ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 166 Number 4626 New York, N. Y., Thursday, September 4, 1947 Price 30 Cents a Copy

Mean to Achieve Peace: Truman

In address at Rio, the President asserts U. S. is prepared to stand by United Nations and strive for peace. Will remain strong to oppose aggression and aid world recovery. Cites Western Hemisphere peace role and promises future economic cooperation. In message to American Legion, President reasserts armament stand.

President Truman

President Harry S. Truman, in an address at the closing session of the Inter-American Defense Conference at Petropolis, Brazil, on Sept. 2, outlined the position and responsibilities of the United States in the move to maintain world peace and combat aggression. Pointing out that a number of nations "are still subjected to a type of foreign domination which we fought to overcome," he stressed the objective of keeping the nation strong to be in a position to oppose aggression and enforce peace, and he urged the members of the Conference to be prepared to contribute to lasting peace for the benefit of mankind.

The text of the address follows:

Mr. President, delegates to the Inter-American Conference for the

(Continued on page 31)

Report from Main Street

By DALE KRAMER

Mr. Kramer reports from Sigourney, Iowa, regarding conditions in the Middle West. Tells of effects of drought and bankers' and farmers' views on agricultural outlook. Says farmers are generally out of debt and have a backlog of cash resources, though production costs have risen. Looks for continuation of high agricultural prices and triple A program but sees farmers and Main Streeters alike watching political maneuvering for 1948 without much excitement.

SIGOURNEY, IOWA.—The shriveling of Midwestern crops in the worst drought of more than a decade has caused alarm on the farms and Main Streets, but nothing like the consternation of bygone years. Bank accounts and safety deposit vaults are too well loaded. Ancient debt pressure is off and the modern farmer feels safer with a scarcity than with a surplus.

Dale Kramer

The general feeling was expressed by a big farmer, his face scorched browner than the withering corn in his fields, who walked into the backroom of the First Trust & Union Savings Bank in Sigourney, Iowa.

"This is plenty tough on us," he said, mopping his face. "But, brother, I do pity the city folks when they buy meat six, eight months from now."

Charley Baylor, the bank's president, nodded agreement. In almost three decades at the bank's helm he has seen bad and good times come and go. Sitting for a morning with Mr. Baylor (Chas. E. on his checks but Charley to almost everybody in the county) may not sound like the most

(Continued on page 25)

Repressed Inflation—Economic Cancer of Europe

By WILHELM ROPKE, Ph.D.

Professor at the Graduate Institute of International Studies, Geneva

Political economist holds that European currencies are "soft," not by "Act of God" but because of maladjustments created by unsound economic policies. Declares repressed inflation as furthered by Socialist controls is stifling all-important production throughout Europe.

GENEVA, SWITZERLAND—Far too many people seem to have quite a wrong idea of the present destitution of Europe. They are thinking in static and mechanical terms embodying the notion that, mainly by the war, a deficit of commodities has been caused which has to be filled up somehow. They speak of "soft" currencies in Europe as if they were an Act of God. They believe they are very clever when they refer to the "scarcity of dollars" as something which would be almost on the same line with the "scarcity of rain" in the Sahara.

Wilhelm Ropke

Such people fail to realize that economic life is a process which might be orderly, balanced and continuous, and thus guarantee the maximum production of wanted commodities — or which might be exactly the opposite. It is, of course, true that Europe has been enormously impoverished by

(Continued on page 24)

EDITORIAL

As We See It

Prevention vs Futile "Cures"

"Eat what you please—and take our specially prepared bicarbonate of soda with a highfalutin name." It may be that in days gone by some of the fly-by-night makers of patent medicines came rather near giving such advice to the public in an endeavor to sell their wares. Were they to do so today, however, they would, one hopes, be laughed out of business—or even, perhaps, be brought before the bar of justice for violation of laws for the protection of gullible elements in the general public. So far have we traveled in knowledge and understanding of the principles of physical well being and health.

It is unfortunate, indeed, that our education has not progressed correspondingly in matters economic. If we had, so many of us would not be suggesting and government would not be so often arranging and giving effect to programs which are based upon this very principle of first injecting harmful elements into the business system and then expecting to "cure" or prevent inevitable economic illnesses by dosing the public with quack economic nostrums of one sort or another.

Such thoughts as these are brought forcibly to mind at the moment by the current appeals to veterans to refrain from redeeming their so-called "terminal leave"

(Continued on page 25)

Future of the Bank for International Settlements and the Marshall Plan

By ERNEST H. WEINWURM

Writer holds attacks by officials of the U. S. Treasury against the wartime activities of the B. I. S. are found to have been unwarranted. Says the Bank is in a sound financial position and may have an important part in bringing about closer economic cooperation in Europe. Maintains the B. I. S. should be given a place in the Bretton Woods institutional set-up and it may also be useful in directing American private banking funds toward assisting European reintegration into international trade and carrying out proposed Marshall Plan.

The Bretton Woods Conference in Resolution No. V of its "Final Act" recommended "the liquidation of the Bank for International Settlements at the earliest possible moment."[1] This was to be a death sentence. It had been decided upon without trial or an opportunity for the defendant to present its side of the case. The plaintiffs had set themselves up as judges as well.

Ernest H. Weinwurm

This raises the interesting question about the identities of these plaintiff-judges. The special correspondent of the "Commercial and Financial Chronicle" at Bretton Woods reported that the State Department and the Treasury had been divided over the question as to whether the Bank for International Settlements (B.I.S.) should be abolished. Norway had opened the question some time before, but the Dutch and British repeatedly defended the B.I.S. But it appeared that the Conference would adopt the Norwegian viewpoint.[2]

As a matter of fact, little attention was given to the war-time activities of the B.I.S. as far as the United States was concerned. In Great Britain, however, its policies were kept under close observation and discussed in Parliament at various occasions. An extended debate in Commons in the fall of 1942 clearly shows that the opposition to the B.I.S. was founded on suspicion regarding its possible future policies, at a time when Germany dominated the Continent, rather than on facts.[3] The British Government never failed to defend the B.I.S.

Yet there was quite a different attitude in the United States. The London "Economist" observed some time ago that "among some of those who sponsored the Bretton Woods Institutions there seems to have been a deep and apparently irrational prejudice against the B.I.S.[4] But who were these gentlemen with an "irrational prejudice"? According to the above-mentioned report they sat in the U. S. Treasury Department.

The same "Chronicle" correspondent who covered Bretton Woods in 1944 wrote recently that "during the Bretton Woods preparations, Harry D. White, then Assistant Secretary of the Treasury, in public press conferences and elsewhere stigmatized the B.I.S. and its American war-time

(Continued on page 26)

1 "Commercial and Financial Chronicle" July 27, 1944.
2 "Commercial and Financial Chronicle" July 20, 1944.
3 Parliamentary Debates, House of Commons, Oct. 13, 1942.
4 B.I.S. and I.B.R.D. Cooperation, June 21, 1947.

The Dangers of Our Foreign Policy

By GEORGE W. MALONE*
U. S. Senator from Nevada

Senator Malone attacks Truman "Doctrine" as siphoning off our wealth and resources to foreign nations in misplaced effort to stem communism. Criticizes State Department for permitting exports of oil and war materials to Russia and holds American capital and skill invested abroad would do more than government loans in rebuilding national and international integrity of nations of the world. Advocates establishing a definite foreign policy "by Americans for Americans" that is geared to our national economy

The United States of America is faced with the gravest decision since the Declaration of Independence.

We are the only nation in the world, today, with a decent standard of living, that can stand on our own feet and have some influence in world affairs.

Geo. W. Malone

Two major powers emerged from World War II—not three—not five and not fifty-five. They are Russia and the United States.

When the United Nations recognized five major nations, that number included three countries, England, France and China, that can only survive through our support—and then only by a drastic reorganization of their way of life.

The 18 million veterans of the two World Wars face a tremendous responsibility over the next five to ten years.

They will witness a complete reorganization and realignment in world affairs — based upon the natural economic trends — and the decisions made in the immediate future could vitally affect our standard of living and the whole economic future of this nation.

The veterans of the two World Wars are in the active age brackets and will form the balance wheel during this trying construction period. This country, in the hands of the veterans, can be made safe from the various "isms" and "trick" forms of government currently infesting the rest of the world.

United Nations

The United Nations organization is being by-passed at this time by most of the stronger nations in the same manner as the League of Nations was by-passed in the early 20's; everybody giving it lip service and at the same time making individual trade treaties throughout the world. England has made an independent trade treaty with Russia providing, in the main, that Russia furnish her with the necessary raw materials and that she process these materials and manufacture goods and return them to Russia. This will include jet planes and other war materials.

War and Peace

Most of our people naturally assume that all of the world is at peace most of the time, since this country has only had its periodic wars, and in between, peace has prevailed in this nation.

Even a casual historic review will reveal that there never has been a period over the five thousand years of recorded history when all of the world was at

(Continued on page 29)

*Address by Senator Malone before the Disabled American Veterans Annual Convention, Las Vegas, Nevada, Aug. 19, 1947.

INDEX

Articles and News

Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

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

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

Thursday, Sept. 4, 1947

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

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

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

Subscription Rates

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

Other Publications

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

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

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

An Ineffective Apologist

New York Curb Exchange President's address before Junior Investment Bankers and Brokers Association discussed. His talk on "The Securities Acts" inadequate. Failure to deal with the Maloney Amendment scored as missing an opportunity. Attempts by SEC and NASD to control "Spreads" also negligently omitted. The effect of the Securities Acts on free markets and free enterprise should have been dealt with. As a whole, a servile effort where courage was needed.

Recently, the Junior Investment Bankers and Brokers Association was addressed by Francis Adams Truslow, who chose as his topic "The Securities Business and Securities Acts—A Few Problems and Some Guesses."

Mr. Truslow's genuflection before the Securities and Exchange Commission comes as no surprise to us, recognizing, as we do, that the head of the New York Curb Exchange has an ax to grind which is intended to bring into realization the adoption of the so-called principles, misnamed "equalization."

The motive behind Mr. Truslow's desire to bring off-the-board securities under the same reporting requirements, the same proxy practices, the same officer and director accountability and liability of insiders to recapture of profits as those controlling listed securities is the apparent purpose to improve the position of the Curb Exchange and to detrimentally alter the position of the over-the-counter market.

There can be no question that as to listed securities the requirements of the Securities Acts have been particularly burdensome. The answer certainly does not lie in proclaiming that because these requirements and regulations have been burdensome as to the auction market, it will be a cure for the same rules and regulations to be applicable to the over-the-counter market.

Rather does the remedy lie in removing the objectionable parts of the Securities Act provisions and the regulations in the first instance.

To say "because I am hamstrung, I want the other fellow to be hamstrung" is a sorry position to adopt and shows particularly poor sportsmanship.

That same lack of sportsmanship is evident in Mr. Truslow's dealings with borrowing on securities. He indicates that there are certain restrictions on loans on listed securities which do not exist with respect to over-the-counter securities. Instead of suggesting the obvious remedy that these restrictions should be removed, he implies that they should be further extended.

We find Mr. Truslow's address lacking and servile.

No talk of the type attempted by the President of the New York Curb Exchange on the subject of the Securities Acts should have omitted the Maloney Amendment.

The failure to deal with that Amendment in particular was, in our opinion, a fatal blunder.

In an address to "Junior Investment Bankers" the aim should have been to arrive at an unvarnished display of the facts.

An omission of all reference to the National Association of Securities Dealers, its pricing activities, its regimentation of securities salesmen, its monopolistic practices in limiting to members only the sharing of commissions in trading and underwriting, its previously despicable practices in connection with disciplinary proceedings — such glaring omissions, it seems to us, were intentional.

Said Mr. Truslow, "Any glance back over the last 50 years of the securities business will reveal that business has exhibited a remarkable capacity to accept change and to adjust its procedure to increased demand and to new points of view."

We find no fault with progressive "new points of view" that are helpful to the securities industry and come within the purview of our American way of life; "new points of view" that are not a restriction upon our system of free enterprise.

However, the regimentation of those in the securities

(Continued on page 37)

Gold and Inflation

By THOMAS I. PARKINSON*

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

Insurance executive, taking note of rumors that Treasury price of gold will be increased from $35 to $50 per ounce, points out such action would add to inflation, increase our gold supply and tend to give foreign nations more of our resources without value to us. Says it would be typical example of New Deal policy of treating economic ills by ice packs and stimulants instead of permanent cure.

The inflation of our money supply during the past few years which has taken it from $60 billions to $165 billions had as one of its principal sources the gold purchase policy of the middle 30's. Our purchase of more than $15 billions of gold, attracted to this country by the increase in the price paid by the Treasury from $21 an ounce to $35 an ounce, built up reserves in the commercial banks, enabling them to extend credit, which increased bank deposits and provided most of the increase in the money supply which has occurred.

T. I. Parkinson

It was largely this purchase of gold, one of the New Deal's principal financial policies, which provided the commercial banks with more than $7 billions of excess reserves just prior to the late war. And it was this $7 billions of reserves that enabled the banks to buy many billions of Government bonds both on subscription to Treasury issues and by purchases on the market.

Since V-J Day the commercial banks, especially those in New York and Chicago, have been short of reserves and much of the time have had a deficit, that is, less than the reserves required by law to be maintained against their deposits. Notwithstanding this lack of reserves, the commercial banks have been able to continue their purchases of bonds and their expansion of loans because the Federal Reserve Board continues its war-time rule that the Federal Reserve Banks will take Treasury Bills and Certificates from the member banks at the market. It is this freedom of the commercial banks to dump their short term Government paper in the Federal Reserve Banks that has enabled them to further expand bank credit and thereby maintain the money supply at a higher point than would otherwise have been possible.

It has been announced in the newspapers that a rumor persists in London that the United States Treasury will increase the price which it pays for gold from $35 an ounce to $50 an ounce. Though still in the rumor stage, it is interesting to consider what will be some of the results to us and others of such a policy. From the point of view of the United States the immediate results will be as follows:

(1.) The Treasury's balance available for expenditures will be automatically increased by $15 per ounce of gold heretofore bought by the Treasury and still in its possession. This windfall to the Treasury would amount to approximately $10 billions. This addition to the Treasury's balance would be automatic and require no action by Congress and would be available for immediate expenditure. It would make easy the task of the Treasury to cash the Armed Forces Leave Bonds which total nearly $2 billions.

It would also provide the means, without crowding the Treasury, of paying the balance due on the British loan and any other similar loans to foreign countries. These results of increasing the price paid for gold would seem on first thought to be helpful to the Treasury. But that's not the whole story.

(2.) The increase in the price paid by the Treasury for gold would promptly increase the flow of gold to this country and that would again provide the commercial banks with additional reserves which would be available for further expansion of bank credit and of the money supply. That would be inflationary with a wallop.

The banks whose administrators ought to be wary of such further expansion in our paper money will probably go along because of

(Continued on page 19)

*From a release by Mr. Parkinson distributed by Continental Press Syndicate.

BUSINESS BUZZ

"BALLET"

The Bureaucrats Don't Know How Securities Are Sold!

By JOHN DUTTON

In pointing out drastic decline in number of investment banking and brokerage concerns and in volume of business, writer attacks SEC officials as ignorant of securities business. Says SEC should be concerned with problem facing American industry of raising the billions of dollars of new investment capital needed.

Mr. Hanrahan made another speech in Boston on Aug. 14, 1947, before the National Security Traders Association. Again this well meaning new Commissioner of the SEC had some things to say about how a security salesman should sell securities. From the tone and tenor of the address, one would be justified in believing that some ghost who had never sold securities in his life had tried hard to put some ideas across to the boys assembled there but again he missed the mark.

Now it's all to the good to shake the stick once in a while and tell the members of our *rapidly shrinking industry that the SEC still has its sleeves rolled up and one eye open. But when you use such words as thief, deliberate sharper and "huckster" as was done in this address the speaker only indicates that (whoever wrote the thing) suffers from a type of bureaucratic mind which believes that most people are dishonest until proven innocent.

It is a strange thing that so many book worms, pseudo intellectual geniuses, and other malcontents somehow drift down to Washington and get jobs that enable them to satisfy their frustrations by threatening other people and assuming roles of sanctimonious advice givers.

This does not mean that we put the genial and likable Mr. Hanrahan in this category, but he should get somebody to write his speeches that has had some experience selling securities before he attempts to tell others how they should do it.

Strange as it may seem, people don't line up in front of your office to buy securities. They don't go out looking for someone to sell them stocks and bonds. They are in the main skeptical of securities and those who attempt to sell them investments.

As Mr. Hanrahan said, the public does not know very

(Continued on page 20)

*In 1933, before the SEC and the NASD came into being, there were 6,614 firms in the stock and bond business maintaining 2,244 branch offices whereas today there are 26% less firms and 20% less branch offices. And 1933 was a year of depression! If comparison is made with prior years, the decrease is even more appalling.

The State of Trade and Industry

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

Commodity price trends have again resumed their upward course following a period of general stability when some prices touched lower levels, states the "Business Bulletin," a monthly paper of the La Salle Extension University of Chicago.

Continuing, the "Bulletin" notes that industrial production and business volume at the same time have declined a little, but both remain within 5% of the postwar peak reached earlier this year. Pointing out that the plateau on which all activity is taking place is still high, being over 80% above the average of the prewar years, it continues to tilt downward.

Taking up the prospects for fall business, its says they are very good in most lines and only a moderate rise would sustain the rate of activity above the high level of 1946. The differences between the two years, it notes, are steadily growing less and little further advance is looked for until some of the major maladjustments in prices, incomes and costs are corrected.

Referring to strong supporting influences and their relation to the present high level of business activity, the "Bulletin" says that business is being sustained by four major ones and that the continued strength of them will determine future trends. It adds that they are the factors to watch closely during the remainder of this year, for among them will be the first signs of a reversal which, according to present indications, may be deferred longer than was generally expected earlier this year.

These influences, which continue to be predominant, according to the "Bulletin," are:

(1) Extraordinary demands from domestic consumers for goods and services; (2) large spending by business concerns for new plants, for additional equipment and machinery; (3) enormous shipments abroad, greatly in excess of the imports received in return; and (4) large volume of construction, which, in spite of high costs, is scheduled to surpass last year's and come very close to establishing a new peace-time peak."

The paper observes, that "while not all these forces can be considered permanent at present levels, they do not yet show any marked signs of falling off. These large shortages and the unfilled demand occasioned by wartime restrictions on output of certain goods have only gradually been met and in some lines the unfilled orders are increasing at a rate faster than production.

Concluding, it states: "Only a marked change in consumer attitudes and different buying policies in connection with business spending and exports will greatly moderate the current rate of activity."

* * *

Reviewing the trend of total industrial production for the past week, it is noted that output rose moderately, assisted as it was by a reduction in the number of vacation and hot weather closings which enabled some manufacturers to schedule output at a higher level than in the previous eight weeks.

Unemployment insurance claims continued to decline with payrolls steady and at a record high. The steel industry was hampered last week by the steel scrap shortage, a lack of pig iron, and the necessity for mechanical repairs on steel mill equipment which continued to prevent a substantial increase in steel output.

Civil engineering construction totaled $136,943,000, an increase of 25% above a week ago. Lumber production for the week ended Aug. 16 decreased 1% to 205,099,000 board feet. New orders for lumber declined 5% and shipments declined 7%.

Chemical production increased again last week with output of certain types of chemicals reaching record proportions. Apparel output rose considerably as the manufacture of woolen goods proceeded at capacity. Shoe production, however, increased only slightly, with some shoe manufacturers reporting difficulty in keeping pace with the large demand.

STEEL PRODUCTION CONTINUES AT HIGH RATE—RAW MATERIALS TIGHT

The steel industry the past week bore earmarks of wartime days. Demand was on the increase but raw materials for steelmaking were tighter than ever according to "The Iron Age," national metalworking weekly, in its current survey of the steel trade. Further plaguing the steel companies was a cycle of repairs to overworked equipment which might, before it was completed, add more weeks to already deferred deliveries.

The bad effects of the coal strike, the scrap shortage and the hot weather, says the magazine, took such a toll in the past few months that most steel firms were somewhat behind on promised deliveries with carryovers increasing with every major producer and some firms reporting as much as 8 to 12 weeks delay in original promises.

New equipment which was to have been installed this year to

(Continued on page 32)

Observations . . . .

By A. WILFRED MAY

THE SEC AND PUBLIC MISCONCEPTIONS

A. Wilfred May

It is indeed unfortunate that the Securities and Exchange Commission's report of its investigation of the behavior of New York Stock Exchange trading on Sept. 3, 1946 (just released on the anniversary of the event) did not bring forth more decisively-stated conclusions, and has not elicited wider public circulation for those conclusions which it actually reached. It will be remembered that the Commission's investigation of that day's three-million share break, the widest in 15 years, was instigated by Representative Adolph Sabath's not uniquely voiced charges that "those professionals and some of the big holders who acquired their holdings at low prices are again cooperating to unload so that they can again accumulate the same shares at low figures. . . . There must be a political motive behind the raid on the market against sound stocks with high sustained earnings and good prospects. The people have a right to know if the real reason is not alone to reap tremendous profits but also to affect the coming elections."

The SEC in summarizing its currently-issued report states that it "reaches no conclusions." While forthrightness and integrity in abstaining from unwarranted inferences are to be commended, it is unfortunate that after a full year of study by its staff, resulting in a 69-page report replete with statistics and charts, the Commission feels that it cannot decisively answer and stifle once and for all the above-mentioned charges which are so frequently aired.

Pussyfooting

Even on the subject of short-selling, although its figures show that short sales accounted for only 1½% of the day's volume, the Commission was no more decisive than to say: "Consequently the net effect of short selling *may* [italics ours] be less than that of a similar volume of sales against inventory." And the above-quoted abstention from definitive conclusions is made in the face of a finding elsewhere in the report that "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."

Limitations Acknowledged

Despite its year-long investigation, the Commission admits that "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."

If the delay in coming to such conclusions has been warranted, at least let there now be no further procrastination by the Commission, after 13 years of existence and flow of reports, in definitely stating its principles in this sphere. The technical orderliness of the market in connection with such movements as that of a year ago is a much more important factor than are the price changes. For despite the widespread castigation of the Sept. 3 decline in the Dow Jones average from 188 to 180 as "unwarranted," subsequently prices declined another 17 points, and even now stand at the lower "distress" figure.

Closely coupled with the question of market structure are the floor trading rules, which the Commission should either defend or propose to amend.

The Tax Factor

Of greater importance to the market's liquidity, however, are margin regulation, in controlling activity, and the heavy tax on short-term gains and on short-sale profits, and the 25% tax even on long-term gains. While stock market credit regulation and taxation may not be technically within the province of the SEC, surely these factors should be at least referred to by it as positive influences.

In further studies the SEC also might well exhaustively go into the short-sellers' behavior over the long-term. Such a study could throw valuable light both on the much-mooted effects of the active bear, as well as on the alleged wisdom of the more professional trader. Statistics for the aggregate short interest going back through the last decade as previously cited in this column, and by the findings for the short interest in individual stocks contained in Robert T. Shadoan's article in the "Chronicle" of Aug. 14, last, indicate that during the past 10 to 15 years the size of the short position has been greatest at times of low market prices and smallest during high markets. If such data are correct, the bears, contrary to popular credo, represent another group of "insiders" who are more often wrong than right on the market. In any event, a correct and authentic conclusion by the Commission would surely be extremely worthwhile.

Kitchen & Murphy Is Formed in Chicago

CHICAGO, ILL. — Announcement is made of the formation of the partnership of Kitchen &

W. T. Kitchen

James H. Murphy

Murphy, members of the Chicago Stock Exchange, as successor to Kitchen & Co., 135 South La Salle Street. Partners of the new firm are W. T. Kitchen, J. H. Murphy, and A. L. Godie. Mr. Kitchen was previously a partner in Kitchen & Co. Mr. Murphy and Mr. Godie were with Cruttenden & Co., in which Mr. Godie was a partner.

Bonds of Oslo (Norway) Drawn for Redemption

Holders of City of Oslo (Norway) 19-year 4½% sinking fund external loan bonds, municipal external loan of 1936, due April 1, 1955, are being notified that $191,000 principal amount of these bonds have been drawn by lot for redemption through the sinking fund on Oct. 1, 1947 at par. Redemption will be made at the New York office of Kuhn, Loeb & Co., fiscal agents.

Freedom Is Our Heritage

By GORDON D. PALMER*
President, First National Bank of Tuscaloosa, Ala.

Prominent Southern banker extolls Constitution as our priceless heritage, and reviews attacks on free enterprise system. Sees danger in both ideological conflict of Russian communism and our own democratic system and in present labor-management conflict that is impeding production. Says statements regarding high business profits are distorted and points out need for capital investment to maintain high level of employment. Holds taxes are destroying incentive and bureaucracy is impeding progress. Says free enterprise is hope of world.

Two events took place in the latter part of the 18th Century which have had the greatest influence on mankind. One was mechanical. It was the invention of the steam engine by James Watt, the Scottish inventor. The other was political. It was the Philadelphia Convention which gave us the Constitution of the United States of America. Unrelated as these two events were, their combined influences have been in close relationship in the remarkable development of our American way of life.


Gordon D. Palmer

In the July "Atlantic," Eric Johnston declared, "America has made two distinct contributions for the betterment of the world. One is the concept of the dignity of man, the citizen, the other is the technique of mass production."

Thus, our Constitution has been the bulwark which has given us a framework of law and order with effective control of political power, within which free men might work out a pattern of life where machines instead of humans would bear the heaviest burdens in providing an ever increasing supply of goods, so that greater numbers could enjoy an abundance of material things.

Frequent Changes

The era since the creation of our Constitution, 160 years ago, has been the least static period in history. Change has been the order of the day in science, religion, economics, education, industry and government. Nothing has escaped mutation. Few peoples, indeed, are now living under the same systems which governed their ancestors when our Constitution was born, but it is essentially the same document today it was in 1787. Strangely enough, "the youngest of the great nations of the globe enjoys the oldest government."[1]

A scholar of the 18th Century looking down upon a current map of the world would have great difficulty in identifying the nations by their boundaries and their governments would be less familiar to him.

Some Examples

Spain and Portugal, in 1787, both monarchies, ruled all South America. Central America and a large part of North America was dominated by the Spanish. In Europe, Great Britain is almost the only government that even approximates that of 1787, yet it (Continued on page 30)

*An address made by Mr. Palmer at University of Alabama summer commencement exercises on August 29, 1947.

1 Bulwark of the Republic—Hendrick.

Some Conflicting Labor Day Statements

Among the conflicting Labor Day statements issued over the week-end this year, the "Chronicle" has selected for publication the statements of Earl Bunting, President of the National Association of Manufacturers, of William Green, President of the American Federation of Labor and that of President Harry S. Truman.

Mr. Bunting's Statement

The following is the statement of Earl Bunting:—

If every American worker would devote a small part of his Labor Day holiday to an objective review of where he stands financially, as compared with his situation in 1939 and before World War II, I think he would quickly see through much of the propaganda with which he is being bombarded on this day of tribute to one of the basic elements of our country's greatness.


Earl Bunting

He would inevitably reach the conclusion that, in spite of all the hubbub about high prices, he has made encouraging progress in the goods value of his wages and consequently in his standard of living, despite the limiting influences of a long depression and five years of war.

He would find ample cause for concluding that things are a lot better than a casual survey of current events would indicate—and appreciate more fully the fitting tribute that all America pays to him on this day.

Despite decreased value of the dollar and a 57% advance in the cost of living since 1939, the doubling of annual earnings during that time has given American workers a substantially higher actual buying power than they had eight years ago.

Take, for example, the head of a family of four averaging $23.86 per week in 1939 and $48.46 in May, 1947 after deducting personal income taxes and discounting the effect of the sharp rise in the cost of living, the actual purchasing power remaining to this worker at present prices is 27% higher than in 1939, according to government statistics.

It is ridiculous on the face of it to believe that purchasing power in the United States will fail, if employment remains at its present level of 60,000,000 persons and production continues to rise.

While we talk of the individual and his earnings and whether they are sufficient in the light of present prices, we are prone to ignore entirely the 15-million-worker addition to the nation's labor force since 1939 and the $30 billion annual increase in purchasing power which this represents.

Not only are the workers of the country receiving the highest earnings on record, but 33% more people are wage earners, at the same high wage level. There are now more people working per family than ever before and this fact should not be ignored when considering whether prices are too high to move all the goods which are being produced.

The danger which lies herein is inflation; not fear that the American people lack purchasing power. And this danger will continue unless the American people buy what they need, rather than all they want, until all production pipelines are filled and prices are stabilized at levels which are fair and reasonable to both the producer and the consumer.

We all know that while earnings of individuals were going up, prices were advancing, with the inevitable result that the dollar

(Continued on page 33)

President Truman's Statement

Before leaving by plane for Brazil, President Truman issued the following Labor Day statement:

Labor Day offers us a yearly opportunity to pay tribute to the contribution the free working men and women of the United States have made to their country's progress, prosperity and world leadership. This Labor Day of 1947, two years after we defeated our enemies in battle, is an appropriate moment for us to evaluate our accomplishments during war and reconversion, and to plan for the peace we still must win. Labor Day, therefore, should be a holiday not alone for celebration of past accomplishments, but for dedication to the future, and to the hope which that future holds for mankind.


President Truman

The organized labor movement of America has rewarded working men and women with higher wages, shorter hours and improved working and living conditions. But these rewards have been possible only because, as unions grew stronger, they developed increasing responsibility for helping the wheels of industry to turn. Wherever a responsible labor movement flourishes, there industry prospers, production increases, and the living standards of the community, State or region improve.

The right to join a union of one's own choice is unquestioned today, and is sanctioned and protected by law. The bargaining table at which labor and management sit to work out their common problems is indispensable to our democracy, and must be safeguarded against any attempts by misguided or ill-intentioned groups or individuals to weaken or replace it.

Good labor relations, however, cannot be brought about by legislation. They are created by the men and women concerned, cooperating sincerely and earnestly within the framework of a minimum amount of regulatory law. I believe that enlightened labor and enlightened management, working together, can accomplish far more by peaceful bargaining than is possible through legislation. Cooperation by labor and management, in a spirit of honest concern for the welfare of all the people, will speed the day when strikes and lockouts are discarded, and will safeguard labor's freedom to solve its problems without restrictive government regulation.

Government, also, has a responsibility for promoting the welfare of all the people by pointing out and eliminating injustice and inequity. In order to enable the government to discharge its constitutional and legal duties, the Department of Labor must be adequately staffed, and be given jurisdiction over those governmental functions which are an appropriate part of a department created to foster, promote, and develop the welfare of the wage earners of the United States. Mil-

(Continued on page 33)

William Green's Statement

In an address at Chicago on Labor Day, William Green, President of the American Federation spoke as follows:

Labor Day is your holiday—the special holiday of the working men and women of the United States. This day has been set aside as the nation's tribute to the dignity and efficiency of labor. It is a formal recognition and appreciation on the part of government of the great service and contribution made by labor to the growth, progress and achievements of America.


William Green

Behold the thriving cities of our country, the broad highways, the swift transportation lines, the mines, the mills, the factories and the towering office buildings! These are a lasting monument to the skill and the brains and the resourcefulness of American workers.

Whenever America has been endangered, labor responded willingly to the call for service. This was especially true during the last World War, when American workers broke all records for production. No workers in any other nation in the world came even close to the high standard of war production efficiency set by the workers of the United States.

In view of this record, the widespread attacks against labor in the State Legislatures and the Congress of the United States through the enactment of vicious and repressive legislation, are deeply resented by the working people of our country.

This large and impressive gathering, here in Soldiers Field, is typical of many similar meetings which are being held today throughout the nation.

Today, labor is rallying its forces to fight against oppression and depression. Our goals are freedom and security for all Americans. We will never be satisfied with less. The many thousands of workers who are gathered here and in other Labor Day rallies across the nation, will register a stirring protest against this new wave of hostile, anti-labor legislation.

Do short-sighted employers and reactionary lawmakers believe they are rendering a public service when they seek to destroy an agency like the American Federation of Labor, which is a vital part of the economic and industrial life of our country and stands as an unshakeable bulwark in defense of the free enterprise system and our American way of life?

The masses of our people cherish their freedom, liberty, and the fruits of democracy. They will not remain passive while these blessings are undermined and invaded by anti-labor legislation. They will not tolerate the attempted destruction of their unions. Now that the war is over, they will no longer subject themselves to government controls and domination. Instead, this gigantic Labor Day rally here in Chicago, the center of the nation, will serve notice of labor's determination to fight as it has never fought before! Our efforts will be concentrated toward preserving and maintaining the full promise of

(Continued on page 33)

The Sleeping Brass

By PHILIP HARDING JORDAN

Writer opposes compulsory military training in peacetime. Estimates cost at three to eight billion dollars. Contends higher up military men are asleep at switch when they argue for basic military training.

It is said that many Americans are afraid that an enemy power will make a second "Pearl Harbor" sneak attack upon the United States and that we will not be prepared to meet it. At least this is the ballyhoo by which the Truman Party is trying to foist upon every boy of 18 in America one year of compulsory universal military training. They are trying to put over such a law with the aid of all sorts of newspaper, radio and magazine propaganda backed by certain elements in the army and some misinformed patriotic organizations. They are trying to do this in spite of the following facts:

(1) The Pearl Harbor tragedy was not caused by a lack of well-trained men in the ranks. The man who picked up the Jap planes in plenty of time was in the ranks. Pearl Harbor was the fault of the higher ups, who (much like those in France) were asleep on the job, both in Washington and in Hawaii. That is almost always the result of large peacetime compulsory trained armies. They lull the people into a false sense of security while they themselves fail to remain alert. This is known as The Sleeping Brass.

(2) The cost of the plan has been variously estimated at from $3 to $8 billion per year. The latter figure is twice the amount of the tax bill that President Truman vetoed. This would be a nice sum for the Truman party political machine but it would give little protection to the American people.

(3) Compulsory military training has never been a guaranty of victory in the past. France had it before the Second World War. What good did it do her? Russia had it for years under the Czars yet it did not forestall her defeat by Japan in the Russo-Japanese War nor by Germany in the First World War. Neither did it prevent the terrible and bloody revolution in Russia that followed it. In fact the only two large world powers that have never been defeated in a major war, never had compulsory military training during all the years of their success. These two nations are Great Britain and the United States.

(4) Worse yet, the training of all these boys would be virtually useless in the kind of war which would come in the future should we have war, for none of these boys would know any more about atomic or rocket warfare when they finished their training than they did at the beginning.

Dr. J. R. Oppenheimer is quoted as stating that in an atomic war it would take only one night to kill 40,000,000 Americans.

General Eisenhower admitted that the trainees trained under the universal compulsory training plan would have to be retrained in case of war.

General Marshall said that it would take perhaps one year to mobilize a universal military trained reserve to fight back in case of war.

This is longer than the time required in any previous war. What good will it do to force our boys to undergo basic military training with rifles and ideas that are already obsolete if another war comes? Yet some of the higher ups are asking for it. This is known as The Sleeping Brass.

(5) We *can* prevent sneak attacks. Fifty thousand men belonging to a special group could easily guard our country from surprise attack for centuries to come. This group would consist of highly-trained scientific technicians. They would be stationed in small groups at strategic points all over the continental United States and its possessions. They would be trained to be *always* on the alert. They would be continuously and at all times supplied with the newest and latest scientific instruments for the detection of possible enemy attacks from any quarter of the globe and would have a special squadron of airplanes or space ships at their command for observation purposes. They would work very closely with the F.B.I. and with our foreign intelligence system but they would be trained to take no man's opinion when it tended to contradict the evidence at their command. They would have the power to alert the government and the army and navy. They would never fall asleep on the job. They would be called The Guardians of America. They would *not* be the Sleeping Brass.

First Michigan in Battle Creek; Coleman Head New Branch Office

BATTLE CREEK, MICH.—The First of Michigan Corporation, Detroit, has announced the association wth them of Silas C. Coleman and Mark H. Coleman as resident managers of their Battle Creek office at 2 Security Bank Arcade, the same location as that occupied by S. C. Coleman for the past several years. The First of Michigan Corporation now has outside offices in New York, Chicago, Grand Rapids, Bay City and Battle Creek.

Silas C. Coleman has been conducting an investment business in Battle Creek for 17 years under his own name, dealing in listed and unlisted stocks and bonds. Mr. Mark H. Coleman has been associated with him since 1940 having previously been in the securities business in Detroit since 1929.

A World Not at War But Without Peace

By THOMAS E. DEWEY*
Governor of New York

Speaking to the American Legion in New York City, Republican Presidential aspirant advocates a program involving participation by all able-bodied young men under military training. Praises bipartisan foreign policy.

I am happy to welcome you to New York. All 14 million people of our State are glad you came and hope you have a wonderful time. From what I hear, the hotels are bulging at the seams and the ball parks are going to be full. The taxis won't be quite enough to go around, and the restaurants will probably be pretty crowded. We cannot control the weather, enlarge the hotels, or build new taxicabs. But we can assure you of the heartiest of all welcomes by people who are deeply grateful to those whose courage and sacrifices have twice won their freedom.


Thomas E. Dewey

I am sure the City of New York and all its facilities will be at your disposal and I also earnestly hope that while you are here you will linger long enough to visit some of the fine beaches, the magnificent forest preserves, trout streams and lakes of the State of New York. I cannot promise you that the fish will always bite. But I can assume you of a most cordial reception from the people everywhere you go.

If you do travel through the State, I hope that you will visit beautiful Mt. McGregor, outside of Saratoga, where you will see the finest State-operated veterans rest camp in America. Many of you may also have time to see the State Veterans Housing Projects and become acquainted with and State veterans services, all of which program, I am happy to say, was worked out in the closest cooperation with the leadership of the New York State Department of the American Legion.

We are proud of the Legion in New York as in the Nation, of its membership and of its leadership. In peace as in war, the American Legion has advocated programs which are genuinely in the interest of the veteran as a citizen and in the interest of the United States as a whole.

Task of Maintaining Peace

Our nation is now facing the task of converting your victory in war into permanent peace. More than two years have passed since the end of hostilities, and the hard fact is that genuine peace seems further away than ever. We are witnessing on the world scene conditions which are hauntingly like those which followed the first World War. In those years the free peoples seemed far gone in self-indulgence and weakness. The despots of the world developed a contempt for them and saw no obstacle in their path to conquest of the world. So they pushed and crowded and stole territories and then nations, enslaving millions of people. The dictators believed that the free nations could never develop the discipline and willingness to sacrifice which was necessary to save themselves. That was the fatal miscalculation of dictatorship which led to the second World War.

No aggressor starts a war unless he thinks he can win, and as a nation, we had some share of the blame for permitting the illusion that free nations would be a push-over for aggressors. That was a tragic mistake on our part. It was a mistake which the American Legion warned us against time after time, year after year. It was a mistake we must never make again.

Universal Training

Now, after the second World War we are again seeing weak and impoverished nations attacked by internal penetration and external pressures. Governments finally collapse, dictatorship is installed and more millions of people are enslaved. The worst tragedy which could befall the world would be if it were again to appear that the free peoples are to weak, morally and physically, to defend themselves. Destiny has made the United States the leader among the free nations of the world in the struggle for peace and human liberty. A first requirement for that peace is that we in America be strong enough so that no nation will

(Continued on page 23)

*An address by Governor Dewey at the Convention of the American Legion, New York City, Aug. 28, 1947.

Public Utility Securities

Tennessee Gas Transmission Company

This company was formed to construct and operate a pipeline system which runs in almost a straight line from southern Texas to West Virginia. It is designed mainly to supplement the declining supplies of natural gas from the Appalachian field, which for many years served a substantial part of the northeastern area of the United States.

The company was incorporated in Tennessee in 1940, and began operations in 1944, delivering about 200,000 MCF per day of natural gas. In 1947 it was incorporated in Delaware with a slight chance in title. In 1946 deliveries averaged about 260,000 MCF and in the first half of 1947 288,000 MCF (not including deliveries made through the Big Inch lines, temporarily leased from the government during the period Dec. 2—April 30). While there have been some delays in getting pipe, the company hopes to increase its capacity by the end of the year to 400,000 and by the end of 1948 to 600,000 MCF. Because of the huge demand for gas there will be no difficulty in disposing of the increased transmission load.

The gas is purchased in Texas and Louisiana, principally from the Chicago Corporation with which the company has a contract extending to 1970. The principal customers at the other end of the line are United Fuel Gas, subsidiary of Columbia Gas & Electric, and Hope Natural Gas, subsidiary of Consolidated Natural Gas. These sales are also under long-term contract, providing for increase in deliveries as facilities become available. A wholly owned subsidiary, Coast Company, was formed in September, 1946 to acquire and develop oil and gas leases.

Tennessee Gas has done its financing on the instalment basis, as it needed funds. The financing has been handled by Stone & Webster Securities Corp. and White, Weld & Company, acting as the company's bankers. $35,000,000 first 2¾s due 1966 were sold in April 1946 together with $10,000,000 4.10% preferred stock, and during the year $15,000,000 bank loans were incurred. Holders of the original common stock (which represented private financing) bought additional stock at $72 through exercising rights in November, 1945. Later the stock was split 7-for-1. 238,000 shares were offered at $12 in January, 1946 and 350,000 shares were sold at $18.65 in April. The present amount is 2,100,000 shares.

The company has recently registered for offering in September $40,000,000 first mortgage bonds and 100,000 shares of preferred stock. Proceeds will be used to retire a $7,500,000 temporary loan, and to provide construction funds. Under the new set-up the capitalization will be approximately as follows:

	Millions	%
First Mtg. Bonds	$75	56
Bank Loan	15	11
Preferred Stock	20	15
Common Stock (2,100,000 shares)	24	18
Total	$134	100

Because of the rapid changes in the company's capital structure and operations it is difficult to appraise the exast earning power in terms of the common stock. In 1946 $1.64 a share was earned, and in the first half of 1947 $1.33 per share (suggesting an annual rate of $2.66, since the line is expected to operate at capacity throughout the year). With the anticipated substantial expansion of operations in 1947-8 it appears likely that earnings may reach or exceed the $3 level, though rising costs and FPC regulatory policies may affect the final result. No dividends have yet been paid on the common stock and the dividend policy remains indefinite, presumably during the expansion period.

The stock is currently selling at about 18-19½, the range last year approximating 22-12 and this year 20-15.

J. H. Durham Opens Put & Call Business

Jules H. Durham, formerly a partner in Balson & Durham, announces the formation of J. H. Durham to transact a business in puts and calls guaranteed by members of the New York Stock Exchange. Offices of the new firm will be at 50 Broad Street, New York City.

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.

Mortgage Co. Certificates—List —Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Railroad Developments of the Week — Current developments — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

* * *

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

Billings & Spencer Co.—Memorandum—Bond & Goodwin, Incorporated, 63 Wall Street, New York 5, N. Y.

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.

Celanese Corporation of America — 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.

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.**

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.**

Graham-Paige Motors Corp.—Memorandum on the debenture 4s of 1956—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Howell Electric Motors—Memorandum in the current issue of the **"Adams Journal"**—Adams & Co., 105 West Adams Street, Chicago, Ill.

Illinois Central Railroad Refunding 5s of 1955—Memorandum in the current issue of **"Railroad Bond Quotations"**—Adams & Peck, 63 Wall Street, New York 5, N. Y.

Metal & Thermit — Memorandum—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

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.

Sterling Electric Motors, Inc.—Memorandum—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

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.

Int'l Statistical Conference to Meet

Secretary Harriman will greet delegates at White House Sept. 8.

The International Statistical Conference which is to meet in Washington from Sept. 6 to 18 (inclusive) is composed of representatives of the following international organizations: the International Statistical Institute; The Inter-American Statistical Institute; The International Income Conference; The International Union for the Scientific Investigation of Population Problems; The Econometric Society.

The Joint Arrangement Committee is composed of representatives from The Department of State of the Government of the U. S.; The American National Committee; The American Statistical Association.

President Truman is Honorary Chairman and the U. S. Secretary of Commerce, W. Averell Harriman, has accepted the Chairmanship of the American National Committee.

Stuart Rice is Chairman of the Joint Arrangements Committee, with Henry Caulfield, Jr. acting as Secretary-Treasurer. Hospitality committees will function in Washington, New York and points of entry so that the visitors may not only be assisted but entertained.

After two days of sightseeing the meetings will open formerly in Washington on Monday, Sept. 8, with a luncheon at the Hotel Shoreham and a reception at the White House, where in the absence of President Truman, Secretary Harriman will receive the guests.

The New York Hospitality Committee consists of:

Honorary Chairmen: Hon. William O'Dwyer, Mayor of the City of New York; Thomas J. Curran, Secretary of State of the State of New York; Grover Whalen.

Chairman: Helen Slade.

Committee: W. Randolph Burgess; Pierre Bretey; Shelby Davis; Helen Dickinson; Martin Gainsbrugh; Lucien Hooper; Helen Hughes; Malcolm Forbes; J. Fred Dewhurst; Royal Ryan; A. Wilfred May; Joseph Mindell; Ragnar Naess; Ernest Oberhumer; Joseph Pogue; Mrs. Byron Price; L. H. Rothchild; Henry Sanders; Bradford Smith; Norman Stabler, and Rufus Tucker.

Publicity Committee: Norman Stabler, A. Wilfred May, Malcolm Forbes, J. Mindell.

Chairman Hotel Arrangement Committee: Royal Ryan.

Chairman Advisory Committee: A. Wilfred May.

Among the special entertainments arranged for the guests are: an outdoor gathering at the home of Mr. Forbes at Morristown, N. J.; a dinner at the New School; Tours of the New York Stock Exchange and other points of interest in New York.

Shelby Davis will conduct visitors through the Exchange.

Sees South Advancing

Legh R. Powell, Jr., President of Seaboard Air Line, says his Company is preparing for its industrial and agricultural development by improvements on road and installation of new and more equipment.

"The South is making vast strides in both its industrial and agricultural activities," Legh R. Powell, Jr., President of the Seaboard Air Line Railroad, said today. At the same time he disclosed some of the road's plans for further aiding the development of its territory.

"The Seaboard, he stated, is now in the process of carrying forward a program of improvement to its properties and is buying new locomotives and cars. Heavier rail, some weighing as much as 132 pounds per lineal yard, is being laid at various points over the system. Additional ballast is also being placed in a number of sections of track to provide greater strength and smoother riding qualities. Installation of new automatic signals is also being made over portions of the road.

Heading the list of new passenger equipment are the lightweight all-room sleeping cars now under construction and especially designed for service in the road's streamliners, the Silver Meteor and the Silver Comet. New lightweight cars already received and placed in service in those trains this year have included coaches, diners and tavern-observation cars.

Also on order are new all-steel box cars of 50 tons capacity each and open top cars such as are used for hauling coal and similar commodities, as well as additional closed top hoppers built for the handling of phosphate rock. Specially constructed cars for transporting bulk cement have been delivered during the first part of the year and are now in service.

Additions to be made to the line's fleet of motive power are all of the diesel-electric type and from 1,500 horsepower road switching locomotives to the mammoth 3,000 horsepower diesel-electrics which are the most powerful single-unit diesel-electric locomotives ever built. Deliveries of the new locomotives have commenced and they are expected to be completed within the next seven months.

"Several surveys made during the last war showed that the South was one of the sections of our country most likely to enjoy a high level of activity in the postwar years," Mr. Powell stated. "Those predictions are materializing and every indication points to a continuing healthy growth along sound and constructive lines. These recent purchases of new locomotives and passenger and freight equipment, together with other parts of the broad improvement program the Seaboard now has under way, will be important factors in adequately taking care of the present and future transportation needs of this progressive area."

Mortgage Debt Rising Sharply

Mortgage Bankers Association of America reports notwithstanding increase, Federal agencies continue to get out of the mortgage field, while private interests expand their mortgage holdings. Increase of mortgage debt expected to continue through year.

Total mortgage debt of the country went up last year, reversing the trend of recent years, and stood at $34,720,784,595 on Dec. 31, 1946, as against $30,417,975,387 a year earlier, an increase of 13.4%, according to the annual compilation of the Mortgage Bankers Association of America announced on Aug. 31. Since the 1946 trend is continuing this year, another rise in mortgage debt in 1947 can be expected. The study is the only one made in the country of the total U. S. mortgage debt.

Federal agencies continued to get out of the mortgage field at a rapid rate while private interests expanded their holdings. Federal agencies held mortgages of $1,968,099,550 on Dec. 31 or 18% less than a year ago. Private lenders' holdings stood at $32,752,685,045 a gain of 14.5%. Of total U. S. mortgages, government agencies hold 6% and private lenders the other 94%.

By class of lenders, banks are supplying most of the mortgage money. Their holdings on Dec. 31 were $10,268,962,000, or 30% of the total. Individuals, mortgage companies and other lenders were second with $8,000,000,000 or 23% of the total, and savings and loan associations third with $7,200,000,000 or 21%.

Savings and loan associations thus have replaced the life insurance companies as the largest single class of institutional investor.

Mortgage portfolios of life insurance companies totalled $7,059,000,000, or 20% of the total mortgage debt for 1946. Fraternal societies and associations held less than 1%.

Federal agencies reduced their holdings in urban and farm mortgages $432,258,741 during 1946. HOLC continued its liquidation and alone was responsible for almost 50% of this decline. The RFC Mortgage Company and the Federal National Mortgage Association reduced their holdings over $27,000,000.

In the field of farm mortgages, the Federal Land Banks' holdings declined approximately $102,000,000 and those of the Federal Farm Mortgage Corporation about $92,000,000 during 1946. The Farmers Home Administration reported mortgage holdings of slightly more than $6,000,000, due in part to its assimilation of the assets of the Farm Security Administration.

The compilation shows that the large volume of mortgage financing done by private institutional lenders during 1946 not only made up for the decline in the holdings of federal agencies but caused the mortgage debt to increase substantially for the first time in several years.

Private mortgage holdings increased by approximately $4,300,000,000 during 1946. The savings and loan association made the greatest gain, increasing their mortgage holdings more than 32.1% over the 1945 level. Commercial banks increased their mortgage portfolios by 22%, while holdings of mutual savings banks increased 9.5%. Life insurance companies increased the value of their mortgage portfolios during the past year by 7%. Fraternal societies and associations decreased their mortgage holdings by 2%.

"Others," which includes mortgage companies and individuals primarily, showed one of the most significant increases among private lenders. The value of mortgages held by this group increased $1,200,000,000 during 1946, which almost makes up for the $1,600,000,000 decline in 1945.

In addition to the increased debt and the decline of federal holdings, the annual MBA survey noted two other significant trends.

"First, private investors, particularly individuals and mortgage companies, have shown renewed interest in the mortgage market. This activity during the past year indicates an acceptance of the present interest rate level, and a rejection of the idea that real estate values will fall sharply in the near future.

"Second, unless a builders' strike develops because of high construction costs, the demand for loans on new construction should increase, thus assuring a good market for mortgage funds for some time to come."

First Boston Offers Pacific Finance Stock

The First Boston Corp. heads an underwriting group which is offering to the public today (Sept. 4) 150,000 shares of common stock of Pacific Finance Corp. of Calif. at $21.50 per share. The proceeds from the sale of the shares will be added to the company's working capital stock to be used primarily in the acquiring of instalment obligations and receivables.

The company, incorporated in Delaware in 1931, as the successor to a California corporation organized in 1920, ranks as the fifth largest automobile instalment finance company in the United States and the largest such unit on the Pacific Coast. Directly and through subsidiaries the company operates in California, Oregon, Washington, Idaho, Utah, Arizona, Texas and Oklahoma.

For the six months ended June 30, 1947, the volume of loans and discounts acquired was $113,464,496 with $64,626,052 outstanding at the end of that period, these figures comparing with $57,017,597 and $33,380,848 respectively for the six months ended June 30, 1946. Net income was $395,546 for the six months ended June 30, 1947, against $130,952 for the corresponding period of 1946. Earnings per share on the common stock based on the average shares outstanding during such periods amounted to $1.06 and 24 cents respectively.

Giving effect to this financing the company will have outstanding 460,000 shares of common stock. Also outstanding are 37,000 shares of preferred stock and $6,000,000 of funded debt. A quarterly dividend of 35 cents per share on the common stock was paid Sept. 1.

The prospectus states that the company will make application for listing of the common stock on the New York Stock Exchange within six months after the delivery date of the stock. It is presently listed on the Los Angeles Stock Exchange.

John C. Townsend Continues in Inv. Business

CHARLESTON, S. C.—John C. Townsend has opened offices at 63 Broad Street to continue in the investment business. He was formerly a partner in Silcox and Townsend.

Real Estate Bonds Well Above Prewar Level

By RALPH C. BAKER

Vice-President, Amott, Baker & Co., Inc.

The holders of real estate bonds have good reason to feel content about their investments. For all of the past five years and more mortgage bonds have occupied a preeminent position in the market insofar as yield and capital gain are concerned. The record will show that through four of these years ending on June 30, 1946, Amott-Baker Realty Bond Price Averages, comprising 200 issues, moved upward month after month without interruption until these issues were selling, on average, at approximately three times their prewar level. When stock prices broke sharply in September, 1946, the bids on real estate bonds followed suite but the extent of the decline was not nearly so severe and it was relatively short-lived. And now, real estate security prices have more than recovered their June 1946 level and there is considerable evidence that there is justification for further price strengthening.

Ralph C. Baker

Real estate bond prices in August reached a new high of $757 per $1,000 bond, according to the Amott-Baker Price Averages. The previous high, as indicated above, was recorded on June 30, 1946 when the Averages stood at $753.

The August advance moved the Averages ahead 0.6% and marked the third consecutive month in which real estate security prices have worked to higher levels. The current price represents a recovery of 6.2% from the law of $709 to which the market declined between June 30, 1946 and Sept. 30, 1946.

The August price rise was on a relatively broad front with no special class of issues receiving particular favor. In the classification by type of property the averages show increases of 1.1% for 36 apartment building issues, 1% for 28 hotel issues, 0.7% for 87 office building issues and 0.6% for 26 apartment hotel issues.

In the classification by cities the primary group comprising 127 New York City issues increased in value 0.8% while gains of 1.1%, 0.6% and 0.4% were recorded for 11 Boston, 26 Philadelphia, and 12 Pittsburgh issues, respectively.

For the year to date real estate bond prices have increased by 3.7% but all classes of bonds have not shared equally in the advance. For example, office building bonds are selling 5.3% higher, hotel issues are up 3.3%, apartment hotel bonds have made a gain of 3.1% and apartment building issues have advanced 1.3%.

In New York City, where rent control is probably tighter than in any other area throughout the country, it is not difficult to find many properties producing the highest gross income in more than a decade. A recent survey of the apartment building situation shows that a large percentage of the tenants who occupy apartments in the larger buildings situated in the better residential areas have signed up — or are about to — for the voluntary 15% increase.

President Truman's Economic Report, released in July shows that rents have gone up only about 10% above the 1935-1939 average whereas food costs are up 90% and the total of all items of living expense has advanced about 57%. Consequently, as compared with pre-war standards, rent relatively is probably the cheapest item in the average American's budget today. This wide difference between rent and other living costs is an unusual condition and there is every reason to conjure doubt as to how much longer this difference will prevail. One of two things is bound to occur: Either the cost of food and other items must break sharply in the foreseeable future or rents must rise from their present level. Perhaps it is more probable that there will be a compromise between these two alternatives whereby food costs and other items will decline somewhat as rents move higher to a point where the relationship will be more consistent.

It seems clear from any careful and intelligent study of the real estate picture that any adidtional gains in rent must add millions of dollars to the gross revenues and earnings of existing properties. This in turn spells increased profits which should benefit holders of real estate securities.

Since real estate bonds are currently selling at approximately three times their pre-war level, it is logical to wonder whether so substantial a price rise has not reduced the current yield of these securities to a point where they cease to have attraction. For an answer we selected a representative list of 25 of the most active New York City issues and found this group to be selling at an average price of 73¼ and yielding currently approximately 5.7% on such average price. These 25 issues had a range in price of from 34 to 115 and the yield ran from 3.98% to 9.46%. Moreover, it is significant that in spite of the high yield and relatively moderate price level of these bonds, the average number of times these properties are today covering interest requirements, before depreciation, is 2.52.

With earnings currently at a level such as indicated above, it it not difficult to understand why it is possible for so many buildings to be reducing their bond issues rapidly. In fact, within the past year many corporations have found it possible and expedient, as a result of increased earnings and improved financial positions to arrange for whole or partial refinancing of existing debt through institutional loans at lower rates of interest.

An interesting characteristic of the real estate bond market is that many of the presently outstanding reorganized issues carry shares of ownership which, as a general rule, trade with the bonds as a unit. This stock interest has caused some units to be priced well above the 100 par value of the original issues and explains, in part, why so many discriminating investors, in search of income as well as capital growth possibilities, have become buyers of real estate securities.

Full Building Production Ahead

By MORGAN L. FITCH

President, National Association of Real Estate Boards

Only a very few months ago our entire system of home production was in the firm grip of government planners. They planned what they called "abundance" and got scarcity. They set ambitious goals for home production, but produced mostly regulations, restrictions, orders, rulings, interpretations.

Morgan L. Fitch

Gradually these controllers of production have been discarded along with their dull-witted restrictions and red tape. Now at last homebuilding is free, and we are finally getting the results that everyone wanted while we floundered under Washton-directed programs.

A year ago the controllers called for high-volume production, while holding tight to their restrictions, and they got only a trickle. Now without this kind of government "planning" we are getting the highest rate of homebuilding we have had in 20 years and daily approach a volume that will break all records in history.

A year ago bureaucrats demanded lower prices for new houses, but prices climbed on. Now, as peak volume building rolls ahead, the bulk of production is going into the moderate priced market range.

We still hear the advocates of government housebuilding complain that private industry builds primarily for the well-to-do. This was never true, and taday it's being drowned out by the government's own figures. The median value of homes being purchased under FHA mortgage insurance is under $8,000. Most of the families who are buying these homes have annual incomes of less than $3,500. Each week more houses priced under $6,000 are offered for sale in the real estate ads. Builders are begining thousands of new houses that will be offered for sale with down payments of only a few hundred dollars and modest monthly carrying charges.

We are beginning to produce ourselves into a condition of housing plenty on the plan of free building under competition. This plan has given us housing surpluses in the past. It still produces for Americans more housing, better housing, and more home ownership than exist anywhere else on earth.

Pennsylvania Brevities

Trustee Offers New Pittsburgh Railways Plan

Dated Aug. 7, but not distributed until last week, W. D. George, trustee, has submitted his proposed amendments to the 1942 Plan of Reorganization for Pittsburgh Railways Co.

Owners of the publicly held bonds and stocks of the underlying companies have been quick to differ with the trustee's method of allocating cash and securities of the proposed new company and it is certain that vociferous objections will be raised when hearings are held on the amendments.

The Trustee recommends retention of the capitalization proposed under the old plan, i.e., $10,000,000 in new general mortgage bonds, 303,000 shares of new common with a stated value of $67 per share plus outstanding equipment trust obligations which are to be undisturbed. Total outstanding capitalization would be approximately $31,676,000.

In arriving at his proposed distribution, the Trustee has followed the formula employed in the original plan. No consideration is given to any increase in property values nor to the equity in some $11,000,000 of new rolling stock and equipment purchased over the last 10 years.

Distribution of Cash

The 1946 annual report shows cash and government securities in the hands of the Trustees amounting to $23,149,315. Against this, Mr. George has made deductions to cover all indebtedness, liabilities and obligations of the Trustees. He has also set aside sums estimated to be sufficient to pay principal claims of creditors entitled to priority under the Six Months' Rule, Tort Creditors, cost of removal of facilities proposed to be abandoned, reorganization expenses and a reserve of $2,500,000 for new construction.

The remaining balance to be distributed to the component companies for use and occupancy is stated as $14,260,000.

The Trustee states: "Each of the component companies of the system, except Pittsburgh Motor Coach Company, is awarded a share of the funds for the use and occupancy of the property which contributed to the production of income during the Trusteeship. The share of each component company in the fund is determined by the use of the same method as was adopted for determining shares in the pooled assets of the Pittsburgh Railways Company."

In many instances, however, substantial charges have been made against the several companies for property improvement, extensions, intercompany claims and investments. The net result is that many of the underlying companies find that sums allotted to them are not available for distribution to their security holders.

Intercompany Contracts Cancelled

The Trustee proposes that, upon confirmation of the Plan, all intercompany contracts shall be so terminated as to extinguish all further rights and liabilities which could be asserted against the properties to be acquired by the new company, against any of the component companies or against the new company itself. It is proposed that leases or operating agreements of Mount Oliver Incline Rys. Co., Pittsburgh, Canonsburg & Washington Ry. Co. and Washington and Canonsburg Ry. Co. be rejected and that the operating agreement of West Penn. Rys. Co. be affirmed.

Guaranteed Issues

In respect to payments made by Philadelphia Company after May 10, 1938, pursuant to its guaranties on leases, the Trustee proposes the following amendment:

"After May 10, 1938, Philadelphia Company, pursuant to its guaranty of performance endorsed on the leases, paid to certain lessors the taxes, bond interest and rentals which had accrued under the provisions of such leases. As each payment was made the lessor companies assigned to Philadelphia Company their claims. In making distribution, Philadelphia Company has been subrogated to the rights of the guaranteed companies against their respective lessees and the Pittsburgh Railways Co. to the extent of taxes, bond interest and rentals paid."

Thus, by substitution, Philadelphia Company is granted full participation in the distribution of assets in respect to sums paid out in compliance with its guaranties.

Subordination Disregarded

Besides its ownership of all Pittsburgh Rys. Co. preferred and common stocks, Philadelphia Company owns approximately 64% of all outstanding securities of the entire system. In a previous report, recently made in compliance with a Court order, the Trustee found no evidence of improper relations between Philadelphia Company and its subsidiary which would warrant any limitation or subordination of Philadelphia Company claims. Therefore, in his present proposals, the Trustee accords Philadelphia Company full and equal participation with the public in the allocation of new company cash and securities.

It is this point which is certain to be the local point of spirited resistance on the part of minority publicly held security owners, who in some instances, are allotted cash and securities of less value than the unpaid, accumulated interest or dividends on their holdings.

The New Common Stock

Until the all-important question of subordination is finally and judicially determined, the present proposals are somewhat academic. Nevertheless, the Plan, as amended, represents the only concrete proposal on file with the Federal Court, and, as such, provides the only basic framework for further revision or amendment. Until or unless it is rewritten or superseded, it provides the only available basis for comparative computations. Since the Trustee's proposals embrace the distribution of cash, general mortgage bonds and new common stock, albeit in highly disputable amounts and ratios, no estimates of ultimate value can be approximated without attempting to appraise the market value of the new common.

The Plan contemplates the issuance of 303,000 shares of common stock with a stated value of $67 per share. The Trustee's pro forma balance sheet, as of Dec. 31, 1946, indicates a book value for the new common of approximately $55 per share. In respect to estimated earnings, he says, "Based on estimated average annual income of $1,500,000, the common stock would have an average earning power of $3.30 per share."

Here, however, crops up another of the alleged "inequalities" attributed to the Trustee's methods of calculation. In arriving at his figure of $1,500,000 as constituting average annual income, the Trustee has retained the company's fixed depreciation charge of $2,055,245.78. This purely arbitrary figure was adopted by agreement in 1926 and has remained in effect ever since. It is based on a capitalizable value of the properties of $62,000,000, and has generally been conceded as excessive.

However, the capitalization of the proposed new company is only approximately half this amount, and, by the same yardstick, adequate depreciation should certainly be no more than half of the $2,055,245.78 now in effect. This transposition of approximately $1,000,000 would add another $3.30 per share earnings to the proposed new common.

Now what is the market value of a transportation company stock with a book value of $55 per share, earning $3.30 (or $6.60) per share? Wall Street sources have assigned it a price of three times earnings—$10 to $20 per share. More optimistic analysts' estimates range as high as $40 per share. Security holders are confronted with the interesting problem of arriving at their own conclusions and extending the figures accordingly.

Markets Are Erratic

Although the Trustee's proposals, as submitted, are far from consummation, are certain to meet well-organized objection and may, indeed, be entirely rejected, their publication has caused market flurries in many of the security issues involved. Individual issues receiving comparatively favorable treatment under the Plan are in good demand at advancing prices. Bids for these issues severely "down-graded" have been lowered, although holders appear willing to "sit tight" and await more favorable developments.

SEC to Sit In

Last December the Securities & Exchange Commission entered an order against Philadelphia Company to show cause why it should not simplify its capital structure, further integrate its operating subsidiaries, or, in the alternative, liquidate and dissolve. Philadelphia Company, in its response, proposed its own plan for simplification which included a strong plea for retention of Pittsburgh Railways Co. system. Prompt, fair and equitable reorganization of the street railways properties was promised.

The SEC thereupon amended one of its own rules permitting it to supervise, amend, revise or rewrite any reorganization plan for the railways system.

Public security holders derive considerable comfort from the fact that the governmental body stands ready to safeguard its interests.

Fare Increases Impend

It was announced last week that

Aspden, Robinson, Co. Is Formed in Phila.

PHILADELPHIA, PA.—Formation of the investment firm of

E. S. Robinson

Aspden, Robinson & Co. with offices at 1421 Chestnut Street has been announced.

General partners are Ellwood S. Robinson, formerly a partner of Phillips, Schmertz & Robinson, Newton J. Aspden, with Olive M. Aspden, a limited partner.

Mr. Robinson is well known in Philadelphia as a specialist in municipal financing. Prior to his connection with Phillips, Schmertz & Robinson, he was associated with A. Webster Dougherty & Co. for twelve years and previously with the Philadelphia office of Guaranty Company of New York. His residence is in Haverford Township.

Mr. Aspden has been associated with Mr. Robinson in their former connection with Phillips, Schmertz & Robinson. He is a member of the Philadelphia Stock Exchange and prior to his four years service in the Army of the United States was connected with the Trust Department of the Pennsylvania Company for Banking & Trusts.

The new firm will act as dealers and underwriters in Pennsylvania and General Market Municipal Bonds, Corporate securities, and as members of the Philadelphia Stock Exchange.

trustees for Pittsburgh Railways Co. would petition the Pennsylvania Utility Commission for an increase of fares. The petition will state that the street railway system has been granted no increase in fares in 20 years and that operating costs, including wage increases, have advanced more than 50% in late years. On the basis of similar representations, the Commission recently granted fare increases to Philadelphia Transportation Co.

New Cars Sought

Trustees of Pittsburgh Railways Co. have asked SEC for permission to issue $1,750,000 to $2,500,000 car trust certificates to defray the cost of 100 new P.C.C.-type streamlined trolley cars. If granted, this will bring the system's fleet of new cars to 656, the largest, numerically and percentage-wise, of any street railway system in the country.

Philadelphia Exchange Seeks Listings

The Board of Governors of the Philadelphia Stock Exchange has appointed a Special Committee on Fiscal Agencies to develop ways and means of obtaining appropriate primary listings from qualified companies in the Exchange area. Chairman is A. L. Hallstrom, former President of the Chamber of Commerce and Board of Trade. Other members are: James A. G. Campbell, Jr., member of the Exchange; A. Alison Scully, Vice-President, Corn Exchange National Bank & Trust Co.; M. S. Altemose, Vice-President, Fidelity Philadelphia Trust Co.; H. L. Walters, Corporate Trust Officer, Girard Trust Co.; H. L. Hayman, Assistant Secretary, corporate trust department, Land Title Bank & Trust Co.; F. C. Fiechter, Jr., Corporate Trust Officer, Penna. Co. for Banking & Trusts; H. Townsend Bengardt, Trust Officer, Tradesmen's National Bank & Trust Co. Malcolm Russell, Assistant Secretary, Provident Trust Co.; William Lange, Trust Officer, First National Bank, Archibald De B. Johnson, Corporate Trust Officer, Philadelphia National Bank.

Samuel K. Phillips, Chairman of the Committee on Admissions, states that there are over 450 issues with trading privileges on the local Exchange, 201 of which have registered odd-lot dealers. About 50% of the Exchange volume is in round amounts. Attention is directed to substantial tax savings available in respect to orders executed locally in the many issues dually listed.

* * *

Curtis Publishing Company

With gross operating revenues of $63,478,512 for the first half of 1947, the best of any half year in the company's history, it is likely that the full dividend will be paid on the 32,320 shares of $7 preferred stock. However, it is understood that no plan has been agreed upon for liquidation of the preferred arrearages which aggregate $55.62 per share, pending completion of the company's building program. Net profits for the first half increased 44% over a year ago to $2,618,094, equivalent to $38.31 a share compared with $13.67 a share in the first half of 1946. Operations of the company are reflecting increases in circulation and higher advertising rates.

* * *

Hajoca Corporation

Offered to stockholders of record Aug. 29, rights to subscribe to additional shares of Hajoca Corp. common will expire Oct. 1. Rights are to purchase at $35 per share in the ratio of one share for each 10 shares held. It is expected that slightly less than 7,000 shares will be taken up, yielding the company approximately $245,000.

* * *

Jeannette Glass Omits

PITTSBURGH — No dividend action was taken by directors of Jeannette Glass Co. at the August meeting. Previous dividends have been paid at the rate of 50 cents per quarter. Sales have been running at about 50% of last year. For the seven months ended July 31, net after taxes declined to $204,000, less than $1 per share, compared with a net profit of $765,000, or about $2.72 a share in 1946. Continued sales at about the current rate is the expectation. Unfilled orders are reported as $545,000.

* * *

Transit Investment Corp.

A substantial asset of Transit Investment Corp. was converted into cash last week by the sale of the 20-story Mitten Building, Broad & Locust Sts., Philadelphia, to the Broad-Locust Corp., subsidiary of General Realty & Investment Corp., for $1,875,000. Philadelphia Transportation Co., occupying 11 floors of the building, will remain as a tenant.

* * *

Joy Manufacturing Co.

PITTSBURGH — "In order to provide flexible and suitable means for financing securely its present and future business requirements," Joy Manufacturing Co., in a letter to stockholders, announced its proposal to increase authorized capital stock from 1 to 3 million shares of $1 par common and 100,000 shares of $100 par preferred. The first step contemplated is the issuance of 40,000 shares of preferred to which stockholders will be given the right to subscribe. Proceeds will be used to pay off bank loans and increase working capital.

* * *

Duquesne Light Postpones

In order not to conflict with competitive bidding for $60,000,000 Detroit Edison bonds scheduled for Sept. 9, Duquesne Light Co. has postponed its offering of $75,000,000 new issue originally set for the same date.

* * *

The Commonwealth of Pennsylvania intends to offer $50,000,000 new various purpose bonds for sale on Sept. 23.

* * *

Turnpike Traffic

Traffic on the Pennsylvania Turnpike showed further gains in all classifications except motorcycles during July, according to the Commission's monthly report. A total of 364,648 vehicles traveled the superhighway during the month, compared with 285,125 in July, 1946. Revenues for the month amounted to $497,992.

With Edgerton, Wykoff Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF. — F. Dwight Leslie has become associated with Edgerton, Wykoff & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange.

Philip Williams Opens

CHARLOTTE, N. C.—Philip T. Williams is engaging in a securities business from offices at 2201 Radcliffe Avenue. Mr. Williams was previously with the First Securities Corporation of Durham.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

Despite factors in the banking situation which favorably affect prospective gross and net earnings of banks, the bank stock market shows little sign of awareness. True, it did perk up a little for a while after July 2, when the Federal Reserve "unpegged" the rate on Treasury bills and announced that after July 10 the rate on new bills would be permitted to find its own market level. Lately, however, the market has sagged back to its April 1 level, and is well below its 1946 year-end price of 44.3. As measured by the "American Banker" daily index, the recent course of bank stock prices has been as follows:

Date	Index	Date	Index
July 2	39.6	Aug. 1	41.4
3	39.9	4	41.0
7	40.0	5	41.4
8	40.2	6	41.3
9	40.0	7	41.5
10	40.0	8	41.5
11	40.5	11	41.4
14	40.7	12	41.3
15	40.7	13	41.3
16	40.6	14	41.1
17	40.6	15	41.5
18	40.6	18	41.2
21	40.6	19	40.9
22	40.7	21	41.0
23	41.0	22	41.0
24	41.1	25	40.8
25	41.3	26	40.8
28	41.0	27	40.8
29	40.8	28	40.7
30	40.7		
31	41.4		

Since the unpegging of Treasury bills from the fixed rate of 3/8%, the average yield has risen from 0.594% on July 10 to 0.752% on Aug. 28. According to the "American Banker" the weekly figures have varied as follows:

Date		Average Yield
July	10	0.594%
	17	0.737
	24	0.740
	31	0.740
Aug	7	0.740
	14	0.741
	21	0.741
	28	0.752

Following the action on Treasury bills by about six weeks, the Treasury announced on Aug. 17 its September refunding program, involving about $7 billion. In place of a 7/8% one year certificate rate the Treasury is issuing 12½ month 1% notes, and also a 10-month 7/8% certificate, thus raising its one year money rate from 7/8% to 1%. So far as the banks are concerned, the 12½-month 1% notes are not being received enthusiastically, because they are to be exchanged for three-year 1¼% and four-year 1½% Treasury notes due in September. One result of this is, in order to protect and improve income, the banks are tending to increase their holdings of the longer term Governments at the expense of the short term. Obviously the Treasury has determined to proceed cautiously even though in a significantly upward direction. The floor for short-term interest rates, set by the Treasury, has now been raised, and the effect is already being felt on business rates.

For example, on Aug. 7, the National City Bank of New York announced a series of upward revisions in several categories of brokers' and dealers' loans, effective Aug. 11, of between 1/8% and 1/4%. The following day, Bankers Trust and Chemical Bank & Trust announced an increase in dealer loans, collateralized by short-term Governments, from 7/8% to 1%.

On Aug. 26, three New York banks, viz: National City, Chase National and Manufacturers Trust, increased rates on bankers' acceptances from 7/8% to 1% for 90 day paper, from 1% to 1¼% for 180 day paper, etc.

It appears safe to say that the trend toward lower interest rates has been definitely arrested, its direction reversed and that the period of excessively cheap money has finally come to an end. This is good news for bank stock investors and has already caused one prominent investors' service, viz: Moody's, to revise upward its classification of bank stocks from Group III to Group II, as announced in its recent Stock Survey under the caption "Improving Outlook for Bank Earnings." It is also of interest that Standard and Poor's latest survey of banks, under the caption "Earnings Holding Up Well," predicts that "second half comparisons should better those of the first half."

Though both these investors' services agree as to the favorable prospects for bank earnings, they do not see eye to eye on selections. Moody's current preferences are: Bankers Trust, Central Hanover, Commercial National, Corn Exchange, Manufacturers Trust, National City and Public National. Standard and Poor's preferences are: Chase, Manufacturers and National City, First National of Boston and three California banks as follows: American Trust, Bank of America and Security - First National of Los Angeles. On such differences of opinion markets thrive.

Reeves Brothers, Inc. Earns $3.63 Per Share

The annual statement of Reeves Brothers, Inc., manufacturers of textiles, for the year ended June 30, 1947, covering the first full year of operations of the company and its subsidiaries since completion of its integration program, shows consolidated net profit, after all charges and taxes, of $4,129,050, equal to $3.63 per share on 1,137,238 shares of common stock outstanding. This compares with a pro forma consolidated net profit of $3,209,203, or $2.82 per share for the year ended June 30, 1946. These earnings do not include results of operations of Eagle & Phenix Mills, acquired after the close of the last fiscal year.

Net sales for the latest fiscal year were $49,025,066 compared with $54,190,878 reported in the pro forma statement of the previous year.

The company's balance sheet as of June 30, 1947, showed working capital of $11,029,343, representing the excess of current assets of $15,717,073 over current liabilities of $4,687,730. This compares with working capital of $8,883,267 reported in the pro forma statement of the previous year.

John M. Reeves, President, states in the report that the increase in earnings on a lower sales volume was due principally to a higher margin of profit made possible in part by flexibility of production facilities which enabled the company to furnish the types of textiles most in demand.

Mr. Reeves reported that the company has developed new markets, especially in the field of work and sports clothing, for many of the heavier fabrics perfected and produced in volume during the war. In preparation for a further widening of its markets, Mr. Reeves said, the company has continued to expand its research facilities and proposes further expansion in this direction.

Mr. Reeves pointed out that the trend toward larger, vertically integrated textile manufacturing units emphasized the importance of modernizing textile manufacturing processes. He stated that as newer, more efficient machines are perfected "it is proposed to install substantial numbers of these machines in the mills as part of a modernization program. It is expected that the cost of this program will be financed largely through the use of earnings retained in the business."

From Washington Ahead of the News

By CARLISLE BARGERON

LOS ANGELES, CALIF.—In Los Angeles you see, perhaps in greater focus than any other place in the country, one of the reasons why the taxpayers are overburdened.

A case has just come to light revealing the rottenness of the administration of relief. New York City lifted its eyebrows a few months ago over the discovery that the city had been taking care of a relief family in a hotel. It was not made clear whether their meals were served to them in their rooms, perhaps not.

Carlisle Bargeron

In Los Angeles a relief recipient, the father of a family of ten, eloped with a teenager. This brought up the question of why he had been on relief in the first place. Over a period of some three years he had drawn $5,000.

The fellow repented his illicit romance and returned to a forgiving wife. The attendant publicity brought him several offers of employment. He insisted, however, that carpentering was his trade and unless he could work at this, he wouldn't work at all. So he was offered a job as a carpenter and failed to report for work on the day agreed to.

Perhaps, the most interesting phase of this whole episode was that over a period of several days his activities were duly reported in the newspapers, along with the problem he constituted for the city's welfare department. Once his case was brought to light you would think there would have been no question about his being immediately taken from relief. But instead, the welfare department pondered whether he was physically able to work. There would be photographs of him grinning and the welfare department officials grinning as they announced solemnly to the waiting reporters that he was to be given a physical examination. Then the following day there would be another photograph of him, this time with the examining city doctor, and various poses of the city doctor pronouncing him fit to work.

Then on following days there would be various poses of him being taken around by two or three city authorities to interview prospective employers. Not only had the city been bilked out of some $5,000 but now the city government seemed to be devoting no small part of its day's activities to taking care of him.

As this is written, he has not yet been removed from the relief rolls. After his obvious contrariness and pure cursedness, employers seems to be reluctant to take him on and quite likely he would repeat his former performance of not showing up if they did.

The welfare department head does seem, though, to have got a thought out of the experience. He announces rather blandly that perhaps his department is not being conducted as it should be, and says he is appointing a commission to investigate.

About half the State legislatures in session earlier in the year increased their taxes. Some levied new sales taxes, some hoisted their income levies and others did both.

In Hollywood this writer went to a night club, something he very seldom does but a visiting fireman is more or less called upon to do it. Three Dry Martinis cost $2.45, not excessive at all in view of the "atmosphere." But the taxes, listed by the operator as Federal so much, State so much and City so much, came to $1.00 on the $2.45. You don't have to go to night clubs to have this experience. The taxes are paid on practically everything you buy. But this fellow made them visible and divided them up for you.

I don't think even cocktail drinkers should have to support such as our amorous friend, and more particularly the bureaucrats which supporting him entails.

One of the first observations of a visitor to this city is the thousands of men loafing in a public park. Some of them are oldsters, or "senior citizens" as they are affectionately referred to hereabouts, but the great majority are fully capable of work. There are posters all about the park offering employment. But living off relief has been made too attractive.

It is an amazing commentary on something that with our employment at the highest peak ever known, with there being a scarcity of manpower, little or no dent has been made in the country's relief rolls.

Herbert H. Blizzard to Resume Own Firm

PHILADELPPHIA, PA. — Formation of the trading firm of Herbert H. Blizzard & Co. is now in progress and application has been made for registration by Mr. Blizzard. The new organization will be located at 123 South Broad Street, room 2728.

Herbert H. Blizzard

Herbert H. Blizzard, principal of the firm, has recently been an officer of Hess, Blizzard & Co., Incorporated and prior thereto did business in Philadelphia under the firm name of Herbert H. Blizzard & Co.

COMING EVENTS

In Investment Field

Sept. 4, 1947 (New York, N. Y.)
Tee-Off Golf Tournament of the New York Curb Exchange Five and Twenty Club for the entire membership of the exchange at the Garden City Country Club, Garden City, L. I.

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

Sept. 26, 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.

Smaller Meat Supply and Higher Prices Ahead

By CHARLES A. BURMEISTER*

Agricultural Economist, U. S. Dept. of Agriculture

Meat supply specialist points out present high rate of slaughtering and reduced corn crop portends higher meat prices next year. Says lamb and mutton will also be in short supply because of sharply reduced breeding flocks and that lower income groups, because of better earnings, are in market for more meat than formerly.

Last summer when price controls were removed, prices of livestock and meat rose to levels that seemed fantastic when compared with previous records and with the supplies marketed. Almost everyone, I am sure, did not expect those prices to be long maintained, once the markets became fully adjusted to competitive forces operating under unrestricted buying and selling. The price declines which followed during the winter appeared, therefore, to be a natural readjustment by which prices would return to levels where they would reflect more correctly a lower balance between supply and demand. Demand, however, proved to be much stronger than was generally realized and thus far prices have held at levels higher than most of us thought they would be.

C. A. Burmeister

A price situation so widely different from anything previously experienced naturally causes stockmen to be more cautious than usual in planning for the future. Past experience has taught them that prices can change quickly and that the movement is not always upward. The poor corn prospects complicate the situation still more.

It is my purupose to bring to your attention some of the information we have in the Department of Agriculture relative to livestock numbers and trends in livestock production which will enable you to appraise the livestock supply situation, not only for this year but for next year, and possibly 1949. I shall comment only briefly on the demand situation and make no attempt to forecast possible changes in demand or what prices may do.

Large Slaughtering

Probably the most outstanding feature of the livestock situation this year, aside from the price level, is the very large number of cattle and calves going to slaughter. Records of slaughter under Federal inspection, and conservative estimates of other slaughter, show more cattle and calves going to slaughter than in any previous year. During the first 7 months, the combined total was about 5% greater than in the corresponding period of 1945, the previous year of largest slaughter. The yearly total that year exceeded 35 million head. Because of that large slaughter, cattle numbers decreased more than 3 million head by the end of the year. If slaughter during the remainder of this year should show the same rate of increase over last year as occurred in the first 7 months, the grand total for the year would be near 37 million head. It appears almost certain now that it will be at least 36 million. In 1941 the total was less than 26 million and all during the late thirties it ranged from that figure down to slightly less than 24 million.

Slaughter records show that the cattle industry is marketing about 50% more cattle and calves for slaughter this year than it did in the 5 years preceding the war, and that the output of beef and veal has increased by the same rate. Cattle numbers at the beginning of this year, however, exceeded the average of the prewar years by only a little more than 20%. The large increase in slaughter this year is being obtained by going heavily into the reserves of cattle normally carried for further growth, replacements, and expansion. This does not mean liquidation in the usual sense, but indicates that we are using up supplies for the future to take care of the very strong current demand as expressed in the present level of cattle prices.

Evidence of the heavy drain being made on the cattle supply is shown in the statistics of the classification of cattle slaughtered during the first 7 months. Steer slaughter under Federal inspection during that period was equivalent to nearly 62% of the estimated number of steers in the country at the beginning of the year. The previous high figure, recorded in 1942, was 56%. The unusually light weights of the steers slaughtered this year is further evidence that the present demand and price level are exerting a strong pull on cattle to the markets. Slaughter steer weights have been the lightest since the Department of Agriculture began getting separate weight records on steers, which was in 1938. This year they averaged nearly 50 pounds lighter than a year earlier.

The most phenomenal increase in cattle slaughter this year has been in the number and proportion of heifers slaughtered. The smallest rate of increase has been in the slaughter of cows. Cow slaughter, however, has been unusually large since March.

The high rate of cattle and calf slaughter during the last 8 months causes one to ponder as to how long this rate can be maintained.

(Continued on page 27)

*From an address by Mr. Burmeister before the Annual Convention of the Sandhills Cattle Association, Broken Bow, Neb., Aug. 29, 1947.

The Low-Down on Europe

By ROGER W. BABSON

I am in New York City trying to get the low-down on the real conditions abroad. Truly they are very discouraging. It looks much like the case of our neighbor's house being on fire when, if we do not help him to put his fire out, our house will burn down also.

Roger W. Babson

Conditions for the ordinary family in England are as bad as during the war although they now have the satisfaction of having fathers and boys safely at home. The best meat is horse meat from Argentina; the best eggs are powdered eggs from China; the best sausages are filled with oatmeal; and the best coffee is made of burnt beans. People moreover, have to stand in line for hours to get even these things with a loaf of black bread.

When I see the waste in hotels, restaurants and most U. S. homes, I feel very much ashamed. Today millions of British people are living in the cellars of ruined buildings or in temporary shacks. It is true that carpenters coming to these wrecked cities are demanding high wages, because they themselves find no places to sleep or food to eat.

While talking with those from France, I am told that its trouble is more one of distribution. Northern France has been heavily bombed; but there is a plenty of meat, milk and butter. The highways and railroads, however, are so bombed out, and gasoline and trucks are so scarce that this food cannot get to Paris and the other large cities. There should be enough food in Southern France; but there the Communists are in control and they are doing all they can to to cause trouble and unrest.

Even when a Parisian gets out into the country to buy food, the farmer will not take francs in payment except at a big discount. He really wants either American dollars or English pounds. If gold or silver is not available for currency, he wants gold jewelry or silverware or something else which he can use as barter to buy clothes, blankets or machinery. Here is certainly a lesson for all U. S. big city dwellers. Keep hidden in your house at all times a certain amount of currency, gold jewelry, silverware and diamonds that you can take with you if you suddenly are forced to escape from some big city at the beginning of World War III. You won't have time to visit your safe deposit box!

In England and France both the food and shelter problem is very serious but the people of these countries are not complaining. In Germany, however, everyone is griping. They are mad now and blame all their troubles onto us. They hate our officers and our cornbread. Fats are very scarce as well as coffee, sugar and all imported products. Most farm homes are reported to be in good condition; but the cities are largely in ruins and the housing conditions terrible.

During the war the Germans robbed France, Belgium and Holland of their fine pictures, silverware, imported china, etc. These things were stored in the homes of German politicians and officers. Now these city people are offering these things to the farmers (who will not accept paper money) in exchange for food. This is another illustration of why I am advising U. S. young people to settle in the country or on a small farm away from certain of our big cities which will someday be in the same mess that these German cities are today. United Nations statisticians tell me that, at the present rate of reconstruction it will take 100 years to clear up the debris.

The Poland and Balkan representatives are terribly downhearted. These people believe that the Allies, the Germans and the Russians have all double-crossed them and stolen from them. Here even the farmers have been robbed of their cattle, horses, carts and what little machinery they had. Still worse, the people of these countries, are fast losing their character, morals and all sense of honesty.

Lying is now recognized throughout all Europe as being normal and right; but in Eastern Europe sexual restraint has been thrown aside and millions are running and mixing like wild animals. If a girl can sell her virtue to an Allied or even Russian soldier for food or clothing the parents say "Well done." Here again conditions are worse in the big cities where prostitution is said to be a major industry. This is another reason for bringing up your family in the country or in a small American city.

Rural Japan is said to be in good shape. The farmers and fishermen have enough to eat. In fact, most of the poor people of Japan are better off today than before the war. Of course, the wealthy families are down and out. Stocks, bonds and bank accounts have been wiped out. In the severely damaged big cities crime, gambling and prostitution still reign. The principal complaint of the Japanese is "the atomic itch" whatever that may mean.

I talked with a person just back from Hiroshima who says that even its people have no grudge against us Americans. They welcome our occupation and speak well for the behavior of our troops. One Japanese said to me, "Really, Mr. Babson, I think Japan won the war." Upon asking for his reason, he replied "Why you have Truman for a leader and we have MacArthur."

An unconscious question among the delegates of these fifty nations is: How long can we in the United States continue to "live the life of Riley," wasting on food, bad entertainment, unneeded clothes, beauty parlors, drinking taverns and strike picketing while the rest of the world is starving? You readers can answer this question as well as I. It seems to me, however, that unless there is a voluntary levelling off, the whole world will someday gang up against us. It is religion that this old world needs and this applies to us in our selfish smugness, as well as to the people of Europe who are hoplessly wandering about.

NSTA Notes

TWIN CITY BOND TRADERS CLUB

The date of the Annual Field Day of the Twin City Bond Traders Club to be held at Southview Country Club, located between Minneapolis and St. Paul, originally announced for Sept. 19, has been advanced to Sept. 26, 1947.

Railroad Securities

Even the most abject pessimists towards railroad securities as a whole, and those visualizing disaster for the industry in mounting costs and the pending wage decision, are inclined to adopt a more constructive view towards Union Pacific common stock. At recent levels somewhat below 140 the stock affords an income return of around 4.35% on the well protected dividend rate of $6.00 per annum. Not since 1905 has the company paid less than that in any one year and certainly regardless of the outcome of present wage negotiations the outlook for Union Pacific's earnings is now far more favorable than it was in the depression period of the 1930s. As a matter of fact, most railroad analysts are pretty well convinced that a more liberal dividend policy is in fairly near term prospect.

Union Pacific enjoys the longest average freight haul of any railroad in the country. Also, it carries a considerable volume of high class freight. As a result, its wage rate in relation to gross revenues is relatively low. Based on payroll taxes accrued so far this year, it is indicated that labor costs of Union Pacific (wages plus payroll taxes) absorbed less than 45 cents out of every revenue dollar. On this basis a 12½% increase for the first six months would have cost the company only a little more than $10 millions. Allowing for the accompanying saving in Federal income taxes the net cost would have amounted to less than $6.4 millions. Earnings per share of common stock would have amounted to around $5.50 (almost the full year's dividend requirement) as compared with the $8.37 actually reported.

Union Pacific has one of the soundest debt structures in the industry. Since June 1, 1946 the company has paid off with treasury funds $168,327,500 of non-equipment debt, the latest retirement having been $100 millions of 1st 4s on July 1, 1947. The non-equipment debt now stands at less than $180 millions with the bulk of it carrying interest at less than 3% and the rest at 3%. Even with the substantial payments of maturing bonds, finances have remained exceptionally strong. Net working capital is estimated at close to $100 millions at the present time. It is the conservative debt structure coupled with the large financial reserves which make so many analysts believe that a larger share of future earnings may go to stockholders.

Another important element of strength in the Union Pacific picture is the substantial income derived from the oil properties. So far these earnings have come largely from the Wilmington field but in addition the company has important interests on the East Los Angeles and Rangely fields. Last year the net profit from oil operations amounted to $6,622,000 compared with an average of a little over $7,600,000 in the four preceding years. For the first half of the current year total non-operating income ran more than $6,000,000 above a year earlier and this was largely, if not entirely, attributable to increased net from oil and gas operations.

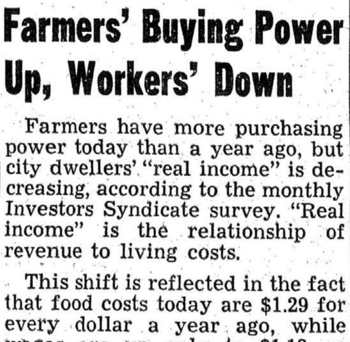
There is little question but that oil and gas operations alone this year will more than cover all requirements coming ahead of the 2,222,910 shares of common stock. These prior requirements are currently running at an indicated annual rate of $9,732,000, consisting of $5,750,000 of fixed charges and $3,982,000 of preferred dividends. As recently as 1944 the company accrued fixed charges of over $15,000,000. In addition to oil and gas operations the company last year also received non-operating income of roundly $9,000,000 representing dividends and interest on securities held.

Aside from its outside interests, Union Pacific has always been a highly profitable operating property and good earnings from this source are expected to continue. Without any adjustment for present reduced fixed charges the common stock earnings have averaged $12.40 a share over the past ten years and in 1946 amounted to $11.90. On the basis of results so far it is considered likely that 1947 earnings will approach the $20.00 a share level, or not far from the peace-time peak of $20.37 reached in 1929.

Farmers' Buying Power Up, Workers' Down

Farmers have more purchasing power today than a year ago, but city dwellers' "real income" is decreasing, according to the monthly Investors Syndicate survey. "Real income" is the relationship of revenue to living costs.

This shift is reflected in the fact that food costs today are $1.29 for every dollar a year ago, while wages are up only to $1.19 on every dollar. Farmers' income is



up to about $1.24 from a year ago.

The overall "real income" average is 99 cents as compared with last year's dollar, and for wage-earners it is lower, Investors Syndicate's survey shows. While income is up to $1.18, living costs have risen to $1.19. Shelter is at $1.04 for each dollar a year ago, clothing at $1.19 and miscellaneous costs at $1.22.

"Prosperity on the farms and farmers' increased purchasing power strengthen a segment of our economy that over the past quarter-century has had serious periods of weakness," said E. E. Crabb, Chairman and President of Investors Syndicate. "The downward trend of purchasing power in urban areas may give rise to some questions as to a continuance of the present volume in many lines of business."

Government in Economic and Industrial Relations

By EWAN CLAGUE*
Commissioner of Labor Statistics

Asserting there can be no definite answer to problem of government's role in industrial relations, Labor Department official holds various kinds of governmental action are essential in modern industrial order. Says collective bargaining is established principle and must be upheld, but in area of employer-union relations, compulsory powers of government should be kept at minimum. Advises establishment of procedural arrangement for settling disputes and dissemination of information and economic knowledge.

Regardless of economists' pronouncements about the "iron law of supply and demand" and "natural" laws of free competition, the moral judgment of the community could not condone for long the miserable condition of employment which existed when employers were given a free hand "to run their businesses as they saw fit." To protect the large masses of the population and the future welfare of the nation, it was imperative that government intervene and establish laws and regulations regarding hours, safety and other working conditions. Thus, under the so-called *laissez faire* economy of the 19th century governments began to assume a very active role in labor matters.


Ewan Clague

But government intervention was not confined to legislation for the improvement of working conditions. While the legislative branch of the government was enacting protective labor laws, the judicial branch of the government in this country was intervening more and more in the field of employer-labor disputes in such a way as to restrict the collective action of workers to improve their own working conditions. Looking back on the judicial history of the 1920's, one realizes that "government by injunction" was more than a figment in the minds of a few labor leaders.

Thus, in spite of some palliative legislation, large segments of workers began to consider government as an instrument of the employers and therefore inimical to the best interest of wage earners. However, even among those who considered existing governments as weapons of oppression, there were wide differences of opinion as to the proper role of government. Within our own generation we have witnessed significant reactions from these divergencies of belief.

The followers of Karl Marx have adhered to his doctrine that the answer is to be found in wage-earners taking over the government and establishing a dictatorship of the proletariat. Others, such as the I.W.W. in this country, the syndicalists in France, and the guild socialists in England, repudiated the desirability and necessity for strong national governments. They contended that modern industrial society could be best administered by the workers (brain and brawn) in each industry, without benefit of a centralized political government except, perhaps, for military protection. The American trade union movement, as we know, rejects both these extremes, although it leans toward the policy of "the less government in labor relations, the better."

Just as there are differences of belief among workers there is also no unanimity of opinion on the employer side with respect to the rule of government in economics and industrial relations affairs.

*Part of an address by Commissioner Clague before the Labor-Management Conference of the New York State School of Industrial and Labor Relations, Ithaca, N. Y., Aug. 22, 1947.

When business was in a state of utter collapse in 1933, most employers welcomed the unprecedented government regulations provided under the National Recovery Administration. Recently, many employers have urged the government to assume great regulatory power over trade unions and employer-union relations.

Principles to Be Recognized

Time and circumstances influence the opinions of all of us and there can be no definitive answer to the problem of the role of government in the area of industrial relations. But if the principles of government which I outlined earlier in my lecture have any meaning then we should be able to apply them to present-day industrial relations. Let me try to summarize some of the highlights of such an application of these principles to existing conditions.

First, there must be general recognition of the fact that government has a significant role to play in industrial relations. I am not talking now about defining that role; I am merely suggesting the acceptance of the principle that governmental action of various kinds is essential to the successful functioning of the modern industrial order. I have never heard anyone deny this, but sometimes when businessmen or labor leaders talk about keeping the government out of management-labor relations, they seem to express the thought that the government should be eliminated entirely from the field. Upon second thought, however, they admit that this should not and cannot be done. The problem then is to define the scope or nature of governmental action, not simply to deny its existence.

Second, it should likewise be accepted beyond dispute that collective bargaining is a recognized and established principle. This means more than simply passing a law saying that this is so. Laws can be passed and laws can be repealed. Far more important than the legal expression of the Nation's belief in collective bargaining (although that particular expression of it is very important) is the genuine acceptance of collective bargaining by both employers and union leaders in the actual day-to-day administration of industrial relations. Confidence in collective bargaining must exist in the hearts of men as well as on the statute books, if it is to work in actual life.

I do not mean to say that we must have a collective bargaining society, or that no other kind of economic order could exist. As I have already indicated, there was a time when there was little collective bargaining, and still there was economic progress. We did not like some of the features of that kind of economy, however, and we have decided that collective bargaining provides the means for a better kind of industrial order. Likewise, there is nothing sacred or unchangeable about the corporation as a business organization. There was a time when we got along with partnerships and individual enterprises. We might decide in the future to strengthen these other forms and to go back to them; or we might devise new forms which we imagine would be better. All I wish to emphasize here is that in this stage of development the labor union and its function as a collective bargaining agent has become sufficiently accepted to make it a vital factor in our economic life. But the labor union as an institution cannot function as its best until it is given reasonable assurance that the principle of its right to exist is fully and completely accepted, both in law and in the actual conduct of industrial relations.

The third principle that I would suggest is that in the area of employer-union relations the compulsory powers of government should be kept at a minimum. This seems to be generally accepted by businessmen and labor leaders, but I am not so sure that the public generally, including individual employers and trade unionists, have accepted this principle. The public seems to have shown willingness in recent years to use governmental compulsion to prevent strikes under certain circumstances, or to stamp out what it regards as abuses in the conduct of industrial relations. It is not easy for the citizens of one generation to weigh the consequences of their collective action in the light of the previous experience of former generations, or even the contemporaneous experience of other nations and peoples. Oftentimes the first thought of the average man when confronted with a tough problem in industrial relations is to turn to the compulsory powers of government and to force through some drastic solution. But we must all realize, no matter what the immediate provocation is, that no law or government compulsion can produce good employer-worker relations any more than marriage laws, no matter how strict, can insure happy marital relations.

Compulsory Arbitration

When we are going through a period of unusual turmoil, as we are in this postwar adjustment period, there is likely to be a great deal of talk about compulsory arbitration, especially for those employer-labor disputes which disturb the general economy and affect the convenience and stability of the entire country. Many well-meaning persons, who want to be fair to both employers and workers, argue that their differences should be settled by impartial agencies authorized to make decisions which the parties to the disputes must accept as final. Comparison is frequently made to the functions and powers of courts, which settle civil disputes and impose penalties for violation of the laws.

This comparison between courts and compulsory arbitration of industrial disputes has only limited validity. It is inappropriate in the majority of disputes which have to do with the terms and conditions of employment which are to be included in employer-union contracts, although it might have some cogency with respect to the enforcement of the terms in existing contracts. Courts function under laws which express the will of the people and the courts merely interpret and apply these laws in individual situations. The people of this country have never expressed their will in legal code as to how the income of business should be distributed between

(Continued on page 28)

What Do the Communists Really Want?

By ROBERT THOMPSON*
State Chairman, Communist Party

Mr. Thompson says instead of fearing the Russian Bear we should fear the "Wall Street Wolf." Denies communists are agents of foreign power or are unpatriotic.

The Communist Party is very much in the news these days. Even the anti-Communist press can't help reporting the fact that we're in the front line of every big struggle being waged by American workers in key industries. You find Communists active in many good causes. Yet day in and day out you are told that we are a menace to America.


Robert Thompson

Let's take a look at this question. Is it really the Communists or is somebody else you need to fear? According to a recent poll, 24% of the American people put the high cost of living as the number one menace today. Don't let anyone tell you that the animal outside your door is a Russian bear. It's a Wall Street wolf. The Communist Party has a program for driving him away. We demand a special session of Congress to deal with the high cost of living. We want the steel industry declared a public utility in order to lower prices and expand production. We want speculation in grain and livestock ended. We want price controls and rationing restored to the products of the grain, dairy and meat trusts.

The big corporations are not afraid of this Wall Street wolf. He's outside your door, not theirs. This year the trusts will rake in $17 billion in profits, $7 billion above the peak war year of 1943. The men in Wall Street offices don't care how much you pay for eggs. They want to profit, boom or bust. If you think another depression is a menace, blame Wall Street and its party not the working class and its party.

Fifteen million American trade unionists say the big menace to them is the Taft-Hartley law. Wall Street wanted this slave labor act. The Republican Party and its allies in the Democratic Party gave Wall Street what it wanted. Communists helped to build the modern American labor movement. We have no part in the open-shopper's plot to destroy it. We give all our support to labor's fight to defend itself against this act. In common with other sections of the labor and progressive movements we are working for the speediest possible repeal of this infamous law.

The great body of Americans fear the menace of a third world war. Four wars are already waging — raging in this war-weary world. Wall Street shaped the bi-partisan Truman-Hoover doctrine which is financing and fomenting these wars, in China, in Greece, in Indonesia, and in Palestine. Wall Street is busy throughout the world helping the wartime collaborators of our Axis enemies make war on our Allies of two years ago. The Truman Administration and its GOP advisors are bolstering a Fascist monarchy in Greece, a corrupt tyranny in China and colonial empires in Indonesia and Palestine.

Yes, and they are rebuilding the war-making power of our enemies of yesterday. They have a Taft-Hartley foreign policy as well as a Taft-Hartley domestic policy. They are out to shackle free peoples throughout the world as well as free trade unions here at home. Are not the men of Wall Street with their greed and their mad delusions the real menace to America and to you?

We Communists fight against lynching and for free elections here at home in the land of Dixie. Ask the Negro people who menaces them today, Eugene Dennis or John Rankin? The Communists or the lynch mob?

I think many of you agree with much that I have said. But some of you may still think Communists are a menace because you have been told that they are agents of a foreign power and told it so often that you believe it. In just about another minute Engene Lyons will tell you the same old story all over again. I am ready to match the patriotic record of the American Communist Party with that of Mr. Lyons and his backers any day of the week. When 3,000 of us were fighting Fascism in Spain, Mr. Lyons was defending the bombing of Spanish women and children by Hitler and Mussolini. Which of us was acting in the interest of a foreign power then? When 15,000 members of the Communist Party were fighting on the battle fronts of World War II, Eugene Lyons was slandering our Commander-in-Chief as a stooge of Marshal Stalin. Who was acting in the interest of a foreign power then?

Of course, there are persons and organizations here in the United States who have dangerous foreign affiliations. Take Standard Oil of New Jersey, for example. In 1942 that corporation was fined after it failed to contest Department of Justice charges of maintaining cartel relations with German trusts. Just today the American prosecutor in Nuremburg called the cartel partners of Standard Oil, "The master builders of the German Wehrmacht, the men who made the war possible." But well paid hucksters of anti-Communism don't expose the cartels to sell American down the river for a price. Their trade is white-washing these big business interests.

I will tell you why Mr. Lyons and others of his kind repeat their not so original spy scares and foreign agent stories about Communists. They are trying to set for you the same booby trap in which Hitler caught the German people. They want to split the trade unions, defeat progressive action in the realm of politics, and paralyze the great body of American anti-Fascists. They want Wall Street to win the 1948 elections. They want to make the rich richer, and the poor, poorer now, and when the depression they are breeding, comes. If you want what Wall Street wants, take Mr. Lyons' latest hint on how to fight Communism. If you want what I think you want don't be scared because we Communists want and fight for the same things you do. Remember the tragic story of Nazi Germany. Don't let it happen here.

*A statement by Mr. Thompson in radio program, "In My Opinion," broadcast over Columbia Broadcasting System, Aug. 28, 1947.

By EUGENE LYONS*
Author of "Assignment in Utopia"

Asserting Communists regard the lie as a revolutionary weapon, Mr. Lyons accuses them of aiming to destroy our free economy and democratic government by violence. Says Communism has become a blind alliance to Moscow power machine and Communists here are prating about liberalism while seeking disruption of our economy.

When I prepared this talk I didn't know exactly what the Communist official who preceded me was saying. I couldn't, therefore, in the prepared text address myself to his specific claims or in particular to his rather amazing inventions about myself. I'll skip those. But I did feel entirely safe in guessing in advance that his remarks would be a hoax on his listeners and I guessed right.


Eugene Lyons

What the Communists tell the American people hasn't the slightest relation to what's really in their minds. Communists, you must understand, regard the lie as a legitimate revolutionary weapon. They use it not only with a clear conscience but with a sense of pride. What you heard a few minutes ago was just a smoke screen to conceal the real Communist goal which is to destroy our free economy and our democratic government, to replace them with a Soviet-type dictatorship. Every Communist is a member of a great conspiracy to turn America into another Poland or Hungary and to put it under the iron heel of the despots in the Kremlin. Under their camouflage phrases about liberalism and Wall Street is their clear and oft announced purpose of precipitating a bloody revolution.

Lenin, their No. 1 prophet, said, and I quote, "Proletarian revolution is impossible without violence, destruction of the bourgeois state machine and its replacement by a new one." His American disciple, William Z. Foster, Mr. Thompson's boss, has said, and again I quote, "We teach the workers that only by violence can the revolution be accomplished."

This is what the preceding speaker did not tell you. That's why I charge that his talk was a fraud from A to Z. He concealed his real goal. The very name of his organization is a lie. The American Communist Party is neither American nor a party. It's merely the American branch of a world-wide machine for propaganda with headquarters in Moscow. It's not a party. It's simply Stalin's fifth column in the same sense that the German-American Bund was Hitler's fifth column in our midst.

I must put it bluntly because time is so short. Communists are lying when they use words like "liberalism," "progressive," "democracy" and talk about the workers as the Kremlin mouthpiece did a few minutes ago. Liberalism, to the Communists, is a camouflaged word for the most illiberal ideas and policies in all human history—for the kind of system imposed by police terror on the helpless masses in Russia. Democracy, to the Communists, means a one-party police state with its blood purges, its concentration camps, its forced labor and mass murder.

Whatever Communism may have been in theory, in practice it is no longer a specific set of ideas. It has become a blind allegiance to a power machine centered in Moscow. Its American agents, one of whom you heard tonight, don't defend the philosophy. They just obey orders. The program you heard outlined tonight is utterly meaningless. There isn't a single item in it which the Stalin general staff for America wouldn't renounce tomorrow morning if so ordered from Moscow. And I'm not guessing. It's happened a hundred times before.

Recall how Moscow's stooges forgot their hatred of Hitler and became ardent isolationists on the day that Hitler and Stalin made their bloody pact of friendship which touched off a world war? Recall how they picketed the "war-monger" in the White House and sang their theme song, "The Yanks Are Not Coming"? Recall how suddenly overnight on June 22, 1941, they switched from isolation to advocacy of immediate war? Why? Had America, perhaps, been attacked? Nothing of the sort. Pearl Harbor was still months in the future. No, their real fatherland, Soviet Russia, had been attacked. So a new party line was in order. The theme song was altered slightly to read "The Yanks Are Not Coming Too Late." The comrades became super-patriots. They even embraced private enterprise and Wall Street. That lasted until Russia was safely out of danger.

Then the time was ripe for yet another switch. Stalin no longer needed our lend-lease. The American agents could, therefore, go back to prewar trouble-making, to bigger and better strikes, to fomenting class and group hatreds, to throwing more monkey wrenches into the machinery of American life. Red imperialism was on the march in Europe and Asia. The red fifth column here had its part to play. It had to clamor for the withdrawal of American troops. It had to denounce every American policy that threatened to interfere with Moscow's expansionist schemes. The Communists have the gall to talk in the name of the workers. Why, they sell the workers down the river without blinking an eyelid when the Kremlin's foreign policy requires it. They've done it before.

What do the Communists really want? The answer is written large in words of blood wherever they have seized control—in Bulgaria, in Yugoslavia, in Poland and in Hungary, above all in Russia itself. So they prate of liberalism and play with the words about Wall Street. They're, in fact, the poisoned spearhead of the blackest reaction in the present-day world. What do they want? They are under orders to prevent economic stability and to promote a new depression, to strip our country of military strength, and to

(Continued on page 16)

*A statement by Mr. Lyons in radio program "In My Opinion," broadcast over Columbia Broadcasting System, Aug. 28, 1947.

Mutual Funds

The Henderson Brothers of Boston

By HENRY HUNT

"Ernie" and George Henderson love bargains and know a good one when they see it. It was back in the early '20s during the collapse of German currency that your correspondent—then a college sophomore—first met the Henderson Brothers. At that time they were making the most of the German inflation, buying goods in Germany for a few cents that retailed in America for $1.00 or more. Their "headquarters" was a hole in the wall off Scollay Square that resembled a pawn shop in utter confusion. Counters were covered and open boxes were filled with flash lights, razors, fountain pens, cameras, binoculars, automatic pencils, and other goods of German make.

Needing additional capital, the Henderson Brothers borrowed from their friends, paying half the profits as interest. Your correspondent put up $200 and six months later, when a tariff bill killed the lucrative racket, got his money back plus some $500 "interest"!

It was also about this time when "Ernie," or maybe it was George, obtained a one-week option to purchase for $3,000 a Sunbeam (English) auto from the First National Bank of Boston, which had acquired it through a loan foreclosure. Three days later, the Brothers found a buyer at $4,000—a buyer who happened to be a Vice-President of the First National Bank of Boston.

What are the Henderson Brothers doing today? They're doing all right, it would seem, controlling the Sheraton Corp., a hotel holding company, and the **World Investment Trust,** a mutual fund with the fabulous record of returning over 50% a year, including appreciation, since its inception in 1931.

The "National" Program Calculator

Something new in the field of mutual fund selling was introduced recently by **National Securities & Research Corporation** with the issuance of its Program Calculator to dealers. This selling gadget enables the dealer to determine quickly the dollar diversification, security diversification, and income return on 24 different "National" group purchases, each of which affords monthly income. Based on current levels of the market, annual return ranges from 3% to 7½% with the security diversification ranging from 58% in bonds to 82% in common stocks. More than 100 different issues underlie each of these group purchases.

"Opportunity Is Still Knocking"

Under the above caption **Hare's Ltd.** states: "In relation to estimated 1947 earnings, the value of high grade stocks would have to rise approximately 70% from current prices to sell on the same ratio of price to earnings that such stocks commanded on average, for the six years preceding our entry into the war.

"During the last eighteen years, which include the depressed prices of stocks in 1931, 1932, 1938, and 1942, we can find no period, other than during recent months, in which stocks might have been purchased with as high an earning yield as at present. Even more astonishing is the fact that stocks now provide equity earnings about five times as large as the interest that can be obtained from high grade corporate bonds. This also is a relationship that has not existed during the last eighteen years."

Fundamental Outperforms Dow Jones Industrials

In a recent bulletin, **Fundamental Investors** points out that its shares have shown a net appreciation of 25%, including security profits distributions, from the 1937 market high to July 15, 1947 whereas the Dow Jones Industrial Average declined nearly 5% during the same period.

Similarly, if **Fundamental Investors** had been purchased at the 1942 low, an appreciation of 152% was shown on July 15, 1947, whereas the Dow Jones Industrial Average advanced 99½% during the same period. Few mutual funds can boast a better performance record than Fundamental during the past decade.

Legal for Trust Funds

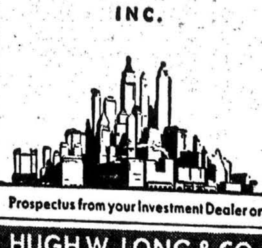
"These Things Seem Important," published by the **Selected Investments Company** of Chicago, points out that "Nebraska, which some time ago added securities of management investment companies to its legal list for trust investment but limited their use to trusts over $50,000, now removes that limitation. Investment companies registered under Federal Investment Company Act and qualified for sale in Nebraska are eligible for trust investment without any limitation or other requirements."

Notes

The Wellington Fund has declared its 71st Consecutive Quarterly Dividend amounting to 20 cents a share payable Sept. 30, 1947 to stockholders of record Sept. 17. Ten cents per share was declared from undistributed ordinary net income and ten cents per share from net realized securities profits.

The Parker Corporation of Boston points out that from June 30, 1938 to Dec. 31, 1946, shares of **Incorporated Investors** have shown a net increase of 77% in value as compared with a gain of only 38% for the Vassar Plan Fund which relies on a more or less automatic formula.

National Notes No. 424, published by **National Securities & Research Corporation,** includes a tabulation on 17 metal stocks selected for the portfolio of **National Metal Shares.** It shows that first half earnings were up 110% over the same period last year although current prices are 31% below 1946 highs.



Margin Case Reported Erroneously

In the issue of the "Chronicle" of Aug. 28, a statement based on press reports was made that a decision rendered by Judge Robert N. Wilkin of the U. S. District Court of Northern Ohio, held the firm of Butler, Wick & Co., Youngstown, O., had violated unintentionally the margin regulations imposed by the Federal Reserve Board, and that an injunction in the case was made permanent. It appears from the following statement of the judgment of the Court that although the defendants were held to have violated unintentionally Section 7(c)(1) of the Securities and Exchange Act of 1934 and Regulation T, no injunction was made permanent and that the action was dismissed.

The following is a complete text of the judgment of the Court:—

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF OHIO EASTERN DIVISION

Civil Action No. 23475

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,

JOSEPH G. BUTLER, III, et al., individually and doing business as Butler, Wick & Company,

RICHARD BROWN, and

FIRST MAHONING COMPANY, an Ohio Corporation,
Defendants

On the basis of the record in this action and the agreement of the Securities and Exchange Commission, plaintiff, and Joseph G. Butler, III., et. al., individually and doing business as Butler, Wick & Company, defendants, and on the basis of the representation of the said defendants that they have not directly or indirectly extended any credit whatever to Richard Brown or First Mahoning Company in connection with the purchase or sale of securities for approximately twenty-four months and since a date approximately two months prior to the filing of this action and that they will not hereafter knowingly engage in any acts or practices constituting violations of Section 7(c)(1) of the Securities Exchange Act of 1934 or Regulation T, promulgated by the Board of Governors of the Federal Reserve System thereunder, and under all the facts and circumstances surrounding this action, it is hereby adjudged and decreed as follows:

(1) The said defendants have violated Section 7(c)(1) of the Securities Exchange Act of 1934 and Regulation T by extending credit to Richard Brown and First Mahoning Company. Without determining whether as a matter of law intent is an element of the offense under the said section or regulation, the Court finds as a fact that in any event the said violations in the case were not committed intentionally. The said defendants consent to the foregoing finding and conclusion for purposes of this judgment only.

(2) The action is hereby dismissed.

ROBERT N. WILKIN, D.J.

Consented to:
For the Securities and Exchange Commission
(Signed) LOUIS LOSS
Louis Loss, Chief Counsel
Trading and Exchange Division
(Signed) FRANK D. EMERSON
Frank D. Emerson
Attorneys
For Joseph G. Butler, III, et. al., individually and doing business as Butler, Wick & Company
(Signed) FRANKLIN B. POWERS
Franklin B. Powers
Attorney.
Entered Aug. 19, 1947.

Westvaco Chlorine Issue Marketed By Eberstadt Group

F. Eberstadt & Co. Inc. headed a group of underwriters which made a public offering September 3 of 30,000 shares of $3.75 cumulative preferred stock and 30,000 shares of common stock of Westvaco Chlorine Products Corp. The preferred stock was offered at $98.50 per share and accrued dividends and the common at $33 per share.

The proceeds of the financing will be used to complete new plants now under construction for soda ash and insecticides, for expanding production of other products and for working capital. The company is an important producer of industrial chemicals including alkalis and chlorine, phosphates, solvents, magnesium and barium chemicals and insecticides, including DDT. Plants are operated in South Charleston, W. Va.; Carteret, N. J. and Newark and Modesto, Calif.

Net sales for the six months ended June 28, 1947 totaled $11,874,744 and net profit for the period was $1,264,408, as compared with $8,784,386 and $549,144 for the corresponding period of 1946. The company's outstanding shares of $3.75 preferred stock and common stock are listed on the New York Stock Exchange.

What Do Communists Really Want?

(Continued from page 15)

encourage new isolationism, to churn up all the chaos, all the class warfare that they can.

In conclusion, let me make one vital point. We didn't think it necessary to invite officials of the German-American Bund to use our national radio facilities. Why do we extend that privilege to officials of the Russian-American Bund? That's something for all Americans, including radio executives, to think about.

Purchasing Agents Report Continued High Production Level

But look for possible change in trend if export volume declines. See no noticeable change in price trend, with exception of coal and steel.

According to a composite opinion of purchasing agents, comprising the Business Survey Committee of the National Association of Purchasing Agents, headed by Robert C. Swanton, Director of Purchases of the Winchester Repeating Arms Corporation, there is a distinct note of optimism on current general business conditions and for their continuance well into the fourth quarter. Despite the irregularities of production and shipments in July and August, due to vacations and extremely hot weather, the "slight downward trend" reported in June has changed; those reporting increases now run two to one over the decreases, while the majority, 60%, indicate no change in the high level of production prevailing over the past several months. However, the expression of optimism is coupled with a warning recommending caution.

Robert C. Swanton

Decline in export volume and disturbing foreign situations could change domestic conditions drastically in a few months.

Commodity Prices

Except for coal, steel, and steel products, the price trend has not changed noticeably. The full impact on prices from these commodities has not yet been felt, particularly in fabricated items, but the tendency to hold down advances is noted as a healthy sign. Coal and steel have not set off a sharp spiral of general price inflation as many expected.

Competition is becoming more effective each month; substitutes for higher-cost products are available in greater volume.

Inventories

Following the midyear inventory taking, industrial inventories continued their downward trend at about the same rate as for the past several months. Those previously reduced to operating minimums are maintaining that position. Further reductions are being made as materials become more readily obtainable on shorter schedules.

A greater number report raw materials inventories are now in balance with high production requirements.

Buying Policy

The slight indication of longer-term commitments evidenced in the June reports are not confirmed in August. 90% are under three months, with a high proportion in "hand-to-mouth" to 60-day limitations.

No speculation is reported and extreme caution is advised by many buyers. In some instances, yesterday's "shorts" may be today's "longs," but a close watch of sales estimates and covering only for scheduled production are the general policy.

Specific Commodity Changes

The trend to level off or decline was rudely interrupted by the sharp upswing of coal and steel prices, considered by many to be mildly inflationary, but the spurt has not reached other commodities not materially affected by coal and steel.

Important changes, where supply is coming into balance with demand, are: copper, brass, lead, lumber, alcohol, plastics, vegetable oils. Some of these could quickly change to critical or near-critical with any sharp upswing of domestic or foreign demand, or could go to easier supply with decline in demand.

Price reductions: alcohol, turpentine, fats and oils, some lumber, menthol, cotton, synthetic resins, rubber, steel scrap.

Price increases: coal, coke, fuel oil, corn, wheat, fine papers, steel.

Soda ash tight; sheet and strip steel a bottleneck in many industries. Outlook for improvement considered good.

Employment

Employment is up. Twenty-five per cent report increases, with others maintaining high levels previously reached. Many comment on highest peacetime enrollment. Seasonal declines and lack of materials, principally steel, account for a few reporting lower employment.

Housing construction is booming, while business construction is lagging. Some reports show a hold-up or abandonment of large industrial expansion programs because of high wages and material costs.

Woolen mills picking up after sharp decline in second quarter. Both skilled and unskilled labor short in several areas.

Canada

Over-all Canadian business is better than last reported. Purchasing Agents feel it will level off on present high plane for the immediate future.

Prices have increased, particularly in domestic items.

Inventories better balanced, with trend to reduce.

Employment high, indications of even higher levels.

Purchasing policy: "hand-to-mouth" to 90-day commitments.

Snyder Releases Italian Assets

Secretary Snyder announced on Aug. 29 that Italy has been added to the list of countries whose blocked accounts may be released under the certification procedure of General License No. 95. The unblocking of Italian assets in the United States is provided for in the overall financial agreement recently concluded between the United States Government and the Government of Italy.

Today's step was taken after an exchange of letters between Ivan M. Lombardo, Chief, Italian Economic Delegation, and Secretary Snyder similar to those written in connection with the defrosting of the countries previously named in that license. Copies of the letters are available at the Federal Reserve Bank of New York. The Italian Government has not yet designated the agency which will carry out the investigative and certifying responsibilities under the letter of assurances and General License No. 95.

Joins R. H. Johnson Staff

Special to THE FINANCIAL CHRONICLE

SPRINGFIELD, MASS.—Robert H. Burns has joined the staff of R. H. Johnson & Co., Third National Bank Building.

With Baumann Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—Victor M. Guest has been added to the staff of Baumann Investment Co., 226 Carondelet Street.

Estimates New Home Building 50% Above 1939

Construction of new homes in 115 key metropolitan areas of the United States last year was more than 50% greater than in 1939, according to the annual Investors Syndicate survey of housing construction just released.

The increase over 1945, when civilian home building got under way late in the year, was 410%. Total new housing units built in these key communities in 1946 was approximately 412,455 against 101,511 in 1945.

At the same time, average cost per unit has increased by 45%, from about $4,725 in 1939 to $6,870 in 1946.

There has also been a sharp swing away from apartments to one and two-family homes, the Investors Syndicate survey shows. While in 1946 there were more than twice as many home built as in 1939, there were 30% fewer apartments.

"These figures," declared E. E. Crabb, chairman and president of Investors Syndicate, "indicate how seriously rental restrictions have affected the construction of rental housing. Although the demand for apartments is very great, builders cannot find it profitable to erect multiple-unit apartments and have concentrated on single-occupancy homes for sale. The small volume of apartments built during the war and under rent ceilings will undoubtedly affect the housing situation for many years to come."

Housing construction in 1946 was exceedingly spotty, the survey showed. Despite the fact that demand was great in virtually all of the centers studied, a number of them showed little increase in home building over 1939, while several showed marked decrease.

San Francisco showed a decrease of about 20% under 1941 in the number of units built, from more than 7,800 to about 6,150. Peoria, Ill., built only about 15% as many homes in 1946 as in 1939, slightly more than 200 compared with nearly 1,500. Other places showing decreases from 1939 were Bronx, New York, Kings and Queens counties in the New York City area; Chattanooga and Knoxville, Tenn.; Jersey City; Philadelphia; Tulsa, Okla; El Paso, Texas, and New Orleans.

Areas in which increased home building was most marked including Baltimore; Cleveland, Columbus, Akron, Toledo, Cincinnati and Dayton, Ohio; Cook County (Chicago), Ill.; Milwaukee; Minneapolis, St. Paul; Atlanta; Nashville and Memphis, Tenn.; Camden, N. J.; Birmingham; Palm Beach and Miami, Fla.; Ft. Wayne, Gary, Indianapolis, South Bend, and Mishawaka, Ind.; St. Louis; Richmond, Va.; Greensboro-High Point, N. C.; Kansas City; and Los Angeles.

Cities which built approximately as many housing units in 1946 as in 1939 include Boston, Providence, Detroit, and Seattle.

Investors Syndicate also found that there has been a sharp shift away from public housing. Although 13% of all housing constructed in these key areas in 1939 was publicly built, only 5% was public construction in 1946.

Greatest increase in housing over 1939 was in the South Atlantic states, where more than four times as many units were built in 1946 as in the prewar year. In New England, the East North Central states, West North Central and Pacific Coast, building was about double the '39 level, while increases of about 50% were registered in the Middle Atlantic, East South Central and Rocky Mountain areas. In the West South Central region building fell to only half of the '39 level.

Best indication of the actual increase in housing construction costs, said Investors Syndicate, is a comparison of the cost per square foot. While some unit costs can be lowered somewhat by reducing areas and otherwise cutting corners, per square foot costs tell the actual price of living space. Whereas it cost about $3.50 a square foot to build in 1939, in 1946 it was around $6 to $7—an increase of around 70% to 100%.

"The increase in building costs over the past several years," said Crabb, "has been inevitable in the light of increases in commodity prices, transportation costs and labor costs, and the scarcity of a number of key items essential in completing a building. In addition, strong demand for housing indicates there will be no relief for a number of years."

Investors Syndicate is one of the largest holders of home loans in the United States and Canada, with total holdings of more than $225,000,000.

Canadian Securities

By WILLIAM J. McKAY

Multilateral convertibility of currencies constitutes the essential lubricant of the world's foreign trade machinery. In its absence the wheels of international commerce are grinding slowly to a standstill. Not only Britain and Western Europe but also the comparatively prosperous British Dominions and the countries of South America are compelled to introduce restrictive foreign trade measures in the absence of an adequate supply of a universally acceptable medium of foreign exchange.

The International Monetary Fund which was destined to fill the breach in the difficult transition period from war to peacetime conditions has so far afforded no constructive support whatsoever. This however was anticipated by most practical observers who have always been convinced concerning the fallibility of the global approach to currency stabilization. Moreover the Marshall Plan which has been devised in a more fundamental fashion also suffers as a consequence of its broad and somewhat vague form.

There is no question that time is now of the essence and thus before embarking on fresh global plans it is essential to endeavor to keep in motion the existing machinery. It has always been obvious that the key to the entire problem of multilateral currency convertibility is a practical method of merging the Dollar and Sterling trading areas. Hitherto the primary objection to the "Key Currency" approach has been the weakness of the British situation and consequently the difficulty of stabilizing sterling on a practical basis. Insufficient thought has been given to the possibilities of direct negotiation between this country and the British Commonwealth as a concerted group.

A further disability has been the anomalous situation of Canada which figures neither directly in the Dollar area nor in the Sterling bloc but is nevertheless vitally linked both groups. On the other hand the Senior British Dominion has the closest tie with this country by reason of its important share of U. S. trade which is conducted on a basis of a common currency.

Therein lies the possibility of the attainment of an ideal foreign exchange basis—a common world currency. In effect world trade today is conducted freely only where it is possible to operate in U. S. dollars. So far no practicable method has been found whereby an adequate volume of such exchange can be created which would permit the free functioning of world trade.

However, within the British Commonwealth as a whole are the means ultimately to produce sufficient exchange to justify the immediate establishment of a U. S. dollar pool which would constitute the first step in the direction of a universal exchange medium. Instead of continuing the present system of indiscriminate worldwide dollar loans and gifts, this country would thus take the initiative in underwriting U. S./British Commonwealth trade with the expectation of ultimate repayment in cash or in kind. On this solid basis eventually the entire world trading edifice could gradually be rebuilt instead of pursuing the present global schemes and thus placing the cart before the horse.

During the week both the internal and external sections of the market continued to ease in sympathy with the clouded international situation. Free funds also eased to 8½% following the declining demand on tourist account. Stocks continued in a narrow range but there was considerable activity in speculative gold stocks as a result of favorable drilling reports principally from the Rouyn area of Quebec.

Change Date for Curb Golf Tournament

The date originally set for the Tee-Off Golf Tournament to be held by the New York Curb Exchange Five and Twenty Club for the entire membership of the exchange has been changed to Thursday, Sept. 4, 1947, Frank E. Herma, chairman of the committee on arrangements, announced today.

The tournament will be held over the course of the Garden City Country Club in Garden City, Long Island. It will be the first such outing to be held since the club's formation last April by Curb members who have held a seat on the exchange for at least twenty-five years.

Golfers competing in the tournament will be playing for possession of a new trophy donated by the club for the player turning in low gross score for the day. In addition to the golf competition there will be a horseshoe pitching contest. Prizes will be awarded at a dinner in the evening.

Other members of the tournament committee include Louis J. Drevers, Jack Feinstein, Walter E. Kimm, Sr., and Jerry Re.

John J. Gillies Dead

John J. Gillies, partner in Bacon, Stevenson & Co., New York City, died at his home at the age of 67 after an illness of several weeks.

Suspension of the "Bluff Standard"

By PAUL EINZIG

Dr. Einzig scores policy of British Chancellor of Exchequer in not postponing convertibility of sterling, and in permitting convertibility before July 15, as a bluff to inspire future confidence in British currency. Says failure to maintain convertibility will make British realize need for meeting situation by harder work.

LONDON, ENGLAND.—History often repeats itself in a strangely distorted form. What was originally a tragedy is apt to recur in the form of a comedy. The drama of the suspension of the British gold standard in 1931 is witnessed once more—but this time it has assumed the form of a cheap farce. The announcement made by the Chancellor of the Exchequer on Aug. 20 is certain to go down in history as "the suspension of the Bluff Standard."

Dr. Paul Einzig

It is a well-known trick of debtors who know they will be unable to meet their liabilities to offer repayment before maturity, in the hope that their creditors will be duly impressed and will not therefore, avail themselves of the offer. More often than not this time-honored bluff comes off. "Your money is due in two months' time, but you can have it tomorrow if you want it," usually brings forth the reply: "But my dear man, why should I want it? I know it is safe with you. Keep it as long as you like!" This is what Mr. Dalton expected to happen when he restored the convertibility of sterling in relation to many countries long before the date of July 15. But his bluff was called, and on Aug. 20, he had to confess that he had miscalculated.

In his statement on the radio, announcing the Government's decision to suspend the convertibility of sterling, Mr. Dalton said he had expected that the holders would not avail themselves of their right to convert. By this statement, he admitted that the decision not to apply for a postponement of convertibility rested not on any inherent economic benefit to Britain nor on any financial strength represented by the possession of ample liquid resources, but solely on the assumption that holders of sterling would be duly impressed by the gesture of offering convertibility even before the date stipulated under the Loan Agreement, and would accept this gesture as the evidence of strength that inspires confidence.

Mr. Dalton must have been only too painfully aware of Britain's inherent economic and financial weakness. On Aug. 20, he made a half hearted attempt at blaming Parliament and the press for causing withdrawals by drawing attention to this weakness. But could he seriously believe that but for the publicity given to the debate on the economic situation, holders of sterling would have remained blissfully ignorant of the size of Britain's trade deficit, of the rate at which the dollar loan was being used up, of the inadequacy of the coal output, and all the other unfavorable facts mentioned during the debate not for the first time, but probably for the hundredth time? For one thing the decision whether to withdraw the sterling balances or not rested not with private individuals but with Treasuries and Central Banks. And it is perhaps fair to them to assume that they were fairly well acquainted with the situation even before the press comments complained of by Mr. Dalton had appeared.

Mr. Churchill's action in returning to the Gold Standard in 1925 was subject to much criticism. It took many years before he lived it down. And yet in 1925, Britain's foreign trade was balanced. She had no external indebtedness, but £3½ billions of foreign investments. The return to gold was no bluff. It was based on a strong technical position. In 1947, Britain's adverse balance was estimated at something like £600 millions per annum. Most of the easily realizable foreign investments were gone. Instead, there was an external debt of something like £5 billions, most of it floating debt. The technical position could hardly have been weaker. In spite of this, Mr. Dalton relied on his bluff. He imagined that all he had to do was to pretend to consider himself capable of shouldering the additional burden, and everybody would take his strength at his own valuation.

What Mr. Dalton failed to realize was that even if he could get away with his bluff, it would not have saved his position. Even if all holders of sterling could have been induced to forget all about the British balance of payments, most of them would have taken nevertheless the earliest opportunity for converting their sterling into dollars, simply because they were in urgent and imperative need of dollars. Suppose for the sake of argument that sterling in 1947 was a really strong currency in its own right and not merely enjoying for a short time the reflected glory of the dollars obtained through its convertibility. Even then most holders would have seen no reason for holding more sterling than what they considered absolutely unavoidable. They needed dollars to pay for urgently needed food and raw materials which Britain was unable to deliver. That being the case, what did it matter whether they trusted sterling or not? Even if Mr. Dalton's gesture had succeeded in deceiving them about the real position of sterling, they would have converted their holdings as soon as possible.

In the circumstances, Mr. Dalton's efforts to inspire confidence in sterling were foredoomed to failure. It seems probable, however, that they would have failed even in the absence of a dollar famine. Propaganda is no adequate substitute for balanced trade and liquid reserves. Frequent repetition by officially inspired writers of assertions such as "sterling is now dollar-hard" does not make such statements true. Probably Mr. Dalton himself was one of the few people who were deceived by it.

Even if others had been inclined to be impressed, the reckless extravagance with which Mr. Dalton gave away his dollars to foreign claimants must have made them think. Possibly the generous terms of the Egyptian, Indian and Irak debt settlements were part of the hard-pressed debtor's bluff. At the same time as pretending to be willing and able to repay his debt, he sought to impress his creditors by a display of extravagance. But the creditors, knowing only too well their debtor's financial position, refused to be impressed. They took Mr. Dalton at his word and hastened to collect their claims while the going was good — which was not for very long.

If the convertibility crisis made the government realize that what is needed for meeting the situation is not Daltonian bluff, but serious work, then the cost of the disastrous experiment may not, after all, have been wasted.

C. E. Wilson Sees No Recession

General Electric head blames Washington economists for predicting depression and holds prices will increase with wages and higher housing costs unless we have more efficient mass production.

According to a despitch to the New York "Times" from San Francisco on Aug. 28, Charles E. Wilson, President of the General Electric Company, who is sojourning in that city, stated that he saw no immediate recession in business ahead, and blamed "some Washington economists for wrongfully predicting depression." He stated he saw no likelihood that prices would come down for the present, and that an upward spiral of prices might continue "unless food costs and housing costs stop soaring," or unless, through technical improvements and more efficient mass production, unit costs are lowered.

Charles E. Wilson

Referring to the electrical business, he said:

"On top of everything else, the recent increase in steel prices has jumped manufacturing costs. Our average prices are up about 35% since the last pre-war year, 1940. Since then, labor has gone up 100% (and labor represents 45% of every dollar we spend) and materials are up 70%. Taxes are also up.

"The result is that though we did $537,000,000 worth of business in the first six months of this year, we made no more profit than in 1940, when we did less than $200,000,000."

Mr. Wilson announced General Electric was contemplating considerable West Coast expansion. The 9,700 employees on this coast would grow to more than 16,000 next year and the San Jose, Calif., plutonium pilot plant operated under government contract, occupying two acres, would eventually spread over a 57-acre tract now owned by the company.

R. L. Day & Co. Adds

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS. — James R. Foster, Jr. has been added to the staff of R. L. Day & Co., 111 Devonshire Street, members of the New York and Boston Stock Exchanges.

With R. H. Johnson

Special to THE FINANCIAL CHRONICLE

NEW BEDFORD, MASS.—Leon Wadsworth is now with R. H. Johnson & Co., 30 State Street, Boston.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of government securities hold near their top levels despite a minor let-down in activity. . . . Demand is reported to be sizable as shifting of positions continues to go on, with the trend still into longer maturities in order to maintain income. . . . Market leaders, as in the recent past, are the longest eligible 2½s, the 2¼s due 1956/59 and the intermediate-term 2s. . . . The 2¾s due 1960/65 are also being well bought. . . . The ineligible issues have been buoyant with investors taking on the longest 2½s because of the belief that these bonds will be more attractive than the new issue of non-marketable bonds. . . . The uptrend in the restricted obligations is bringing yields of these securities more in line with the return that is expected in the non-marketable issue. . . .

Although demand is reported to be substantial for most Treasury issues, there is not the same desire to step up and buy at advancing quotations as there was a few weeks ago. . . . The high level of prices makes for some caution at this time. . . . Also there is a feeling that important happenings may be witnessed in the money markets in the near future. . . .

FUTURE IMPACT

Higher short-term rates in conjunction with impending developments are quite likely to have an important bearing on the trend of government security prices, according to some well-informed followers of the money markets. . . . It is believed that only part of the picture was unfolded in the September financing and the offering of a new issue of non-marketable bonds. . . .

The feeling is that the monetary authorities will take more vigorous action in the not distant future to retard the monetization of debt, which has been going on at a rapid pace since the announcement of the September financing. . . .

Also, sight should not be lost of the trend of commodity prices and consumers' loans, particularly after the expiration of Regulation W on Nov. 1. . . . The inflation factor is of paramount importance to the powers that be and there is no doubt that steps will be taken from the monetary angle to retard this trend. . . .

CREDIT CURBS

What is likely to happen in the money markets in order to combat inflationary trends and debt monetization is something that the authorities alone must decide and as yet they are not ready to show their hand. . . . Limiting of the credit base is considered by some to be the crux of the looked for developments in the money markets. . . .

In the past the authorities resorted to the partial redemptions of bills and certificates in order to restrict the loaning ability of the deposit institutions. . . . This was not as successful as had been anticipated because of the inflow of gold and the return of currency from circulation. . . .

CERTIFICATES AND NOTES

The certificate rate, it is believed, will play an important part in the expected move in the money market, and some clues as to what is likely to take place might be forthcoming when the announcement is made on the handling of the Oct. 1 maturity. . . .

Uncertainty could be injected into the picture by allowing the certificate rate to fluctuate, instead of repegging it on a slightly higher yield basis. . . .

The Treasury bill is being watched closely because there is a feeling that this security may be much more important in the future. . . . It is being noted that a yield of 0.766% for the shortest-term issue seems to make that obligation much more attractive than the certificate. . . .

Sales of bills to the member banks by the Central Banks would be one way to curtail the credit base and at the same time cut down the monetization of the debt. . . .

HIGHER RATES IMPEND

While the short-term market will most likely be the focal point for future operations, the effects undoubtedly will be broad enough to have an influence upon the trend of prices of the longer-term obligations. . . . Higher interest rates are in the making and sooner or later they are bound to be felt in most sections of the government list. . . . This, however, will all take place within the limits of low interest rates. . . .

Low interest rates, nonetheless, could still mean somewhat higher yields for certain of the Treasury obligations, without disturbing the equilibrium of the government market too much. . . . There seems to be a growing feeling that further price advances in the long-term end of the Treasury market will be more difficult from now on. . . .

RUMOR MARKET

"Open Mouth Operations," according to some observers, will be much more prominent in the not distant future as a supplement to expected happenings in the money market. . . . It is believed by some that one of the ways in which inflationary forces can be retarded, in addition to higher interest rates, is by creating uncertainty in the money markets. . . .

Talk about what might happen or could take place does not help to create confidence and this is what the money markets have been up against in the past, when "Open Mouth Operations" were going strong. . . .

The effectiveness of rumors that are well circulated is too well known to be dispensed with as a factor in the money markets. . . .

OFFICIAL SELLING LOWER

Sales of marketable obligations by government investment accounts during August, according to some estimates, were considerably under the July eliminations of $609,000,000. . . . It is believed that disposals amounted to about $300,000,000 or about one-half as many as were sold during the record month of July. . . . The smaller sales by the powers that be, accounts in part for the higher prices that were in evidence last month in the longer Treasury issues.

Gold and Inflation

(Continued from page 4)

the increased assets available for investment and the consequent increase in bank earnings, now badly needed because of the increase in expenses caused by the inflation in the money supply which has already occurred.

They would probably not be inclined to emphasize for public consideration the fact that we would be repeating what began in 1934, and with much more dangerous possibilities because of what has already been done. They would not want the selfish shortsightedness of their policy to be too broadly publicized.

From the point of view of other countries this increase in the price of gold would unquestionably be a welcome help in dealing with their financial problems. Canada, South Africa, and other parts of the British Empire have great gold mines which could afford to take out greater quantities of gold if they could get $50 an ounce for it. Moreover, the economy of all those countries which have gold would be improved by the fact that our increased price would give them increased dollars which they want for exchange purposes.

Of course, it would result that the higher price we pay for their gold would increase their dollar purchases in this country, but that is just another way in which we bolster our economy by selling more to foreign countries and providing them with the means of making payment. In other words, from this point of view the increase in the price of gold would be just another means of enabling other countries to acquire more of our resources because we pay them more for their gold. Do we want the gold that badly?

As we said above it is only a London rumor that now suggests a higher price to be paid by the United States Treasury for gold. But this device as a means of sustaining the heavy expenditures of our government has long been known to be available and has long been under consideration in government circles as a possible "easy way" to avoid the difficult problem of decreasing government expenditures and balancing the budget with real income.

The increase in the price of gold to $50—or more, why not?—would balance the budget for the moment, including the payment of the soldiers' bonds and our British and other foreign loans. All this would be accomplished with so much ease that it would not be necessary to go to Congress (Section 8 of the Gold Reserve Act of 1934, Amended Section 3700 of the Revised Statutes), would not be necessary to explain to the people, and the selfish cooperation of the commercial banks could almost certainly be counted on.

This is a typical example of the New Deal type treatment of serious ills in the body politic by ice packs and stimulants instead of permanent cures. The short period of rosy prosperity that might be engendered by increasing the price of gold would never be worth the price that the American people would inevitably have to pay.

Tillman-Whitaker Co.

ATHENS, GA. — Tillman-Whitaker Co. has been formed with offices at 128 College Avenue. Officers are James L. Whitaker, President; Thomas M. Tillman, Vice-President and Treasurer; and Robert G. Stephens, Jr., Secretary. Mr. Tillman was formerly proprietor of Thomas M. Tillman Co.

George R. Compton with Glore, Forgan & Co.

George R. Compton has become associated with Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York Stock Exchange.

Sees Permanent Need for "Sterling Area"

Barclays Bank, leading British financial institution, holds it should be restored to its status before the war, when the basis was a fully convertible currency. Urges British export drive for renewed convertibility.

The August issue of "Barclays Bank Review," the quarterly publication of Barclays Bank, Ltd., one of the great private banks of England, contains an anonymous article on the "Future of the Sterling Area." After describing the development of the sterling area following the abandonment of the gold standard by Great Britain in 1931, and the institution of the "Sterling Bloc" during the war years, the article pictures the future of the sterling area in the following language:

The sterling area is more and more reverting to what it was before 1939: a wholly voluntary, undefined association of countries which were impelled by reasons of convenience and self-interest to maintain a reasonably stable—though not rigidly unchanging—link between their currencies and sterling, to hold their external reserves in sterling, to convert into sterling their other foreign exchange earnings, and in turn, to obtain any foreign exchange they might need by drawing on their their sterling balances.

This conception of the sterling area is one which has seldom been properly appreciated abroad. The connotation "sterling bloc" which came to be applied to it after 1931 brought with it a suggestion of insulation and discrimination against others which, in effect, it never possessed until the compulsion of war finances demanded it. In its evolution it followed the line of development of so many other British institutions, and became the undefined, highly elastic, adjustable system which derived its character and strength not from conscious planning but from the very needs out of which it grew and which it helped to satisfy. The sterling area acquired more recognizable shape after sterling left gold in 1931 and when many countries, both within and outside the Commonwealth, faced with the choice of following gold or sterling, chose sterling. That was an amalgam of conscious decisions which crystallized the sterling area or sterling bloc more definitely than anything that had previously occurred in its long history. But, until 1939, the essence of the sterling area mechanism was the complete and unrestricted convertibility, or "expendability," of sterling throughout the world. In 1939, the sterling area acquired what it had never had before; a statutory definition. But it also lost — through no fault of Britain—something it had always had before, namely, the basis of a fully convertible currency. This was an inevitable loss. Convertibility could not be maintained when gold and dollars had to be safeguarded and reserved for absolutely essential requirements. In a fight for survival, convertible sterling was one of the trimmings—albeit an important one—that had to be sacrificed.

The sacrifice must surely have been deemed to be a temporary and distasteful necessity. Yet it began to appear to some, both outside and within the country, as a development that might have about it a character of permanence. In the United States, for example, it was widely feared that Britain would never willingly forego certain advantages which the wartime operation of the sterling area mechanism had conferred. Among these, that which interested the United States most was the element of discrimination involved in the fact that, while payments remained free within the sterling area, they were controlled and restricted between that area and the rest of the world. Another of these advantages which found appreciation in certain quarters in Britain was the financial ease with which the resources of the sterling area had been mobilized in the cause of total war. The members of the area, through their readiness to accumulate sterling assets, had in effect made a contribution to the war effort on a scale that might have caused some apprehension if the figures involved had had to be envisaged before, and not after, the transactions had been completed—in other words, if the Dominions and Colonies had been called upon to agree to make loans to the United Kingdom on anything like the scale indicated by the eventual growth of their sterling assets.

In the United States, the fear that these arrangements might become permanent found expression in the Anglo-American Financial Agreement of December, 1945, with its repeated references to the free availability of current sterling for making payments in any currency area in the world, to the release in free sterling of accumulated balances and to the removal of "any discrimination arising from the so-called sterling area dollar pool." Those conditions were accepted by the British negotiators and the arrangements which were due to culminate on 15th July last gave expression to them. There may be a school of thought in Britain which would have liked to maintain intact the machinery of the sterling area in its wartime trappings and to use that machinery for negotiating bilateral commercial and financial agreements with other countries. It is, however, a school of thought which can have little understanding of the conditions on which the sterling area was built, little respect for the position of sterling as a world currency and little appreciation of the position of London as a great international banking centre.

Lord Keynes effectively answered those who hold this view. The surest way to dismember the sterling area and destroy sterling as an international currency would be to continue into the peace the defensive mechanism into which the sterling area had to be converted during the war. the need for defense may be as great today as it ever was. The threat to Britain's external reserves is possibly more dangerous than it was in the heroic days of 1940 and 1941, because the pressure today arises from less artificial or transient causes than those with which Britain was contending before lend-lease and mutual aid came to the rescue. But the way to meet that threat is to remedy the fundamental causes of Britain's present balance of payments difficulties—to hasten the productive effort of the country to canalize every possible resource to a renewed export drive, if necessary to make drastic cuts in certain imports and in the level of domestic consumption. The ills will not be cured by raising the outward defenses, whether they be tariffs, exchange control or discriminatory financial arrangements. The return of sterling to current convertibility and of the sterling area to something like its classic conception are admittedly acts of faith; but they are acts of faith that must be justified if Britain is to retain her position as a great nation and as the head of a great family.

George Floyd Opens

OKLAHOMA CITY, OKLA.—George Floyd is opening offices in the First National Building to engage in the securities business.

Securities Salesman's Corner

By JOHN DUTTON

The Bureaucrats Don't Know How Securities Are Sold!

(Continued from page 4)

much about financial matters. These things all add to the difficulty of merchandising investments. For this reason it takes salesmen to go out in the highways and byways and convince the average small investor that he should RISK his money in American industry. Of course this does not mean that a salesman should misrepresent anything to anyone. No self respecting businessman in ANY LINE of endeavor will tolerate such sales tactics because he knows that it is not the best way to build up a lasting business.

But why make such a fetish over this thing as to whether or not your customer fully understands the difference between acting as an agent or a principal in a transaction? Alright if you feel like it, sit down some day with your customer and explain the dry dusty details of your business to him. Go ahead and do it, but be careful you don't overcomplicate an otherwise harmless situation and bring doubts and hidden forebodings out of the recesses of your customer's mind which may cause you to lose the confidence and good will of that customer.

I don't care what any SEC Commissioner says about giving over "body and soul" to the cause of full disclosure, there is not a securities buyer yet born that doesn't have a subconscious mind full of doubts and suspicions towards security salesmen in general. They have read too much during the past 14 years in the papers about sharpers, thieves, sharp practices, etc. They have seen too many political blasts against American industry and Wall Street by publicity seeking Congressmen, Attorney Generals, and sundry bureaucrats. They are a scared and suspicious lot. That is another reason why the investment business is stagnating today while the rest of American industry is humming with activity.

If the SEC is seriously concerned about its future as a functioning government agency it should be thinking about the problem which faces American industry over the next five years. That problem is how we are going to raise billions of dollars of new capital from the people of this country.

We certainly won't do it by sitting down and explaining the difference between "principal" and "agent" but we will do it by simply saying "This stock will cost you $25, let me put you down for a thousand shares" (even though we know our customer can only buy 500). He will like the compliment regarding your high estimate of his financial status a lot more than a long dissertation on how you will confirm the stuff after he buys it. If we are correct in our belief that the Commissioner's speech was ghost written, then some day if the fellow who wrote it wants proof of our view of the average investor's attitude, there are quite a few security salesmen who will be glad to take him out and give him a free demonstration.

Exchange Firm Govs. To Meet in Pittsburgh

The Board of Governors of the Association of Stock Exchange Firms will hold its Fall meeting in Pittsburgh, Pa., on Oct. 6, 7 and 8, it was announced by James F. Burns, Jr., President. Joseph M. Scribner is the Association's Pittsburgh Governor.

Major matters on the agenda for the Fall meeting will be, among others, employee relations — including preliminary reports of studies of an industry-wide pension plan, preliminary studies of group health and hospital insurance; public relations and office procedures, including preliminary studies of standard accounting practices.

As a corollary to the Governors' meeting in Pittsburgh, the presidents of the Association's sections in New York City—Accounting, Cashiers, Margin Clerks, Order Clerks, and Purchase and Sales—will conduct panel meetings with members of the staffs of Pittsburgh members to discuss modern and efficient office methods and procedures. In addition, the presidents of the sections will spend considerable time in each of the offices of member firms in Pittsburgh.

Also, as a corollary to the Governors' meeting, there will be a meeting for all employees of the Pittsburgh member firms at which will be discussed the philosophy behind the New York Stock Exchange public relations advertising program and its results.

Business sessions of the Board will be held each morning and afternoon. In addition to the Board of Governors and Officers of the Association, Robert P. Boylan, Chairman, and Emil Schram, President of the New York Stock Exchange will attend.

Governors of the Association of Stock Exchange Firms are listed below:

Sidney J. Adams, Paul Brown & Co., St. Louis; Harold L. Bache, Bache & Co., New York; George E. Barnes, Wayne Hummer & Co., Chicago; D. J. Bogardus, Bogardus, Frost & Banning, Los Angeles; J. C. Bradford, J. C. Bradford & Co., Nashville; Sydney P. Bradshaw, Clark, Dodge & Co., New York; Springer H. Brooks, Piper, Jaffray & Hopwood, St. Paul; Gilbert U. Burdett, Laidlaw & Co., New York.

Wymond Cabell, Branch, Cabell & Co., Richmond; Lyon Carter, Estabrook & Co., Boston; William W. Cumberland, Ladenburg, Thalmann & Co., New York, Richard P. Dunn, Auchincloss, Parker & Redpath, Washington, D. C.; F. Dewey Everett, Hornblower & Weeks, New York; Albert D. Farwell, Farwell, Chapman & Co., Chicago; Harold P. Goodbody, Goodbody & Co., New York; M. Donald Grant, Fahnestock & Co., New York.

Benjamin Griswold, III, Alex. Brown & Sons, Baltimore; James E. Hogle, J. A. Hogle & Co., Salt Lake City; Wilbur G. Hoye, Chas. W. Scranton & Co., New Haven; William E. Huger, Courts & Co., Atlanta; James M. Hutton, Jr., W. E. Hutton & Co., Cincinnati; George R. Kantzler, E. F. Hutton & Co., New York; Thomas F. Lennon, Delafield & Delafield, New York; Laurence M. Marks, Laurence M. Marks & Co., New York.

Leonard D. Newborg, Hallgarten & Co., New York; Joseph M. Scribner, Singer, Deane & Scribner, Pittsburgh; Laurence P. Smith, Bennett, Smith & Co., Detroit; Winthrop H. Smith, Merrill Lynch, Pierce, Fenner & Beane, New York; Walter W. Stokes, Jr., Stokes, Hoyt & Co., New York; Gardner D. Stout, Dominick & Dominick, New York; C. Newbold Taylor, W. H. Newbold's Son & Co., Philadelphia; Homer A. Vilas, Cyrus J. Lawrence & Sons, New York; John Witter, Dean Witter & Co., San Francisco.

C. A. Johanson With Doremus & Co.

Carlton A. Johanson has joined Doremus & Company, 120 Broadway, New York City, it is announced by William H. Long, Jr., President. For the past seven years, Mr. Johanson has been with Rheem Manufacturing Company as their manager of advertising and public relations.

Prior to joining Rheem, he was associated for ten years with Livingston B. Keplinger in San Francisco as an advertising and public relations consultant. Mr. Johanson will make his headquarters in the Doremus San Francisco office with Ronald C. Brindley, Vice-President and Pacific Coast Manager.

Plan for Kentucky's Business Development

E. R. Muir, President of Kentucky Chamber of Commerce, issues brochure setting forth goals to provide more jobs, larger payrolls and new sources of revenue for Kentucky's improvement program.

The Kentucky Chamber of Commerce, through its President, E. R. Muir, has recently issued an attractive brochure entitled "Tomorrow, Kentucky's Greatest Day" in which a program for the business progress of Kentucky is outlined.

Earl R. Muir

The underlying tenets of the program are: counsel, coordination and service. These functions will be offered to all the Commonwealth's communities, to the trade and civic organizations of Kentucky, and to individual businessmen in and out of the State.

The Chamber of Commerce plans to concern itself with industrial development, research, public relations, organization service and member relations, the brochure says. What may be done under each of the categories is outlined for all to see.

The goal to provide more jobs, larger payrolls and new sources of revenue for an improvement program requires the bringing into the State of selected industries now decentralizing. To reach this objective, the Chamber of Commerce proposes to:

Educate Kentuckians to the advantage modern industry offers the community.

Serve as State clearinghouse of industrial and community information.

Bring Kentucky's unlimited opportunities to the attention of out-of-State business interests.

Serve local communities by guidance in the collection of industrial data and in listing available industrial property.

Encourage community industrial foundations and aid in local available-labor surveys required by manufacturers.

The research part of the program embraces a study of Kentucky in comparison with other States competing for new industry, an assay of raw materials and natural resources, a survey of market possibilities and the State's locational relationship to nearby major markets, an educational program to foster agricultural processing and local service industries in communities now dependent on outside sources, establishment of a Kentucky Business Index to gauge commercial and industrial progress and an examination of hindrances to growth and the formulation of programs to eliminate these deterrent factors.

Sees Consumer Credit Far Below Prewar Level

Commercial Credit Company compares present consumer credit ratio to disposable income with 1941. Sees basis for large expansion of auto and other instalment sales credit.

According to a study made for A. E. Duncan, Chairman of the Board of the Commercial Credit Company, automobiles and other instalment purchases are small when compared to the total national consumer credit, much smaller when compared to the total national disposable income and could not possibly play any large part in producing inflation which might bring on a depression.

Consumer credit, according to the study, consists of such things as personal loans and loans made for home repair or modernization under FHA insurance; charge accounts, such as department store and other accounts; service credit, such as that extended by industries servicing the public — laundries, dairies, dry cleaners, etc.; automobile financing and the financing of the other articles such as kitchen ranges, refrigerators, radios, etc.

The recent analysis made for Mr. Duncan was based on figures and percentages obtained from the Department of Commerce, the Division of Research and Statistics, Board of Governors of the Federal Reserve Board and the Midyear Economic Report of the President, the latter dated July 21, 1947. It gives the total national disposable personal income (the total of individual incomes after the payment of taxes) from the years 1929 to the end of May, 1947 and breaks down the different types of credit outstanding.

In 1941, according to the analysis, Americans had $92,000,000,000 to spend and were granted credit of $9,895,000,000 or 10.75% of their total incomes. Of this, automobile time purchases outstanding amounted to $1,942,000,000 or 2.11% of the combined spendable incomes, while other instalment outstanding time purchases amounted to $1,802,000,000 or 1.95% of the incomes.

During the year 1947, it is estimated, Americans will have spendable incomes of $169,600,000,000. As of May, 1947 there was $10,664,000,000 in consumer credit outstanding. Against this there was in total instalment credit, only $4,747,000,000; of this automobile instalments made up only $810,000,000 or .47%.

"To be on the same basis with the Dec. 31, 1941 figure," Mr. Duncan reports, "automobile instalment sale credit outstanding on May 31, 1947 would have to be $3,578,000,000 or a further increase of $2,768,000,000."

"There has been an increase in outstandings as of Dec. 31, 1941 in instalment loans, including Federal Housing Administration loans for repairs, etc., from $2,176,000,000 to $2,824,000,000 on May 31, 1947; in single payment loans (non-instalment consumer loans to banks, etc.) from $1,601,000,000 to $2,203,000,000 on May 31, 1947; in charge accounts from $1,764,000,000 to $2,840,000,000 on May 31, 1947; and in service credit from $610,000,000 to $874,000,000 on May 31, 1947. Charge accounts are largely current transactions which are almost on a cash basis and probably should not be included in total consumer credit outstanding.

"The above figures show that the very small percentage of automobile and other instalment sale credit outstanding in comparison to disposable personal income could not materially affect either the bringing on or the prolonging of a business depression. These figures also indicate the large probable future expansion of automobile and other instalment sale credit outstanding on May 31, 1947, when based upon anything like the volume of current estimated disposable income for the 1947 period."

Sees Foreign Oil Topping Domestic Supply

Guaranty Trust Company of New York analyzes war and postwar developments in oil and concludes reserves are ample, but new distribution problems arise because U. S. reserves are being drawn on three times as fast as foreign. Foresees coal and natural gas as source for future U. S. oil.

The August issue of the "Guaranty Survey," published monthly by the Guaranty Trust Company of New York, contains an analysis of the oil situation in which the sources of the present and future supplies of oil is discussed. According to the "Survey":

The question of future oil supply, long recognized as a major national problem, has taken on even greater importance as a result of the war. The vital necessity of liquid fuel in national defense has received new emphasis; domestic oil reserves have been drawn upon at an unprecedented rate; and the discovery of new reserves has been temporarily impeded. Domestic consumption has continued since the war at a record-breaking volume. War and postwar conditions have, for the time being, virtually halted the long-term growth of our reserves. Foreign reserves, meanwhile, have increased rapidly and are now nearly twice as large as domestic reserves, while foreign production remains substantially smaller than that in the United States. Although certain past predictions based on existing trends and known reserves have proved unreliable, recent developments seem to have strengthened the prospect that this country must eventually face the alternative of depending on foreign sources of supply or relying on higher-cost substitutes for natural petroleum.

Large Postwar Demand

The domestic consumption of petroleum products slackened only temporarily at the end of the war and now exceeds the rate predicted earlier for 1950. The increase in consumption from 1946 to 1947, estimated at 4% early this year, is now placed at 7%. The rate of demand puts a strain on present facilities, and there is a distinct possibility of temporary shortages from time to time over the next year or more as a result of bottlenecks that have developed in materials and engineering. The unprecedented growth in demand has occurred in spite of the retarded rate of automobile production. Among the causes of this growth have been high employment and income levels, widespread farm prosperity, rapid installation of oil burners and diesel engines, almost insatiable public demand for automobile travel, and heavy industrial, military and export demand. One of the results has been to cause the Department of Commerce to re-impose export controls as of July 1, 1947.

Prices, Production and Reserves

As a consequence of large increases in costs and the termination of price control, combined with heavy consumption and the disappearance of surpluses, prices of crude oil and refined products have advanced about 67% in the last 12 months. The rise of 70 cents a barrel in crude oil has brought the price to a level that is high in comparison with that during the decade before the war but not in relation to the cost of replacing domestic reserves. Despite recent increases, the price level for petroleum and its products has risen less than the average for all commodities and is still below the 1926 level. The increase in prices has been approximately equivalent to the rise in costs.

Production in the United States continues at about two-thirds of the world total. The present rate of more than 5.1 million barrels daily not only exceeds all previous records but is more than one-third above the 1941 level. Yet it is barely sufficient to keep pace with a current demand that is at the annual rate of 8% of reserves. At this rate our reserves are being drawn upon faster than those of any other major producing nation.

Reserves increased from 20.1 billion barrels in 1942 to 24.2 billion in 1946, largely because of the inclusion in the latter year of 3.3 billion barrels of natural gasoline and condensate not reported formerly. Although the increase in reserves has been small, the total has been maintained despite the rise in production and shortages of manpower, materials and equipment for drilling. There is some basis for confidence that, once the material shortages have been relieved, the situation will prove to be more favorable than it now appears, since the rate of new discoveries may be expected to increase with more men and material available.

A potentially important factor in the outlook for reserves is the vast continental shelf—the areas of shallow water along our seacoasts. Although no important discoveries in these areas have been reported thus far, the possibility of future development has been enhanced by progress in methods of shallow-water drilling, which has brought considerable areas of the continental shelf within the range of present techniques. For the time being, however, existing programs have been upset and the outlook for future progress has been obscured by the recent decision of the Supreme Court indicating that off-shore areas belong to the Federal Government rather than to the States that have leased the properties to private concerns.

Expansion of Facilities

As in the case of crude oil, the United States has maintained its position as producer of approximately two-thirds of the world's total volume of petroleum products. All but a small fraction of the refining and manufacturing capacity is domestically owned. Capital expenditures during and since the war have been large and have been devoted for the most part to the addition of catalytic cracking units. This development has resulted in only moderate expansion of over-all capacity, but it has greatly increased the flexibility of the refineries and has permitted the production of a higher percentage of middle products at the expense of fuel oil, besides making possible a great increase in the yield of gasoline if desired.

It was anticipated that with these changes, accompanied by normal additions and improvements, no difficulty in meeting postwar requirements would be experienced. The present great and generally unforeseen demand, however, is in excess of operating capacity in some districts, especially in the Middle West. Runs to stills are at a new peak, exceeding the 1946 average by 8.5% and that for 1939 by 50%. The large excess capacity that existed before the war, including uneconomical topping units and shut-down plants, has been absorbed; engineering departments are overworked; and materials are in short supply. Under these conditions there is believed to be no likelihood of an early return to the extremely easy supply situation of the prewar years.

Transport conditions vary widely in the different parts of the country. Tankers, which supply about 95% of the demand on the East Coast, are available in ample numbers. The interior pipe-line system, on the other hand, is inadequate because of the impossibility of obtaining sufficient quantities of additional pipe and is being supplemented by the use of high-cost tank cars.

Growing Divisions of the Industry

A striking feature of the industry's history in recent years has been the rapid growth in the natural-gas division. With the advent of new processes, the true value of gas as a fuel is receiving recognition in the form of swiftly increasing demand at higher prices. The consumption of natural gas has increased more than 60% in the last five years. Even at the higher prices now prevailing, the average cost of gas at the well-head, on the basis of heat units, is very low in comparison with that of oil. The huge demand that has developed in due primarily to this disparity in cost. A large majority of the important oil companies experienced only light withdrawals from their reserves during the period of inactive demand and very low prices but are now selling gas, as produced, in larger quantities to carriers under shorter-term contracts than were customary before the war. Further potential growth for this division of the industry is indicated by the fact that an increasing proportion of recent discoveries has consisted of gas or condensate, with the result that, while oil reserves have increased only slightly, gas reserves have almost doubled in the last four years.

The chemical division of the industry also has expanded rapidly in recent years. The volume of products in this category increased from half a billion pounds in 1942 to 4.3 billion in 1945. Although this is equivalent to only about 1% of the annual output of crude oil when measured in pounds, the economic importance of chemical products is greater than their physical volume would indicate. Research has developed many low-cost volume products, such as synthetic rubber, plastics and insecticides. Continued growth in this section of the industry is anticipated.

Conditions Abroad

The great disparity in consumption per capita between the United States and the rest of the world has, for the time being, been increased by the war. Demand in this country last year amounted to 571 gallons per capita, as against 95 gallons in the rest of the Western Hemisphere and only 14 gallons in the Eastern Hemisphere. Consumption in the Eastern Hemisphere, which was abnormally low in 1946 as a result of many factors growing out of the war, is believed capable of great potential growth, particularly in view of coal shortages, which are expected to continue for a number of years.

Although total foreign production last year was 37% larger than in 1938, output abroad has not maintained the prewar average of about two-thirds of that in the United States. Outstanding increases in Venezuela and the Middle East have been more than offset by declines in Russia and the Far East. These declines, however, are believed to be only temporary, since the potential capacities are very large. Venezuela, now producing about 1.1 million barrels daily, is believed to be approaching its peak output from present fields. Potentials, however, are so large that increases are expected as development proceeds. The Middle East, though producing only about 750,000 barrels daily, has the largest potential of any known region of the world. Development plans call for an increase in production of about a million barrels daily in the next five years, approximately equal to the expected increase for all other producing fields combined.

Unlike production, which is equal to less than two-thirds of that in the United States, foreign proved reserves are at least 1.8 times as large as those in this country. Foreign reserves, about 35% of which are American-owned, have increased by approximately 270% in the last decade to 43.5 billion barrels, while reserves in the United States have risen about 56% to 24.2 billion barrels (or 20.9 billion exclusive of natural gasoline and condensate). The average production per well varies widely in different areas. In the United States an average of 11.2 barrels a day was produced in 1946, as against a reported average of 280 barrels for a leading producer in Venezuela and a range from 5,000 to 10,000 barrels for most wells in the Middle East.

Preparations for Future Growth

As the result of a number of factors, including wartime destruction of facilities, coal shortages and the possibility of a sharp reduction in exports from the United States, the major international oil companies both American-owned and foreign-owned, have embarked on projects for refinery construction, estimated to cover a five-year period, that greatly exceed those for the United States. It is extremely doubtful, however, in view of shortages and political uncertainties, whether all these plans will be carried out within the five-year period. If they are, refinery runs will be increased by about 1.2 million barrels daily. This is equivalent to an increase at the rate of 10% a year for five years, as against a rate of increase of about 18½% in the 10 years preceding the war. Important construction is now under way in the Middle East, Far East, Venezuela, England and France. With the exception of refineries in the United States and the Middle East, and the two giant plants on islands off the coast of Venezuela, there are few refineries that are not urgently in need of modernization.

Transportation is in a somewhat similar position. At present this service is supplied largely by tankers. While these are not now in short supply, they might become so if additional oil from the Middle East should be required. Four large pipeline projects with a total capacity of more than 1.2 million barrels daily, to be completed within five years, are planned for the Middle East.

Total proved world reserves appear to be more than adequate to meet demands for a long period, but the distribution of these reserves has been radically altered in recent years. From the point of view of the United States, the central fact is that domestic reserves are being drawn upon nearly three times as fast, proportionally, as foreign reserves. Past experience indicates that the outlook could change greatly as a result of unexpected discoveries or other developments. Meanwhile, however, the industry is proceeding on the basis of known facts and is preparing for the use of new processes to supplement existing supplies at the lowest possible costs. The production of liquid fuel and other products from natural gas on a commercial scale is expected to begin within about a year, and there is authoritative opinion to the effect that high-grade motor fuel can be produced in this way at a cost comparing favorably with that of similar fuel from crude petroleum. Reserved for use in the not too distant future is the application of like processes to coal, shale and other carbonaceous materials. These processes give eventual promises of very great and reasonably economical additions to the oil supply.

Letter to the Editor:

Points Out Switzerland Has Financed Itself

Dr. Frederick Bek-Andreae, of Credit Suisse, in calling attention to errors in "Chronicle" article in July 10 issue, says his country has not only made cash investments in this country and South America, but has also granted loans to European countries.

Editor, Commercial and Financial Chronicle:

Number 4610 (July 10) of your periodical reached in these days our country and on page 2 there is a very interesting article from the pen of Clinton Davidson on "Argentina—the World's No. 2 Garden Spot" which contains more than one error, which please rectify in one of your next numbers.

The United States of America and Argentina are not, as Davidson states, the only two countries in the world which are financing themselves without outside assistance, but there is also a little country in the middle of Europe which much before Argentina and even U. S. A. was able to finance itself without any assistance from outside and this country is Switzerland. You will remember that Switzerland has not, like U. S. A. and Argentina, a rich soil; we are not at all favored by nature and we could not live in luxury during the war, while most nations suffered privation and starvation.

The wealth of our nation lies in the hard work we accomplish every day and which enables our people to put aside economies, from which we could even finance the big electrical works in Argentina like the Compagnia Hispano-Americana de Electricidad and the Italo-Argentina de Electricidad.

The second error in the article of Mr. Davidson is, that only Argentina and U. S. A. are able to buy for cash investments in industries; and the third error, that only these countries were able to make large loans to various governments, because everybody who knows Switzerland and the history of our country realizes easily that in the last 40 years we not only made cash investments in the U. S. A., in Argentina and Brazil, but we made very important loans to France, Belgium, Holland, Norway, Italy and other countries.

It may be useful to remember that only once in this century did Switzerland ask for a loan abroad and that was after the first World War in 1921, when we asked U. S. A. for a loan, which was granted and paid back in a short time to the satisfaction of both parties involved.

These facts should be known by your readers as the Swiss market, while certainly not the biggest (as we have only a population of 4 to 5 million), is the most trustworthy, with an unbroken good record in the history of commercial relations between U. S. A. and the oldest republic of the world.

I am, dear sir,

Yours very truly,
FREDERICK BEK-ANDREAE,
Berne, Switzerland

Lingenberg With Staats

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Ralph L. Lingenberg has become associated with William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Lingenberg was previously with Cruttenden & Co.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Robert J. McKim has been elected to the board of directors of the **Chemical Bank and Trust Company of New York,** it is announced by N. Baxter Jackson, Chairman. Mr. McKim is President and a director of Associated Dry Goods Corporation and a director of Hahne & Co., Newark and Montclair, N. J.; Stewart Dry Goods Company, Louisville, Ky., and the National Retail Dry Goods Association. He is also a trustee of the **North River Savings Bank, New York.**

* * *

It was indicated on Aug. 28 that Irvington Reynolds, Vice-President of the **Chase National Bank of New York** and Secretary of its board of directors, would resign as of Aug. 31 to return to law practice as a member of the firm of Shearman & Sterling & Wright.

* * *

The New York State Banking Department reports that as of Aug. 19 the liquidation of the affairs of the **Port Morris Credit Union** at 391 East 149th Street, New York was completed by the Superintendent of Banks, the corporation dissolved and the corporate existence terminated.

* * *

A brochure relating to the **County Trust Co. of White Plains, New York,** the largest bank in Westchester County, has been issued by Hayden, Stone & Co. of New York. The brochure covers the history, business and progress of the institution, and presents a record of its earnings, financial condition and an appraisal of its prospects. The merger recently completed of the **County Trust Co.,** the **Washington Irving Trust Co. of Tarrytown** and the **Bank of Westchester, Yonkers**—a reference to which appeared in our issue of Aug. 7, page 541, increases widely the opportunity of the County Trust for development and expansion of its services.

* * *

A special meeting of the stockholders of the **Security Trust Company of Rochester, N. Y.,** will be held on Sept. 15 to approve an agreement merging the 60-year-old **Citizens Bank & Trust Company of Dansville, N. Y.,** with Security Trust. The Rochester "Times-Union" reporting this in its Aug. 28 issue said that an announcement of the proposed merger and meeting was made by Bernard E. Finucane, President of Security Trust. The merger has already been approved by the Board of Directors of each bank and the Superintendent of Banks of the State of New York.

The press advices from which we quote also stated in part:

"When final approval and confirmation has been given, the **Citizens Bank & Trust Company** will become the Dansville office of the Security Trust Company. Mr. Finucane said he hoped final arrangements will be complete by Oct 1.

Under the plan George H. Plummer, President; Paul E. Wamp, Jr., Secretary-Treasurer, and the entire staff of the Citizens Bank will continue in their present posts.

* * *

From the Weekly Bulletin Aug. 22 of the New York State Banking Department it is learned that on Aug. 18 approval was given by the Department to the **Industrial Bank of Central New York, Syracuse, N. Y.,** to a certificate of increase of capital stock from $125,000, consisting of 5,000 shares of the par value of $25 each, to $200,000, consisting of 20,000 shares of the par value of $10 each.

* * *

An idea to encourage spending as well as saving was put into effect on Sept. 2, by the **Western Saving Fund Society of Philadelphia.** Under the plan launched by the Society, with the cooperation of retail merchants in the vicinity of the branches, the first of 16 monthly exhibits of merchandise was placed on display immediately after Labor Day in the banking rooms of the Society, now in its 101st year. The displays include items which throughout the war and for many months after the cessation of hostilities were either entirely unavailable or, hard to get—such things as electric refrigerators, washing machines, stoves, radio-phonographs, television receivers and other appliances. It is noted that the idea of displaying merchandise on banking room floors is not new in itself, a number of commercial banks having already used the plan to promote consumer credit business; however, the **Western Saving Fund Society** is the first savings bank in Philadelphia to devote floor pace to merchandise displays. Briefly the plan will operate in this manner: Each month for the next 16 months, ending Dec. 31, 1948, a different merchant will be given the allotted floor area in the Society's office in the community he serves. Two central city department stores are participating in the plan at the downtown offices. The bank will not sell or even attempt to sell the merchandise on display. Bank personnel, however, will refer interested customers to dealers. In announcing the plan A. J. Cassatt, Vice-President of the Society, points out that "it was to promote thrift, by providing an incentive to save, as well as to release some of the vast latent purchasing power in the savings accounts of our depositors, that the Western Saving Fund Society decided to take this pioneering step as we enter our second century of service to Philadelphia and its varied community life."

* * *

The **Fidelity and Deposit Company of Maryland at Baltimore** announced on Sept. 2 the advancement of Julian S. Neal, William A. Bowersox and Ronald W. Fuermann, to the respective positions of Manager, Associate Manager and Assistant Manager of its Chicago office. In the order named they had previously occupied the positions of Associate Manager, Assistant Manager and Special Agent. The office continues under the active direction of William H. Hansmann, Vice-President. Mr. Neal joined the F & D in September, 1930 and has since been continuously connected with its Chicago office. Mr. Bowersox started with the F & D in 1928 as a member of its accounting department, subsequently working up to the position of travelling auditor. In 1934 he was assigned to Chicago. Mr. Fuermann joined the F & D's Chicago organization in a clerical capacity in 1933.

* * *

Supplementing an item regarding a merger of **Dover, Ohio,** banks, appearing in our issue of Aug. 28, page 848 the office of the Comptroller of the Currency in its Aug. 25 Bulletin indicates that the **Exchange National Bank of Dover,** (Capital $100,000) and the **First National Bank of Dover,** (Capital $100,000) consolidated Aug. 15, effective as of 3:30 p.m. (EST), Aug. 16, under the charter of the **Exchange National Bank of Dover** and under the title of **"The National Bank of Dover,"** with common capital stock of $250,000, divided into 25,000 shares of the par value of $10 each, and surplus of $175,000.

* * *

An interesting event took place in **St. Louis** when I. A. Long, Vice-President of the **Mercantile-Commerce Bank and Trust Company,** told of some of the rare mechanical banks of his collection over Television Station KSD-TV. Mr. Long was interviewed by Frank Eschen, Director of Special News Events, over Station KSD and Station KSD-TV. In the course of the interview, Mr. Long demonstrated the mechanical action of many famous banks. The first cast iron mechanical banks were made in 1869, some of which reflect various phases of American life until the early part of this century. It is stated that there are collections of these banks in several museums, and outstanding private collectors have included the late Henry Ford and Walter P. Chrysler.

* * *

Ben R. Meyer, President of the **Union Bank & Trust Co. of Los Angeles, Cal.,** announces that P. E. Neuschaefer, Vice-President, has arranged to visit a number of the principal cities of Western Europe. Mr. Neuschaefer will sail from New York Sept. 3 on the S.S. Queen Elizabeth with an itinerary which will take him to London, Paris, Milan, Genoa, Zurich, Lucerne, Basel, Geneva, Brussels, Antwerp, Amsterdam and Rotterdam. In these cities he will visit banks with which his institution maintains correspondent relationships. Mr. Neuschaefer will return to America via the S. S. Mauretania, sailing from Southampton Oct. 14.

* * *

W. H. Smith has been appointed Vice-President in charge of the contract department, comprising the automobile and equipment financing activities of the **Anglo-California National Bank of San Francisco, Calif.,** it was announced on Aug. 16 by Allard A. Calkins, President. Mr. Smith will succeed Ivan M. Barnett, who will resign on Sept. 30 to enter the automobile business. Mr. Smith, now Vice-President and Manager of the bank's San Jose office, will assume his new duties in San Francisco in September. He has had 19 years of experience in the banking and finance fields, and has been connected with Anglo Bank since 1935. He is director and Treasurer of the San Jose Merchants Association, Second Vice-President of the San Jose Chamber of Commerce, director of the Community Chest of San Jose, Chairman of Group III of the California Bankers Association and a Past-President of the San Jose Clearing House Association. Mr. Barnett, who will become the Dodge-Plymouth distributor in Santa Rosa, has been associated with Anglo Bank in an executive capacity for the past 21 years. Mr. Calkins further announced that Mr. Smith will be succeeded as manager of the San Jose office by Hall L. Jacobs, now Assistant Manager of the bank's Bakersfield office, who becomes Vice-President.

* * *

The Board of Directors of **The Pacific National Bank of Seattle, Wash.,** announces the election on Aug. 28 of Caspar W. Clarke, as Chairman of the Board.

Effect of British Crisis on U.S. Business Discounted

Under present conditions decline in our exports would entail many counterbalancing benefits for our domestic economy, asserts National City Bank.

Forecasts of dire effects of Britain's dollar exchange crisis on our domestic economy may well be unwarranted, according to the "Monthly Letter" of the National City Bank. The following factors sustaining the United States business structure are enumerated:

"Unexpended proceeds of credits previously granted are still considerable, new gold produced will largely come our way, and additional loans or grants of funds that will be spent here may be available through existing authorizations and institutions, notably the International Bank. Moreover, work on programs to implement Secretary Marshall's proposals is still in the beginning stages, and what may grow out of it cannot now be foreseen."

"The second point is that the business of this country is in position to withstand a decline in exports, perhaps better than at any other time in its history," the "Letter" continues. "This statement does not imply that a drop would be welcomed, for the world needs our goods, particularly productive equipment to assist reconstruction and rehabilitation. But from the narrower viewpoint, it is nevertheless true that exports have been an inflationary influence, and will continue to be so if the trade continues so drastically one-sided. When goods are shipped out of the country the purchasing power created by their production and sale remains in the country, and when we ship more goods than we receive the total purchasing power increases relative to the supply of goods."

"Export demands have prolonged and intensified shortages and boosted prices," the bank states. "Conversely, relaxation of the export pressure will produce a more normal and orderly situation. Domestic needs will be better supplied, in cases where shortages are still present."

"It follows that domestic demand can take up at least part of the slack that may come in exports," the "Letter" asserts. "In automobiles, for example, it is plain that the cars now being sold abroad could all be sold at home, with no effect on automobile market conditions except a possible decline in the premiums above list prices which so many people have to pay, in one way or another, to get new cars. If less steel were exported, production of automobiles and many other articles would be larger. We repeat that we should not welcome a decline in our exports of the commodities which the world needs so acutely. But realistic appraisal requires an understanding, first, that such a development would have its blessings as well as its evils; and, second, that possibilities of expansion in domestic buying exist in some lines, to offset a drop in foreign purchases."

"What the effects on sentiment may be if exports grow progressively smaller is hard to foresee," the bank declares. "If developments should lead to cancellation of plant expansion and improvement programs, to general bearishness, deferment of buying and declining prices, the direct effects would be multiplied. For the present, however, this would be taking too gloomy a view."

The Domestic Situation

Several strong points on the home economic front are cited.

"In the domestic situation the supporting influences, in the way of accumulated orders and demands, and record-breaking employment and income, continue strong," the "Letter" continues. "Merchandise buyers during the past few months have shown more readiness to pay the prices asked in the markets, despite their uncertainty as to what the public reaction will be when the goods are offered across the counters. Apparel manufacturers are under pressure for shipments. The shoe factories and soft woolen mills are stepping up operations after some months of curtailment, and cotton mills have orders in many lines for months ahead. Thus it seems evident that the soft goods industries will give more support to employment and purchasing power this Fall than many people considered likely a few months ago.

"The automobile and steel manufacturers continue under pressure for all they can produce, and with most of the capital goods industries still having heavy backlogs and construction activity holding better than the pessimists of last Spring expected, the likelihood that industrial production during the Fall will stay fairly close to the Spring peak is now generally accepted. For July the Federal Reserve Board's industrial production index stood at 178 (1935-39=100), against the March peak of 190, but July was the month of the coal and steel shutdowns. For the early future, improvement rather than retrogression from the 178 figure is to be expected."

Canned Dog Food Starts Come-Back

Survey for American Can Company shows potential sales after war absence

Canned dog food is starting a come-back after a complete absence during the war, when cans were urgently needed for other purposes, according to a national survey made for American Can Company.

The survey, which covered 5,950 families throughout the country on farms and in cities of all sizes, indicates that there are approximately 664,000 dogs who are now being fed balanced diets of canned dog food. In addition, the survey discloses that about 2,800,000 other dog owners say they intend to start giving their pets the canned food they enjoyed before the war. Government estimates of prewar sales ran as high as 600,000,000 units a year.

Some canned dog food is being sold to farmers, despite the fact that the great majority of farm dogs have always been fed table scraps, the survey indicates. It is estimated that almost half the canned food now being sold is going to dogs on farms or in rural non-farm homes.

However, the largest potential postwar market for canned dog food apparently lies among urban dog owners, for it was found that approximately three-quarters of the dog owners who say they intend to start feeding their pets canned food, now that it is again available, live in towns from 2,500 population upward.

The total number of dogs in the United States was estimated at 17,700,000. Two out of every three farm families were found to have dogs, as compared with only one out of every five city dwellers.

Foreign Holders Selling U.S. Securities

New York Federal Reserve Bank forecasts increased tempo of such liquidation to satisfy world needs for more dollars. Rise in foreign drain traced. Effective utilization of dollar resources claimed to depend on their distribution by countries.

With a view to increasing their dollar balances, the likely continuation and increase in the liquidation of their American long-term securities by foreign countries is pointed out in the "Monthly Review" of the New York Federal Reserve Bank for September.

"Aggregate net sales, however, have so far been rather small, securities worth $234 millions (at market prices) having been sold in the first post-V-E Day year, and $223 millions in the following year," the "Review" asserts. "These sales represent mainly the liquidation of British and Canadian holdings, and in recent months of Dutch and Latin American holdings also. The rate of liquidation may increase, however, since the Netherlands Government is promoting the voluntary liquidation of American securities by Dutch citizens, France has requisitioned American securities held by French citizens, and Sweden has recently taken a census of domestically held foreign securities."

Foreign Holdings Rise to $3.5 Billions

The Board explains that "the amount of dollars that foreign countries may be able to obtain by liquidating American long-term securities can be estimated on the basis of the United States Treasury census of foreign-owned assets as of June 14, 1941, adjusting the figures for net purchases and sales since June 1941 and for changes in market prices. On June 14, 1941, the market value of foreign holdings of United States securities amounted to $2,700 millions, of which 1,843 millions were common stock, 306 millions preferred stock, 219 millions corporate bonds, and the balance mainly United States Government, State, and municipal securities. At the present time the value of such holdings, after the adjustments mentioned above, is estimated at approximately $3,500 millions; the increase since 1941 is due entirely to the rise in market prices. Of the aggregate amount, Europe accounts for about $2,100 millions and Canada for $600 millions, the rest being distributed throughout the world. Among the European countries, the United Kingdom holds more than $600 millions and Switzerland somewhat less than $600 millions, the Netherlands over $400 millions, and France about $250 millions. In the face of the current large British, Canadian, French, and Dutch balance of payments deficits, the holdings of American securities are thus of limited importance. Their utilization, moreover, depends on the willingness of the foreign owners to repatriate the securities or the ability of the foreign governments to requisition them under their exchange control powers. Part of the British-owned American securities are still pledged as collateral for the Reconstruction Finance Corporation loan granted in July 1941, of which $205 millions was outstanding as of March 1947."

The Drain on Cash Credits

The "Review" points out that "apart from utilizing their own gold and dollar resources, foreign countries have been obtaining dollars by drawing on American cash credits, particularly the Export-Import Bank loans and the special British credit. As is indicated in the table, the dollars procured from United States Government cash credits amounted to only $514 millions in the first post-V-E Day year, this total representing net drawings on the Export-Import Bank credits. In the second postwar year, more than $3 billions was obtained by drawing on government credits. The increase in the rate of utilization of the British $3,750 millions credit has been particularly rapid, the total used having increased from $600 millions at the end of 1946 to $3,350 millions at the end of August 1947. As to the Export-Import Bank loans, some $250 millions are currently being disbursed each quarter. The Reconstruction Finance Corporation has made cash advances to the Philippine Government, of which $60 millions is outstanding at present."

Export-Import Commitments

"Apart from the $400 millions balance of the British credit that is not to be drawn upon pending further British-American discussions," the Board points out that "there were still available to foreign countries at the end of July 1947 some $944 millions of undisbursed Export-Import Bank commitments. Of these unutilized commitments, Europe still had $504 millions (of which France had $202 millions, Italy $105 millions, Norway $50 millions, Finland $22 millions, and the Netherlands $7 millions), the rest being mainly assigned to Latin America ($241 millions) and Asia ($179 millions).

"Besides the British credit and the Export-Import Bank loans, cash credits, mostly short-term, have been extended to foreign countries by the Federal Reserve Banks (against gold collateral) and by American commercial banks. The total of such credits outstanding increased by $136 millions in the year ended June 1946 and by $423 millions in the following year."

* * *

In summarizing its findings the Board states that "in contrast to the small net drain on the gold and dollar resources of foreign countries as a whole in the first postwar year, in the 12 months ended June 1947 the drawings on foreign gold and dollar assets amounted to $3.3 billions, while the utilization of American cash credits, government and private, was $3.5 billions." Continuing, it adds, "there are several reasons for the rapid rise in the utilization of gold and dollar assets and available dollar credit lines. First, for a year or so following the end of the war in Europe foreign countries obtained American goods and services on deferred terms under war-settlement, lend-lease, and surplus-property arrangements, as well as from outright American grants and gifts, and consequently there was less urgent need for foreign countries in that period to draw heavily upon their gold and dollar assets. The earlier American credits and grants enabled foreign countries to conserve their gold and dollar resources temporarily, thus contributing greatly to the maintenance of international liquidity in the immediate postwar period. Second, goods became more plentiful as the process of reconversion in this country advanced, with the result that foreign countries' purchases in the United States increased. Third, the American price level rose considerably in the second postwar year, so that the available gold and dollar assets, as well as the proceeds of American cash credits, have been utilized much faster than had been expected after the end of the war. The rapid exhaustion in recent months of the British credit, which has been drawn upon at a rate greatly in excess of the normal flow of current transactions, has been due in part also to the gradual reestablishment of multilateral convertibility of current sterling—convertibility which had to be partly abandoned on Aug. 20, 1947 as one of the emergency measures taken by the British Government to meet its present economic crisis.

"At present foreign countries as a whole still possess some $17 billions in gold and short-term dollar assets and about $3.5 billions' worth of American long-term securities," the "Review" continues. "There are also $400 millions still available from the United States Government credit to the United Kingdom, and (as of July 31, 1947) $944 millions of undisbursed commitments of the Export-Import Bank, and $807 millions of that bank's uncommitted resources. In addition, the World Fund and Bank may grant additional financial assistance abroad before the end of the year. There are, however, legal and practical limitations upon the rate of lending by the Fund and the Bank, as well as upon the purposes for which their facilities may be used. The Fund's maximum potential dollar aid (including aid already extended) is about $1 billion during the first year of operations; none of it, however, is intended to be used for reconstruction or other purposes involving long-term loans, according to the Fund's Articles of Agreement. The Bank can lend from its own capital only about $725 millions (representing the 20% paid-in subscription of the United States plus the 2% of other countries' subscriptions that was paid in dollars). Any additional dollar funds that the Bank makes available must first be raised by the sale of debentures on the United States investment market.

"The effective utilization of the dollar resources on which foreign countries may still draw depends, moreover, not only on the aggregate size of such resources, but also on their distribution by countries, which is highly irregular. The countries that are in greatest need of American food, raw materials, and manufactures are in many instances not the countries that hold large gold and dollar assets or unutilized dollar credit lines. Furthermore," the Board concludes, "even countries that still have gold and dollar assets available cannot actually utilize the entirety of their resources, since a large part represents legal or traditional currency reserves and another sizable portion consists of working balances that have to be preserved in order to insure an uninterrupted flow of their foreign trade."

A World Not at War But Without Peace

(Continued from page 7)

again make the mistake of judging us to be weak.

To win the peace we must remain strong and become stronger. I urge that it is our duty to provide a program involving participation by all able-bodied young American men under universal military training.

We do not desire such a program, as has been suggested, to take the place of our educational system or to teach our young men to brush their teeth. Hard as military training may be, it is a powerful bulwark against far greater hardship—war itself.

For the defense of the peace we must maintain a permanent military establishment adequate to the defense of this country at all times and also sufficient to perform our obligations to the United Nations. The United Nations represents today the hopes and aspirations of all men and women of good will the world over. It is a product of the work of many hands, and I am happy to say, in part of the bi-partisan foreign policy which I undertook to create during the summer of 1944. Beset by obstacles and frustrated by constant use of the Soviet veto, it has, nevertheless, made progress in mobilizing the opinion of the peoples of the world. As a nation we must hope that prevention of aggression will make further strides in the meeting of the Assembly immediately ahead.

Free Societies Imperiled

In addition to waging the peace through sacrifice, through strong military defenses and vigorous support of the United Nations, we have another obligation. We must honestly face up to the facts and know where the dangers are. Everyone knows that there is now a movement which is advancing an ambitious well-organized program to undermine and then overthrow the free societies of the world. We have seen nation after nation crumble before it. We see its active revolutionaries in our own Hemisphere and here in the United States we find its organs of propaganda and its tightly organized agents, vastly more powerful than their numbers, using fellow travelers in every walk of life. You, the American Legion, as a group, have long and vigorously fought this menace of Communism, and I congratulate you.

As a Nation we can live in harmony with any other nation, regardless of its form of government. We propose to do so. But it is fundamental that every nation respect the rights of other people to freedom and self-government. It is also fundamental that no nation has a right to conspire to overthrow the government of any self-governing people.

The road to peace is not easy. It is not a road of self-indulgence, of unpreparedness, or of weakness. It is not the road of appeasement. Those are roads to war. We have followed them in the past. The institution of human freedom requires that they be not followed again.

The road of peace requires that we at home be united on the broad essentials of foreign policy and for three years our two great political parties have worked together at the conferences of San Francisco, London, New York, Paris and Moscow. Both are entitled to credit for many of the developments in the implementation of our bi-partisan foreign policy.

Bi-partisanship Ignored

The overall results, however, are not as good as they could have been because in many important matters there has been virtually no consultation and bi-partisanship has been ignored. On many occasions the country has been confronted with fully elaborated programs which it had no choice but to accept or present to the world a picture of a divided nation.

The people of America have recently endured the bitterest of all wars. Everyone who wore the uniform of the United States has taken part in foreign relations as an active participant in world affairs. Our people and particularly our young people are acutely conscious of the problems of the world and are entitled to full and regular information with regard to every threat to the peace. Moreover, if we are to maintain the bi-partisan nature of our foreign policy and the essential unity at home which these difficult times require, we must have the fullest participation in the shaping of policy in advance by the elected representatives of the people in the Congress of the United States.

No War and No Peace

We are living in a world which is not at war but in which there is no peace. As I visit with the statesmen of the free world who come to New York, I find they all have one thing in common. They are brave men, these leaders of the cause of freedom in countries where to lose an election means to lose your head. They represent the hopes of hundreds of millions of people for peace and for personal dignity, for a chance to educate their children, to work, to live with their families free from fear. They want the right to worship their God as they please, to speak the truth as they see it and to learn the truth from a free and unfettered press and radio.

All the things we take for granted in this country are now denied to many hundreds of millions, and are endangered over most of the rest of the world. We have learned the bitter lesson that when the rest of the world is in danger of being enslaved, we, too, are in danger.

Freedom and peace are our goals and it is time we set about achieving them. We must be prepared to make sacrifices for them. We must become strong enough to prevent attack. Our foreign policy should become genuinely bi-partisan. We must unite to make sure that we shall not again be so weak and ignorant as to stumble into the paths of war, but that instead we shall be strong enough and courageous enough to follow firmly the paths which lead to peace. It is deeply gratifying that the American Legion is so patriotically committed to this course. I congratulate you and wish you great happiness at this Convention and progress for America and the world in the year to come.

Stassen Lauds Dewey Stand on "Training"

According to a statement in the New York "Herald Tribune" of Aug. 29, Harold E. Stassen, a contender with Gov. Thomas E. Dewey for the Republican Presidential nomination, applauded the latter's stand for compulsory military training announced for the first time on Aug. 28, in an address before the Convention of the American Legion. "He may be beginning to take a stand on things," Mr. Stassen is reported to have said, thus commenting on his previous criticism of Governor Dewey, whom he had accused of not taking a definite stand on any important national issue.

Harold E. Stassen

Gov. Dewey, in substituting for Bernard M. Baruch, made the second address of the day at the Waldorf Astoria Hotel, before an assembly of 1,600 legionnaires.

Taggart Co. Is Now Phila. Exch. Member

PHILADELPHIA, PA.—Charles A. Taggart & Co., Inc., 1500 Walnut Street, has been admitted as a member corporation of the Philadelphia Stock Exchange and also has been admitted as a member of the Stock Clearing Corporation of Philadelphia. John P. Hart, Vice-President and Director of Charles A. Taggart, is the member of the Philadelphia Stock Exchange.

Repressed Inflation—Economic Cancer of Europe

(Continued from first page)

the war and that, for that reason, she needs the largest possible help. In addition to that, however, the economy of most European countries as a process has been vitiated by policies which are disorderly, unbalanced and haphazard, and are stifling production. We are so poor not only because we lost so much, but also because we have, here in Europe, not the right policies to replace what we lost, as much and as quickly as possible. Most European currencies are "soft" not because they are such by nature and necessity but because certain policies make them so. The dollar —like the Swiss franc—is "scarce" in most countries of Europe because there is a fundamental maladjustment of the conditions regulating the economic intercourse between these countries and the United States. For this maladjustment, however, those countries are largely responsible themselves, because they insist on policies which keep their internal price and cost structure out of balance with that of the United States.

War Not The Cause

In order to understand the present deplorable condition of Europe it is not enough to remember that it has been impoverished by the war. What we must realize, in addition, is that there is something fundamentally wrong about the economy as a process a functional deficiency which deprives most European countries of using the economic potentialities still left or which is even *aggravating* the impoverishment. Unfortunately, far too little efforts have been made to give the right diagnosis of this deficiency, and I submit that, if the present generous project of Mr. Marshall materializes, as a first step an international council of economic diagnosticians ought to be called together in order to define precisely the illness before any treatment is applied. As a first contribution to this task, I published in the "Commercial and Financial Chronicle" of Feb. 27, 1947, an analysis of the worst case which is that of Germany. I summarized my findings by saying that the economic catastrophe of Germany can be understood as the complete breakdown of a policy of repressed inflation. But if Germany is the worst case it is not the only one in Europe. Repressed inflation is, indeed, the economic cancer of the most part of present-day Europe.

Widespread European Inflation

Let us briefly recall what we mean by "repressed" inflation. As a consequence of the war and of bad economic management after the war we observe almost everywhere in Europe a serious inflation in the sense of a noticeable increase of the volume of money relative to a very slow recovery of production. If the government would admit an "open" inflation this disproportion between the volume of money and that of commodities would result in the well-known consequence of a general increase of prices, incomes, and foreign exchanges. Now our government has the praiseworthy intention to avoid this catastrophe of an open inflation. On the other hand, however, it does not act against the inflationary disproportion between money and goods either, be it that it has not the strength to do so (as the Italian and French governments being pestered by the communists), be it that it will not give up an economic policy ("full employment," "cheap money policy," or expensive socialist experiments) which is incompatible with a sound monetary system. In other words, our government wants to have it both ways. What does it do? Remembering the example of Hitler, it forbids the excess of demand to result in increased prices, wages, and exchange rates, and at the place of free prices which are automatically balancing economic life and instigating production it puts another system which, during the emergency of the war, has been both effectual and necessary. It is the system combining the fixing of prices with rationing and other indispensable measures which, while going under the euphemistic names of "control" and "planning," consist, in reality, of all sorts of coercion. There are now two sorts of pressure working against each other: the pressure of inflation driving prices, costs, and exchange rates upward and the pressure of "control" which tries to neutralize that upward pressure. The unfortunate government is sitting tight on the gusher of inflation. The question is how long it is able to do so and what will happen in the meantime.

Collectivism The Root

It is this new type of repressed inflation which corresponds to our age of rampant collectivism. We have *inflation* because we have collectivism which, as all experiences prove, leads invariably to inflationary pressure, either caused by a budget deficit or by a "cheap money" policy. We have *repressed* inflation because it is the machinery of collectivist controls which tries to keep down the inflationary pressure. This ugly combination of collectivism and inflation has the tendency to involve the national economy in progressive disorder and economic paralysis. It is a *system of fictitious values compulsorily enforced*. The longer it lasts the more fictitious such values tend to become, because they correspond ever less truly to the real scales of values and because ever less transactions are being made on the basis of these fictitious values.

The process of repressed inflation as we observe it today in many European countries is characterized by the fact that the inflationary pressure tends to mount steadily. But the more it increases the more will the government be compelled to increase the counter-pressure of repression. Then we are entering a vicious circle where with increased inflationary pressure and governmental counter-pressure the system of compulsory values will become ever more fictitious. Lack of balanced production, chaos, and stagnation will assume ever more alarming proportions, and the population will react on this by a spirit of growing discontent, disobedience, distrust, and bewilderment. Finally, the government has only the choice to admit its defeat or to have recourse to the brutal measures of Hitler and Stalin. There can hardly be any doubt that unless repressed inflation will be stopped in time it sets in motion a cumulative process which finally may end in the complete decay of the economy and in the practical dissolution of democratic government.

Not to see this vicious circle of repressed inflation has been invariably the main error of those who argue that it is preferable to continue this policy until production has increased enough both in order to relieve the pressure of inflation and to make it possible to dismantle the machinery of repression. They fail to realize that it is exactly repressed inflation which is stifling production, and that the longer we wait to break up the vicious circle the more illusionary becomes the hope that increased production may solve the problem automatically. Most of these advocates of repressed inflation — in France, in Germany, and elsewhere—are still considering the problem in terms of a besieged fortress where a given amount of goods has to be distributed rationally. They cling to the melancholy ideal of a "poor-house socialism"; they defend their system by arguing that it makes all share the general misery equally (if they do not go even to the length of pretending like the British Labor Government that the masses are better off than before the war!). They even try to make some impression by the challenging question of how the masses would be able to live if the repression were abolished. They overlook, however, that, unless we want to make the misery permanent or aggravate it, the problem is one of increased production instead of the just distribution of a given amount of goods. Any prolonged policy of repressed inflation tends not only to stultify the aim of having more and better balanced production but also even to defeat the purpose of a just distribution because the progressive dissolution of the whole system enhances the importance of the black markets with its exorbitant prices.

Softening Hard Currencies

All European countries practicing repressed inflation have been devastated or impoverished by the war, with the main exception of Sweden where a similar situation has been created artificially by the hard work of doctrinaire socialists who have been amazingly successful in solving the difficult problem of how to make a "hard" currency "soft." It has become fashionable to defend the socialist policy of all these countries on the ground that it is the impoverishment which leaves no other choice. Our conclusion, however, is that just the opposite is true. Repressed inflation—which is practically identical with socialism today—not only stabilizes but even increases the disproportion between money and goods while the least that can be claimed in its favor, i.e. the just distribution of goods becomes ever more illusionary until, in the end, distribution becomes more unjust than it might have been without any repression at all. So, contrary to the theory of "distress socialism," it is the destitution of a country which makes it imperative to do away with repressed inflation and to re-establish a competitive order with sound monetary conditions. It is only repressed inflation which explains the strange fact that a country like France, whose soil is just as rich as it ever was, now seems to be unable to produce enough food for its population. The other day, the French Prime Minister tried to defend the greatly damaged prestige of socialism by evoking the bogey of the rich who, without repressed inflation, would not leave enough to eat for the rest of the population. It is surely grotesque to do this in the "doux pays de France." When the good king Henry IV of France promised the French the proverbial chicken for every Sunday we may safely presume that he had not in mind to achieve this by the modern combination of meat coupons and inflationary pressure.

France is a very bad case, though not so bad, of course, as Germany. But what about England? If we analyze her economic situation we find indeed that here is another case of repressed inflation whose consequences are not essentially different from those in France or Germany. As time goes on it becomes more and more doubtful whether the economic difficulties in England can still be explained entirely by the impoverishment brought about by the war, and more and more experts come to the conclusion that it is again the combination of socialism and inflationary pressure (caused by the "cheap money" policy) which is stifling production. As Professor J. Jewkes of the University of Manchester has recently stated it in the April issue of "Lloyds Bank Review": "We succeed merely in preventing the vicious upward spiral of prices at the cost of having a vicious downward spiral of productivity." On the endeavors of the Labor Government to exhort the workers to more production he comments: "The vicious downward productivity spiral will not be avoided by appeals to the community to work harder. It is futile to expect individuals to work harder unless each one feels that his own standard of consumption depends on his own efforts and that he will get a greater share of the total cake as a result of his efforts." It has always been the great mistakes of British socialists to believe that because war collectivism was a success collectivism must be successful also in peace time. They forget that in the extreme national emergency of war one can appeal to the spirit of sacrifice and self-denial, but this hectic psychological atmosphere cannot be made permanent. Once the war was over we had to reckon again with the normal nature of man. Unfortunately, it is the British population which has to pay for this lesson which the socialists have to learn.

England's Inflation Crisis

The case of England seems even worse than Professor Jewkes suggests. First, it seems doubtful whether even at the price of a downward spiral of productivity it will be possible to keep the inflationary pressure in check. Secondly, the price for this ephemeral success consists not only in less production but also in the even more frightful sacrifice of elementary rights and liberties. On this point we read in the excellent London weekly "Time & Tide" (March 8, 1947): "The present government is composed of men who, we are convinced, would not wittingly take advantage of the power they have: unwittingly, they have already done so. But the fact remains that the physical basis of our liberties has been cut right away. The government controls it all. The Parliamentary basis is fast going. The mechanism for the total destruction of freedom is already complete. It is too late to say 'it can't happen here.' It has happened." At the same time, we observe that also in England it becomes more and more difficult to enforce the different controls.

Repressed inflation cannot have even any semblance of success unless the rigid control of prices and foreign exchanges is accompanied by an equally rigid control of wages. All those who are still being impressed by the Hitler experiment of repressed inflation —in fact most socialists, planners, and advocates of "controlled" economy all over the world — should not forget that a fairly successful control of wages has been an indispensable part of the formidable machinery of repression of the Third Reich. But they must also not overlook the awkward truth that such a control of wages can hardly be enforced for any length of time, against the formidable pressure of inflation and in face of the pressure of organized labor, without having a government which, like that of the Third Reich, supplements the economic by political repression. Once the control of wages collapses, however, the whole system of repression will soon go to pieces and give way to open inflation camouflaged perhaps by remnants of effective price control on particular markets (especially for house rents) and by a still working machinery of exchange control.

Wage control is certainly the key-stone of an effective system of repressed inflation and, therefore, of socialism in general. As long as this is being enforced it is generally possible to keep the pressure of inflation in check. It is obvious, however, that repressed inflation must be attacked before wage control breaks down. For before prices and wages have been adjusted to the inflationary increases of the volume of money it is still possible to restore the equilibrium between money and commodities by simply mopping up the inflationary surplus of money. Since this surplus has not yet become active on the markets it would be incorrect to call the operation in question "deflation" and thus to apply a term which ought to be reserved for the operation of reducing an active volume of money with its dreaded consequences of decreasing prices and incomes and of an economic depression. There is no depression to be feared from making an end of repressed inflation before the excess of money has become active. On the contrary, if the operation of mopping up that excess is combined with a policy of freeing the economy of repressive controls it is the way to overcome the economic stagnation which had been the effect of repressed inflation.

The critical moment, then, for making an end of repressed inflation has come when the system of control, especially that of wages, is on the point of collapsing. Once this moment passes unused the country is on the road to open inflation which means that, after having experienced the effects of repressed inflation, it now also has to pass through the ordeal of open inflation unless it succeeds in breaking up the vicious circle in which it is now involved. The outstanding example in Europe of a country which *seized* the opportunity in time is Belgium which immediately after the end of the war carried through the policy of making an end both to inflation and to repression. The striking example of a country which let the opportunity *slip* is France. There also the moment for getting rid of repressed inflation had come immediately after the liberation when the large inflationary potential had been kept in check during the occupation by a ruthless regime of price and wage controls. But instead of setting France with one stroke on the road to sound monetary and economic conditions almost the first act of the new government was a wage increase of 40%. At the same time, most expensive nationalizations were carried through. At the crossroads of 1944 France took the wrong direction which, finally, is leading to disaster.

William Elwell with Loewi Trading Dept.

MILWAUKEE, WIS.—Loewi & Co., 225 East Mason Street, has announced that William C. Elwell has joined its Trading Department.

Mr. Elwell has been with the trading department of The Milwaukee Company for the past three years. He is a graduate of the University of Wisconsin.

With Barret, Fitch & Co.

Special to THE FINANCIAL CHRONICLE

KANSAS CITY, MO.—Frank C. Harvey has become associated with Barret, Fitch & Co., Inc., 1004 Baltimore Avenue. He was previously with Herrick, Waddell & Co., Inc.

L. E. Grimes Opens Office In Reno, Nev.

RENO, NEV.—L. E. Grimes will engage in a securities business from offices at the Hotel Golden. In the past he was associated with Walston, Hoffman & Goodwin and H. R. Baker & Co. of San Francisco.

As We See It

(Continued from first page)

bonds—in the thought that in this manner the introduction of a highly inflationary factor into the economy at this juncture could be prevented or neutralized. Of course, the time to have thought of all this was when the politicians, almost without exception, were hastening to issue these bonds to the veterans in an effort to win favor in this enormous reservoir of votes. The appeal now not to make use of these bonds (except as a source of almost trifling investment income or as a sort of reserve for emergency) will appear to many holders very much like the permission given the "darling daughter" to take a swim provided she did not "go near the water."

Many Other Instances

If this were the only instance of essentially this sort of procedure, it might be passed by as of secondary importance, but unfortunately there are many, many more. Indeed, if the truth be told, a large part of the New Deal — we had almost said nearly all of it—rests logically upon reasoning very similar to that here under analysis. President Truman is commonly supposed to have "deserted" the New Deal. In a certain sense possibly he has, but an examination of his policies strongly suggests that in this respect he has no clearer insight into the basic nature of economic processes than had his predecessor. Economically, the government in Washington is still much inclined to insist that the voter "eat what he pleases," and then belatedly to think of the bicarbonate.

Take this current hypertension in political circles about the danger of "inflation"—a term which in popular and political usage is synonymous with higher prices, particularly higher retail prices of the necessaries of life. What is at the bottom of these higher prices? What is the real basis for expectation that they may rise further in the months to come? If we wish to reach a real understanding of the subject we must, of course, go behind current persiflage about "backlogs," "profiteering," "conspiracies," and the like. "Backlogs" do not just rise up out of the bogs at night to plague man like the "miasmas" of years gone by. "Profiteering" is not long possible in a normal, competitive economy. "Conspiracies" are likely for the most part to be figments of the imagination under conditions such as those which now exist.

Effects of War

Of course, the current situation is largely dominated by the effects of the war and the way in which it was conducted and financed. It may be conceded that to fight a modern "total war," without sowing the seeds of inflation, would be very nearly if not wholly beyond the ability of ordinary men. The point is that the war did create these inflationary elements—did inject these toxic substances into the economic system and no concoction, whether bicarbonate of soda or some other, unless it be a treatment which eliminates the poison will in the long run prevent these causes from producing their natural effects. Least of all, appeals to labor leaders and labor unions not to press the advantages provided them by law and current conditions, and requests that business voluntarily reduce, or at all events, stabilize prices at the expense of profits, are likely to fall far short of the mark.

But not nearly all the forces now tending to drive prices upward are the outgrowth of unavoidable (humanly speaking) war pressures. Some of them stem from the years prior to the outbreak of World War II; some of them are the products of avoidable blunders during the war; and some of them have their roots primarily in events which have come to pass since the war. A brief inspection of record will make the situation clear. Soon after the New Deal was installed in Washington in 1933, it adopted certain tenets and proceeded with abandon to build "programs of action" upon them. These "programs of action" included not only tangible acts on the part of the authorities to "create" and distribute "purchasing power," but "educational" propaganda to convince the rank and file of the country of some of the very concepts it now finds troublesome if not dangerous.

"Under-consumption"

One of these was the doctrine of "under-consumption." This notion still crops up now and then. It involves not only an imaginary want of "purchasing power," but some sort of ill-defined disinclination on the part of the people to consume—a failure which may and often does induce depression. Somehow the authorities who are not hesitant to give expression to this notion, omitting mention of it ordinarily only when they fear "inflation," have now to persuade the millions with "stored up" purchasing power, as well as those now being made the recipients of more of it in the form of "terminal leave" bonds, to forego use of their funds on the strength of the word of the politicians that over-consumption (or attempts at it) rather than under-consumption is the danger of the day. All of which smacks more of the economic Indian "medicine man" than of sane economic hygiene.

But developments before the war and during the hostilities did more than create unnecessary and troublesome amounts of "purchasing power." They in pursuance of carefully laid plans, created a large group of monopolies in the labor field—monopolies in many respects stronger than government itself. And now when the shoe begins to pinch the attack is directed not at the union monopolies but at employers! This procedure to many of us appears on a par with the administration of large doses of quinine in the hope of curing cancer!

The way to physical health is not found in "eating what we please," but in avoiding injurious foods. For such sanity of action, nostrums are no substitute.

All of which is as true of the body economic.

Report from Main Street

(Continued from first page)

scientific method of taking an opinion poll. But my interview with the white-haired, genial Main Street banker for the "Financial & Commercial Chronicle" last summer brought him enough you-hit-the-nail-on-the-head letters to guarantee his backroom as a trustworthy sampling place.

"We were bound to hit a bad year pretty soon," Mr. Baylor said, looking out over the brown grass of the courthouse square. "As a matter of fact, a lot of people believed things were too good to be true, certainly too good to last. We may not be exactly hog fat out here, but we've got enough meat on our bones to sit out a bad year or several of them."

The testimony of merchants who brought in deposits and then dropped into the backroom for a chat bore Mr. Baylor out. Sigourney, population 2200, is the seat of Keokuk County in the southeast corner of Iowa and depends for existence solely on the farm trade. Quite a few merchants have managed to get hold of enough material during the last year for new store fronts and other renovations. None boasts an escalator, but super-markets and other landmarks of up-to-date merchandising are here.

A dealer in household appliances reported fairly good luck in stocking washing machines, which are selling readily for cash, but the demand for cooking ranges and refrigerators is far beyond his ability to meet. From all he can learn from manufacturers, it will take another three or four years to fill his present orders.

There are reasons for the great demand other than war-time cessation of manufacture and a reservoir of consumer cash. The farm wife is revolutionizing her kitchen. If on a high line she is buying—or trying to buy—an electric range, refrigerator, vacuum clearer, and other appliances. If electrification in the near future appears unlikely, she is aiming at a kerosene-burning refrigerator and a compressed gas range. With disappearance of the huge wood-and-coal-burning range, the modern farm kitchen differs not a whit from that of the town.

Other business men have similar backlogs. Automobile dealers hesitate to charge blackmarket prices to fellow-merchants or other customers with whom they must live for a long time. They do include the maximum of accessories. And talk is that some dealers blackmarket by agreement with colleagues in adjacent trading territories. By selling 30 or 40 miles away the wrath of neighbors is avoided. The same holds roughly true of the farm implement trade.

"Occasionally a business man—a druggist or somebody without a big backlog of orders—will report business off a little for a while," Mr. Baylor said. "The wet spring kept farmers close to their fields once they were able to get into them. But bank clearings have gone along about the same. In the 'twenties the merchants were mostly in debt when the depression hit. Now they've got a nice cushion for a recession or a bad year—and there's no certainty that the drought means a bad year for them."

The farmer readily expresses sympathy for city dwellers as corn and consequently hog prospects worsen. (The Aug. 22 copy of the Des Moines "Register" lying on Mr. Baylor's desk bannered "Corn Crop to Hit 11-Year Low," and the weatherman offered no glimmer of hope inside a week.) But jab the farmer on the sore point of last year's high food prices and he jumps irritably. He is extremely sensitive to any implication of his profiteering.

"The city fellow doesn't take a lot of things into account," the farmer who had earlier expressed sympathy declared. "In the first place, cost of production has gone up 200%, maybe more. I pay my hired hand $175 a month besides house and garden. And, brother, I come mighty near throwing in a 'sir' when I address him. Farmers aren't coining money the way a lot of people think. Anyhow, I didn't see the city fellow rushing to the rescue when we were getting the dirty end of the stick all through the 'twenties."

Mr. Baylor, a keen observer of farmer psychology, thinks there may be a deeper-lying reason. Most farmers decry soil conservation payments and other subsidies, excusing their acceptance with a, "Well, everybody else is taking them." But in their hearts farmers expect another "bust" and consequently they have a fear—perhaps unconscious—that the agricultural program will be scrapped if the nation gets an idea that farmers are rolling in wealth.

"I never heard of a Congressman out here getting elected on an anti-Triple A platform," declared Mr. Baylor, who describes himself as a conservative Republican. "And I don't see any Presidential candidate trying to pick up farm state delegates by promising to cut out benefit checks."

He cited the ever-normal granary. Last year farmers were able to seal their corn and receive a loan of $1.09 a bushel. It was the biggest crop in history and a lot of it was sealed. Lately many farmers have been selling at $2.25 a bushel. The average farmer, even though better off than for many years, might not have been able to hold his corn without government help.

The drought-boosted price for what is left of last year's corn and the price of hogs to be fattened with it will help offset the loss on this year's poor crop. That is one of the reasons farmers aren't greatly distressed. The cash take will be increased when part of the breeding stock, notably brood sows, are sold for lack of feed. Since prices will be much higher than the original cost, momentary profits will be great.

The hitch will come, of course, when farmlots have to be replenished. It the cost is extravagant, profits taken from this year's sales will be wiped out. In a pinch the farmer can always rebuild from a small breeder base. That would take longer but the expense would be less.

Either way, the world food situation being what it is, the farmer feels sure that the consumer will suffer the major impact of the drought.

Brood sows will be moving to market as soon as the farmer can be roughly sure of the size of his crop — which ought to be soon. That means the crop of fall pigs which would have been ready for market in six or eight months will be tremendously curtailed. Shortage of corn also means less cattle feeding. Should corn go to $3 a bushel, which seems possible, the price of meat on the table will almost surpass belief.

If drought hangs on for several years . . . well, nobody talks about that.

"Barring real bad luck," Mr. Baylor said, "we're in a strong position out here. You've got to credit the farmer with being smart this trip. He paid off his debts, put money aside, and he has tried to buy the basic things he needs. In short, he's been buttoning up for a storm. Don't get the impression that he's rich. But I think the farmer is more independent than he's been in 40 years.

"That means our towns are coming back into their own," he went on. "Every store building is occupied and not a house is vacant. Buildings are going up as fast as materials become available. I don't know whether there is a big movement back to the small towns and farms, and there ought to be. There's all kinds of work here. If farmers hold anywhere near the luck of the last few years, Main Street will be on as solid a basis as half a century ago."

Farmers and Main Streeters alike are watching political maneuverings for 1948 without much excitement. President Truman has gained from his low ebb of a year ago, but there appears no doubt that the Midwest, at least outside the cities, will vote Republican. Polls show Dewey still in the lead, but that seems to be only because no one has struck a real spark. Most people say they would like to see a dark horse—but they have no one in mind.

Doubtless the apathy stems to a large extent from discouragement with world affairs. The UN is still strongly supported, but faith in it has diminished noticeably since last year—not because of anything it has or has not done, but owing to the emergence of Russia and the United States as the world's overshadowing and seemingly opposing powers. There is more talk of the inevitability of war than a year ago, with the desperate hope that it can be avoided.

And so, solvent but worried, the Middlewest has a wistful hope that a miracle man will turn up in the election race next year.

Future of the Bank for International Settlements and the Marshall Plan

(Continued from page 2)

President [Thomas H. McKittrick, now a vice president of the Chase National Bank] for 'doing business with Hitler' and stated further that 'the U. S. Treasury's war time criticism has never been formally supported by a bill of particulars'.[5] Thus the "who-dun-it" angle of the story seems to be pretty well settled.

The B.I.S. did not fail to repudiate these attacks but it was given no official opportunity to present its case to American authorities until a few months ago when Mr. Maurice Frere, its board chairman, and Mr. Roger Auboin, its general manager, visited Washington and New York. Apparently the two officials were able to answer all questions regarding the Bank's wartime activities in a satisfactory manner. "The Federal Reserve Bank of New York has examined carefully these documents submitted by the B.I.S. representatives and the defense appears to be accepted in full as are the arguments for ignoring the Bretton Woods resolution."[6]

Dr. White, the protagonist in the fight against the B.I.S., was eventually appointed American executive director of the International Monetary Fund; but he resigned from that position some time ago and has left Government service apparently for good. The Bank, on the other hand, has been able to survive all the attacks from official and unofficial quarters and has continued operations on a small scale.

Thus, the struggle has ended with victory for the defendant and retirement of the plaintiff. The result having been determined in this fashion, the matter might be considered closed. However, it may be worthwhile to look beyond the surface to determine the real forces and interests engaged in the argument.

Treasury vs. Wall Street

The fight against the B.I.S. was, in fact, merely an incident in the New Deal antagonism between Main Street (as represented by by Treasury) and Wall Street (represented by the banks). During the 'twenties the Central Banks had dominated international financial policies and they were mainly responsible for the organization of the B.I.S. as a means of Central Bank cooperation.

The great depression led to a downfall of the banks in the United States while the Treasury rose to a dominating position. Thus, the Tripartite Pact of 1936 which was designed to stabilize the rates of dollar, pound sterling and French franc was an agreement among national treasuries rather than the central banks as previously (however, the plans for the Pact largely originated at B.I.S. headquarters at Basle).

When the plans for post-war currency stabilization were prepared, which eventually culminated in the Bretton Woods agreements, the Treasury was eager and careful to preserve its position of supremacy. This, however, required elimination of the B.I.S. which to many observers appeared the ready-made nucleus for carrying out the stabilization plans.

Indeed, the Bretton Woods agreements continued the Treasury's dominance. This victory was confirmed by the hard fought decision of the Savannah Conference in the spring of 1946 to locate the new international institutions in Washington rather than in New York, as had been proposed by most of the other member countries, including Britain's representative Lord Keynes.

The first year of operations proved that a theoretically "correct" solution may not be necessarily a practical one. The new set up brought considerable additional business to railroads and airlines and caused large travel expenses for round trips between New York and Washington. Eventually, the International Bank had to open an office in New York. Moreover, American representatives in both the Fund and the Bank, originally government officials from Washington, had to be replaced by banking experts from New York to assure smooth cooperation between domestic and international financial institutions.

Three years after Bretton Woods, the fruits of the Treasury's "decisive" victory have been largely lost and the banks have once again attained a strong position in the two institutions. At the same time, those influences which opposed the B.I.S. have disappeared from the public scene.

As a result, there seems to be a chance, at last, to discuss problems of the B.I.S. in an atmosphere of calm and reason rather one of emotion and antagonism. This is quite important at a time when the Marshall Plan may offer the Bank new opportunities for useful activities. In order to determine as to whether such opportunities actually exist, it will be necessary to discuss briefly the Bank's organization and present financial situation.

Organization and Duties of the B.I.S.

The Bank for International Settlements was organized in 1930 as an integral part of the Young Plan agreement on German reparations.[7] Accordingly, one of its principal tasks has been to act as Trustee for German as well as some other minor reparation payments. This close connection with German reparations is emphasized by an express provision in the statutes (Art. 55) that the Bank "shall not in any case be liquidated before it has discharged all the obligations which it has assumed under the Plan."

Sometime and in some way the problems of Germany's external and internal debts and obligations will have to be settled. The future of the B.I.S. will be greatly affected by the possibilities of segregating these reparation commitments form its current banking activities, both present and future. This discussion is based upon the assumption that such segregation is actually feasible and that these reparation commitments will not influence a healthy and useful development of the Bank in the future.

The second important task assigned to the B.I.S. was that of promoting cooperation between the European central banks. During the 1930's virtually all European central banks participated in the activities of the B.I.S. This position as a coordinating agency for Europe may be particularly important at this time.

The capital of the Bank consists of 200,000 shares all of which were outstanding prior to the war; 24 European central banks were stockholders. In the case of Japan and the United States the shares were acquired by banking groups and banking institutions other than central banks.

The shares carry no right either to attend or to vote at the annual meeting. Voting rights are exercised by the central banks of the countries where the shares were originally placed, except where a central bank has declined to exercise this function. In that event another financial institution of high standing has been designated to do so.

The 16 European nations now taking part in the Paris conference on European economic cooperation to prepare data for submission to the United States under the Marshall Plan cast a total of 53% of the votes; the nations within the Russian orbit (all of them hold some stock) may cast 17%. The remaining 30% are distributed among the United States, Germany and Japan. The position of these 30% is now in the balance and will have to be determined in the peace treaties.

The board of directors of the B.I.S. is dominated by the seven large stockholders (Belgium, France, Great Britain, Italy, U. S. A., Germany, Japan) which among themselves control some 70% of the votes. The head of each of these countries' central bank is director ex officio; he has the right to appoint another director of his own nationality (the heads of the central banks of Germany and France can appoint still another director). These directors may elect additional directors up to a maximum of nine; in fact, the Netherlands, Sweden and Switzerland have had a director on the board since the Bank started operations.

At this time the board consists of 11 members from the following countries:

Belgium	1
France	3
Great Britain	2
Italy	2
Netherlands	1
Sweden	1
Switzerland	1
	11

It appears that all present directors are from countries now participating at the Paris conference on the Marshall Plan. Incidentally, the American directors as provided for in the Bank statutes have never taken their seats on the board.

At any rate, the Western European countries together with the United States have sufficient voting power to determine the policies of the B.I.S. in accordance with their own interests.

Financial Position of the B.I.S.

All proposals regarding the future of the B.I.S. will have to give consideration to its financial position. Thus the most recent financial statements of the Bank will be analyzed briefly.

The statutes provide that the accounts shall be kept in Swiss gold francs; this practice was continued even after the franc devaluation in 1936. Other currencies are valued on the basis of the official selling price for gold of the U. S. Treasury Department.

The following statement shows in addition to the amounts in Swiss gold francs the equivalent in U. S. dollars at the conversion rate of $.3244 for one franc.

BANK FOR INTERNATIONAL SETTLEMENTS
Condensed Balance Sheet at March 31, 1947

	—Millions— Swiss Gold Francs	U. S. Dollars
Assets—		
Gold in Bars and Coins	82.69	26.83
Cash on hand and on current acct. with banks	9.14	2.96
Sight funds at interest	.50	.16
Rediscountable Bills and Acceptances	27.59	8.95
Time Funds at interest	12.98	4.21
Treasury Bills (3-12 months)	29.07	9.43
Other Bills and Sundry Investments—		
Up to 3 months	35.38	11.48
Over 3 months	10.12	3.28
	207.47	67.30
Funds invested in Germany in 1930-31 in application of provisions of the Hague agreement of 1930	291.16	94.45
Other assets	.50	.16
	499.13	161.91
Liabilities and Capital—		
Short term and sight Deposits—		
Various currencies	9.61	3.12
Gold	18.12	5.88
Long term Deposits received in application of provisions of the Hague Agreement of 1930	228.91	74.26
Provisions for Contingencies and Miscellaneous	97.62	31.06
	354.26	114.92
Capital—		
Authorized and issued 200,000 shares of 2,500 Swiss gold francs each 25% paid in	125.00	40.54
Reserves	19.87	6.45
	499.13	161.91

Two important facts are apparent from an analysis of the balance sheet figures. First, the amounts shown are comparatively small. Capital and official reserves amount to less than $50 million, total assets (excluding those invested in Germany) about $67 million. This raises the question as to whether the Bank will need additional funds if it intends to continue and expand operations.

Second, and closely related to the first question, the balance sheet is dominated by the Bank's activities in connection with the Young Plan; investments in Germany represent almost 60% of total assets.

The Bank's latest annual report discusses these items at considerable length.[8] It is stated that conversion of Reichsmark into Swiss gold francs has been made at the rate "as defined in the Hague Agreements"; this means on the basis of gold marks.

The German claims are broken down as follows:

	Millions Swiss Gold Francs
Reichsbank and Golddiskontbank	105.1
German Treasury	70.2
German Ry. and Postal Administrations	109.9
	291.2

Bills and bonds evidencing the claims are shown at par and no interest has been added since April 15, 1945 when payments were discontinued. "The direct claim which the Bank has on the German Government (76.2 mill. Swiss gold francs) is practically equal in amount to the long-term deposit of that Government (76.3 bill. Swiss gold francs)."

There is no need for a discussion of the realizable value of these German claims. The main question refers to the rights of the long-term depositors in the circumstances. In this connection the Bank makes these observations:

"The conditions and, in particular, the currency or currencies of repayment when the deposits may become due have never been clearly defined as has in fact been stated every year in the Note on the annual balance sheet of the Bank.

"There can be no doubt, however, that the Hague Agreement and the documents forming part thereof have not only placed on the Bank certain obligations, but have also given it special rights and guarantees. Any change on the part of the Creditor Governments in the legal position created in 1930 must, therefore, in all circumstances fully respect the rights of the Bank or furnish it with fair compensation before making any final settlement by which the long-term deposits of the Governments become due for repayment."

According to a Note on the Balance Sheet "the Bank's commitment in respect to the Annuity Trust Account Deposits is not clearly established, but it is stated at its maximum amount in Swiss gold francs."

No additional information is presented in the report with regard to the item "Contingencies and Miscellaneous." If the B.I.S. has followed a common practice of banks on the European Continent this item should include mainly part of the Bank's own reserves. This is made probable by the remark in the report that there has been "reinstated a sum which had hitherto been applied to revaluation of assets and accordingly deducted from the amount of the assets in question."

The legal situation with regard to the assets and liabilities under the Hague Agreements is certainly a complex one and probably will have to be settled eventually under the arbitration procedure provided for in the statutes. If and when the Bank should be interested in attracting new deposits it will have to offer some kind of special safeguards to such new investors.

Such result may be achieved by having the Young Plan creditors furnish unconditional declarations of preference in favor of the new depositors. Since all of the reparation creditors are in urgent need of new funds from abroad, there should be no difficulty in inducing them to sign those declarations if and when the need should arise.

The "current" assets of the B.I.S. consist of gold held "chiefly in Berne, New York and London and almost the whole of the remainder is at short-term and expressed in dollars and Swiss francs, or consist of investments connected with forward repurchases of gold." "The Bank holds assets in gold at each of the places where gold deposits are repayable and in short-term and term funds in the same currencies as the corresponding deposits, in all cases substantially greater than the deposits in question."

Up to 1942, the Bank was able to distribute regularly a dividend of 6%; a reduced amount was paid

5 "Clarification of International Settlements Bank" by Herbert M. Bratter, "Commercial and Financial Chronicle," July 10, 1947.

6 *Ibid.* Mr. Bratter's article discusses in some detail the various accusations against the B.I.S. and the explanations given in the documents submitted by the Bank's representatives referred to before.

7 The leading American study on the B.I.S. is still "The Bank for International Settlements at Work" by Eleanor Lansing Dulles (sister of Republican foreign affairs adviser John Foster Dulles) published in 1932. Though the book deals with developments during the first two years of the Bank's operations only, these were its most important years. Thus the study still is a helpful guide and introduction to the Bank's peculiar problems. It also presents the texts of the most important official documents including the statutes as well as an extensive bibliography.

8 Seventeenth Annual Report April 1, 1946 - March 31, 1947. Basle, June 12, 1947, pp. 159-161.

for the two following years and none since 1945. For the last three years amounts available after deducting the cost of administration have been credited to a "Special Suspense Account" which amounted to 4.5 mill. Swiss gold francs ($1.45 mill.) at March 31, 1947. Expenditures have been fairly stable over the years at approximately 1.9 mill. Swiss gold francs ($.62 mill.).

This brief review of the Bank's financial situation leads to the conclusion that there is no financial reason why the Bank should not continue in business or even expand the scope of its activities.

B.I.S. and the Bretton Woods Institutions

Whatever may be one's opinion regarding the wisdom of some of the decisions reached at the Bretton Woods Conference, the fact remains that the institutions as then contemplated have been organized in the meantime and have become fully operative. The International Bank has granted loans and issued bonds, the International Monetary Fund has also become active last spring.

Therefore, all plans for re-activating the B.I.S. will have to take those facts into account. Since the Bretton Woods institutions are world-wide in scope, the B.I.S. will have to be subordinated to them as a regional institution for Europe. It cannot have any policy-making function any longer, if ever it had one, but rather will have to execute and implement over-all policies laid down on the other side of the Atlantic.

The Annual Report of the B.I.S. makes some interesting comments on this important question.[9] It reports an exchange of views between the B.I.S. and the International Bank in the fall of 1946; discussions were continued following the election of Mr. Mc.Cloy and led to an agreement which was put in writing as of April 17, 1947. Accordingly, "the B.I.S. has declared itself ready to facilitate with all its possible means the task of the International Bank in Europe especially by putting its Monetary and Economic Department at the disposal of the International Bank by furnishing to its officials on duty in Europe all the essential facilities and every useful information, without prejudice to any other form of cooperation which in the future might appear to be appropriate."

The International Bank has established a permanent liaison with B.I.S. headquarters in Basle in order to take full advantage of the experience of the B.I.S. officers in the troubled fields of European economics and finance.

On the other hand, the report makes no reference whatever to any agreement of cooperation with the International Monetary Fund. This is surprising for several reasons. First of all, the activities of the B.I.S. are much more closely related to those of the Fund in the short-term field than to those of the Bank, which, in fact, is not a bank in the customary sense but rather an investment company which makes long-term loans out of funds which it raises through the sale of its own debentures. It seems almost inconceivable that the B.I.S. should be able to operate on any considerable scale without closest coordination with the Fund.

Moreover, Mr. Camille Gutt, the General Manager of the Fund, was a B.I.S. director until he took over his present assignment and, thus, is probably very much interested in the cooperation of the two organizations. However, this apparent puzzle can probably be solved by remembering the fact that the leading antagonist of the B.I.S. has been holding a leading position with the Fund until very recently. It is probably correct to assume that his influence has prevented up to now an agreement between the Fund and the B.I.S. similar to that arrived at with the International Bank.

9 Seventeenth Annual Report, pp. 7-8.

In view of the urgency of the European economic situation no more valuable time should be lost in working out the terms of a co-operative agreement between the Fund and the B.I.S. The forthcoming Governors' meeting of the Fund, which will be held in Europe, should afford an opportunity to make the appropriate decisions without further inexcusable delays.

The possible scope of cooperation and integration of the several international organizations interested in European reconstruction will become clearer following a comparison of their respective membership rolls.

European Members of the International Monetary Fund, the Bank for International Settlements and the Paris Conference for European Economic Cooperation

Country—	Paris Conference for Economic Cooperation	International Monetary Fund	B. I. S.
Austria	+	--	+
Belgium	+	+	+
Denmark	+	+	+
France	+	+	+
Great Britain	+	+	+
Greece	+	+	+
Iceland	+	+	--
Ireland	+	--	--
Italy	+	+	+
Luxemburg	+	+	--
Netherlands	+	+	+
Norway	+	+	+
Portugal	+	--	--
Sweden	+	--	+
Switzerland	+	--	+
Turkey	+	+	--
Albania	--	--	+
Bulgaria	--	--	+
Czechoslovakia	--	+	+
Finland	--	--	+
Hungary	--	--	+
Poland	--	+	+
Rumania	--	--	+
Yugoslavia	--	+	+
Danzig, Estonia, Latvia, Lithuania	--	--	+

The majority of the countries participating at the Paris conference are members of both the Fund and the B.I.S. However, there has been a well-known reluctance to join the Fund by the countries that were neutral in the last war. Most of the nations which are not members of the B.I.S. had no independent monetary system at the time of its organization.

Yet more important seems to be the interesting fact that all of the Russian "satellite" countries are members of the B.I.S. This may have considerable significance at a time when there are such strong tendencies to split the Continent into two parts. If the B.I.S. should be able to have those countries continue as active members, this fact alone would warrant its continuation. However, it is not possible to predict future developments particularly if the B.I.S. should assume certain responsibilities under the Marshall Plan. At any rate, it now represents one of the strongest links still existing between Western and Eastern Europe in the economic and financial field.

Certainly, there is a need for redistributing shareholdings and voting power in the B.I.S. in accordance with present conditions. But this will probably be feasible only within the framework of a general reorganization of the Bank including a settlement of the Young Plan accounts. It will then be advisable to eliminate the Japanese participation and make the Bank an exclusively European institution with the only exception of the United States.

At that time it will also be necessary to decide whether the Bank should be continued as an outfit of the central banks or be staffed by representatives of the Governments themselves as are the International Monetary Fund and the International Bank in accordance with the Bretton Woods decisions. Since almost all the European central banks have been nationalized, the alternatives have hardly any material significance. The United States may be the only exception. At any rate, it should be determined forthwith who, in the future, should cast the American votes and the two American directors should take their seats on the board as soon as possible.

B.I.S. and Marshall Plan

One principal purpose of the Marshall Plan is to induce the nations of Europe to integrate their domestic economic, financial and monetary policies with a view to the common interests of the whole Continent or at least that part which is willing to cooperate. The Paris Conference is now trying to work out some practical procedures to cut through the maze of red tape which hampers so gravely attempts to expand inter-European trade and hurts every European country.

There is no doubt that the B.I.S. should be able to provide an excellent and almost unique meeting ground and organization for executing such decisions as the Paris Conference may be able to agree upon toward the goal of European cooperation. Its location in the very centre of the Continent makes it easily accessible to all European capitals particularly in comparison with far-away Washington.

Moreover, the B.I.S. and its staff have long experience and many personal contacts with European governments and financial institutions and it is fully aware of and familiar with their peculiar and complex problems and difficulties. Yet, as stated before, there should be no competition between Basle and Washington and no doubt regarding the subordination of the B.I.S. to the Fund in order to avoid confusion and competition.

The Marshall Plan is still in a preliminary stage and thus there is no way of determining the specific spot where the activities of the B.I.S. could be fitted in to greatest advantage. According to recent reports, the Paris Conference will propose to set up a common dollar pool to make possible some sort of stabilization of European currencies. If these proposals should be approved by the Conference and the U. S. Government, the B.I.S. would be the most appropriate organization to administer such a pool for the benefit of all of Europe.

There will be other possibilities for using the B.I.S. in connection with the Marshall Plan. There are differences of opinion as to whether the B.I.S. will need additional funds in order to operate most effectively. Serious students of the situation feel that the activities of the B.I.S. will always be those of cooperation in the first place and it will not need additional funds in the foreseeable future.

On the other hand, the B.I.S. may perhaps offer an excellent vehicle for making available American banking funds for the revival of Europe's international trade. Up to now, American banks have been rather reluctant and rightly so to resume lending operations in Europe; experience during the inter-war period quite naturally suggests a good deal of caution.

But there is a tremendous need to find a way to relieve the U. S. Treasury from part of the responsibility to finance European reconstruction. The B.I.S. with its years of experience in the European financial field may perhaps furnish the bridge between American private short-term capital and the European urgent demand for such funds. If American banks interested in international business should band together and contribute to a fund of, say, one hundred million dollars for deposit with the B.I.S., each bank's share would be quite small and not beyond the limits of a cautious and reasonable credit policy.

This should be a venture worth trying. If it should be successful, and there is every expectation that it would, there will be possibilities for increasing these deposits as conditions at the time may warrant.

The B.I.S. may also furnish considerable assistance in connection with the activities of the International Bank to implement the Marshall Plan. It was suggested recently that the International Bank[10] should set up and finance a trust which, in turn, would rent out to needy European countries various kinds of transportation equipment and perhaps also agricultural equipment. The Bank through the trust would retain title to such equipment until full payment has been received and, in this manner, would have full collateral in case of a debtor country's default.

The B.I.S. may be assigned a prominent part in such a scheme. It may itself serve as trustee or it may have supervision of the company in charge of actual operation of the plan.

Evidently, the B.I.S. could be extremely useful in helping to carry out the intentions of the Marshall Plan for European rehabilitation; it might render important services in a number of ways. There will be a good many difficult problems, legal, economic and financial. But a satisfactory solution does not appear to be impossible and the advantages are clearly apparent. There is time to tackle the problem of the B.I.S. in a positive rather than in a mere defeatist manner.

10 The Marshall Plan—Aid to the International Bank. "Commercial and Financial Chronicle," July 24, 1947.

Smaller Meat Supply and Higher Prices Ahead

(Continued from page 13)

A slaughter of 36 to 37 million head of cattle and calves this year, with the usual death losses and practically no imports, would result in a reduction in cattle numbers by the end of the year of 4 to 5 million head. This decrease would bring the number of cattle and calves down to 76 or 77 million head, or to about the number on hand at the beginning of 1942, right after our entry into the war, and would be 9 million less than the record peak reached at the end of 1944.

More Cows Slaughtered

It hardly seems physically possible to have a slaughter as large as 36 or 37 million head without a considerable increase in the slaughter of cows this fall. Cows are marketed for slaughter in greatest numbers during the fall months, September to November, when most of the herd culling is done and stockmen are preparing for winter. Considering the investment value of a cow as a calf producer and the current prices of calves, along with present income tax rates, one can well appreciate the cattleman's problem in deciding whether he should sell more than the usual proportion of cows this fall. You people out here in the range country are in better position than I to guess what his decision will be. If cows are not marketed in more than the usual proportion during the next 4 months, it hardly seems likely that the high rate of cattle slaughter maintained during the first half of the year can be continued to the end of the year, and it seems certain that it cannot be long continued into 1948.

Means Higher Prices

Assuming the present strong demand for beef will continue this fall, and at present there are no indications that it will not, one is justified in expecting very active packer competition at that time to obtain cattle that are in slaughter condition. In view of the smaller number of cattle in the country at the beginning of this year and the large number of steers, heifers, and calves since taken for slaughter, the supplies now remaining for slaughter and to go to feed lots this fall must be considerably smaller than in other recent years.

On the basis of indicated supplies, there is reason to anticipate that fewer cattle will be available for purchase as feeders this fall and that the number of cattle going to feed lots will be less than a year earlier. The present relatively unfavorable crop and feed prospects further confirms this judgment. Based on present indications of feed crop prospects and the carry-over of feed grains, the supply of feed concentrates per animal unit will be much less than that available at the beginning of the feeding season last October. Past records show a marked tendency on the part of cattle finishers to increase or decrease the number of cattle fed each year to about the same extent as changes occur in the supply of feed grains available per animal unit. It is yet too early to appraise the prospective feeding situation in its entirety, but the information at hand indicates that one might anticipate a reduction of possibly 10% in the number of cattle fed for the 1948 market. A similar reduction in beef and veal output next year appears also to be a reasonable guess in view of all the conditions indicated.

Records of what occurred in other years following short corn crops show a rather marked tendency for the effects of a feed shortage to be reflected most acutely in the supplies of livestock marketed during the summer following a crop failure or shortage. Scarcity of feed tends to cause producers to shorten the feeding period and to market their stock earlier than usual. This

(Continued on page 28)

Government in Economic and Industrial Relations

(Continued from page 14)

capital and labor. In settling a wage controversy, therefore, there are no laws upon which to base decisions in individual cases. In the absence of a public mandate as to what are "fair" profits, "just" wages, and "reasonable" working conditions, compulsory arbitration forces the parties involved in the dispute to accept decisions based solely upon what arbitrators deem to be expedient. And no arbitrator, no matter if he is clothed with the habiliments of a specially appointed agent of the President of the United States, can step into a particular industrial situation and render an all-wise decision as to how the income of that industry shall be allocated.

Under compulsory arbitration, litigation supplants collective bargaining, with employers and unions directing their major efforts toward securing favorable decisions from government tribunals instead of trying to arrive at mutually satisfactory terms through direct negotiations. Every arbitration hearing tends to become a battle of wits, in which bitterness is intensified as each side inveighs against the other in order to impress public opinion as well as the arbitrators.

Compulsory arbitration inevitably means government control of labor standards and the injection of politics into labor disputes. When wages and other working conditions are determined by labor courts or other government agencies, both labor and management must rely upon political action to protect their interests. Inevitably, compulsory arbitration leads to a labor versus employer political party alignment, for whichever group controls the government also controls the conditions under which industry and unions operate. In this country, unions, as well as most employers, are opposed to compulsory arbitration. In some other democracies, such as in Australia and New Zealand, organized labor favors compulsory arbitration. It is significant that since the establishment of compulsory arbitration in these countries, so-called "labor governments" have been in power most of the time.

Regardless of what the immediate situation may be, we must ever keep in mind that in a democracy compulsory arbitration cannot prevent individual disputes. Only a totalitarian government can eliminate strikes, and even these governments cannot prevent slow-downs whose accumulated effects may cause greater loss in production than complete, but brief, work stoppages. So long as free men and women engage in economic undertakings, there will always be disputes between employers and employes. A complete absence of disputes for any period of time would indicate a condition of absolute dominance of one group and abject servility of the other group — a situation which makes for stagnation rather than progress. Disputes need not lead to work stoppages, however, and maintaining the privilege and right to engage in strikes and lockouts does not mean that efforts should not be made to prevent them from occurring. The government as a third non-partisan agent is in a position to render a peculiar service in preventing work stoppages and in shortening those which have taken place.

The government can approach its task from several directions: First, it can establish certain procedural arrangements which the parties to the disputes must follow — arrangements which encourage and provide time for mediation by outside persons after ployer-labor disputes. Under failed; and, second, it can provide adequate mediation services.

The Railroad Labor Act of 1926, and as amended in 1934, is the best example which we have in this country of the role which government can assume in employer-labor disputes. Under this Act, a clear distinction is made with respect to the basic differences in the character of labor disputes; that is, those over the interpretation and application of existing agreements, and those over the terms of a new arrangement—the wages, hours, and working conditions to be determined. The Adjustment Board provided in the Act handles disputes "growing out of grievances or out of the interpretation or application of agreements. . . ." Its decisions may be enforced by civil suits in Federal district courts. The National Mediation Board, also provided in the Act, holds elections and by other means certifies who shall represent the workers in their collective bargaining. On request of either party to a dispute involving changes in pay, rules, or working conditions, or on its own motion in cases of emergency, it intervenes and attempts to bring about a settlement. If its mediating efforts mail, the Board tries to get the parties to submit their controversy to arbitration. If arbitration is refused by either party and the dispute should threaten substantially to interrupt inter-state commerce, the Board notifies the President who appoints an emergency board to investigate the facts and report to him within 30 days. The law does not require compliance with the recommendations of the emergency board, but the publication of the findings and the pressure of public opinion makes it extremely difficult for either party not to accept its recommendations.

Constructive Services of Government

The fourth and final principle which I want to discuss (together with how it can be implemented) has to do with the positive and constructive services which the government can render in the field of fact-finding and education. I am not referring to fact-finding in the narrow sense of the term, as when a fact-finding panel is established to help settle a labor dispute. I refer to the broader aspect of economic facts in general, those items of information which are needed by both parties in the conduct of their negotiations. It need not surprise you that, as Commissioner of Labor Statistics, I have a strong belief in the vital importance of the economic information which governmental agencies such as the Bureau of Labor Statistics can supply, and should supply. This is not to say that management and labor must rely wholly on government information. Each of the parties, and both parties jointly, bring vast knowledge to the bargaining process, knowledge which no government agency could supply. We can assume all this, and still say that there comes a time when unbiased, concrete, factual information on wages, prices, productivity, and other facts can be weighed and appraised by the parties themselves, and used to effect a settlement. Effective joint use of economic facts around the bargaining table is much better collective bargaining than the presentation of regular economic briefs before an impartial arbitrator, which in turn is better than resort to strike or lockout.

Need More Economic Knowledge

At this point may I take a few moments to set forth my faith in economic knowledge. If we are to have a free society then we must have the decisions on wages, prices, profits, etc., made by the millions of workers, farmers, businessmen and other economic groups in the light of their best knowledge. It makes sense to me to argue that in general the more facts that the people have to work with the better their decisions will be for the nation's economic system. Perhaps instead of "more facts" I should say "better facts." I would not argue that the unlimited addition of more facts would be unlimitedly useful. There is a law of diminishing returns here as there is in business enterprise. However, in my opinion we are still a long way from having reached the optimum amount and kind of fact-finding for collective bargaining negotiations. It is simply not true that "we have too many statistics." I believe that this is a vital function which government can perform and a service which it can render to improve industrial relations.

Closely allied to the furnishing of facts and interpretive analyses of economic data of all kinds, is aid to education. Indeed, education may be considered as a broader phase of fact-finding. Webster gives as one definition of education "the impartation or acquisition of knowledge, skill or discipline of character." Surely in no area of human conduct is education more necessary than in the field of industrial relations. Knowledge of economic facts in order that the wisest decisions can be made and incorporated in the employer-union contract; skill in the art of negotiating contracts; and the exercise of discipline by both parties in seeing that the contracts, once entered into, are conscientiously adhered to — in letter and in spirit.

John Stuart Mill, the great 19th century liberal, was a firm believer in and advocate of education as the all important requisite of a democracy. No government based on universal suffrage can survive, he maintained, unless its constituents are well informed and trained to discriminate between the good and the bad in political affairs. Parallel to the growth of political democracies in the 19th century, there was a great movement toward mass education through public school systems. It is ever to the credit of the American labor movement that it pioneered in this great program. Organized labor appreciated the values of political democracy and the need for an intelligent citizenry. During the past decade, we have established collective bargaining, or what amounts to industrial democracy, throughout most of industry. It also cannot survive unless its constituents are educated in the field of economics and trained to discriminate between the good and the bad in industrial relations.

It is a gratifying sign of the times that both employers and unions are coming to a greater appreciation of the value of education in industrial relations. Numerous regional and national conferences are being held each year which are attended by employers and company labor relations directors. The annual February conferences of the American Management Association and the Silver Bay conferences here in New York are notable examples. Unions are now doing a remarkable job in the way of summer schools for workers, one week regional conferences for union stewards and other union officials, and night courses in numbers of cities for rank and file members as well as union officers. In addition, both employers and unions are issuing attractive and stimulating pamphlets which deal with all kinds of labor-management problems and methods of solution. These have a wide circulation among company supervisors and union members.

The effect of such educational programs cannot be measured in statistical terms but undoubtedly they are of inestimable value in promoting mutual understanding and knowledge about industrial relations problems. While these are undertakings of management and unions, and their control and direction should remain with them, nevertheless the government can and should lend a helping hand whenever requested. I am glad to say that members of my staff are frequently asked to attend these conferences—to lecture and advise upon particular subjects under discussion. So long as I am Commissioner, the Bureau of Labor Statistics will continue to render assistance in any of these constructive programs whenever requested by either management or labor.

Smaller Meat Supply and Higher Prices Ahead

(Continued from page 27)

tends to increase slaughter supplies of both cattle and hogs during the winter and to reduce them for the summer market. Prices usually reflect this supply situation, and some of the sharpest advances in prices of fed cattle have occurred in summers following short corn crops. Years that can be cited as examples of such occurrences are 1925, 1935, and 1937. In view of current prices of livestock, one needs to be a bold forecaster to predict higher prices next summer, but in view of the rather definite indications of smaller meat supplies at that time I would hesitate to predict that prices would be lower.

In appraising the cattle supply situation for this fall and next year, consideration needs to be given to probable supplies of competing meat animals. From early 1942 to the end of 1946, sheepmen reduced their breeding flocks nearly 17 million head, or 34%. Sheep numbers now are down to about the low level reached in 1923 after the first world war, and the lamb crop this year is near the smallest of record going back to 1867. Slaughter of sheep and lambs this year has been about 25% smaller than a year earlier. Supplies of lamb and mutton next year are expected to be the smallest since the late twenties and will continue small for at least 3 to 5 years.

Supplies of hogs for slaughter this fall and winter are expected to be only slightly larger than last year, as the 1947 spring pig crop was only about 1½% larger than the 1946 crop. Because of the short corn crop, hogs will be marketed earlier and at lighter weights than in the previous year. Pork supplies this fall and winter, therefore, may be less than a year earlier.

Hog Situation

In early June, farmers reported in the Department's pig survey that they intended to keep 9% more sows for fall farrowing as compared with the number farrowed last year. During the spring months, when these intentions were being formulated, the relationship of hog prices to corn prices was relatively favorable, but since early June, corn prices have risen sharply in relation to hog prices. This may have discouraged farmers from carrying out their plans to increase the fall pig crop. Supplies of hogs for market during the period April to September next year, therefore, may be somewhat less than was indicated by the breeding intentions survey made in June. Market weights of hogs this year have been the heaviest of record. Because of the short corn crop, weights next year are expected to be considerably below the average of recent years and possibly below the average of prewar years. The short crop and high price of corn also may cause farmers to produce fewer spring pigs in 1948 than they did this year, even though the prospective decrease in other meat supplies indicates that an increase in pork output would be desirable.

Summarizing the meat supply situation for next year, the evidence indicates that there will be smaller supplies of all types of meat from cattle, hogs, and sheep. Total meat output this year is expected to be about 23 billion pounds and a reasonable guess for 1948 would be a decrease of 5% or more. Short feed supplies would tend to reduce the proportion of highly finished cattle marketed, hence the better grades of beef will be in relatively smaller supply than total meats. While this may appear to be a gloomy prospect for meat consumers, meat supplies will be large in comparison with those of prewar years. Allowing for somewhat smaller exports than this year but in excess of prewar, a total production approaching 22 billion pounds would provide a per capita supply for domestic use of about seven pounds less than the very large supply indicated for this year. In 1940 and 1941 the per capita consumption averaged about 15 pounds less than this year.

Consumers tend to appraise the meat supply in terms of the prices they have to pay, and since current prices are far above prewar levels, there probably is now fairly general belief among consumers that meat supplies are short. Meat prices are directly related to the level of consumer incomes, and the high prices paid for meat now, compared with prewar, reflect the great increase in consumer incomes resulting from the higher level of wages and salaries paid and the marked increase in employment. Disposable income per capita (that left for spending after deduction of taxes) is more than double what it was in 1937-1941, and retail meat prices for the year to date have averaged slightly more than double the average of that period. There are definite indications that the lower income groups now receive a larger share of the total income than they did in the prewar period, and this makes it possible for them to compete more fully for available food supplies. This means a more even distribution of the total meat supply. It means also that middle income groups probably get a smaller proportion of the supply than they did formerly.

With Bogardus, Frost Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—David S. Garraway is now with Bogardus, Frost & Banning, 618 South Spring Street, members of the New York and Los Angeles Stock Exchanges.

With Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA.—Charles M. Grier and Cary B. Wilmer, Jr. have joined the staff of Thomson & McKinnon, Healey Building Arcade. Mr. Wilmer in the past was with Merrill Lynch, Pierce, Fenner & Beane.

Two With Herrick, Waddell

Special to THE FINANCIAL CHRONICLE

KANSAS CITY, MO.—Asa A. Hammons and Freeman B. Kirkendall have become connected with Herrick, Waddell & Co., Inc., 1012 Baltimore Avenue.

The Dangers of Our Foreign Policy

(Continued from page 2)

ace. Even now there are six ashes in the Far East ranging all e way from civil war, as beeen the so-called Chinese Comunists and the Chiang Kai-shek rces in China, to the East Indies the Southwest Pacific where e Dutch are again engaged in bduing the Indonesians.

Those little people, weighing bout 75 pounds wringing wet, t owning a country which is ery rich in many of the things e world needs, which include e spices, rubber and many rategic and critical minerals and aterials needed badly by this ountry, have a national pride nd want to run their own couny.

The Netherlands or the Dutch ation is known to be an empire inded nation and have always xploited other nations just as ngland and France have done ver several generations, and are till trying to maintain their tatus in their satellite nations.

The wages of the Indonesians mount to about two to five dolars per month in our money and he goods produced under the utch supervision are sold to us t high prices. It is a trade interst that the empire minded naions have in other countries, and mostly to exploit the low cost abor in these areas for their own rofit.

We have five other small wars, r armed rebellions, going on in urope, six such disturbances in he near East and India and four n Latin America, making a total of 21 small wars now in progress, anyone of which might light the fuse that would lead to another world conflict, as was done in Austria in World War I and at Pearl Harbor in World War II.

Domestic and Foreign Policy

After two world wars in our generation we still have no definite clear-cut domestic or foreign policy. We are still playing both sides of the foreign policy street just as we always have. Our State Department, even yet, apparently sees nothing wrong with furnishing Russia with oil refining and cracking equipment necessary for production of high octane gasoline for war planes, and heavy power equipment with which she may manufacture the atom bomb and other war waging equipment, yet at the same moment we are spending $400,000,000 in Greece to train an army to stop Russia at the border.

This is the same Administration which in 1933 recognized Russia as a blood brother without safeguards of any kind whatsoever; it is also the same Administration that continued shipments of oil and scrap iron to Japan up to the time of the Pearl Harbor calamity and then sent the boys out in the Pacific to catch that same scrap iron in their bare hands as it came back out of Japanese guns.

In the meantime, the wealth of the United States is being siphoned into the European and Asiatic countries on the theory that money alone will stop communism. At the present time they are taking our money and crawling under the Russian trade tent.

Six Methods of Siphoning the Wealth Out of This Country

Some of the well developed and most popular methods of siphoning the wealth out of this country into the hands of European and Asiatic countries are:

First: The direct appropriation out of the United States Treasury by the Congress of the United States, laughingly called loans.

Second: Is the Export-Import Bank spigot out of the Treasury of this country through which loans are continually being made to foreign countries, without the approval of Congress.

Third: Slave labor treaties like the Italian reparations agreement just ratified by the United States Senate in which it is provided that raw materials from Russia and other countries are processed by Italian workers without wages of any kind as reparation payments, leaving someone (meaning Uncle Sam) to feed them while they are doing the work for the Russians during a period of seven years.

Fourth: The World Bank is set up and now functioning to sell securities to the investors of this nation whose money is then loaned to foreign nations upon the sole judgment of the current bank officials with every prospect that insurance companies and thousands of small investors in this country will lose their money in the same manner as the government loans are lost, since there is no intention among such nations to repay the loans.

Fifth: The proposal of the State Department to divide the markets of this country with the foreign nations through the so-called reciprocal trade program. More harm may be done to the economy and standard of living in this country by the State Department in Geneva during the next three months than Congress could repair in several years.

Sixth: There is now in the course of organization a World Trade Organization operated by the 55 members of the United Nations, each with one vote. To this organization is supposed to be granted the power to allocate the production and markets of the world.

Since we have the only substantial market in the world where you can sell anything and get the money, unless we have previously loaned that nation the money with which to pay, and since we have only one vote out of 55, it is difficult to see how we can win.

If these methods are allowed to continue indefinitely we can easily spend ourselves into a form of government that we would not knowingly vote for—some kind of a collective or authoritative form that it could require generations of time to throw off, if, in fact, we could ever overcome it.

Government vs. Private Foreign Loans

Congress does not know how to lend money, it only knows how to give it away. Private business not only knows how to lend and invest money but it also knows how to collect it and make investments pay dividends.

American private capital investments in Asia, Europe and South America, backed by American brains, ingenuity and know-how could and would gradually raise the standard of living throughout the world and provide unlimited opportunities for our technically trained and business people if given the opportunity and incentive.

National and International Integrity

To encourage the investment and operation of such capital it is necessary to **rebuild the national and international integrity** of the nations of the world. There is no integrity at this time. None of the nations receiving our loans or donations intends to pay anything back; therefore, business investments are just not being made.

If the spirit of fairness, industry and honesty could be reestablished there is plenty of money and plenty of private investment capital in the United States to rebuild the countries of the world without a dime of government appropriations, just the same as English business men and private investors furnished the safe, substantial financing for our transcontinental railroads and heavy industry following the Civil War because they knew that this nation had integrity and that they could profit from the investment.

These nations did not loan or give the necessary money and credits to the United States—they took stock and shares in our railroads and industrial enterprises and in this manner collected interest on their money and repaid amortization charges.

Loaning and Spending Technique

We are about to be treated to a repetition of the loaning and spending technique which prevailed during the decade just preceding World War II.

It is expected that the two advisory committees headed by Mr. J. A. Krug, Secretary of the Interior, and Mr. Averill Harriman, Secretary of Commerce, appointed with the announced purpose of determining the amount of money and goods that we can safely loan and ship to foreign nations, will read the menu backwards and come up with the amount that they have determined to loan such nations—purported to be from $5 to $8 billions per year for five years and running the national debt up around $300 billions.

In effect, it amounts to a world wide WPA using communism as the whipping boy in the same manner as the national WPA was operated in the early 30's, using unemployment as the target.

It will be remembered that it was the versatile Henry Wallace, then Vice President of the United States, who made such an inventory after the folks got a little jittery, when the national debt reached 50 billion dollars, and came up with the answer that the United States could stand approximately 89 billions of dollars; then, when we were close to that amount, it was the world economist, Leon Henderson, who after profound study of the national resources announced that the nation was good for a 133 billion dollar debt; and then we were in war and the wraps were off. We are apparently to be subjected to a repetition of the lend and spend doctrine of the early 30's applied to foreign countries.

The Truman Doctrine

The Truman doctrine was never a doctrine because it had no definite purpose and for the same reason the so-called Marshall plan is not a plan.

A United States of Europe

Many informed people believe that nothing can be done for the 29 European countries, containing 250,000 square miles less than the area of the United States and three times as many people, until they band together in a United States of Europe for their mutual protection and pool the lines of royal and inherited kingdoms and dictatorships into one strong nation of 29 separate states, and through this method reestablish their national integrity through a democratic free election form of government.

Some of these same people have the temerity to suggest that England and British citizens and other European nations included in this area just described might well utilize the approximately 20 billions of dollars of investments that they have in the United States in the process of rehabilitating Europe.

I am taking this opportunity to give you what I consider some of the problems confronting this nation. I still do not have the answers and that is where the Disabled American Veterans and the veterans of the two world wars come in. It is time they considered these problems and insisted that the national and international policies begin to make some sense.

It is time that somebody or some group—and there is no better group than the 18 million veterans, of the two World Wars—size this situation up and begin selling America back to the Americans and discourage this great fascination that any foreign nation seems to have for our executives in our government, and begin to examine the problems of this country and insist that they be approached on some practical basis.

The United States cannot afford, in my humble opinion, to lend money throughout the world to reestablish the empire system that has prevailed with the Dutch, English and French nations for more than half a century. The United States cannot afford to become a party to subduing weaker countries and allowing other nations to make a profit from their low paid labor, as the Dutch have always done in the Dutch East Indies and the South Pacific, the English in their empire countries, and the French in New Caledonia and other possessions.

It is time that we established an American policy by Americans and for Americans, and establish a foreign policy that makes sense geared to our national economy that we can support through good times and bad and help our less fortunate neighbors to help themselves, but not dissipate the wealth of this nation and wind up with the same low standard of living as now prevails throughout the world.

These European and Asiatic nations were old when we were born. Most of them have not perceptibly changed their standard of living in the last two thousand years and there is no indication that some of them will change it very much in the foreseeable future.

Veterans' Legislation

The following veterans' legislation was passed and has become law through the action of the first session of the 80th Congress:

National Service Life Insurance Act Amendments: Authorizes original issuance of permanent insurance and extends time for reinstating lapsed insurance. (P.L. 5, signed Feb. 21, 1947.)

Housing: Authorizes $35.5 million to complete veterans' temporary housing construction under the National Defense Housing Act. (P.L. 85, signed May 31, 1947.)

Vocational Rehabilitation: Increases from 1½ million to 3 million dollars the amount authorized as a revolving fund for loans to veterans for vocational rehabilitation courses. (P.L. 115, signed June 25, 1947.)

Service to Veterans and War Workers: District of Columbia Appropriation Act, 1948—Appropriates $107,100 "to provide services to veterans and war workers." (P.L. 237, approved July 25, 1947.)

Emergency and War Measures: Terminates or limits various emergency and war measures, including the following benefits provided for veterans: (1) loans, readjustment and education allowances under the GI Bill of Rights, (2) certain insurance benefits under Sec. 201 of the Social Security Act of 1946, (3) reciprocal services to veterans of allied nations, (4) period of eligibility for vocational rehabilitation under the Act of March 24, 1943, (5) war period for certain war-time rates of disability or death compensation, and (6) effective period of insurance provisions under the Soldiers' and Sailors' Civil Relief Act. (P.L. 239, approved June 25, 1947.)

Benefits of the Missing Persons Act: Extends the benefits of the Missing Persons Act to members of the organized military forces of the Government of the Commonwealth of the Philippines. (P.L. 241, approved July 25, 1947.)

District of Columbia: Amends the District of Columbia Unemployment Compensation Act by providing that military service shall not be deemed to break the continuity of an employer's employment experience. (P.L. 252, approved July 26, 1947.)

Amends the Armed Forces Leave Act of 1946: Amends the Armed Forces Leave Act of 1946, (1) to permit applicants to elect payment for terminal leave in cash in lieu of payment in bonds, (2) to provide that bonds issued under the Act shall be redeemable at any time after Sept. 1, 1947, and (3) to extend for one year (to Sept. 1, 1948) the time allowed for filing applications for terminal leave pay. (P.L. 254, approved July 26, 1947.)

Rates of Pension Payable to Spanish-American and Civil War Veterans: Increases the rates of pension payable to Spanish-American War and Civil War Veterans and their dependents. (P.L. 270, approved July 30, 1947.)

Acquire Certain Land: Authorizes the Veterans' Administration to acquire certain land as a site for the proposed Veterans' Administration facility at Clarksburg, W. Va. (P.L. 288, approved July 30, 1947.)

Recognition of Retiring Officers: Amends Section 200 of the Act of June 29, 1936, so as to permit recognition of retired officers and enlisted men as representatives of veterans organizations in the presentation of claims to the Veterans Administration. (P.L. 316, approved Aug. 1, 1947.)

I favor universal service legislation, and the plan by the Veterans seems the most reasonable and effective practical suggestion yet made.

The hearings on the legislation had not been completed before the end of Congress and did not come before the Senate. A careful study must be made of a combination of such training, including education, national guard, military schools and regular army to determine the effect of the atom bomb and other inventions on the type of training needed and which will be most effective The study of the proposed legislation will be resumed at the second session of the 80th Congress.

Make Our Own System of Government Work

The greatest recommendation possible for a system of government is to make it work. It should be clear to us now that money from our own taxpayers' pockets scattered at random throughout the world is not the answer.

I can say to you, like Churchill said to his people when some one suggested that England relinquish her domination over some of her Asiatic peoples, that he did not become the king's first minister to liquidate the British Empire; I can say to you with equal candor that I did not become a member of the United States Senate to dissipate the wealth of the United States.

We must make our system of free enterprise continue to work—keep our armed forces strong—continue our laboratory experiments in methods of warfare—keep our secrets to ourselves so that no nation ever knows how strong we are—establish and maintain the best intelligence system in the world and know what other nations are doing—stand ready at all time to cooperate with all other nations in maintaining permanent peace in the world and in raising the standard of living of our less fortunate neighbors, and above all things begin to turn the spotlight on ourselves and determine the effect of our actions on America's future, and if we are really looking for communism and reds, it seems that the hunting is pretty good in some parts of this country and we could practice here, while getting ready to take on the Russian Communists.

Freedom Is Our Heritage

(Continued from page 6)

bears little resemblance to the exceedingly personal rule of George III.

France has had three monarchial regimes, two empires, three republics, a directory, a consulate, and numerous constitutions. Italy in 1787 was a group of kingdoms, duchies, Papal states and republics, most of which were under foreign control. Germany was an aggregation of kingdoms, principalities, and dukedoms. In the last 60 years it has been an empire, a republic and a fascist state. Russia was a medieval autocracy and is now a Communistic society. Switzerland was a republic in 1787, but its present constitution dates back only to 1874. The Holy Roman Empire, extant when our Constitution was being pieced together, gave way to the Austro-Hungarian Empire of the Hapsburgs, to be followed later by the small nations into which it was carved after World War I. The changes in the East are just as impressive.

In the 160 years since 1787, history has been a record of changing governments, revolutions, counter revolutions and discarded constitutions. Only our charter has suffered little change. Burton Hendrick in his "Bulwark of the Republic" says, "The political form which European statesmen of the 18th Century regarded as the most volatile and transitory—that based 'on the consent of the governed'—has proved, in the vital test of circumstances, to be the most lasting. It has endured even the supreme trial to which European governments have been unequal—that of civil war."

Priceless Heritage

In our Constitution we have a priceless heritage. It is a great document, designed to protect individual freedom in a society where the state is the servant of the people and not their master. Under its system of checks and balances we have enjoyed a growth unequaled by any other nation and have created the highest standard of living enjoyed by any people. Emphasizing the value of the individual as a member of society it has implemented and encouraged free enterprise. It has stood the test of time and we would do well to stress its great strength rather than to magnify its minor imperfections.

The 17th Century witnessed a great beginning of liberal thought and policy. It bore fruit in the 18th Century with a notable list of accomplishments included among which were the English, American and French revolutions. One of the most astounding developments of this, the 20th Century, is the widespread reaction which we have witnessed to liberal thought and action. Both abroad and at home, liberal doctrines have been under attack. That this challenge should come so soon is a thought provoking phenomenon. However, it is not too surprising when we realize that "less than 3% of the 40 billion people who have lived on this earth since the beginning of the Christian era, have lived free lives."[2]

One of the most vivid impressions I carried from France in World War I, was the universal employment of the three great words, "Liberte, Egalite, Fraternite." Expressing France's liberal philosophy, they were inscribed conspicuously on public buildings all over France. Not satisfied with a repudiation of this liberal motto, the forces of reaction have sought to extinguish even its memory by having "Liberte, Eaglite, Fraternite" removed from hundreds of buildings which they had graced for many decades.

2 Management's Responsibility to Capitalism—Paul G. Hoffman.

Moral Laws Ignored

We may well ask what has brought about this great change which gives acceptance of a doctrine of social organization which substitutes permanent class groups for a philosophy truly reflecting the ideals of real liberalism? There is always danger in over simplification, but I am inclined to believe the answer is to be found in the disregard of moral laws and principles. When force and coercion replace religion and morals, the result is chaos, behind which the forces of reaction operate, invoking restrictions, compulsions and acts of despotism, which are acclaimed loudly to be in public interest. Always, these restrictions of freedom are said to be beneficial to the common man, but in truth they have exactly the opposite effect. They exploit the so-called common man by making him the pawn of the state, or the group in control of the state, by fixing him in an arbitrary classification, frequently the one in which he was born, regardless of his ambition or capacity.

Commenting on this, a few years ago, Dr. Nicholas Murray Butler said, "It is moral principles and moral ideals, and those alone, by which an individual's work in the world should be limited. Any limitation imposed by sheer force without regard to moral principles is reactionary in the extreme, as well as destructive of all excellence. Instead of being in the interest of the great mass of the people, it is distinctly and violently against that interest. It would destroy the very foundations upon which free institutions rest and would substitute some of the many forms of despotism for that free government through public opinion which we have come to know as democracy."

Challenge to Liberalism

The very seriousness of the challenge to liberalism is reflected in the following item which appeared in the July 24 issue of "Trends":

"**Free Enterprise:** Five thousand Americans—a cross section of the national population—were asked this question: If the government owned and managed industries, would you get more or less for your money than you do now?"

That question was first put to a population sample in October, 1945. At that time, 43% thought they would get as much or more under government ownership. Nineteen percent were uncertain. College students among the 5,000 were more socialistic. Of the college students, 63% were convinced they would get as much or more under government ownership.

Later samplings of opinion, probably influenced by the great debate over economic and social systems which has followed the end of the war, showed a trend toward belief in private enterprise as guarantor of the greatest good for the greatest number. However, convinced believers in capitalism apparently remain a minority, with apparently one-third of the population uncertain one way or another.

Dr. Henry C. Link, Vice-President of Psychological Corporation, who conducted these surveys, says "Socialism and Communism have excelled Americanism only in promises, propaganda, missionary zeal and education."

I am not prepared to defend the accuracy of Dr. Link's surveys, but even making allowance for a sizable margin of error, they are thought-provoking. They indicate the great need of broad education on the values of free enterprise, the contribution it has made to mankind, the contribution it made to the winning of two world wars and the contribution it can make to rehabilitating the currently disorganized world. Economic ignorance must be dispelled.

Ideological Conflict

Today we are eye witnesses to a great drama, the struggle between two ideologies, the Russian communistic concept of a way of life and the American democratic system of free competitive enterprise. Someone has said that the English experiment in Socialism is only a transition which must end in a private property system or a total state. The conflict between the philosophies of Russia and the United States today constitutes the greatest handicap to lasting world peace and prosperity. If we fail to exert proper leadership in this critical hour in world history, the drama may become a tragedy.

A strong, vigorous America is essential to world stability and peace. "Charity begins at home," and unless our economy is strong we shall not be in position to give the necessary aid and assistance abroad that are required to preserve those systems still sympathetic to our way of life. Therefore, a high level of production of economic goods and services is necessary.

"How well off we are as a nation depends upon how much we produce as a nation."[3] Restriction of labor and output can never bring prosperity to a nation. Temporarily, a small minority can profit at the expense of society by such selfish means, but "if every one attempted to get rich by producing less, the result would be general poverty rather than general prosperity."[3] There is wide lack of appreciation of the "enormous dynamic possibilities of the American economy"[4] and its capacity to produce. If we have the wisdom to remove the impediments to the expansion of private enterprise, we can electrify the world with our contribution to its prosperity, its well-being and a lasting peace.

Labor-Management Conflict

Of the serious impediments to high production the misunderstandings between management and labor are not the least. There is much truth in the statement made some years ago in Washington by a priest whose name I have forgotten. Said he, "If you will tell me which is the more important element in the procreation of the human race, the male or the female, I will tell you which is the more important in the production of ecoomic goods, capital or labor." Both elements being essential, it should challenge the best efforts of industrial and labor leadership to effect harmony in their relationships. I am persuaded that much of the strife between these two is due to lack of understanding of economic verities on both sides.

Purchasing Power Essential

Few of our workers realize that real wages are not expressed in dollars and cents, but in purchasing power. The worker profits not at all by an increased wage, if at the same time the inflationary spiral increases the prices of the necessities of life so that his pay will not provide his family with more economic goods and services. If wage increases are to carry real benefits to both workers and the public, they must be accompanied by a greater production of goods and services. Otherwise, the result is inflationary. The wage earner cannot escape the fact that he is also a consumer.

There is a broad misconception of the portion of our national product which goes to profits. In a nationwide survey of the opinions of white collar and production workers, one of the questions was, "Just as a rough guess, what would you say the average manufacturer makes in peacetime?" Two-thirds of those interviewed had an opinion. Of those expressing an opinion, 11% thought profits exceeded 50%; another 14% thought they were between 34% and 50%, and a total of 40% of those interviewed thought profits exceeded 25%.[5]

3 Understanding Business and Economics—Willard Chevalier—"Commercial and Financial Chronicle," 7/24/47.

4 Eight Errors in Our Economic Thinking—Sumner H. Slichter—New York "Times" Magazine, 8/10/47.

Amount of Profits Distorted

About half of those expressing an opinion were thinking of profits as a percentage of sales and half as a percentage of investment and net worth. In reality, a representative group of manufacturing and mercantile concerns made a profit of less than 4% of their sales in 1944 and 1945. As a percentage of net worth in a 10 year period, profits never exceeded 10%. In 1945, an exceedingly profitable year, the figure for a representative group of corporations was 7.6%.[5] A recent Opinion Research report indicated that 64% of the workers believe that the owners of business get more in profits than the workers receive in wages. With such gross misconceptions in the minds of so many wage earners, there is little wonder that we have so much industrial strife. Economic ignorance is dangerous. I believe it was Voltaire who commented that men will continue to commit atrocities as long as they continue to believe in absurdities.

Productive Investment

A living wage for investment is important to the worker as well as to the investor. Normal increase in production can go forward only if there is ample investment in new productive equipment. Throughout the years there has been ample statistical evidence to conclude that:

(1) Taken broadly, real wages are determined by the product per worker, and are a fairly fixed share of the value of the product. Unless, then, the product can be increased, the level of wages can not.

(2) The product per worker is determined in the long run by the capital investment per worker.

(3) The rate of growth of capital investment and of aggregate product has been approximately the same in this country for a century or more, indicating that an increase in the product is dependent on the provision of additional capital.

(4) The rate of growth of total wages and of total product has been nearly the same, so that over long periods the share of the product going to labor has remained nearly constant."[6]

In the long run strikes or lockouts have little effect on real wages. Likewise, neither the militant labor leader nor the tight-fisted employer are able to exert nearly as much influence on wages as they would have us believe they do. The laws of economics are immutable.

In my day, Dean Bidgood taught us to respect the opinions of Dr. Richard T. Ely, and I remember in his "Outlines of Economics" he said, "Man can get but little from nature with his unaided hands. The instruments which aid him are called capital; in other words, capital is every product which is used or held for the purpose of producing or acquiring wealth." Thus, the carpenter's saw and the mason's trowel are capital.

Capital Makes Employment

Few, indeed, realize the amount of capital required per worker in the industries of this nation. A few years ago it took an average $6,300 of capital for each worker in manufacturing. For each worker in chemical industries, there was an investment of $17,000; in printing, $5,800; in mining, $8,650; in railroads and steel mills, $25,000. Thus, before men can be put to work in manufacturing, someone must have had the will and the opportunity to save and the courage to take the risks involved which are not small, for in this country about 30% of all new businesses fail to last over a year and by the end of a five-year period, 70% will have folded up.

5 Penalties of Economic Ignorance—Frank M. Surface—"Commercial and Financial Chronicle," 7/17/47.

6 Capitalism, the Creator—Carl Snyder.

Karl Marx's mother is credited with having said, "If Karl had made a lot of capital instead of writing a lot about capital, it would have been much better."[7]

Since a constant flow of capital into the tools of production is most essential to a high level of production and a high standard of living, it is important that we take care not to destroy those incentives which encourage its accumulation and its investment.

Destroying Incentive

To win the war and administer our government from July 1, 1941 through June 30, 1947, we spent $370 billions. We raised 46% of this by taxation and borrowed about $200 billions, which with what we already owed, left us with a per capita debt of over $1,900 or a debt of $7,009 for each family in the United States. To pay and service a $258 billion debt will require heavy taxation for years, but it is important that the tax burden be held to a point where it will not dry up the incentive to take the risks attendant with business ventures. That we have already passed the point of diminishing returns is very likely.

Fred Clark, General Chairman of the American Economic Foundation, said recently, "After eight years of sniping and punitive tax legislation, America's stock of tools decreased 20% from the 1930 level. . . . It marks the first period in our nation's history that our tools did not increase." Continuation of that trend would impose serious problems for our economy.

Bureaucracy Another Impediment

Another potent impediment to the expansion of our production is the constant encroachment by government in business. Government in business becomes monopolistic and few citizens can compete with their government. There are too many advantages in favor of the latter, such as tax exemption and immunity from laws governing private business. Then, too, private business must be efficient to survive, whereas the taxpayer absorbs the losses when government owned business operates at a loss. One only needs to contrast the operation of the railroads in World War I by the government, with what the railroads did under private management in World War II, to get a convincing conception of the tremendous costs which accrue to society when the state undertakes business ventures. Notwithstanding the uneconomic aspects of government in business, we do not have to look farther than the confines of Alabama to witness current attempts to socialize industry. In one spot in our state an effort is now being made to build facilities with government funds which will compete with private capital, although private enterprise stands ready and willing to do the job at a more economical cost than the proposed project can hope to do.

Britain's Crisis

For any who may have leanings toward the socialistic way of life, I suggest a study of the recent "belt-tightening" program offered by Prime Minister Attlee for Britain at a closed "crisis" meeting of the Members of Parliament late in July. The Socialist Government, having spent most of the

7 The Life and Writings of Karl Marx—M. Beer.

$3,750,000,000 which we loaned Britain, with production still low, tells the English worker he will have to work longer hours, that many workers will have to change from non-essential industries to essential ones, and that a large part of production hitherto channeled into the domestic market will hereafter be sold to other countries. That's not a very pretty prospect several years after the end of the war.

The ability of the socialistic planners is exposed when you realize that the loan, which was to be used over a five-year period to stabilize British economy, has been almost exhausted in about a year, and its terms have been drastically modified.

Nationalization of British industry is not proving to be the Utopia the workers expected it to be. An ex-director of one of the now nationalized mines, on meeting one of his former employees, asked him how he likes the new regime. "Not so good," replied the miner. "I thought I was going to be where you were, but I've only got a new boss."

Russian Worker Unhappy

And how is the Russian worker making out these days in the U. S. S. R. in the land of Communism? In an enlightening survey recently published, Alan L. Otten said, "The Russian worker, like the Red Queen in Alice in Wonderland, is having to run faster than ever these days, to stay in the same place."

"His wages are an average of 25% higher than they were a year ago. But in the same period prices of rationed foodstuffs — where most of his money goes — have risen about 166%."[8]

The U. S. S. R. is having difficulties in attaining the high production goals set for its last five-year plan. Drastic steps have been taken to try to boost production, which include:

"A drive to pay wages on a piece rate basis wherever possible.

"Reinstitution of 'collective bargaining' agreements by which the workers agree to produce just as much as possible and management promises to introduce the latest speed-up methods."[9]

Reestablishment of extra benefits for workers in efficient, high production plants.

Even with the incentive extras, the Russian worker has a hard time making his rubles buy a minimum of food and clothing for his family. He is none too happy.

Production today in Russia in many lines is still far behind its pre-war level.

Benefits of Free Enterprise

In no country does the industrial worker enjoy as many of the comforts of life as in America under the democratic system of free enterprise. Even before the war, he was far out in front of any of his counterparts in other nations. In 1940 he could get a moderate priced automobile in exchange for 853 hours of labor. In England, it took 3,522 hours for similar car; in Germany, 5,054 hours, and in France, 7,295 hours.[10] That shows what American enterprise can do.

Aided by a greater number of the tools of production than foreign workers, an American coal miner turns out four tons of coal to a British miner's one. An American steel worker produces four times as much steel as a British steel worker. Our auto workers outproduce foreign auto workers and our textile workers beat British textile workers by about a two to one ratio.

Left-Wing Theorists

At the conclusion of the war the economic thinking in most of the world was dominated largely by left-wing theorists. Here in the United States they predicted we would have from eight to ten million unemployed in the spring of 1946. Socialists and Communists throughout the world were in agreement that American democracy and free enterprise could not stand the strain. Russian Communists set about creating all the confusion possible in world trade and British Socialists gained control at home.

As stated by New York "Times" Correspondent Russell Porter,[11] on Aug. 10: "Economic crisis has come to the world but it has not started here. On the contrary, it is the stability of the American free enterprise that is now threatened by the instability of British Socialism, not to speak of the permanent depression of Soviet Russia. The official admission of the British crisis last week was almost simultaneous with appeals for American aid from Russian satellite countries and with the announcement of a new all-time high record for employment in the United States."

The answer to world economic ills is not Socialism, nor is it Communism. Neither have been able to match the vitality and productive ability of our system of free enterprise. With all its imperfections and the handicaps of abnormally high taxation, government competition and interference by misguided bureaucrats, the American competitive system of free enterprise, which has given the American people the highest productivity and the highest standard of living of any people, is the hope of this troubled world.

We must hold fast to moral laws and principles which have kept the American competitive system operating in public interest. We must keep the flexibility which has always enabled the American system to meet changing conditions and changing requirements without sacrificing the basic freedoms which are embodied in our Constitution and which are our sacred heritage.

8 "Wall Street Journal"—July 30, 1947.
9 Ibid.
10 Factory Management—July 1947—page 66.
11 New York "Times"—Aug. 10, 1947.

Mean to Achieve Peace: Truman

(Continued from first page)

maintenance of continental peace and security, ladies and gentlemen:

It is a distinguished privilege to address the final session of this historic conference. You are assembled here as the representatives of the nations of this hemisphere which have been banded together for over half a century in the inter-American system. You have successfully accomplished the task of putting into permanent form the commitments made in the Act of Chapultepec. You have made it clear to any possible aggressor that the American republics are determined to support one another against attacks. Our nations have provided an example of good neighborliness and international amity to the rest of the world, and in our association together we have strengthened the fabric of the United Nations. You can be justly proud of the achievements of this conference and I commend the noble spirit which has inspired your efforts.

The cordial gracious invitation of President Dutra to visit this beautiful land has allowed me to fulfill a desire I have long cherished. I consider it most fortunate that I am enabled also to meet with the foreign ministers and other leaders of the American republics. Thus, in a sense, I am visiting not only Brazil, but I am visiting all of your countries, since each of you carries his country in his heart, the desire for permanent world peace.

We are determined that, in the company of our friends, we shall achieve that peace.

We are determined because of the belief of our people in the principle that there are basic human rights which all men everywhere should enjoy. Men can enjoy these rights—the right to life itself, and the right to share fully in the bounties of modern civilization—only when the threat of war has been ended forever.

Human Rights Essential to World Peace

The attainment of world-wide respect for essential human rights is synonymous with the attainment of world peace. The peoples of the earth want a peaceful world, a prosperous world and a free world, and when the basic rights of men everywhere are observed and respected, there will be such a world.

We know that in the hearts of common people everywhere there is a deep longing for stability and for settled conditions in which men can attain personal security and a decent livelihood for themselves and their children. We know that there are aspirations for a better and a finer life which are common to all humanity. We know — and the world knows — that these aspirations have never been promoted by policies of aggression.

We shall pursue the quest for peace with no less persistence and no less determination than we applied to the quest for military victory.

There are certain important elements in our policy which are vital in our search for permanent peace.

We intend to do our best to provide economic help to those who are prepared to help themselves and each other. But our resources are not unlimited. We must apply them where they can serve most effectively to bring production, freedom and confidence back to the world. We undertook to do this on an individual basis in the case of Greece and Turkey, where we were confronted with specific problems of limited scope and of peculiar urgency. But it was evident, at the time that decision was made early this year, that this precedent could not be applied generally to the problems of other European countries. The demands elsewhere were of far greater dimensions. It was clear that we would not be able to meet them all. It was equally clear that the peoples of Europe would have to get together and work out a solution of their common economic problems. In this way they would be able to make the most of their own resources and of such help as they might receive from others.

European Recovery

The representatives of 16 nations are now meeting in Paris in an effort to get to the root of Europe's continued economic difficulties and to chart a program of European recovery based on helping themselves and each other. They will then make known their needs in carrying this program to completion. Unquestionably it is in the interest of our country and of the Western Hemisphere in general that we should receive this appeal with sympathy and good will, prepared to do everything we can, within safe limits, that will be helpful and effective. Our own troubles—and we have many—are small in contrast with the struggle for life itself that engrosses the peoples of Europe. The nations of free Europe will soon make known their needs. I hope that the nations of free America will be prepared, each according to its ability and in its own manner, to contribute to lasting peace for the benefit of mankind.

Another important element of our policy vital to our search for peace, is fidelity to the United Nations. We recognize that the United Nations has been subjected to a strain which it was never designed to bear. Its role is to maintain the peace and not to make the peace. It has been embroiled in its infancy in almost continuous conflict. We must be careful not to prejudge it by this unfair test. We must cherish the seedling in the hope of a mighty oak. We shall not forget our obligations under the charter, nor shall we permit others to forget theirs.

Determined to Remain Strong

In carrying out our policy we are determined to remain strong. This is in no way a threat. The record of the past speaks for us. No great nation has been more reluctant than ours to use armed force. We do not believe that present international differences will have to be resolved by armed conflict. The world may depend upon it that we shall continue to go far out of our way to avoid anything that would increase the tensions of international life.

But we are determined that there shall be no misunderstanding in these matters. Our aversion to violence must not be misread as a lack of determination on our part to live up to the obligations of the United Nations charter or as an invitation to others to take liberties with the foundations of international peace. Our military strength will be retained as evidence of the seriousness with which we view our obligations.

This is the course which our country is endeavoring to follow. I need not tell you how important it is to our success that we have your understanding, support and counsel. The problem is in the deepest sense a common one for this hemisphere. There is no important aspect of it which does not affect all of us. No solution of it can be fully successful in which we do not all cooperate.

I have already mentioned our collective responsibility for economic assistance. By the grace of God and by our united armed efforts our countries have been saved from the destruction of war. Our economies are intact, our productive powers undiminished, our resources not even fully explored. In consequence, our collective importance in the affairs of a distressed world has become immense.

The Western Hemisphere cannot alone assure world peace, but without the Western Hemisphere no peace is possible. The Western Hemisphere cannot alone provide world prosperity, but without the Western Hemisphere no world prosperity is possible.

Inter-American Economic Cooperation

In so far as the economic problems common to the nations of North and South America are concerned, we have long been aware that much remains to be done. In reaching a solution there are many subjects which will have to be discussed among us. We have been obliged, in considering these questions, to differentiate between the urgent need for rehabilitation of war-shattered areas and the problems of development elsewhere. The problems of countries in this hemisphere are different in nature and cannot be relieved by the same means and the same approaches which are in contemplation for Europe. Here the need is for long-term economic collaboration. This is a type of collaboration in which a much greater role falls to private citizens and groups than is the case in a program designed to aid European countries to recover from the destruction of war. You have my solemn assurance that we in Washington are not oblivious to the needs of increased economic collaboration within the family of American nations and that these problems will be approached by us with the utmost good faith and with increased vigor in the coming period.

If acceptable solutions of these economic problems can be found, and if we can continue to work with mutual confidence and courage at the building of that great edifice of political security to which this conference has made so signal a contribution, then I believe that we can look with high hopes on the further development of our community life in this hemisphere.

Inter-American Differences Must Be Overcome

I have no desire to overlook the difficulties that have been encountered in the past and will continue to be encountered in the future. All of us are young and vigorous nations. At times we have been impetuous in our relations with one another. There has been a natural tendency for us to exhibit the same exuberance in our differences and our criticisms as in our friendships. Wide differences of background and tradition have had to be overcome.

But I believe that we may view with sober satisfaction the general history of our hemisphere. There has been steady progress in the development of mutual respect and of understanding among us. As the United States acquires greater maturity, as its experience becomes deeper and richer, our people gain in appreciation of the distinguished cultural traditions which flourish among our neighbors in the Western World. I hope that as your acquaintance with us broadens, you will appreciate our fundamental good will and will understand that we are trying to bear with dignity and decency the responsibility of an economic power unique in human history.

There are many concrete problems ahead of us on the path of inter-American relations. They will not be solved with generalities or with sentimentality. They will call for the utmost we can give in practical ingenuity, in patience and good will. But their solution will be easier if we are able to set our sights above the troubles of the moment and to bear in mind the great truths upon which our common prosperity and our common destiny must rest.

This Western Hemisphere of ours is usually referred to as the New World. That it is the New World is clearer today than ever before. The Old World is exhausted, its civilization imperilled. Its people are suffering. They are confused and filled with fears for the future. Their hope must lie in this New World of ours.

Hungry Nations Threat to Peace

The sick and the hungry cannot build a peaceful world. They must have the support of the strong and the free. We cannot depend upon those who are weaker than we to achieve a peace for us to enjoy.

The benefits of peace, like the crops in the field, come to those who have sown the seeds of peace.

It is for us, the young and the strong, to erect the bulwarks which will protect mankind from the horrors of war—forever.

The United States seeks world peace—the peace of free men. I know that you stand with us. United, we can constitute the greatest single force in the world for the good of humanity.

We approach our task with resolution and courage, firm in the faith of our Lord, whose will

(Continued on page 32)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Tuesday's market pulled prices back from the edge. Last week's signs confirmed by recent action.

It was fortunate that Tuesday's market acted the way it did. If it hadn't there would have been little to say. At this point some of my readers can sound off: "When did you have anything to say?"

* * *

The fact remains, however, that for the past few weeks what little trend was discernible either remained static or pointed down. I know that all during this period the news continued to favor the up side. Earnings were good and the prospects for better earnings continued well in the fore. The only thing I didn't like was the market itself. I have long maintained, and still do, that news in itself is meaningless where the market is concerned. A headline cannot take the place of a profit. I was on the verge of saying that it can't take the place of a margin call, but margin calls are supposedly old fashioned. It's theoretically all cash now. And speaking of margin calls it seems to me that with credit bars down the same lifting of restrictions may be extended the security markets. Before you jump at conclusions, let me point out that I have no inside information and no one has whispered anything to me.

* * *

To get back to the market and what's in store for it, last week the drab outlook which had infected the market for so long, let up, and there seemed to be an improvement in the prognosis, a fact that was duly mentioned in this space. The latter part of last week didn't seem to improve the market's chances. It was just a repetition of the drab days that had gone before.

* * *

Tuesday, however, the picture sharply changed with the result that the familiar averages were up about two points at their best and closed up a point on the day. This in itself is nothing to write home about. But the fact that it happened on a day when a small crisis was in the cards, made it particularly significant.

* * *

Last week this writer said that the market averages would rally to about 183 to 185 before meeting any real resistance. It is possible that this may be seen sooner than we expect. If that is so then start looking for individual run-ups in the next few days with some stocks refusing to share in the rally. If the stocks you have are in the latter category, be careful. If stocks don't move up on general strength, the chances are they will lead a general decline.

* * *

The leaders are still the stocks that look best. Undoubtedly individual situations may turn out quite profitably if held long enough, but I still prefer the active issues which can be sold as readily as they can be bought.

* * *

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

Mean to Achieve Peace: Truman

(Continued from page 31)

it is that there shall be peace on earth.

We cannot be dissuaded, and we shall not be diverted, from our efforts to achieve His will.

* * *

President, in Message to American Legion Meeting, Urges Peacetime Training

In a message to the American Legion Convention in New York City on Aug. 27, President Harry S. Truman repeated his advocacy of universal compulsory military training, as only means of assuring sufficient armed forces to meet "the critical stage of another emergency." The full text of the message follows:

Only the unremitting pressure of official duties prevents me from attending in person the 29th annual national convention of the American Legion. To one and all I send hearty felicitations and warmest personal greetings.

Since your last convention in San Francisco one year ago, significant forward steps have been taken to augment the security of the United States.

The armed forces, then struggling to overcome the impact of almost total demobilization, are now on a volunteer basis, high in morale and with increasing military efficiency. At home and overseas they are performing national missions in a way that does credit to our nation and its people.

Service unification, which I twice recommended to the Congress and which your members untiringly supported, makes permanent the coordination and service teamwork developed during the war that might well have been lost in peacetime under separate departments. With obvious advantages in command and flexibility, the measure gives every promise of eventual savings in the fields of administration and supply.

Still lacking, however, is the foundation of security structure —trained, disciplined manpower, adequate in numbers to fill the ranks of our civilian components and to provide a broad base for civil defense. Against the possibility of total war, we must have the certainty of total defense, using every resource of our being in the effort. Only universal training can assure that sufficient forces will be available in the critical initial phase of another emergency.

The weight and speed of war have multiplied; its weapons have become horrible in their destructive power. But the effectiveness of defense and offense is still dependent on the skill and courage of men.

In a world where chaos still exists and war remains a dread possibility the cost of our security will remain high for some time to come. We must be so strong that no aggressor, however rash, can persuade himself that we are open to conquest.

In the two years since V-J Day, the veterans of World War II have made long and rapid strides toward readjustment. This encouraging progress of the veteran today is marred, however, by two major obstacles to full readjustment. These are high prices and insufficient housing. All of us know that these problems are not limited to any one group of citizens, but we must not forget that it is the veteran, only recently returned to normal peacetime activities, who is hardest hit by reduced purchasing power in the face of his substantial needs and by the lack of adequate housing at prices he can afford. The country will await an expression of your considered judgment on this serious problem of insufficient housing.

Upon the veterans falls the heavy responsibility of maintaining the fruits of victory in the years ahead. This is the veterans' country. Its future is in their hands.

It should be apparent to each of us that, although we have come a long way in repairing the terrible damages of war by aiding in the readjustment of our young men to normal peacetime life, we have a broad and compelling responsibility to do far more. We shall not have fulfilled our responsibility to veterans until we have guaranteed them the opportunity to find and hold the jobs, homes, and security which are their stake in this democracy for which they have fought.

N. Stein Joins Staff Of Rosenthal & Co.

Rosenthal & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange and Commodity Exchange, Inc., and associate members of the New York Curb Exchange, announce that Nathaniel E. Stein has become associated with the firm. Mr. Stein previously had been with Cohu & Torrey.

The State of Trade and Industry

(Continued from page 5)

alleviate the flat-rolled steel situation is running as much as 18 months behind promises made to steelmakers at the time orders were placed. It now looks like major flat-rolled equipment now on order will not be installed much before the middle of next year, the trade magazine states.

Present rolling mill facilities are being pushed to the hilt, but steel consumers are still complaining about the steel shortage and are shutting down in some instances until banks of stock are built upon.

There are some in the steel trade who believe that auto makers and other large steel users have placed their operating schedules on so high a plane that periodic shutdowns are bound to occur. It is known that many steel fabricators and processors are operating at a much higher rate than a year ago and are still clamoring for more steel.

In the past few months pig iron output has been somewhat below actual requirements. This has been one of the reasons why steel companies have been unable to continually keep ingot output at peak levels.

There is no danger that steel production will slip sharply but demand is so strong that even a three or four point decline will be enough to force a complete revamping of present steel quotas. One large company expects to end up this year somewhat behind on promised sheet deliveries. As a result it may be necessary for this and other firms to cut down on quotas for this product in the first quarter of 1948.

There was no significant change in the scrap markets last week except a dip at Buffalo. This was in line with changes made at other locations a week or so ago. Most steel officials are still anxiously watching the trend in scrap prices but there was no evidence this week of any sharp drop in quotations in the near future.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 92.4% of capacity for the week beginning Sept. 1, 1947, as compared with 93.4% one week ago, 94.9% one month ago and 84.5% one year ago. This represents a decrease of 1.0% from the preceding week.

The week's operating rate is equivalent to 1,616,900 tons of steel ingots and castings compared to 1,633,700 tons one week ago, 1,660,700 tons one month ago, and 1,489,200 tons one year ago.

ELECTRIC OUTPUT 12.2% AHEAD OF A YEAR AGO

The amount of electric energy distributed by the electric light and power industry for the week ended Aug. 30, 1947 was 4,939,801,000 kwh., according to the Edison Electric Institute. This compares with 4,952,876,000 kwh. in the preceding week and was 12.2% in excess of the 4,404,192,000 kwh. produced in the corresponding period of last year.

RAILROAD FREIGHT LOADINGS 1.8% OVER YEAR AGO IN LATEST WEEK

Loadings of revenue freight for the week ended Aug. 23, 1947, totaled 900,895 cars, the Association of American Railroads announced. This was an increase of 5,410 cars, or 0.6% below the preceding week. This represented an increase of 15,940 cars, or 1.8% above the corresponding week in 1946, and an increase of 47,469 cars, or 5.6% above the same week in 1945.

AUTOMOTIVE OUTPUT IMPROVES SLIGHTLY OVER WEEK AGO

The automotive industry last week still found itself struggling to attain its contemplated production goal. The shutdown the past week of two important producers for inventory and steel stockpiling barred the way to any substantial upward revision in car and truck production, notwithstanding gains made by Ford, Chrysler and other independent producers.

Output in the United States and Canada during the past week totaled 86,958 units, compared with a revised figure of 84,726 units for the previous week and 74,960 units in the comparable period of last year, according to Ward's Automotive Reports.

Last week's output comprised 81,521 vehicles made in this country and 5,437 in Canada. The U. S. total included 59,942 cars and 21,579 trucks, while the Dominion figure showed 3,502 cars and 1,935 trucks.

Wholesale volume continued at the high level of the previous week and was moderately higher than that of the corresponding week a year ago. Retailers generally were anxious to enlarge their inventories of Fall goods but continued to purchase discriminately. Some improvement in deliveries was evident, but a few types of merchandise were difficult to obtain.

BUSINESS FAILURES UP A LITTLE

After the previous week's decline, commercial and industrial failures roses lightly in the week ending Aug. 28, reports Dun & Bradstreet, Inc. A total of 64 concerns failed as compared with 59 last week and 28 in the corresponding week a year ago. While failures were higher than in the comparable weeks of any of the past four years, there were only one-third as many concerns failing as in the same week of prewar 1939.

The small increase this week occurred entirely among small failures involving liabilities of less than $5,000. Fourteen of these small businesses failed, doubling the seven reported a week ago and more than tripling the four of last year. Failures with losses above $5,000 continued to account for a major portion of the week's total failures. At 50, concerns failing in this size group were down two from the 52 in the preceding week but were twice as numerous as in the corresponding week of 1946 when 24 concerns went out of business with liabilities in excess of $5,000.

JULY INCORPORATIONS 8.6% BELOW AVERAGE OF FIRST SIX MONTHS OF 1947

The number of new businesses incorporated in the United States during July slightly exceeded the June total, but was almost 9% below the average of the first six months of the year. According to the latest compilation by Dun & Bradstreet, Inc., the number of stock companies formed during July amounted to 9,041, a decline of 24.6% from the July 1946 total of 11,987.

WHOLESALE FOOD PRICE INDEX 7 CENTS IN LATEST WEEK

A general rise in food prices, with advances in individual commodities numbering 11 as against only 2 declines, pushed up the Dun & Bradstreet wholesale food price index for Aug. 26 to $6.64 from $6.57 a week earlier. This represents an increase of 22.5% over the $5.42 for the corresponding date a year ago and is only 1.2% below the all-time peak of $6.77 established on March 4, 1947.

DAILY WHOLESALE COMMODITY INDEX REACHES NEW POSTWAR PEAK.

Continuing the increase of the previous three weeks, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., advanced to a new postwar high of 275.64 on Aug. 22, 1947. The index closed at 273.70 on Aug. 26. This compared with 274.17 a week earlier, and with 229.60 on the corresponding date a year ago.

Grain prices continued the advance begun about a month ago with all grains reaching sharply higher levels during the week. Cash corn reached an all-time high of $2.52 per bushel and then turned slightly lower toward the end of the period as reports of rain and cooler weather in the corn belt were received. Wheat prices remained firm largely because of the poor condition of the corn crop although heavy government buying was also an important factor. Good progress continued to be made in the harvesting of the spring wheat crop.

The domestic demand for flour remained light. Trading consisted generally of small-lot purchases of hard wheat flour, with most bakers hesitating to buy beyond their immediate needs. The government's purchases of flour were light due mainly to the fact that its prices have not advanced with the same rapidity as marked prices. Lard prices, both cash and future, rose during the week. The belief that the lard supply early next year would be smaller because of lighter feeding of hogs due to a smaller corn crop was mainly responsible for the advances.

Cotton prices in the domestic market declined slightly during the past week with future contracts on the New York Cotton Exchange dropping 82 to 106 points from the closing levels of a week ago. Spot cotton closed at 34.13 cents a pound as compared with 34.71 cents a week earlier.

Trading in cotton textile markets was light and inquiries were mostly for spot and nearby deliveries. The demand for print cloths remained strong and order volume was retarded only by the scarcity of offerings. Most mills were reported as being sold up through March 1948. There was a considerable demand for fine-combed yarn goods but offerings were very limited and prices continued to advance.

Activity in the Boston wool market lessened slightly last week with most mills being well covered in regard to fine domestic wools. Finer grades of foreign wools were in demand but offerings continued to be very scarce.

RETAIL AND WHOLESALE TRADE EXCEEDS LEVEL OF WEEK AND YEAR AGO

The heat wave in some areas abated last week and resulted in improved consumer interest. Retail volume rose slightly above the level of the previous week and moderately exceeded that of the corresponding week a year ago, according to Dun & Bradstreet, Inc., in its weekly review of trade. Response to promotional sales improved, though the resistance to increased prices and poor quality merchandise was considerable in some sections. Collections were generally slow.

Consumers purchased large quantities of foods with interest centering on warm weather commodities. Increased amounts of fresh fruits were bought for home canning. The resistance to high meat prices resulted in a slight price decrease in some areas. Stewing meats, pot roasts and other less expensive cuts were favored. The volume of canned meats, cheese, macaroni and fresh vegetables rose. Frozen foods, dairy products, soft drinks and beer continued to be heavily requested.

The arrival of cooler weather helped to lift Fall apparel volume which had slumped in many locales due to high temperatures. The demand for back-to-school garb was substantial and interest in wool and crepe dresses revived. Men's topcoats and heavyweight suits increased in popularity and men's shirts, socks and neckwear sold well. The demand for both men's and women's shoes was large.

Housewares and home furnishings were in steady call. The heavy demand for better known major appliances continued to exceed the supply. Furniture and lamp promotions were instrumental in increasing volume in many stores. The turnover of paints and carpenter tools was very large. Extensive vacation travel enlarged requirements for tires and automobile accessories.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 2 to 6% above a year ago. Regional estimates varied from those of a year ago by the following percentages: New England declined 0 to 4%; Middle West 4 to 8%. Increases were: East 2 to 6%; South 5 to 9%; Northwest 3 to 7%; Southwest 4 to 8%, and Pacific Coast 6 to 10%.

Wholesale trading was generally steady and at a high level last week. Volume remained at the level of the previous week and was moderately higher than that of the corresponding week a year ago. Deliveries improved slightly in some lines and order backlogs continued to be fairly large. Retailers purchased cautiously and some buyers endeavored to enlarge inadequate inventories. Quality merchandise was preferred.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 23, 1947, decreased 6% below the same period of last year. This compared with a similar decrease in the preceding week. For the four weeks ended Aug. 23, 1947, sales decreased by 3% and for the year to date increased by 8%.

Retail trade in New York last week had the American Legion Convention and the approaching Labor Day holiday to contend with but department stores did manage, notwithstanding this, to report sales for the week at a level slightly less than the similar week a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 23, 1947, decreased 1% below the same period last year. This compared with a decrease of 12% (revised figure) in the preceding week. For the four weeks ended Aug. 23, 1947, sales declined 5% and for the year to date rose by 8%.

Some Conflicting Labor Day Statements

By Earl Bunting

(Continued from page 6)

will not buy as much as before. This is true after every war, with wages and prices eventually stabilizing at a higher level than before the economic dislocation caused by the conflict.

But we are doing rather well in this country today. We are getting out record quantities of goods for private consumption. Earnings have doubled in mining, contract construction and manufacturing; have tripled for full time employees in agriculture and related fields. In trade, the rise has been over 75%, with workers in the transportation field doing almost as well. Great strides have been made by government employees. Only the earnings of such groups as teachers have lagged behind.

There is a prevailing feeling of uncertainty as to how long prices will continue to rise and whether or not wages and salaries can keep ahead of prices and taxes. This feeling of uncertainty has brought wave after wave of increased wage demands which inevitably have been followed by wave after wave of price increases.

The reasons for this futile race between wages and prices are really quite simple. Wages must be examined from at least two general points of view. On one hand, they are income; on the other they are costs. One man's income is another man's costs.

The record of wages goes far toward explaining prices and price trends, due to the simple fact that wages are costs and not income when it comes to determining what prices must be.

Nothing is made and nothing is moved without labor somewhere along the line. Labor costs add up to something like 75 to 85% of all costs upon which consumer prices, as a whole, must be based.

Therefore, wages constitute a comparatively fixed proportion of the sales dollar or the price of the product in the long run.

Some persons may argue that prices should return to the 1939 level, but no one wants, nor expects, wages to do the same thing—yet the two are inevitably linked together.

Production and improved services are the only guarantees of adequate real wages. We cannot have things that we do not produce. We can get more only by producing more.

Nothing would mean more to the future of this country, therefore, than a firm resolution by every member of the production team—both management and labor—to keep America at work with everyone producing more so that there eventually will be more to share.

* * *

By President Truman

(Continued from page 6)

lions of our unorganized workers are living, in this day of high national income and high profits, on sub-standard wages. A prompt increase in the minimum wage rates is needed. Our social security system can and must be broadened by extending its benefits to a greater number. Nor can we long delay, without incalculable loss to the nation, the establishment of an adequate system of health insurance. All these problems deserve the attention of the Congress early in its next session.

It is fitting that on Labor Day we should acknowledge the debt this country owes to its workers of hand and mind, and that at the same time we should solemnly recognize our common responsibility to preserve and strengthen the democratic principles which have made labor and the nation strong.

By William Green

(Continued from page 6)

Americanism and our free, democratic form of government.

The American Federation of Labor stands as the perfect instrument for this crusade because it opposes and always has opposed any and all forms of totalitarianism, whether they be the Fascistic dictatorship of the right or the Communist dictatorship of the left. This is not the policy of workers in many other nations.

Furthermore, the American Federation of Labor stalwartly supports our American free enterprise system. This cannot be said of any other organized labor movement in Europe or Asia.

We believe true democracy can be advanced through free, democratic trade unions and free, democratic collective bargaining. We believe industrial peace can be promoted through the negotiation of collective bargaining contracts between employers and employees, which we hold sacred and inviolate. We believe that when the government intervenes in this procedure, with bureaucratic regulations and controls our freedom and the freedom of the nation's industrial life are violated.

Why should a great labor federation which stands for these high principles and constructive policies be assailed and persecuted through the enactment of reactionary State and Federal legislation which can do no good but is bound to result in chaos and confusion? That is the big question raised by the voice of labor on this Labor Day, 1947.

Over the past half-century, labor has learned to use its economic power effectively. Wages and working conditions have been vastly improved by the organization of workers into free trade unions.

But the economic progress of labor is now being threatened by the enactment of restrictive anti-labor legislation which would outlaw the basic terms of collective bargaining contracts negotiated for more than half a century and provide for the imposition of criminal penalties upon employers and employees who negotiate these contracts willingly and voluntarily. Such laws have one main purpose—to make strong unions weak—weak unions weaker, and make it difficult for all unions to function. Typical of these is the Taft-Hartley Act, without question the most offensive and most reprehensible law ever enacted against the nation's workers.

It is the purpose and policy of the American Federation of Labor to challenge the constitutionality of this reprehensible legislation in the courts of the land. We are firmly convinced that many of the sections of the Taft-Hartley Bill are unconstitutional and will be held invalid by the Supreme Court of the United States. In addition, we will seek the repeal of this most highly objectionable anti-labor legislation. Our concentrated efforts will be directed toward the accomplishment of this purpose.

Furthermore, we will call upon the membership of organized labor and all its friends throughout the nation to defeat all candidates for reelection to Congress and State Legislatures who voted for the passage of reprehensible legislation. Special detailed efforts will be put forth to prevail upon all workers and their friends to qualify to vote in the election and to see to it that nothing will prevent them from casting their ballots on election day. In order to make this possible, we will seek to establish a holiday on election day. If we succeed in this effort, no worker or the friend of a worker will have any excuse for failing to vote.

Our platform for 1948 calls for many other positive measures for human betterment, measures which Congress has consistently defeated or ignored in the past few years.

First, we demand that action be taken to reduce exorbitant prices and bring the cost of living gradually down to a more reasonable level. Price-fixing monopolies must be crushed and inflation must be halted before the people of this country are robbed of all their hard-earned savings.

Second, we insist on sound measures to maintain full, year-'round employment at wages commensurate with decent American standards of living.

Third, we call for enactment of a broad housing program which will encourage and speed up the construction of millions of new and comfortable homes for the American people.

Fourth, we must increase the present minimum wage. Under the present law, the standard is only 40 cents an hour for a 40 hour week. How can any wage-earner support a family on $16 a week at present prices? This situation is an economic blight upon our nation and cries aloud for correction, but the enemies of labor refuse to listen to reason.

Fifth, and finally, if we hope for a better future for ourselves and our children, we must strengthen and improve our social security laws so that no worker can be cast on the scrap heap in old age and be forced to take a pauper's dole. The new Social Security program, which the American Federation of Labor urges, calls for the inclusion of a sound system of health insurance, a forward step which is essential not only to the well-being of individuals but to our country's future security.

These things are worth fighting for. Certainly they are worth voting for!

Today, in spite of full employment and high wages, labor in America is deeply disturbed—more so than ever before in my memory. The rising tide of prices has cut the purchasing power of the wage-earner's dollar in half and wage rates are lagging behind the cost of living. At the same time, the workers of the nation are alarmed by the organized attempt to undermine and destroy the only instrument which has faithfully and successfully served to protect their interests over the years—their labor unions.

The task and responsibility of organized labor in the months ahead will not be to arouse the spirit of retaliation among the membership, but to keep the spontaneous surge of that spirit within disciplined bounds. For our own good and the welfare of our country, we must keep production going at full blast and the wheels of industry moving without serious interruption. We must fight our enemies, not with ill-considered strikes, but with ballots, in the peaceful, democratic, and American way.

I have great faith in the good sense of the American people, and in the spirit of fairness that animates them. It is my opinion if labor upholds its responsibilities to the public, the public will uphold labor. Within the few short months since the enactment of the Taft-Hartley Act, the tide of public opinion already has swung against it. Tests of public sentiment which have been taken recently show that a majority of the American people favor immediate revision or repeal of the Taft-Hartley Law. I predict that as the evil provisions of the law become more fully understood, a tidal wave of opposition will roll up against it and crash down upon the heads of its sponsors and supporters on election day, next year!

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

A. B. C. Vending Corp., New York (9/22-30)
June 30 filed 165,134 shares ($1 par) common. **Underwriter**—Reynolds & Co., New York. Price by amendment. **Proceeds**—Of the total, 120,000 shares are being sold by stockholders; 20,124 are being issued to A. J. Morris for services; 25,000 are being sold 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.

• Air Commuting, Inc., New York
Aug. 29 (letter of notification) 966 shares of capital stock (no par). **Price**—$100 per share. **Underwriters**—None. Purchase of aircraft, etc.

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.

Armour and Co., Chicago
July 12, 1946, filed 350,000 shares (no par) cumul. first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). **Underwriting**—Kuhn, Loeb & Co., New York. George Eastwood, President, in letter to stockholders, Dec. 22, said: "We have come to the conclusion it will not be necessary to issue any additional shares of common stock" as part of company's refinancing plan. In connection with the sale privately of $35,000,000 3½% debentures announced July 17, 1947, George A. Eastwood stated: "The debenture sale permits immediate accomplishment of some of the objective of the refinancing plan which the directors and management contemplated nearly a year ago when the shareholders at a special meeting authorized the issuance of two new classes of preferred stock. These new stocks were designed to carry a lower rate of dividend than the present preferred stocks and the consequent reduction in annual dividend requirements was and still is regarded as a major objective in the best interests of the company and its shareholders. We look forward to the accomplishment of this objective in the near future."

• Associated Magazine Contributors, Inc., N. Y.
Aug. 27 (letter of notification) $100,000 3% convertible notes due March 25, 1948. **Price**—Par. **Underwriters**—None. The notes will be sold direct to two individuals. To increase working capital for use in publication of "47—The Magazine of the Year."

Atlantic City (N. J.) Electric Co.
March 19 filed 522,416 shares ($10 par) common, being offered by American Gas & Electric Co. **Underwriters**—To be determined by competitive bidding. **Proceeds**—Offering is part of American's plan to dispose of its holdings of 1,150,000 outstanding shares of Atlantic City. The shares remaining after the public offering will be distributed as dividends on American's common stock. **Bids**—Bids for the purchase of the stock submitted July 22 were rejected. A joint bid by The First Boston Corp.; Shields & Co.; Drexel & Co., and White, Weld & Co. of $17.68 per share and a joint bid by Dillon, Read & Co. Inc., and Smith, Barney & Co. of $16.30 per share were submitted.

Barium Steel Corp., New York
June 17 filed $3,000,000 15-year sinking fund debentures, due 1962, with non-detachable subscription warrants for purchase of common stock. **Underwriter** — Name by amendment. Price by amendment. **Proceeds**—For payment of loans and for other corporate purposes.

Brayton Flying Service, Inc., Robertson, Mo.
March 24 (letter of notification) 50,000 shares ($1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10c par) common. **Price**—$5 per unit, consisting of one share of each. **Underwriter**—White and Co., St. Louis, Mo. For expansion of operating facilities and for working capital.

Brockway (Pa.) Glass Co., Inc.
Aug. 11 (letter of notification) 5,000 shares of 5% cumulative preferred (par $50). **Price**—$50. **Underwriters**—None. **Proceeds**—For additional working capital.

Brooklyn (N. Y.) Union Gas Co.
May 3, 1946 filed 70,000 shares of cumu. preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23, 1946, rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

California Oregon Power Co.
March 26 filed 60,000 shares ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include: First Boston Corp. and Blyth & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Harriman, Ripley & Co. (jointly). **Bids**—Bids for the purchase of the securities scheduled for May 20 and postponed to June 18 further delayed. It is reported company has abandoned sale of preferred for a construction credit and term loan of $9,000,000 which the company has negotiated with a group of banks.

• Callaway Mills, LaGrange, Ga.
Aug. 28 filed 123,306 shares (no par) common. **Underwriting**—No underwriting. **Offering** — Shares will be offered only to those stockholders who exchanged their holdings of common for preferred in 1945. **Price**—$35 a share. **Proceeds**—For corporate purposes. **Business**—Manufacture and sale of textile products.

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.

• Carolina Telephone & Telegraph Co., Tarboro, N. C.
Sept. 3 filed 21,250 shares ($100 par) common. **Underwriters**—No underwriting. **Offering**—To be offered to common stockholders on the basis of two new shares for each five shares held of record Oct. 1, 1947. **Price**—at par. **Proceeds**—To repay short-term bank loans in connection with the financing of construction program. **Business**—Telephone business.

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.

• Casabianca (H.), Inc., New York
Aug. 27 (letter of notification) 10,000 shares of common stock (no par). **Price**—$26.50 per share. **Underwriter**—Frank V. Stockenberg, New York. To expand through purchase or lease the number of automobile stations presently being operated, etc.

Central Soya Co., Inc., Fort Wayne, Ind.
Aug. 21, 1946, filed 90,000 shares (no par) common. **Underwriter**—None. **Offering**—Shares initially will be offered for subscription to common stockholders at rate of one share for each 7⅓ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—Working capital, etc. Offering indefinitely postponed.

• Challenger Airlines Co., Salt Lake City, Utah
Aug. 26 (letter of notification) 150,000 shares ($1 par) common. **Price**—$2 a share. To be sold through officers and directors. Names of any brokers or dealers engaged to help in distribution will be supplied by amendment. Underwriting discount: 30 cents a share. For payment of indebtedness, purchase of equipment and 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. (9/23)
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.; White, Weld & Co.; W. C. Langley & Co. **Proceeds**—To finance expansion program. **Bids**—Company expects to advertise for bids Sept. 12, to be opened Sept. 23 at 20 Pine Street, New York.

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 are 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**—$40 per share. **Proceeds**—For its capital stock and surplus accounts.

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.
Aug. 1 filed $75,000,000 30-year first mortgage bonds. **Underwriting**—To be determined by competitive bidding. Probable bidders include: Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp. **Proceeds**—To redeem $70,000,000 of first mortgage 3½% bonds at 103¼. The balance will be added to general funds to pay part of the cost of new construction.

Duraloy Co., Scottdale, Pa.
March 12 (letter of notification) 25,000 shares ($1 par) common on behalf of the issuer, 12,500 shares ($1 par) common for the account of Thomas R. Heyward, Jr., and 12,500 shares ($1 par) common for the account of Mrs. Thomas R. Hayward, Jr. **Price**—At market (ap-

NEW ISSUE CALENDAR

September 5, 1947	
Stereo Pictures Corp.	Notes and Common
September 8, 1947	
Illinois-Rockford Corp.	Common
McPhail Candy Corp.	Pref. and Common
September 9, 1947	
Detroit Edison Co., noon (EDT)	Bonds
Florida Power & Light Co.	Preferred
General Telephone Corp.	Preferred
September 10, 1947	
Acme Electric Corp.	Common
Pan American Export Corp.	Class A Common
Payne Cutlery Corp.	Common
Russell (F. C.) Co.	Common
Seaboard Finance Co.	Preferred
Tennessee Gas Transmission Co.	Bonds & Pfd.
September 15, 1947	
Revere Racing Association Inc.	Common
Standard-Thomson Corp.	Debs. and Common
Monongahela Power Co.	Bonds and Preferred
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	
A. B. C. Vending Corp.	Common
Empire Projector Corp.	Common
September 23, 1947	
Consumers Power Co.	Bonds
September 24, 1947	
Interstate Power Co.	Bonds and Stock
September 29, 1947	
Florida Rami Products, Inc.	Common
National Union Fire Ins. Co.	Capital Stock
September 30, 1947	
Metropolitan Edison Co.	Bonds
New England Tel. & Tel. Co.	Debentures
October 1, 1947	
Conlon-Moore Corp.	Bonds
October 21, 1947	
Pacific Tel. & Tel. Co.	Debentures

proximately $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-cumul. preferred. **Underwriters**—None. **Offering**—To be offered at par to customers, officers and employees of the company. **Proceeds** — For corporated purposes including modernization and improvement of the manufacturing plant and machinery and equipment.

Empire Projector Corp., New York (9/22-30)
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 balance of $34,000 of a property mortgage, to pay off loans in the amount of $1,295,000 to Bankers Commercial Corp., New York, and for additional working capital.

Federated Department Stores, Inc., Cincinnati
July 31 filed 584,470 shares (no par) common. **Underwriting**—No underwriting. **Offering**—Of the total 102,296 shares will be offered in exchange for common stocks of Wm. Filene's Sons Co.; Abraham & Straus, Inc.; Bloomingdale Bros., Inc., and the F. and R. Lazarus and Co., all subsidiaries of Federated. In addition, the registration covered 482,174 shares of common for a tentative public offering by 18 stockholders. These may be sold from time to time at the market on the New York Stock Exchange.

Florida Power & Light Co. (9/9)
June 24 filed 100,000 shares of $100 par cumulative preferred. **Bids**—No bids submitted for purchase of stock which was advertised for sale on July 29. Financing revised to cover sale of 100,000 shares of preferred with The First Boston Corp., and Smith Barney & Co. as underwriters.

Florida Rami Products, Inc. (9/29-10/3)
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 Mortgage Bank of Palestine, Ltd., Tel-Aviv**
Sept. 3 filed $3,578,389 4% debentures. Debentures are in three series: Series L, $548,389, maturing 1958-1966; series LA, $1,010,000, maturing 1958-1966; series M. $2,020,000, maturing 1952-1967. **Underwriters**—To be offered through registered brokers and dealers. **Offering**—To the public in the United States and to owners of blocked sterling and Palestine pounds. **Price**—$395.92 per unit. **Proceeds**—To make first mortgage loans on real property in Palestine and to finance operations of the General Housing Association, Ltd., a firm organized to erect dwellings for rental to the public in Palestine.

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-subsidiary telephone companies operating in 17 states.

Glensder Textile Corp., New York
Aug. 28, 1946, filed 355,000 shs. ($1 par) common, of which 55,000 shs. are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter**—Van Alstyne, Noel & Co. **Offering—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment. Offering temporarily postponed.**

Great Western Biscuit Co., Los Angeles
Aug. 11 filed 249,972 shares ($1 par) capital stock. **Underwriter** — Fewel & Co., Los Angeles. **Offering** — Shares will be offered to stockholders at $2 a share in the ratio of one new share for each two now held. Unsubscribed shares will be offered publicly at $2 a share. The underwriters will receive a commission of 25 cents a share. **Proceeds**—For business expansion and to reduce short term indebtedness.

Grolier Society, Inc., New York
April 2, 1947 (by amendment) 170,000 shares of $1 par common stock. **Underwriters**—Riter & Co. and Hemphill, Noyes & Co. **Offering**—Underwriters will purchase from the company 70,000 shares and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. **Proceeds**—For reduction of bank loans.

● **Gum Products, Inc., Boston**
Aug. 29 filed 175,000 shares class A ($5 par) 60 cent cumulative convertible stock; 273,500 shares ($1 par) common, and 350,000 shares of common reserved for conversion of the class A stock. **Underwriter**—Blair & Co., Inc., New York. **Offering**—175,000 common shares and class A shares will be offered in units of one share each. 18,500 shares of common will be offered to officers and employees and an unspecified number of common shares will be offered to officers, directors and partners of the underwriters and to certain of their customers. The balance will be sold at public or private sale. **Price**—By amendment. **Proceeds**—To purchase capital stock of its subsidiary, H. & H. Candy Corp., and to redeem its outstanding 5% preferred stock. **Business** — Manufacture of chewing gum.

● **Harmonic Reed Corp., Philadelphia**
Aug. 26 (letter of notification) 8,000 shares of $1.50 cumulative preferred stock (no par) and 16,000 shares of common stock (par 50c). **Price**—$25 per unit, consisting of one preferred and two common, plus dividends on preferred. **Underwriter**—Coffin, Betz & Sullivan, Philadelphia. Working capital, acquisition of additional capital equipment, payment of $35,000 funded debt and expenses of projected sales campaign.

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**—Shares are offered to common stockholders of record Sept. 2 on the basis of one share for each five shares held. Rights expire Sept. 17. **Price**—$21.50 per share. **Proceeds**—For general corporate purposes including the financing of a portion of the company's plant expansion program.

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 (9/24)
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. **Bids** expected about Sept. 24.

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**—McLaughlin, MacAfee & Co., Pittsburgh. Working capital.

Kentucky Utilities Co., Lexington, Ky.
May 9 filed 130,000 shares ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. It was announced July 25 that the company has instituted conversations with The First Boston Corp., Lehman Brothers and Lazard Freres Co. (jointly) toward underwriting the stock. **Offering**—Preferred stock initially will be offered in exchange for outstanding ($100 par) 6% preferred and ($50 par) junior preferred. The basis of exchange will be one share of new preferred for each share of 6% preferred and one share of new preferred for each two shares of junior preferred. Shares of new preferred not issued in exchange will be sold at competitive bidding. **Proceeds**—Proceeds from the sale of new preferred will be used to redeem unexchanged shares of old preferred. **Bids**—Bids for purchase of stock advertised for July 14 postponed. Expected that offering will be made end of September.

Koch Chemical Co., Winona, Minn.
July 22 (letter of notification) 60,000 shares ($1 par) common. **Price**—$5 a share. **Underwriter**—H. P. Carver Corp., Boston. To retire debt and for working capital.

La Plant-Choate Manufacturing Co., Inc., Cedar Rapids, Iowa
April 30 filed 60,000 shares ($25 par) 5% cumul. convertible preferred. **Underwriter**—Paul H. Davis & Co., Chicago. **Price**—$25 per share. **Proceeds**—To be added to working capital and will be used in part to reduce current bank loans.

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
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**—Birnbaum & Co., New York. Shares being sold on behalf of two stockholders.

● **LuMont Co., Inc., Lutherville, Md.**
Aug. 27 (letter of notification) 41,500 shares ($1 par) common. **Price**—$1 a share. The stock is to be sold through Harrison G. Montell, President, who will receive as compensation 4,150 shares of common not included in the public offering. To purchase site, erect and equip building for manufacture of canned dog food.

● **Majestic Radio & Television Corp., Elgin, Ill.**
Aug. 27 (letter of notification) $100,000 common. Not on behalf of the company; person selling stock not disclosed. To be sold at market. No underwriting.

Manhattan Coil Corp., Atlanta, Ga.
May 20 filed $500,000 5% serial debentures, due 1949-1957; 12,000 shares ($25 par) 5½% cumulative convertible preferred and 85,000 shares ($1 par) common. **Underwriter**—Kirchofer & Arnold, Inc., Raleigh, N. C. **Price**—The debentures at 102.507, while the preferred shares will be offered at par and the common shares at $4 each. **Proceeds**—To retire bank indebtedness and to finance purchase of machinery and other plant equipment.

Manontqueb Explorations, Ltd., Toronto, Can.
April 10 filed 300,000 shares ($1 par) common. **Underwriter**—F. H. Winter & Co. **Price**—40 cents a share. **Proceeds**—For exploration and development of mining claims. **Business**—Mining.

Mays (J. W.) Inc., Brooklyn, N. Y.
Feb. 28 filed 150,000 shares ($1 par) common. **Underwriter**—Burr & Co., Inc., New York. Price by amendment. **Proceeds**—Of the total, 100,000 shares are being sold by seven stockholders. The remaining 50,000 shares

(Continued on page 36)

(Continued from page 35)

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.

• **McGraw (F. H.) & Co., Hartford, Conn.**
Aug. 25 (letter of notification) 11,100 shares (10c par) common on behalf of Clifford S. Strike, President. To be sold at market. Underwriter—Granbery, Marache & Lord, New York.

McPhail Candy Corp., Chicago (9/8-12)
July 25 filed 100,000 shares ($10 par) 5½% cumulative convertible preferred and 200,000 shares ($1 par) common. Underwriters—Brailsford & Co., and Shillinglaw, Bolger & Co., Chicago. Price — $10 a preferred share and $6 a common share. Proceeds — Company will receive proceeds from the sale of preferred only and will use it to pay off bank loans, buy new equipment and for working capital. The common stock is being sold by Russell McPhail, President.

• **Metropolitan Edison Co., Reading, Pa. (9/30)**
Aug. 29 filed $4,500,000 of first mortgage bonds. Underwriting — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Drexel & Co. Proceeds—For purchase or construction of new facilities. Bids—Expected bids will be advertised for Sept. 30.

• **Mojonnier Bros. Co., Chicago**
Aug. 27 (letter of notification) 20,000 shares (no par) common, stated value $10 per share. Price—$10 per share. No underwriting. For general corporate purposes.

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.

• **My-Pal Toys, Inc., Bronx, N. Y.**
Aug. 29 (letter of notification) 9,000 shares of capital stock (par $5). Price—$5 per share. Underwriters—None. To manufacture toy gun and rifle.

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. Price $25 per share. Proceeds—To be added to cash funds for investment in securities.

• **New England Telephone and Telegraph Co. (9/30)**
Aug. 29 filed $40,000,000 of 35-year debentures. Underwriting — To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. Proceeds—To repay money advanced by its parent, American Telephone & Telegraph Co., as a temporary financing measure toward construction costs; and to finance further construction costs. Bids — Company intends to invite sealed bids to be delivered to company at 195 Broadway, New York, by Sept. 30.

Old Poindexter Distillery, Inc., Louisville, Ky.
Mar. 31 filed 50,000 shares ($20 par) 5% convertible cumulative preferred and an unspecified number of ($1 par) common shares into which the preferred is convertible. Underwriters—F. S. Yantis & Co., and H. M. Byllesby & Co., both of Chicago. Price—At par. Proceeds—To be added to working capital. Offering indefinitely postponed.

Pan-American Export Corp., Newark (9/10)
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.

• **Payne Cutlery Corp., Brooklyn, N. Y. (9/10)**
Sept. 2 (letter of notification) 14,000 shares of common (par 50c). Price—$1.875 per share. Offered on behalf of or for benefit of Greenfield, Lax & Co., Inc., who is named underwriter.

Public Service Co. of New Hampshire
July 28, 565,553 common shares (par $10), now owned by New England Public Service Co., filed with SEC. Offering—The number of shares and terms of offering will be determined by New England as soon as the U. S. District Court of Maine issues an order enforcing its corporate simplification plan approved by the SEC last June. The sale of stock is in connection with the plan. Aug. 15 New England Public Service Co. filed application with SEC to change its plan to sell stock competitively and use alternative plan instead. New England has employed Blyth & Co., Inc., and Kidder, Peabody & Co. to solicit exchanges of prior lien stock of New Hampshire under alternative plan.

Quebec Gold Rocks Exploration Ltd., Montreal
Nov. 13, 1946, filed 100,000 shs. (50¢ par) capital stock. Underwriter—Robert B. Soden, Montreal, director of company. Price—50¢ a share. Proceeds—For exploration and development of mining property.

Raleigh Red Lake Mines, Ltd., Toronto, Can.
June 9 filed 460,000 shares of stock. Underwriter—Mark Daniels & Co., Toronto. Price—25 cents a share. Proceeds—To finance diamond drilling and land surveys.

Red Rock Bottling Co. of 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 (50c par) common stock, with Sterling Grace & Co. as underwriters. Company decided to issue 454,465 shares of common stock only, which were to be offered for subscription to stockholders of record Sept. 5, 1946, to the extent of one share for each five held. Issue not to be underwritten.

Revere Racing Association, Inc. (9/15)
July 29 filed 140,000 shares (no par) common. Underwriter—Bonner & Bonner, Inc., New York. Price—$5.75 a share. Proceeds—The shares are being sold by stockholders who will receive all net proceeds.

Rochester (N. Y.) Gas & Electric Corp.
May 26 filed $16,677,000 first mortgage bonds, Series L, due 1977, and 50,000 shares ($100 par) preferred stock. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley; Lehman Brothers; The First Boston Corp. and Smith, Barney & Co. (jointly). Proceeds—To redeem all of its outstanding $7,675,000 bonds and to repay $3,500,000 bank loan and to finance new construction. Corporation has temporarily abandoned the proposed financing, it was announced June 17, due to "unacceptable" conditions of New York P. S. Commission. Instead company June 18 asked SEC permission to issue unsecured notes.

Rochester (N. Y.) Telephone Corp.
June 4 filed 67,500 shares ($100 par) cumulative preferred. Underwriting—By competitive bidding. Probable bidders—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; Glore, Forgan & Co.; Shields & Co. Proceeds—To redeem 4½% series A first cumulative preferred, pay off demand notes, and for property expansion and conversion of telephone system from manual to automatic dial operation in Rochester. Bids—No bids submitted for purchase of the stock when advertised Aug. 5.

• **Royal Gorge Manufacturing Co., Canon City, Colo.**
Aug. 27 (letter of notification) 780 shares (no par) common and 1,000 shares ($100 par) preferred. Price—$100 per unit. No underwriting. For additional machinery, equipment, and buildings.

Russell (F. C.) Co., Cleveland (9/10)
Aug. 20 filed 113,678 shares ($1 par) common. Underwriter—Mconald & Co., Cleveland. 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. (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); The First Boston Corp. 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. 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 (9/10)
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.

• **South 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. For payment of indebtedness and to defray part of the cost of its expansion and improvement program.

• **South Jersey Gas Co., Newark, N. J.**
Sept. 3 filed $4,000,000 30-year first mortgage bonds. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. Proceeds—To redeem outstanding securities of Atlantic City Gas Co., and Peoples Gas Co., which were merged to form South Jersey Gas Co. Business—Public utility.

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. (9/15)
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, $856.80 per $1,000 face amount certificate. Proceeds for investment. Business—Issuing and selling face amount certificates.

• **Stereo Pictures Corp., New York (9/5)**
Aug. 28 (letter of notification) $150,000 5-year 5½% notes and 150,000 shares of common stock (par 10c). Price—Par for notes with bonus of 100 shares of common stock with each $100 note. Underwriters—None. Working capital, etc.

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.

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.

Textron Inc., Providence, R. I.
Feb. 28 filed 300,000 shares ($25 par) 5% convertible preferred. **Underwriters**—Blair & Co., Inc., New York, and Maxwell, Marshall & Co., Los Angeles. Price by amendment. **Proceeds**—For payment of $3,950,000 of bank loan notes; purchase of two notes issued by a subsidiary, Textron Southern Inc. in the amount of $1,000,000 each, and for working capital. Offering date indefinite.

Thomascolor Inc., Los Angeles
July 9 filed 1,000,000 shares ($5 par) class A common. **Underwriter**—No underwriting. **Price**—$10 a share. **Proceeds**—To purchase production facilities and for working capital.

United Utilities & Specialty Corp., Boston
July 10 filed 75,000 shares ($10 par) 5% cumulative convertible preferred. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Price**—$10 a share. The underwriters will receive a commission of $1.50 per share. In 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.

Wisconsin Power & Light Co., Madison, Wis.
July 30 (by amendment) 10,000 shares of common stock (par $10) to be sold by Middle West Corp. The original statement filed May 21, 1946 covered 550,000 common shares.

Prospective Offerings

● **Alabama Power Co.**
Sept. 2 company has applied to the SEC for permission to sell competitively $10,000,000 first mortgage bonds, interest rate not to exceed 3½%. Proceeds for new construction. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Drexel & Co.; Lehman Brothers, and Blyth & Co. Inc. (jointly); Harriman, Ripley & Co.; Goldman, Sachs & Co.; Lazarus Freres & Co., and Equitable Securities Corp. (jointly). Expected in October.

● **American Power & Light Co.**
Aug. 26 reported Howard L. Aller, President, is negotiating with investment bankers for the early sale of $10,000,000 preferred stock.

● **Appalachian Electric Power Co.**
Aug. 28 reported three investment banking groups plan to enter competition for $28,500,000 of new bonds that company expects to bring to market, possibly late in October or in November. One group is led by The First Boston Corp., one by Halsey, Stuart & Co. Inc., and one by Harriman Ripley & Co., Inc. The 75,000 shares of new preferred stock scheduled by the company for sale simultaneously with the bonds probably will attract competition from The First Boston Corp., and Harriman Ripley & Co., Inc.

● **Associates Investment Co., South Bend, Ind.**
Sept. 4 reported a registration statement for a new issue of approximately 200,000 shares ($10 par) common stock is under preparation. **Underwriters**—F. S. Moseley & Co.; Glore, Forgan & Co., and Merrill Lynch, Pierce, Fenner & Beane. Filing with SEC expected about the middle of September.

● **Associated Telephone Co., Ltd.**
Aug. 28 company has advised California Utilities Commission that it intends to apply within the next few months for permission to sell additional preferred stock and bonds to finance improvements and expansion program. Probable underwriter, Paine, Webber, Jackson & Curtis.

● **Central Illinois Public Service Co.**
Aug. 27 reported company plans to raise additional new money through the sale, possibly in November or December, of a $10,000,000 bond issue. Probable bidders include: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co., and Smith, Barney & Co. (jointly); Glore, Forgan & Co.; Lehman Brothers; The First Boston Corp.; Salomon Bros. & Hutzler.

● **East Coast Electric Co.**
Amended plan filed with SEC Aug. 28 by East Coast Public Service Co. provides among others for the sale to underwriters of 15,000 shares (par $10) of Electric common. Former plan to sell 60,000 shares (all owned by East Coast Public Service Co.) would be abandoned.

● **Heyden Chemical Corp.**
Aug. 30 corporation informed stockholders of plans to raise between $6,000,000 and $10,000,000 through the sale of preferred stock and debentures. A special meeting of stockholders will be convened soon to authorize 60,000 shares of a new second preferred stock.

In addition to the issuance of shares of the new second preferred stock, the corporation is considering the sale of a second series of its first preferred stock or a debenture issue, or both, B. R. Armour, President, disclosed to stockholders. The dividend rate, conversion rights, redemption price and other particulars of the new second preferred stock to be voted upon by the shareholders have not yet been determined, he said. Probable underwriter, A. G. Becker & Co.

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.

● **National Tea Co.**
Oct. 1 stockholders will vote on changing and increasing preferred stock. If new issue is floated, probable underwriters are: Hemphill, Noyes & Co., and Merrill Lynch, Pierce, Fenner & Beane.

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.

● **Providence & Worcester RR. (9/17)**
Bids for the purchase of $1,500,000 first mortgage bonds, series A, due Oct. 1, 1967, will be received up to noon (EDT) Sept. 17 at office of Walter A. Edwards, President, Room 491, South Station, Boston.

● **Texas Eastern Transmission Corp.**
Aug. 22 at hearings before FPC on company's application for a certificate to own and operate "Big Inch" and "Little Inch" natural gas pipelines, President R. H. Hargrove stated company plans issuance of about $120,000,000 first mortgage bonds and $32,000,000 stock. Probable underwriter, Dillon, Read & Co. Inc.

An Ineffective Apologist

(Continued from page 3)

business is a particularly reprehensible "new point of view" superimposed upon a group of non-members of the NASD who are required to conform to a code of practice which they had no hand in making, all of this a palpable product of duress.

Mr. Truslow's ignoring of the correlated and interrelated activities of the Securities and Exchange Commission and the National Association of Securities Dealers on price fixing is yet another grievous fault.

This has to do with the very life blood of the securities industry and we have always felt that the five percent yardstick, which the NASD seeks to apply to "spreads," was and is an unforgivably vicious interpretation.

Mr. Truslow seems to exonerate the Securities Acts and the Securities and Exchange Commission and to relieve them from any responsibility for the funk in which the securities business finds itself today. He is also an optimist for the future.

In our view, the present position in which the securities industry finds itself is due, in a very large measure, to the unreasonable hardships which have been placed upon it by over-regulation, unnecessary burdens, excessive costs of registration, and the persistent threats which are being circulated by members of the Commission themselves to dog the dealers.

In effect, they are told "be good boys" or else we will impose a "full disclosure rule", "be good boys" or we will inflict a "minimum capital requirement"; be good boys or else we, or the NASD for us, or the local Attorneys General in the various States, in cooperation with us, will ply you with increasingly more exacting questionnaires.

Mr. Truslow would have done well to guess *less*, adhere to the facts *more*, and give more of the pertinent facts to the Junior Investment Bankers and Brokers. In an economy which is laying emphasis on "One World" and democratic processes, Mr. Truslow failed to point out the many ways in which the administration of the Securities Acts violate democratic principles and the American way of life and, hence, he lost a splendid opportunity.

He became a special pleader on an occasion when he could have acquired substantial stature by being equal and responsive to this, his opportunity.

Our Reporter's Report

Passing of the Labor Day holiday which normally writes finis to the period of summer lethargy finds the investment world generally in a much different frame of mind than prevailed at this time a year ago.

Then, winding up a spree of underwriting which blossomed out to include a host of "lightweight" new issues, bankers and dealers found themselves in a position where their capital was substantially tied up by inability to move substantial portions of such offerings.

Currently the situation is quite the other way around. Although there had been some slight backing up of new undertakings midway through the summer, the recent slack in fresh offerings has provided opportunity for cleaning up of the bulk of such loose-ends.

Consequently the shelves of both underwriters and dealers are comparatively clear. True there are smatterings of a few recent offerings around, as for example the last New York Telephone issue. But in these instances the left-overs are well spread and moving slowly, but steadily, the trade reports.

The rapid distribution of the Chicago Transit Authority's offering of $105,000,000 in serial and term bonds, with the term loan rising to a premium of 1¼ points, has reacted as a strong tonic for the market generally.

Along with the quick oversubscription reported for the $15,000,000 of Libby, McNeill & Libby 2⅞% sinking fund debentures, offered at 100½, and the quick sale of the 20,000 shares of Philip Morris & Co. Ltd., in secondary distribution the Chicago success was taken as an indication of strong investment demand.

Facing The Barrier

Although institutional investors found little in the way of new securities this week to arouse their interest indications are that the situation will be different next week.

Definitely on the calendar are two substantial undertakings which will be up, one for competitive bidding and, very likely for ultimate public offering, and the other a negotiated deal scheduled for sale.

Detroit Edison Co. is expected to open bids on Tuesday for its $60,000,000 of new 35-year general and refunding mortgage bonds to redeem outstanding

(Continued on page 39)

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 7	92.4	93.4	94.9	84.5
Equivalent to—					
Steel ingots and castings produced (net tons)	Sept. 7	1,616,900	1,633,700	1,660,700	1,489,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Aug. 23	5,152,800	5,159,150	5,083,650	4,836,150
Crude runs to stills—daily average (bbls.)	Aug. 23	5,217,000	5,202,000	5,162,000	4,953,000
Gasoline output (bbls.)	Aug. 23	16,539,000	16,056,000	16,142,000	15,055,000
Kerosine output (bbls.)	Aug. 23	2,091,000	2,093,000	1,884,000	1,854,000
Gas oil and distillate fuel oil output (bbls.)	Aug. 23	5,892,000	6,061,000	5,708,000	5,405,000
Residual fuel oil output (bbls.)	Aug. 23	8,674,000	8,831,000	8,738,000	7,938,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 23	83,915,000	84,983,000	85,812,000	86,039,000
Kerosine (bbls.) at	Aug. 23	19,981,000	18,808,000	16,807,000	18,473,000
Gas oil and distillate fuel oil (bbls.) at	Aug. 23	53,118,000	51,685,000	47,097,000	52,230,000
Residual fuel oil (bbls.) at	Aug. 23	54,978,000	54,000,000	52,497,000	52,036,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 23	900,895	906,305	919,928	884,955
Revenue freight rec'd from connections (number of cars)	Aug. 23	682,753	686,019	694,618	693,469
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	Aug. 28	$136,943,000	$109,382,000	$100,834,000	$79,905,000
Private construction	Aug. 28	84,413,000	65,991,000	66,216,000	52,786,000
Public construction	Aug. 28	52,530,000	43,391,000	34,618,000	27,119,000
State and municipal	Aug. 28	32,775,000	41,274,000	25,840,000	19,671,000
Federal	Aug. 28	19,755,000	2,117,000	8,778,000	7,448,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 23	11,950,000	11,750,000	11,800,000	12,154,000
Pennsylvania anthracite (tons)	Aug. 23	1,194,000	1,060,000	1,117,000	1,273,000
Beehive coke (tons)	Aug. 23	133,200	*129,100	123,600	120,400
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Aug. 23	241	*225	213	255
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 30	4,939,801	4,952,876	4,805,740	4,404,192
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 28	64	59	69	28
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 26	3.19141c	3.19141c	2.88239c	2.70711c
Pig iron (per gross ton)	Aug. 26	$37.10	$37.35	$36.38	$28.13
Scrap steel (per gross ton)	Aug. 26	$37.83	$37.92	$40.83	$19.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 27	31.225c	21.225c	‡	14.150c
Export refinery at	Aug. 27	21.425c	21.425c	21.425c	16.250c
Straits tin (New York) at	Aug. 27	80.000c	80.000c	80.000c	52.000c
Lead (New York) at	Aug. 27	15.000c	15.000c	15.000c	8.250c
Lead (St. Louis) at	Aug. 27	14.800c	14.800c	14.800c	8.100c
Zinc (East St. Louis) at	Aug. 27	10.500c	10.500c	10.500c	8.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Sept. 2	122.55	122.49	121.95	122.86
Average corporate	Sept. 2	117.00	117.00	117.20	118.20
Aaa	Sept. 2	121.88	121.88	121.88	122.71
Aa	Sept. 2	120.02	120.22	120.22	120.22
A	Sept. 2	116.80	116.80	116.80	118.00
Baa	Sept. 2	109.79	109.79	110.15	112.37
Railroad Group	Sept. 2	112.37	112.19	112.56	114.66
Public Utilities Group	Sept. 2	118.40	118.40	118.60	118.80
Industrials Group	Sept. 2	120.43	120.43	120.63	121.04
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Sept. 2	1.51	1.51	1.55	1.55
Average corporate	Sept. 2	2.80	2.80	2.79	2.74
Aaa	Sept. 2	2.56	2.56	2.56	2.52
Aa	Sept. 2	2.65	2.64	2.64	2.64
A	Sept. 2	2.81	2.81	2.81	2.75
Baa	Sept. 2	3.18	3.18	3.16	3.04
Railroad Group	Sept. 2	3.04	3.05	3.03	2.92
Public Utilities Group	Sept. 2	2.73	2.73	2.72	2.71
Industrials Group	Sept. 2	2.63	2.63	2.62	2.60
MOODY'S COMMODITY INDEX	Sept. 2	419.7	417.2	419.1	326.6
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	Aug. 30	224.5	224.2	223.9	191.6
Fats and oils	Aug. 30	186.6	176.4	195.1	230.1
Farm products	Aug. 30	255.8	256.4	258.2	212.8
Cotton	Aug. 30	312.7	323.3	344.4	342.3
Grains	Aug. 30	268.9	270.2	250.5	211.8
Livestock	Aug. 30	248.2	246.7	250.7	193.7
Fuels	Aug. 30	182.4	182.4	180.1	154.2
Miscellaneous commodities	Aug. 30	163.4	163.6	167.7	145.2
Textiles	Aug. 30	216.2	217.0	220.7	205.9
Metals	Aug. 30	159.1	159.2	158.4	124.5
Building materials	Aug. 30	230.4	225.8	216.1	177.4
Chemical and drugs	Aug. 30	149.7	149.7	149.8	127.5
Fertilizer materials	Aug. 30	130.8	130.8	129.6	121.4
Fertilizers	Aug. 30	135.5	135.5	135.0	121.4
Farm machinery	Aug. 30	127.1	127.1	127.1	115.4
All groups combined	Aug. 30	207.1	206.8	206.7	174.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 23	149,464	165,092	163,539	146,057
Production (tons)	Aug. 23	177,712	182,090	176,856	168,120
Percentage of activity	Aug. 23	100	100	99	100
Unfilled orders (tons) at	Aug. 23	438,848	470,581	458,672	578,276
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Aug. 29	139.5	139.7	141.2	136.2
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	Aug. 23	153.5	152.7	150.6	128.4
Farm products	Aug. 23	181.4	181.4	182.0	160.9
Foods	Aug. 23	172.3	172.3	167.1	148.1
Hides and leather products	Aug. 23	182.3	177.8	173.6	140.4
Textile products	Aug. 23	140.1	139.7	138.6	115.0
Fuel and lighting materials	Aug. 23	114.1	111.0	108.9	96.7
Metal and metal products	Aug. 23	147.0	146.7	143.6	113.7
Building materials	Aug. 23	179.1	178.9	174.8	132.9
Chemicals and allied products	Aug. 23	117.4	117.2	117.9	98.3
Housefurnishing goods	Aug. 23	131.9	132.0	131.3	114.0
Miscellaneous commodities	Aug. 23	115.6	115.5	116.4	101.5
Special groups—					
Raw materials	Aug. 23	167.7	166.8	166.0	144.9
Semi-manufactured articles	Aug. 23	149.5	147.2	145.3	111.3
Manufactured products	Aug. 23	148.3	147.8	145.0	123.6
All commodities other than farm products	Aug. 23	147.4	146.5	143.7	121.2
All commodities other than farm products and foods	Aug. 23	136.6	135.4	133.7	111.0

*Revised figure. ‡No market—previous quotation 21.225c.

	Latest Month	Previous Month	Year Ago
ALUMINUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of June:			
Total shipments (thousands of pounds)	91,845	*106,681	90,137
CONSUMERS PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-39=100—As of June 15:			
All items	157.1	156.0	133.3
All foods	190.5	187.6	145.6
Cereals and bakery products	154.6	154.2	122.1
Meats	216.9	203.9	134.0
Dairy products	171.5	171.5	147.8
Eggs	183.0	178.9	147.1
Fruits and vegetables	205.0	207.0	183.5
Beverages	181.3	188.9	125.4
Fats and oils	188.3	200.5	128.4
Sugar and sweets	179.7	179.3	136.2
Clothing	185.7	*185.0	157.2
Rent	109.2	109.2	108.5
Fuel, electricity and ice	117.7	*117.7	110.5
Gas and electricity	91.7	92.4	92.1
Other fuels and ice	143.0	*142.4	128.4
Housefurnishings	182.6	*181.9	156.1
Miscellaneous	139.1	*139.0	127.9
COTTON GINNINGS (DEPT. OF COMMERCE)—			
Prior to Aug. 16:			
Running bales	324,137	—	231,527
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of June (000's omitted)	17,546,119	17,610,274	15,185,008
Revenues from ultimate customers—month of June	$309,630,500	$310,024,600	$277,103,700
Number of ultimate customers as of June 30	37,242,938	37,022,918	35,148,142
FACTORY EARNINGS AND HOURS WEEKLY AVERAGE ESTIMATE—U. S. DEPT OF LABOR—Month of June:			
Earnings—			
All manufacturing	$48.91	$48.46	—
Durable goods	52.39	51.71	—
Nondurable goods	45.08	44.93	—
Hours—			
All manufacturing	40.1	40.1	—
Durable goods	40.5	40.5	—
Nondurable goods	39.6	39.7	—
Hourly Earnings—			
All manufacturing	$1.220	$1.208	—
Durable goods	1.294	1.277	—
Nondurable goods	1.138	1.131	—
LIFE INSURANCE PURCHASES—INSTITUTE OF LIFE INSURANCE—Month of July:			
Ordinary	$1,210,569,000	$1,189,000,000	$1,343,402,000
Industrial	312,863,000	349,725,000	323,861,000
Group	328,250,000	291,212,000	284,896,000
Total	$1,856,682,000	$1,829,937,000	$1,952,159,000
MANUFACTURERS INVENTORIES & SALES (DEPT. OF COMMERCE)—Month of July:			
Inventories:			
Durable	$11,900,000,000	$11,800,000,000	—
Non-durable	10,800,000,000	10,800,000,000	—
Total	$22,700,000,000	$22,600,000,000	—
Sales	13,100,000,000	13,600,000,000	—
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS ASSOCIATION)—Month of July:			
Total number of vehicles	†379,083	*400,562	297,633
No. of passenger cars	†279,459	*307,124	209,180
No. of motor trucks	†97,818	*91,810	87,591
No. of motor coaches	†1,806	1,628	862
NEW BUSINESS INCORPORATIONS (DUN & BRADSTREET, INC.)—Month of July	9,041	8,922	11,987
NEW YORK STOCK EXCHANGE—			
As of July 31:			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$564,139,538	$550,046,993	—
Credit extended to customers	67,801,711	62,477,937	—
Cash on hand and in banks in U. S.	402,198,852	398,012,323	—
Total of customers' free credit balance	676,856,879	650,858,923	—
Market value of listed shares	$69,365,088,855	$66,547,890,733	$79,132,265,907
Market value of listed bonds	140,762,829,432	140,148,124,599	141,407,058,263
Stock price index, 12-31-24=100	80.3%	77.3%	95.8%
Member borrowings on U. S. Govt. issues	103,724,970	206,010,690	241,957,420
Member borrowings on other collateral	209,333,920	209,679,122	356,437,489
NON-FERROUS CASTINGS (DEPT. OF COMMERCE)—Month of June:			
Aluminum (thousands of pounds)	32,986	37,400	30,855
Copper (thousands of pounds)	84,604	90,054	83,160
Magnesium (thousands of pounds)	613	628	756
Zinc (thousands of pounds)	33,892	36,772	31,839
Lead die (thousands of pounds)	1,079	966	1,227
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100—Monthly average—month of August	140.4	142.5	136.6
PORTLAND CEMENT (BUREAU OF MINES)—			
Finished Cement—Month of June:			
Production (bbls.)	15,951,000	13,389,000	14,489,000
Shipments from mills (bbls.)	18,179,000	15,328,000	14,564,000
Stocks (at end of month) (bbls.)	17,180,000	*19,388,000	11,894,000
Capacity used	81%	66%	73%
PRIMARY ALUMINUM (BUREAU OF MINES)—			
Month of May:			
Production (tons)	51,116	51,007	24,850
STEEL CASTINGS (DEPT. OF COMMERCE)—			
Month of June:			
Shipments (short tons)	139,031	140,874	121,522
For sale (short tons)	103,888	103,779	89,533
For producers' own use (short tons)	35,143	37,095	31,989
Unfilled orders for sale at end of month (short tons)	445,475	443,225	354,367
STEEL FORGINGS (DEPT. OF COMMERCE)—			
Month of June:			
Shipments (short tons)	200,656	210,772	164,921
For sale (short tons)	112,048	115,743	DETAILS
For producers' own use (short tons)	88,608	95,029	NOT
Unfilled orders for sale at end of month (short tons)	638,535	662,579	AVAILABLE

*Corrected figure. †Preliminary figure.

Our Reporter's Report

(Continued from page 37)

bonds, bank loans and to pay for properties.

The next day the Tennessee Gas & Transmission Co. will offer, through a banking group, $40,000,000 of first mortgage pipeline bonds maturing in 30-years along with 100,000 shares of $100 preferred to provide for repayment of construction loans and for general corporate purposes.

A Quick Operation

The investment fraternity was decidedly pleased with the outcome of yesterday's public offering of 30,000 shares of $3.75 cumulative preferred stock and 30,000 shares of common of Westvaco Chlorine Products Corp.

Priced at $98.50 and $33 respectively these shares attracted widespread demand and underwriters were able to report oversubscription and closing of the books in short order.

Proceeds from this sale will provide the company with funds for new construction and for necessary additions to its working capital.

Changing Trends

That potential new issuers are growing marketwise seems to be indicated by the decision of two utilities which had issues scheduled for competitive bids the same day, to work out a schedule which avoided this conflict.

Several times in the not too distant past bankers have been irked by the piling up of new issues for bids on the same day. And the issuers apparently came to realize that this was a situation which did not react fully to their benefit.

Accordingly Detroit Edison and Duquesne Light both had issues scheduled for next Tuesday. However, the later company's offering involving $75,000,000 it now develops, will await clearing up of the Detroit Edison's operation, thus avoiding needless congestion.

SEC Looks Things Over

The Securities and Exchange Commission, reportedly moved by the aloofness of investors toward less than "prime" utility preferred stocks, is reported surveying the situation with an eye to suggesting remedies.

The banking fraternity has contended right along that this type of financing is not suited to competitive bidding and should be allowed to go through negotiated channels to assure success of such undertakings.

Up to here the SEC has not been inclined to go along though on occasion it has waived competitive bidding to let a deal go through. But more often the company has found it necessary to re-design its projected financing. Bankers naturally favor more attractive yield and a fee which will permit more forceful sales effort.

DIVIDEND NOTICES

St. Louis, Rocky Mountain & Pacific Co.
Raton, New Mexico, August 7, 1947
COMMON STOCK DIVIDEND No. 94

The above Company has declared a dividend of 50 cents per share on the Common Stock of the Company to stockholders of record at the close of business September 15, 1947, payable September 30, 1947. Transfer books will not be closed.

P. L. BONNYMAN, Treasurer.

OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND No. 195

A quarterly dividend of $1.50 per share on the Preferred Stock has been declared payable September 20, 1947, to stockholders of record at the close of business on September 8, 1947.

Checks will be mailed.

C. A. SANFORD, *Treasurer*
New York, August 27, 1947.

THE ATLANTIC REFINING CO.

PREFERRED DIVIDENDS

At a meeting of the Board of Directors held August 25, 1947, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable November 1, 1947, to stockholders of record at the close of business October 6, 1947.

At the same meeting a dividend of ninety-three and three-fourths cents ($.9375) per share was declared on the Cumulative Preferred Stock 3.75% Series B of the Company, payable November 1, 1947, to stockholders of record at the close of business October 6, 1947.

Checks will be mailed.

RICHARD ROLLINS
August 25, 1947 *Secretary*

J. I. Case Company
(Incorporated)

Racine, Wis., September 3, 1947.

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable October 1, 1947, and a dividend of 40c per share upon the outstanding $25 par value Common Stock of this Company has been declared payable October 1, 1947, to holders of record at the close of business September 12, 1947.

WM. B. PETERS, Secretary.

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY
DIVIDEND NO. 60

A dividend of fifteen cents ($0.15) per share will be paid on September 23, 1947, to holders of the outstanding capital stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business September 9, 1947. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

J. H. ELLIOTT, Secretary.
Boston, Mass., August 28, 1947

GUARANTY TRUST COMPANY OF NEW YORK

New York, September 3, 1947.

The Board of Directors has this day declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending September 30, 1947, payable on October 1, 1947 to stockholders of record at the close of business September 10, 1947.

MATTHEW T. MURRAY, Secretary.

HOMESTAKE MINING COMPANY
DIVIDEND No. 865

The Board of Directors has declared dividend No. 865 of fifty cents ($.50) per share of $12.50 par value Capital Stock, payable September 19, 1947 to stockholders of record 3:00 o'clock P. M., September 8, 1947.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*
August 19, 1947

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia
PREFERRED DIVIDEND

The regular dividend of one dollar thirty-seven and one-half cents ($1.375) a share on the outstanding 5½% cumulative convertible preferred stock has been declared for the quarter ending September 30, 1947, payable October 1, 1947, to holders of record at the close of business September 22, 1947.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, *Secretary*
Dated, August 28, 1947

CHEMICALS
TEXTILES
PLASTICS

CELANESE CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK
$4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable October 1, 1947 to holders of record at the close of business September 16, 1947.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable October 1, 1947 to holders of record at the close of business September 16, 1947.

COMMON STOCK

40 cents per share, payable September 30, 1947 to holders of record at the close of business September 16, 1947.

R. O. GILBERT
Secretary
September 2, 1947

C.I.T. FINANCIAL CORPORATION

Dividend on Common Stock

A quarterly dividend of 50 cents per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable October 1, 1947, to stockholders of record at the close of business September 10, 1947. The transfer books will not close. Checks will be mailed.

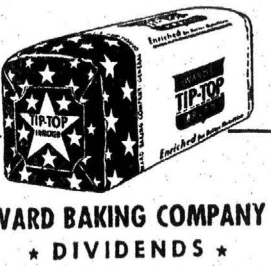
FRED. W. HAUTAU, *Treasurer.*
August 28, 1947

WICHITA RIVER OIL CORPORATION

Dividend No. 6

A dividend of Twenty-five cents (25¢) per share will be paid October 15, 1947 on the Common Stock of the Corporation, to stockholders of record at the close of business September 30, 1947.

JOSEPH L. MARTIN, *Treasurer*
September 3, 1947.



WARD BAKING COMPANY
★ DIVIDENDS ★

The Board of Directors has declared the quarterly dividend of $1.37½ a share on Preferred Stock and a dividend of 15 cents a share on the Common Stock both payable October 1, 1947 to holders of record September 12, 1947.

L. T. MELLY,
Treasurer
475 Fifth Avenue
New York 17, N. Y

IRVING TRUST COMPANY
One Wall Street, New York

August 28, 1947

The Board of Directors has this day declared a quarterly dividend of 15 cents per share on the capital stock of this Company, par $10., payable October 1, 1947, to stockholders of record at the close of business September 8, 1947.

STEPHEN G. KENT, *Secretary*

The Chesapeake and Ohio Railway Co.

A dividend for the three months ending October 31, 1947, of eighty-seven and one-half cents per share on 3½% Convertible Preferred Stock will be paid November 1, 1947, to stockholders of record at the close of business October 8, 1947.

A dividend for the third quarter of 1947 of seventy-five cents per share on $25 par common stock will be paid October 1, 1947, to stockholders of record at the close of business September 8, 1947.

Transfer books will not close.

H. F. LOHMEYER, *Secretary and Treasurer*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Don't be influenced yet by inside information from the tipsters on (1) the Marshall Plan; (2) a special session of Congress; (3) tax revision, and (4) 1948 wage demands. All are in the exploratory phase. It's tenable to discuss them in terms of possibilities, unwise to accept or form positive views which may shape your judgment and action.

* * *

The Marshall plan exists in name only. Nobody can give you even any faint—and sound —idea of what it is to be. In a month or so the President may pass along word of how he would tailor the plan. But that's only one man's theory. Remember: Congress will have the final word of how many dollars are to be dished out in this share-our-wealth episode. That's the catch.

* * *

There is—and this is definite—a growing worry in Congress over whether the U. S. good neighbor shower of dollars may not culminate in a drought for all of us, Europe included. That is what has retarded the Marshall plan. And more delay is in sight. You can be sure of (1) long congressional hearings, and (2) long congressional debate before the Secretary of State learns how many more of our dollars Congress feels can be divvied abroad without collapse at home. That's to be an important decision.

* * *

Right now a special session of Congress looks unlikely. Here's why. The President knows long hearings will preface a vote. He knows an idle Congress, if in session, would only pyramid political mischief while its committees studied the Marshall program. He would prefer to have the committees conduct their hearings during the recess, have reports and recommendations ready for Congress when it convenes in January. That may be how events will shape up.

* * *

Tax revision remains definitely in the rumor stage. It's tied up with Marshall plan spending, with the impact of declining exports on industry and Federal revenue, with politics. That combination of factors makes predictions unwise and unsound. Here's what appears to be the only justified conclusion at the moment: there may be revision but there can't be much reduction of the overall tax load on our economy.

* * *

Labor leaders don't want to talk about the next round of wage boosts. Privately, they agree demands will be shaped to the continuing rise in living costs, will be voiced before existing contracts expire next year.

* * *

Despite labor's howls against the Taft-Hartley Act, it's to be given a fair test. Don't expect the 1948 Congress to tinker much with it. Congressman Hartley would like to but is apt to be squelched by less volatile lawmakers. The special committee created to watch the law's operations probably will be content to seek efficiency through administrative rather than legislative action. You can look for a noisy debate over whether Congress or the President is to dominate the agencies administering the law.

* * *

Now GOP officers are unhappy about the inquiry into co-ops undertaken by the House Small Business Committee. The probers want to prove co-ops have hurt small enterprise. Republican campaigners are less interested in that than in the fact western farm co-ops are big enough to hurt congressional candidates. There was a tacit agreement among western Republicans last session that coops wouldn't be griddled until after the Presidential election. Now they're mad, and it's a safe guess the investigating committee will get high up orders to curb its prying.

* * *

Here's another memo on investigations. Last session Connecticut's Republican Senator Ray Baldwin fought fiercely for an inquiry into high prices, overcame opposition from Senator Taft, got the probe OK'd, got himself named to a subcommittee. Now he plans to depart for Europe on a junket—at taxpayers' expense—and be absent through October while his subcommittee holds public hearings on why prices are high.

* * *

Watch for two possible developments during the price hearings by regional subcommittees: (1) some committee members may deliberately encourage consumer strikes, (2) others may seek ammunition for repeal of the Miller-Tydings law authorizing price maintenance through state fair trade acts.

* * *

The Senate Small Business Committee is getting primed to recommend that the steel industry expand its capacity by 10 or 15%. Top steel men are expected to decline. In that event, the committee staff will go to work on legislative recommendations calculated to inspire the desired enlargement in facilities. Steel spokesmen meet Sept. 12 with Chairman Wherry in a preliminary bout.

* * *

It's now apparent the Administration's reciprocal trade program is to pass in review before Congress next session a proven failure insofar as two major claims of its authors can be assayed. They claimed it would prevent war. It didn't They argued it would promote international postwar stability. It isn't. That doesn't mean the law will be allowed to expire June 30, does mean it will be modified. There's a good chance the Presidential authority to slash rates will be made subject to congressional veto.

* * *

Federal lenders aren't satisfied that closing the RFC's secondary market for GI guaranteed loans won't discourage such lending. The RFC market was terminated June 30. July loans continued at the June level. But RFC officials point out they had committed their agency to buy about $80 millions worth of such paper on June 30, that such commitments are now being honored, that the real impact on lending volume can't be measured until commitments are exhausted and the buying of mortgages actually suspended.

* * *

Privately-owned electric utilities last year reduced their outstanding capital stock and bonds slightly, according to a Federal Power Commission analysis. The study embraced 98% of such utilities in this country. Capital stock declined from $6,062,262,000 to $5,939,157,000. Common stock declined from $3,879,314,000 to $3,774,156,000 and preferred stock from $2,071,133,000 to $2,029,840,000. Volume of bonds outstanding was cut from $5,762,528,000 to $5,745,344,000.

* * *

Want the authoritative tale of why farmers raise pigs? The Agriculture Department has wasted a lot of time, a lot of manpower, and 143 printed pages on "An exploration of factors motivating hog farmers in their production and marketing." Fresh off the press, this bureaucratic beaut turns up the astonishing conclusion that . . . farmers raise hogs for money.

* * *

Bank holding company legislation is favored by 95% of small businessmen. That's the finding of the National Federation of Small Business, Inc., based on a national poll. The Federation says its questionnaire went to 119,000 small enterprise men, that of those replying 95% were for the Tobey bank holding company bill, 4% against, and 1% undecided. The Tobey measure stalled in the House after riding through the Senate last session.

* * *

Get set for a resolute drive by the Administration next session for national health legislation. That's the real reason why the President last week ousted Federal Security Administrator Watson Miller, replaced him with Indiana politician Oscar Ewing.

* * *

Administrator Miller was a competent, easy-going career bureaucrat who figured Congress should pass the laws and he should help administer them. Attorney Ewing, formerly Vice-Chairman of the Democratic National Committee, knows politics and politicians, has been commissioned by the White House to smash the congressional deadlock and get a national health law enacted. Important fact is that Ewing is close to the drug industry, probably won't lobby for socialized medicine, probably will engineer a compromise.

* * *

Taxwise, here's what happened in state and national collections on individual and corporate income last fiscal year as compared with the previous fiscal period. State collections of corporation levies increased 4.3%, Federal collections declined 13%. Individual income taxes mounted 7.3% in the states, 3% in the nation.

First of All, What Is It?

"The Marshall Plan may not be perfect. No plan is ever perfect. But what alternatives have we? We have just two alternatives: the Marshall Plan for Europe, or the Communist plan for Europe.

Harold E. Stassen

"With those two alternatives before us, we can either support the Marshall Plan and then work for its constant modification and adjustment, or we can be weak and evade the issue. Every Legionnaire and every citizen of America should give his support to the Marshall Plan.

"We all know that we must give primary consideration to a strong domestic economy here in America. But we cannot pull ourselves into an economic shell and ignore our responsibilities abroad.

"It is true that we cannot purchase freedom with American dollars. It is true that we cannot stop communism with American dollars. But it is also true that unless we give aid and leadership, we cannot expect either freedom or the stopping of communism in Europe.

"If we appear before the world as misers, we will never be successful advocates of freedom."—Governor Harold E. Stassen.

Does the Governor know what this "Marshall Plan" is?

If so, there are many of us who would like to share his knowledge.

As to us "appearing before the world as misers"—it is to laugh!

Letter to the Editor:

Holds Easy Money Rates Not Due to Deficit Financing

Correspondent writes "Chronicle" low interest is due to adequacy of gold stock.

Editor,
Commercial & Financial Chronicle:

Referring to the article "Interest Rates Possibilities" by Sigurd R. Wendin, in your issue of Aug. 21, in my opinion a fundamental error is implicit in it. Easy money rates have not been due to government deficit financing; on the contrary, money rates were easy despite deficit financing.

The gold stock and Federal Reserve policy in providing member bank reserves were the reasons for easy money. The only limiting factor that threatened at any time was the adequacy of the gold stock. In June, 1945, reserve requirements of Federal Reserve banks were reduced by law so as to avoid a threatened shortage of gold.

Incidentally, in discussing fluctuations in the amount of the gold stock, it is pertinent to observe that the above change in the law reduced gold requirements nearly $5 billion. By comparison, year to year changes in the gold stock at that time were small.

Very truly yours,
C. W. BIGELOW.

Kansas City, Mo.
Aug. 28, 1947.

Business Man's Bookshelf

How to Tell Your Company's Story to Employees—Stockholders—The Public—Research Institute of America, 292 Madison Avenue, New York 17, N. Y. —paper.