes absorbed 26% of net profits before taxes in 1946, compared with 25% in 1945 and 15% in 1942.

Net profits after taxes, at \$902 million, were fractionally below the unprecedented amount reported in 1945. The rate of net

profit, 10% of total capital accounts, was higher than in any year, except 1945, since the beginning of deposit insurance.

Notwithstanding the unprecedented growth in net profits over the last four years, the rate of cash dividends declared by insured commercial banks has remained practically unchanged. The \$299 million of dividends paid, including interest on capital notes and debentures, in 1946 was 3.3% of total capital accounts. This conservative dividend policy is a continuance of the practice which has been characteristic of insured commercial banks since the banking crisis of 1933. In 1933 and each of the succeeding 13 years, dividends have amounted to less than 4% of total capital accounts. This represents a lower level than in any of the preceding 65 years or which adequate bank records are available. As a result of this conservative dividend policy the proportion of net profits retained for addition to net worth has been higher during recent years than during any previous period. In 1946, such additions to net worth amounted to 67% of net profits, or \$603 million. In recent years retained profits have constituted the major source of growth in total capital accounts.

Scores Truman's Budget Statement

(Continued from page 11)

any New Deal propaganda for more huge appropriations. Yes, the Presidential race is under way, but the people will not stand for any juggling of the Federal financial operations. That hits the pocketbook.

"Mr. Truman, in his political review of the budget, tries to leave with the country an impression that the Congress effected savings of only about \$1,500,000,000 in the expenses of the Government. He goes further and attempts to prove that when Congress makes the deficit appropriations he is certain will be made, the saving will be cut to \$500,000,000.

"Mr. Truman again refuses to accept Congressional responsibility for raising revenue and appropriating public funds. Last January, he said his budget was the final word, a rock-bottom, hard-boiled budget, which Congress should accept without question.

"Now, in his August statement, he again insists that he is the budget-making power of the government. He simply refuses to accept Congress' cuts, as is evidenced by his open declaration that so soon as the second session of the 80th Congress convenes he will ask for supplemental appropriations that will wipe out most of the savings made. Again he places himself above the constitutional powers of Congress.

"In summary, this is what the first session of the Eightieth Congress did on government expenditures:

"We cut the President's 1948 estimates by \$2,766,000,000. We rescinded funds that would otherwise have been spent amounting to \$442,500,000. We made recoveries for the Treasury that the President did not recommend amounting over all to \$911,700,000.

"This makes a total cut below the 1948 fiscal year estimates of the President's budget of \$4,120,800,000.

"In addition, we made cuts that were effective in making savings in the operations of the last fiscal year amounting to \$359,740,568. These figures add up to a total savings to the Federal treasury of \$4,480,664,303 that the Republican Congress accomplished.

"Mr. Truman, in his budget message to the Congress last January, recommended expenditures for the fiscal year 1948 amounting to \$37,500,000,000. That was his "hard-boiled" budget, which

turned out to be a padded budget. But that didn't represent all the padding.

"The President is neither fair nor frank with the American people. He bases his whole statement on the premise that his \$37,500,000,000 budget submitted last January was the maximum amount sought.

"He insists that it represents the maximum expenditures for the fiscal year and, on that basis, gives the Republican Congress credit for no more than a cut of \$500,000,000, a figure arrived at by setting up a billion in supplemental appropriations he says will be necessary early in 1948. These additional appropriations, he says, will wipe out a billion of the savings effected by Congress.

"Now this is all fallacious. The truth of the matter is that the \$37,500,000,000 Mr. Truman asked for did not constitute the sum total of his budget proposals. Not by more than \$2,000,000,000 does it constitute the total.

"After the budget was submitted, the President made a number of requests for additional appropriations which totaled \$2,023,252,213. Thus, his total budget requests went far above \$39,000,000,000 instead of the \$37,500,000,000 he now tries to make the American people believe was his top figure.

"Thus on the basis of his own recapitulation of estimated revenues and expenditures, the savings made by the Congress is more than \$4,000,000,000.

"The solid fact that no amount of bombarding by Mr. Truman and his men can change, is that the Eightieth Congress has made the best economy record of any Congress in a quarter of a century. The reductions we made in the Presidential budget were greater than any Congress has done to a Presidential budget since the budget system was established in 1923.

"We shall insist that the administrative branch come forward next year in a spirit of cooperation for economy and not stubborn opposition as they did during the first session of the Eightieth Congress.

"But with High Tax Harry doing the quarterbacking we have little hope of getting that cooperation. The moral of it all is that when the people, in 1948, elect a Republican President, who will cooperate with a Republican Congress, we will finish the job."

Canadian Securities

By WILLIAM J. MCKAY

With the probable consummation of the quarter-century old St. Lawrence Seaway scheme, U. S.-Canadian joint economic planning will have attained new heights. This grandiose project which will constitute a New World "Danube" will bring into being the world's potentially greatest commercial water-route. Reaching from the Atlantic Ocean into the heart of the richest industrial areas of this country and of Canada this vast deep-water sea-lane will forge a still stronger link between the economies of the two countries.

The importance of this project can not be measured solely on its value as a new sea-lane. Included in the overall plan are also schemes for the development of additional hydro-electric power, which will still further stimulate industrial growth especially on the Canadian side of the border. In this connection it is believed that the discovery of the vast high-grade iron-deposits in Northern Quebec and Labrador might turn the tide in favor of the project as a whole. Steel interests in this country are now envisaging the eventual exhaustion of the great Mesabi ore-bodies and are looking to new fields for future reserves. It now appears that the Labrador deposits will ultimately prove to be the world's major source of iron-ore and the materialization of the Seaway plan would greatly assist its exploitation.

There is thus every likelihood that Canada will eventually become a leading exporter instead of an importer of iron and steel. This, however, is not the only field in which the Canadian economy stands to gain as a result of this far-reaching project. It has long been recognized that Canada's greatest potential asset is the tremendous mineral-rich area of the Laurentian Shield.

So far only the outer surfaces of this two million square-mile geological freak of nature has been scratched but this alone has

sufficed to make the Dominion the world's leading exporter of base and precious metals. Hitherto the main obstacles in the path of fuller development have been the lack of adequate man-power and the difficulties of transportation. As far as the former impediment is concerned the Dominion is now tackling the immigration problem with commendable energy, and with the expansion of population hitherto virgin areas of the Laurentian Shield will be opened up to civilization. The problem of transportation and communications still remains, but just as the construction of the Canadian Pacific Railway created a new era of economic development, the construction of the St. Lawrence Seaway would have a similar stimulating effect.

A greatly expanded program of exploitation of Canada's enormous natural resources would not only help to solve the problem which faces this country of assuring future reserves of essential industrial requirements but it would also tend to produce a better balance of U. S.-Canadian trade. It would also constitute an important step towards the solution of the greater world problem which has arisen as a result of the universal imbalance of foreign trade. As a direct consequence of Canadian ability to create fresh reserves of U. S. dollars, Canada would be in a position to supplement once more the efforts of this country to sustain the economies of Britain and Western Europe, and thus the project of the St. Lawrence Seaway could constitute a valuable contribution to current plans for the rehabilitation of world trade.

During the week the bond market continued dull and inactive in both the external and internal sections with prices again on the downside. Stocks also declined after an earlier display of strength with the junior golds again displaying the most resistance to the general trend. Speculative interest is now apparently based on individual prospects and not on expectations of any change in the price level of gold. Labrador Mining & Exploration also displayed isolated strength following reports of imminent favorable developments.

Fedders-Quigan Stock Offered at \$11½ Per Share

Van Alstyne Noel Corp. on Aug. 21 announced the offering of 100,000 shares of common stock of Fedders Quigan Corp. at \$11.50 per share. The issue does not represent new financing on behalf of the company. The company, successor to a business established in 1896, is a nationally known manufacturer of a wide range of heat transfer equipment with about 15% of all auto radiators and 30% of car heater cores installed in new cars made by Fedders. Net profit in 1946 was \$902,511.

Edward Johnson Opens

RIVERSIDE, PA.—Edward F. Johnson is engaging in a securities business from offices at 403 Avenue D. In the past he was a partner in Ray, Johnson & Co. of Sunbury.

Roy B. Sundell With Greenebaum Inv. Co.

Special to THE FINANCIAL CHRONICLE
CHICAGO, ILL.—Roy B. Sundell has become associated with Greenebaum Investment Co., 39



Roy B. Sundell

South La Salle Street. Mr. Sundell was formerly with the trading department of Thomas E. King & Co. Prior thereto he was with Cayne, Robbins & Co. and Hicks & Price.

E. F. Hutton Co. to Open in Dallas

DALLAS, TEX.—E. F. Hutton & Company, member of the New York Stock Exchange and one of the pioneer wire houses serving the west, is expanding its facilities to serve Dallas, Texas. Quarters have been leased on the ground floor of the Magnolia Building in which will be established a modern, air-conditioned brokerage office. Private leased wire connections will be maintained with the firm's New York offices.

The firm first opened in Texas in 1935, with an El Paso branch office. The new office in Dallas will have 3,000 square feet of space and will open with approximately 15 employees. It will represent the firm's 22nd branch office. New offices were recently opened in Fresno and Bakersfield, California.

Allan H. Cray, western partner of the firm, stated, in announcing the opening of the new Dallas office: "Decision to open a Dallas office is the fruition of years of planning. The company's partners have had their eyes on Texas for a long time, and the expanding economy and promising future development of Dallas and the southwest made our location in Dallas a logical move at this time."

The office will be managed by Mr. Harold D. McEwen, who has been a resident of Dallas since 1937. Co-manager will be Mr. W. A. Taylor, now manager of E. F. Hutton & Company's Santa Monica, California branch.

Richard K. Hexter With Carter H. Corbrey & Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—Richard K. Hexter has become associated with Carter H. Corbrey & Co., 650 South Spring Street. Mr. Hexter was formerly President and Treasurer of Investment Fund Distributors.

Stock Trading Corp.

Stock Trading Corporation has been formed with offices at 551 Fifth Avenue, New York City, to engage in a securities business. Officers are Max L. Lipsky, President and Treasurer, and Herbert Sifton, Vice-President and Secretary. Mr. Lipsky was previously associated with Joseph L. Dixon & Co. of Chicago.

Reports Record Individual Incomes in 1946

Commerce Department estimates for 1946 per capita income for nation was \$1,200, or more than double 1940. Western farm states show greatest increase.

In almost every state total income payments to individuals in 1946 were at a record high, the Department of Commerce reported on Aug. 25. The per capita income for the country as a whole in 1946 reached \$1,200; more than double the \$575 average for 1940.

For the continental United States, the total income received by individuals last year was more than \$169 billion or approximately one-tenth higher than the previous record high of \$155 billion in 1945.

Income payments to individuals include wages and salaries, the net income of unincorporated businesses including farms, dividends, interest, net rents, and such other items as social insurance benefits, relief, veterans' pensions and benefits, and mustering-out payments to discharged servicemen. (The Department noted that it has not yet been possible to adjust its State Income Series to the new "Personal Income" data recently issued in the National Income Supplement to the "Survey of Current Business" of July, 1947.)

In the Central, New England, Middle East and Northwest regions, individual incomes in 1946 were 10 to 12% higher than in 1945. In the Far West, Southeast and Southwest, where the war effort had provided the largest income expansion, the gains in 1946 were of smaller proportions.

The largest percentage increases in total income in 1946 were registered by Iowa with a 27% rise, Montana, 20%; Minnesota, 18%; Wyoming, 17%; North Carolina, 16%, and Missouri, 15%. In these important agricultural states a sharp expansion of farm income during 1946 was primarily responsible for the large advances in total income payments.

In Florida, Louisiana, and Mississippi, where income payments in 1946 failed to rise, and in most states where the rise was considerably less than the national average, the lag is attributable to the curtailment of some important war activity—such as shipbuilding, aircraft production or the concentration of military and naval establishments—that had become a major source of income.

Both nationally and on a state basis the rise in income payments last year over the preceding year was due to sharp changes in the economy as a result of the transition from war to peace. Large

gains in trade, service, and agricultural incomes, in payrolls of nondurable goods manufacturing industries, and in veterans' benefits and pensions more than offset sharp decreases in payrolls of durable goods manufacturing industries, military payments, and Federal civilian payrolls.

From 1940 to 1946 the largest relative income gains occurred in the South and West. In all Southern and Western states except Montana, Wyoming, and Oklahoma, the rate of income growth in that period exceeded that for the country as a whole. On the other hand, in every Middle Eastern and New England state, income expansion over this period fell short of the national average.

Total income payments in the four Southern and Western regions rose 159% from 1940 to 1946 while in New England and the Middle Eastern states the gain was only 97%. These regional income shifts over the war period are an acceleration of trends in evidence from 1929 to 1940.

In almost all states per capita income last year exceeded wartime highs. In three-fourths of the states, the per capita income was at least double the 1940 level. In a number of agricultural states in the Northwest and South, the average income of individuals was two-and-a-half to three times as large as the 1940 average.

By states, per capita income varied from \$555 in Mississippi to \$1,703 in Nevada. Ranking next in order from Nevada were New York with \$1,633; District of Columbia, \$1,569; California, \$1,531; New Jersey, \$1,494; Delaware, \$1,493; Illinois, \$1,486, and Connecticut, \$1,465.

Most strikingly revealed in the 1946 per capita figures is the concentration of low-income states in the South. In 1946, all 15 Southern states were among the 16 states in the nation with the lowest averages. Although the difference in the average income levels between the South and the rest of the country has been reduced since 1929, per capita income of the Southern States last year was nearly two-fifths below the average for all states outside the South.

CANADIAN BONDS

- GOVERNMENT
- PROVINCIAL
- MUNICIPAL
- CORPORATION

CANADIAN STOCKS

A. E. AMES & CO.

INCORPORATED

TWO WALL STREET
NEW YORK 5, N. Y.

RECTOR 2-7231 NY-1-1045

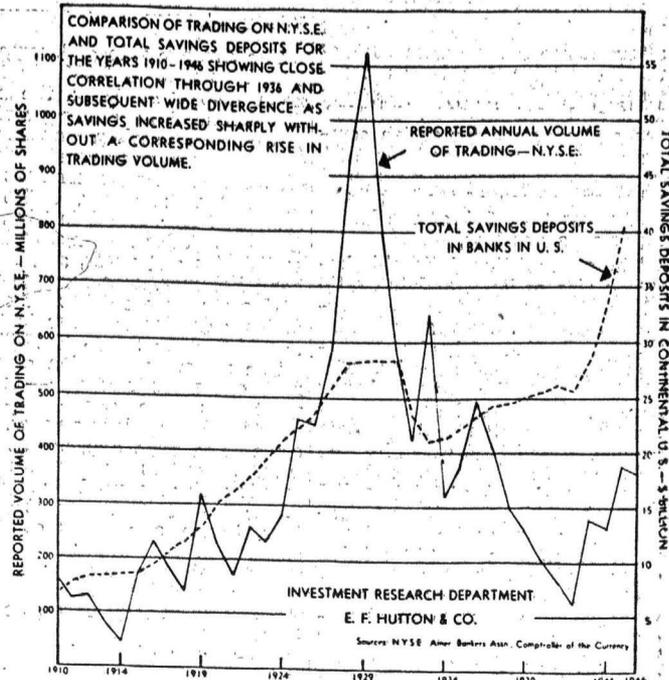
TAYLOR, DEALE & COMPANY

64 Wall Street, New York 5.
Whitehall 3-1874

CANADIAN SECURITIES

Government Municipal
Provincial Corporate

NYSE Trading and Savings Deposits for 1910-46



ITO Charter Drafted

So-Called Bill of Rights for International Trade, completed at Geneva, Switzerland, by representatives of 17 nations, will be submitted to a World Conference at Havana in November for approval.

Winding up a conference on Aug. 20, which began in October of last year, the representatives of 17 nations, which met in Geneva, Switzerland, to draw up a charter for the International Trade Organization, sponsored by the United States, Great Britain and other nations, have completed a tentative draft comprising 13 chapters to be submitted to a World Conference at Havana, Cuba, scheduled to convene on Nov. 21, 1947. The draft is the result of plans, conferences, and negotiations that have been taking place in New York, London and Geneva for a period extending over more than one year. Notably absent from the negotiations was Russia, which sent no delegates to Geneva and which has given no indication that it will be represented at the Havana Conference next November.

The 4000 word document, constituting the complete tentative draft of a charter, is characterized by Dr. H. C. Coombs of Australia as merely "a skeleton." He added "it remains for the governments of the world to put flesh upon its bones and breath into its nostrils." The chapters of the proposed charter cover subjects such as "Full Employment and Economic Activity"; "Economic Development"; "Commercial Policy"; "Restrictive Business Practices"; "Inter-Governmental Commodity Agreements"; "Settlement of International Commercial Disputes," as well as other special or general provisions relating to international commercial relations. There is a clause which provides for a compulsory review of the charter every 10 years.

Among the important items in the document is a general ban imposed on the use of quantitative restrictions on imports. Exceptions during the post-war transition period are allowed, as well as exceptions necessitated by the

operation of domestic programs for stabilizing farm prices.

The circumstances under which a country in balance-of-payments difficulties may be exempt from the general ban on the use of quantitative restrictions are defined. In the last analysis the decision as to a country's right to use such measures, including in extreme cases their use in a discriminatory manner, will be made by the International Monetary Fund.

The use of subsidies in international trade is authorized, provided such subsidies do not result in the sale for export at a price lower than the domestic price. This is the only section on which the United States was defeated. If finally adopted it would require a change in the system of agricultural export subsidies.

State trading enterprises under the proposed rules are committed to follow commercial principles in buying and selling and to avoid discrimination. A new clause requiring that state enterprises offer private enterprise a fair opportunity to compete for the purchases and sales of state enterprises has been added to the London draft. The article governing the conduct of complete state monopolies of trade has been dropped, since no such case exists outside the Soviet Union.

The charter aims to prevent practices on the part of private business that restrict trade or foster a monopoly.

The condemned practices include price fixing, exclusion of enterprises from markets, allocating customers, fixing production quotas and suppressing technology.

Sees Consumers Getting More Goods

R. C. Patch, Chairman of a business survey by Chicago Purchasing Agents Association, reports faster deliveries but with upward trend of prices.

Summarizing a report of the Business Survey Committee of the Purchasing Agents Association of Chicago, R. C. Patch, its Chairman, states that inquiry among members show that in July 40% reported lower backlog of orders, 57% faster deliveries and 64% higher prices. This, Mr. Patch concludes, "should mean that consumers are getting more and more of the things they are waiting for—at least those that still can afford them are."

"Generally faster deliveries," continues Mr. Patch, "which probably also mean more consistent deliveries of some of the critical items, apparently are keeping inventories evenly balanced at the current levels. Also, better deliveries are, no doubt, made possible by consistently high employment and production neither of which showed any tendency to decline from levels which we know to be at or near the highest ever attained. Prices are certainly on the increase again when we see that in just one month they have gone up for 2/3 of those responding to the survey."

Regarding price trends, Mr. Patch stated that "100% more members report they paid higher prices last month than those reported in the month of June, and this figure of 64%, is the highest since last March when the previous price spiral was at its peak."

"People formerly buying for shorter periods, i.e., hand to mouth to 60 days, are coming into the 90-day bracket. This perhaps means that confidence has returned and that the present price structure will not topple at least for the next few months.

As to the special question regarding a possible recession this year due to consumer resistance at higher price levels, the majority opinion is voiced by one member who says: "No, not until later. The fools want to spend their money." Several members said they thought the downturn would come next year with special emphasis laid on the first quarter of 1948."

Mr. Patch concludes that "with prices going up again and sufficient confidence returned to somewhat lengthen future buying periods, the recent fear of recession seems to have been pushed in the background. Our July report indicates business will be good at least for the near term, probably as long as products continue to move at higher prices. However, let us not forget, as buyers, that too much price inflation must eventually place many products out of reach and bring on the sharp downward reaction all business is anxious to avoid."

New Dan'l Rice Branch

WILKES-BARRE, PA. — Daniel F. Rice and Company, Members New York Stock Exchange, announce the opening of a branch office in Wilkes-Barre under the direction of Charles D. Wesley. The new office will be located in the Second National Bank Building.

Foreign Trade, Loans and Prosperity

(Continued from page 2) about two years, while Latin American balances, reduced to probably not more than \$2 billion would be exhausted within one year. Will the International Bank or the International Monetary Fund, the Export-Import Bank or private capital come to the rescue?

Steps Being Taken

In this connection, it is interesting to note that the International Bank (which already had loaned France \$250 million) has recently granted the Netherlands \$195 million on generally similar terms. The Marshall Plan, of course, is being shaped so that it is hoped that it will be determined how much the Western European countries, including Britain, can help themselves and each other, and how much they feel they will need from us to proceed with recovery. Increases in their production enabling greater exports to us would be important. Congressional action under the Marshall Plan is doubtless still some months away. Premier Attlee's new program indicates an intention to cut Britain's imports from us by several hundred million dollars, and

also to try to ease certain onerous conditions under our loan to Britain.

Proposed Remedies Vary

Former President Herbert Hoover has been recommending a variety of remedies against political and economic collapse which is freely and generously predicted. Prophecies in the realm of economics and politics are admittedly hazardous. Too many factors which cannot possibly be computed mathematically, must be studied. Opinions expressed, plans evolved or remedies proposed may be basically sound at one time, but may be wholly unsound at a later date, because of the speed with which events are moving.

Although the former President warns that extensive financial aid by the United States to the rest of the world could bankrupt the nation, it should be remembered that the assistance which the government proposes to render, directly or through various agencies, will not take the form of a transfer of American wealth to foreign countries. "Foreign" loans or "foreign" credits extended by the United States will, provided they

are of the constructive type, lead to greater business activity and greater employment in the United States, at the same time aiding the borrowing country to improve its own economic status.

Sound Loans the Test

Foreign loans per se never had led and never will lead to impoverishment of lenders, unless the proceeds are squandered or employed non-productively. On the contrary, refusal to assist in the rebuilding of other nations or to participate in the economic and financial activities of the world, may and will cause difficulties. A comparison between conditions which obtained in the '20s, when we were lenders, and those which were experienced in the '30s, when in general we were not, should prove illuminating.

What is far more disquieting is the fear the international crises might render inadvisable or futile any attempt to effect world reconstruction. In consequence, it would perhaps be wise to delay the issuance, on a large scale, of international loans until the existing friction is removed, and the fear which appears to have taken hold of the peoples of the world that a new cataclysm is imminent or inevitable, is eliminated or reduced to a minimum.

It is generally agreed that international debts can be met by the debtor through (a) the shipment of gold (b) the shipment of goods (c) the rendering of services.

Since the United States owns or controls the major portion of the world's gold, it is obvious that debtors cannot avail themselves of this method. The shipment of goods is rendered difficult through prohibitive levies on merchandise produced or manufactured advantageously by the debtor. Creditor nations should take into account this factor and revise their tariff policies in such manner as not to impede the debtor's problems incident upon meeting his international commitments.

Through the enactment of immigration laws and the continued ban upon immigration, a large number of debtors were deprived of one of their most important sources of dollars—remittances by emigrants to their countries of origin. It is of interest that prior to the war, remittances to Italy by Italian residents in the United States or Americans of Italian descent, totaled between \$50 and \$60 million—an amount equivalent to 5% on \$1.0 or \$1.2 billion. The existing statutes have greatly impaired this source of dollar exchange to which debtors might have recourse.

Conclusion

America's program to aid in world construction is sound on purely economic grounds and desirable for humanitarian reasons. However, in order to achieve concrete results, steps should be taken to eliminate or revise such existing legislation (tariffs, for instance) as may tend to impair or destroy the ability of the debtor to meet his engagements, and to pass new legislation required to aid international reconstruction. With intelligence and goodwill, the program to aid world reconstruction should achieve success. While Russian cooperation would be of great help, success is attainable if the nations have to go on without Russia, as they have often had to do in the past.

With Calvin Bullock

SPECIAL TO THE FINANCIAL CHRONICLE
DENVER, COLO.—Clyde E. Smith has been added to the staff of Calvin Bullock, Colorado National Bank Building.

UNITED STATES EXPORTS AND IMPORTS

(By selected periods and regions—in million dollars)

U. S. Exports to	1947	1946	1936-38		
			(Average)	1929	1913
Europe	5,730	4,098	1,243	2,341	1,499
Latin America	4,290	2,222	545	973	339
Far East	2,270	1,460	590	835	208
Canada	1,970	1,475	462	961	409
Africa	310	488	128	131	29
Total	15,070	9,743	2,968	5,241	2,484
U. S. Imports from					
Europe	740	796	709	1,333	865
Latin America	2,310	1,825	573	1,107	445
Far East	1,370	1,090	788	1,336	316
Canada	1,000	918	352	514	143
Africa	290	307	66	109	24
Total	5,710	4,936	2,488	4,399	1,793
Total U. S. Trade with					
Europe	6,470	4,894	1,952	3,674	2,364
Latin America	6,600	4,047	1,118	2,080	784
Far East	3,640	2,550	1,378	2,171	524
Canada	2,970	2,393	814	1,475	552
Africa	1,100	795	194	240	53
Total	20,780	14,679	5,456	9,640	4,277
U. S. Favorable Balance with					
Europe	4,990	3,302	534	1,008	634
Latin America	1,980	397	†28	†134	†106
Far East	900	370	†198	†501	†108
Canada	970	557	110	447	266
Africa	520	181	62	22	5
Total	9,360	4,807	480	842	691

Source: Department of Commerce. *Estimated on basis of figures available for the first half of 1947. †Denotes unfavorable balance.

No More World Bank Bonds This Year

John J. McCloy, its President, tells news conference Bank has half billion dollars for lending. Fears no British collapse and would make loan to England.

At a news conference in Washington on Aug. 26, John J. McCloy, President of the International Bank for Reconstruction and Development, said the bank does not intend to borrow more money through issuance of securities this year "unless unforeseen developments occur." The Bank now has about \$500,000,000 in United States dollars alone available for lending, and this sum is "adequate for immediate purposes."

McCloy told reporters that the bank would consider making a reconstruction type loan to Britain but added Britain has not given any indication that such loan is desired. He explained the British are "a sturdy people with good business sense and their internal budget situation is good." "History shows it is unwise to write off Britain quickly," he stated.



John J. McCloy

reconstruction type loan to Britain but added Britain has not given any indication that such loan is desired.

He explained the British are "a sturdy people with good business sense and their internal budget situation is good." "History shows it is unwise to write off Britain quickly," he stated.

T. J. Kilkenny Is Now With R. Showers

SPECIAL TO THE FINANCIAL CHRONICLE
CHICAGO, ILL.—Thomas J. Kilkenny has become associated with Robert Showers, 10 South La Salle Street. Mr. Kilkenny was formerly for many years with Rogers & Tracy.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government securities markets are still adjusting themselves to the September financing, although the rate of the uptrend has subsided somewhat after the initial rush to get into securities before prices went higher. . . . There is nevertheless a good demand around for all issues despite the fact that a part of the funds that were waiting the terms of the refunding have now been put to work. . . . The taxable bank-eligibles were again led by the longest 2½s and 2¼s, along with the intermediate-term 2s. . . . The longest partially exempts are still the pace-makers in this group with the 2¾s due 1960/65 the best acting issue. . . . Switching of holdings in the eligibles is by far the most important factor in these securities. . . .

The ineligible issues have had a better tone with a tendency to advance somewhat since the authorities have not been doing as much selling as in the past. . . . The longest 2½s have shown the way on the upside followed closely by the shorter maturities in the group. . . . Those that believe the outstanding restricted bonds will be helped by the new issue have been large buyers of the longest 2½s. . . .

Despite the strength in the government securities markets, which was brought about mainly by the low coupon short-term refunding, there is appearing now a feeling of caution among some investors. . . . There is nothing too tangible yet to tie this attitude to, and the numbers following it are not of sizable proportions. . . . Also there is no denying that some very important sizable portfolio rearrangements still have to be made. . . . This should have a favorable effect upon prices and activity in the longer-term higher yielding securities. . . .

CAUTIOUS

Some of the portfolio managers are, however, giving more than passing consideration to the general level of government security prices. . . . It is being pointed out that the market has had a fairly substantial rise in the past fortnight, sufficient in some cases to take prices of certain of the long-term obligations to new highs for the year. . . . At the moment there are ample reasons for the upward trend in prices of Treasury obligations but at the same time there are many uncertainties that cannot be resolved immediately. . . . The Treasury, since last April, has sold about \$1,400,000,000 of marketable securities in order to keep prices within limits that were considered desirable to the money markets. . . . The last two weeks have wiped out practically all that was accomplished during this period in prices of the eligible issues. . . .

While it is believed that the powers that be are not too heavy in bank securities that can be sold in the open market, there is, however, no feeling around that the authorities have lost control over the market action of the eligible issues. . . . There are still many devices that can be used to put a ceiling on quotations of these securities. . . .

Accordingly, at these levels some investors are not prone to make too heavy commitments especially when it is noted that not so long ago certain of these bonds made new lows for the year. . . .

INTEREST RATES STUDIED

Another element that is being considered is the trend of interest rates. . . . Short-term rates have been unpegged and the level is rising. . . . While it is believed this will be a slow gradual process, an element of uncertainty has nevertheless been injected into the money markets because the money managers could be more aggressive in their policies and bring about changes faster than might be expected if there be need for such action. . . .

Even now there is plenty of guessing as to what might take place on Oct. 1, whether there be a nine-months ¾s or a 1% issue. . . . The extent of the rise in short-term rates as well as the rapidity with which it takes place are coming in for more discussion because these will have an important influence upon the level of government security prices. . . . While stability in the market for Treasury issues is essential to the government as well as investors, rising quotations for bank issues would be a definite threat to such a condition. . . .

There seems to be little doubt that further spurts on the up side by the bank issues will meet opposition from the powers that be. . . .

COMBATING INFLATION

The new issue of non-marketable bonds is another factor that is being viewed with importance by money market followers. . . . Some believe that the inflation forces must be offset by more vigorous action by the monetary authorities and they feel that the forthcoming issue is the start of a debt management policy that will attempt to curb the uptrend in prices and consumers' loans. . . . This could be brought about by curtailing bank credit. . . . The previous action of the powers that be was to retire bills and certificates in order to tighten the credit base. . . .

Although the gold and currency factors make credit limiting more difficult, the sale of issues to non-bank investors would provide funds that could be used to retire bank-held issues and in that way cut down the loaning ability of the deposit institutions. . . .

STRONG DEMAND SEEN

While it is being pointed out by some money market specialists that the outstanding restricted bonds are more attractive than the proposed non-marketable issues, there is no doubt that the demand will be sizable for the new obligation. . . . Trust funds, according to reports, will be very heavy buyers, since they like this type of issue. . . .

Commercial banks with savings deposits, particularly smaller institutions, will also be important buyers, despite the fact that mortgages are being taken in larger amounts by these banks. . . . Insurance companies and savings banks will also buy it. . . .

The absorption of a fair amount of the non-bank institutional demand by this new offering could do much to ease the problem of the authorities in controlling prices of the restricted issues.

What Is the Future of Air Transportation?

(Continued from first page)

I make no claim as an expert analyst of this rapidly changing and developing industry. It has been most appropriately said by someone in the industry that the only monotonous thing about the air transportation business is the continuous changes taking place in it.

Any new industry, I suppose, but particularly aviation with all the glamour of its early stages, has attracted ambitious youths, as well as many who are not too ambitious and not very young. Too often I think, for the good of aviation, these newcomers—who are most certainly welcomed by the old guard—have practically, overnight, mastered the experience of some 20 years in the industry and unwisely undertaken to inform the public, with unerring assuredness, exactly what made the business tick in the past, what its present ailments are, and precisely what the infallible cure is.

Erroneous Analytical Statements

Many of the analytical statements and comments prepared and circulated by financial institutions, investment counsel organizations, brokerage houses, financial publishers, etc., concerning the air transportation industry, are just so much bunk. Either they do not take the pains to find out the real story from the very inside or they are incapable of understanding the various issues which confront the industry or to consider the good points inherent within it. Very often this type of analysis does a great deal of harm to an industry and it is particularly true of air transportation. Many articles and statements persistently appear in various publications as gratuitous offerings of not-too-well-informed public officials and self-styled experts who, even though they have the best interests of air transportation at heart, too frequently defeat their purpose by an inept and unsound approach to the problems upon which they expound. We must not forget that there are those groups whose motives are not so pure and who seek public expression for the avowed purpose of retarding or obstructing the development of air transportation for purely selfish motives. Despite all of this, aviation and air transportation have long since crossed the threshold of uncertainty and they are here to stay and to develop under conditions which offer opportunities seldom, if ever, equaled in the history of American enterprise. My hope, and my advice, is that the public will choose wise and unbiased counsel now in forming its judgment of air transportation prospects and that it will become neither fanatically optimistic nor adversely disillusioned by unqualified and insincere informers.

It is my belief that the market has too long oversold airline stocks. Obviously there are certain airlines whose situations are now very critical and they may not survive the closing months of the transition period with which the industry has been faced since the close of the war. Most of the certificated airlines, however, have already passed the doubtful stages of survival, if they ever had one. These have profited in a great many ways from adversity and are better prepared to face the future than ever before.

Airline Development

The air transportation industry of this country was conceived and developed, up until a few years before World War II, largely by pilots who were trained in World War I. Only a few far-sighted fi-

ancial interests and a handful of philanthropists and industrialists participated in the financing of the industry in the early stages of its development. Most airlines, up to the beginning of World War II, had found it consistently necessary to plow back every cent of earnings into the development and acquisition of new, improved and more economical aircraft of a type having higher payload capacity. Then came our entry into the war and every certificated airline, including Colonial, was required to turn over a very substantial portion of its equipment to our military services. Colonial contributed the highest percentage of total-equipment-owned of all the airlines in the United States—6 of its DC-3's out of a total of 8 and at a time when there was the greatest public demand ever before experienced for its air transportation service.

True, all airlines were compensated for this aircraft. To further the program, most of them took on diversified war activities for the Government such as aircraft modification, pilot and mechanics training programs and military cargo transportation services. These activities were akin to the business of air transportation but they were nevertheless, considerably different in technique. Most of the airlines found it necessary to increase substantially the number of their employees and to take on personnel with a higher degree of technical skill at a much higher wage scale. Also, their expanded activities necessitated greater decentralization for the different types of military activities at considerably greater overhead costs. On the whole, however, the airlines were reasonably and adequately compensated under the military contracts and their revenues per-unit-of-equipment-remaining-in-commercial-airline-services reached an unbelievable all-time peak. Nevertheless, at the same time the costs, labor, parts and material mounted rapidly while their tax bills reached an all-time high. The plain and unadulterated truth is that the industry, at the time, simply was not geared nor sufficiently experienced for the war-time tasks it undertook, much less for the transition back to normal airline operations which followed the war and the cancellation of war contracts.

During the lush period of an industry that had always before had to scramble—so to speak—to meet next week's payroll, it is not astounding that there were some extravagant indulgences. Such extravagances as excessive inventories of both parts and equipment probably are responsible for the financial difficulties with which two or three of our airlines are faced today. Never before had the airlines been concerned with any problem of high earning tax brackets, etc., and when the war contracts were cancelled, new problems faced a new industry with new experiences and obviously some of them reacted too slowly, perhaps, to the realities of the situation. Under the circumstances it was inevitable that there would be some casualties in the air transportation business as an aftermath of war activities just as there were bound to be in other businesses.

Optimistic Trends Outweigh Adverse Factors

I am sure, however, that if you, as a group of analysts, will pause now to take stock of the situation, you will agree with me that the optimistic trends in the air transportation industry today far outnumber and outweigh the adverse factors. Let me review for you briefly the basis for my judgment.

At the close of the late war there were but three types of aircraft available, in sufficient numbers, which the air transportation industry could acquire for the purpose of supplementing their fleets to meet the vastly expanded requirements of an air-minded public. These were the DC-3, the DC-4 and the Constellation, none of which were economical at prevailing cost levels, unless they could be operated at exceptionally high load factors. The market for the military version of these airplanes was controlled by the War Surplus Administration of the Government and were available at what seemed to be moderate and economical values. Undoubtedly, I think, this fact induced some airlines to overequip with certain types of planes which were not economically suited for short-haul operations or for the traffic requirements of some marginal routes which these air carriers had in operation. The really damaging factor, however, came about by reason of the excessively high modification costs of these types of aircraft for commercial operations. The trend of the times was toward higher prices and higher wage levels and most airlines found that when they finally got what appeared to be a cheap military airplane, modified for commercial operations, it stood them on their books at a price equal to or greater than the amount for which the aircraft could have been acquired new, and they still had an obsolete plane on hand. It has been only during recent months that any modern, economical, commercial aircraft has become available for replacement of this obsolete equipment. I think you will find that the dismal-appearing earnings statements of most airlines during the past eight months are traceable, in part, to the book losses incurred by the various airlines through the sale of these airplanes in a thoroughly saturated market. For example, modified DC-3 airplanes which were carried on the books of some companies at from \$100,000 to \$150,000 each, are now going begging at \$20,000 and \$35,000 when offered for sale. Much of this type of loss has already been absorbed by most airlines and they now face the future of expansion with new and more economical equipment which is becoming available in larger numbers daily and, by and large, the airlines will have replaced all obsolete models within the next three years.

There is another factor—greatly overpublicized—which has been given as the principal ill of the airlines during the past two years—Accidents! The effect of accidents is usually seized upon by those seeking a ready-made excuse for diminishing airline revenue. Obviously accidents and weather are ever present factors with which the air transportation industry is now, and will for years, be plagued. All transportation mediums will inevitably suffer accidents and their resultant effects. The thing which has accentuated the effect of accidents in the air transportation industry recently has not been so much the accidents themselves but the over-emphasized publicity which followed. What parallel can you find in ground transportation that can compare with the crash of a single plane carrying commercial passengers? For example, a recent airplane crash at LaGuardia Field was followed immediately with two Congressional investigations and CAB hearings which held the headlines of our nation's publications for months and all the gruesome details, including front page pictures, were displayed to the public in the worst possible light. By contrast, consider a

boiler explosion on a locomotive which causes the death of a number of persons. Generally speaking, it would be unusual if you were able to find an account of that accident unless you examined carefully the fine print obituary column in a local newspaper. There will always be accidents in transportation systems. In air transportation there will always be a never-ending need for technical development of ground-aid systems for landing and takeoff procedures designed to minimize the possibilities of accidents. The airline industry has never been financed for the purpose of bearing the load of all such developmental costs and it should not be expected to do so. We happen to be going through a pre-election period of an economy-minded Congressional trend, but I am sure that there is no disposition upon the part of Congressional and Governmental authorities to diminish the aid necessary for the air transportation industry to survive this critical period. The Federal Government must continue to support the development of new aircraft and expand, rather than retard, its investment in airway-aids and navigation-controls in the interest of the National Defense, if for no other reason.

Now, let us look further at the general situation more objectively for a minute and appraise a few of the facts on the credit side of the airlines ledger. Last year, which admittedly was not a good one for the air transportation industry, the airlines of the United States had scheduled revenue miles equal to 28.76% of the total Pullman passenger miles and, in December of 1946, reached a peak of 44% of Pullman passenger miles. That, I submit, indicates a very commendable penetration of the luxury travel field. With respect to air express and air cargo, the industry has barely scratched the surface. Last year, air express equaled only 3.2% of the railway express volume so in that field alone there exists a tremendous potential of new business. In 1946, airline passenger revenue amounted to \$275,000,000, while air express revenue amounted to \$13,500,000. The railway express volume was \$416,000,000 with a per shipment average of only 56 pounds. Certainly no one could ignore the potential field in air express which the airlines have to exploit just as soon as equipment can be designed for that purpose than can be operated on an economical basis.

Among the adverse factors which our industry is today facing is one, in particular, which is by no means peculiar to the air transportation business alone. It is well known that the trend of the last year toward ever-increasing living costs has had its psychological effect upon a travel-minded public. Higher rents and grocery bills leave an indelible impression on people, generally. Naturally, Colonial's business has been affected by this factor because of the high percentage of services which it performs to such resort areas as the Thousand Islands in Northern New York State, the Canadian Laurentians, Lake Champlain in Vermont, and to Bermuda. It has been a perfectly natural thing, but certainly only temporary, that our patrons have become economy-minded with the exorbitant increase in living costs and have shortened their vacation periods as well as the length of the journey to recreation areas. However, I find no indication that any great number of our resort travelers are financially unable to continue their recreation habits. They have simply slowed down temporarily to take stock of the situation and what we have lost in resort travel, I firmly believe will be more than

made up in commercial travel as soon as there is the slightest break in the high priced trend of commodities. There seems to be a tremendous pent-up demand for almost everything including air transportation and I look forward to the future with the greatest optimism.

Colonial Airlines

Now let us look at Colonial Airlines, the oldest international airline in the world. It operates through some of the toughest weather known to aviation and yet over the last 17 years, going on 18 now, it has built up an unsurpassed safety record of which it is justly proud. Colonial Airlines in 1938 was a hodge-podge extending from New York to Montreal. The air mail contract held with the United States Government ran from Albany to Montreal and did not extend on into New York. When I took over Colonial Airlines, it had one employee—a bookkeeper. It had no airplanes, no pilots, no stewardesses, no mechanics and no sales force. All of these things were hired from American Airlines when, and if, needed.

From that meager line extending from New York to Montreal—a distance of 335 miles—Colonial is today a system with a total of 2,989 miles. This growth has been achieved through sweat from the brows of the employees of this line. We are only now consolidating our positions and praying that the Civil Aeronautics Board will go yet a little farther to connect up the lines so that we can get the maximum of utilization from the equipment which we own.

As you may see from the maps, the domestic lines of Colonial are very much like an inverted U, one leg of which rests on New York, the other on Washington, D. C. In the north, one end of the U is at Ottawa, the other at Montreal. Obviously, we must have a connection between Washington and New York. If you will look at the map, you will see that we have also applied for a route from New York connecting with Route 71, either at Binghamton or Syracuse, on to Rochester and Buffalo, New York. If this route is granted to us, it will make that portion of Route 71, extending from Syracuse to Ottawa, a most profitable one. The people in this section of the country do their business with New York City. They are not interested in going into Pennsylvania or into Washington. They want to come into New York. When we originally made application for this route, we asked to be connected with New York but the Civil Aeronautics Board did not see fit, at that time, to grant our application for the leg from Syracuse or Binghamton to New York. The result is that the route from Syracuse to Ottawa has been of little use and has been a source of considerable loss to the company itself.

The status of the cases mentioned is simply this: The hearings have been held before the Examiner; all of the briefs have been submitted; the Examiner has rendered his recommendations and among them is a recommendation that Colonial be extended from New York to Washington and that we be connected between New York and Route 71 either at Wilkes-Barre-Scranton or Syracuse. The case has been argued before the Civil Aeronautics Board itself and we are awaiting a decision. What this decision will be, we do not know but we are most hopeful because we firmly believe that the CAB is seriously and courageously seeking to solve the problems of the airlines of the United States. It is self-apparent that these connections are required in order to make it possible for the management of Colonial Airlines to obtain efficiency

of operation through the utilization of equipment. Besides, the traffic demand requires additional service in those places to which we have made application.

Should we be connected between New York and Washington, it will permit Colonial Airlines to fly from New York to Philadelphia to Washington to Bermuda and this, in itself, will be a tremendous source of revenue.

Colonial has many other applications pending. They have not progressed far enough for us to voice any hopes or opinions as to the likelihood of action by the Federal Government. All of them are designed to increase the efficiency of our operations by giving us a well-balanced air transportation system. If we are granted the lines which have been recommended by the Examiner in the Middle Atlantic States Case, Colonial will find itself, for the first time in its history, a well established airline and with the utilization of equipment which it will be able to get, it is bound to be a very substantial profit-making company.

Opportunities in Air Line Stocks

You men are analysts and you must be good or the companies who hire you would not have you in their employ. I do not claim to be an analyst but I have had a great deal of experience not only in air transportation but also in finance. I believe some of the best opportunities in the present stock market are to be found in airline stocks. I do not believe that they are going to skyrocket in a few days of a few weeks but, I do firmly believe that for speculative capital seeking a place to rest and increase over a period of time, there is no surer place than in air transportation companies, carefully selected. Airlines cannot be judged from the outside. They must be studied from within. I say this only because I remember buying American Airlines at \$1 a share. Very fine brokers told me I was crazy. That stock has since sold up to \$200 for each share for which I paid \$1. I remember, also, taking over Central Airlines just 24 hours before it was to stop operations. The stock cost me nothing. Everybody said I was crazy—perhaps I was—but the fact is that I kept it for 15 months and it paid several hundred thousand dollars profit to me for the labors put forth. In 1938, I took over Colonial Airlines. It was selling for much less than \$1 a share and nobody wanted the stock. Since that time it has sold up to, I believe, some \$43 a share. I think this is giving the stockholder a very nice run for his money. And yet in 1938, and for some time thereafter, nobody wanted to buy Colonial Airlines. I will tell you why I believe the airlines are a good speculation and, what is more, for money which is not immediately needed, I think it can even be called an investment.

Since the dawning of time, man has had a dream. It made no difference whether he was walking along the seashore; whether he was climbing over the rugged rocks of mountain passes; whether he was riding a camel across the desert wastes whether he was in a rowboat trying to get from one place to another or in a canoe trying to paddle his way up or down primitive streams, he had a dream—just one really great dream. Later when there were sailboats, he still had this dream; and later still when steam had been harnessed and there were railroads he continued to dream. What was that dream? That dream, gentlemen, was for the ability to fly. That was the acme of transportation. From the beginning, every mode of transportation knew that one day it would

be succeeded by the ultimate in transportation—flying! That was the dream in the minds of men. We have reached that dream today and I have found no individual who has any thoughts over and beyond the art of flying. For the first time in any industry, we have the ultimate. There is no new invention that is going to take the place of flying; there is no new form of transportation about which to dream. There may be improvements in the art of flying but it still will be air transportation. When you find an industry of that sort, isn't it a pretty good place to put some of your money? You know that whatever may come, man is going to continue to fly. Gentlemen, flying is here to stay! Whether or not that is a generally recognized fact, I question whether any man acquainted with transportation world, for a moment, argue that point.

Summary

To summarize, I would say that the airlines of this country, some months past, weathered the critical point of the transition period and they are now definitely upon an upward surge which the public has been slow to realize. What the industry needs most is now, modern, economical airplanes. Such aircraft, I am sure, is to be found in the new DC-6s, Constellations, Convair 240's, Martin 202's and in the new Boeing designs. As I pointed out, most airlines, and I can speak authoritatively for Colonial, have already disposed of

enough of their obsolete aircraft to meet the conditions of the times and have already absorbed book losses incident to this necessary transition from the old to the new and are now preparing to replace their fleets but with greater wisdom and prudence than has been exercised in the past.

May I leave a final thought with you regarding Colonial Airlines? In the past Colonial has had no winter flying routes; no place to make money during the winter months. Now we have Bermuda—from New York to Bermuda and from Washington to Bermuda. The heaviest seasonal travel to Bermuda is in the winter time, so we now have a place to give service and a chance to make money during months which heretofore have been our heavy losing period. In past years, we came up to March, with a heavy handicap in the shape of deficits. With the Bermuda route, this will no longer be the case. We will go into the year 1948 with assurance that we have, at last, an opportunity to equalize our income over the year; we will have no great losses to overcome when the heavy domestic traffic begins again.

I hope I have instilled in you, in some small measure, the faith and the optimism with which I am filled and that in your analyses of the future of air transportation you will be able to detect and publicize some of the pertinent factors which I have endeavored to direct to your attention here today. Gentlemen, I thank you.

Denmark Gets \$40 Million From World Bank

On Aug. 22, it was announced that the loan of \$40 million, under contemplation for Denmark, was granted. This is the third loan granted by the International Bank, France and the Netherlands already having received \$250 million and \$195 million, respectively. The Denmark loan is for the purpose of hastening economic recovery in that country by enabling the importation of farm and textile machinery, machine tools and

due payments of principal, which are in dollars.

The loan is designed to hasten Danish economic recovery by making possible imports of agricultural and textile machinery, machine tools, trucks, steel products, textiles and chemicals. With its national budget in balance, production increasing and wage levels under control, a degree of economic stability appears to have been reached and Denmark is in a position where the assistance afforded by the Bank's loan can become quickly effective. The loan constitutes approximately 8% of the contemplated capital expenditures to be made by Denmark during 1947-48, the great bulk of the reconstruction effort depending upon private enterprise and financing. Under the Loan Agreement, the Bank will be furnished with full information concerning all goods to be purchased with the proceeds of the loan and their utilization and will satisfy itself about the end-use to which all purchases are put.

"The Danish loan is in accord with the Bank's mandate to foster economic recovery of member nations in the interests of world trade. This external financial assistance is justified by the record of the Danish people in their endeavor to regain economic stability and in having attained their present rate of production and exports."

"Previous loans made by the Bank were the \$250,000,000 loan to France, for which an agreement was signed on May 9th of this year, and a \$195,000,000 loan to The Netherlands, signed Aug. 7th."

Turkey Seeks Loan

It is reported from Washington that Turkey, unable to get a larger credit than that already allotted from the U. S. Treasury, is preparing a detailed application to the International Bank for Reconstruction and Development for a \$400 million loan, the funds to be used to modernize and reconstruct Turkish industry, transportation and agriculture. Turkey during the last two years has been trying to get a credit of \$500 million from the Export-Import Bank, but without success.

"Before the war, Denmark had never defaulted on any external debt. During the German occupation, with most of its foreign assets blocked, Denmark continued full interest payments in the United States, Switzerland, and Sweden, but was compelled to suspend payments of principal. In England and certain other creditor countries, interest as well as sinking fund payments had to be suspended, again as a result of the blocking of assets, but payments were resumed in 1945. There are now no arrears of interest due in any country and the Danish Government has advised the Bank that, as soon as the public markets permit, Denmark intends to refund the only remaining over-

John J. O'Brien to Admit

CHICAGO, ILL.—Alvin H. Hayward will be admitted to limited partnership in John J. O'Brien & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges, on Sept. 4th.

Abbott, Proctor & Paine

Lloyd Dabot Briggs, general partner in Abbott, Proctor & Paine, 14 Wall Street, New York City, members of the New York Stock Exchange, will become a limited partner effective Sept. 1st.

The World Crisis

(Continued from page 5)
This was a period of slow re-trenchment and retreat.

Since the last war, however, the tempo has increased. Great Britain has no chance of covering import surpluses by her current invisible income. You know as well as I do how badly the gap has deteriorated in the past few months. Some observers believe that this gap can never be closed through export drives based on Great Britain's present industrial structure. They believe that a complete rehabilitation and modernization of industry, involving billions of investment in new machinery over a substantial period of years, will be necessary.

France, I believe, is even worse off than Great Britain and probably much closer to a political crisis of great magnitude. The government is weak because it must rely on a balanced power between two hostile forces—the Communists on the one side and the de Gaullists on the other. At the moment neither can attempt to seize power first, but either could probably seize power if the other precipitated a crisis. Both camps have hidden arms.

Under such circumstances, I can see no easy solution for France's economic problems. The economy is unbalanced and unstable. The strength of labor makes it impossible to stop the inflationary spiral at its expense and the government cannot drastically cut its own public expenditures without undermining its own position. French economic experts appeared utterly fatalistic in many personal conversations that I had with them. De Gaullists and Communists mark time, preparing for a final clash, and economic stability is much more likely to come after a great crisis than it is before. Politicians and economic experts alike recognize the fact that France is in the process of going through the wringer, but can see no way to stop it.

Nevertheless, Western Europe Will Not Fall Under Russian Control

What I have said so far, particularly about France, would seem to indicate that conditions are ideal for the Communists to come into control. Inflation, deflation and human misery provide a climate in which the Communist usually flourishes. Indeed, I would not want to predict that the Communists may not come into control in some areas or, at the very least, that their influence will not increase. Nevertheless, I do not believe that Western Europe will fall under Russian control.

Despite Russia's iron curtain a considerable amount of information leaks out. We have considered it of utmost importance to keep close track of Russia's economic position. It is not good. I have met no well-informed person who believes that Russia has anything but the greatest of economic problems. The regime is again building war industries at the expense of its population. Police control has had to be tightened frequently and emergency measures taken to exploit the resources of satellite areas. Russian soldiers who came into contact even with the meager living standards of South-Eastern Europe have been difficult to control and there have been many purges.

This does not mean, of course, that Russia will not continue to precipitate political crises. Russia is gambling for high stakes and must take risks accordingly. Each crisis, moreover, has a distinct value for home consumption, the population being keyed up to ever-greater sacrifices by the threat of a capitalistic attack.

Russia, I have no doubt, would very much like to control Western Europe if this area were economically sound. Under present conditions, however, she could not di-

gest it. She would occupy it, no doubt, if that occupation were part of an immediate preparation for war against the United States. Otherwise, however, it seems to me that no greater burden could fall on Russia than to gain control of Western Europe at this moment.

This is not at all inconsistent with her course of political action. As long as the Western World fears that she will come into control, she will most certainly threaten to do so. I believe, however, that it would be a great shock to Russian leaders if they were told bluntly that they could have Europe.

Will United States and Russia Fight Over Europe?

Those who fear that there will be a war within the next two or three years in effect believe that the United States and Russia will fight over Europe. They do not expect a direct attack by Russia on the United States, and they recognize that an unprovoked attack by the United States on Russia is a practical impossibility. They fear, however, that some spark ignited by the struggle for control of Europe will set off a conflagration.

I cannot, of course, completely eliminate this possibility. I believe strongly that Russia would not want the responsibility of complete control of Europe at this point, although strategy would dictate its seizure if there were to be an early attack on the United States. Nevertheless, Russia almost certainly will continue to create crises and difficulties, taking bold and aggressive actions which, although there might be every intention to withdraw from them short of war, might through political oversight and blundering actually lead to war.

From the viewpoint of the United States, it would be very difficult to gear public opinion to another war unless there were a direct attack. I do believe that the United States will be firmer and plainer in drawing certain lines in Europe, but I believe that this will clear the atmosphere rather than lead to battles.

Another factor must also be considered. As Marshall proposed, the United States would like to see some sort of a stable Western Europe develop. There are great difficulties in the way, however, a fact which is certainly known to Russia, as well as to anyone else. Since any failure of United States policy in Europe would tend to discredit us, we may assume that Russia is not too unwilling to wait and see how things turn out in the next year or two.

Compromise Still Possible

It is impossible to guess now what will happen in the next year or two. We do have a basic situation, however, where Russia does not want to take too much open responsibility in Europe under present circumstances, and where the United States is willing to take some responsibility but must deal with an uncertain public opinion at home. I can see a distinct possibility that both countries may want to withdraw from Western Europe within the next year or two and that some compromise may still be worked out on the future of Germany. I don't say that this compromise would be a permanent solution. In fact, I am afraid that it would be merely the precursor to a lengthy political struggle that might go on for a decade or two. Nevertheless, such a compromise, if it came after a period of acute crises and war scares, might be hailed with great enthusiasm and might in fact lead to undue optimism about the future.

European Plans Non-Integrated

Most of the countries in Western Europe already have plans of one sort or another. The import-

ance of the State as a controlling factor in the economy has increased greatly in Great Britain, France, Sweden and other countries. It is the function of the State to plan. Since the individual States do not lie within a single customs union, the plans are made individually and not for the States as a group. Each country attempts to develop its resources without reference to other countries.

This type of planning, it seems to me, is not very effective. None of the countries possesses resources that provide any assurance that these plans can be carried out. Most of them will require substantial help from the outside unless the period of development is to be so long that unpredictable crises will occur in the meantime. Furthermore, it might be much worse if all the plans succeeded than if they failed. Since they are non-integrated, each country, at the end of a successful development period, would probably find its new capacities and resources duplicated in other areas, and far greater than the market potential.

Marshall Program

Secretary of State Marshall hoped to get around this difficulty by making United States aid dependent on more integrated planning than would otherwise result.

You realize, of course, that there is no Marshall plan as yet. European countries and many government agencies of the United States are working on various studies, from which some plan may ultimately be evolved. I am practically certain that some further United States loans will be made. Again, however, I feel pessimistic about the evolution of a real European plan.

First of all, there is the problem of Germany. The cost of reviving and stabilizing Europe would be heavy enough if German industry were rehabilitated, and it would be even heavier if it were not. However, France quite naturally wants safeguards against future revival of German militarism. No government in France can hope to hold power if it goes too far in agreeing to revival of German heavy industry. Communist influence in France waned during the period of the railroad strike but it revived sharply when new occupational directives made it plain that the Morgenthau plan was in the process of being junked.

Furthermore, there are bound to be disagreements about what will be the chief motivating force of European recovery. As you know, more and more of the European states have been following the policy of state planning. In the United States, however, dependence is still placed on competition as the main factor in shaping an economy. Europe, in short, has said that each state will plan within its own boundaries, developing capacity at a loss if necessary, and spending heavily on public works if necessary, in order to support the working population. The United States believes, however, that something on the order of a European customs union, which would ultimately eliminate economic boundaries even though political boundaries were unchanged, would force each government to follow a more rational policy of investment. The competitive factor would be ever present, and vast sums of money would not be spent in developing new capacity, except on an economically sound basis.

Canada Vitrally Affected

What I have said so far deals with a general framework. There will not, I believe, be another war within the immediate future. Neither, however, will there be a lasting solution to world economic and political problems. I hope, but

I am not convinced, that developments of the next 10 or 15 years may still prevent another war at some later date. Meanwhile, attempts to settle immediate problems and to create a long range stability will affect every country in the world. Canada and Canadian trade will be no exception.

Monetary Problems Far From Settled

The purpose of the International Monetary Fund and Bank was to produce an over-all exchange stability. Again I am forced to be pessimistic about this possibility. Currency stability requires a high degree of world equilibrium. Under such conditions, minor fluctuations could be tempered by the activities of the International Fund and Bank. From a practical viewpoint, however, I believe we should expect that many sovereign units will form themselves into the three following groups:

(1) A dollar area, consisting mainly of the Western Hemisphere with some exceptions. Canada and a few Latin American countries will probably not be members of the group, although restrictions on commerce will be non-existent or minor.

(2) The sterling area will continue to exist.

(3) Other countries, including Canada, will be more or less related to both the sterling and dollar groups, while retaining independent policies to a great extent.

There is not much doubt in my mind that the United States will modify the two loan provisions that are causing Great Britain the most trouble at the moment. I refer to the non-discrimination and sterling convertibility clauses. Sooner or later, however, sterling will again become convertible, even if these modifications are made in the meantime. It seems likely that New York will become some kind of an international center for the purchase and sale of sterling funds outside of Great Britain. The Bank of England may be expected to take a great interest in the sterling rate in New York.

Trade Problems Acute

It seems to me that Canada has several important trade problems. Canada's foreign trade has not yet readjusted itself to the post-war changes in the world economy. In 1946 Canada had a heavy export surplus with the United Kingdom and with other sterling countries. There was a substantial import surplus, however, in trade with the United States.

Some financial leaders in the United States believe that Canada will have to ask for a dollar loan within the next six to twelve months, or impose restrictions on imports from the United States. However, it is not impossible that these measures can be avoided. Canada is an attractive area for United States investments. There are invisible factors in the trade balance that tend to offset Canada's import surplus. Relative to current rates of activity, in fact, this surplus is not much greater than prewar.

Canada will, however, be affected by any sharp decline of European purchases, perhaps even more than the United States. Moreover, this trade to a certain extent depends on the ability to convert sterling into dollars. On the whole, it seems likely that there will be a shift in Canadian trade, with greater emphasis on exports to the United States or to the hard currency areas. This implies basic changes, however, since many of the products formerly sent to Great Britain would not find a ready market in the United States.

The "London Statist" suggests an easy solution for Canadian trade problems. "Canada, for instance, relies in the main upon the proceeds of her exports to Britain for the exchange she needs to

purchase consumer goods in the United States. Dependent as she is upon exports for such a large part of her national income—the proportion is as high as 28%—her policy in the event of the exhaustion of British dollar reserves would presumably be to endeavor to maintain her exports to Britain and, at the same time, switch as large a part as possible of her purchases of manufactured goods from the United States to the British market."

Frankly, I do not believe that the solution will be that easy. It will be difficult to switch purchases of manufactured goods from the United States to the British market, at least until such time as British production has increased a great deal above current levels.

Canadian-U. S. Relations Favorable

I do believe, however, that the economic and political relations between the United States and Canada are a bright spot in an otherwise dark picture. Both Canada and the United States have some domestic problems to solve within the next year or two. Canada and the United States, however, are tied together through their strategic position and their common interests. Both of these have broad implications regarding the development of industrial and raw material resources. Over the years, I believe there will be a much greater development of Canadian mineral resources than there ever has been in the past. Despite certain doubts about the immediate future, American financial circles seem to have great confidence in the future financial position of Canada and in the long-term value of the Canadian dollar. A substantial volume of United States funds, I believe, will be available for investment in Canadian development.

Conclusions

In summing up, I feel perhaps that I should apologize for not being able to appear before you with a well-prepared series of optimistic statements. I find little ground for optimism in the foreign scene, on either a short-term or a longer-term basis.

Perhaps we would have a better chance of reaching world stability and permanent peace if there were more realists and fewer optimists. At the time of the first United Nations meeting in San Francisco a number of my friends concluded that the International Organization would succeed because it had to succeed. I have heard people say since then that the International Fund and Bank would succeed in stabilizing international currencies because they had to succeed. And every day I hear people say that the United States, with its great industrial resources, will assume an intelligent world leadership because it has to.

Yet as we look back in history we find that nations and peoples do not necessarily do the right thing simply because the consequences of doing the wrong thing would be too serious. The man in the street is influenced greatly by the condition of his pay envelope this week and next week, and not 15 or 20 years from now. The businessman by tradition works in a competitive market and is responsible to his stockholders. The politician in a democracy, unless he is a very exceptional human being, wants to be re-elected. It is possible to pick out an indefinite "they," such as the government, or business, or labor, or the people, and blame it for mistakes that have been made. Certainly, there have been mistakes since the end of the war. Repeal of the Excess Profits Tax in the United States, for example, was an open invitation to price advances. The fact remains, however, that every one of these mistakes was rooted in traditional types of thought or business practice. In the United States, at least, it

seems to me that the great majority of the people have simply been acting naturally since the war ended, getting a higher price or wage wherever it was possible, with little thought to the long-range demands of economic and political statesmanship. Implications of the atom are perhaps too huge for the human mind to comprehend, or at any rate to comprehend quickly.

I say, then, that it is damaging to be too optimistic. Let us recognize the problems for what they are—very difficult, very serious, perhaps a matter of life and death. It is no time to cherish illusions.

There is not much doubt in my mind that there will be a sharp drop in world trade within the very near future and that there will be further economic and political crises in Europe and throughout the world.

There is not much doubt in my mind that the United States will make some further loans. But it does not seem likely to me that an over-all program for Europe will be worked out in the near future on a sound basis. These countries themselves would have to give up too much in the way of traditional policies, state planning, and their own sovereignty. Maybe this will happen over a period of years, but it is most unlikely to happen quickly.

Consequently, I believe we are wrong in visualizing a situation in which the United States will grant new funds amounting to \$4 or \$5 billion a year for four or five years for use in European rehabilitation. The sums will be much smaller than that; they will involve qualifications that some countries may not choose to meet; and they will probably be earmarked for specific projects.

Canada, it seems to me, must still look forward to some serious readjustment, particularly in trade. Manufacturing capacity was expanded greatly during the war, and of course changes in foreign markets will have their impact in Canada, as well as in the United States.

It has been a great pleasure to speak before you. Canada and the United States have been neighbors for a long time. It seems to me that conditions in this post-war world will lead to a still closer relationship and a greater sense of mutual dependence.

Taylor With First California

Special to THE FINANCIAL CHRONICLE
SAN FRANCISCO, CALIF.—John J. Taylor has become associated with First California Company, 300 Montgomery Street, Mr. Taylor in the past was with Dickey & Co., Howell Douglass & Co. and Manheim, Baker & ver Mehr.

E. D. Baring-Gould Adds

Special to THE FINANCIAL CHRONICLE
SANTA BARBARA, CALIF.—Sidney John Perkins has been added to the staff of E. D. Baring-Gould, 19 East Canon Perdido Street.

Wm. R. Staats Adds

Special to THE FINANCIAL CHRONICLE
LOS ANGELES, CAL.—Harry L. Hanson has been added to the staff of William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange.

With Russell, Hoppe Firm

Special to THE FINANCIAL CHRONICLE
PORTLAND, ORE.—Paul B. Young is with Russell, Hoppe, Stewart & Balfour, Wilcox Bldg.

With Merrill, Lynch Co.

Special to THE FINANCIAL CHRONICLE
OAKLAND, CAL.—Charles W. Kruck is now with Merrill Lynch, Pierce, Fenner & Beane, 1319 Franklin Street.

The State of Trade and Industry

(Continued from page 5)

will go into the winter months with a slim reservoir of scrap and not enough coal on hand to withstand severe winter conditions.

In the face of current steel tightness Americans will soon feel the first practical results of the Marshall Plan when the United States Government directs the shipment of about 120,000 tons of finished steel over the next six-month period to Europe for rehabilitation of the Ruhr district. Within the next 30 days the War and State Departments will have made up their minds as to the exact tonnage which American steel companies must furnish, the trade paper points out. At that time a committee of experts from the steel industry will attempt to screen down these requirements to obtain a minimum tonnage which will carry out the War Department's program. Although the British had insisted that semi-finished steel be supplied, American steel-makers, because of the scrap shortage have insisted that only finished steel products be shipped.

Shortages and distribution difficulties are affecting major producers as well as consumers. Another freight car crisis is expected by October, when demand for cars will reach a peak.

Although the steel industry is furnishing steel at a rate above that promised for a 10,000 car month to carbuilders, authoritative sources believe that freight car output in October will hardly reach 8,000 units—2,000 below the goal set some months ago. The distribution and production of component parts plus the lack of skilled labor is responsible for this situation at carbuilding plants.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 93.4% of capacity for the week beginning Aug. 25, 1947, as compared with 92.8% one week ago, 94.4% one month ago and 89.4% one year ago. This represents an increase of 0.6% from the preceding week.

The week's operating rate is equivalent to 1,633,700 tons of steel ingots and castings compared to 1,623,900 tons one week ago, 1,651,900 tons one month ago, and 1,575,600 tons one year ago.

ELECTRIC OUTPUT 11.4% AHEAD OF A YEAR AGO

The amount of electric energy distributed by the electric light and power industry for the week ended Aug. 23, 1947 was 4,952,876,000 kwh., according to the Edison Electric Institute. This compares with 4,923,000,000 kwh in the preceding week and was 11.4% in excess of the 4,444,040,000 kwh produced in the corresponding period of last year.

RAILROAD FREIGHT LOADINGS ABOVE LAST WEEK AND YEAR AGO

Loadings of revenue freight for the week ended Aug. 16, 1947, totaled 906,305 cars, the Association of American Railroads announced. This was an increase of 1,061 cars, or 0.1% above the preceding week. This represented an increase of 18,752 cars, or 2.1% above the corresponding week in 1946, and an increase of 255,473 cars, or 38.8% above the same week in 1945.

AUTO PRODUCTION HELD DOWN BY SHORTAGES AND LABOR DISPUTES

The industry the past week was confronted by a strike in the Carter Carburetor Co. plants, which according to Ward's Automotive Reports, constitutes a major threat to future manufacturing programs throughout the industry, since this company supplies most of the car makers excepting Ford and Packard.

Car and truck output in the United States and Canada the past week as estimated by Ward's, totaled 84,739 units as against last week's revised total of 83,501 units and 91,360 units for the like week a year ago.

In 1941 production for the comparable week totaled only 45,525 units as the car factories were in the midst of a model change-over period. Last week's output, Ward's said, included 60,288 cars and 19,163 commercial units assembled in United States plants and 3,550 cars and 1,738 trucks produced in Canada.

BUSINESS FAILURES TURN SLIGHTLY DOWNWARD IN LATEST WEEK

Commercial and industrial failures turned slightly downward in the week ending Aug. 21, declining to 59, a drop of 19 from the preceding week, Dun & Bradstreet, Inc., reports. They were, however, almost four times as numerous as in the comparable week a year ago. For the same week in 1946 failures stood at 17.

Both large and small failures showed a drop for the week. Failures involving liabilities of \$5,000 or more were down from 61 to 52 but exceeded by a wider margin the 15 reported last year. Small failures declined to 7 from 17 in the previous week.

Although to date, weekly failures this year have been consistently higher than the same week a year ago, commercial and industrial failures in the week of Aug. 21, were the lowest since July 10, and the second lowest since April 10.

SUMMARY OF TRADE

Improved weather conditions in some areas helped to prevent a further decline in consumer buying. Retail volume in the week remained at the level of the previous week and was slightly higher than that of the corresponding week of 1946. Clearance sales were fewer than in previous weeks, but promotions of Fall merchandise increased. Consumer quality-price discrimination continued.

Wholesale volume rose slightly above the level of the previous week and was moderately higher than that of the corresponding week a year ago. Increased costs and slow deliveries in some lines agitated retailers and buying continued to be cautious. Some types of merchandise remained difficult to obtain.

WHOLESALE FOOD PRICE INDEX DROPS IN LATEST WEEK

After rising steadily for three weeks, the Dun & Bradstreet wholesale food price index declined 2 cents to stand at \$6.57 on Aug. 19, as compared with \$6.59 recorded a week earlier. The current figure represents an index of 23.0% over the corresponding week a year ago when the index stood at \$5.34.

Advances for the week included wheat, corn, rye, oats, beef, hams, bellies, coffee, cocoa, peas and potatoes. On the down side were flour, lard, butter, cottonseed oil, peanuts, steers, hogs and lambs. The index represents the sum total of the price per pound of 31 foods in general use.

DAILY WHOLESALE COMMODITY PRICE INDEX ATTAINS NEW POSTWAR PEAK

Continuing its upward trend, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to a new post-war peak this week. The index closed at 274.17 on Aug. 19, compared with 271.91 a week earlier, and with 224.82 a year ago.

Grain prices ruled at a high level although movements were irregular during the week. Corn continued to lead in activity. Responding to renewed reports of unfavorable weather conditions over the Midwest prices recovered most of their earlier losses and closed strong. Wheat trading increased in volume, aided by substantial government buying. After early weakness, prices rose to new seasonal highs, influenced by the boost in government buying price for the cash grain.

Harvesting of Spring wheat was reported well under way. Visible supplies of wheat last week showed an increase of 12,040,000 bushels; corn supplies reflected a moderate decline. Flour prices were easier. Except for a fair volume in family flour, demand was dull with most users well stocked up for 60 to 90 days. The lard market was unsettled last week due to the rapid accumulation of supplies. As of Aug. 1 stocks of lard in cold storage in the United States aggregated 193,000,000 pounds. This was an increase of 17,000,000 over a month previous, and compared with only 44,000,000 a year ago.

Cotton was depressed on the first two days of last week following announcement of the larger than expected government crop estimate of 11,844,000 bales. Thereafter prices moved irregularly higher with final quotations slightly above a week ago. The market strengthened on reports of mill and commission house buying and trade price-fixing against sales of cotton to Japan.

The Department of Commerce announced the completion of the purchase of over 92,000 bales of cotton for shipment by the Army to Japan and Korea. Sales registered under the export program were about 37,000 bales during the week ending Aug. 9, as against only 870 bales during the previous two weeks. Late crop reports indicated poor to average progress in central and eastern sections of the belt, with boll weevil doing some damage.

Trading in cotton textile markets was irregular and spotty. Buyers were hesitant in making extensive commitments due to the easiness in raw cotton markets. Some resistance to top asking prices developed for spot and nearby print cloths.

Buying of domestic wools in the Boston market was slower last week following recent substantial purchases. Wool tops were in strong demand but very little business was reported done due to a difference of about 5 cents between the offered and the bid price. Foreign wools continued in demand but finer grades were very scarce. Purchasing of new clip wool in Montevideo continued active, with prices up about 2 cents since the first of the month.

RETAIL AND WHOLESALE TRADE MODERATELY ABOVE YEAR AGO

A change in the weather alleviated unfavorable conditions in some of the heat-stricken areas of the country and arrested the decline in retail volume. Consumer buying the past week remained about at the level of the previous week and was fractionally higher than that of the corresponding week a year ago, Dun & Bradstreet, Inc., reports in its current survey of trade.

Substantial quantities of most foods were readily available. The demand for fresh fruits and vegetables was large and housewives in some areas purchased large stock of home canning. Frozen foods, canned meats and cold cuts were in steady call. The consumption of dairy products, soft drinks and beer increased considerably. Known brands of canned foods continued to be popular.

The number of apparel clearance sales decreased somewhat, but mark-downs continued on men's and women's summer clothing and some types of shoes. Lingerie, blouses and bathing suits sold well. Promotional sales increased as efforts to attract consumer interest to fall merchandise were intensified.

Back-to-school items were popular, though scant attention was devoted to furs, millinery and jewelry. The demand for men's suits and topcoats was large and men's white shirts sold well.

Nationally advertised major appliances remained in limited supply, but the demand for electric fans and room coolers increased substantially. Lawn and porch furniture sold well, but high quality dining and bedroom furniture continued to be scarce.

The volume of household supplies and bedding was large. Builder's hardware, paints and carpenter tools were eagerly sought. Increased vacation travel contributed to a rise in the demand for tires and automobile supplies.

Retail volume for the country in the week ended on Wednesday of last week was estimated to be from 1% below to 3% above a year ago. Regional estimates varied from those of a year ago by the following percentages: New England and Middle West declined 4 to 8%, South 2 to 6%. Increases were: East 1 to 5%, Northwest 3 to 7%, Southwest 6 to 10%, and Pacific Coast 7 to 11%.

Wholesale volume in the week rose slightly above the level of the previous week and was moderately higher than that of the corresponding week of 1946. Buying was generally brisk as many retailers sought to replenish diminished stocks. Caution continued to key-note purchasing and buyers in some lines evidenced uneasiness over increased costs and slow deliveries.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 16, 1947, decreased 6% below the same period of last year. This compared with a decrease of 2% (revised figure) the preceding week. For the four weeks ended Aug. 16, 1947, sales decreased by 1% and for the year to date increased by 8%.

With the drop in the thermometer bringing cooler temperatures retail trade here in New York the past week made some progress. Notwithstanding the failure of consumer buying in fall ready-to-wear and fur coats to come up to expectation, department store sales on the other hand, closely approximated last year's level.

In wholesale markets, mark-ups on dresses after orders were commingled, continued to be a source of much controversy.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 16, 1947, decreased 13% below the same period last year. This compared with a decrease of 3% in the preceding week. For the four weeks ended Aug. 16, 1947, sales declined 4% and for the year to date rose by 8%.

Prices, Wages and Profits—A Plea for Labor-Management Understanding

(Continued from page 2)

progress lies in the work of schools like this New York State School of Industrial Relations, where the future industrial relations men of industry and of organized labor are being trained without bias and without prejudice.

There are also problems for the Sunday Schools, as there are in all areas of human relations, but I won't go into that. My subject is broad enough if I stick to economics.

Because this is an educational problem, this conference is a good place to bring it. I hope this conference—in the informal discussions that are to follow this meeting—can take it up and look at it.

I am spending a good part of my own time this year in developing a practical course in the Economics of American Industry for Westinghouse employees—mainly in the professional and supervisory ranks. But I realize that if real progress is to be made in bringing labor and management together, the lead must be taken by neutral agencies, such as this school at Cornell.

I propose to use the rest of my time to present management's way of thinking about some of the practical questions concerning wages, prices, and profits that have been in dispute during the past

two years. Let me remind you my present purpose is to illustrate the vast differences that separate labor and management thinking on these questions. Naturally, I think my way of looking at them is the right way; but, at the moment, I am not trying to convince you of anything—and I hope it will be evident that I am mad at nobody.

Prices and Wages

Suppose we look at prices and wages first.

Labor's position—stating it very simply—is that prices are too high; profits are too high; wages are too low.

One labor view was given in a recent issue of the AFL "Labor's Monthly Survey," from which I quote two pertinent statements:

(1) "How can 'full employment' be long maintained while rising prices cut off buying power?"

(2) The second statement:

"We are organized to raise wages, but this is not enough. We need to organize as consumers—to raise our buying power by seeing that wage increases are not wiped out by rising prices. . . ."

Another opinion of labor is that presented at length in the report made for the CIO by the economist, Robert Nathan, with which, I am sure, most of you are familiar. It is not my intention to analyze the Nathan Report, nor to comment on it. That has been

done by able economists on the management side. I merely wish to point to its underlying thesis: that wages can be raised without increasing prices because of the large increase in profits.

Throughout the controversy over raising wages without raising prices, I think it is fair to say that labor's position is that prices have been arbitrarily and unnecessarily increased by management; that such price increases have increased profits unduly (this is a very mild way of saying it); and that high prices and high profits will sooner or later cause our existing prosperity to disappear into depression.

Philip Murray, in his report of last January to the Council of Economic Advisors to the President, made this statement:

"Industry's insatiable appetite for profits has brought about a redistribution in our national income which, if permitted to continue, will reduce purchasing power and cause mass unemployment."

The management position—if I may be so bold as to assume there is a single management opinion—is that prices and wages are tied together with considerable rigidity—and that profits are too small a factor to provide any appreciable flexibility. Despite much opinion to the contrary, the American economy remains one in which competition effectively holds prices of manufactured goods closely in line with costs of production. I will discuss the relative size of wages and profits later on. Now I wish to show how wages and prices are tied together.

To do this, I wish to direct your attention to some statistical work done at Westinghouse that I think is interesting and that presents this matter in a quantitative fashion that I believe is new. It supports our position that prices of manufactured goods are the result of natural law, despite the fact that prices of differentiated products are also set by their producers. Prices of manufactured goods are determined by their cost of production, and by what consumers are willing to pay.

It is possible to calculate a price index for manufactured goods that has agreed very closely with the actual BLS Wholesale Price Index since 1932, and until OPA came into the picture in 1942.

This series of calculated prices is based on three factors that are most important in determining the price level of manufactured goods. These three factors are the best measures we have found of the natural forces of supply and demand that determine the price level.

The three factors are:

(1) National income payments to individuals, which is a good measure of the effective demand—of what people are willing to pay for goods, under prevailing conditions—and which acts on the price level in much the same way as does total money supply.

(2) The average price of raw materials.

(3) Unit Labor Cost.

Unit labor cost is increased by any increase in average hourly wage rates, and is decreased by any increase in production per man-hour.

The two latter factors are the cost factors that measure the forces of supply.

This calculated price index followed the actual BLS index closely for the 10 years from 1932 until the middle of 1942, when OPA price controls started to hold back the official BLS price index.

As nearly as anything is "proven" by statistics, we can say that these factors used in the calculated price index do account sat-

isfactorily for price changes of manufactured goods over this 10-year period of depression and partial recovery.

Therefore, it is a reasonable deduction that the calculated index continues to show what would have happened to industrial prices without OPA controls during the four years 1942-46.

This chart gives a highly significant picture of what OPA really did to wholesale prices of manufactured goods.

What OPA did was to postpone for four years the natural price increase that would have occurred, without OPA, during 1942 and 1943.

Then, during the two years of 1944 and 1945, there was no natural tendency for prices to rise, and OPA had an easy job. There would have been no greater price rise without OPA during these two years than occurred with OPA, but prices would have been at the higher level shown by the calculated index.

When OPA controls were relaxed and finally removed in 1946, the BLS index jumped nearly 40 points. But half of this jump was to close the gap between controlled prices and "free market" prices. There was created the illusion of an extremely steep price inflation during the 12 months from March 1946 to March 1947. It is the false impression created by this double jump in prices that has caused the great concern over the existing price level and the expectation of a correspondingly sharp price decline.

In the first quarter of 1947, the official BLS index and the calculated index again came together; since last March prices have been in line with the natural forces of supply and demand.

The real price picture of industrial products since 1940 is a total rise of about 60 points in six years—an average rise of 10 points per year.

To place this World War II price history in its proper perspective, it should be compared with a rise of 135 points (on the same 1939 base) from late 1915 to the middle of 1920, during and after World War I. The World War I average rise of industrial prices was nearly 30 points per year, or three times the rate of the past six years.

OPA is given much more credit than it really deserves for the smaller increase in the price level between 1942 and the present, as compared with the much larger price rise between 1915 and 1920.

Prices now are where they would be if OPA had never operated, if we make one necessary assumption: If we assume that total national income (and money supply) and unit labor costs had followed the same course without OPA that they actually did follow with OPA. What I am saying is that if wages had been controlled as they were, OPA merely delayed the price rise that has now occurred. Wage controls, money supply, and production per man-hour are the factors that are responsible for the present price level of manufactured goods.

But I have been discussing average prices, and averages never tell the whole story. Averages can conceal wide disparities, great dissatisfactions, and possible troubles.

There would be no dangers lurking in high prices, if all prices moved up together, and if all incomes increased by the same ratio.

No matter how high average prices rose, under these uniform conditions, everybody would be in exactly the same position as they were before.

Prices and incomes would match. The difficulty is that prices and incomes do not increase in the same ratio for all commodities and for all groups of workers.

The incomes of some farmers and of some large groups of strongly organized wage earners have increased much more than the incomes of annuitants, school teachers, and white-collar workers, generally. To make matters

worse, the prices of such necessities as food and clothing have increased much more than the prices of less necessary things. As a result, the workers whose incomes have lagged behind the average cannot buy the goods produced by the workers whose incomes have exceeded the average. In this sense there can be insufficient purchasing power, because the usual distribution of real income has been disturbed.

The chief source of danger to continued prosperity for all lies in the extremes of prices and of incomes—in abnormal differences within the averages. The important watchword over the coming months is orderly adjustments to reduce any extreme differences among incomes and among prices.

Our price problem is one of orderly adjustment; of bringing individual prices and group incomes in line with the new higher postwar levels. The problem is one of bringing up low incomes and bringing down high prices. The problem is not one of total purchasing power nor of the average price level. A further increase of high wage and salary rates would be just as undesirable, at this juncture, as would be a further increase in the highest prices. The situation is not one that requires any drastic reduction in the average price level, nor, I am tempted to add, any drastic reduction in total national income. I group these, because price and income are two sides of the same coin. They have gone up together, and they will come down together.

It will be interesting to use this statistical study of prices to calculate how much incomes and unit labor costs would have to change in order that average prices would drop an appreciable amount. I do not have time to go through this calculation with you, but I will give you the result.

We found that changes in the actual price level of industrial products can be accounted for by changes in these four factors:

- (1) National income payments to individuals.
- (2) Average prices of raw materials.
- (3) Average hourly wage rates in manufacturing.
- (4) Production per man-hour.

I propose to show that a sizable drop in the average price level can occur only if and when sizable changes occur in all of these related economic factors. Specifically, a sizable reduction in the price level of manufactured products can occur only if there is a sizable decline in national income, in employment, and in wage rates—that no one wants; labor least of all.

Suppose we assume, for our experiment, that we wish to produce a drop from the level of last March by the relatively small amount of 10%.

Under current labor conditions of full employment, it would be unrealistic to assume any decline at all in unit labor costs of manufactured products. Probably any gain in production per man-hour will be offset by further increases in average wage rates.

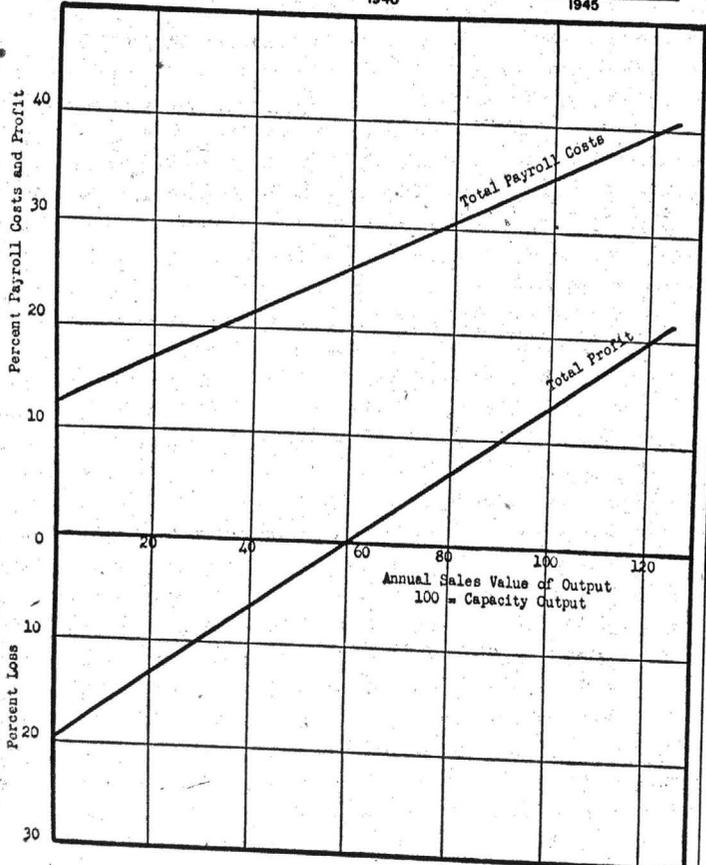
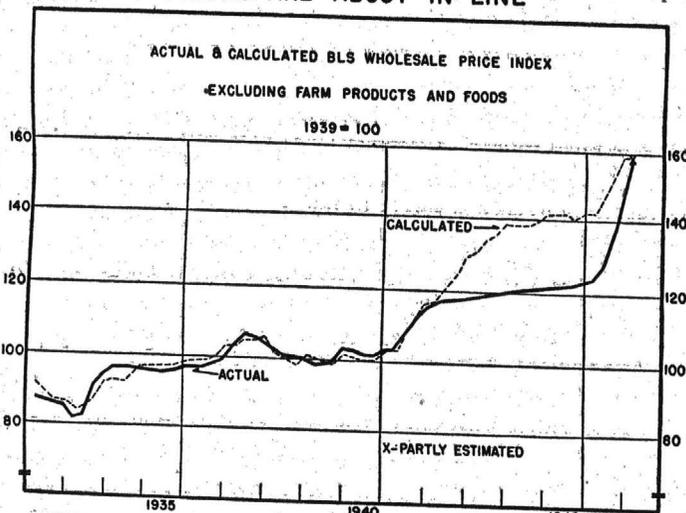
Unit labor costs will be assumed to remain constant.

Suppose also that we assume a decline in the raw material average of 15% (which would be on the high side for a 10% drop in wholesale prices).

With these apparently reasonable assumptions, we can calculate the corresponding value of national income payments to individuals. The calculation shows that under the assumed values, a 10% drop in prices could occur only if income payments declined 25%.

We know from the past behavior of national income statistics that total wages and salaries would drop in step with total income payments. If income payments dropped 25%, wages and salaries would also drop about the same 25%. But we assumed that unit labor costs would remain un-

PRICES ARE ABOUT IN LINE



changed. Without burdening you with any more figures, a drop of 25% in total wages at the same unit labor cost would mean, roughly, 25% decline in number of workers employed or more workers employed at reduced hours.

In the actual case, there would be some reduction in average wage rates and less reduction in total employment, income, and wages. But, in any event, no one would be very happy over the consequences if the price level of manufactured goods dropped even 10%, when the other related conditions of income, employment, and total wages were again in equilibrium.

It follows from this analysis that any one who recommends a sizeable decline in the average prices of manufactured products, under today's conditions, is in reality recommending a considerable decline in national income, in total wages, and in employment or in wage rates. **A recommendation or prediction of a sizable drop in prices is a recommendation or prediction of real depression.**

I will close my discussion of prices and wages with this observation: We are living in a competitive economy in which management has two masters in this field of price policy (among other masters in other fields): the first of these masters is **cost of production**; the second is **effective customer demand**.

On the surface of things, managements in manufacturing industries are free to establish prices as they see fit; it is this view of the situation that has led the President of the United States, labor union leaders, many public leaders, and the Newburyport merchants, to urge manufacturers to reduce their prices.

It would be more logical (but not nearly so attractive politically) if all of these advocates of lower prices were to urge management and labor, together, to reduce unit labor costs (say, by withholding demands for still further wage increases until increases in productivity can operate to reduce unit labor costs), and to urge the government to reduce the money supply by debt reduction, and to reduce costs of production by reducing corporation taxes.

Profits

Labor officials have been most insistent that profits are too high.

The thesis of the Nathan Report is that profits are excessive; that high profits are the result of high prices and that directly and indirectly high profits will be responsible for an industrial collapse caused by lack of purchasing power; i. e., by low wages.

Philip Murray, in his report to the Council of Economic Advisors, previously mentioned, cites various figures to show that profits have increased more than wages have increased.

As a statistical study, both the Nathan Report and Mr. Murray's Report are defective and misleading, because of their choice of periods for comparing wage increases with profit increases.

I would state management's position concerning present controversies over the size of profits by making these four points:

(1) Many of the profit comparisons used by labor economists are made on an incorrect basis and are thereby misleading;

(2) Total corporation profits are so small in comparison with total wage and salary payments, that they offer no possibility of any material increase in per cent of wage and salary payments, even if they could be used, with safety, for that purpose;

(3) Instead of being excessive, profits, as a per cent of sales and as a per cent of investment, have been declining for the past 30 years—and longer;

(4) Labor has an equal interest with management in maintaining

ample profits. Profits enable management to attract capital and to reinvest profits to provide more jobs, reduce costs, and to increase wages.

I will take up these four points in order.

(1) **Many Comparisons Are Misleading**—I have, on the screen, a simple diagram that shows how salaries and wages, on the one hand, and profits, on the other, change with output or sales, in a typical mechanized plant with average overhead costs.

There is an appreciable outlay for wages and salaries for zero output. Then salaries and wages increase directly in proportion to output.

At capacity output, the ratios of salaries and wages to total income vary widely for different industries and for different firms, depending on how completely the industry or firm is mechanized, and to what extent the individual firm works up raw materials or assembles purchased parts. An oil refinery, for example, may show a ratio of payroll to income of only 10%; an integrated steel corporation, on the other hand, may spend 60% of its total income on payroll.

Profits vary with output in a very different fashion. At zero output there is a dollar loss equal to overhead costs. This loss is gradually reduced as output increases. The output, at which this loss is wiped out—the break-even point—varies from, say, 40% to 70% of capacity. Above the break-even point, profits increase rapidly with increase in output.

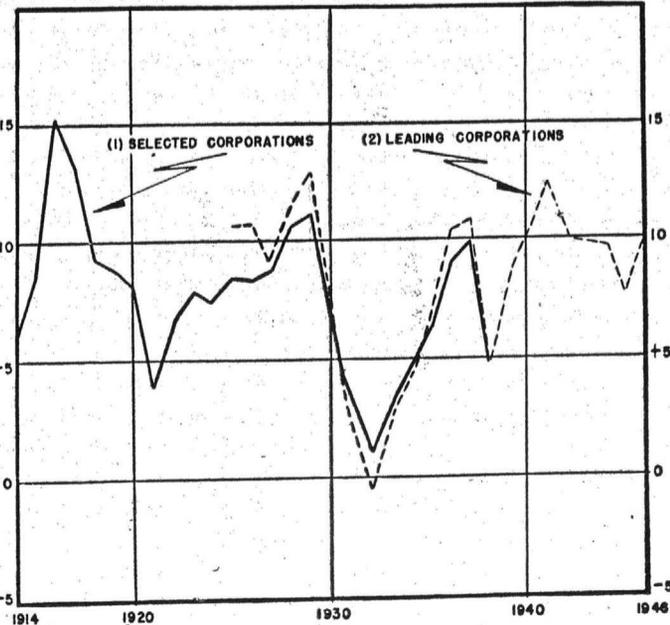
With these different relationships to output, it becomes important to make profit and wage comparisons for years of similar output. The only fair basis of comparison is to compare average payroll, over the range of output typical of the industry, with average profit (or loss) over the same range of output. An industry that is subject to wide fluctuations, such as steel, should average its profit and loss over a wide range of output.

There are many other reasons why some labor economists' comparisons are misleading. Nathan's Report, for example, compares declining payrolls from the war peak of 1944 to increasing profits during the same abnormal period. The base for payrolls was high; the base for profits was low, due to excess profits tax and the government renegotiation of war contracts.

Many of Nathan's earnings figures were comparisons of January, 1945 (a high base), with October, 1946, when hours per week had been reduced 10 to 15%. His comparisons of profits were from the subnormal period, 1936-1939, to the fourth quarter of 1946—a period of peak production.

(2) Total Profits Are Relatively

AVERAGE PROFITS IN MANUFACTURING AS PER CENT OF INVESTED CAPITAL



Small—Total payments of wages and salaries to individuals are about 65% of national income. In years of full employment, profits of corporations have varied from 8.6% to 11.4% (1915).

Suppose profits were cut in half. In the best year, this would amount to less than 10% of corporation payrolls.

A more important consideration is that profits are very unequally distributed. In the best year (1917) one-third of all American corporations reported losses. In 1941—the best prewar year—only 56% of active corporations made a profit; 44% reported losses.

(3) **Profits Measured as a Per Cent of Investment Have Been Declining**—The diagram now on the screen shows a declining trend in profits since 1915. I commend this picture of a declining profit-trend to those economists who are convinced that monopoly is becoming a stronger and stronger factor in American industry.

If monopoly is an increasingly strong factor in American industry, we must conclude that the American monopolists are either afraid to exercise the powers of monopoly—or that they do not possess the powers they are supposed to have. My own belief is the second—for this and other reasons that I cannot go into here.

(4) **Labor Has an Equal Interest With Management in Maintaining Ample Profits**—A profitable industry and firm attracts additional capital. New capital and the reinvestment of profits is necessary if a firm is to maintain its competitive position in its industry, to grow with its industry and provide more jobs and better wages for its employees.

I wish to show you two charts that support these generally accepted statements:

The chart now on the screen shows how closely production per man-hour has increased in step with the amount of mechanical power used for each employed wage earner.

Mechanical horsepower installed is a good measure of capital investment per worker for mechanical equipment.

The second chart shows how real hourly wages have increased in step with output per man-hour.

Combining the results shown by these two charts, you can see that real hourly wages have increased in step with installed horsepower. Installed horsepower and its associated power-driven tools require new capital; new capital requires profits.

In the final analysis, more jobs and higher wages come out of profits. Don't you think it would be smart for labor leaders to demand high profits?

In closing, I wish to repeat my plea for better understanding between labor and management:

Irving Reynolds Resumes Law Practice

Irving Reynolds, Vice-President of the Chase National Bank and Secretary of the bank's board of directors in recent years, is resigning his post as of August 31 to return to the practice of law as a member of the firm of Shearman & Sterling & Wright, 20 Exchange Place, New York City.

Before joining the Chase staff in 1942, Mr. Reynolds had been a member of the firm of Mudge, Stern, Williams and Tucker and had specialized in banking matters. He is a graduate of the University of Delaware and the Harvard Law School.

Mr. Reynolds resides in Mount Vernon, where he served on the Board of Education for six years and as President during the past year until his term expired in May.

Business Man's Bookshelf.

Guarantee of Annual Wages, The — A. D. H. Kaplan — The Brookings Institution, Washington 6, D. C.—cloth—\$3.50.

Statistical Handbook for New Jersey Municipal Bonds—15th Annual Edition—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.—paper.

Why Kill the Goose?—Sherman Rogers — Foundation for Economic Education, Inc., Irvington-on-Hudson, New York—paper—75c.

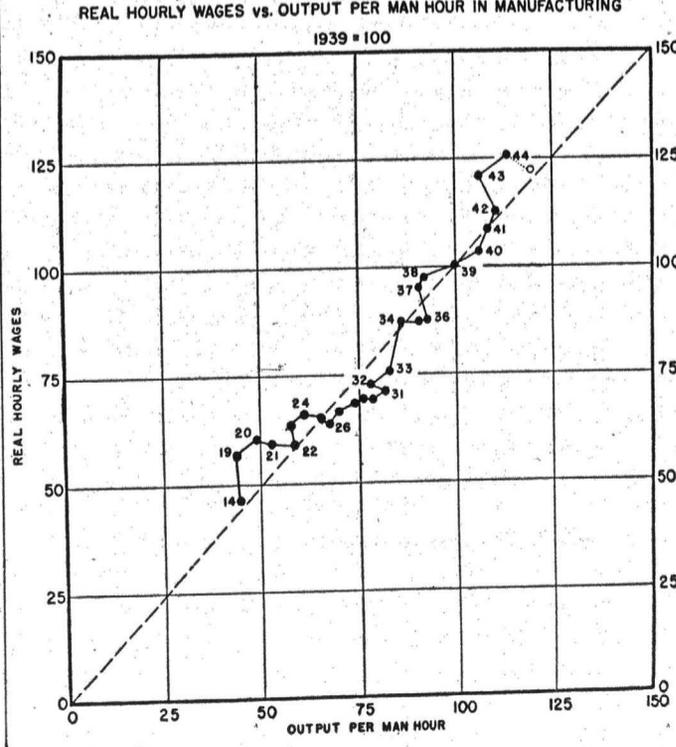
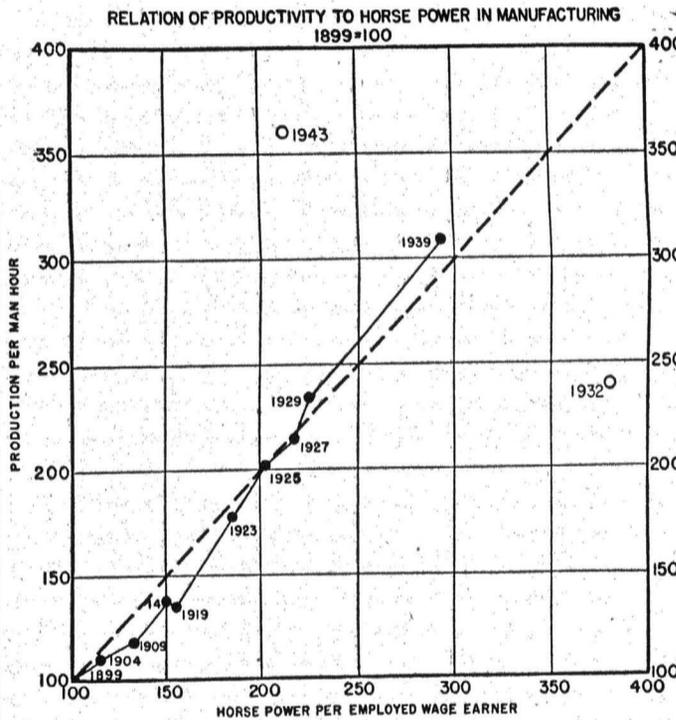
through better understanding of the basic economic principles—some of which I have reviewed.

Labor and management have a common interest in securing these desirable conditions in American industry:

- (1) Ample profits to attract new capital and for reinvestment.
- (2) Increased production per man-hour.

- (3) Increased wages.
- (4) Lowered cost of production.
- (5) Lower prices.

Only intelligent cooperation and fair dealing will bring them about. And the first two—ample profits and increased production per man-hour—are essential to the other three—higher wages, lower costs, and lower prices.



Germany Revisited

(Continued from first page)

fronts, little shops, and you know the trade is struggling to survive. The rubble has been cleared from the streets and pushed back over the sidewalks. It is quite impossible to give you any picture of the magnitude of that task alone, but as an example of what it is, I can cite you one figure:

In the Krupp Works at Essen, they succeeded in finding two buildings that were not destroyed—just damaged, as they term it—and it was decided to put these buildings back in service for locomotive repair. Before they could do this, and remember they were moderate-size one-story buildings, they carted out 70,000 tons of rubble. Multiply that by a million and then by 10 and you will have a start on an idea of what our problem is. So we must not get the impression that nothing has been accomplished.

General Clay and his men who have directed the work in our zone deserve and should receive great credit. They, like the rest of us, are disappointed that they have not been able to do more, but, having some experience myself with the comparatively simple job of trying to get new plants in operation and production lines going, and knowing something about the difference between planning and producing, I rather question whether under the most perfect conditions they could have accomplished more and I take off my hat to them for a truly magnificent job.

No Progress in German Economy

But while, from the base line of July and August of 1945, the physical progress in cleaning up and re-establishing the tools of industry is impressive, no real material progress in an economic sense can be made until a solution is found for the four basic problems which the German economy faces today. These are food, coal, transport and inflation, and there are, of course, plenty of other secondary problems as you know.

The combined U. S.—U. K. zones have a population of about 40,000,000 and this population is about 7,000,000 more than before the war.

For these zones, as you probably know, our country and Great Britain are providing \$600,000,000 worth of cereals, fertilizers and seeds, but even with this help, and assuming that the crops in Germany this year are up to expectations, the maximum hoped for is a ration of 1,500 calories per day. The 1,500 calory ration was in effect a year ago, but today it is only about 1,000 calories per day. So you see they are in desperate straits for food.

I haven't any definite idea what a calory is, but nutrition experts believe that a minimum of 2,500 calories is necessary to preserve ordinary vitality and as one German said, "Hitler fed us vitamins; you Democracies are feeding us calories. When do we get something to eat?"

Of course, that portion of the population living on farms is in pretty good shape. It is hard to starve a farmer, even in the most regulated economy. But traveling through the land during the harvest season, we saw gleaners in the fields picking up the individual kernels of grain after the harvesters passed.

It is as always, the city worker, the industrial worker, who is up against it. For, while in the heavy industries, such as coal mining, additional rations are provided for the worker himself, he is forced to see his family living on this very meager subsistence ration. How much the official ration is augmented by black market operations no one can say and the estimates differ widely, but our medics say that TB and

malnutrition and diseases are steadily on the increase.

To be sure, Germany's food production is below normal, due to lack of fertilizer and tools, but it is well to remember that even at her maximum production capacity, Germany was never able to produce more than 80% of her own food requirements.

Problem of Coal

When we turn to the problem of coal, we find that the great producing center of Germany in the Ruhr Valley is operating at between 50 and 60% of its prewar capacity. This area, of which Essen is the center, was blasted night and day by aircraft and production was almost at a standstill when the Allies took over. You would be impressed by the examples of skill and ingenuity which are evidenced in the reconstruction of the surface work around the mines, carried out by the managers and their men.

Coal production was brought up to 230,000 tons a day last fall. Then came the terrible Winter and with it the reduction in rationing allowance. Coal production dropped to 150,000 tons. From that low point it started to rise and is now just over the 200,000-ton mark.

These mines are in the British zone and some of our own coal men are a little critical of the results. Of the validity of these criticisms, I am not in a position to judge.

To be sure, there are almost as many men employed in the mines as before the war. To be sure, the production per man has dropped from 17/10 tons a day to somewhere between 8/10s and 3/10s of a ton a man. However, you cannot expect a man to work as efficiently on a reduced ration as he does on full ration. Living as these miners do, in crowded houses and traveling long distances to work, does not make for efficiency.

Mine maintenance is poor. Stocks of spare parts and supplies are at a low ebb and rapidly disappearing.

Here, too, you note, as in all phases of German life today, the absence of the middle-age group, or the younger men went into the armed forces. Many of them are dead; many are still prisoners of war in other lands, so the working force is made up of old men and untrained youth.

Some 20% of Germany's coal production is exported, for Germany has always been a coal exporting nation and it is one of her sources of outside revenue.

There was no coal at all in Germany last year for domestic heat. Our people realize they cannot put the population through another Winter such as the last, so a certain amount of the present production is being set aside for domestic use.

But coal not only must keep the population warm, it is not only a means for export income, but also more coal means more steel, more electric power, more fertilizer and more industry. So, coal and coal production is the topic on the lips of everyone. With coal production increased, however, we should come up against the next bottleneck—which is transport.

During the war years Germany raped all Europe of cars and motive power. Today, those cars stolen from France, Belgium and Holland, have been returned and the number available in Germany greatly reduced. Of this remaining supply, the transport people tell us they are losing about 1,000 cars a month—that is the number of cars in bad order in excess of those in good order.

Repair work is hindered by lack of steel and parts and inefficiency of labor, due to the same causes I have outlined in the coal situation.

The fact that shop facilities have been so largely destroyed means practically all the work must be done in the open. In the sub-zero weather of last winter car repairs came almost to a standstill.

Transport men sing the same story there as our railroad men sing here. They say the cars they send out of the country for exporting coal never come back, or they get a bad order returned for the good one sent out. These men say we probably can handle up to 250,000 tons of coal a day, but after that they shrug their shoulders.

The harvest season is now in progress and the movement of crops is going to put additional strain on the railroads. Rivers and canals are pretty well opened up and a reasonable amount of freight is being handled on them, but in this operation they are handicapped by a lack of tugs.

The roads and the great Autobahn are pretty well back in service. Of course, there are occasional detours to escape destroyed bridges, but on the whole they are in pretty good shape. Truck tires, however, are in short supply and a considerable percentage of the available trucks are laid up.

The transport picture is not a pleasant one. Without increased steel and rubber they are held down in the movement of coal. The steel and rubber people cannot increase their operations without coal. It is a vicious spiral of dislocation. For while I am told a considerable portion of the steel-making capacity of the country is in operating or in near-operating condition, steel production has so far been somewhat less than 3,000,000 tons a year, or about 3% of our own.

The housing situation is the worst modern civilization has ever seen. Twenty-five percent of the urban housing has been destroyed. In such places as Cologne and Essen the percentage is much worse.

We visited one mine property where we were told 70% of the workers live in company houses. Of these houses, 33% were destroyed, 27% were practically destroyed and the balance damaged—and when a German says "damaged," he means damaged.

Here we found people living under the rubble in the cellars of their old houses and in the windowless bomb shelters erected during the war.

In two small rooms, one of which probably had been a coal cellar and the other some place to store preserves, you will find six or seven people living. The roof above leaks when it rains. One woman told me she had to close the one window because the rats came in at night. Yet everyone of these places is spotlessly clean and the children are clean; and in each one of these little dark places you will find flowers on the table and some household keepsake hanging on the wall. And so it is all over.

There has been little repair work done due to lack of materials. Multitudes are living in conditions such as these—in the rubble of the basements. The average space for tens of millions of people is three or four persons in a room 12x12.

Water is seldom available except at some central point blocks away and, of course, there is little or no soap.

It is a difficult life, but, of course, efforts are being made to improve these conditions. The job is gigantic and has a priority which ranks after food, coal and transport.

Bad Money

Cutting across and exerting pressure on all the other problems is that of bad money.

We here at home have some appreciation of the dislocation which even a mild inflation produces. Of course, in Germany, all the

factors which produce inflation are present. Money in circulation, bank deposits and debt have been tremendously expanded. Every necessity is in short supply. Every luxury has disappeared.

The German Government under Hitler exercised a rigid control over every phase of the economy. Every farm was rated as to how much it could produce and how much it must contribute to the economy. The number of animals, the amount of grain which a farmer could keep for his home consumption were extremely limited and, of course, all prices were set by law and wages were frozen. This rigid control has been maintained by the Quadripartite Government.

That controls have worked as well as they are working at present, is because the German people have been regimented so long they have the habit. But the old law of supply and demand is a hard law to legislate out of existence and a man with a wife and four children on a diet of 1,000 calories a day is not going to let them starve long if, by slipping a few extra marks to a farmer, he can get a little more bread and a piece of meat. The manufacturer is not going to let his plant shut down if he can find an extra motor or some packing somewhere, even at an absurdly high price.

We know something about black markets ourselves and the resulting spiral of price. The farmer holds out some wheat, he hides a few eggs. The baker keeps a few loaves of bread under the counter. Gradually the black market prices rise under conditions such as these, until barter takes the place of trade.

Today they will tell you in Germany that there are three price levels. The LEGAL PRICE, the BLACK MARKET PRICE and the BARTER PRICE.

Here are a few of the LEGAL and BLACK MARKET PRICES taken from a list which I picked up in Dusseldorf:

	Legal Price Marks	Black Market Price Marks
1 lb. of butter...	18/10	220
1 lb. of bacon...	14/10	180
1 loaf of bread...	4/10	25
1 pair of shoes...	70	800
1 lb. of coffee...	3 1/2	480

When you look at these prices, keep in mind that wages are also frozen. The standard rate of pay in a machine shop ranges from 8/10 to 13/10 marks an hour. In the building trade wages are a little lower, for at the time the wage rates were set in 1938, Mr. Hitler was discouraging building and trying to force the population into the machine shops.

Here is an example of what happens:

Speaking of his labor problem, a manufacturer in Dusseldorf said, "Our men lie in bed until noon and save a meal. They can sell the bread so saved on the black market for more than they can make for four hours work at the legal rate. It sounds cockeyed, but then the whole picture is cockeyed."

To get around the situation, the manufacturer himself has to resort to a barter set-up. In the mills he pays his operators the legal rate, but he allows them to take home some of the ends of the cloth—some of the seconds. In the brickyard he will allow the workman a couple of hundred bricks a week in addition to his regular pay. In the shops, such as locomotive repair, he will allow the workmen a few hours a week to make hoes or spades or pitchforks for their own use and the workman takes whatever he has made, gets on his bicycle and goes out somewhere to a farmer where he barter what he has for food.

This practice is sternly frowned on in our zone, but it goes on just the same.

From a business standpoint, this

bad money situation produces another result. The manufacturer knows that sooner or later there will be a currency reform. It is very probable that if he has securities, they are likely to be repudiated. His bank balance may well be frozen or converted at a very steep discount. On the other hand, his plant and its contents will very probably escape and so instead of trying to pile up money, he hires all the labor he can get at the legal rate of pay to rehabilitate his plant. If he is able to produce, he is inclined to hide some of that production away in a condition where it needs only one or two hours work to finish it, in the hope that when a currency reform does arrive, he will have tangibles that he can sell. It has been pointed out that the currency reform may produce unemployment, for the reason that the manufacturer will dispose of his surplus help and go back to making money.

Germans everywhere are crying for a currency reform. The terrible inflation of the last war is fresh in their minds. Our people are drawing plans, but as in so many things, nothing can be done at present without the unanimous consent of the four occupying powers.

Increasing German Exports

There are many people who feel that there can be no permanent currency reform so long as all goods continue to be in such short supply. All agree that the one vital necessity is an increase in German exports.

To work on this tremendously important and heartbreaking job, our people have developed a considerable staff under Major General Draper, who is a mighty good man. They are seeking personnel and if any of you here have an idea that you would like to help in this challenging work, Draper would like to know about it.

Arthur Barrows, whom many of you know as a former President of Sears, Roebuck, recently has joined the staff as one of Draper's principal assistants and he is going to be a tower of strength in this work. It is a heartbreaking business, for if they figure to put Germany on an even keel, this export business must amount to at least a billion and a quarter dollars a year. Last year they hoped to export 300 million, but the result, due to the conditions I have outlined, and the terrible winter, brought the figure nearer to 100 million than 300 million.

Germany today is exporting coal, lumber, flax, etc.—direct products of the land.

One of our government agencies is supplying raw cotton for textiles. A portion of these textiles has been sold by the same agency to other governments and the balance will flow into the German economy to pay them for fabrication.

Deals for exchange of commodities are being made with other countries, as you perhaps noticed in the papers, but these are not as simple as they sound. They take a lot of negotiation and they are not the overall answer. In the long run the answer must be the reestablishment of individual transactions as differentiated from government deals and these must form the backbone of the export trade.

But remember: Germany is still an enemy country. All the limitations of trade with the enemy apply.

German styling has been out of touch with the world markets for years. All mail of necessity is censored and the problem of John Smith in the United States trying to buy from Hans Schmidt in Germany is an extremely complicated one.

Little by little our people are ironing out these problems as best they can, but it is a slow, labori-

ous, frustrating business and the results so far are disappointing.

Economy Running Down Hill

On the overall, I am afraid my conclusion was that the economy is at present running down hill. Stocks of spare parts and supplies are diminishing. People are wearing out the clothes they had. You see this particularly in work clothes, work gloves and shoes. The continuing depreciation of the currency is bad.

While it is hard for an outsider to judge, I am afraid public morale is on the decline. It is hard to expect anything else when you realize what these people have gone through in the last two years, during which they have seen the value of their currency grow less and less; they have been on short rations; badly housed; without heat through the bitter weather. They have seen many of their plants dismantled and carried away. At all levels there is the constant fear we and the British will get tired of our job and leave Germany to Russia and at all levels the Communist spreads discouragement and dissension.

As I have said, I am not an expert, but I believe we can save the situation if we wish to do so and are willing to pay the price. I believe every businessman would agree with me that the first requisite to any material progress is a clear concept of what we wish to do.

When we started to share in the occupation of Germany in 1945, it was on a concept which generally is referred to as the Morgenthau Plan.

The Allies agreed that never again should Germany be in a position to hold the world in jeopardy. Plants having war potentials were to be dismantled and shipped out of the country. Germany was not to be allowed to produce materials, such as aluminum and ball-bearings, used in modern warfare. The Nazis were to be destroyed. They were to be tried. The most notorious were to be executed. Others would be imprisoned and still others would be allowed to do only manual work. The cancer of the world was to be cauterized.

To this concept, the Four Powers agreed, and in Quebec and Potsdam they implemented the idea, with decisions as to policies and plans.

Germany was to be administered as an economic unit. It was assumed that the four great and good powers which had liberated her would continue to be in full agreement on all policies and laws affecting the country as a whole and no law was to be made or changed except by unanimous consent.

Physically the country was divided into four zones — each power accepting the responsibility of administering the laws agreed upon in its particular zone.

Our Economic Illusions

Berlin itself was divided into sections in the same way.

As the months passed by, we at last came to the realization that a healthy Europe with Germany reduced to a pastoral state was impossible and those conclusions were finally crystallized and presented in the clear reports of Herbert Hoover. In these reports he lists what he terms our "economic illusions." One is, that Germany can be reduced to a pastoral state, unless we are willing to remove or exterminate 25 millions of her population. Another is, that Europe as a whole can recover without the economic recovery of Germany. And he says: "We can keep Germany in these economic chains if we wish, but we will also keep Europe in rags."

Biting Off Our Nose to Spite Our Face

It appeared that perhaps in the "eye for an eye" and a "tooth for a tooth" policy, we were biting off our nose to spite our face, and we

began to suspect that perhaps our Eastern Ally, with his stark realism, was quite content to see Europe go to the dogs and was, therefore, unwilling to change or cooperate with any changes in policy. The overall result was an agreement with the British: the U. K. and U. S. zones were combined and the general instructions were changed from those aiming to reduce Germany to a pastoral state to instructions to get her on her feet. Of course, typical of our method, we did not rescind the existing instructions or rules, we just added new ones. As a result, as nearly as I can make out, when I was there the instructions under which our people were seeking to bring Germany back economically ran something like this:

Get the railroads of Germany back in full, efficient operation, but be sure not to use any employees who have ever said "Heil Hitler." Bring up coal production, but be sure and tell the men that if they don't like their bosses, they have only to denounce them as Nazis and they will be pulled off the job. Allow the British to tell the mine managers the properties are going to be nationalized, so they won't have any false illusions about making money. Encourage new products, but let all the inventors know they must license their inventions to anyone who is interested. Make them get to work to build freight cars, automobiles and household goods, but to promote public morale, go ahead tearing down the ball-bearing plants and the machine tool plants and remember: "They are not to be allowed to make aluminum or any material that might be used in modern warfare."

It does not take an expert to see how cock-eyed this is. You don't have to be an economist to realize that you can't make a self-sustaining Germany and at the same time reduce it to a pastoral state. It has to be one or another.

I am told that very recently a new general instruction has been issued, but I venture to guess it still requires some Philadelphia lawyer to interpret it.

Parenthetically, I would also venture to guess that if we follow our national pattern, some day, sooner or later, someone will be made the "goat" for the lack of progress in Germany to date. And my guess is, it will be General Clay. So for the record I would say, that in my humble opinion, in or out of uniform, Clay is one of the top-flight men of our country. Of course, he suffers from the occupational disease of the trained soldier. He believes in obeying orders.

In my opinion, any civilian faced with the vacillating and conflicting instructions of the past two years, would have walked out on the job long ago and I doubt if in so doing he would have improved the results.

Need for Increased Capital Investment

But to come back to our subject — while a clear, concise statement of policy is the first requisite — we must also face the necessity of a largely increased capital investment.

Everyone knows you don't save people's lives on a 1000 calory diet. All you do is change the marking on the death certificate from "Starvation" to "TB" or "Anemia."

It is just as true that you don't put industry back on its feet by giving it a ton of steel a year. All you do is watch it dry up instead of seeing it burst.

How much capital will be needed? I haven't the slightest idea. Perhaps after the Marshall talks are crystallized, it will be easier to obtain an estimate. Perhaps if we follow Mr. Hoover's suggestion and conclude a separate, peace, private capital may well supplement public funds.

Certainly such funds must be considered not as a humanitarian dole, but as risk capital, which we have a good chance of reclaiming if we succeed; and that brings us to the Sixty-Four Dollar question: "Is it worthwhile?"

Many persons feel Europe is done and instead of trying to bolster the crumbling structure of a complex economy, we should let Europe sink to a self-sustaining level from which she could build whatever structure she had the ability and fortitude to develop. They feel at the same time we would benefit through the readjustment of our own economy which would result from the abandonment of our role of world-saver.

These same persons feel that the fears of Russia as a military threat are groundless and that experience shows her ability as an industrial competitor is greatly exaggerated.

There is a good deal of validity to this viewpoint, but there is an answer and it goes something like this:

The danger today is not Russia as a military power, but as the absolute master of Communism. You make a great mistake if you think of Communism as a party. It is a weapon which Russia absolutely controls. It is a faith, a militant faith, which thrives or misery and discontent; which breeds in its converts a hope for the future and an undying hatred of those who oppose it.

As a matter of fact, whether you think it or not, you are in a war with Communism right now. To them, at least, it is a "Holy War" in which quarter is neither asked nor given and you are fighting an enemy who feels about you and about me as our grandfathers felt about the Indians: "There is no good Indian but a dead Indian."

Keep Germany in chains, keep Europe in rags, and you will have a communistic Europe.

Further, don't cherish the illusion that once Communism attains political power in a country the people of that country can shake it off with ease. For, as the Chicago "Tribune" pointed out in an excellent editorial last week, dictators provide themselves with an apparatus of spies and a course of punishment for dissenters that prevents organized opposition.

If Russia through the use of this weapon once dominates the skills of Germany, France and Italy, and particularly the technical skills and the productive capacity of the German people, she will control the mightiest aggregation of power the world has ever seen. Allow this to happen and the menace of Russia as a power will be so real that you and America will find yourselves living in an armed camp and if you don't think that will cost you money, look at the cost of the last war.

So, you might better spend a few billions now in the attempt to keep the frontier of western civilization on the River Elbe, than allow the iron curtain to be erected on the Atlantic.

Such is my answer. Of its validity I am not in a position to judge.

If I have succeeded in getting you thoroughly confused, then I have reduced you to the same state in which I find myself.

While I was in Germany, I saw several Americans who came for a day or two and had all the answers pat, but I think I stayed too long and saw too much to be absolutely sure of anything.

Of one thing only I am sure and that is, that most of the people with whom I came in contact are not today actively interested in the academic consideration of some way of life. They are about in the same position you and I would be in under similar circumstances. Their interest and their every effort is in the struggle for existence and it is a grim struggle.

**Tomorrow's Markets
Walter Whyte
Says —**

By WALTER WHYTE

Market dullness now points to renewal of up-trend. Support range now in sight.

Last week was notable for at least one thing. Trading was at lowest ebb for the year, a condition that is interesting in passing but hardly cheery news for either the brokers or the majority of traders. The first group can't make ends meet under such conditions; the second can't see any profit in a market that doesn't even bother to yawn.

During this inactivity one thing happened to readers of this corner. Bethlehem Steel, which came into the list at 33, broke its stop of 87. True, the dip wasn't anything to raise anybody's blood pressure. It was just a fraction. But it was a violation of a pre-conceived support point and so dropped from the list.

Oddly enough and despite the dullness, not to mention the breaking of a support

**Glore-Forgan Offers
Libby, McNeill Debs.**

Glore, Forgan & Co. headed a banking group which made a public offering August 26 of a new issue of \$15,000,000 20-year 2 7/8% sinking fund debentures of Libby, McNeill & Libby, priced at 100.50 and accrued interest. Proceeds from the financing will be used for redeeming the company's outstanding \$6,450,000 serial debentures, with another \$6,000,000 tentatively allocated for additions to, and improvements and betterments of, capital assets required for the company's increased volume of business and efficiency of operation. The balance will be added to working capital. After completion of the financing, Libby's capitalization will consist of this issue of debentures and 3,627,985 shares of outstanding common stock.

Libby is understood to pack a greater variety of foods under one label than any other organization in the canning industry. It operates 44 plants in the United States, Hawaii and Alaska, with subsidiary operations in Canada, England and Belgium. The company and its wholly owned domestic and Canadian subsidiaries for the year ended March 1, 1947, show consolidated net sales of \$127,110,575 and consolidated net profit before interest and income taxes of \$8,567,418; the corresponding figures for the preceding fiscal year are \$100,710,240 and \$4,086,505 respectively.

point in the single remaining stock in the list, the market acted better than it has in some time. There have been a number of opportunities for prices to start sliding. For some reason I can't and won't explain, the market has remained firm. I haven't the remotest idea what it means. Maybe it doesn't mean anything. It may even be a condition aimed to lull the careless trader into a feeling of false security. The fact remains, however, that up to and including last Tuesday, the long threatened turn-down seemed to be averted.

There are of course deeper basic reasons for this. You can find those buried in daily newspaper stories coming in from all over the world. I won't try to point out which they are. It will take too much space and besides it's too hot to discuss international economics and diplomacy.

What all this adds up to market-wise is that the bend-over of the last few weeks seems to have reached a level that not only promises to withstand any further reaction, but, what is more important, indicates a reversal of trend with prices headed up.

What to buy in such a case should get almost a blanket reply. Paradoxically enough the steels which we just sold and the leaders like the motors will probably do as well if not better than the market. A rule of thumb you can think about says that stocks which have gone off the least during a reaction will go up the most during a rally. If you take a list of stocks you can probably make your own conclusions.

Stocks are now about 177 in the familiar averages. Somewhere within a point lower or so they give signs of turning around. If they perform according to rote a rally to about 183-185 would be indicated.

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.]

—Walter Whyte

Pacific Coast Securities

Orders Executed on Pacific Coast Exchanges

Schwabacher & Co.

Members
New York Stock Exchange
New York Curb Exchange (Associate)
San Francisco Stock Exchange
Chicago Board of Trade
14 Wall Street New York 5, N. Y.
Cortlandt 7-4150 Teletype NY 1-928
Private Wires to Principal Offices
San Francisco — Santa Barbara
Monterey — Oakland — Sacramento
F-1111

As We See It

(Continued from first page)

the network of fiat currency rates which sometimes gets in the way of more profitable British purchases in areas other than the United States. What is actually happening is that the authorities of the United States and of Great Britain are undertaking to maintain a price for sterling which current market conditions will not sustain. Whether such a rate can ever sustain itself is a matter of opinion, of course, but the future should be required to bear at least the carrying charges upon the funds now expended to maintain the rate in question.

Arbitrary Rates

We are, naturally, well aware of the disadvantages of fluctuating rates of exchange. We have not forgotten the competitive devaluation procedures which bore so heavily upon international trade prior to the outbreak of World War II. We hope no one will suppose that we are advocating a return to that type of chaos. What we are saying is, first, that with domestic costs and domestic prices more or less fixed in any two countries, it may well prove impossible to hold constant the value of one of these currencies in terms of the other. It will certainly prove impossible if the rate is one different from that which the market itself would fix, and such adjustments in the internal economy of either or both of the countries as would be necessary to bring the market into line are forbidden in the premises.

What we are saying is, second, that attempts to fix both the currency rates and domestic prices and wages in such a way that the whole is internally inconsistent—as indeed it is all but certain to be—are not only foredoomed to failure but certain to “bring but grief and pain for promised joy.”

The same general principles apply, of course, in the domestic economy, and the same defiance of these principles—or, perhaps, lack of awareness of their existence—are found on all sides. In the first place, let us consider in cold blood, quite removed from the passion and the heat of political or even humanitarian arguments, this apparently everywhere prevalent notion that retail prices too high to permit every one in the nation to buy all he wants of everything are always a sort of calamity. Of course, prices of the real necessities too high to permit any large segment of the population reasonable access to them would be unfortunate, and in the more extreme case, even calamitous. But how far should this line of thought be extended into the field of luxury items or even semi-necessaries? Obviously, lower prices will not increase supply.

Note well the fact that what is complained of is not an oversupply, but inability to buy at current prices goods which can hardly be super-abundant in view of the fact high prices are easily maintained in the face of the alleged disability to buy. Lower prices could in such an eventuality only mean at most that certain elements in the population could have more at someone else's expense—provided they got to the market first.

Broad Principles

But let us view the situation in the broad. If the price of any commodity or services is high or rises in such a manner as to afford a large profit—as is now so often alleged of current prices—either there is a diversion of capital and labor to the production of it so that supply is enlarged, or consumption of the article is reduced. The more really “necessary” an article is the less consumption is reduced by increasing prices—and accordingly the more likely that production of it will be increased as a result of the higher price. The more easily the rank and file can do without an article, the more likely that consumption of it will be reduced upon the appearance of higher prices, and the more labor and capital will be freed for the production of those items which are really necessary to a normal existence. Is this not a rather constructive process—much more likely to enlarge and enrich human existence than are the nostrums of the politicians and economic quacks?

Of course, in some instances nature more or less fixes the maximum production of a given good or service. In such a case higher prices have the tendency to divert demand to some other or substitute material. The net result in this instance, or one of them, is that the relatively scarce material is conserved and the more abundant consumed. Consider the case of petroleum products today. We find that so tremendously enlarged has consumption of these products become that refining capacity, transportation capacity, and even available raw materials are being strained to meet the demand—but without success, at least in some parts of the country. Why?

There are many reasons, of course, but we shall confine ourselves here to only one general aspect of the

situation. In the first place non-competitive conditions among both producers and wage earners in the coal fields have raised and maintained coal prices at figures a good deal higher than otherwise would obtain. These monopolistic practices, along with the utterly irresponsible and unpredictable behavior of the labor monopoly, have made many, many consumers feel that, even at a somewhat higher price, they preferred not to be dependent upon coal. Again, the oil companies, enjoying excellent profits, have felt it wise not to take full advantage of existing conditions. Whatever the pack at Washington may howl, the oil companies have been “public spirited.” But a relatively limited supply of crude oil is not being conserved, as it would be if current almost astronomical demand were being permitted to fix prices!

This whole question is in need of careful reconsideration by the rank and file.

Ruhr Coal and European Recovery

(Continued from page 7)

dustrial products. Before the war, the German industry was the source of supply for the great bulk of European machinery and precision instruments. For instance, half of the Netherlands industry is equipped with German machine tools. Some European countries had hoped that the limitations imposed upon German industry would enable them to capture German markets. But in many of these countries, the domestic industry cannot make use of that opportunity because it cannot work efficiently without German equipment and especially without German spare parts. Thus some countries, like the Low Countries, the Scandinavian countries, and Austria that would have most reason to see German heavy industry condemned to perpetual stagnation, today are among those that ask most loudly for the revival of German heavy industry which has to furnish them with urgently needed parts.

Finally, the lack of German coal production has made it necessary for the U. S. and U. K. Governments to come to the help of the German people in order to avoid wholesale starvation, disease, and unrest. Since Germany, largely because of the lack of coal, cannot produce the food and other subsistence goods which the German people need for survival, these commodities must be imported from the U. K. although other European countries, many of them our allies during the last war, also are in great need of these goods, and although such exports are a tremendous burden upon the U. K. and in a lesser degree a burden upon our own economy. To a certain extent, the present exchange difficulties of the British people are due to the exports to Germany. Moreover, these exports must be financed temporarily at least out of budgetary receipts, which means out of the taxes paid by the British and American public. We don't consider them to be gifts to the German people, and we hope to be repaid in future years. For the time being, however, the economic effect of these expenditures is not much different from that of unilateral contributions.

How Can Coal Production Be Increased?

Thus the problem of increasing the coal production of the Ruhr is of the greatest interest not only to the Germans, but also to all European countries and to the British and American taxpayer. In fact, it is one of the few points on which all nations of the world are in complete agreement. The question is only, how increased production should be attained. The experiences in the fall of 1946 and the summer of 1947 have shown that an increase in goods made available to the miners, especially food, housing and other consumer goods,

will bring about an increase in output. But such supplies have either to be taken away from the rest of the German people, whose meager rations do not leave room for such measures, or again, have to be financed by the occupation powers. The British obviously are unable to take over additional burdens, and so, the expense of such an incentive program would have to be borne by the U. S. The cost certainly would be worthwhile, even in terms of dollars, since every increase in coal production lessens the strain on our own economy by the demands of other European nations for relief grants or credits with which to purchase our own scarce coal. However, it is hardly possible for us to pay for such a program without having a controlling influence upon its execution. The Ruhr is in the British zone, and British ideas of management and ownership are sometimes somewhat different from our own. It is incorrect to say that the British are bent on socializing the Ruhr mines, or to say that we are absolutely opposed to socialization, but it is true that there are some differences of opinion. The first question is whether or not we can expect the mines to be better managed by the occupation authorities or by the Germans themselves. Everybody acquainted with military government procedures will agree that German management would be more efficient. Then the question arises, who should do the managing. The old masters of the Ruhr coal cartel were among the major German war criminals, and we cannot think of restoring the crucial European industry to their control. Such a step would not only produce the danger of outright sabotage of our efforts toward European cooperation, but also arouse our most faithful friends in Western Europe against us. But where to find German managers not tainted by too close collaboration with the old Nazi gang? The British argue that only socialization can solve that dilemma, while we point out, first, that the Germans themselves are not too happy about that idea—the German bizonal economic council, elected by the legislatures of the German states, just has appointed a strictly anti-socialist directorate—and, secondly, that the inexperienced German democratic bureaucracy would be even less efficient than the experienced British administration. The present discussions certainly will lead to some compromise, but only the future can tell whether it will be practicable.

Where to Allot the Coal

Another problem is, what to do with the increased coal output once it is mined. We cannot expect production to increase so much that the domestic as well as

the export demand will be fully satisfied. A few days ago, the German bizonal economic council submitted an economic plan for 1947-48, based upon the production of 70 million tons of hard coal, as against 54 million in 1946-47. At the present rate of output, this figure appears reasonable. The council, however, wishes to cut exports substantially below the 1946 level, and to devote not only a larger part of the present output but also the entire increase to German consumption. This is understandable because the needs of the German economy are closer to the heart of the German people and its representatives than the need of the rest of Europe; moreover, it can be argued that German miners will be spurred by the knowledge that all increases will accrue to the German economy. But such a solution obviously would not be acceptable to Germany's neighbors that need German coal as urgently as Germany itself. In contrast, the coal distribution plan agreed between the US-UK zonal authorities and the French in the spring of 1947 would allocate to exports the present quota plus about one-fifth of the increase in output. Obviously, the French will not agree to the execution of the coal program to be turned over to German authorities, unless they are satisfied that their import requirements will receive due consideration.

Once the question of allocating coal is solved, the problem remains what to do with the coal reserved to the German economy. The German council proposes to allocate only 10% of the German quota to household consumption despite the hardship which such a small allocation is bound to cause. The resumption of German industrial production is indeed more important than the comfort of the German population—although too much discomfort may force the population to spend a disproportionate amount of time on the search for other fuel (woodcutting) and induce pilferage and black market operations. Still, the problem remains whether to use the remaining 90% of the German quota mainly for the production of export goods, or for the production of goods destined to German consumption. The diversion of too much coal to production for the German market will leave the needs of the victims of Germany unsatisfied—and indirectly force us to grant further aid to those victims—while a diversion of too much coal to the production of export goods will hurt German labor morale and efficiency, and in addition make necessary further relief imports into Germany, thus again in the last resort burdening the U. S. economy.

So you see how closely related the coal problem is with that of the level of the German industry, and with our own contributions to the recovery of Europe. We can only hope that the participants in the conferences will contribute to the solution of the over-all European problem by keeping in mind the broad implications of their decisions. Their main goal should be not just an increase of so much per cent in the production index of such or such country, but the reintegration of the entire European economy. That alone will bring about not only economic progress but also, more importantly, the prospects of permanent peace.

Joins L. M. Greany Co.

Special to THE FINANCIAL CHRONICLE
CLEVELAND, O.—Roy C. Harlow has become associated with L. M. Greany & Co., Fidelity Building.

Why Upset the Apple Cart?

(Continued from page 12)

as five men. In 1902 workers on public work had their hours cut to eight daily; this was really the starting point of the eight-hour day. Wages now went up to \$19 per week with an annual increase of 50 cents and two increases of \$1 for the next three years. The employers now keeping about the same hours as the men and taking from earnings about as much as six or seven men. Along about this time was the beginning on a large scale of so-called management in industry; small businesses either enlarging or disappearing. During the period from 1903 to 1905 wages had risen to \$21 with hours still at nine. In 1906 the movement for eight hours began throughout the country and by 1910 it was almost universal, for the more skilled craftsmen. Wages again started upward with yearly increases of \$1 per week so that by 1913 they stood at \$24. The employer at that time taking from earnings as much as eight men and coming in about 1/2 an hour after the men and going home about 1/2 an hour before the men.

Now we arrive at the period just preceding World War I. From then on our whole economic system was thrown into a very disordered state. When we actually entered the war many different government bodies were set up, chiefly, from the businessman's point of view, the War Labor Board. The administration in carrying on the war set up a cost-plus system. Wage increases during this period (1916-1920) were so many and so varied in the different industries that it is difficult to put them in chronological order; however, at the end of the war they stood at between \$40 to \$50. The cost of living had risen to such heights that it was imperative to raise wage rates to successfully carry on the conflict. During this period the employer was coming to work an hour after the employees and quitting an hour before them. His share was now up to as much as 10 men.

Wages during the period from 1921-1947 have risen to a range of between \$60 to \$90; of course in many industries and in different sections of the country, they were lower and in some few instances higher. The employers and management during this period also benefited in various ways. The reason for this long-winded exposition of the wage and hour history of the last 50 years, will, through this method show more clearly, how the trend has been ever upward and onward, than a table of dry statistics, which fail to show how betterment was achieved by all. The present-day standard was achieved by great suffering and financial loss to both capital and labor; the pitiable part being that the most violent strikes were for such pitiable gains, while today we see increases granted to workers of \$10 and more (with holidays and vacations), amicably, through conferences between employers and labor groups.

During this period employers were able to plow black into their businesses sizable amounts; workers constantly going to a higher standard of living through a higher purchasing power; going from the oil lamp to gas light to electricity. The universal use of electricity was responsible for thousands of new businesses being born; electrically operated machinery making for more economical production of all kinds of consumer goods. The worker was no longer compelled to live in a cold water flat with his heat supplied by the kitchen stove, his standard rose to hot and cold water and a central heating plant. With the advent of the automobile the standards of all groups

rose by leaps and bounds; thousands of new businesses owing their inception to the introduction of the internal combustion engine.

All Ahead Socially, Morally and Financially

From the foregoing it would seem that we are all ahead socially, morally and financially; thus, confounding that school of "disaster mongers" who were unable to predict the most elementary economic changes of the past, but can, with almost astronomical precision, predict the future.

There is no argument about the seriousness of strikes and the loss and suffering that they entail, but who is there to say that they had no redeeming features? Without strikes we would certainly be much further along the road to catching up with the pent up demand for goods. With the drop in prices on the various exchanges from last September to May, with business good and the whole world crying for the products we were producing, we can only guess what the drop would have been like if our industrial machine had not been held down a little by strikes. Already the market is filled with radios, washing machines and refrigerators, and other so-called heavy goods are appearing in sizable numbers in the retail outlets.

Many of the analysts are doing a good and necessary job; where they really have something to say, they are distinctly an asset, but where they deal in generalities or do a daily stint just to earn their salaries, they are doing a disservice. The inventories in piffle are piling up; there is so much of it around. Get a load of this: "If no serious international crisis develops, if strikes are held to a minimum and earnings stay at their present levels or go higher, we can be confident that there will be no excessive recession." Oh! brother, is we is, or is we ain't!

The foregoing paragraph, with its little touch of George Adeism, brings to mind the seriousness with which the banker of 50 years regarded himself. Quite a change has taken place in the "business dignity" within the period under review, which may also properly come under the head of economic revolution. Fifty years ago when one went into a bank it was pretty much like entering a church; the employees from the President down, wore a sombre expression, and a smile, mirth or a cheery word, was not within its portals. The financial journals were likewise very staid and conservative; the text dry, the statistics even dryer. But, praise the Lord, the present day shows many changes. The news is presented more colorfully and cartoons are becoming regular features. Addresses are reproduced verbatim, by prominent men in the banking and financial domain, that bristle with very amusing anecdotes. Going into a bank you hear: "Hi Joe," "Hello Harry," "Howdy Tom," etc., oftener than "Mr." The personnel now have a pleasant smile and the banks no longer have that morgue-y look. You do not expect to see top officials with sideburns or beards, to instill confidence in their customers. Certainly the vast majority of men in the financial world no longer take themselves too seriously; they have their part in the world's affairs and they are playing that part without makeup. We still have some "John Ap-leys."

The Matter of Prices

Still keeping up with our "stop worrying" thesis, let us take up the matter of prices. Even with a "seller's market," it must be ob-

vious that prices, notwithstanding higher wage rates, would come down with imperceptible drops in earnings. The reasons are: that with all manufacturers striving to get to the market as fast as possible with their products, that it was inevitable that overtime, with its unavoidable time-and-a-half and double-time pay added to the payroll, would necessarily reflect itself in the higher cost of the product; the higher cost of materials, as the material fabricators had the same problem; the inability to get these materials as fast as necessary to have the plants function at their top levels; and as Roger Babson so aptly put it: "Too many research laboratories are working on new products to tempt our housewives, rather than reducing the cost of existing products." Taking just one item as an example; a certain plant, let us say, makes 1,000 units per week, two castings are bolted together with 12 bolts (three each on four sides); the engineers discovered that by making the bolts 1/32 inch larger they would need but two on each side, saving four bolts; this more than offset the slightly higher cost of the heavier bolts; the saving in time in having eight less holes to drill and four less to tap, with four fewer assembly operations, saved the concern 1,000 hours per week, a sizable saving on this one operation.

Politics

We come now to politics, a subject that is a matter of opinion. Fifty years ago, probably just a little more, there were a handful of political opportunists called anarchists; they were pictured (as today), with beards, a sinister look and a bomb in one hand. Then came the socialists; they were also variously described as undesirable, dangerous, un-American, etc. At one time they managed to elect five men to local office in New York State, but the ruling powers of the time refused to seat them. In retrospect, we now know they were a very harmless and innocuous part of our citizenry. Now, the whipping-boy of the time is the communist; same old story, beard and bomb. One statistician figured that there is 1/2 of a communist per 1,000; where he got his figures is a mystery, as many States do not even allow them a place on the ballot. If half of the time and one-tenth of the newspaper space now being used in belaboring them and bewailing their growing importance should be used in advocating something constructive, we would all do less worrying. A businessman who has something on the ball will make a go of it under any political system. The important thing is to keep an eye on the politician that is in.

What about the cost of living? Everything is very much higher than it was. The value of the dollar has shrunk so that it is only worth about 61 cents; but most of us have so many more dollars to take care of this imbalance. A committee has just been appointed to study the cost of living. Why? One need but take a newspaper of today and compare it with one of three, six, or 12 months ago. Newspapers all over the country have been carrying food chain-store advertising, so there is no mystery that has to be solved by a long-winded investigation.

One of the most powerful business organizations is the National Association of Manufacturers. It also does more worrying than any body of its size and influence. The probable cause that induces that "worry complex" is that the NAM has always been notoriously negative in its outlook; changing to a positive outlook will be an innovation that will be beneficial to all. Our economy has become so complex and we are all so de-

pendent on each other that it becomes necessary to approach our problems with that fact in mind. Owing to our colossal debt and our national and international commitments, it becomes a must on our agenda to keep up the purchasing power of all. It is absolutely vital that the wage rates be maintained and even brought higher, especially in the lower income groups. Tackling some problems of a constructive nature would be a step in the elimination of worry by members of the NAM. A few proposals are submitted herewith that could be brought up at the next Convention of the NAM. Our economy has never been static, but, for the past 50 years, has been moving at a progressively faster pace, with a resultant benefit to all except those who have fixed incomes or pensions. The status quo has fallen into disrepute.

Some Proposals

In view of our necessities half-way measures no longer suffice, we must get drastic in our proposals. Some of the suggestions may seem radical if viewed by other-day standards but today it is essential that these or similar topics be taken up and discussed, rejected, or acted upon:

(1) National Debt—Discuss the matter of the public debt to see if it is advisable to amortize same in a period of 20 years. The amortizing of the debt being accomplished very much as a private individual would amortize his mortgage to a building and loan association. This would return to the bondholders so many billions a year; this huge sum would be used differently by the recipients, some spending it to purchase goods, some to build homes, others to start a business and purchase securities. No matter how it is spent it will assure prosperity for 20 years, besides lowering the tax burden each successive year.

(2) Our Southern Market—Study the subject of raising the purchasing power of the South through raising the workers' wage rates. The foreign market at this time is abnormal, standing at around \$20 billion, normally it stands at around \$5 billion. Must we risk the danger of war to hold this \$5 billion market when right at our own doorstep is a \$20 billion potential market, that but needs exploiting. Then there is the selfish added interest of having the South pay its just share of running the government, through the higher payrolls. The North and West now pay a disproportionate share to make up the shortage of South's per capita. The people who would benefit most through a higher minimum pay are our Southern citizens; nevertheless the opposition to such legislation seems to come mostly from the South.

(3) Universal Currency—With the United Nations now in session the time is appropriate for a movement toward a universal coinage system. The United Kingdom, Canada and the United States are now holding conversations toward that end, why not go "whole hog" and take in the world? The inauguration of international coinage would do much to better business relations throughout the world. Inasmuch as many countries are on a metric system and the money system of the United States is on a metric system it may be possible to put this proposal before the UN with a recommendation "to adopt the dollar as a standard." With the minting of a "mill" coin for the benefit of the nations with a very low exchange rate, and by stamping their coins with both values, the turnover to the dollar standard could be brought about with a minimum of confusion. Business should find this constructive.

(4) Wages—A very important item for consideration should be

the uniformity of wage rates between a plant that has contractual relations and so-called open shops. Plants in the same industry and region should maintain the same wage rates for the following reasons:

(a) Using arbitrary figures, if one plant pays its employees \$15 a day and the other plant pays \$12, the man receiving \$12 is paying the government \$3 less per week in income taxes than the man receiving \$15, and some of the bright boys in the taxing agencies of the government will realize this fact and will institute legislation to remedy this discrepancy. Voluntary action by members of the NAM will obviate more legislation, with its "ifs," "ands" and "buts."

(b) The employer by paying \$3 less a day is curtailing the buying power of his employees by \$15 a week, just about the margin above the necessities, which could be used for purchasing workers' capital goods.

(c) By having a lower production cost through payroll saving, the lower-paying employer takes an unfair competitive position.

(d) The unrest caused. The management of the higher-paying plant becomes discontented with the pay differential of his and the lower-paying plant and would like to pay its employees \$12, whereupon the lower-paying concern would reduce its workers to \$9, and this process could continue with the most disastrous results to our buying-power.

(e) Shortening of Hours—This subject is extremely controversial and the pros and cons are myriad. At the present time business in general has huge backlogs of orders, consequently most businessmen are inclined to treat this matter lightly. As soon as this backlog of orders diminishes and inventories start to pile up, business should be ready with a plan to prevent any layoffs, with their inevitable curtailment of purchasing power, also owing to the fact that layoffs on a large scale have a bad effect on the morale of those still employed, through the fear engendered as to their status.

A depression probably demonstrates more forcibly the working of the vicious circle than any other calamity that can befall any nation. When any sizable number of men are laid off in a plant they immediately cease to be consumers; the men who still retain their jobs, are so fearful that they may be the next to be laid off, buy only what is absolutely necessary, making them "half-consumers." This routine is also followed by business; in times like that, all businesses immediately cease their purchasing. The proper procedure in periods of slack would be for business to replace obsolete machinery, do the expanding that has been planned, take care of needed repairs and modernize the plant generally. But, no, fear has already taken such a hold, that it seems foolhardy to spend when the future is so uncertain.

The overhead of very large corporations is such nowadays that strikes should be eliminated by every means possible; management should be alert to prevent them by negotiating new contracts before the old ones expire; this would certainly be the wisest procedure, as the new contracts can be negotiated without the heat brought about by an ultimatum by either side. How a strike works out for a large corporation can be seen by looking at the earnings and balance sheets of the telephone company.

There are billions of apples around. They are not rotting, and millions of us like apples! So

Why Upset the Apple Cart?

President Releases Mid-Year Budget Estimate

(Continued from page 11)
 cal year ended June 30, 1948, are now estimated at \$37.0 billion and net receipts at \$41.7 billion. On the basis of these estimates, a budget surplus of \$4.7 billion is indicated.

Expenditures—When I transmitted the budget last January, expenditures during this fiscal year were estimated at \$37.5 billion. The present budget estimate is \$37.0 billion. The difference is the result of many changes. Some have tended to increase and others to reduce the total. A reduction of \$1,520 million is the result of

Congressional action. On the other hand, revisions and amendments which I have found necessary have added \$638 million. Changes listed later under other headings have added \$354 million.

In preparing this review, it has not been possible to estimate the ultimate effect on the budget of the emergency situation overseas. The amount that may be required to enable the United States to bear its proper share in world recovery cannot be determined until a later stage in the studies of the international situation now under way. The present uncer-

tainties must be taken into consideration in deciding our budget policy. They emphasize the need to maintain a balanced budget with sufficient surplus to meet emergencies.

Receipts—The new estimate of net budget receipts is \$4.0 billion above the estimate of \$37.7 billion included in the budget in January. Of this increase \$1.1 billion results from the continuation of war excise tax rates, which I recommended in the January budget. But the greater part of this increase is due to the rise in prices

and national income above the levels anticipated in January.

Surplus—In the fiscal year 1947 the budget was balanced for the first time in 17 years and a surplus was achieved—which in the long run is the only way to retire debt. As long as our total post-war commitments are still uncertain and as long as we are under strong inflationary pressures, it would be reckless not to include a reasonable surplus in the budget. In the light of present conditions, the estimated surplus of \$4.7 billion for the fiscal year 1948 is essential to sound fiscal policy. The surplus, together with part of the present cash balance, will be devoted to retirement of the public debt.

The same prudent policy of planning for a surplus and for further debt retirement will be followed in preparing the budget for 1949. The strictest economy consistent with the Government's obligation is imperative. I have already instructed the executive departments and agencies to hold their 1949 budget requests below the 1948 total. In a number of cases I have established certain definite limitations.

Appropriations and Contract Authorizations—In the budget transmitted to the Congress last January, I recommended appropriations of \$31.3 billion and contract authorizations of \$1.5 billion to finance Government operations during the current fiscal year. Subsequent amendments to the budget through July, and 1947 appropriations delayed to 1948 have raised the totals thus far recommended to the Congress to \$32.3 billion for appropriations and \$1.6 billion for contract authorizations. The 80th Congress at its first session enacted for the fiscal year 1948 appropriations and reappropriations of \$29.8 bil-

lion and contract authorizations of \$2.0 billion.

I anticipate that at its second session it will be necessary for the 80th Congress to provide supplemental appropriations and \$1.3 billion and additional contract authorizations of more than \$300 million. The Congress itself has recognized that some of its reductions, such as those for tax refunds and the Atomic Energy Commission, will have to be restored. The estimates for supplemental appropriations include \$848 million to restore such reductions made by the Congress. The remaining \$403 million of appropriations and \$317 million of contract authorizations relate for the most part to items on which the Congress has deferred consideration. Thus, present indications are that the final total of appropriations and reappropriations will be about \$200 million lower than I recommended last January and the final total of contract authorizations, about \$750 million higher.

Rescissions—The Congress also rescinded wartime appropriations and other authorizations of \$4.1 billion. Most of this would not have been spent. The resulting reduction in expenditures during fiscal 1948 is estimated at \$153 million.

Major Changes Since January—Let us now review the three principal ways in which the January budget estimates have been altered. Necessary amendments and revisions of my original recommendations have added 3% to the total of appropriations, 27% to contract authorizations, and less than 2% to expenditures. Revisions due to delays and transfers between fiscal years add 1% to appropriations and less than 1% to expenditures. Congressional action—following a vigorous and searching review of the budget—has reduced appropriations 5%, increased contract authorizations 21%, and reduced expenditures 4%. In total, all these changes have reduced the expenditures side of the January budget by 1.4%.

On the receipts side, there is an increase of 10.4%.

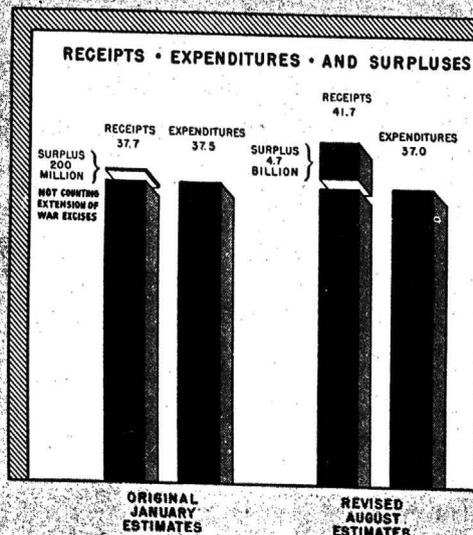
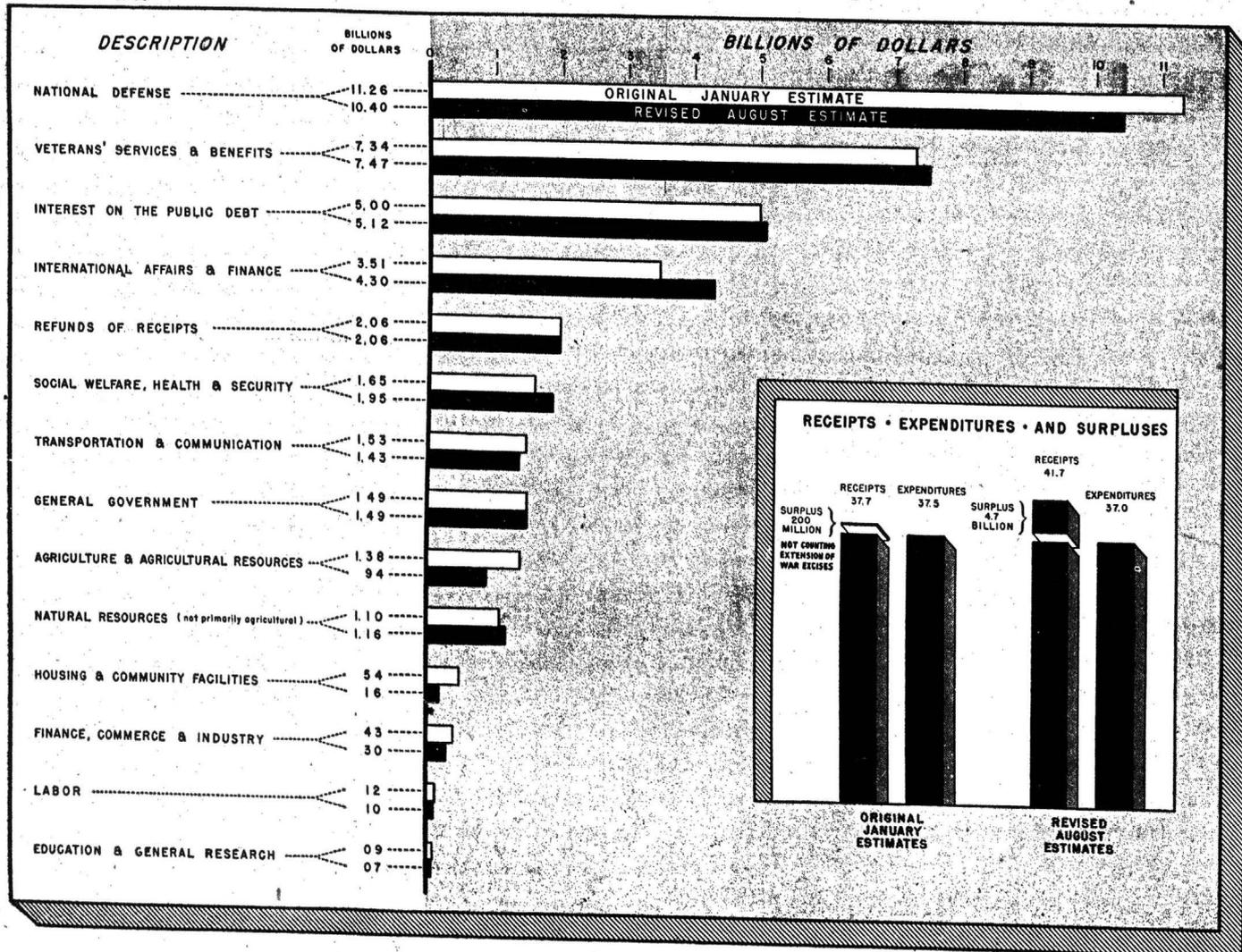
Table 1 shows the dollar changes since January in totals of appropriations, contract authorizations, and estimated expenditures.

**Table I
 CHANGES IN THE 1948 BUDGET
 January-August, 1947 (Millions)**

Type of Change—	—Authorizations—		
	*Appropriations	New Contract Authorizations	Estimated Expenditures
January Budget -----	\$31,292	\$1,542	\$37,528
A. Revisions due to changes in recommendations—			
1. Amendments to the Budget through July (net)-----	645	101	300
2. Anticipated supplemental recommendations to be considered at next session of Congress-----	403	317	338
Subtotal-----	1,048	418	638
B. Revisions due to changes between fiscal years and in program outlook—			
1. 1947 appropriations delayed to 1948-----	362	---	48
2. Transfers of expenditures between fiscal years-----	---	---	293
3. Changes in estimates of outlook for Government programs and revisions of related permanent appropriations-----	-15	---	13
Subtotal-----	347	---	354
C. Revisions due to Congressional action—			
1. Reductions in authorizations which may be regarded as final-----	-1,843	-3	-1,275
2. (a) Reductions in authorization which will require offsets by deficiency appropriations-----	-929	---	-888
(b) Estimated offsets by deficiency appropriations-----	848	---	832
3. Reductions in Government corporation expenditures-----	---	---	-345
4. Rescissions in authorizations of earlier years-----	---	---	-153
5. Substitution of contract authorizations for appropriations-----	---	181	---
6. Increases initiated by Congress-----	346	149	309
Subtotal-----	-1,578	327	-1,520
Total, August Review -----	31,109	2,287	37,000

*Includes appropriations to liquidate contract authorizations and reappropriations.

SUMMARY • Changes in Expenditure Estimates (by Function)



Martin & Jobe Now With Hopkins, Harbach & Co.

Special to THE FINANCIAL CHRONICLE
 LOS ANGELES, CAL.—Theron A. Martin and Edward W. Jobe have become associated with Hopkins, Harbach & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange. Mr. Martin was formerly with Fewel & Co. and R. D. Bayly & Co. In the past Mr. Martin was an officer of C. H. Hatch & Co. and R. C. Wade & Co. Mr. Jobe was with Lester & Co.

With Fairman & Co.

Special to THE FINANCIAL CHRONICLE
 LOS ANGELES, CALIF.—Y. Clifford Tanaka has joined the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was previously with Edgerton Wykoff & Co.

With E. F. Hutton & Co.

Special to THE FINANCIAL CHRONICLE
 FRESNO, CALIF.—Kenneth G. Inman is now connected with E. F. Hutton & Co., 2044 Tulare Street. He was formerly with Merrill Lynch, Pierce, Fenner & Beane in San Francisco.

Joins Staff of Hope Co.

(Special to THE FINANCIAL CHRONICLE)
 SAN DIEGO, CAL.—William J. Smith has joined the staff of Hope & Co., San Diego Trust & Savings Building.

The Securities Business and Securities Acts

(Continued from page 3)
private capital—will be subjected to demands equal to those imposed on the function of raising capital. The two functions walk hand in hand. If industry is to receive the capital it needs, one part of our industry must seek it and another part provide it. The underwriters and sellers of securities will be successful in their work only if brokers and financial advisers to those with capital to invest can advise purchase. Willingness to invest depends on investor confidence—confidence in their advisers—confidence in the intelligence and good faith of our industry in selecting the securities to be offered—and, of course, confidence in the multitude of factors which we catch up in the phrase "general conditions."

I think that industry will during the next five years place heavy demands on our function of raising new capital and consequently on our function of investing, and advising on the investment of capital. I hope that we will be selective in the purposes for which we sell our assistance in raising capital and that we will provide within our own ranks a healthy restraint on our own industry by being equally selective in our direction of capital investment. With so much capital needed, and with our own welfare and the welfare of the world dependent upon whether or not it is raised, it would be an economic crime to waste capital and confidence on irresponsible ventures.

The third function—providing markets for the owners of capital which has been invested—is in a sense the thermostat which controls the operation of the other two functions of our industry. This thermostat is itself operated by forces beyond the reach of our industry—far beyond our control—and, I am inclined to believe, beyond our ability to predict or understand. The overwhelming majority of orders to purchase and sell securities on our exchanges are issued by persons outside our business. Those orders determine the size of our markets and the direction of prices. In our nation of stockholders—where stockholders often outnumber employees even in the largest companies—the opinions of stockholders and those who are seeking to become stockholders control the market—not the opinions of the securities industry.

If—to press the analogy—this thermostat records public willingness to buy securities, it automatically signals to the rest of our industry that the capital needs of business will be given favorable consideration and that there exists an inclination to invest.

I believe that the factors which support the view that the capital needs of American business will be great during the next five years, will also influence the thousands who are the investors and owners of capital in this country to activate the thermostat. The demand for things destroyed or deferred by war and for things to replace those which have worn out or become obsolete during the years of war is both a reason for needing more capital and an influence which will bring owners of capital into the search for investment. Whether the recognition that there is work for capital to do, and gather profit in the execution, will outweigh the fear of atomic doom, vetoes and the boasts and falsehoods of the vetoers, I do not know. The market will record which weighs the heavier.

Assuming only the now hidden element of confidence, a peek into the future indicates to me that our industry will be called upon during the next few years to perform all three of its functions upon a greater scale than ever before. Only time can tell whether or not world affairs will permit that con-

fidence to appear from behind the uranium curtain.

But assuming that unprecedented demands are placed on our business to raise capital, to invest and aid others to invest funds and to provide securities markets, will we be prevented from accomplishing our job by the Securities Acts? In my opinion and from my experience, the answer is unqualifiedly "No!"

The Effect of the Securities Acts

All three functions of our business are to some extent conditioned and limited by the provisions of the Securities Act and the Securities Exchange Act, and I would like to explain why my answer is nevertheless "No!"

There are three reasons:

First: There is no provision of either Act which in practice today prohibits or prevents an honest and informed man in our business from negotiating out, offering and selling a new issue of securities whatever others may think of its merits, or from investing his own capital or advising his clients how to invest theirs, and there is no provision of the Exchange Act as now administered (with the possible exception of the margin regulations and the statutory provisions relating to what securities may be dealt in on exchanges) which prohibits or prevents the existence of a free market on exchanges.

Second: Our industry has become familiar with the provisions of the Acts and has raised and dealt in billions of dollars worth of securities in the 13 years since their adoption.

Third: The present attitude of the Securities and Exchange Commission, which administers these Acts, reflects the knowledge and understanding which it has acquired in 13 years of practice and is constructive and helpful in carrying out the duties entrusted to it by law.

I do not wish you to believe that there are not provisions of these Securities Acts and the regulations issued under them which do not require revision. There are. But the total effect of any practical and desirable revisions on the ability of our business to discharge its functions would in my opinion be slight. It seems to me of the utmost importance that you new bankers and brokers realize that, despite what may be said in partial and sometimes personal dispute, the Securities Acts are not an impossible barrier to the conduct of your business. In my opinion, our business cannot with sound reason use the Securities Acts as an excuse for not being able to do the job that may be before us. Nor should we, in my opinion, blame the present stagnation in our business on these statutes. Our attention is better directed to the need for tax revision, to the need for better public understanding of our business, to the need for study of business situations which will require capital, and to the need for creating the widest possible circle of customers who have confidence in us.

Acts Created Some Unsolved Problems

While I do not think that the Securities Acts will prevent our doing the work which I believe we will be called upon to do, those Acts have created some as yet unsolved problems which it might be appropriate to consider.

Under the Securities Act the primary objective is to insure that customers have reliable information upon which to base their decisions whether or not to buy securities which are being publicly offered. However, the Act tends in two ways to insulate customers from information prior to making a purchase. The volume of information supplied by the registration process (as in-

insurance against liability) is often beyond the interest or capacity of a customer. Also the time table of registration and public offering which results from the statute, in the case of an eagerly awaited offering, forces firms to choose between giving no information to their customers, or running the risk of having the information they give construed to be an illegal offering. In such cases, the customer must often choose between buying blind or not having a chance to buy at all.

Both of these situations also tend to surround the act of selling new securities with an atmosphere of doubt and uncertainty. It is unrealistic to expect that information about a new security, which everyone knows is about to be offered, will not be made available to customers even though the registration process has not reached its "effective date." It is also unrealistic to assume that prospective customers invariably act, or want to act, only after studying the prospectus and registration data.

I believe that the first of these problems is being, and will continue to be, gradually corrected in practice. The S-1 and other forms, allowing the Prospectus to be Part I of the registration statement, help to make a better prospectus. Development in practice of what is and what is not "material" in corporate information, and how and where such data should be stated in the prospectus, is already well advanced. Original, wholly logical and legal, but nevertheless exaggerated, fears concerning liability for "omissions" are being modified in practice. It may be some time before the attitude of "when in doubt put it in" alters to the more reasonable one of "if it is not important don't clutter up the prospectus"; but I feel sure that time will make the alteration. It is my guess that practice and not further legislation will cure this problem.

The second problem of reconciling the objective that customers have the prospectus information before they buy, with the statutory obstacles to their receiving it before registration is "effective" and the issue is sold, is somewhat more formidable. Suggestions now being discussed for statutory revision would seek to cure it by giving customers a time period after receipt of the prospectus within which to withdraw from a purchase. The complexity of these proposals creates considerable doubt as to whether in practice the cure would be of any substantial advantage.

Some further difficulties are created by the Securities Act requirement that prospectuses be delivered by all dealers on sales of a "registered" security for a full year after the public offering. This requirement is subject to an extremely limited exemption making it unnecessary to deliver prospectuses in some cases where the sale occurs as the result of a customer's unsolicited order. This requirement imposes a heavy and quite unnecessary burden and the exception is both ambiguous and impossible to observe fully in transactions which take place on the floors of exchanges.

Revisions of the Securities Act to reduce the period during which prospectuses must be delivered by dealers from one year to a few months, and to correct the present uncertainties with regard to delivery of prospectuses in connection with transactions made on brokerage orders, are clearly desirable and are now under discussion.

The Margin Trading Restrictions
The Securities Exchange Act has created a few substantial problems requiring solution which should be mentioned.

That Act grants to the Federal

Reserve Board authority to restrict the amount of credit which may be extended on securities dealt in on exchanges. It does not grant this authority over other securities. Some question exists as to the purposes for which this power may be exercised. Also, there is considerable doubt as to the soundness of limiting the collateral value of exchange securities without corresponding limitations on non-exchange securities. It might well be that both problems could be solved in a statutory revision establishing a uniform and fixed limitation on the collateral value of any security where the loan is to be made for the purpose of purchasing or carrying securities by a bank, exchange member or registered dealer.

A more important problem under the Exchange Act relates to another distinction which is made between securities listed on an exchange and those which are not. Under that Act the privilege of having an issue of securities listed on an exchange is employed as a means of obtaining corporate information and the conformity of officers, directors and substantial stockholders to the standards of Section 16. These quite logical provisions have created some illogical results.

The logic of the Act rests on the sound base that corporations have over the years acquired their capital from ever more widespread individual sources and today are owned by literally millions of owners, who are far removed from the operations of their companies and should be given the right to some minimum standard of information. A parallel consideration is that due to the wide distribution of corporate securities, persons buy such securities from private owners in transactions in which the corporation has no part and such buyers should have some minimum information which only the corporation can supply.

The Information Requirements

The illogical results spring from the equally obvious fact that the conditions justifying the establishment of minimum standards of information and responsibility exist, whether or not an issue of securities is bought and sold through the mechanics of an exchange, or through the mechanics of a member or non-member office. Since registration information must be supplied by a corporation and responsibilities assumed by its officers, directors and principal stockholders, before an issue of its securities may be listed on an exchange, the corporate issuer is placed in the decisive position. As the Act stands today, it is the corporation which must decide whether or not it will submit to the standards of information and responsibility required by the Act, and thus whether or not its security holders will have an exchange market. This is true, although the same reasons for establishing those standards exist, regardless of whether the corporation decides to become subject to the Act and give its stockholders an exchange market or to stand clear of the Act, even though that will prevent its stockholders from having a public as well as a private market.

The peculiar and illogical result is that, although a large part of the Exchange Act and its regulations are devoted to the objective of making the public market on exchanges the best possible place to buy and sell securities, the other provisions with respect to what securities may be bought and sold on exchanges tend to reduce severely the availability of such markets to buyers and sellers. Under the present situation, any registered dealer may set himself up as the market place in any security; but an exchange, which is the most easily and therefore the most heavily regulated market in the world,

must tell buyers and sellers of a security to buy and sell elsewhere, unless the corporation which no longer owns those securities decides to register.

This is a most difficult problem and I am quite ready to admit that so far a solution has not been found and that any solution may be hard to find. One solution which has been under discussion for many years is the so-called "General Registration" solution. In its essence General Registration would liquidate the problem by making the "public" character of a corporation (i.e. its size and the number of its owners) the condition which would make it subject to the filing of corporate information and compliance with proxy rules and officer, director and stockholder responsibility under Section 16. Under this solution the disclosure requirements would rest on a condition which is unavoidable, rather than on listing which can be avoided.

However, there is another solution which would not place a sudden new "registration" burden on many hundreds or possibly thousands of companies not now subject to "registration" in any form. This alternative would be to adopt a plan which would come into effect in a more gradual manner than General Registration and which would not be burdensome or disruptive of business affairs.

A Proposed Solution

Today, under the Securities Act a company which seeks capital publicly must file with the SEC basic information about its affairs and must agree to furnish thereafter the same annual and periodic information which is required under the Exchange Act of companies listed on an exchange. If the Securities Act were amended so that all companies which go to the public for money in the future would be subject to the proxy provisions and officer, director and stockholder requirements of the Exchange Act, most companies would ultimately become "registered" under the Securities Act to the same extent as companies now listed on exchanges are "registered" under the Exchange Act or as companies which would be "registered" under the proposed "General Registration" statute. If the securities of all companies, "registered" under such an amended Securities Act, were eligible for admission to exchanges without further SEC requirements, a considerable part of the problem would ultimately be solved. Such a solution has several merits. It would not be sudden and widespread in its application and it would not introduce any new factors or requirements not now thoroughly understood by industry and the financial community. Also it seems eminently fair to require that if a company seeks permanent capital publicly, it should submit permanently to those minimum standards of disclosure and practice now applicable to a large percentage of American business. It would also eliminate all duplication of "registration" between the two Acts.

These are a few of the problems and some guesses at some of the solutions. These problems are yours and the final solutions can reflect your thoughts and suggestions. Don't fear to tread where others have rushed in.

I have the greatest confidence that all branches of our business face an enormous demand for their services. I am equally confident that the Securities Acts furnish no excuse for non-performance of those services. Finally, it is reassuring to know that there is at least a large roomful of young, energetic and open-minded men, hard at work in our business, who will be ready to take over when those now in charge run out of energy or cease to be adaptable.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

A. B. C. Vending Corp., New York (9/11-15)
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 formerly American Vending Machine Corp.

Acme Electric Corp., Cuba, N. Y. (9/10)
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.

● **Alaska Gold & Metals Co., Ketchikan, Alaska**
Aug. 20 (letter of notification) 150,000 shares of \$1 par common. To be sold to a group of individuals to whom the company has leased its mining property. The shares will be issued in consideration for the expenditure by the group of \$100,000 in exploration and development of the company's property. No underwriting. For exploration and development of mining property.

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 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. Bids are expected to be advertised some time in September.

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.

● **Atlantic Gas Co., Savannah, Ga.**
Aug. 22 (letter of notification) 22,400 shares (\$5 par) common. To be offered to common stockholders at \$8.50 per unit on the basis of one share for each five shares held. Underwriters—Clement A. Evans & Co., Inc.; Courts & Co.; The Robinson-Humphrey Co.; Milhous, Martin & Co., and J. H. Hilsman & Co., all of Atlanta, Ga.; Johnson, Lane, Space & Co. and Varnadoe-Chisholm & Co., both of Savannah, and Putnam & Co., of Hartford, Conn. Underwriting Discount—50 cents per share. For payment of indebtedness and to defray part of the cost of its expansion and improvement program.

● **Atlas Educational Film Co., Oak Park, Ill.**
Aug. 18 (letter of notification) 50,000 shares (\$1 par) common. Price, \$1 a share. No underwriting. To be offered to stockholders of the company. For working capital.

Barium Steel Corp., New York
June 17 filed \$3,000,000 15-year sinking fund debentures, due 1962, with non-detachable subscription warrants for purchase of common stock. Underwriter—Name by amendment. Price by amendment. Proceeds—For payment of loans and for other corporate purposes.

● **Barrett Machine Tool Co., Meadville, Pa.**
Aug. 19 (letter of notification) 6,000 shares of 6% cumu-

lative preferred stock (par \$25). Price—\$25 per share and div. Underwriter—Grubbs, Scott & Co., Pittsburgh. Working capital, expansion and rehabilitation of facilities.

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.

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 7½ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. Proceeds—Working capital, etc. Offering indefinitely postponed.

● **Century Food Markets Co., Youngstown, O.**

Aug. 20 (letter of notification) 26,800 shares (\$2.50 par) common and 8,400 shares (\$20 par) 5% cumulative sinking fund preferred stock. Price, \$25 per unit consisting of one share of preferred and two shares of common. Of the total common to be offered, \$25,000 are to be offered to key employees at par. To be sold through officers and licensed dealers. To establish additional retail outlets, to purchase equipment and for working capital.

Claude Neon, Inc., New York

March 28 filed 226,454 shares (\$1 par) common. Underwriting—None. Offering—Shares will be offered for subscription to common stockholders on basis of one share for each 10 shares held. Price by amendment. Proceeds—Towards cost of additional interests in oil leases.

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.

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.

● **Consumers Power Co., Jackson, Mich. (9/22)**

Aug. 22 filed \$25,000,000 30-year first mortgage bonds. Underwriting—To be determined by competitive bidding. Probable bidders include: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co.; W. C. Langley & Co. Proceeds—To finance expansion program. Business—Public utility. Bids—Company expects to advertise for bids to be opened Sept. 22.

Continental Casualty Co., Chicago (9/18)
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 stockholders of record Sept. 3 on basis of one new share for each five shares held. Unsubscribed shares will be offered to the public. Rights expire Sept. 17. Price by amendment. Proceeds—For its capital stock and surplus accounts.

● **Corson (H. J.) & Associates, Inc., Wash., D. C.**
Aug. 19 (letter of notification) 250 shares (\$100 par) preferred. Price, \$100 a share. No underwriting. For operating expenses.

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—Bids for purchase of bonds will be received up to noon Sept. 9 at company's office, Room 1702, 60 Broadway, New York.

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 & Johnson, Pittsburgh, Pa., and The First Cleveland Corp., Cleveland. The company will use its proceeds for working capital.

Edelbrew Brewery, Inc., Brooklyn, N. Y.

Dec. 31, 1946, filed 5,000 shares (\$100 par) 5% non-cumulative preferred. Underwriters—None. Offering—To be offered at par to customers, officers and employees of the company. Proceeds—For corporate purposes including modernization and improvement of the manufacturing plant and machinery and equipment.

● **Empire Projector Corp., New York (9/2-5)**

Aug. 21 (letter of notification) 80,000 shares (\$1 par) common on behalf of the company, and 15,000 shares (\$1 par) common on behalf of officers and stockholders. The 80,000 shares will be sold at \$3 a share. The 15,000 shares will be sold to L. D. Sherman & Co., New York, the principal underwriter, at 60 cents a share. The underwriting discount for 80,000 shares will be 50 cents a share. The company will use its proceeds to increase working capital.

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

Corporate and Public Financing



The
FIRST BOSTON
CORPORATION

Boston New York Pittsburgh
Chicago and other cities

KIDDER, PEABODY & CO.

Founded 1865

Members of the New York
and Boston Stock Exchanges

**BROKERS
DEALERS
UNDERWRITERS**

NEW YORK BOSTON
PHILADELPHIA CHICAGO

NEW ISSUE CALENDAR

August 29, 1947

Hajoca Corp.-----Common

September 2, 1947

Empire Projector Corp.-----Common

Woodmore-Drake Oil Corp.-----Income Notes

September 3, 1947

Chicago St. Paul Minneapolis & Omaha
Noon (CDT)-----Equip. Trust Cfts.

Westvaco Chlorine Products Corp.-----Preferred

September 4, 1947

Liberty Loan Co. Inc., Buffalo-----Debentures

Pacific Finance Corp.-----Common

September 8, 1947

Illinois-Rockford Corp.-----Common

McPhail Candy Corp.-----Pref. and Common

September 9, 1947

Detroit Edison Co. (noon)-----Bonds

Duquesne Light Co.-----Bonds

General Telephone Corp.-----Preferred

September 10, 1947

Acme Electric Corp.-----Common

Tennessee Gas Transmission Co.-----Bonds and Pref.

September 11, 1947

A. B. C. Vending Corp.-----Common

September 15, 1947

Monongahela Power Co.-----Bonds and Preferred

Revere Racing Association Inc.-----Common

September 16, 1947

Iowa Public Service Co.-----Bonds and Common

San Diego Gas & Electric Co.-----Common

September 18, 1947

Continental Casualty Co.-----Capital Stock

Hooker Electrochemical Co.-----Common

September 22, 1947

Consumers Power Co.-----Bonds

September 30, 1947

New England Telephone & Telegraph Co.-----Debs.

October 1, 1947

Coulon-Moore Corp.-----Bonds

October 21, 1947

Pacific Telegraph & Telephone Co.-----Debentures

● **Hall Lithographing Co., Topeka, Kansas**
Aug. 22 (letter of notification) 2,000 shares of 5% cumulative preferred (\$100 par). Price—\$102 per unit. Underwriters—Becroft-Cole & Co. and The Columbian Securities Corp., both of Topeka; and Prescott, Wright, Snider Co., Kansas City, Mo. The underwriting discount will amount to \$4 per share. For working capital and to acquire lithographing and printing plant.

● **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. (9/18)**
Aug. 20 (by amendment) filed 134,034 shares (\$5 par) common replacing original program (filed June 26) to sell 110,000 shares of cumulative, Series A (no par) preferred stock. Underwriter—Smith, Barney & Co. will be principal underwriter for purchase of common not subscribed for by the company's common stockholders. Offering—The shares will be offered to common stockholders of record Sept. 2 on the basis of one share for each five shares held. Rights expire Sept. 17. Price—By amendment. Proceeds—For general corporate purposes including the financing of a portion of the company's plant expansion program. Business—Manufacture of chemical products.

● **Hoppi-Copters, Inc., Seattle, Wash.**
Aug. 22 (letter of notification) 16,800 shares (\$1 par) common. Price—\$5 per share. Underwriters—The Crawford Goodwin Co., Seattle, Wash. For working capital and general corporation expenses.

● **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.

● **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.

● **Iowa Public Service Co. (9/16)**
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.

● **Jeannette (Pa.) Glass Co.**
Aug. 4 (letter of notification) 420 shares of 7% cumulative preferred stock. Price—\$105. Underwriter—McTivey Laughlin, 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.

● **Kropp Forge Co., Chicago**
Aug. 20 (letter of notification) 75,000 shares (33 1/4 par) common, and warrants to purchase 75,000 shares of common. Price, \$2.75 per common share. The warrants will be sold at 75 cents per warrant of which the underwriting discount will amount to 74 cents, netting the company one cent per warrant. There will be no underwriting for the sale of common. The warrants will be sold in private transaction. Proceeds for working capital.

● **La Plant-Choate Manufacturing Co., Inc., Cedar Rapids, Iowa**
April 30 filed 60,000 shares (\$25 par) 5% cumu. convertible preferred. Underwriter—Paul H. Davis & Co., Chicago. Price—\$25 per share. Proceeds—To be added to working capital and will be used in part to reduce current bank loans.

● **Lay (H. W.) & Co., Inc., Atlanta**
April 18 filed 16,000 shares (\$50 par) 5% cumulative convertible preferred and 15,000 shares (\$1 par) common. Underwriter—Clement A. Evans & Co., Inc., Atlanta. Offering—All but 3,000 shares of the common will be sold publicly at \$6.50 a share. The preferred will be offered to the public at \$50 a share. The 3,000 shares of common not sold publicly will be offered to company officers and employees at \$5 each. Proceeds—For construction of new plants at Atlanta and Memphis, Tenn. Offering indefinitely postponed.

● **Legend Gold Mines, Ltd., Toronto, Canada**
June 27 filed 300,000 shares (\$1 par) common treasury stock. Underwriting—To be supplied by amendment. Price—50 cents a share. Proceeds—To develop mining properties. Business—Mining.

● **Liberty Loan Co., Inc., Buffalo (9/4)**
Aug. 26 (letter of notification) \$250,000 debenture notes (inclusive of \$63,700 notes issued without being registered and being reoffered). Operation and expansion of business. Underwriting—None.

● **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—Birnbau & Co., New York. Shares being sold on behalf of two stockholders.

● **Manhattan Coil Corp., Atlanta, Ga.**
May 20 filed \$500,000 5% serial debentures, due 1949-1957; 12,000 shares (\$25 par) 5 1/2% 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) 5 1/2% 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 3 1/2% serial debentures, due 1948-1961. Underwriters—The First Trust Co., Lincoln, Neb.; Crutenden & 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.

● **National Union Fire Insurance Co. of Pittsburgh, Pa. (9/29)**
Aug. 5 filed 180,000 shares (\$5 par) capital stock. Underwriter—The First Boston Corp., New York. Offering—Stockholders of record Aug. 25 are given the right to subscribe at rate of nine shares for each 11 shares held. Rights expire at 10 a.m. Sept. 29. Unsubscribed shares will be offered publicly through the underwriters. (Continued on page 36)

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.

● **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 advertised for sale on July 29. Company is negotiating with underwriters for sale of the stock.

● **Florida Rami Products, Inc., N. Y.**
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 (9/9)**
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-sub subsidiary telephone companies operating in 17 states.

● **Gtensder 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 Aalst, 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.

● **Griffith-Consumers Co., Washington, D. C.**
Aug. 25 (letter of notification) 5,000 shares (\$50 par) series A 5% cumulative preferred. Price—\$50 a share. To be offered to stockholders. No underwriting. For expansion.

● **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 (8/29)**
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. 29 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.

Blair will record shares public. proceeds
D. C. par) For
mon, ca by ident,
rtgage deter: The ff in & o. Inc. series roperty will be Room
Under- & Co., eeds—ch Co.,
Under- stock is (shares) — By
9)
bonds. e bid- Co. and o. Inc.; 70,000, -balance ne cost ds will
1 par) il par) d, Jr., und of et (sp- ohnson veland ceeds
umul. ffered com- uding turing
par) es (\$1 s. The shares k, the nder- ents a rease
J. A. York. rincip- tion mon years. ethod y the

(Continued from page 35)

Price \$25 per share. Proceeds—To be added to cash funds for investment in securities.

Old Poindexter Distillery, Inc., Louisville, Ky.
Mar. 31 filed 20,000 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.

• **Pac's Enterprises, Inc., Seattle, Wash.**
Aug. 20 (letter of notification) 3,860 shares (\$1 par) common and 19,300 shares of (\$10 par) preferred. Price—\$51 per unit, consisting of one share of common and five shares of preferred.

Pan-American Export Corp., Newark, N. J.
Aug. 14 (letter of notification) 93,000 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.

Quebec Gold Rocks Exploration Ltd., Montreal
Nov. 13, 1946, filed 100,000 shs. (50¢ par) capital stock. Underwriter—Robert B. Soenen, 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 Cleveland**
Aug. 22 (letter of notification) 149,700 shares (\$1 par) common of which 39,140 shares will be sold at \$1.50 each upon exercise of warrants originally offered by Red Rock Bottling Co. of Pittsburgh and Red Rock Bottling Co. of Youngstown, both of which are being merged into the registrant. The remaining 110,560 shares are to be issued in exchange for the outstanding common of the two companies being merged with the issuer. No underwriting. Proceeds from the sale of 39,140 shares will be used for working capital.

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 (50¢ 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.

Reverse 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.

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.

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.

• **San Diego Gas & Electric Co., San Diego, Calif. (9/16)**
Aug. 21 filed 300,000 shares (\$10 par) common. Underwriting—To be determined by competitive bidding. Probable bidders included Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. jointly. Proceeds—To reimburse treasury funds for capital expenditures heretofore made. It plans to use an amount equal to such net proceeds to finance, in part, its 1947 construction program. Business—Public utility. Bids—Expected to be opened Sept. 16.

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.

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.

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 capital.

Southeastern Development Corp., Jacksonville, Fla.
July 29 (letter of notification) 8,000 units consisting of one share (\$10 par) 6% cumulative preferred and one share (\$1 par) common. Price—\$12.50 per unit. Underwriter—Southeastern Securities Corp., Jacksonville. For working capital.

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.

• **Standard-Thomson Corp., Dayton, O.**
Aug. 27 filed \$1,750,000 5% sinking fund debentures, due 1967, and 272,500 shares of common (par \$1). Underwriters—Lee Higginson Corp., and P. W. Brooks & Co., Inc., New York. Offering—The debentures with common stock warrants attached will be offered publicly. The common shares will be reserved for conversion of debentures. Business—Manufacturer of aircraft and automobile equipment. Upon completion of financing company will merge its wholly-owned subsidiary, Clifford Mfg. Co., Boston.

• **State Bond and Mortgage Co., New Ulm, Minn.**
Aug. 26 filed \$1,000,000 of Series 1305 certificates; \$1,915,200 of Series 1207-A certificates; and \$19,706,400 of Series 1217-A certificates. Underwriting to be sold through officers and employees of the company and its own sales organization, headed by its sales manager, Hermann T. Tucker. Price—Series 1305 certificates, \$1,000 per \$1,000 face amount certificate; Series 1207-A certificates, \$957.60 per \$1,000 face amount certificate, and Series 1217-A certificates, \$356.80 per \$1,000 face amount certificate. Proceeds for investment. Business—Issuing and selling face amount certificates.

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.

• **Talisman Mining and Leasing Co., Spokane, Wash.**
Aug. 18 (letter of notification) 500,000 shares of common. Price, 15 cents a share. To be sold through officers and directors of the company. To retire current liabilities and for general mining expenses.

Tennessee Gas Transmission Co. (9/10)
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 outstanding notes.

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.

• **Texas Electric Service Co., Fort Worth**
Aug. 27 filed \$7,000,000 30-year first mortgage bonds. Underwriting—To be determined by competitive bidding. Probable bidders include: Blyth & Co., Inc.; Smith, Barney & Co., and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Halsey, Stuart & Co. Inc.; Hemphill, Noyes & Co., and Drexel & Co. (jointly); Glore, Forgan & Co., and W. C. Langley & Co. (jointly); Harriman, Ripley & Co., and Stone & Webster Securities Corp. (jointly); White, Weld & Co., and Lazard Freres & Co. (jointly). Proceeds—To finance construction expenditures. Business—Public utility.

• **Texon, Inc., Russell, Mass.**
Aug. 25 (letter of notification) 8,000 shares (\$25 par) 5% cumulative preferred and 50,000 shares (no par) common. Price—\$25 a preferred share and 60 cents a common. Of the common, 26,000 shares will be sold to four officers and the balance will be offered to purchasers of preferred on the basis of three shares of common for one share of preferred purchased. No underwriting. For organization of business and for working capital.

Textron Inc., Providence, R. I.
Feb. 28 filed 300,000 shares (\$25 par) 5% convertible preferred. Underwriters—Blair & Co., Inc., New York, and Maxwell, Marshall & Co., Los Angeles. Price by amendment. Proceeds—For payment of \$3,950,000 of bank loan notes; purchase of two notes issued by a subsidiary, Textron Southern Inc. in the amount of \$1,000,000 each, and for working capital. Offering date indefinite.

Thomascolor Inc., Los Angeles
July 9 filed 1,000,000 shares (\$5 par) class A common. Underwriter—No underwriting. Price—\$10 a share. Proceeds—To purchase production facilities and for working capital.

• **Underwriters International Inc., Detroit**
Aug. 18 (letter of notification) 4,450 shares of preferred and 11,125 shares of common. Price, \$10 a preferred share and \$1 a common share. To be sold through salesmen. For working capital.

• **United National Insurance Co., Atlanta, Ga.**
Aug. 25 (letter of notification) 15,000 shares (\$10 par) common. Price—\$20 a share. No underwriting. To capitalize the company.

United Utilities & Specialty Corp., Boston
July 10 filed 75,000 shares (\$10 par) 5% cumulative convertible preferred. Underwriter—Herrick, Waddell & Co., Inc., New York. Price—\$10 a share. The underwriters will receive a commission of \$1.50 per share. In addition, they will be granted warrants to purchase 50,000 shares of the issuer's common at \$5 a share. Proceeds—For additional working capital.

Utah Chemical & Carbon Co.
Dec. 20 filed \$700,000 5% 15-year convertible debentures due 1962, and 225,000 shares (\$1 par) common. The statement also covers 112,000 shares of common reserved for conversion of the debentures. Underwriter—Carver & Co., Inc., Boston. Price—Debentures 98; common \$3.75 per share. Proceeds—For plant construction. purchase of equipment and for working capital. Registration statement became effective June 28.

Vauze Dufault Mines, Ltd., Toronto, Canada
Mar. 31 filed 500,000 shares (\$1 par) common. Underwriter—Name to be filed by amendment. Price—50 cents a share. Proceeds—For general operating expenses.

Weber Showcase & Fixture Co., Inc.
Mar. 31 filed 108,763 shares (\$5 par) common. Underwriters—Blair & Co., Inc. and Wm. R. Staats Co. Offering—Shares will be offered for subscription to Weber's common stockholders. Certain shareholders have waived subscription rights. Proceeds—To retire preferred stock and to reduce bank loans. Reported July 16 that the present plans will be entirely changed.

Westvaco Chlorine Products Corp. (9/3)
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 facilities in Wyoming and construction of a soda ash plant.

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.

• **Woodmore-Drake Oil Corp., New York (9/2)**
Aug. 22 (letter of notification) \$150,000 series A income participation 5% notes and 7,500 shares common stock (no par). Price—\$100 per unit, consisting of five shares of stock and \$100 of notes. Underwriter—E. J. Drake, 535 Fifth Avenue, New York. Organization expenses, liquidation of mortgages, purchase of properties and working capital.

Prospective Offerings

• **Alabama Power Co.**
Aug. 26 reported company has under consideration the issuance of \$10,000,000 new mortgage bonds, to be sold at competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Drexel & Co.; Lehman Brothers, and Blyth & Co. Inc. (jointly); Harriman, Ripley & Co.; Goldman, Sachs & Co.; Lazard Freres & Co., and Equitable Securities Corp. (jointly). Expected in October.

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.

• **Colorado & Southern Ry.**
Bids will be received until noon (CDT) Sept. 4 by company at Room 205, 547 W. Jackson Boulevard, Chicago, for loan not to exceed \$244,858 from time to time before Dec. 31, 1947 for financing acquisition of three diesel-electric switching locomotives.

Georgia Power Co.

Aug. 26 reported company contemplates issuance of \$10,000,000 mortgage bonds to be sold competitively. Probable bidders include: Halsey, Stuart & Co.; Morgan Stanley & Co.; Blyth & Co.; Lehman Brothers; Harriman Ripley & Co.; Goldman, Sachs & Co.; Lazard Freres & Co., and Equitable Securities Corp. (jointly).

Joy Manufacturing Co.

Nov. 5 stockholders will vote on increasing authorized capital from 1,000,000 shares common to 3,100,000 shares, to consist of 100,000 shares preferred and 3,000,000 shares common. Directors are presently considering plans to issue 40,000 shares convertible preferred to be first offered for subscription to stockholders.

Monongahela Power Co. (9/15)

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. 15.

New England Telephone & Teleg. Co. (9/30)

July 30 the New Hampshire P. S. Commission announced an application by the company for permission to issue \$40,000,000 of debentures. Most of the proceeds would be used to repay advances to company's parent, American Telephone & Telegraph Co., which amounted to \$32,100,000 on June 30. The borrowed money was used

for a new plant. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. Bids for purchase of debentures expected about Sept. 30.

Pacific Telephone & Telegraph Co. (10/21)

Aug. 26 California P. U. Commission authorized company to sell \$100,000,000 40-year debentures on a competitive basis. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. The proceeds will be used to repay advances from the American Telephone & Telegraph Co. and help meet plant construction expenditures. Registration with SEC expected about Sept. 20 with bids due Oct. 21.

Peabody Coal Co.

Aug. 22 stockholders approved recapitalization plan whereby arrearages on preferred will be eliminated and voted an initial issue of \$20,000,000 first mortgage series A bonds to be dated Oct. 1, 1947 or later. Initial amount to be issued will not exceed \$16,000,000. Proceeds will be used to finance construction of three additional mines.

Potomac Edison Co.

Aug. 26 reported company contemplates sale of \$2,500,000 bonds and 30,000 shares (par \$100) preferred. Probable bidders include The First Boston Corp., and W. C. Langley & Co. (jointly).

Southern Co.

Aug. 21 the directors of Commonwealth & Southern Corp. authorized the transfer to the Southern Co. of the common stocks of Alabama Power Co., Georgia Power Co., Mississippi Power Co., Gulf Power Co. and Commonwealth's investments in Savannah River Electric Co. Southern Co. intends to make application to the SEC for the sale of common stock in order to raise \$10,000,000 to be invested in the common stocks of its subsidiaries

for their construction programs. Probable bidders: The First Boston Corp.; Harriman, Ripley & Co.; Morgan Stanley & Co.

Texas Power & Light Co.

Aug. 26 reported company plans sale of \$3,000,000 bonds early in October. Probable bidders include: Blyth & Co., Inc.; Smith, Barney & Co., and Kidder, Peabody & Co. (jointly); W. C. Langley & Co., and Glore, Forgan & Co. (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp.; Hemphill, Noyes & Co., and Drexel & Co. (jointly); White, Weld & Co.; Lazard Freres & Co., and Harriman Ripley & Co. (jointly).

Wisconsin Public Service Corp.

Aug. 26 company discussing a permanent financing program with the SEC which contemplates the sale of \$6,000,000 of bonds and \$5,000,000 of common stock this year and next.

**UNITED STATES GOVERNMENT,
STATE, MUNICIPAL AND
CORPORATE SECURITIES**

BLAIR & CO.
INC.
NEW YORK

BOSTON • BUFFALO • CHICAGO • CLEVELAND
PHILADELPHIA • PITTSBURGH • ST. LOUIS • SAN FRANCISCO

U.S. Task in Promoting World Peace

(Continued from page 9)

release of the energies and initiative of the individual has resulted in our unrivaled productivity. It is only by ever expanding our productivity that we can remain strong and free.

In facing the struggle ahead we should not underestimate our strength. Our nation, with less than 6% of the people of the world, has greater industrial production than the combined production of the rest of the world. We have developed a system through which an American worker can produce many times more than in any other country. For instance less than half a million American miners produced last year 50% more coal than did two million miners in Europe. Twenty per cent of our people are engaged in agriculture. This small number has fed our people here far better than anywhere else and yet there remained for export last year more food than the exports of all the rest of the world put together. We must understand the factors that have resulted in this remarkable achievement in productivity, cherish and expand them and let nothing interfere with their preservation and growth. And yet we know that under our system all groups within our country have not fared equitably in the fruits of our productivity and in the security of their lives. Greater security for those who have the will to work or are handicapped, and more equitable distribution of the fruits of labor must be our constant goal. Yet with it all we must retain the individual incentive for even greater achievement.

It is a fact that the leaders of Soviet Russia, although they recognize our accomplishments, are convinced from the teachings of their Marxian dogma that a free capitalist country cannot maintain stability, that thus we will within a few years find ourselves in a severe depression which will pull the world down with us and so weaken us that we can no longer continue our leadership.

It is their conviction that when we go into a decline economic chaos will again develop in the world, giving them an opportunity to push forward and expand the areas of their domination. With our increased understanding of economic forces and the increased willingness of all groups to work together, there is no reason to lack confidence in our ability to achieve greater stability in

our economy. Certainly a healthy foreign trade based on a two-way exchange of goods can contribute to our own prosperity and stability. Today one man out of every 12 employed in this country makes his living by producing things for export. We need increasing imports of basic materials to maintain our present level of production.

Must Be Armed

And this leads me to my second factor. We must maintain a strong, well balanced military establishment to protect ourselves in cooperation with other peaceful nations against military aggression. The last war developed the overpowering strength of air power. A strong air force is not only a means of defense, but it is the only means of quick retaliation. If powerful enough it can be a compelling restraint upon those with aggressive motivations. In this atomic age, there is no protection against retaliation by air. Our ability to launch an immediate strong retaliation by air is the greatest possible deterrent against the use of military force by others. Our peaceful intentions are so clearly understood the world over that no man who has peaceful purposes fears the military strength of the United States. His only fear is that the United States will not maintain a strong enough military power to discourage aggressive intentions.

But important as economic and military strength at home may be to our own survival, in the long run our hopes must rest on the development of an effective organization among nations, which is the third factor which I want to emphasize. We have taken leadership in the development of the United Nations. With all of the setbacks we must not lose faith in this institution and the principles on which it is founded. In the language of the Charter of the United Nations we have agreed that we are, and I quote, "Determined to save succeeding generations from the scourge of war . . . to reaffirm our faith in fundamental rights . . . to unite our strength and maintain international security . . . to promote social progress and better standards of life in larger freedoms . . . and to employ international machinery for the promotion of economic and social advancement of all peoples."

Language could scarcely be clearer or stronger. We did not say that we would merely use our

efforts to bring about these things. We have said that we are determined to do that.

The fact that one nation through the use of its veto is blocking the solemn purpose of the charter is not and should not deter us from our pledge. I quote from the recent words of our representative on the Security Council regarding the threat to peace from the actions of three Balkan countries against Greece: "The continued failure of the Security Council to take effective action cannot in the opinion of the United States Government preclude individual or collective action by states willing to act so long as they act in accordance with the general purposes and principles of the United Nations."

Must Afford Foreign Relief

We have thus recognized that we cannot stop with a statement of principles, which brings me to my fourth factor. If we are to make it possible for other countries to join with us in the organization of peace, we must counter wherever possible those forces of hunger, cold, disease and despair which work to undermine the foundations of freedom and peace.

It is a grim fact that there is a force in the world working to create chaos for its own ends whereas we and other free peoples are striving to reestablish production and economic order. We have already contributed generously to relief in Europe and we should not underestimate the progress that has already been made by the free people of Europe to restore their own production. Britain is back to prewar rates of industrial production. France, Belgium and Holland have almost regained that level. Some of the Scandinavian countries are ahead of prewar. But the fact remains that due to the vast destruction or dislocations of the war, production does not yet meet the needs. We are the only source of many of the things which are still required and without aid from us the efforts of the people of Western Europe cannot be successful in reconstruction. Europe has always imported food from abroad. They have not yet attained the production of industrial goods needed to pay currently for the urgently needed food. Requirements are greater this year than normal because of the adverse effect of the bad winter on home grown crops. Production of

coal in Europe as a whole, which was formerly in abundance, is still far below pre-war and inadequate to keep the wheels of industry running to capacity. Coal from the United States and machinery to increase production is still urgently needed.

Increased coal from Germany is an essential factor. We have undertaken to encourage the development of a peaceful Germany under democratic institutions. We have offered our Allies a 40-year treaty to insure this objective. Recovery in Germany has lagged far behind the neighboring western countries. In spite of the food that we have shipped, the Germans are living on a semi-starvation diet. Industrial production in the British-American bi-zonal area is only 38% of pre-war. Coal production in the Ruhr is only 50%. To assist in the recovery of Western Europe and to attain our objectives in the development of a democratic Germany we are now taking steps to increase production in Germany to establish a decent life for the 40 million Germans under our joint responsibility and to permit them to produce the much needed goods to aid in general reconstruction.

Hopes of the Marshall Plan

Secretary Marshall with wide approval in the United States has proposed to European countries that they work out together plans for mutual assistance and the maximum use of their own resources and then present to us a proposal of what is needed from the United States to make this cooperative program of reconstruction effective.

I was in Europe shortly after Secretary Marshall made his proposal and I can assure you that it was hailed by everyone in Europe except the Communists as a real basis for hope.

Sixteen nations are now conferring in Paris to develop such a program.

Strong as we are we have not unlimited resources. Therefore, in the meantime President Truman has appointed two groups within Government and another group of 19 distinguished private citizens working with me as Secretary of Commerce to study our capabilities in order that we may be prepared when we have received the proposals from Europe to propose to the Congress and to the peoples of the United States what positive steps we then should take. In our considerations we must be certain that the plans from Eu-

rope will produce the results that we have a right to expect, and we must be sure that our contributions can be safely and wisely given from the standpoint of the health of our own economy. I personally am confident that with the cooperative spirit that now exists among the 16 countries conferring in Paris a program can be worked out in which we can safely and wisely cooperate. If we are successful in working together with these nations, it will not be long before a healthy Western Europe will begin to re-emerge. With expanding production and increasing world trade, a stable and prosperous economic order can be established.

You men of the Pacific Northwest are especially interested in the East. It is our direct responsibility to help develop a peaceful and stable life in Japan to assist in the recovery of the East. We have a similar responsibility in Korea. The problems of China are grave. General Wedemeyer and a group of experts are now in China to report on the situation. There is no easy solution but if we have clarity of understanding with determination we can be of assistance in bringing order step by step out of the present chaos.

In appraising our own strength in the struggle for order and peace, we must understand the strength of those allied with us. It is not an exaggeration to say that we have on our side the peoples of the world who have struggled through the centuries for freedom. I have every confidence that with these peoples we can prevail against the totalitarian forces which thrive on chaos and threaten human liberty. As order develops, the threat will diminish and the maintenance of peace will become more and more assured. I have confidence that working together with people the world over we can bring order and maintain peace in the world.

In all that I have said there is a grave responsibility of our generation of Americans. It is not too much to say that the destiny of the future of mankind hangs upon the wisdom and determination of our actions. I sincerely believe that we have the ability to face and deal with these issues. It requires more than anything else faith in our institutions, confidence in ourselves and calm determination to persevere.

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	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:							
Indicated steel operations (percent of capacity)..... Aug. 31	93.4	92.8	94.4	89.4			
Equivalent to—							
Steel ingots and castings produced (net tons)..... Aug. 31	1,633,700	1,623,900	1,651,900	1,575,600			
AMERICAN PETROLEUM INSTITUTE:							
Crude oil output—daily average (bbils. of 42 gallons each)..... Aug. 16	5,159,150	5,104,500	5,049,850	4,842,750			
Crude runs to stills—daily average (bbils.)..... Aug. 16	5,202,000	5,184,000	5,126,000	4,891,000			
Gasoline output (bbils.)..... Aug. 16	16,056,000	16,163,000	15,747,000	15,640,000			
Kerosine output (bbils.)..... Aug. 16	2,093,000	1,964,000	2,091,000	1,775,000			
Gas oil and distillate fuel oil output (bbils.)..... Aug. 16	6,061,000	5,932,000	5,912,000	5,115,000			
Residual fuel oil output (bbils.)..... Aug. 16	8,831,000	8,757,000	8,969,000	8,193,000			
Stocks at refineries, at bulk terminals, in transit and in pipe lines—							
Finished and unfinished gasoline (bbils.) at..... Aug. 16	84,983,000	84,898,000	87,145,000	87,015,000			
Kerosine (bbils.) at..... Aug. 16	18,808,000	18,562,000	16,672,000	17,710,000			
Gas oil and distillate fuel oil (bbils.) at..... Aug. 16	51,685,000	49,545,000	46,505,000	49,843,000			
Residual fuel oil (bbils.) at..... Aug. 16	54,000,000	53,531,000	51,317,000	51,913,000			
ASSOCIATION OF AMERICAN RAILROADS:							
Revenue freight loaded (number of cars)..... Aug. 16	906,305	905,244	919,734	887,553			
Revenue freight rec'd from connections (number of cars)..... Aug. 16	686,019	692,757	651,744	691,869			
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:							
Total U. S. construction..... Aug. 21	\$109,382,000	\$57,401,000	\$134,765,000	\$96,979,000			
Private construction..... Aug. 21	65,991,000	24,425,000	75,468,000	56,185,000			
Public construction..... Aug. 21	43,391,000	32,976,000	59,297,000	40,794,000			
State and municipal..... Aug. 21	41,274,000	27,030,000	49,179,000	37,833,000			
Federal..... Aug. 21	2,117,000	5,946,000	10,118,000	3,361,000			
COAL OUTPUT (U. S. BUREAU OF MINES):							
Bituminous coal and lignite (tons)..... Aug. 16	11,750,000	*11,810,000	*12,100,000	12,613,000			
Pennsylvania anthracite (tons)..... Aug. 16	1,060,000	1,179,000	1,116,000	1,089,000			
Beehive coke (tons)..... Aug. 16	129,600	*129,800	110,700	130,100			
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100:							
Aug. 16	224	*223	217	239			
EDISON ELECTRIC INSTITUTE:							
Electric output (in 000 kwh.)..... Aug. 23	4,952,876	4,923,000	4,730,000	4,444,040			
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRAD-STREET, INC.:							
Aug. 21	59	78	76	17			
IRON AGE COMPOSITE PRICES:							
Finished steel (per lb.)..... Aug. 19	3.19141c	3.19141c	2.88239c	2.70711c			
Pig iron (per gross ton)..... Aug. 19	\$37.35	\$36.52	\$36.18	\$28.13			
Scrap steel (per gross ton)..... Aug. 19	\$37.92	\$40.42	\$40.00	\$19.17			
METAL PRICES (E. & M. J. QUOTATIONS):							
Electrolytic copper—							
Domestic refinery at..... Aug. 20	21.225c	21.225c	21.225c	14.150c			
Export refinery at..... Aug. 20	21.425c	21.425c	21.425c	16.175c			
Straits tin (New York) at..... Aug. 20	80.000c	80.000c	80.000c	52.000c			
Lead (New York) at..... Aug. 20	15.000c	15.000c	15.000c	8.250c			
Lead (St. Louis) at..... Aug. 20	14.800c	14.800c	14.800c	8.100c			
Zinc (East St. Louis) at..... Aug. 20	10.500c	10.500c	10.500c	8.250c			
MOODY'S BOND PRICES DAILY AVERAGES:							
U. S. Govt. Bonds..... Aug. 26	122.49	122.55	121.86	123.27			
Average corporate..... Aug. 26	117.00	117.20	117.20	118.40			
Aaa..... Aug. 26	121.88	121.88	122.09	122.92			
Aa..... Aug. 26	120.22	120.22	120.22	120.63			
A..... Aug. 26	116.80	116.80	116.80	118.20			
Baa..... Aug. 26	109.79	110.15	109.97	112.56			
Railroad Group..... Aug. 26	112.19	112.56	112.37	115.04			
Public Utilities Group..... Aug. 26	118.40	118.00	118.60	119.00			
Industrials Group..... Aug. 26	120.43	120.43	120.63	121.46			
MOODY'S BOND YIELD DAILY AVERAGES:							
U. S. Govt. Bonds..... Aug. 26	1.51	1.51	1.55	1.53			
Average corporate..... Aug. 26	2.80	2.79	2.79	2.73			
Aaa..... Aug. 26	2.56	2.56	2.55	2.51			
Aa..... Aug. 26	2.64	2.64	2.64	2.62			
A..... Aug. 26	2.81	2.81	2.81	2.74			
Baa..... Aug. 26	3.18	3.16	3.17	3.03			
Railroad Group..... Aug. 26	3.05	3.03	3.04	2.90			
Public Utilities Group..... Aug. 26	2.73	2.72	2.72	2.70			
Industrials Group..... Aug. 26	2.63	2.63	2.62	2.58			
MOODY'S COMMODITY INDEX:							
Aug. 26	417.2	421.8	418.2	338.9			
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:							
Foods..... Aug. 23	224.2	223.9	221.3	188.4			
Fats and oils..... Aug. 23	176.4	198.6	198.6	227.8			
Farm products..... Aug. 23	256.4	257.4	259.4	224.1			
Cotton..... Aug. 23	323.3	329.4	352.5	338.3			
Grains..... Aug. 23	270.2	260.8	254.8	211.4			
Livestock..... Aug. 23	246.7	249.7	249.7	212.9			
Fuels..... Aug. 23	182.4	182.4	178.6	154.2			
Miscellaneous commodities..... Aug. 23	163.6	164.8	164.4	146.5			
Textiles..... Aug. 23	217.0	218.0	221.9	204.7			
Metals..... Aug. 23	159.2	159.1	150.1	124.5			
Building materials..... Aug. 23	225.8	221.9	194.7	177.4			
Chemical and drugs..... Aug. 23	149.7	149.7	152.0	127.5			
Fertilizer materials..... Aug. 23	130.8	129.7	129.5	121.4			
Fertilizers..... Aug. 23	135.5	*135.3	135.0	121.4			
Farm machinery..... Aug. 23	127.1	127.1	127.1	115.1			
All groups combined..... Aug. 23	206.8	206.8	203.6	176.4			
NATIONAL PAPERBOARD ASSOCIATION:							
Orders received (tons)..... Aug. 16	165,092	169,653	145,615	158,304			
Production (tons)..... Aug. 16	182,090	174,180	173,699	166,363			
Percentage of activity..... Aug. 16	110	97	97	98			
Unfilled orders (tons) at..... Aug. 16	470,581	488,283	474,870	600,674			
DIL, PAINT AND DRUG REPORTED PRICE INDEX—1926-36 AVERAGE=100:							
Aug. 22	139.7	140.4	141.2	136.3			
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:							
All commodities..... Aug. 16	152.7	152.2	150.3	128.3			
Farm products..... Aug. 16	181.4	181.2	182.4	163.3			
Foods..... Aug. 16	172.3	171.1	168.0	148.9			
Hides and leather products..... Aug. 16	177.8	176.5	172.7	138.4			
Textile products..... Aug. 16	139.7	139.5	138.4	114.9			
Fuel and lighting materials..... Aug. 16	111.0	110.7	107.1	96.5			
Metal and metal products..... Aug. 16	146.7	146.7	142.9	113.7			
Building materials..... Aug. 16	178.9	178.0	174.8	132.7			
Chemicals and allied products..... Aug. 16	117.2	116.9	117.9	98.3			
Housefurnishing goods..... Aug. 16	132.0	131.8	131.4	114.0			
Miscellaneous commodities..... Aug. 16	115.5	116.0	115.7	101.0			
Special groups—							
Raw materials..... Aug. 16	166.8	166.4	165.2	146.3			
Semi-manufactured articles..... Aug. 16	147.2	147.2	144.4	110.5			
Manufactured products..... Aug. 16	147.8	147.2	145.1	122.9			
All commodities other than farm products..... Aug. 16	146.5	145.9	143.3	120.6			
All commodities other than farm products and foods..... Aug. 16	135.4	135.2	132.9	110.8			
*Revised figure. †No market—previous quotation 21.225c.							
ASSOCIATION OF AMERICAN RAILROADS—							
Month of July:							
Freight traffic handled by Class I RRs. (revenue ton-miles)—000's omitted.....	\$52,000,000	*\$2,900,000			51,926,468		
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—							
Month of July.....	\$93,733,000	\$87,833,000			\$91,358,000		
BUILDING CONSTRUCTION IN URBAN AREAS OF THE U. S.—U. S. DEPT. OF LABOR—Month of May:							
All building construction.....	\$426,000,000	\$440,000,000	\$416,000,000				
New residential.....	228,000,000	242,000,000	266,000,000				
New non-residential.....	126,000,000	124,000,000	90,000,000				
Additions, alterations, etc.....	72,000,000	74,000,000	60,000,000				
Non-Federal—self-building construction.....	418,000,000	429,000,000	360,000,000				
New residential.....	228,000,000	240,000,000	214,000,000				
New non-residential.....	120,000,000	116,000,000	90,000,000				
Additions, alterations, etc.....	70,000,000	73,000,000	56,000,000				
Federal—all building construction.....	8,000,000	11,000,000	56,000,000				
New residential.....	2,000,000	2,000,000	52,000,000				
New non-residential.....	6,000,000	8,000,000					
Additions, alterations, etc.....	2,000,000	1,000,000	4,000,000				
COAL (BUREAU OF MINES)—Month of June:							
U. S. exports of Pennsylvania anthracite (net tons).....	714,249	831,239	365,914				
To North and Central America (net tons).....	365,452	386,271	261,498				
To South America (net tons).....	3,940						
To Europe (net tons).....	344,571	434,222	104,416				
To Asia (net tons).....	286	10,746					
To Africa (net tons).....							
COKE (BUREAU OF MINES)—Month of June:							
Production (net tons).....	5,774,151	6,116,910	4,822,300				
Oven coke (net tons).....	5,325,051	5,530,350	4,444,400				
Beehive coke (net tons).....	449,100	586,560	377,900				
Oven coke stocks at end of month (net tons).....	668,461	670,500	616,261				
COPPER INSTITUTE—For month of July:							
Copper production—							
Crude (tons of 2,000 lbs.).....	79,389	*82,308	56,907				
Refined (tons of 2,000 lbs.).....	94,605	*103,448	43,606				
Deliveries to customers—							
In U. S. A. (tons of 2,000 lbs.).....	109,817	116,652	97,527				
Export (tons of 2,000 lbs.).....	664	224					
Refined copper stocks at end of period (tons of 2,000 lbs.).....	76,570	*81,339	101,183				
COTTON AND LINTERS—DEPT. OF COMMERCE—RUNNING BALES—							
Consumed Lint—Month of July.....	677,489	728,251	729,603				
In consuming establishments as of July 31.....	1,400,077	1,677,014	2,282,384				
In public storage as of July 31.....	900,510	1,229,817	4,463,577				
Cotton spindles active as of July 31.....	21,415,434	21,324,316	21,578,390				
Consumed Linters—Month of July.....	81,923	72,549	94,295				
In consuming establishments as of July 31.....	200,583	221,999	255,221				
In public storage as of July 31.....	64,						

Food Prices Not Out of Line

(Continued from page 4)

easier. If our dollar had not become cheap or depreciated in value, that \$193 billions of income would mean unprecedented prosperity for the country. Measured in the practical things of life, however, such as food, clothing, and shelter, we must divide that almost in half, and if we divide our individual incomes today by two, we will find roughly where we really stand in comparison with our conditions before the war.

We are most fortunate in this country in that we did not suffer the destruction from war which was the lot of most of the countries engaged in the recent conflict. While we suffered shortages of many things, we were never actually hungry. Most people feel that, now the war is over, we should continue to increase the higher standard of living which the war brought us without making the sacrifices which are the inescapable result of conflict. They cannot visualize the destruction that has been wrought, and they cannot realize the sacrifices which must still be made to overcome the destruction of real wealth.

This country will undoubtedly follow its usual custom of helping other countries which are in want. We can hardly escape even coming to the relief of those who were our enemies. Probably for the ultimate good of everyone we should undertake to feed and help in other ways those unfortunate countries which stood the worst of the destruction. Our phenomenal crop yields during the war years were providential in that they enabled us to provide the food which won the war. We must realize, however, that our capacity to produce food in the United States is not unlimited. We have a tremendous crop of wheat, which is largely harvested. We have a few other crops which are comparable to those of last year's very high production, yet the great bulk of the production of foodstuffs in the United States is considerably less than that of last year, due largely to unfavorable weather. Practically all of our reports indicate a lesser production than we had hoped for. We must realize too that we have planted wheat on a great acreage of land which a few years ago was called the dust bowl. This land cannot remain permanently in production, because periodic drought will cause the soil to blow away.

Into our consideration we must also take the fact that we are increasing in population very rapidly in the United States. In the last 20 years we have added about 27 million people to the number which must be fed. This addition is almost as large as the population of England. I do not think that our present immigration laws can be strictly enough enforced to justify our thinking that a considerable number of Europeans who want to come to the United States can be excluded. We could use some of them to advantage if we could choose the type of workers we could readily absorb, but immigration certainly will add to our problem of feeding our people.

In spite of the foregoing, which all indicate high food prices, we probably can produce enough food here in the United States to take care of our own people and contribute to the relief of Europe. We cannot do it, however, unless our own economy is kept in reasonable balance. We find that the indexes of farm prices and costs

have changed considerably since before the war. These indexes show that, while farm prices have increased, the costs of producing food have increased at a greater ratio. For these same kinds and quantities of food the general consuming public was paying, in the year 1920, from 29% to 30% of their income. In 1946, however, the average American family was paying but 17% of its income for food. Of the money paid at the grocery store or meat market, an average of 52c of each \$1 was paid to the farmer in 1946. This would not seem to be an exorbitant rate, but would indicate that approximately the same ratio which has existed over a period of years is paid to the original producer.

There seems, therefore, to be no justification for the widespread belief that the farmer is profiting at the expense of the balance of our population. I well remember saying, in 1941, that any food shortages which might result from our war effort, or any increase in the cost of living, would probably be laid at the farmer's door. We are finding that this prediction is coming true.

One of the great causes for the difficulty which the average family finds in making its income meet its expenses is the tremendous increase in taxes. These taxes, with the exception of the income and real estate taxes, are in a great many cases hidden, so that the average person does not realize they are being paid. When we stop to figure that our taxes today are 20 times the taxes we paid in the years before the war, we must realize that our incomes cannot be taken at their face value.

We can readily agree that the farmer is prosperous if we gauge prosperity by the amount of money which passes through our hands. When we consider costs, however, and the fact that money is cheap, we find that there is very little net improvement in the farmer's financial situation. It cannot reasonably be considered that the approximately 3 million farmers who furnish the bulk of the food which comes into our markets could by any conspiracy raise the cost of food. The fact is that presently our food is in a

competitive market where there is more demand for it, in most cases, than there is food produced.

We are paying, and will continue to pay, for this war and for the charity which we must offer to other nations which are in want. We will pay by our contributions through tremendously increased taxes, and we must expect to pay for them also through our cost of living. The sooner that every one of our citizens realizes and understands the facts behind our high prices, the quicker we will realize that only by hard

productive work can we repair the loss and begin to increase our financial and material welfare.

As farmers, we expect to produce all that our land and the hazards of weather will let us of the crops which seem to be most needed. We expect occasional, local overproduction will occur which will keep our prices competitive and responsive to the laws of supply and demand. We do not

feel that, in what seems to us a mad scramble between groups to get a larger percentage of the national income for themselves, we should be the innocent bystanders who eventually get blamed for the whole thing. Authentic figures for 1945 show the per capita income of persons on farms to be \$743, and for those not on farms to be \$1,259. That ratio hasn't materially changed.

DIVIDEND NOTICES

AMERICAN POWER & LIGHT CO.

Two Rector Street, New York, N. Y.
PREFERRED STOCK DIVIDENDS
A dividend of \$1.50 per share on the Preferred Stock (\$5) and a dividend of \$1.25 per share on the 8% Preferred Stock of American Power & Light Company were declared on August 27, 1947, for payment October 1, 1947, to stockholders of record at the close of business September 8, 1947.
D. W. JACK, Secretary and Treasurer.

Allied Chemical & Dye Corporation

61 Broadway, New York
August 26, 1947
Allied Chemical & Dye Corporation has declared quarterly dividend No. 106 of One Dollar and Fifty Cents (\$1.50) per share on the Common Stock of the Company, payable September 20, 1947, to common stockholders of record at the close of business September 5, 1947.
W. C. KING, Secretary

AMERICAN LOCOMOTIVE COMPANY

30 Church Street, New York & N. Y.
PREFERRED DIVIDEND No. 157
COMMON DIVIDEND No. 89
Dividends of one dollar seventy five cents (\$1.75) per share on the Preferred Stock and of thirty five cents (35¢) per share on the Common Stock of this Company have been declared payable October 1, 1947 to holders of record at the close of business on September 11, 1947. Transfer books will not be closed.
CARL A. SUNDBERG
August 14, 1947 Secretary



AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 166
Common Dividend No. 153
A quarterly dividend of 75¢ per share (1 1/2%) on the Preferred Stock for the quarter ending September 30, 1947, and a dividend of 40¢ per share on the Common Stock have been declared. Both dividends are payable October 1, 1947, to holders of record September 4, 1947. The stock transfer books will remain open.
W. F. COLCLOUGH, JR.
July 23, 1947 Secretary

ELECTRIC POWER & LIGHT CORPORATION

DIVIDEND NOTICE

The Board of Directors has this day declared a dividend of \$1.50 per share on the 6% Preferred Stock and a dividend of \$1.75 per share on the 7% Preferred Stock of this Corporation, payable October 1, 1947, to stockholders of record at the close of business September 10, 1947.
H. F. SANDERS, Treasurer.
August 27, 1947.



E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: August 18, 1947
The Board of Directors has declared this day regular quarterly dividends of \$1.12 1/2 a share on the outstanding Preferred Stock—\$4.50 Series and 87 1/2¢ a share on the outstanding Preferred Stock—\$3.50 Series, both payable October 25, 1947, to stockholders of record at the close of business on October 10, 1947; also \$2.00 a share, as the third interim dividend for 1947, on the outstanding Common Stock, payable on September 13, 1947, to stockholders of record at the close of business on August 25, 1947.
L. DUP. COPELAND, Secretary

DIVIDEND NOTICES

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company declared a quarterly dividend of one dollar (\$1.00) per share on the common stock payable October 15, 1947, to all holders of record at the close of business on September 15, 1947.
SANFORD B. WHITE, Secretary.

INTERNATIONAL SALT COMPANY

475 Fifth Avenue, New York 17, N. Y.
A dividend of SEVENTY-FIVE CENTS a share has been declared on the capital stock of this Company, payable October 1, 1947, to stockholders of record at the close of business on September 15, 1947. The stock transfer books of the Company will not be closed.
HERVEY J. OSBORN, Secretary.

OFFICE OF NORTHERN STATES POWER COMPANY (WISCONSIN)

The Board of Directors of Northern States Power Company (Wisconsin), at a meeting held on August 19, 1947, declared a dividend of one and one-quarter per cent (1 1/4%) on the Preferred Stock of the Company, payable by check September 2, 1947, to stockholders of record as of the close of business August 20, 1947, for the quarter ending August 31, 1947.
N. H. BUCKSTAFF, Treasurer.

SOUTHERN PACIFIC COMPANY

DIVIDEND NO. 119

A QUARTERLY DIVIDEND of One Dollar (\$1.00) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, September 22, 1947, to stockholders of record at three o'clock P. M., on Tuesday, September 2, 1947. The stock transfer books will not be closed for the payment of this dividend.
J. A. SIMPSON, Treasurer.
New York, N. Y., August 21, 1947.

Progress through Chemistry

The Board of Directors of The Davison Chemical Corporation has declared a quarterly dividend of Twenty-five cents (\$.25) per share on its capital stock, payable September 30, 1947, to stockholders of record at the close of business September 10, 1947.
M. C. ROOP, Secretary

Baltimore 3, Md.
August 21, 1947



THE DAVISON CHEMICAL CORPORATION

At a meeting of Directors held August 19, 1947, in London it was decided to pay on September 30th half yearly dividend of 2 1/2% (less tax) on issued 5% Preference Stock and Interim Dividend of One Shilling for each One Pound of Ordinary Stock free of income tax.

Coupon No. 88 must be used for dividend on 5% Preference Stock and Coupon No. 200 must be used for dividend on Ordinary Stock.

All transfers received in London on or before August 29th will be in time for payment of dividends to transferees.

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can obtain certificates giving particulars of the rates of United Kingdom Income Tax appropriate to the dividend payable September 30th on Ordinary Stock by application to Guaranty Trust Company of New York.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

August 20, 1947.

DIVIDEND NOTICES

UNION CARBIDE AND CARBON CORPORATION

A cash dividend of One dollar (\$1.00) per share on the outstanding capital stock of this Corporation has been declared, payable October 1, 1947, to stockholders of record at the close of business September 5, 1947.
MORSE G. DIAL,
Secretary and Treasurer



UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of twenty-five cents (25¢) per share on the Common Stock of the Corporation, payable October 1, 1947, to stockholders of record at the close of business on September 10, 1947.

J. H. MIRACLE,
Secretary

August 27, 1947



SOUTHERN CALIFORNIA EDISON COMPANY

Preferred Stock Dividends

The Board of Directors has authorized the payment of the following quarterly dividends:
37 1/2 cents per share on Original Preferred Stock, payable September 30, 1947, to stockholders of record on September 5, 1947.

27 cents per share on Cumulative Preferred Stock, payable on September 30, 1947, to stockholders of record on September 5, 1947.

O. V. SHOWERS
Secretary

August 15, 1947

SOUTHERN UNION GAS COMPANY

Dividends on Preferred and Common Stocks

The Board of Directors of Southern Union Gas Company has declared the regular quarterly dividend of \$1.06 1/4 per share on the 4 1/4% Cumulative Preferred Stock of the Company, payable September 15, 1947, to stockholders of record September 1, 1947. Checks will be mailed.

The Board of Directors of Southern Union Gas Company has declared the regular quarterly dividend of 15c per share on the Common Stock of the Company, payable September 15, 1947, to stockholders of record at the close of business September 1, 1947. Checks will be mailed.

H. V. McCONKEY,
Secretary and Treasurer

August 8, 1947

SITUATIONS WANTED

WANTED!

A Job—ANYTHING, but prefer trading, syndicate department, or statistical work—but mainly a job. Mature; registered representative New York Stock Exchange; member STANY; disabled veteran; wishes a JOB—ANYTHING! !!!

Box M 814, "Commercial & Financial Chronicle," 25 Park Place, New York 8, N. Y.

Trader Available

Twenty-four years experience. Has accounts. Well known to New York and Out-of-Town Traders. Salary and Commission. Box M 813, Commercial & Financial Chronicle, 25 Park Pl., New York 8, N. Y.



Washington . . . And You

Behind-the-Scene Interpretations
from the Nation's Capital

Remember how Mother used to say it was a good idea to feed the Old Gent a tasty meal before asking a favor? Mother's scheme mostly got results. It gets results in politics, too, and that's the reason Republicans and Democrats alike are snooping around for ways and means of blaming the drought and corn shortage on the other fellow running for office. They're both a little afraid to solicit votes from people hungry for meat.

As late as last week you could stir up an argument in Washington that feed corn might not be scarce. Now you can't. The economists—and the politicians—agree this year's crop can't satisfy needs. The only argument today is who's to blame—and who's to be blamed by voters when they seat a President next year. It might be interesting to ponder which fall guy you'll cuss when you pay a buck for eggs and maybe stalk out of the butcher shop without your steak just before elections.

Out of curiosity, watch and see if the Agriculture Department's experience chart which has been accurate since 1865 is confirmed in 1948. Here's what the chart indicates: (1) plenty of meat in the shops and lower prices this fall and early winter; (2) disappearance thereafter of top quality meat, appearance of more cuts from animals which haven't been corn fattened, and rising prices about April; (3) a slump in supply and continued upward lunge of prices to a peak of 25% above today's level somewhere between August and October. And remember—election in November.

Don't be surprised if that 1946 GOP slogan—"Had Enough?"—becomes next year—"Had Enough Meat?"

Keep an eye on the three joint congressional committees which move out of Washington next month to "investigate" high prices. They're after headlines, not facts. Don't be surprised if they degenerate into propaganda clinics publicly—and officially—urging consumers to strike against high prices, to buy only necessities. That might be important, might be dangerous and destructive. Ohio's Senator Taft is nominally chairman of the three but he'll lose control when they disperse into regional hearings.

Real fact is that Connecticut's Republican Senator Baldwin authored the legislation authorizing the price probe because he hoped to be chairman and thereby promote his ambition for national office—Vice-President or higher.

We're to pay more—instead of fewer—taxes under the Truman rule. Last January when the President was denouncing tax reducing legislation, his experts estimated that under existing revenue laws individual Americans would pay out of their pockets \$19,120 million in direct Federal taxes in fiscal 1948. Now, they've upped that estimate to \$21,195 million. This compares with actual payments of \$20,408 million in fiscal 1947.

To state it more bluntly, the government is taking about \$1 billion more from us rather than \$4 billion less as recommended by Republicans.

The Treasury economists have revised upward their estimate of direct taxes on corporations from \$8,270 million in January to

\$8,449 million currently. This top still remains below the \$9,678 million collected in fiscal 1947.

The Budget Bureau calculates that unpegging of Treasury bills and certificates will hike government interest payments on the public debt about \$75 million in the current fiscal year. But revenue raisers remain debonaire. They figure that since Federal Reserve banks now hold most of the securities benefitting from the higher short-term interest rates, the \$75 million can be recaptured by the simple—and recently invoked—expedient of transferring the banks' "excess earnings" to the Treasury.

Cash redemption of veterans' terminal leave bonds is expected to boost the Federal outgo by approximately \$50 million this fiscal year. Treasury experts estimate accumulated interest will total that figure. Face value of the bonds isn't regarded as a government expenditure, rather as debt liquidation.

President Truman has revised net expenditures of the Export-Import Bank in the present fiscal year downward by \$80 million. He hasn't said why.

Congressional action in revoking RFC authority to make direct real estate loans and to provide a secondary market for GI mortgages insured by the Veterans Administration is to reduce expenditures of that agency \$325 million this fiscal period, the Budget Bureau estimates. It is noteworthy that despite dire predictions to the contrary, the flow of funds into GI insured loans continues at a rapid rate since elimination of RFC's secondary market for such paper.

RFC, by the way, is about to undergo a functional reorganization made requisite by last session's legislation curtailing the corporation's activities. Some top as well as bottom people are to be fired.

The Federal Deposit Insurance Corporation holds that banking industry conditions are favorable in general, but corporation officials fret over what they regard as three prime weaknesses: (1) some banks still have a relatively large amount of substandard assets; (2) some banks provide inadequate protection against losses from defalcation; (3) capital accounts have not grown nearly as rapidly as assets and deposits. The ratio of total capital accounts to total assets of all insured banks declined from 13.2% at the close of 1934 to 6.5% at the close of 1946.

Says FDIC Chairman Maple T. Harl of this situation . . . "By far the most unfavorable situation which has developed among banks is a decline in ratio of capital to assets. One of the chief reasons for the existence of banks is to supply the credit needed in the economy. To do this, banks must have capital accounts sufficiently large to warrant assumption of

the risks involved. New capital stock should be sold to the public to hasten the accumulation of capital commensurate with the added risks which banks are assuming in meeting the loan needs of business and individuals."

During 1946, first full year after the war's cessation, FDIC member bank loans on real estate increased 34%. Commercial and industrial loans increased 48%, and consumer loans 71%. The aggregate amount of such loans held by the banks mounted from less than \$20 billion at the beginning to more than \$28 billion at the close of 1946.

The number of our banks is continuing to increase, reversing the trend toward fewer such institutions which existed during the 11 years previous to 1945. At the beginning of this year, 14,759 banks were operating in the U. S. and possessions. This represented a net gain of 34 banks in 1946, compared with an increase of 15 in 1945. In the 11 preceding years, declines had been recorded.

With the exception of L. C. Smith and Corona, the typewriter industry has decided to snub the government's bid for standard machines. The statutory \$77 ceiling price is the reason. L. C. Smith and Corona have offered to provide 500 standards at the ceiling. All other companies are declining to supply any machines at that figure. The House Appropriations Committee is making a study of the ceiling, and it's a safe wager Congress next session will raise or wipe it out entirely.

Details of a new program of Federal Housing Administration insurance of private loans on small homes will shortly be forwarded to FHA field offices, banks, and other lenders. Object is to encourage the building of modest homes in rural areas and smaller communities. Maximum loan is \$3,000. Briefly, the new regulations place the responsibility for sound construction and suitability of location directly in the hands of the lending institution and the builder.

Ben DuBois, Independent Bankers Association, Sauk Centre, Minn., spent \$271.71 of members' dues on a trip to Washington in behalf of bank holding company legislation, he has advised Congress in a lobbyist registration statement. P.S.—The bill didn't pass.

A new Justice Department fad is an "exploratory" investigation or complaint calculated to shape public opinion. It's a streamlined version of the old witch hunt. The Department has been conducting such an "exploratory" inquiry into investment banker practices for the past year, hasn't caught the witch yet. Now the Department concedes its probe into the fixing of real estate commission rates is likewise "exploratory"—an effort to pan a little pay dirt and then pan somebody.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

At a meeting of the Board of Directors of **Fulton Trust Company of New York** held on Aug. 21, John A. Mack, Secretary of the Bank was appointed Treasurer and John Brooks, Assistant Trust Officer, was appointed Secretary and continues as Assistant Trust Officer.

Edward Congdon Looker, Vice-President of **Lamborn & Co., Inc.**, sugar brokers, of 99 Wall Street, New York and General Partner, of **Lamborn, Riggs & Co.**, commodity brokers, died on Aug. 23. He was 59 years of age. Mr. Looker joined the Lamborn interest in 1920, prior to which he was Vice-President of the B. T. Babbitt Co. He was a founder in 1940 of **Lamborn, Riggs & Co.**

Wilbur F. Burt, Vice-President and a director of the **Socony Vacuum Oil Co., Inc.**, was elected a trustee of **Brooklyn Trust Company of Brooklyn, N. Y.** at a meeting of the Board of Trustees on Aug. 21. Mr. Burt has spent his entire business career with the Socony Vacuum organization and its predecessor, the Standard Oil Company of New York. Graduating from Amherst College in 1912, he began work with the Standard Oil Company of New York, leaving in 1917 to join the Army in the first World War. Returning from overseas in 1919, Mr. Burt became superintendent of the Pratt Refinery in Brooklyn and having later been transferred to other departments, eventually in 1927 becoming assistant to H. C. Smart, then Chairman of the Manufacturing Committee. He succeeded Mr. Smart in 1928 and in 1931 became a member of the Board of Directors. Following the formation of the Socony-Vacuum Oil Company, Inc., Mr. Burt became Vice-Chairman of that company's manufacturing committee and in 1935 he was made Chairman. He was elected a director of Socony-Vacuum in 1939 and was elected a Vice-President and member of the Executive Committee in 1944. Mr. Burt is a director of the Houdry Process Corporation and a trustee of Community Hospital in New York City and of Storm King School, Cornwall, N. Y.

The **Corn Exchange National Bank and Trust Company**, of Philadelphia announces the election of J. Mark Kirchgasser as an officer of the Bank, with the title of Personnel Director, effective Sept. 1.

Gov. Walter W. Bacon of Delaware announced on Aug. 20 the reappointment of John C. Darby as State Bank Commissioner for a four-year term effective on Aug. 25. The appointment is subject to confirmation by the State Senate, said advices Aug. 21 from Dover, Del., to the Philadelphia "Inquirer," from which we also quote:

"Mr. Darby is now completing

his first term in office. Prior to his appointment he served as Cashier of the branch of the **Delaware Trust Co.** at Frederica, Del., where he resides."

The **National Bank of Dover**, at Dover, Ohio, created through the merger of the Exchange National Bank, First National and State Savings Bank, all of that city, began operating on Aug. 18, it is learned from Dover advices in the Cleveland "Plain Dealer" of Aug. 19, which further reported:

"The new bank has resources of more than \$8,500,000. Officers are D. C. Baker, Board Chairman; G. Tyler Brister, President; Alvin V. Lind and Ray H. Adkins, the latter of Cleveland, Vice-Presidents; A. W. Wagner, Cashier, and Don E. Frary, Comptroller."

The **Greeley National Bank of Greeley, Colo.**, has increased its capital from \$100,000 to \$200,000, effective Aug. 5, through the sale of \$100,000 of new stock. This was reported in the Aug. 11 bulletin of the Office of the Comptroller of the Currency.

Walter L. Rehfeld, Vice-President of the **Mercantile-Commerce Bank and Trust Co., St. Louis, Mo.**, has been elected First Vice-President of the **Robert Morris Associates**, a national organization of bank loan officials.

The **Newport National Bank of Newport, Ky.**, increased its capital, effective Aug. 11, from \$100,000 to \$400,000 by a stock dividend of \$300,000.

Barclays Bank (Dominion, Colonial & Overseas) announce that E. L. Jackson, Chairman of the South African Board, has been elected a Vice-Chairman of the bank.

Old Reorganization Rails

Domestic & Foreign
Securities
New Issues

M. S. WIEN & CO.

ESTABLISHED 1919
Members N. Y. Security Dealers Ass'n
40 Exchange Pl., N. Y. 5 HA. 2-8780
Teletype N. Y. 1-1397

Seaboard Fruit Co., Inc.
General Products Corp.
Susquehanna Mills
Empire Steel Corp.

Hill, Thompson & Co., Inc.
Markets and Situations for Dealers
120 Broadway, New York 5
Tel. REctor 2-2020 Tele. NY 1-2660

HANover 2-0050

Teletype—NY 1-971

Firm Trading Markets

FOREIGN SECURITIES

All Issues

CARL MARKS & CO. INC.

FOREIGN SECURITIES
SPECIALISTS

50 Broad Street

New York 4, N. Y.

—AFFILIATE: CARL MARKS & CO. Inc. CHICAGO—