ESTABLISHED 1839

# The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 166 Number 4628 New York, N. Y., Thursday, September 11, 1947 Price 30 Cents a Copy

## Meditations on Foreign Trade

By HAROLD GLUCK, Ph.D.

**Writer calls attention to antiquity and importance of foreign trade in advancing civilization and argues it is a two-way affair. Points out fallacy of isolationsim and attacks idea that U. S. can save world by charity. Holds nations clamoring for help threaten to ruin our foreign trade.**

Harold Gluck

Our modern psychologists have been able to probe the human mind and give us the reason for many strange actions on part of the public. The saddest thing we have learned is that man, who is supposed to be a rational animal, is controlled to a high degree by his emotions. Mention certain words in various parts of this country, and you find people lose the capacity to think clearly. An emotional block takes place as a result of "name calling." Designate a given course of action as "foreign" and an undesirable feeling takes possession of many people. Or if you use the word "international," it will suffice to give some people heart failure. Any half baked rabble rouser can stir up trouble by talking about "foreign trade" or "inter-

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## On Secretary Bevin's Proposal

By WALTER E. SPAHR

Professor of Economics, New York University

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

**Dr. Spahr characterizes Britisher's suggestion for redistribution of Fort Knox gold as irrational and unprecedented from a friendly nation. States step would destroy value of our money, deposits, and other credit. Instead, he declares, for real world recovery foreign currencies should be soundly stabilized and anchored to gold at their real market value.**

British Foreign Secretary Bevin's proposal of Sept. 3 that the United States distribute its gold supply "to assist in increasing the purchasing power of the devastated areas of the world" was not what one would reasonably expect from a British cabinet member. The notion itself is not what one would associate with informed people; and the argument offered in support of it was, if possible, even less defensible.

Walter E. Spahr

It is natural, therefore, that informed and responsible people in both the United States and Britain should be disturbed by the utterance. Efforts to find some rationality in the proposal were futile. Apparently, the best that the

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*[These reflections by an eminent American monetary authority on British Foreign Secretary Bevin's suggestion before the Trades Union Congress in Southport, England, Sept. 3, have been prepared specially for the "Chronicle."—EDITOR.]*

## Exports and Our National Economy

By J. ANTON de HAAS

William Ziegler Professor International Relations

Graduate School of Business, Harvard University

**Dr. de Haas reviews export boom and collapse after First World War and indicates same errors of that period are repeated by extending loans to maintain exports. Sees unlikelihood that loans will be generally repaid, and predicts probable reduction of export level from $15 billions to $6 billions. Holds increase in world trade only remedy in restoring normal foreign trade conditions, but doubts its accomplishment under present situation. Looks for price declines when exports fall off, and denies raising value of gold will help foreign trade or domestic economy.**

The American people have always regarded large exports as a blessing. Shortly after the first World War, we pointed with pride to what was then a record figure of $8,228,000,000 in exports. A record it was for at the time of the outbreak of the war in Europe our exports amounted only to $2,113,000,000. What more convincing proof could be asked for that the businessmen of the United States backed by the enormous resources of this country and by the productive capacity of the "free American system" were conquering the world's markets.

J. Anton de Haas

We pointed with pride at this remarkable increase in our export activity and regarded it as evidence of the efficiency of our business enterprise.

Latin America, the Far East,

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*EDITORIAL*

## As We See It

### Selling a Pig in a Poke

There is an old adage to the effect that it is never wise to "buy a pig in a poke." Since they seem so determined to influence public opinion with the employment of slogans, it may be well to remind "Marshall Plan" evangelists of this homely but sound and timely aphorism. Still more to the point would be an effective suggestion of the sort directed at the rank and file of the American people.

Of course, it is not a new political tactic, this business of systematically creating a favorable attitude in the public mind toward some plan, program, procedure or notion long before the thing advocated has taken definite form. Neither is the technique new which undertakes to make it appear an evidence of stupidity or, worse, positively anti-social or almost treason not to support some course of action yet to be determined, a course of action, however, which has been given a shrewdly selected label. President Roosevelt and his political general staff were past masters in the art.

**It may be questioned, however, whether the practice was ever more fully developed, more astutely employed or more vigorously pressed than is now the case with reference to this thing they all so glibly**

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# Why Sterling Convertibility Could Not Succeed

By ERNEST H. WEINWURM

**Writer says failure of the British Treasury recalls Keynes' criticism of 1925. Holds dollar deficit in 1947 results from British expenditures outside United States and the breakdown of Sterling Block as well as need to make concessions to holders of "blocked" sterling balances. Contends foreign central banks contributed by creating additional "transferable" sterling accounts. Sees the Bretton Woods distinction between "free current" and "controlled capital" transactions as unrealistic. Holds resumption of convertibility is impracticable without long-term consolidation of British foreign debts.**

The shocking debacle of sterling convertibility after less than six weeks of operation has aroused worldwide attention. The already shaky foundations of international trust and confidence have suffered another blow.

Much has been said and written in recent weeks to explain developments which caught most observers unexpectedly. However, little light has been shed on the real causes of these events and many people seem even more bewildered and confused than before.

Ernest H. Weinwurm

Little will be gained from blaming individuals or from revealing off-the-record maneuverings among officials who did not prove equal to the big tasks they were confronted with.

Heavy responsibility undoubtedly falls upon Dr. Hugh Dalton, British Chancellor of the Exchequer—the British Treasury—who persisted in unwarranted and hard-to-explain optimism even at a time when true developments had become evident. He thus frustrated the sincere efforts of those who tried in vain to call attention to the unavoidable dangers and disappointments.

One is strongly reminded of John Maynard Keynes' brilliant critical comments on the activities of Treasury experts at the time of gold standard resumption in 1925.[1] There is the same inability to appraise correctly the real forces and reliance on unworkable traditional positions. It is a pity that Lord Keynes could no longer bring to bear his vision and courage as he had done in previous emergencies. He hardly would have hesitated to suggest reasonable rather than doctrinaire policies.

There is an urgent need to determine the true facts and reasons why convertibility failed—far beyond any considerations of personal inefficiencies. It is important to ascertain why first class experts (and Dr. Dalton himself is an economist of excellent reputation) could be led so far astray in this instance.

Only by clarifying past errors will it be possible to avoid similar pitfalls in the future and to take advantage of that bitter experience in laying down future policies.

Two principal questions require clarification. First, to get the available facts to identify the countries which were the recipients of the dollars poured out by the British Treasury during the last few months. Second, the basic reasons why such large claims could be presented, far beyond the calculations of the best-informed experts.

Obviously, no final answers may be expected at this time. But the public cannot wait until all information is available and the traditionally reticent British Treasury should be willing to open its confidential files. Preliminary conclusions will have to be drawn from whatever data are now

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1 The Economic Consequences of Mr. Churchill, reprinted in Essays in Persuasion, London, 1931, Macmillan.

# The So-Called Dollar Shortage

By MACKENZIE STEVENS*

Former Chief of American Far East Economic Commission
Director of Export Distribution, Reynolds Metals Co.

**Asserting so-called dollar shortage is a delusion, Mr. Stevens lays difficulties of most countries to deficiency of production and to lack of faith in their governments and currencies. Blames exchange regulations, which require the sale of dollars at half their value or less, for creating dollar scarcity and says monetary mismanagement in Europe is disguised as "dollar shortage." Urges more realism in our foreign aid program and end of the "Uncle Sap" policy of giving out goods and credits without getting in exchange other goods and services.**

We recognize the difficulties under which our friends across the sea are laboring. We sympathize with them in these difficulties. We are the greatest single source of machinery, equipment, capital, and technical know-how in the world today; and we want to make these resources available for reconstruction of war devastated areas of the world. But what sentimentality is this that takes it for granted that these billions of dollars worth of our products must be gifts, grants, or unrepayable loans? Shades of our Yankee forefathers! Why must we alone among the nations always give away what we have? Why not trade?

Mackenzie Stevens

America today is troubled with a very dangerous and very unusual malady. It is a mental condition which can best be described as "Checkitis." The most characteristic symptom of this mental disease is the blind delusion that everything that's wrong with the world can be fixed up by the simple devise of writing a check to somebody.

After the previous World War we wrote checks for loans by the billions of dollars for reconstruction of Europe. We provided no practical methods to receive repayment, however, and in fact we made repayment in goods doubly difficult through high tariffs. Our debtors, glad of any excuse to do so, repudiated these billions of reconstruction loans under the guise of "war debts," and we swore we'd never make that mistake again.

But since this last war we've been doing exactly the same thing all over again. We've passed out some $15 billions since the war with very little more consideration of the realities of sound business and economics than a drunken sailor gives to the distribution of his wages after a long voyage. Yet the countries we've tried to help seem to be in no better condition than they were a year ago. Will we never learn?

**The Marshall Plan Approach**

The Marshall Plan approach to the problem of European reconstruction is by far the most statesman-like development thus far, inasmuch as we insist that these countries shall get together and

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*An address by Mr. Stevens before the Export Managers' Club of New York, New York City, Sept. 9, 1947.

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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. 11, 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.




# What Happens When Dealers in Securities Aren't Bumping Their Heads Against a Stone Wall?

By JOHN DUTTON

**Writer contends Securities Acts and Regulatory bodies are largely contributing factors in difficulties which plague investment bankers and brokers. Points to success of sale of World Bank Debentures and Chicago Transit Authority Bonds as concrete evidence of how capital would flow into trade and industry without these impediments.**

There is a time worn joke about a dull fellow who kept himself occupied by bumping his head against a wall. When one of his friends asked him why he was doing such a foolish thing you will remember that he replied, "It feels so good when I stop." Someday those of us who are engaged in the securities business may look about us and realize that for many years we have been bumping our heads against a wall of unjust and unsound restrictions that have largely contributed to the present difficulties which plague us and retard our efforts.

It is strange that many securities men will continually talk among themselves and express the frank conviction that over-regulation is the bane of our business. They will come out openly and condemn the ambiguities, petty restraints and restrictive provisions of the Securities Acts. They openly fear and resent REGULATORY INTERFERENCE WITH THEIR MARK-UP AND PRICING POLICIES. They agree that the monopolistic exclusion of non-members of the National Association of Securities Dealers from participation in underwritings except at the same price paid by the public very likely is a government sponsored violation of the anti-trust statutes. Whether or not a court would so rule, they still think it's a pretty raw deal that some dealers are excluded from the privilege of buying merchandise at wholesale prices just because those dealers may not give a tinker's hoot for the NASD and would rather stick up for their convictions than truckle down to any such organization. All these things you can hear discussed with fervor and candor when the rank and file members of the securities industry get together at some INFORMAL gathering. But as soon as there is a public meeting and a big-wig from the exchanges, the SEC or NASD shows up you would think that everybody present was 100% behind everything that has hamstrung our business for the past 14 years. YAH! SAYS THE REICHSTAG! And we keep on bumping our heads against that same old wall.

**Now let us look at something that is as obvious as the nose on our face. Let us sweep away a few cobwebs and have a look at two very important events which have happened during the past few weeks. Two very large and supposedly difficult underwritings were offered to the investing public and they were sold under the most trying conditions. Bad times, summer doldrums, the unfavorable foreign situation, lack of public familiarity with the security behind both issues, all this couldn't stop the steam rollers that pushed the International Bank Bonds and the recent Chicago Transit Authority Bonds over the top. And why do you think this phenomenal selling job was so successful? Could it be that we stopped bumping our heads against the wall?**

Better still, could it be that the powers that pull the strings on such matters took the wall away for a change? For the first time in years a pre-selling, beat the gun campaign, was conducted by the World Bank and everybody knew that the green light was on and with the tacit consent of the SEC too, if you will. You heard the bonds were sure to go to a premium a week before the offering. When you want to sell something you make it attractive and that is one of the best ways in the world to do it. And another thing

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# Stock Market Timing

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

**Col. King points out importance of time element in stock market operations. Calls attention to work of floor traders and concludes irregularity in present market gives investor ample opportunity to accumulate stocks profitably.**

"There is a time for war and a time for peace, there is a time to plant and a time to pluck up that which is planted, a time to keep and a time to cast away." Ecclesiastes III. This was true in the time of David and just as true today for those who trade in the stock market. The young Joseph understood this when he interpreted Pharaoh's dream. The seven lean cows eating up the seven fat cows were simply what we now call the cycle theory of boom and depression. Every businessman knows only too well that the bad years will eat up the good years and that there are times when almost any stock you buy will show a profit and other times when no stocks at all seem to be able to rise. Therefore, successful buying is primarily a question of timing. It all depends upon when you buy and when you sell.

Col. Herbert G. King

I well remember the late Dwight W. Morrow explaining to a friend how one could lose money in the stock market. He said, "You can lose by being wrong on the market and also by being right too soon." How true that is. Many of us have seen traders who took a position in a stock with a firm determination to carry it until the desired end had been attained. Their information was correct and that which they anticipated eventually happened but alas they had bought too soon. Some unforseen accident occurred which scared them out of their position or wiped them out. Then the stock got away from them and they never could get back and they missed the move entirely when it did come. How bitter it is to be right too soon.

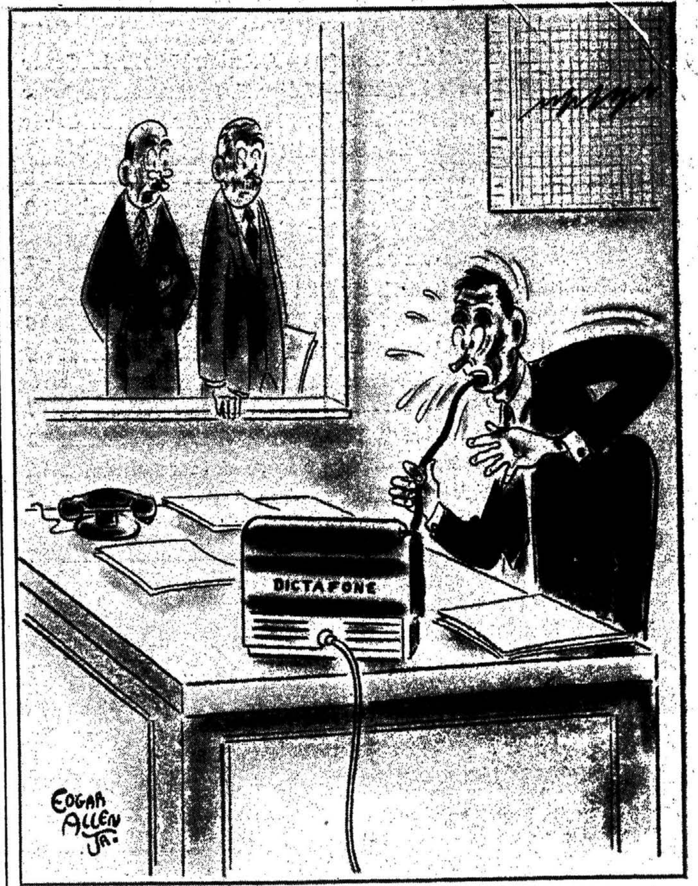
Floor traders are undoubtedly the smartest men in the business and their success depends upon taking advantage of the time element. To them the time element is really the trend of the market and they always play with the trend. Shrewd traders like Jimmy Seligman, John Coleman, Emil Roth, Leeds and Johnson, and Eddie Stern, seem to have a sixth sense that keeps them right with the trend. It is fascinating to watch these men work for they always seem to anticipate the unexpected. Fluctuations are governed by the law of supply and demend and these short pull traders attempt to coincide their trading with the proper timing. Events at close range are their main concern.

The other type of floor trader is the one who is mainly concerned with the long pull. These are the men who make the great fortuntes on the Exchange. Men like Al Caspary, Eddie Bruns and Sidney Rhinestein who are among the most outstanding at the present time, are primarily interested in the economic cycle the country is passing through and the world situation. Daily fluctuations are of no consequence to them. They are mainly concerned with the right time to buy and then staying with the trend until it changes.

Since the time element is such an important factor in stock market operations, the natural question is "What about the present as a time ot buy stocks?" In my opinion this is the time to buy. The present market is passing through a period of irregularity that gives the investor ample opportunity to accumulate his stocks. Every time there is a sell-off, those who have funds should pick up some good stocks and put them away for the long pull. The big move in the market has not yet come. This country is in for some very prosperous times and the bull market of 1948 to 1950 will bring huge profits to those shrewd investors who have timed their purchases so that they may benefit from the rise. Today's wise purchases should prove to be very profitable, indeed.



## BUSINESS BUZZ




**"The way he kept holding it, I knew sooner or later he'd swallow it!"**

# Exports and Business Outlook

**Hugh W. Long & Co., sponsors of Mutual Funds, hold a decline in our exports would not be unfavorable. Says giving away our goods subtracts from our prosperity.**

It is a mistake, in our judgment, to conclude that the high level of exports has added to our real prosperity and that a decline in exports at this time would be unfavorable. We believe that the sharp rise in exports during the first half of this year did our economy a great deal of harm. A decline in exports to more reasonable levels should not depress business.

It is true that the rise in exports required more people to produce goods for export and that their incomes were spent on what was left at home. It is also true that because of the shipment of agricultural products abroad, farmers obtained higher prices and that they too had more income and greater spending power.

Such "truths" have aroused fear that a decline in exports will eliminate a "prop" from under our economy and contribute to a business recession. But this is looking at only one side of the economic house in which we live. The high level of exports has accentuated a shortage of many products and thus has added to inflationary pressures. It has contributed greatly to the current high price level of food and clothing, which in turn has affected wage rates. We might have avoided the unfortunate 1947 round of wage increases if prices had declined further, as appeared possible a year ago, before the bulge in exports was experienced. It is not too much to say that the longer-term stability of our economy may depend upon a proper adjustment in prices—an adjustment which may not be possible except with a more reasonable balance in export trade.

Giving away goods is not essential to our prosperity. To the contrary, it subtracts from our real prosperity. Payment must be made either by high taxes or additional government borrowing. High taxes are bad. They reduce the consumer's income and ability to spend. They are reflected in high prices and disturb the flow of business funds into necessary capital improvements and expansion. Government borrowings for such purposes are no better. They intensify the inflationary spiral. In effect, such borrowings are little more than indirect taxation anyway.

Earlier this year, it was estimated by the government that exports for 1947 would amount to about $12 billion and imports near $7 billion. Considering the loans and gifts already appropriated, and possible financing through the International Bank and the International Monetary Fund, it was believed that an estimated export balance of about $5 billion could be financed by drawing down not more than $1 billion of foreign gold and dollar reserves. These were estimated at the beginning of the year to exceed $20 billion. But imports have

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## Correction

### Interest Rate Possibilities

In the "Chronicle" of August 21 (page 4), under the above caption, we carried the text of a speech made by Mr. Sigurd R. Wendin, President, Heber-Fugin-Wendin Inc. of Detroit, and due to a typographical error in the summary preceding the same it was stated that Mr. Wendin had said, among other things, that it is foolish to hold the government is powerful enough to dominate the money market. This should have read that it is foolish to hold the government is NOT powerful enough to dominate the money market. The "Chronicle," of course, regrets this error.

# Observations . . . .

By A. WILFRED MAY

## THE BRITISH ATTACK ON FORT KNOX

Whatever deep home front strategy may have motivated British Foreign Secretary Bevin's call for "redistribution" of our Kentucky gold store, his simply expressed dream has performed a signal service for America in enabling our public now to understand the cold realities of our past and present international financing activities.

A. Wilfred May

Mr. Bevin's fairy tale to his people with its "moral" that getting their hands on rich and greedy Uncle Sam's yellow metal would help solve the world's economic crisis not only makes clear to the American layman the true implications of our gold dealings during the past decade, but also strips the trappings which have obscured the real nature of our financial operations since the First World War.

For the Britisher's bland demand for the devotion of our Fort Knox gold for "world revival" is immediately recognized by the veriest tyro as entailing the gift or subsidy process on our part. And thus he also realizes that the First World War's debt process, and our private investors' large-scale buying of foreign bonds during the following decade, constituted the indispensable mechanics for subsidizing our foreign trade. Hitherto difficult of explanation by our economists, the actual subsidization involved in our past gold policy has now been made quite clear by Mr. Bevin.

Our public now realizes that our gold buying of the nineteen-thirties, as has been often pointed out by this columnist and others, was but another round in a poker game where a winning player constantly gives back the chips to the losers, to keep the game going. Our people, in addition to the technicians, now understand more fully that in 1934, in raising its buying price for the gold "chips" to \$35 an ounce, this country was increasing its subsidizing service by 70%. At this rate for gold we gave 4.9 millions of dollars to the United Kingdom, approximately the same amount to Canada, \$924 million to South Africa, \$348 million to Australia, and \$403 million to India, which dollars have been used as the chips in exchange for acquiring our real wealth in the form of equivalent goods and services. Now Mr. Bevin wants to repeat this process all over again, and have England and other foreign countries be given the privilege of taking the Fort Knox gold, then sending it back to us for twenty-one billions of dollars, and with these dollars in turn acquiring their counterpart in our goods. This would be even more injurious than other devices used for giving away our goods, for such stripping from the Reserve Banks of their reserves against their notes would utterly destroy the value of our country's money and credit. But Mr. Bevin's suggestion furnishes the great benefit for our public's thinking in making it clear that, although he took the precaution of asking for gold and not dollars, such double and triple buying of gold as well as our other devices of international transactions have been merely camouflage for covering up foreigners' ever-continuing import surpluses. After Mr. Bevin's *reductio ad absurdum* Americans can determine future policy with realism, including the amount of our patrimony we can afford to give away.

Mr. Bevin's epochal proposal has served a useful purpose also in further enlightening the American public about the basic philosophy of Britain's current Labor Government. It reflects on an international scale a combined philosophy of socialistic sharing-the-wealth and purchasing power nostrums with collectivist barter economics. It extends from the national to the international scale the Socialist government's past overemphasis of purchasing power in lieu of production of wealth.

The advancement of such a proposal (from one friendly nation to another) and the illiteracy of its form are closely consistent with the basic misconceptions of the Labor Government on its home front. Witness the considered testimony, not of its political opponents, but of "The Economist" of London, a respected authority which for many months sympathetically supported the Labor Government. Under the caption "A Curse on the Tinker," that authoritative journal bitterly reports that "it is by now clear that the Socialist Ministers never had but one idea. They have been so obsessed with getting hold of the controls of the national economy, with seizing power, that they have never stopped to think what they are going to do with it." And the same authority after referring to Food Minister Strachey's regulations as "soothing syrup," asks why there still is so much unwillingness to face the facts.

An all-important defect in the Labor Government's operations is their half-way nature. For example, although the government has seen fit to bite off a large chunk of planning, it has fallen woefully short in directing such activities as capital expenditure and the production of goods and services in pursuance to the national need. So, as is the case with all Socialist movements, the British planners have unwittingly maneuvered their economy into a condition half-slave and half-free—indicating there, as well as in Mr. Bevin's monetary fantasies, that it is far on the road to its eventual collectivization, both at home and abroad.

# The State of Trade and Industry

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

Since the close of the war the question that has been of immediate concern to all has been and continues to be just how long business activity will be maintained at a level that will promote the best interests of the country as a whole.

In an appraisal of the future outlook, the September issue of "Business Comment," a monthly bulletin of The Northern Trust Company of Chicago, observes that the dominant characteristic of the present situation is that we are in the upper phase of a durable goods cycle that appears to have some distance yet to run. Developing its observation, it notes that consumer expenditures on durable goods are increasing and would be higher if more automobiles and other items were available.

The source of this high demand it finds arises not only from pent-up replacement needs, but also from a mass of new buyers whose purchasing power is greater than before the war and who are advancing their material standard of living.

A good many people, says the "Comment," are better off than before the war, while others are worse off with the average on the favorable side. Quoting the President's midyear economic report it points out that the figures show in the forepart of this year per capita income, after taxes and after allowance for the rise in the cost of living, was 45% higher than the 1935-39 average and over 30% higher than in 1940. Determining the reason for the rise, it notes that a greater portion of the total population is at work and in some lines, particularly that of agriculture, output per worker has risen substantially.

The potent effect of this rise in real income in expanding the markets for all kinds of goods, but particularly for those characteristically associated with a higher standard of living, including better houses, may have been underestimated, the bulletin asserts. In peacetime the attainment of a higher living standard proceeds gradually year after year. During the war many of the goods that would have been in greater demand as a result of this were not produced, at the same time that the ability to buy in larger quantity was apparently increasing. This means that several years' increment in demand is concentrated on the market now. A recession should not be initiated here until markets begin to be saturated again relative to buying power. Difficulty in marketing certain makes of a line of goods should not be confused, the bulletin warns, with a catching up of supply with demand for all makes, which generally has proved not to be true as yet. High prices, which are often cited as a hindrance to mass buying, must be appraised in relation to high wages; lower prices would without question increase the demand, but unless labor, plant and materials are available or costs reduced, an increased supply might not be forthcoming. Should supply begin to outrun demand, then price reductions would be salutary.

The other strong element in the domestic demand for goods and labor, says the bulletin, is that from business itself. Deferred replacement needs are reinforced by expansion programs to meet new market potentials. In some industries, such as the petroleum, electric power and telephone, these programs are projected with a considerable degree of certainty for some years ahead, while in others, the outlook is much less clear.

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Total industrial output the past week showed a slight advance above the level of the preceding week. As for employment and payrolls, they continued steady at a high level. In fact, total civilian employment was reported to have surpassed all war and post-war records, but in the previous week the number of layoffs in some industries rose in scattered areas.

A disquieting piece of news at the close of the week was the report that railroad officials fear a coal shortage this winter due to a lack of 18,000 cars needed to transport coal. This compared with a shortage at this time last year of 14,000 cars. This news followed a petition of the country's railroads to ICC in which they seek freight increases averaging 26.8% and supplants the one filed on July 3, last, when a 16% average boost was sought. The carriers on Tuesday of this week were to seek permission of the ICC to put a temporary 10% increase into effect immediately.

In a current forecast of demand for crude oil in September, 1947, the Bureau of Mines, U. S. Department of Interior, estimates the amount needed will total 5,220,000 barrels daily. The forecast includes estimates of total gasoline demand of 73.0 million barrels, a yield of gasoline from crude oil of 41.5%, and total crude runs to stills of 5,180,000 barrels daily.

The output of industrial machinery and oil field equipment showed some slight improvement, while farm machinery and supplies continued to be produced in limited quantities. Layoffs in some

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# The Business Outlook

By Q. FORREST WALKER*

Economist, R. H. Macy & Co., Inc.

**Leading retail economist cautions against expectation of continuous expanding business. Warns of customer resistance to rising prices, and ascribes heavy retail selling to extensive use of past savings and expansion of consumer credit. Contends present forces leading to high business activity are temporary, and advocates better balanced inventories, improved sales turnover, and restricted forward commitments.**

Probably there is no subject of greater immediate interest to the merchant than the outlook for business. We are now in the ninth year of expanding retail trade. Except for the long period of sales expansion that culminated in 1929, we have seldom had such an extended period of uninterrupted growth in sales volume. In 1938, total retail sales were about $38 billions; and in 1946, they were about $96.7 billions. Some further increase will doubtless be realized in 1947.

Q. Forrest Walker

We cannot wisely assume that some new formula has been invented that guarantees a continuing upward trend without any interruption. Both historical experience and common sense deny any such possibility. This long period of rising sales should not blind us to the likelihood of some adverse change in this trend. It should prompt us to operate more cautiously and think more deeply about current problems.

*An address by Mr. Walker at the Annual Meeting of the New York State Council of Retail Merchants, Lake George, N. Y., Sept. 9, 1947.

The timing of impending economic changes is always difficult because complex economic developments can seldom be precisely scheduled; but if we can grasp the nature of the hazards we face, we can prepare for the eventualities. Economic storms generally catch businessmen unprepared.

### Postwar Maladjustments

We know that all great postwar replacement booms are followed by corrective readjustments of greater or lesser severity. They occur because the boom perpetuates wartime maladjustments and creates new maladjustments in production, costs and prices. Corrections are required to establish a new basis of confidence for further expansion.

There is no great mystery about the causes of these various maladjustments. Replacement demands vary greatly in urgency and magnitude. Some are immediate; others are capable of postponement. Some can be met quickly; others require long periods before they are satisfied. Some can be supplied by manufacture; others depend on the bounty of nature. During the period of shortage or high demand, each economic group strives to get its share, or more than its share. Old cost structures cannot be maintained. They are replaced by new and frequently very burdensome cost structures that can only be maintained by boom volumes of production and trade. Prices rise unevenly, and the relations between and among prices become gravely distorted.

Ultimately, the people who hold the purse strings refuse to buy or are unable to buy at the prevailing prices, or buy sparingly because of lack of confidence in prices. Customer resistance grows. Lower prices and better values are demanded. Soon, production flows faster than it can be sold at the old prices. Stocks begin to accumulate. Prices begin to weaken here and there. They spread over a widening field. Both reasonable and unreasonable prices are affected. Production declines. Unemployment rises.

If voluntary corrections do not ease the price situation, the economic disturbance grows worse and becomes what economists call a "recession"; and the "recession" may blossom into a full-fledged depression. When the corrections have proceeded far enough, confidence revives and business again starts on the upgrade. This process of expansion and contraction does not proceed smoothly without interruption. It is usually marked by intermittent waves of confidence and apprehension and much confusion arising out of the conflict of opinion, informed and otherwise, on the state of our economic health. In a rough way, this describes the typical postwar boom and its correction. There is now scant reason to believe that the broad pattern here sketched has been supplanted by a new pattern of economic behavior.

### Appraisal of Present Boom

With this background, it is pertinent to attempt some appraisal of the current replacement boom. The Federal Reserve index of industrial production measures changes in physical production. This index dropped from 236 in February, 1945, to 152 in February, 1946. With some interruptions, it rose rapidly in subsequent months and reached 190 in March. It has since receded to 183 in June. At current levels, the index is about 80% above the 1937-39 annual average. During 1947, the monthly changes have been small and there is some indication of a slightly declining trend. The plateau-like formation of the curve of production this year suggests that we have reached the peak of the replacement boom in production.

There are several more or less

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# Wall Street Is Misunderstood

By JULIAN G. BUCKLEY

**Mr. Buckley, in calling attention to unwarranted attacks on Wall Street for political purposes, recommends as antidotes: (1) increase of public's personal interest in Wall Street; (2) publicize activities of large banks; (3) elucidate functions of underwriting houses; and (4) describe functions of commission brokers. Urges all segments of securities industry take concerted action to combat false propaganda.**

The recent death of Senator-elect Theodore G. Bilbo brings to mind his many references to the farmer as the "victim" of Wall Street. It was not so much that Senator Bilbo cared for the farmer and hated Wall Street, but he knew perfectly well that it would rouse the natural jealousy of poor men against the rich. In like manner in May, 1947, William Z. Foster, national Chairman of the Communist Party, in commenting on the Truman Doctrine, is quoted as saying that "the people of Europe did not throw off Hitler in order to submit to the shackles of Wall Street." Foster also undoubtedly knew such a statement was absurd but he also knew it would stir up the feelings of the people. Also in May, 1947 Representative Sabath of Illinois told the House that "outrageous and crooked dealings" are going on in Wall Street. One could go back by months and years and pick out remarks and slanders about Wall Street. Even the late President Franklin Delano Roosevelt was not above stirring up his listeners against Wall Street bankers.

Julian G. Buckley

Now, when the average Wall Street baker or broker reads such remarks, he is inclined to shrug his shoulders and mutter something about rabble rousing crackpots. His natural reaction is that because he sees through the remarks of these people he thinks the rest of the country will also see the shallowness of their comments.

However, this is not the case. The late Joseph Goebbels, Chief of German propaganda, too clearly demonstrated: "Repeat a lie enough and it will become the truth." A great many people not only do not understand Wall Street but think it an evil place filled with robbers of widows' savings. For example, the writer had occasion to talk with a retired colonel with a West Point background. This colonel asked how many brokers had a college education. When told that a good many were not holders of a college degree, the colonel burst out with these words: "It seems disgraceful that the finances of the country should be in the hands of uneducated men." This colonel is not an isolated case. The activities of Wall Street simply are not known. It is true the Stock Exchange is trying to get their story over to the public. These efforts are excellent and should be encouraged, but the Stock Exchange is only one segment of Wall Street. Financially, compared with the other segments, it is relatively poor.

It is suggested, therefore, that the commercial banks, the large underwriting houses and even the small ones, the Stock Exchange, the security dealers, etc., pool their efforts to get their story over to the public.

Here are some of the points which might be driven home.

**(1.) Increase the personal interest in Wall Street**—It should be recognized at the start that in explaining Wall Street too many figures should be avoided. In general the public does not understand and is not interested in figures. It is interested in personalities. One has only to recall what heroes the public made of the late J. P. Morgan, the elder, and the late George F. Baker. The press for years carried stories about these men which the public ate up. They boasted to their children about them and held them up as examples. Perhaps, the chief reason the public liked these men was because of their inherent courage and the fact that they did not bow down before the dictates of anybody but forged ahead to obtain their objectives. Today, the public hears of no banker or broker who has the courage of those late titans. Perhaps it is impossible to produce such men; but there are many men active in Wall Street whose careers might be played up. We might name James G. Blaine, President of the Marine Midland Trust Company; Harvey D. Gibson, President of the Manufacturers Trust Company; Christopher J. Devine of C. J. Devine & Company, and Allan M. Pope of the First Boston Corporation. Not only should the so-called "big shots" be described but also the margin clerks, the telephone boys and the registered representatives (customers' men) should have stories written about them.

**(2.) The Activities of the Large Banks Should be Described** — This might include a detailed description of their personal loan activities. Here again too many figures should be avoided but the attempts of banks to bring down the cost of personal loans should be stressed. The method of handling and treatment of the applicants might be described in detail with pictures.

The activities of the Trust Department, particularly in regard to small trust funds could be described. Community trust funds might also be discussed.

In addition, other personal services, such as free investment advice, etc., could be described. A very interesting article was recently written on the State Street Trust Company of Boston, Massachusetts, in one of the leading periodicals. In other words it should be shown that the big banks, the so-called Wall Street banks, are not greedy giants, but large public service organizations run in an efficient and profitable manner.

As a result of this publicity the effects of the remarks of the rabble rousers might not only be reduced but the banks might obtain considerably more business as a result of their activities being better known. One or two banks are attempting to advertise on the radio but their efforts are still not very effective as far as selling the public Wall Street is concerned.

**(3.) The Functions of the Large Underwriting Houses Should be Explained** — This would require considerable skill since their operations are highly technical. However, pictorial illustrations might show how a company borrows money from these underwriting houses, enabling the company to expand plant facilities and increase employment. On the other side, detailed explanation could be given of their distribution of securities, not only to the public

(Continued on page 33)

# The Eisenhower Boom

By CARLISLE BARGERON

**Commenting on attention given to the "Eisenhower Boom," Mr. Bargeron points out his choice by Republicans seems unlikely in view of his participation in the Yalta, Teheran and Potsdam Agreements, and his advancement both by Roosevelt and Truman. Sees Taft as likely Republican candidate.**

WASHINGTON, D. C.—There is getting to be more to the Eisenhower Presidential boom than meets the naked eye. It has enjoyed an unusual persistency all along and just now is close to the front of the Washington speculative stage. Part of this is due to the fact that the Washington correspondents have a hard time finding anything to write about with Congress not in session, but also to the fact that some pretty stubborn forces are determined to keep the name of the general to the fore.

Carlisle Bargeron

There is no longer any doubt that the hope is to get him on the Republican ticket. And the purpose among the master minds is once again to keep foreign affairs, or our international policy over the past several years, out of the campaign.

This was the strategy behind the sensational build-up of Wendell Willkie in 1940. Eastern Republican influences had a horror of that campaign being fought over the paramount issue of intervention. Taft and Dewey were both looked upon as isolationists, and it is this writer's humble opinion that had Taft been nominated he would have made such a clear cut issue on this that he would have won and we would not have entered the war. However, that's water over the dam.

The rapidly developing division in the country now is between the global thinkers who figure we should be unstinted in our aid to Europe and those, rather inarticulate as yet, who are getting plenty fed up with the whole business. One has only to make a trip across the country as this writer has recently done, to realize there are a lot of these latter and that their numbers are increasing.

This division is being reflected in the agitation for an extra session of Congress and Republican resistance to it. Men like Taft feel that an extra session, sitting in the emergency atmosphere that now prevails, would be stampeded into giving more billions to Europe. There is the inevitable hope that delay will lessen the agitation, if not the urgency, and that, at least, the mounting but inchoate opposition to the global thinkers will have had a chance to express itself. The global thinkers naturally want action now.

Manifestly, if Eisenhower were to be the Republican nominee the Roosevelt-Truman conduct of our international relations with all the mess that has been brought about, would be completely eliminated from the campaign. Because Eisenhower has been a part of that conduct. Can you imagine his criticising the Yalta, the Teheran, the Potsdam agreements, any of the shenanigans that took place?

To me, in fact, the boom in his behalf seems fantastic from most any angle. Can you imagine his criticizing the Truman or Roosevelt administrations on any ground? It was Roosevelt who gave him his chance for fame, and Truman continued to advance him.

There are any number of enthusiastic admirers of the general, of course, who would like to see him President. But I am convinced that the real manipulators of the boom are not acting in good faith with the Republican party. Their sole concern is their global madness.

To the extent that they are business men or industrialists or financial influences; that is, conservatives and looked upon as the pillars of the American free enterprise system, they are playing with fire.

There is too much feeling among them that it would be all right if Truman were to win again. He's o.k. He has shown he is just a plain American with all of our American virtues.

They overlook entirely that a Truman victory would again put the CIO in a dominant political position. They are in the doldrums now and their effectiveness has been largely destroyed. And you may say that Truman has done little or nothing to prevent their slump.

But the situation would be entirely different were he elected in '48. We have such of his conservative advisers as John W. Snyder to thank for Truman's not letting the CIO run hog wild as it did under Roosevelt, along with a predominantly conservative Congress.

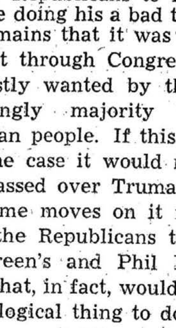
All along, however, the school around him headed by Bob Hannegan have insisted that to remain in office he had to play ball with the radicals. And if he should be returned in '48 it will be these forces that returned him. He will realize that. The radicals will rule the roost, Truman's homely virtues and plain Americanism notwithstanding. What he is above everything else is a politician.

In the meantime, it is doubtful if the labor leaders who are daring the Republicans to nominate Taft are doing his a bad turn. The fact remains that it was his skill that got through Congress a bill manifestly wanted by the overwhelmingly majority of the American people. If this had not been the case it would not have been passed over Truman's veto.

As time moves on it may behoove the Republicans to accept Bill Green's and Phil Murray's dare. That, in fact, would seem to be the logical thing to do.

## Satler Heads Municipal Dept. of Moore, Leonard

PITTSBURGH, PA.—Frank L. Satler, Jr., has been appointed manager of the municipal department of Moore, Leonard & Lynch, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges. He has been with the firm for some time.



Frank L. Satler, Jr.

# Farm Cash Income at All-Time High, but Vulnerable

By I. W. DUGGAN*
Governor, Farm Credit Administration

**Agriculture official warns export decline would entail prompt recession. Predicts halt in five-year rise in land prices, which last year exceeded 1920 peaks. Praises constructive work of Farm Credit Administration.**

Nearly nine months have elapsed since the boards of directors of the 12 Farm Credit Administration districts have met. These months have brought changes in the system. Some of the problems confronting us then have disappeared; others have taken their place. Agriculture has continued in an unusually favorable position.

I. W. Duggan

A notable accomplishment was the repayment of the last of the Government capital by the Federal Land Bank of St. Paul leaving the land bank system entirely farmer-borrower owned through the national farm loan associations. The year brought to 12 the production credit associations in the ranks of farmer-owned, with the total government capital in all associations being substantially reduced. In the year, new peaks in loan volume were reached by the PCA's and the banks for cooperatives with the Federal land banks upping their loan volume considerably over the previous year. It also saw the expiration of the right to make Land Bank Commissioner loans leaving the field for the land banks with their 65% loan.

The system is operating with a much smaller personnel. At the peak the land banks had 13,000 employees; today they have less than 2,000. While a larger number of employees was needed when the banks were making a tremendous volume of loans in the 1930's, it is true; but today they have a better trained personnel, many of their employees having been with the banks for 15 years or more. In the other units, while declines have not been so outstanding nevertheless their forces are considerably less. Despite these reductions, the district institutions, the national farm loan associations, and the production credit associations, all are efficiently managed.

While the outstanding loans of the Federal land banks again decreased during the year, there is indication that this trend is slowing down. This is evidenced by a decline in the rate of repayment on loans to new loans made. In the year ended June 30, 1947, farmers repaid $1.62 for each dollar of new loans made; this compares with $1.81 for the previous year; and $3.11 for the year ended June 30, 1945. Federal land bank and Commissioner loans made in the year totaled more than $150 million which was $15 million more than the previous year. The number of loans was 4,471 greater than the year ended June 30, 1946.

Despite the large volume of new loans the percentage of land bank business to total recordings was slightly lower than the previous year due largely to the fact that the mortgage loans made by other lenders increased at a faster rate than those made by the land banks.

### Land Prices Increased Last Year

Farm land prices generally continued to increase last year and in many states exceeded the peaks reached in the boom of 1920. Yet, an encouraging sign at June 30 was that farm real estate prices over a part of the United States seemed to have completed their 5-year steady advance and to have either halted or turned down slightly in the last six months. Exceptions to this are found in the wheat belt in the Middle West and in the range livestock territory where prices are still increasing.

Despite this slackening in farm real estate prices farm land in the year ended March, 1947, was changing hands at a higher rate than at any previous time. Decreases in sales occurred in the East South Central, South Atlantic and East North Central groups of states where there was also some leveling off in land values during the four months prior to July 1.

Farmers and ranchers who deem it wise to purchase farm land at the present high values will feel safer if they have a large equity in their properties. Present values to a very large extent reflect current earnings rather than probable earnings over a long period. As you all know, it usually takes years to pay for a farm out of earnings and if it is heavily mortgaged now it may be difficult to pay off the mortgage should farm income decline materially.

Right now, the same as for a few years past, farm commodity prices are influenced greatly by the exceedingly heavy foreign demand. As a result, farm business is good—perhaps better than it ever has been—from the standpoint of cash income, and it probably will continue good as long as exports and employment are high. Should either of these decline, it is likely to be reflected rather promptly in farm real estate prices. When the prices of farm commodities dropped in 1920 it was not long before farm real estate prices declined also.

### Easing Off of Real Estate Prices

I am not predicting a slump in farm real estate prices but I do believe there will be a decided easing off from the current high levels when other countries purchase less of our food supplies. We should be realistic about the situation and realize that their heavy purchases cannot go on forever.

Chester C. Davis, President of the Federal Reserve Bank of St. Louis, in testifying before the Agriculture Committee, U. S. House of Representatives, said "Although the drop in farm prices and income may not be as precipitous or as great as the drop which followed World War I, and some measures may be developed to offset the forces leading to the decline, nevertheless, it is likely to cause widespread and serious difficulties in agriculture."

The farmer-stockholders of the production credit associations reached a noteworthy objective in May 1947 when the amount of stock owned by them on a system wide basis exceeded, for the first time, the amount of association stock owned by the Government. The amount of stock owned on June 30, 1947, exceeded $42 million which was about twice the amount owned five years ago. In the same time capital stock owned by the Government has declined from $81½ million to $40½ million. Capital stock owned by farmer-members accounted for 34.2% of net worth on June 30, 1947, and accumulated earnings 33.2%.

Production credit associations

(Continued on page 27)

*Remarks by Mr. Duggan at the conference of Directors of the 12 Farm Credit Association Districts, San Francisco, Calif., Sept. 1, 1947.

# *Public Utility Securities*

## International Hydro-Electric

Filing of integration plans for International Hydro-Electric System were deferred for several years pending recapitalization of the sub-holding company, New England Electric Power (now New England Electric System) and merger of the two New York subsidiaries (Hudson River Power and System Properties, Inc.). The merger into Eastern New York Power became effective last December, and recapitalization of New England Electric System replaced the six predecessor holding companies a few weeks ago. Litigation over the $10,000,000 cash settlement with International Paper Co. was also cleared up early this year.

Accordingly, International Hydro is now in better shape to realize on its assets, consisting principally of some $10,000,000 cash, 1,439,024 shares (about 86%) of Gatineau Power, 320,000 shares of Eastern New York Power, and about 536,000 shares of New England Electric System, with a total estimated value in the neighborhood of $50,000,000.

International Hydro's capitalization consists of $26,568,000 debentures 6s (due 1944), 142,484 shares of preferred stock (par $50), and 856,718 shares of $2 Class A stock (the Class B and common stocks were cancelled in 1941).

Three dissolution plans have been filed in the past two months, one by P. H. Todd of Kalamazoo, Mich., a director and substantial holder of Class A stock; another by the Carter Committee for preferred stockholders, and the third by the Trustee, Bartholomew Brickley of Boston. Treatment of the three securities under these plans would be approximately as follows:

| | Todd Plan | Carter Plan | Trustee's Plan |
|---|---|---|---|
| $1,000 Debentures: | | | |
| Cash | $300 | $1,000 | $300 |
| Gatineau | 33 shs. | ---- | 20 shs. |
| New Eng. Elec. | 4 shs. | ---- | 20 shs. |
| 1 Share Pfd. Stock | 2 partic. ctfs.† | $95* cash | 6 shs. Gatineau |
| 1 Share Class A Stock | 1 partic. ctfs.† | Remaining Assets | Remaining Assets |

* Par plus dividend arrears, cash to be realized by sale of securities.
† Representing remaining assets.

Applying recent market values (about 16½ for Gatineau and 14½ for New England Electric) values would work out roughly as follows:

| | Todd Plan | Carter Plan | Trustee's Plan | Recent Price |
|---|---|---|---|---|
| Debentures | $900 | $1,000 | $920 | 99 |
| Preferred Stock | 46 | 95 | 100 | 68 |
| Class A | 23 | 12 | 13 | 7 |

All interests appear agreed that cash on hand should be devoted to paying $300 per bond, thus retiring 30% of bonded debt. It seems likely that this step will be approved by the SEC and the court. Judging from the present quotation of around 99 for the debentures, holders seem confident that the terms of the final plan will provide them with substantially $700 cash or marketable securities, though the Todd plan would give them only $600 and the Trustee only $620.

As to the division of the remaining portfolio values, the Todd plan obviously favors the Class A stock and it seems doubtful whether the SEC or the courts would be inclined to give the junior stock such a favorable settlement — though on the other hand, the two other plans may be a little generous to the preferred. But current prices for both the preferred and Class A stocks are substantially below "liquidating value," indicating that holders anticipate a long-drawn fight before the SEC and the courts, with resulting risk of deterioration in portfolio values.

## Pittsburgh Bond Club To Hold Fall Outing

PITTSBURGH, PA.—A full day of sports and entertainment is being planned by the Committee in charge of the Fall Outing of the Bond Club of Pittsburgh. The outing will be held at the Shannopin Country Club on Tuesday, Sept. 16.

Members who wish may play golf in the morning, a luncheon will be served at noon, and after luncheon there will be a golf tournament and a Le Bocci tournament for which handsome prizes will be awarded. A dinner will be served at 7 p.m. A feature of the outing will be the "Country Fair" at which various games of skill will be provided.

James C. Lear of Reed, Lear & Co. is General Chairman of the Outing Committee. The officers of the club are: S. W. Steinecke (S. K. Cunningham & Co.), President; Ernest O. Dorbritz (Moore, Leonard & Lynch), Vice-President; Edward C. Kost (A. E. Masten & Co.), Secretary, and W. Stanley Dodworth (Parrish & Co.), Treasurer.



## Exports and Business Outlook

(Continued from page 4)

lagged below the estimate by a rate of $1 billion annually, and exports have increased to a rate of about $16 billion annually. This is a level that apparently could not be maintained without hurting the economies of both the foreign nations that have been receiving the goods and our own.

Exports, even though reduced from the current rate, would still be at a high level. Europe's need for our goods is desperate. This is made dramatically clear when we find macaroni being shipped to Italy, cheese and fish going to Belgium and coal to Great Britain. Latin America and Asia must obtain from us much of what they had previously obtained from Europe. Assuming a reduction in exports to more nearly reasonable proportions our export surplus would result more from a deficiency of imports than an excess of exports. Our imports are running at an annual rate at least $3 billion short of the amount that would be normal at the current level of our economy. This is due to the world shortage of raw materials and manufactured goods.

Moreover, the world is not without means of paying for a large volume of exports. In addition to foreign gold and dollar reserves of approximately $20 billion, the possible additional supply of dollars—through existing plans such as our authorized lending and relief aid, the International Bank and the International Monetary Fund—approaches $10 billion. Of course, these current and potential funds are not distributed according to the needs of the various importing countries. Nevertheless, these funds are adequate to support a high level of exports.

There remains the so-called Marshall Plan. It is too early to appraise what the plan will mean in terms of the needs of Europe and our willingness to help provide for them. But this much is crystal clear. The impoverishing policy of looking for gifts from "Uncle Sam" must be replaced with a program of work and financial stability. Increased production is the only sound way for the world to obtain more dollars. And the Marshall Plan should encourage progress in this direction.

To gain perspective for judging the influence of exports on the outlook for business, one needs to look back to the spring of 1920 and the summers of 1929 and 1937. On each of those occasions, the steel industry was producing sufficiently to meet all of the domestic demands as well as exports. A decline of one ton in steel exports meant a curtailment in production of one ton of steel. This is obviously in contrast with conditions today. Despite capacity steel production there is a shortage in supply of steel. Lack of steel is the reason why many other industries operate below capacity today. One ton of steel that is not exported is welcomed by domestic consumers.

The automobile, building supply, non-ferrous metals, electrical equipment, petroleum, possibly railroad equipment and agricultural equipment, are examples of other important industries that would probably not curtail production if there were to be a moderate decline in exports. Domestic demand for their products equals or exceeds their present output. And it is important to remember that activity in these industries goes a long way towards determining the level of business generally.—Reprinted from "The New York Letter" of September, 1947, issued by Hugh W. Long & Co., Inc.

# *Dealer-Broker Investment Recommendations and Literature*

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

**Chemical Industry** — Analysis and research comment—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is the "Fortnightly Investment Letter" discussing 1947 **Rail** earnings, etc.

**Chemicals**—Brochure on the industry discussing long-term growth potentialities and the position of 30 leading companies in the chemical field, with basic financial data on 26 other companies Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

**Finance Companies**—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

**Two Thousand Factories for Kentucky** — Address by Thomas Graham at Second District Bar Association Meeting in Owensboro, Ky.—The Bankers Bond Co., Kentucky Home Life Building, Louisville 2, Ky.

* * *

**Allen Industries, Inc.**—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

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

**Aspinook Corporation**—Special report—Ward & Co., 120 Broadway, New York 5, N. Y.

**Beryllum Corp.**—Late data—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are data on **Eastern Corporation** and **Colorado Milling & Elevator Co.**

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

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

**Chicago, Rock Island & Pacific**—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

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

**City of Philadelphia Bonds**—Valuation and appraisal—Stroud & Co., Inc., 123 South Broad Street, Philadelphia 9, Pa.

Also available is a valuation and appraisal of **Railroad Equipment Certificates** and **Price Earnings Ratios and Yields** on **123 Public Utility Common Stocks.**

**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.

**Dixie Cup Company**—Analysis—Laird, Bissell & Meeds, 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.; Aspinook Corp.**

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

Also available are analyses of **Osgood Company "B," Tennessee Products & Chemical and Fashion Park.**

**Howell Electric Motors Co.**—Analysis—B. W. Pizzini & Co., 25 Broad Street, New York 4, 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.

**Pittsburgh Railways Co.**—Report on proposed amendments to reorganization plan—H. M. Byllesby & Co., Stock Exchange Building, Philadelphia 2, Pa.

**Sperry Corporation**—Special review in the current issue of the **"Aviation Bulletin"** containing earnings, prices, news and general market opinion—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

**Suburban Propane Gas**—Circular—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

**United States Plywood Corp.**—Memorandum prepared by Maxwell B. Roberts—Otto Fuerst & Co., 57 William Street, New York 5, N. Y.

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

## First Greyhound Racing Issue Makes Debut Here

Revere Racing Association, Inc. common stock is the first greyhound race track issue to be sold publicly here, according to Bonner & Bonner, Inc., 120 Broadway, New York City, the underwriters, who call attention to the phenomenal growth of greyhound racing in England where it has reputedly outstripped horse racing in volume of attendance and wagering. According to Bonner & Bonner, there are 20 stocks of greyhound racing companies listed on the London Stock Exchange. The Revere Track, operated since 1935, is believed to have a larger attendance and volume of wagering than any other greyhound racing track in the United States. The SEC registration statement relating to the issue became effective September 5, and the underwriters state that the offering will be adversised shortly.

The offering price of Revere Racing Association common stock is $5.75, to yield almost 14% based on declared intention to pay 80 cents in dividends during the fiscal year ending April 30, 1948; the same as paid last year. The first dividend for 1947-48 of 25 cents was declared on Sept. 8, payable Oct. 22 to holders of record on Oct. 15. The corporation's recent earnings statement shows net earnings after taxes for fiscal year ended April 30, 1947 of $1,445,952; total amount wagered was $49,915,633.

## Gray B. Perry With Grimm & Co. in New York

Gray B. Perry has joined the staff of Grimm & Co., 44 Wall Street, New York City, members of the New York Stock Exchange. He was formerly with Kalb, Voorhis & Co.

# Houses Are Not Being Priced Out of the Market

**National Association of Home Builders contends increase in home building costs are not out of line and a smaller portion of family earnings is required to purchase a new house than ever before. Foresees only slight reductions in new housing costs.**

A pamphlet entitled "Housing Costs and Prices," prepared by the National Association of Home Builders of Washington, D. C., contains an analysis of home building costs and prices in relation to family savings and income, on the basis of which it is contended that in comparison with the costs of other things, and in relation to family savings and income, less is paid for a new house than ever before. According to the pamphlet:

**A Look at Costs and Purchasing Power**

When you look at how all costs have advanced — and purchasing power with them — you can see plainly that the cost of new houses has not advanced as much as the other major elements of the economy.

For example consider the following facts:

**Family Savings**

Liquid assets of individuals represent purchasing power — money saved up in war bonds, savings accounts, demand deposits and other forms of holdings immediately convertible to cash.

In 1939, the people had savings of $55 billions. Today their savings are $192 billions.

The purchasing power represented by liquid assets of individuals had increased 250%. Cost of new houses has increased only 82%.

**Individual Income**

Average individual income—for each man, woman and child—was $498 after taxes in the 1935-1939 period, on an annual average. In 1947—after taxes—it is $1,090. If this per capita income were to be applied to a four person family, it would mean that family income increased from $1,992 in the 1935-1939 period to $4,360 in 1947.

The purchasing power represented by individual income has increased 119%. Cost of new houses had increased only 82%.

**Typical Earnings**

The typical urban worker in this country is the worker in manufacturing industries. There are 15 million such workers and 3 million of them are veterans.

Average weekly earnings in manufacturing industries in the 1935-1939 period were $22.42. In 1947, these earnings are $47.44.

The purchasing power represented by these earnings has increased 111%. Cost of new houses has increased only 82%.

**Family Income vs. Cost of Living**

While it has been shown that new housing now takes less of the consumer dollar, it must be considered that there are competitive drains on a family's purchasing power.

Food and clothing costs have advanced more than new house prices.

But other items in the cost of living . . . rent, fuel, electricity, ice and miscellaneous . . . have represented more stabilized costs and, therefore, the total cost of living has advanced only 56% above the 1935-1939 period.

This means far greater purchasing power to buy new houses than before the war.

In fact, there is more purchasing power for investment in homes now than at any other period in history on the basis of income as related to living costs.

**Family Savings Being Maintained**

This purchasing power is being sustained by a high level of employment, increasing wage rates and continued savings.

Evidence that high earnings and family income are still being translated into savings . . . and, therefore, still greater purchasing power . . . is seen in the fact that in the first five months of 1947, investment in government savings bonds by the people exceeded cash-in of bonds by $1,386,325,000.

**Availability of Credit**

Added to all the above factors is the availability of credit to those who want to buy homes. Never before has there been available the amount of credit for home purchase that we have today. An American Bankers' Association official told a Senate committee in 1945 that the banks alone have $20 billions for mortgage investment. Insurance companies, building and loan associations, mortgage bankers and home construction companies add incalculable billions to the total available. Interest rates have never been lower.

**Double Significance**

(1) All the foregoing facts add up to unprecedented purchasing power and to a favorable price position of new houses with respect to that purchasing power. Normally this means an effective market demand for houses.

(2) Until supply comes into better balance with demand, this situation will operate as an important factor in preventing a decline in the price of new housing.

So it isn't likely that the price of houses will come down as long as this situation prevails. That's point No. 1 against likelihood of the cost of houses dropping in the foreseeable future.

**Will the Price of Houses Come Down?**

The price of houses is determined by the balance between supply and demand.

On the demand side, the factors which influence prices are:

(1) Family earnings, and income with relation to the cost of living.

(2) Savings available for investment in housing.

(3) Availability of credit.

These factors have been shown to be so favorable that they operate to sustain demand and prices.

On the supply side, the factors which influence prices are:

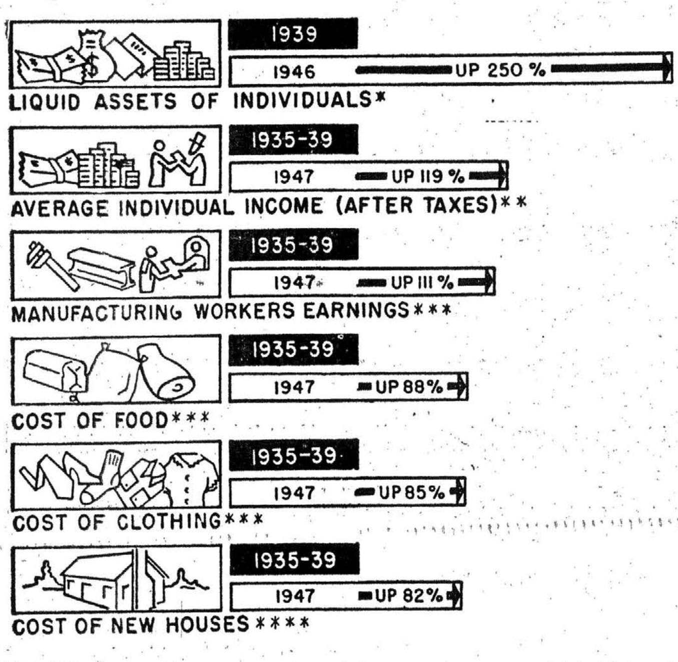
(1) **Wages of on-site and off-site labor**—Since wages represent four-fifths of the cost of new housing and since there is no reason to expect that wage levels are going to decline, there is little room left in which to achieve any substantial reduction in prices.

(2) **Materials prices**—Materials prices have shown a recent trend to level off. No great reduction appears possible because of the wage factor.

(3) **Builders' profits**—Builders' profits appear to have stabilized at the lowest level possible to continue operations. Uncertainty of attaining a safe profit margin has forced some builders to drop plans.

(4) **Efficiency of operation** — Price-saving benefits from increased production, improved distribution and more efficient use of materials have been effected but continue to be overshadowed

(Continued on page 29)




SOURCES:

*All percentage figures are based on the increase between 1935-1939 and April, 1947, except liquid assets of individuals. This increase is based on such assets in the year 1939, only, compared to such assets at the end of 1946, by estimate of the Department of the Treasury. The percentage increase is conceded to be even higher if Treasury estimates were available for an average of the entire 1935-1939 period.

**Dept. of Commerce and speech of President Truman, N. Y. April 21, 1947

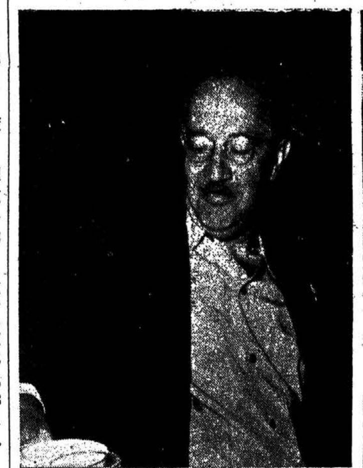
***Bureau of Labor Statistics

****National Housing Agency Index of Building Costs.



# Bond Club of Denver

## Frolic at Park Hill Country Club, Aug. 22



Phil Clark, *Amos C. Sudler & Co.,* Chairman on Arrangements

Don Brown, *Boettcher & Co.,* General Chairman, awarding golf winners

Hal Writer, *Peters, Writer & Christensen, Inc.,* prize committee Chairman

Ed Coughlin, *Coughlin & Co.,* Invitations Committee

Bernard Kennedy, *Bosworth, Sullivan & Co.,* President of The Bond Club of Denver; Hal Writer, *Peters, Writer & Christensen, Inc.;* Phil Clark, *Amos C. Sudler & Co.*

Officer Murphy (the one disturbing feature); Myles Talmadge, guest; Tom Sigler, *J. A. Hogle & Co.;* Dick Green, *J. A. Hogle & Co.*

## With Herrick Waddell Co.

(Special to THE FINANCIAL CHRONICLE)

TAMPA, FLA.—Philip C. Smith has been added to the staff of Herrick, Waddell & Co.



# Illinois Brevities

The $105,000,000 offering of Chicago Transit Authority revenue bonds roared to a successful and exciting finish late last month, and veterans of the Chicago financial district still are not quite sure how it all came about.

A syndicate headed by Harris, Hall & Co., Inc., Blyth & Co., Inc., and First Boston Corp. offered the bonds conditionally; they said they would take them if subscriptions reached $84,000,000 by Sept. 12. By the close of business Aug. 26 the issue no longer was in doubt. The Aug. 26 sales of $7,500,000 worth had left only a $37,500,000 unsold balance for the entire $105,000,000 issue. The next day the bandwagon filed up and the whole issue was sold out.

**Financial people here were a bit mystified by the avalanche, because it apparently had not been helped by any such development as a single very large order. Some said the offering had been helped by the public and trade reaction to anonymous efforts made to hurt it. One of these was the mailing of unfavorable parts of a rating service's analysis to prospective customers.**

At any rate, the success of the offering meant that Chicago's bankrupt elevated and street car lines soon would be taken over and modernized by a unique city corporation. The "take-over" date is midnight Sept. 30. The fighting spirit of the bankers did not go unnoticed, and congratulations poured in to Edward B. Hall and his colleagues. The great importance of the financial industry was most dramatically illustrated to a big city laboring for traction reform.

* * *

Another widely-publicized offering to be declared a success was that of the Tucker Corp., new auto manufacturer in Chicago. Assured of enough cash for the company to meet a War Assets Administration requirement for $15,000,000 working capital, the underwriters closed their books Sept. 9.

* * *

Textile merchants were told at a convention here that the cotton textile industry no longer is a "feast and famine" proposition. Saul F. Dribben, President of Cone Export & Commission Co., Inc., said predictions of a textile recession have been exploded and that cottons can look forward to several steady years in place of their traditional irregularity.

**Mr. Dribben emphasized that the industry had burned away its dead wood in the depression. He said cotton textile mills this year will spend $100,000,000 for new production facilities. The industry also is spending a great deal more on research, he said, adding:**

"Cottons in new textures, new finishes, new qualities of color and design promise to put greater value into our lines than was the case before the war. Top designers in the fashion field in recent years have learned to work with cotton and to appreciate its versatile qualities."

* * *

The Northern Trust Co., in its monthly bulletin, said business spending not only is a good barometer of the nation's economic prospects but actually is one of the two key elements that are supporting the boom. The other, the bank said, is the mass of new buyers whose actual ability to buy is greater than before the war despite the increase in prices.

* * *

**Inflation talk and the unfavorable crop weather of 1947 sent Chicago's farm product market-places into a spiral of heavy activity and rising prices. Dollar-a-dozen eggs, $1 a pound butter and $1-plus meat loomed at retail. New seasonal highs and some all-time records were being chalked up constantly.**

* * *

The United States Employment Service said Chicago area employment is leveling off while "downstate" Illinois companies continue to boost their working forces. The Chicago Association of Commerce & Industry reported that business activity in the city declined in July—with the chief exception of building permits and construction awards.

* * *

**First Chicago company to provide a reserve ordnance unit for the army program was Sears, Roebuck & Co. Agreements were signed by War Department men and Gen. Robert E. Wood, Sears Chairman. The army wants to set up 2,500 of the units.**

* * *

Chicago Corp. continues its progress from "investment company" to "venture capital" status. For the first time in this changeover, the firm at the end of the half had most of its money in securities of majority-owned or associated companies.

Total securities of such companies held by Chicago Corp. were valued at $9,828,578 June 30 in contrast to $8,308,802 at the year end. These holdings were increased by purchase of 73% of the 5% preferred stock of American Buslines, Inc., and 20% of the bus company's equity. Meanwhile, sales from its investment portfolio reduced other security holdings to $7,746,211 from $10,899,876.

* * *

**Commenting on consumer credit in its monthly business bulletin, the Federal Reserve Bank of Chicago said abnormal conditions have prevented any evaluation of where the commercial banks stand in installment cash lending and sales financing. However, the bank said the pattern should be more discernible by the year end and 1948 should make it possible to find out where the various lending agencies stand in this field.**

# The U. S. Will Help Her Friends

By HON. HARRY S. TRUMAN*

**Stressing our close political, ideological and economic ties with the Brazilians, President Truman declares we will not forget them in case of need. Predicts our mutual good will can solve the critical peace problems ahead, despite UN disappointments.**

I am deeply grateful for the invitation to appear before the Congress of this great nation whose history is so entwined with that of the United States.

President Truman

Speaking as one who has come to Executive position from legislative halls, I am all the more appreciative of the honor you have extended to me. The Legislature of a democratic country is identified with the people themselves. This must be so if the tree of responsible self-government is to blossom fully and bear rich fruit.

Brazil is justly proud of a history of government by free men. I salute the Congress of the great Brazilian nation and I extend my best wishes to the noble people which it represents.

The ties between the United States and Brazil have always been close. It is not too much to describe our relations as those of "lifelong friendship." Your Declaration of Independence was brief, but just as challenging as was ours. The cry of independence, uttered on that famous Sept. 7, 1822, told the world that the time had come when Brazil was to be governed by its own people and for their own welfare.

I am happy to recall that the United States was the first of the nations of the world to recognize the new independent state. We were not troubled by the fact that it took the form of an empire, for the foundations of the empire were democratic.

The Constitution which was adopted two years later was the expression of the ideals of free government, not those of absolute monarchy.

The history of Brazil in many respects parallels that of the United States. Both are nations which have carved civilizations out of the wilderness. Both have been endowed with great natural resources and both have been developed by people whose dominant motive was freedom.

If I am happy that the United States was the first to recognize the new nation of Brazil, I am equally happy that it was to the United States that Brazil turned for support in its struggle for independence.

The alliance which Brazil proposed to us was a singular mark of confidence. It was the beginning of our historical friendship which I have described as "lifelong."

The long reign of the great Dom Pedro II put Brazil among the leading democratic nations. Americans of today know him well, for you have engraved his noble features upon a postage stamp which comes to the United States with every mail from Brazil.

We recall with pleasure that he was the first monarch to visit the United States, when he came to the exposition at Philadelphia in 1876 which marked the centenary of our independence.

Then in 1889, when Brazil felt that the form of a republic fitted better its national aspirations, the Congress of the United States of America adopted a joint resolution congratulating the country upon its new form of government. It is interesting to note also that Brazil adopted a constitution modeled closely upon that of the Federal system of the United States.

### Our Close Ties

Why are the ties between us so close? The distance between our countries is great and until recent years communication was slow and difficult. But it is not physical proximity alone that makes friends and neighbors. It is rather the fact that we have common interests, common principles and common ideals.

We look upon the state as the agent of the people for the attainment of the general welfare. We have the same belief in the fundamental rights of man. We have the same respects for the dignity of the individual. We look

(Continued on page 31)

*A speech of President Truman before a joint session of the Brazilian Congress in the Tiradentes Palace, Rio de Janeiro, Sept. 5, 1947.

# Rio Results an Inspiration

By HON. GEORGE C. MARSHALL*
Secretary of State

**Secretary of State declares demonstration of trust and cooperation at Inter-American Defense Conference is most stimulating international action since close of hostilities. Expresses great optimism over next January's conference at Bogota.**

I returned yesterday from the Inter-American Conference at Rio de Janeiro. There, in one day less than two weeks, 19 sovereign nations, speaking four different languages, reached formal agreement on the precise terms of the treaty for complete co-operation in the mutual defense of each other and of the Western Hemisphere. These terms committed the nations to act collectively for the peace and security of the New World and to do this in accordance with the provisions of the Charter of the United Nations.

George C. Marshall

I do not think it is an overstatement to say that this demonstration of trust and co-operation, this evidence of a willingness to adjust the many varied national points of view in order to make possible a unanimous agreement for the good of all is the most encouraging, most stimulating international action since the close of hostilities.

The results of the conference demonstrate, I think, beyond doubt, that where nations are sincerely desirous of promoting the peace and well-being of the world it can be done, and it can be done without frustrating delays and without much confusing and disturbing propaganda that has attended our efforts of the last two years.

### Goodwill Atmosphere

To me, one of the most gratifying features of the conference was the atmosphere of good will, good feeling and mutual trust and accord in which it was conducted. We met largely as acquaintances with a common desire. We parted as friends in a common bond of trust and understanding. Our deliberations were open to the world. It will not be easy to misrepresent the import of the treaty we have agreed upon at Rio de Janiero, for its text is straightforward and clear.

None of the 19 nations concerned sought to impose its will upon the others. Agreement was reached on a voluntary basis, each nation manifesting its will to adjust its own position to that of the others out of respect for the opinion of the majority. No nation triumphed over any other, for this was not a contest between nations but a "get together" among them. And yet there resulted no watered-down formula—no lowest common denominator or compromise on vital principles.

As has already been stated by Senator Vandenberg, before a joint session of the Brazilian Senate and House of Representatives, the successful formulation of this regional treaty affords the United Nations a significant example, an example, I feel, of which it is in great need at the present time. The full degree of the accomplishment is difficult to grasp. The casual reader, or even the casual student of international matters, had difficulty in visualizing the tremendous complications involved in reaching at a conference of sovereign governments precise agreements regarding mutual obligations to take definite action—even in matters of self-defense. The varying reactions of public opinion in the several countries have to be taken into account, with their high susceptibility to the skilfully planted misrepresentations of those who work under cover for local or larger regions to disrupt such negotiations and bring to naught the efforts to promote the peace. The mutual task of so resolving these various factors that a satisfactory instrument results is most difficult, even under the most favorable circumstances.

### Brazilian Government Commended

I must comment on two factors that played a very important part in the successful conclusion of the negotiations. The Brazilian Government had provided in the most complete and satisfying manner for the conduct of the conference. Everything that could be done had been done for the comfort of the large assembly and to facilitate their work. President Dutra had apparently made it his personal business to see that nothing was lacking of that nature that could possibly add to the prospects for success. The presiding officer of the conference, Dr. Raul Fernandes, Minister of Foreign Affairs for Brazil, was a most fortunate choice in that he displayed conspicuous ability in promoting harmony in the discussions while not permitting the proceedings to be unduly prolonged. His contribution was of great importance to the success of the conference.

### Next Meeting at Bogota

The next steps in the development of the solidarity of the Western Hemisphere will be taken at Bogota next January and I think we have already developed a generous mutual understanding which should greatly facilitate the large amount of work to be accomplished there.

It is a great satisfaction to report on the work of the delegation representing this country. Senators Vandenberg and Connally, Representative Bloom, Ambassador Austin, chief of the United Nations, and Ambassador William Pawley, represented the interests and desires of our government on the working committees. They were assisted in turn by trained personnel from the State Department. The result was a highly efficient team.

The purpose of the treaty is to provide for the peace and security of the Western Hemisphere. It lays down in precise terms the agreed action to be taken in case of aggression from without or of aggression within the hemisphere. More than that, it reflects the unity of purpose of the countries represented, the solidarity of their attitude. Senator Vandenberg, who follows me immediately on the program and who was outstanding as a member of the committee which had to handle the most difficult aspect of the treaty—the stipulated course of action in the event of aggression from within or without—will give you the high lights of the treaty and, in particular, its relation to the terms of the Charter of the United Nations.

This brief statement regarding the conference gives me the opportunity to report one constructive international development in a world sadly in need of such encouragement.

*An address by Secretary Marshall over Mutual Broadcasting System and American Broadcasting Co. networks, Sept. 4, 1947.

## New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Interest of the late William M. Elkins in Elkins, Morris & Co. ceased as of Aug. 31.

Interest of the late Patrick F. Buckley in Harris, Upham & Co., ceased as of Aug. 31.

Interest of the late Victor M. Cortes in L. J. Marquis & Co. ceased on Aug. 8.

Interest of the late Julian A. Acosta in John J. O'Brien & Co. ceased Sept. 5.

## Lockaby Forms Own Co.

MORGANTON, N. C.—Jesse S. Lockaby has formed J. S. Lockaby & Co. with offices in the First National Bank Building to engage in the securities business. He was formerly local representative for R. S. Dickson & Co., Inc.

## Hitchman Opens

MINEOLA, N. Y. — Wm. C. Hitchman is engaging in a securities business from offices at 149 Saville Road. In the past he was connected with Erickson Perkins & Co.

## Two With W. J. Kelsey

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—J. Andrew Cook and Harry O. Shaw have been added to the staff of W. J. Kelsey & Co., 25 Taylor Street.

## Arthurs, Lestrange & Klima Formed in Pittsburgh

PITTSBURGH, PA.—Arthurs, Lestrange & Klima has been formed with offices in the Union Trust Building to conduct a general business in investment securities. Partners are Addison W. Arthurs, George E. Lestrange, and John R. Klima. Mr. Arthurs was formerly a partner in Moore, Leonard & Lynch, with which Mr. Lestrange was also associated as manager of the municipal department. Mr. Klima was manager of the local office of R. H. Johnson & Co.

Addison W. Arthurs

George E. Lestrange

John R. Klima

## NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

### INVESTMENT DEALERS ASSOCIATION OF HOUSTON

At a recent meeting of the Houston Bond Club, it was voted to change the name of that organization to the Investment Dealers Association of Houston.

Investment Dealers Association of Houston is composed of all the Houston investment firms, which are members of the NASD and is associated with the NSTA.

Officers of the Investment Dealers Association of Houston are: Claude T. Crockett, Moroney, Beissner & Co., President; Russell R. Rowles, Rowles & Co., Vice-President; and Neill T. Masterson, Chas. B. White & Co., Secretary.

# Railroad Securities

The size of the wage increase awarded the non-operating unions could hardly have come as any surprise either to railroad management, railroad analysts, or railroad investors. The pattern had long before been set in other major industries. It is true that management made a good case in showing its inability to pay and in showing the favorable relationship of wages in the railroad industry to pay for similar work in other spheres. In the present era, however, such economic arguments have apparently become little more than academic. If your neighbor gets an increase of 15½ cents an hour in wages you are, per se, entitled to the same treatment. It is hoped, but without much conviction, that when, and if, a downward spiral gets under way a similar philosophy will govern.

Be that as it may, the decision of the arbitration board came down much sooner than it had been expected, and in one respect it was considerably more favorable than had been anticipated. For some reason the idea had taken hold throughout the entire financial community that a definite precedent had been established that railroad wage increases should be granted retroactively. The most optimistic had figured that any increases awarded would be made retroactive to the middle of the year. The more pessimistic had considered the possibility that they would be retroactive to April 1. Actually the decision was announced on Sept. 2 and the increases were effective only Sept. 1.

Naturally no increase in costs can be accepted calmly at this point. For a substantial proportion of the major carriers it may be true that higher wages at the current level of business will still allow highly satisfactory share earnings despite statements made in connection with the pending petition for freight rate increases. On the other hand, the break-even point of railroad operations has been rising steadily and rapidly in recent years. Even before the most recent rise in wage costs there was ample cause for concern as to earnings potentialities if there should be even a minor recession in traffic levels over the near term.

The question of what the operating brotherhoods will get is still undecided. They have demanded far reaching rule changes and by the time this column is in print they will probably have made demands for increased hourly wages as well. Some rule changes will probably be granted in the long run. The major ones, however, need not be taken too seriously. If they were granted the industry might just as well close up and we could go back to the covered wagon days of transport. It would be just as efficient and economical. The best guess at this time is that eventually the operating brotherhoods will get just about what the non-ops were awarded, probably in a combination of rule changes and hourly wage increases.

As a whole, the railroad industry did well from an earnings standpoint in the first seven months of the year, although there were some important exceptions, mainly in the East. August also probably witnessed further additions to net earnings. Up to now it has been customary to more or less disregard these earnings that have already accumulated on the grounds that retroactive wage increases might cut into them seriously. Now there is no excuse for fears on this score. Even if the last four months of the year bring in no net earnings because of the higher costs, many of the better railroad stocks would be underpriced merely on their earnings through August.

There is one potentiality, on the other hand, that is highly favorable. The railroads have upped their requested freight rate increase and have asked for an emergency interim boost averaging around 10% to be effective while the Commission is considering the permanent relief. There is a fairly general feeling that the chances favor such an interim increase due to the serious needs of major carriers such as New York Central and Pennsylvania. If it is granted it should be effective by Nov. 1 at the latest, and it could come as early as the middle of October. Such an interim increase for the last two months of the year would probably just about offset the 1947 results of the wage increases just granted.

## Hagemann Elected to IBA Governing Board

ST. LOUIS, MO.—E. Kenneth Hagemann, Manager of the Municipal Department of G. H. Walker & Co., has been unanimously elected to the National Board of Governors of the Investment Bankers Association of America, to represent the Mississippi Valley Group for a three year period beginning with the National Convention which will be held in Florida, Nov. 27 to Dec. 5, 1947. He succeeds Harry Theis, of Albert Theis and Sons, Inc., whose term will expire at that time.

E. K. Hagemann

The Mississippi Valley Group covers the eastern half of the state of Missouri, all of Arkansas, and the western half of Tennessee.

Mr. Hagemann was a former Chairman of the Mississippi Valley Group and has served as a member and Chairman of various committees over a long period of time. He has been Manager of G. H. Walker & Co.'s Municipal Department since 1941, and has been identified with the Municipal business in St. Louis since 1923.

## C. W. Flesher Joins Staff Of Paine, Webber Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Charles W. Flesher has become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was formerly Ventura manager for Livingstone & Co., and prior thereto was with First California.



# Inter-American Treaty a Milestone

By HON. ARTHUR VANDENBERG*
Chairman, Foreign Relations Committee, U. S. Senate

**Senator Vandenberg, reporting on results of Rio Conference, states regional agreement will lead to a safer and happier world. Declares it fully reflects purposes and formula of United Nations, and will greatly benefit ourselves as well as our neighbors.**

I am glad to cooperate with Secretary of State Marshall on this radio program as I did at the recent historic Inter-American Conference at Rio de Janeiro which has just terminated its labors. Without thought of partisan politics, Republicans and Democrats upon the delegation of the United States worked in unison, under Secretary Marshall's wise leadership, for the indispensable cause of international peace and security. We practiced the unity we preached. I pay my warmest respects to all of my colleagues on our delegation.

A. H. Vandenberg

I report with deep conviction that the conference agreed upon a treaty which, in my opinion, will be a milestone of incalculable importance upon the high road to a happier and safer world. I shall present it to the Senate for ratification with every confidence that it will deserve prompt and enthusiastic approval of its traditionally American ideals.

### Effective Solidarity

We have re-knit the effective solidarity of North, Central and South American against all aggressors, foreign and domestic. We have sealed a pact of peace which possesses teeth. We have not deserted or impaired one syllable of our overriding obligations to the United Nations. This pact is not a substitute for the United Nations. It is a supplement to the United Nations and part of its machinery. The signers of this treaty have fulfilled the United Nations Charter by creating what is officially called a "regional arrangement" which adds new and effective obligations and protections for peace and security within the area of our Western Hemisphere. By so doing we have built new defenses for ourselves and for our good neighbors. By so doing we also have set a tremendously significant and progressive pattern for others to follow. This is sunlight in a dark world.

### Friendship and Good Neighborliness

I have constructed the following sentence from literal phrases taken out of the text of the new treaty. Because it is literal it is authentic. It says what it means and it means what it says. This is the sentence:

"The American republics, reiterating their will to remain united, pledge themselves to consolidate and strengthen their friendship and good neighborliness: To submit every controversy which may arise between them to peaceful settlement: But in case of armed attack from within or without the hemisphere, to prevent or repel aggressions against any of them through effective reciprocal assistance."

I shall speak of these commitments in detail so there can be no misunderstanding. But first I linger briefly on the historic background because of its significance. There has always been a special fraternity of self-interest among the American republics. It was recognized long ago on high moral grounds in our own famous "Monroe Doctrine." To the south of us it was recognized as early as 1826 by Simon Bolivar who summoned the first Inter-American Conference. American statesmen of many lands contributed to the evolution of this ideal across the years. The Pan-American Union was formally organized in 1890 to administer these aspirations. Under loose, and sometimes vague, auspices, a series of consultative treaties developed, as did also an attachment to international law. We constantly progressed in what was the greatest and most successful peace adventure of the age as the comparative peace of our continents has testified.

### Met at Chapultepec

In the midst of World War II, these twenty-one American republics met at Chapultepec, where they logically made common cause in that tremendous conflict, and promised to perpetuate this effective solidarity thereafter. Then came the United Nations Charter at San Francisco. In one voice these twenty-one republics said they were ready for the new concept but not at the expense of the old. They accepted new global obligations but insisted upon retaining the old hemispherical reliance. As a result, the recognition of "regional arrangements," within the framework of the Charter, was authorized, with particular emphasis upon the unimpaired inherent right of self-defense.

We went to Rio three weeks ago tomorrow to fulfill the promise of Chapultepec and the sanction of the United Nations Charter. I dare to assert, as Secretary Marshall has said, that the results exceed our fondest expectations. When this treaty is ratified, peace and justice and security will be on far firmer foundations in our Western World regardless of what happens elsewhere and regardless of the obstacles which plague peace elsewhere.

Nothing that we have done is aimed at any other enemies than war and aggression and injustice, the three deadly foes of civilized mankind. I repeat here what I said to the Brazilian Congress last week. If there should be those who suspect us of ulterior motives they will merely confess their own.

### Within U. N. Formula

Nothing we do here subtracts one single word from our overall responsibilities to the United Nations, to which we renew our allegiance in a special, categorical pledge. Everything we do here is devoid of the remotest thought of conquest or imperialism and is dedicated solely to the orderly pursuit of international justice and security. Thus we give the greatest possible encouragement and aid and strength to the United Nations and we set them an example worthy of high emulation.

We forward march—we make new and even sensational progress in the spirit of those pioneers who dedicated Pan-American unity to the special welfare of peace between the republics of the Western Hemisphere. What for formerly an impressive ideal now becomes a working reality. It is specifically identified. What was formerly a pattern now becomes a fact. It has form and shape and substance. You can see it on the map. There is nothing vague about this "region," nor about the obligations it dramatizes. The "region" runs from pole to pole. The "region" is a gigantic ellipse — a great oval — encompassing North, Central and South America and their surrounding seas — including, outside the oval, all "territory of an American state" such as Hawaii.

The fundamental obligation of all the American states which ratify the treaty is the unqualified agreement that "an armed attack by any state against an American state shall be considered as an attack against all of them," whether inside or outside the special "region." But an attack inside the "region" is recognized to be of special hazard. That is why non-treaty areas like Canada and Greenland, are included in the "region" even though they are not presently included among treaty signatories. Provision is made for other American states to adhere later if they desire.

Any armed attack within the "region" will immediately alert all of the twenty-one republics which are expected in ultimate co-operation. Nineteen have already signed. Upon notification, each will forthwith decide upon its own immediate action in fulfillment of the basic pledge I have just recited and "in accordance with the principle of continental solidarity" and in the exercise of the right of summary collective self-defense authorized by Article 51 of the United Nations Charter.

This immediate mutual defensive action will be followed by prompt consultation to determine more definitely upon collective plans. These plans are listed. They may comprise the recall of chiefs of diplomatic missions, the breaking of diplomatic relations, the breaking of consular relations, complete or partial interruption of economic relations, suspension of all types of communication, and the collective use of armed forces. In all but the latter—namely, the use of armed forces—all treaty states will be bound by a two-thirds vote. There is no paralyzing veto upon any of these peaceful sanctions. One recalcitrant nation—one non-cooperator—cannot nullify the loyalties of the others. It cannot even stop the others from using collective force. We are building upon mutual trust. This is a true partnership which represents the greatest advance ever made in the business of collective peace.

There is one other unique implement. With particular regard to intra-American border disputes, the Pan-American consultation will immediately call upon the contending states to suspend hostilities, restore the prewar status and proceed to settlement by peaceful means. Refusal to adopt these pacific actions will largely determine who shall be branded as the "aggressor" and who must thus take the conse-

(Continued on page 25)

*An address by Senator Vandenberg over Mutual Broadcasting System and American Broadcasting Co., Sept. 4, 1947.

# British Dumping of American Securities Improbable

By L. SCUDDER MOTT*

Editor, "Investment Timing"

**Analyst sees little likelihood British will unload American securities, held as collateral by RFC, to meet dollar shortage. Says amount, $400 million, would barely meet needs for one month.**

Recently that hardy perennial, the story that the British had sold, were going to sell, or should sell the American securities constituting the collateral under the Reconstruction Finance Corporation loan, has again cropped up in financial discussion.

L. Scudder Mott
Editor
"Investment Timing"

As was pointed out in "Investment Timing" of April 18, 1946 ("British Government Holdings of American Securities") critics of the then proposed and since granted $3.75 billion loan to Great Britain complained that the British had a substantial equity in the loan and suggested that they be required to liquidate the collateral, pay off the loan and employ the equity to cut their requirements under the new U. S. Government loan. Our own conclusion was that such liquidation would not be required as a condition for the government loan, which turned out to be the case, however, similar criticisms are now being voiced.

### Little Selling Done

Recent inquiry at the offices of the RFC elicits the information that no selling of any dimensions has taken place. In fact, since the loan was granted in 1941, only about $25 million of securities have been disposed of, and these have been sold for more or less necessitous reasons, such as refunding or retirements of issues, rather than to realize cash per se. Sales since April 1946 have been negligible. Furthermore, no intention to sell is known, and the statement was made that the initiative for any selling would have to come from the British.

The RFC loan is being paid down from income received on the underlying securities and investments, which also covers interest. The loan balance was $248 million in March 1946 and is about $190 million now. Hence it is apparently being reduced at the rate of about $40 million annually.

### Division of Collateral

In our April 1946 article (and the situation has not changed appreciably since then) we showed that the collateral fell into three classes: (a) listed common and preferred stock of 83 representative American companies; (b) unlisted American securities (of 66 companies), and (c) capital stock of 40 British owned American insurance companies and an assignment of earnings of the American branches of 41 British insurance companies.

The value of (a) at that time was about $380 million; of (b) $215 million; and of (c) $200 million, or a total of $795 million. Though the value of listed securities is less currently, there may have been some appreciation in the net worth of the insurance companies, and value now is estimated from $700 to $800 million. The loan equity is thus around $500 to $600 million currently.

The listed securities and some of the unlisted (representing in total about half the collateral) could be sold relatively readily, though their prices would doubtless be affected unfavorably. But the other half could probably only be realized on through negotiated sale or taking over of companies, and unless a long time were taken, heavy sacrifices might be entailed.

### Government Loan Drawn Down

The British $3.75 billion loan was drawn down as follows: in 1946 (5½ months), $600 million; first quarter of 1947, $500 million; second quarter 1947, $950 million; and July 1947 alone, $700 million. Since then $150 million more had been drawn and the British expected the remaining $850 million to be used up this October.

It was announced on Aug. 20 that the British had temporarily suspended, with U. S. approval, conversion of pounds into dollars except for the U. S., the Philippines and parts of Latin America. Another $150 million is to be drawn on the loan, leaving a $700 million balance, not to be reduced until further consultations with the U. S. This cuts off for the time one drain on the British, but of course others remain.

Hence the $400 million of the British RFC collateral that could probably be readily realized would represent only a month's needs, or even less, on the part of the British. Either the RFC loan would have to be paid off, cutting in half the available amount, or the loan would be left collateral by half the former value in nonmarketable form.

### Conclusion

It is evident that the sale of the RFC collateral would not solve the British dollar problem, nor even postpone appreciably the necessity for other measures. It would presumably depress certain securities here regardless of their prospects or merits and would result in the British receiving less than true potential value for their holdings. Considering all these circumstances and the continued reduction in the RFC loan, it does not appear to us that forced liquidation of British RFC collateral would be warranted, and hence such action is improbable despite criticism and comment largely for political advantage, in some quarters.

*Reprinted from "Investment Timing," published by the Economics and Investment Department, National Securities & Research Corporation, New York City, Aug. 21, 1947.

## Hoelscher & Co. Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Sherman Hoelscher, member of the San Francisco Stock Exchange, has formed Sherman Hoelscher & Co. with offices in the Russ Building in partnership with N. C. Hoelscher. He was formerly a partner in McNear & Hoelscher.

## L. H. Westenberger Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Dr. Lorenz H. Westenberger has opened offices at 618 South Spring Street to engage in a securities business.

## B. M. Balson Now With Filer, Schmidt & Co.

Boris M. Balson has become associated with Filer, Schmidt & Co., 30 Pine Street, New York City. Mr. Balson was formerly a partner in Balson & Durham.

# A Pill Against an Earthquake

By PAUL EINZIG

**Dr. Einzig maintains possibility of early return to sterling convertibility, as indicated by Secretary Snyder, is absurd. Strongly criticizes "simple souls" in British Treasury and Bank of England for unwarranted optimism on prospects. Maintains Chancellor Dalton fails to realize in face of dollar demand technical devices are like "pill against an earthquake."**

LONDON, ENGLAND—Those in Britain who have welcomed with a sigh of relief the shedding of the burden of convertibility on August 20 were gravely perturbed by the statement made by Mr. Snyder about its resumption as soon as the re-negotiation of various payments agreements are completed. He merely confirmed Mr. Dalton's declaration that the suspension of convertibility was a purely temporary emergency measure, but while that remark conveyed the impression that the present state may continue for years, after Mr. Snyder's statement it is now considered possible that a high degree of convertibility might be restored in a matter of weeks. On the face of it the idea appears absurd. For even if the $400,000,000 which is now frozen were released it would only cover requirements for a few weeks. And although Mr. Dalton's critics believe that the British Treasury has adopted "charity begins abroad" as its slogan, it is doubted that even he would sacrifice the gold reserve for meeting the insatiable dollar requirements of other countries. In existing circumsatnces the $2,400,000,000 would be a mere drop in the ocean, and would disappear in a few months.

Dr. Paul Einzig

Nor is it considered possible that the United States would place additional dollar resources at Britain's disposal, beyond unfreezing the balance of $400,000,000. Even the possibility of the Washington Administration agreeing not to insist on the immediate conversion into dollars of sterling received from third countries in payment for American goods is now dismissed as unlikely. How, then, could Mr. Dalton afford to resume convertibility?

The trouble is that the Treasury and the Bank of England are as optimistic as ever about Britain's ability of making sterling convertible. The lessons of the experience of the last two months are entirely lost on them—or at any rate almost entirely. They attribute the breakdown of convertibility to technical flaws and to the bad faith in which many foreign monetary authorities made use of the conversion facilities. Treasury and Bank of England officials complain bitterly about the way they have been tricked by foreign treasuries and central banks who made use of every possible loophole to secure dollars from Britain under false pretences, or at any rate through an extremely "liberal" interpretation of the terms of the Agreements. But, then, critics of the Government pointed out months ago the absurdity of the implicit trust placed in the good faith of foreign monetary authorities in whose hands the application of convertibility was allowed to rest. At that time the British attitude was was that they cannot very well distrust foreign authorities unless and until the latter are caught at abusing the confidence placed in them. What the simple souls of Whitehall and Threadneedle Street failed to realize was that by the time they discover that they are being cheated they would have no more resources left, and all they would be able to do is to bolt the stable door after the horse has gone. This is precisely what they are engaged in doing now.

Mr. Dalton and his discredited but none the less cocksure advisors are convinced that if they can prevent foreign authorities from abusing their rights convertibility could be resumed without undue risk. Instead of leaving it to the foreigners to decide when a sterling balance is eligible for conversion, the Bank of England would henceforth reserve the final decision for itself. They seriously believe that, once the abuses are stopped, it would be possible to work convertibility without heavy losses of dollars. This view is based on the assumption that many foreign countries, having converted too large amounts, are now short of sterling. What Mr. Dalton refuses to see is that the passing technical strength of the international sterling position can be offset in a matter of weeks by Britain's grossly adverse trade balance, and that resumption of convertibility would tend to increase the adverse balance further. He fails to realize that in face of the sweeping world-wide demand for dollars, and of Britain's inability to export primary necessities, any technical devices to improve the system of convertibility would be no more effective than a pill against an earthquate. So it is quite possible that he will succeed once more in misleading the British Cabinet into approving a premature resumption of convertibility.

## COMING EVENTS

In Investment Field

**Sept. 16, 1947 (Pittsburgh, Pa.)**
Bond Club of Pittsburgh Fall Outing at the Shannopin Country Club.

**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.

**Sept. 28-Oct. 1, 1947 (Atlantic City, N. J.)**
Annual Convention of the American Bankers Association.

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

# *Bank and Insurance Stocks*

By E. A. VAN DEUSEN

## This Week — Insurance Stocks

The question of the relationship of capital and surplus to premium volume was discussed in this column in the May 22, 1947, issue of the "Chronicle." A list of 30 fire insurance companies was presented which showed, among other things, the ratio of capital and surplus as of 12-31-46 to net premiums written in 1946, for each company. It was pointed out that, on the assumption the ratio should not be permitted to fall much below unity, half the companies in the list were candidates for capital increases. However, the industry is by no means of one mind as to what constitutes the low point to which the ratio may safely decline, nor for that matter, the high point to which it is desirable to let it rise.

The average ratio of the 30 companies was 1.28, but individual ratios ranged from the low .48 of American Equitable to the high 3.14 of Phoenix. Fifteen companies had ratios below 1.0 and fifteen above.

In view of this condition of low capital ratios, coupled with the continuing expansion of premium volume and also the presumption that volume must remain above pre-war levels so long as present inflated prices and costs prevail, it is perhaps surprising that so few fire insurance companies have taken steps to increase capitalization. So far this year only five have taken action, viz: Aetna, Camden, Glens Falls, National Union and Providence-Washington. All of these companies have low capital ratios, as follows:—.76, .55, .74, .46 and .84.

This column also stated on May 2, that a number of companies, by reason of their high capital ratios, were in position to increase substantially their volume of business. As a matter of fact, irrespective of their capital position, practically all stock fire companies, whose mid-year figures have been published, report more business written during the first half of 1947 than during the same period in 1946. The accompanying table shows figures for 15 companies. The group is not entirely the same as used in the former article, because reports from many companies are not available.

| | Ratio Cap. & Surplus to Net Premiums as of 12-31-46 | Net Premiums Written (000s Omitted) 1946 1st Half | 1946 2nd Half | 1947 1st Half | % Increase Over 1st Half 1946 | % Increase Over 2nd Half 1946 |
|---|---|---|---|---|---|---|
| American Alliance | $1.81 | $2,181 | $2,377 | $2,973 | 36.3% | 25.1% |
| Bankers & Shippers | .78 | 2,173 | 2,384 | 2,664 | 22.6 | 11.7 |
| Camden Fire | .55 | 5,912 | 6,606 | 7,611 | 28.7 | 15.2 |
| Continental Insurance | 3.03 | 16,748 | 20,472 | 24,702 | 47.5 | 20.7 |
| Fidelity-Phenix | 3.10 | 13,456 | 16,795 | 20,709 | 53.9 | 23.3 |
| Firemen's Insurance | .67 | 13,298 | 15,148 | 16,994 | 27.8 | 12.2 |
| Glens Falls | .74 | 8,604 | 10,211 | 11,554 | 34.3 | 13.2 |
| Great American | 1.48 | 14,038 | 15,166 | 18,400 | 31.1 | 21.3 |
| Ins. of North America | 2.67 | 20,909 | 28,889 | 36,035 | 72.3 | 24.7 |
| Jersey Insurance | .85 | 1,389 | 1,522 | 1,702 | 22.5 | 11.8 |
| National Union | .46 | 7,707 | 9,014 | 9,637 | 25.0 | 6.9 |
| Northern Insurance | .89 | 3,664 | 4,029 | 4,327 | 18.1 | 7.4 |
| Pacific Fire | .88 | 2,475 | 2,714 | 3.034 | 22.6 | 11.8 |
| St. Paul Fire & Marine | 1.49 | 13,244 | 14,538 | 18,960 | 43.2 | 30.4 |
| Springfield Fire & Mar. | .72 | 12,821 | 15,681 | 15,030 | 17.2 | — 4.2 |
| Average | 1.34 | | | | 33.5% | 15.4% |

This table brings out very positively that the companies with the high capital ratios are expanding their premium volume to a considerably greater extent than are those with the lower ratios. Glens Falls is the only low ratio company with a percent increase higher than average, and Great American the only high ratio company with below average increase. Summarized, the table shows the following averages:

| | Premium Volume—1947 First Half % Increase Over First Half 1946 | Second Half 1946 |
|---|---|---|
| Average 15 companies | 33.5% | 15.4% |
| Average 6 companies (ratio cver 1.0) | 47.4 | 24.3 |
| Average 9 companies (ratio under 1.0) | 24.3 | 9.6 |

Since the first of the year most fire insurance stocks have declined, Standard & Poor's weekly index registering 115.9 on Sept. 3, 1947 compared with 119.5 on Dec. 31, 1946. If there is to be any logic in forthcoming market action, it would appear that the stocks of those companies which are not hampered by relatively inadequate capital funds are likely to be favored.



## Amer. Bankers Ass'n Convention Sept. 28th

The American Bankers Association will hold its annual convention at Atlantic City, Sept. 28 to Oct. 1. The convention proper will begin with the annual meetings of the divisions and the sections on Monday, Sept. 29, Sunday, Sept. 28 being given over to meetings of the committees, commissions, and councils. The convention of the Association as a whole will consist of two general sessions, one on Tuesday morning, Sept. 30, and the other on Wednesday morning, Oct. 1. The convention will close at noon on Wednesday.

There will be a reception and tea tendered by the New York Clearing House Association late Sunday afternoon, and a concert on Sunday evening by the Philadelphia Orchestra with Eugene Ormandy conducting.

Among the speakers to address the convention are: Winthrop W. Aldrich, Chairman of the board of the Chase National Bank of New York; Chester C. Davis, President of the Federal Reserve Bank of St. Louis; Dr. Marcus Madler, professor of finance, New York University; Beardsley Ruml, Chairman of the board of R. H. Macy & Company, New York; A. L. M. Wiggins, Under-Secretary of the Treasurer; H. Earl Cook, member of the board of directors of the Federal Deposit Insurance Corporation; Arthur A. Hood, editor of the "American Lumberman and Buildings Products Merchandiser," Chicago, Ill.; Joseph Stagg Lawrence, Vice-President of the Empire Trust Company, New York City; R. D. Mathias, President of the Old National Bank at Evansville, Ind., and President of the Indiana Bankers Association; C. W. Bailey, President of the A. B. A., and the Presidents of the four divisions of the Association. Preston Delano Comptroller of the Currency will greet the delegates at the National Bank Division meeting.

## FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was made Aug. 20 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $48,855,000 1.15% consolidated debentures dated Sept. 2, 1947, and due June 1, 1948. The issue was placed at par. Of the proceeds $40,375,000 were used to retire $40,375,000 of debentures due Sept. 2, 1947 and $8,480,000 was for new money purposes. As of Sept. 2, 1947, the total amount of debentures outstanding was $391,-500,000.

### Baker With Hope & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—Francis O. Baker is now connected with Hope & Co., San Diego Trust & Savings Building.



# Causes and Remedies of European Economic Distress

By LOUIS DOLIVET*
International Editor, "United Nations World"

**UN editor, though acknowledging overall picture of Europe is most frightening, says economic situation there is not as disastrous as it looks, since 63% of Europe is already producing at or above prewar levels. Estimates execution of Marshall Plan may require as much as $30 billions. Ascribes bad situation to disruption of trade channels and shortage of dollars but predicts ultimate European economic recovery.**

If you take the overall picture of Europe, which is now most frightening, you know that approximately $30 billion will be recommended by the European Commission for help under the Marshall Plan. I think this figure will be reduced because it is impossible to foresee today that this country would advance, under pretty unprecise terms, a sum of $29 or $30 billion.

Louis Dolivet

But I submit that, economically, this does not matter. Whether the United States will approve $5 billion or $10 billion — if the United States is putting through the Marshall Plan, and I think it must —then that $29 or $30 billion will somehow have to come, because that represents the needs. And if $29 billion are the needs, it might be that there will be longer negotiations and that part of it will come from the United States, part of it from Canada, part of it from the British Dominions, and part of it might come from some of the Latin American countries; and that then the Europeans might be able to deliver goods much faster, not to the hard currency areas (that is, not to the United States or Canada), but to some of the soft currency areas, such as South America, the British Dominions—and we will then find the equilibrium in that direction.

I think that the Marshall Plan will have to be expanded to include not only the direct American help but help by other countries, by the World Bank, by the International Fund, and by various special agencies such as the Economic Commission for Latin America (which is being created now) and the Economic Commission for Asia.

As you know, basically, the European economic situation is not as disastrous as it looks. About 63% of Europe is producing today at prewar levels or higher. I saw Mr. Attlee (Prime Minister of Great Britain) a few weeks ago and we talked at great length about the economic situation. Mr. Attlee considered, for example, that the major problem of his country is not the small amount of production for export, but the difficulty of exporting to the hard currency areas, because the hard currency areas are relatively oversaturated; and by exporting to France, Belgium, etc., they can get the necessary dollar credits which are needed. Therefore, because everyone wants dollars, the dollar shortage is the most complete shortage today. I think that will change pretty soon. But, for the time being and until a new plan comes into operation, the dollar shortage remains the basic paralyzing element.

But if you look at the figures, for example, of France, you get into a most important section of industrial production—being 84% of prewar levels, and in some cases up to 106%. But what has happened to France is that the eastern markets are practically cut off completely. From Prague down to Russia, there is very little exchange in trade going on with western Europe. Nor does England have any trade. Which makes as a repercussion, therefore, the fact that Great Britain is buying wheat and other food products from Russia, and the eastern area is obliged to buy them from the United States and Canada, which increases, in turn, the shortage of dollars. As soon as the food markets of eastern Europe are opened, I have no doubt that the dollar shortage will decrease, and this can only be done within an overall economic plan.

Take some of the export and import figures of France. France, back in 1937, used to import about $3 billion worth of products every year. As you know, the United States, with immense effort, after the visit of Mr. Leon Blum, 16 months ago, approved $2 billion to France, divided into three kinds of credits. Now, in one single year, France needs imports of about $3 billion and she only exports up to the value of about $1.2 billion. Therefore, you have a lack of $1.8 billion. However, these $1.8 billion are only a deficit in a short-range policy. They are not a real deficit in a long-range policy, because the production of France will go up. And if you were the members of a board of directors of the greatest bank on earth, and would have $100 billion at your disposal, I would try to convince you to loan to France $9 billion for five years. And I could, I think, at least try to prove that you would get your money back.

We have, between the short-term and the long-term policy a gap, and it is the duty of the economists and of the traders and of the industrialists of the earth to intervene and to try to fill that gap.

I am not going to give, because my time is up, the other figures for other countries, but by and large you find everywhere exactly the same situation. That is where politicians alone are unable to fill the gap which exists today between the two worlds of the dollar and the non-dollar, and which is only due to financial aspects because of the fact that 84% of the gold reserves of the earth are concentrated in this country and that, therefore, the rest of the world has not the necessary gold coverage in order to be able to buy dollars, and gold is the only product which can buy dollars.

I think that Canada must be brought in much more to the international circle because Canada is the one country in the world which has achieved the highest development of national income of all countries of the earth. Canada is up to 181 as against 174 for the United States of America. While it is a much smaller country, nevertheless this fantastic and phenomenal growth is a pretty interesting indication that that country should play a much larger part in economics.

Therefore, I should like to submit to you in conclusion that these are probably the most decisive times not only for the survival of

*From a transcript of an address by Mr. Dolivet before the Export Advertising Association, New York City, Aug. 27, 1947.

mankind but for our ability to open a certain number of new, imaginative fields in which our imagination can play a part and in which the amount of knowledge which we have acquired can be used extremely well.

I think it is not true, as many people say and as often stated in the papers, that only two countries in the world have a truly free economy. I know that about 62% of the world has a mixed economy, where one sector is a planned or controlled economy and one sector of the total national production is uncontrolled. In Great Britain today there is still 38% of exports and imports which is completely open and practically free from any government control (although there is some consultation with ministries for facilities of transfer of money, etc.). France has 58% of her total trade that is still free. Therefore, I think we should not accept at their face value the overall generalizations that we hear about the end of the world and the end of the United Nations and the end of economic trade. I think there are immense opportunities and if some of you are interested I would be very glad to give you the many figures which I have accumulated for our discussion today.

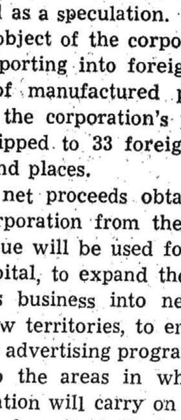
## Pan-American Export Class A Stock Offered

An issue of 93,000 shares of class A common stock, par value $1, of Pan-American Export Corp. is being publicly offered at $2.625 per share by Henry P. Rosenfeld & Co., New York. The securities, according to the prospectus, are offered as a speculation. The primary object of the corporation is the exporting into foreign countries of manufactured products. Today the corporation's products are shipped to 33 foreign countries and places.

The net proceeds obtained by the corporation from the sale of this issue will be used for working capital, to expand the corporation's business into new lines and new territories, to engage in further advertising programs suitable to the areas in which the corporation will carry on its business, when it shall deem economically advantageous, to set up foreign and domestic inventories, to establish or obtain partial or outright control of a factory or factories, to extend more liberal credit terms to the corporation's customers and for other corporate purposes.

## Jos. Donadio Now With Gilbert J. Postley Co.

Joseph F. Donadio has joined the trading department of Gilbert



Joseph F. Donadio

J. Postley & Co., 29 Broadway, New York City, it is announced. Mr. Donadio was formerly with Strauss Bros.

# Business Slow-Up Ahead!

By DR. ROBERT C. SHOOK*

Vice-President, International Statistical Bureau, Inc.

**Business economist warns that current high activity will be followed by fourth quarter decline. Believes dollar sales will follow decline in unit distribution within 30 to 60 days. Asserts coming readjustment will be less severe than in 1929-1932 depression.**

Saying anything in public about the business outlook has come to be a serious occupational hazard. During the summer revival of optimism particularly, financial writers of every creed and color were blasting all economists who had ever expressed any pessimism about the outlook for production and prices.

Robert C. Shook

As a matter of fact, some of this criticism was justified. Business prognostications have become a popular indoor sport; there seem to be a very few people left who do not express their views sooner or later on this subject. Such observers include not only government economists private forecasters, but businessmen and writers for trade publications as well. As a matter of fact, some of the writers who have criticized forecasters for having made forecasts, have in the same breath made their own forecasts, usually expressing fervent optimism about the outlook for as long ahead as it can be seen.

In another way also, some of the recent criticism is justified. When security prices declined last September and October, and some of the other speculative markets followed them down, many commentators became unduly pessimistic. Because I am a stranger to so many of you, it will merely keep the record straight to point out that we disagreed with the premature pessimists of a year ago. They expected a decline in business activity to come much too soon, and having been disappointed, many of them are now among the most fervently optimistic. We find, however, that we can no more agree with them now than we could a year ago. Over-optimism at the present time seems even less justified than excessive pessimism seemed at the earlier date.

### Purchasing Policy Not Entirely Dependent on Business Forecasts

Business forecasters should know that what they may believe about the future in guesswork rather than certainty. Each within his own limits tries to make as good an estimate as possible and then puts this into effect in his operations. Purchasing agents, therefore, are quite aware of the fact that every decision represents a balancing of risks and that this balance changes with the price level. Consequently, there are certain obvious facts that must be taken into consideration in setting a buying policy.

(1) **Selectivity is always highly essential.** There is never a time in any business cycle where some item is not in over-supply at the same time that others are still scarce. Successful buying depends on complete information about a myriad of individual products and a cold-blooded analysis of what this information implies.

(2) **At the moment, prices in the United States are just as high, with one or two exceptions, as they ever have been.** This statement applies to price averages. Naturally, there are some commodities that have exceeded previous all-time peaks and others for which the advance has been more moderate, or for which there has already been a decline.

(3) **Total industrial production on a unit basis has been averaging between 80 and 90% above prewar for many months.** It is true that national income is also at peak levels, but this has been increasingly offset by the rising trend in living costs. In any event, for many months past the current level of production has been able to meet a record level of demand with something to spare.

Without any further discussion of the immediate business outlook, these points suggest a common sense approach to purchasing policies. With a few exceptions there are no longer any important shortages of supply. The most important elements of unit demand are beginning to shrink. The private concern, therefore, can minimize its risks by buying conservatively. If the worst happens, and it has to purchase later at a somewhat higher price, presumably a trend of business favorable enough to push prices up further will allow the company to put a normal markup on the new purchases. Government purchasing agents, of course, are in a little different position. But it should be of some value to them to know that industrial purchasing agents have not gone overboard on the possibility of a further strong inflation.

### Business Outlook Important Nevertheless

Although purchasing policies at this point can rest firmly on the belief that the risk of price declines is much greater than the risk of further advances, it is important to make estimates of the business and price outlook. Is another round of inflation underway? Or are we on the verge of sharper and more general readjustments?

Last October, when we warned that over-pessimism at that time was not justified, and that the high in production and wholesale prices had not yet been reached, we also told them that we believed a sharp setback in general business activity would be under way by the fourth quarter of 1947. Almost a year has passed since that time and we find little reason to believe that production and prices can get through the remainder of the year without the beginning of a sharper and more general decline.

### The Domestic Market Shrinking

Considerable downward pressure developed last Fall in many wholesale markets. An important source of this pressure was a sharp drop in now orders by retailers. You have frequently heard the argument that income and retail sales do not change very rapidly during the early stages of a changing business cycle. This is true, but it is also true that changes in primary or speculative markets come very abruptly. These markets are sensitive not so much to the volume of goods being moved to the consumer, but to the volume of new orders being placed by distributors. And unlike the level of retail sales, the volume of distributors' new orders does change drastically from time to time.

This is what happened last year. Distributors were seriously over-committed at the end of July and reduced their new buying during the third and fourth quarters, when it normally shows a seasonal gain. A year ago, however, exports were still rising, manufacturers in some cases were still actively building up inventories, and other form of demand, such as those in the construction industry, were on the up grade.

By May of this year, distributors generally had gotten back into a more reasonable position. Their unfilled orders were still somewhat high in relation to prewar normals, but their stocks were slightly below normal in relation to current sales. In June, their earlier policies began to be reversed. There was a very sharp pickup in new buying, which continued in July and August.

The normal placing of initial orders for the Fall season was misinterpreted by many sellers as being a new revival of demand. Inflationary psychology was stimulated by the advance in coal miners' wages and in steel prices. Before long, many distributors seemed to accept the sellers' viewpoint that initial buying had not been enough. There are indications now, therefore, that third quarter orders by distributors increased by as much as 30

(Continued on page 33)

*A speech by Dr. Shook before National Institute of Governmental Purchasing, Inc., New York, Sept. 9, 1947.

# *Canadian Securities*

By WILLIAM J. McKAY

In the attempt to cure the world's current economic ills, drastic experimentation is certainly not the appropriate medicine at this stage. The plight of Britain today would have been less acute if the Labor Government had not chosen such an unpropitious period for its far-reaching schemes of Socialization. In the same way the delicate balance of international economic relationships can not withstand any further rough shocks produced by endeavors to effect fundamental changes in the existing economic framework.

The Canadian situation well illustrates this point. Prior to the world U. S. dollar crisis Canada had an active and flourishing volume of foreign trade which the Dominion was able to finance partly by foreign credits and partly by the traditional method of offsetting U. S. dollar deficits by conversion of its favorable balance in sterling and other currencies.

With the near exhaustion of the foreign-held fund of U. S. dollars, Canada has now to give consideration to revolutionary changes in her historic economic relations with Britain and this country. The most obvious course suggested is the choice between economic union with this country and the entry into a customs union with Britain and the other British Dominions.

Either alternative, however, implies economic nationalism of the worst kind and the abandonment of a multilateral system of world trade. Instead of the present division of the world into two camps chaos would be worse confounded by the partition of those countries which still adhere to the principles at least of a free system of foreign trade and democracy.

It is vital therefore at this eleventh hour to avoid this disastrous disentegration of the time-honored bases of world trade. In spite of their imperfections and the ruinous impact of two world wars U. S. trade with Britain, Canada and the rest of the British Commonwealth has constantly expanded.

Efforts so far to maintain this desirable state of affairs have been far from successful. Lavish and indiscriminate outpourings of U. S. dollars and theoretical global schemes for world rehabilitation have only aggravated the situation. What is now needed is a practical plan to assist this country's best customers during the present period of emergency.

Although more difficult to put into execution than during the war, a "Hyde Park" agreement with Canada would constitute the ideal first step. This could subsequently be extended to other British Dominions and then as an alternative to U. S. dollar gifts and loans, sterling could be rendered convertible during the emergency period as a result of temporary official support by the U. S. currency stabilization fund. If thereby the war-stricken British economy could be restored to its former strength this investment in sterling could conceivably return good dividends. Moreover, the resources of the British Commonwealth as a whole still are capable of providing good collateral.

During the week the securities market continued to follow the dull and declining trend of recent months. There was little activity in the external section, but at their new low level internal Dominions attracted some institutional investment demand. Free funds continued to ease partly as a result of liquidation of internal securities and partly with the decline of the tourist demand for Canadian currency.

Stocks were more active and the golds moved into a higher trading range as a result of buying of a more solid type than has hitherto been evident. Papers and Western oils also strengthened noticeably and reports from the new Leduc oil-field in Alberta tend to confirm that Canada has discovered a source of oil that will eventually replace the Turner Valley field as the Dominion's principal producer.



## William L. Johnsen Is With Farwell, Chapman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—William L. Johnsen has become associated with Farwell, Chapman & Co., 208 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Johnsen was formerly President of Behel, Johnsen & Co., Inc.

## FHLB Issue Placed

An issue of $85,000,000 1¼% one-year consolidated notes of the Federal Home Loan Banks were sold at par September 3 by Everett Smith, fiscal agent. The issue is dated Sept. 15, 1947 and matures Sept. 15, 1948. The proceeds will be used largely for the financing of home construction through 3,700 member savings and loan associations over the coming months.

## Marshfield Steele Dead

Marshfield Steele, head of Marshfield Steele & Company, Inc., Fort Worth, Tex., died at the age of 59 after a long illness.

# Labor's Policies Must Be Worldwide

By DAVID A. MORSE*

Under-Secretary of Labor

**Government official, urging labor to extend its thinking to all corners of earth, asserts impoverishment abroad will drastically lower our production and entail severe unemployment.**

Labor Day was created to give recognition to what its founder called "the industrial spirit, the great vital force of every nation."

It was "the industrial spirit"—the will of free Americans to work under a free system—which made our country the arsenal of democracy. It was the productive capacity and competence of American workers and the industrial know-how of American management which enabled our Nation to outproduce the entire world. This margin of productivity was a vital factor in our recent military victory.

David A. Morse

In the two years since V-J Day, this same spirit has begun to penetrate the world economic arena, operating as a force for peace. An impoverished, sick and hungry world has turned to us for assistance. Once again American labor and American management are rising to the occasion. They have reconverted an industrial arsenal to production of consumer goods with a minimum of economic and social dislocation. They have achieved unprecedented heights of peacetime production. They are feeding to a world starved for consumer goods the machines and materials which will build the homes and plant and harvest the crops. They must resolve to continue to assist in curing the ills of a world which after six years of total war stands at the crossroads of civilization.

Labor Day was first celebrated with a street parade to demonstrate to the public "the strength and esprit de corps of the trade and labor organizations." That was in 1882. Since then, American labor has, among many other things, obtained shorter hours, higher wages, safer and healthier working conditions, welfare funds, unemployment compensation and other benefits that cannot be measured in dollars.

As a result, the working man of today is achieving the status in our country which he deserves. He sits on labor-management committees. His representatives serve on Government boards, have been recognized in the councils of the United Nations, and sit as voting partners in the Governing Body and Conferences of the International Labor Organization. Labor has made substantial progress in obtaining universal recognition.

### Responsibilities and Objectives

These points are on the asset side of the ledger. However, there is much more to be done—and it is well for all of us on this day each year to reflect not only on the past but also on the responsibilities and objectives which lie ahead. The improvement in labor's position has brought serious responsibilities which must be met. Yet labor's present position is neither strong enough nor secure enough for complacency. Many difficult problems still exist; many unsatisfactory conditions still require correction.

Labor can no longer confine its thinking to the four corners of our own country. Labor's policies today must embrace the world and take into consideration the problems of our fellow men in all parts of the earth. That is the new responsibiltiy—the perspective for the immediate future. Only if labor, and all other Americans, raise their sights to this extent can we hope to maintain our democracy and insure that men everywhere will be free.

Labor Day 1947 is celebrated in a world far different from that in which we marked the same occasion a few years ago. Formerly we were able to pursue our national self-interest without considering the international consequences of our actions. Today labor, industry, and agriculture realize that our national self-interest in conditioned greatly by world developments. Our domestic actions have a direct effect upon the health and well-being of other countries; and their domestic programs in turn affect us. This is as true in the economic field as it is in the political and military fields.

### Impoverished World Spells U. S. Unemployment

An impoverished world cannot buy American goods. An impoverished world cannot sustain democracy. Let me be as clear as I know how to be about this. If there is no market for our exports, we must curtail our own production to that extent. Curtailed production means unemployment. Unemployment of American workers results in diminished purchasing power at home. This necessitates additional reduction of production and more unemployment. It also makes it difficult for us to import goods—particularly essential raw materials—from other countries. This in turn results in curtailment of production and in some unemployment in those nations.

At the present time the world badly needs American goods. Most countries do not, however, have sufficient dollar or gold reserves to buy as much of American products and food as they need. Loans to these countries have served as a stop-gap. They have permitted purchase of American products of farm and factory. This in turn has helped us maintain our own production and imports at high levels—thus benefiting them and us.

It is this interdependence of world economics which makes it impossible for us to maintain high levels of employment and production over long periods unless other countries who are our customers are also prosperous. We cannot remain an oasis of plenty in a desert of destitution.

American businessmen, workers, and farmers are now generally cognizant of these facts. They realize that helping the world to get back on its feet will help us to stay on our feet. They realize that helping our neighbors is not only a good deed but is of mutual interest and concern.

It is for these reasons that there has been such universal acceptance of this Government's policy which was so aptly interpreted by Secretary Marshall at Harvard. Europe is now attempting to work out a plan of self-help and self-organization so that we may assist with greater effectiveness in a long-term program for world stability. Europe, faced with chaos, has drawn new hope and inspiration from America's words and deeds. This is a front from which we cannot morally retreat.

### Necessary Resolutions

If our domestic and international policies are to succeed, there are three resolutions which American workers must make during the coming year: (1) high production and productivity; (2) maintenance of balance in price-wage relationships; and (3) stability in labor-management relations.

These are not only essential for the continued well-being of American workers. They are also prerequisites for the continued prosperity of American businessmen and American farmers—and for the recovery of our allies who suffered devastation and destruction during the war. While I speak here of the resolutions to be made by labor, the same applies equally to all other groups of our country.

(1) High production and productivity must be maintained if we are to have maximum employment and prosperity at home. They are also essential if we are to supply America and the world with the products, machines and food they need. When production is curtailed, it is labor which feels the adverse effects first—and longest. Even during seven fat years, workers do not have enough margin of income over expenses to prepare for seven lean years. Consequently American workers have the greatest stake in high production and productivity.

(2) High wages are of little value to the American worker if prices are still beyond his reach. The average person is more vitally concerned with what his wages will buy than in the number of dollars he receives. That is because high wages are merely an illusion in an economy plagued by soaring prices.

Yet prices and wages are directly related. High labor costs make high prices just as high prices require high wages. Therefore there must be maintenance of a reasonable balance between prices and wages if one is not to chase the other up in an inflationary spiral.

### General Interest First

It is in recognition of these facts that business, labor, and agriculture must put the general interest before personal gain and exercise self-restraint in seeking higher prices and higher wages. The only alternatives to such economic statesmanship are government controls or inflation. Since government controls over the price system have been removed, we must exercise self-restraint in the maintenance of a balance between prices and wages or suffer "boom and bust" inflation. It is imperative that more and more businessmen, workers, and farmers recognize and operate by this principle.

(3) Stability in labor relations is essential to the maintenance of high production. Strikes and lockouts could have a disastrous effect at this time. They would interrupt the vital momentum of America's industrial machine. They would also cut off shipments abroad which are so badly needed for world recovery.

It is gratifying to report that in recent months both labor and management have often made substantial concessions to avoid work stoppages. Such statesmanship will be needed to an even greater degree in the months ahead.

On this Labor Day 1947 it is also appropriate for us to turn our attention to the plight of those less fortunate than we. Two years

*An address by Mr. Morse over Columbia Broadcasting System, Sept. 1, 1947.

after V-J Day there are still hundreds of thousands of the victims of war who have no homes to which it is safe to return. These too are workers — mechanics, laborers, carpenters, machinists, farmers. We call them "displaced persons."

Americans are descendants of "displaced persons." We should realize what it is to have to leave a land because of political or religious beliefs. We know that our Nation has drawn strength from the varied nature of our population. The various nationalities, races, and religions which have come to our shores have all made significant contributions to the cultural, scientific, and political life of the Nation; and all gave their blood in our recent fight against aggression.

I know that labor will be the last to disregard the needs of those homeless refugees who ask only the opportunity for a new start.

On this Labor Day American workers can look to the past with pride and to the future with hope and determination. There is still much to be accomplished. There are still substandard wages and unsatisfactory working conditions in some occupations which need correction. There are other knotty problems requiring solution. Most American workers are today working for better wages and under better shop conditions than ever before. The vigilance of workers and their representatives and the recognition on the part of industry that it has a stake in its workers' welfare alone can assure continued progress.

In certain situations cooperative endeavor by labor and industry will not suffice to assure solution of problems facing many workers. In those cases legislation will be needed. It is for that reason that President Truman in his Labor Day Statement called for early Congressional action to increase mimimum wage rates, broaden the socal security system "by extending its benefits to a greater number," and establish an "adequate system of health insurance." I am sure that labor and the public at large will hail and support enactment of this vital legislation.

I am confident that labor, conscious of its strength, senses the importance of its responsibilities, and will work and build for an always better America and a decent peaceful world. To labor all Americans can say: Best wishes for the tasks that lie ahead!

## Finance Institute Offers New Fall Courses

The New York Institute of Finance, successor to the New York Stock Exchange Institute, is offering the following advanced lecture courses this Fall:

W. Truslow Hyde, Josephthal & Co.—"Analysis of Public Utility Holding Company Securities."

Patrick B. McGinnis, McGinnis, Bampton & Sellger—"Current Developments in Railroads."

Harold H. Young, Eastman, Dillon & Co. — "Current Developments in Utilities."

Louis H. Whitehead, Louis H. Whitehead Co. — "Current Economic Developments Affecting Security Values."

The Fall Term commences Sept. 15. Basic investment analysis and brokerage procedure courses are included in the curriculum. Registrations are accepted at the New York Institute of Finance, 20 Broad Street, New York 5, N. Y.

## With Newburger, Loeb

Newburger, Loeb & Co., members of the New York Stock Exchange, announce that Samuel Seiniger is now associated with them as a registered representative in the firm's branch office at 57th Street and 6th Avenue, New York City.

# Pay Rises Are the Workers' Right

By LEWIS B. SCHWELLENBACH*
Secretary of Labor

**Labor Secretary asserts wage boosts have not been sole cause of price rises. Citing relatively small rate of savings among low income groups, Mr. Schwellenbach declares workers have as much right as corporations to nest egg for future.**

Two years ago last month the unconditional surrender of Japan occurred. Great celebrations occurred in all parts of America. The belief was strong that within a few months reconversion to peace would ensue in both the international and domestic scenes.

L. B. Schwellenbach

We now know how false was that hope. Roadblocks have been created and used to prevent any speedy international progress. On the domestic side, despite the fact that our production for 1946 was the highest peacetime production in the history of our nation, we still are not producing enough to permit the ordinary laws of supply and demand to come into play. One thing I believe all of us failed to envisage on VJ-Day was the impossibility of our casting aside the nervous tensions which had developed in almost four years of active war. Out of those tensions grew distrust, fear and antagonisms which had developed during the wartime years. The shadows of distrust, the fears and antagonisms, hung like clouds over every meeting between industry and labor. These clouds, in many instances, made impossible the securing of agreements through the ordinary procedure of collective bargaining. Many strikes resulted. Despite the work stoppages thus resulting, we did produce more goods and services than we have produced in many previous peacetime years, and during the six-months' period from Dec. 23, 1946, to June 23, 1947, the number of stoppages was among the lowest in any peacetime year since 1921, with the exception of the years of the deep depression in the early 1930's. It is my considered opinion that the prime reason for the decrease in strikes was that by that time tension had been lessened and the nerves of our people had been relaxed.

I am not unaware of the criticisms that have been made of the Administration and of me during the period of labor unrest. The chief criticism of the Administration has been that it relaxed wage controls so much sooner than the Congress repealed price controls. That criticism is unwarranted and contrary to the facts. It is true that operations of the National War Labor Board concerning dispute cases between employers and employees were eliminated as of Dec. 31, 1945, but the Wage Stabilization Board, which passed upon wage increases insofar as they might have affected our national economy, was continued in operation until February, 1947. Congressional action which generally lifted the lid on prices was taken in June, 1946.

### Criticisms Answered

I was criticized because I didn't crack down and publicly rebuke whichever side of the labor dispute I felt was in the wrong during collective bargaining sessions. A doctor doesn't attempt to cure a nervous patient by denouncing him in the press. Furthermore, the statute under which I operated in the conciliation of disputes, as construed by regulation by the first Secretary of Labor in 1913, required impartiality as between labor and its employers. I knew that in any particular case in which I rebuked one side or the other, neither I nor the members of the Conciliation Service could effectively work in that case once a position of impartiality had been abandoned. It has been the policy of the Administration, definitely adhered to, that the only democratic way to handle labor disputes was through the medium of free collective bargaining. That was made clear by President Truman in his Labor Day message of this year. He said, "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." I know that many people in this country without realizing the results which must inevitably flow from such action believe that labor problems might quickly be solved by instituting a system of compulsory arbitration. The fact is that in those countries which have tried compulsory arbitration, the results have been total failures. Furthermore, such action here would go contrary to the system of democracy which we cherish and for which we have fought two wars. It would be the direst tragedy for us should we take this first step toward dictatorship. How could we then look at the graves in every part of the world where men are buried because they were willing to give their lives in order that freedom in America be not destroyed by the totalitarian dictators who so much hated it?

Labor, organized and unorganized, also participated in that war. The high measure of production that resulted from their labor is proof that they too took part when they made of America the arsenal of democracy for the world. America is still the arsenal of democracy. Our peacetime munitions are the fruits and goods of peace.

### Insufficient Praise for American Worker

I cannot restrain my own tensions when I think of the faltering praise which has been given to the American worker for his accomplishments in both war and peace. Particularly do I resent the widespread effort that has been made to shoulder the responsibility for increased prices exclusively upon the backs of those who work. Hardly a day passes but some statement is issued having as its purpose the acceptance of this doctrine by the American people. Particularly frequent now are those protestations. The reason for it is the hope that the American people will forget statements that the same individuals made in June of last year when they promised that with the lifting of price controls within a few months prices would be lowered. I know that they must shudder when they see the monthly reports showing how prices are increasing, but they should not be permitted to justify their dismay by attempting to shift responsibility entirely to the organized workers of America.

There is one simple answer to their protests. That is, that the prices of food products have increased 72% over prewar prices, and the prices of manufactured products have increased 48% over the same period. Very largely the people who grew and processed the food products are not organized into unions. Almost universally the people who produced manufactured products were organized into unions. I have no quarrel with the farmers, nor do I intend to pick one by pointing out those facts. The farmers do not fix the prices for which their products sell. They are fixed by the operations of the wheat exchange, the corn exchange, and other similar exchanges. Furthermore, the farmers in the country have done a magnificent job in producing at a time when the production of farm products was essential not only to our own economy but as a protection of our position in the international field. For example, wheat. The estimate of wheat production this year is 1,400,000,000 bushels. I remember that when I was a member of the Senate Committee on Agriculture, any time wheat production got over 750 million bushels, we started to worry about a surplus. The farmers of the country met the needs of the nation, both here and abroad, and they gave us an increase in production almost impossible to understand. Yet the fact remains that the price of products produced very largely by unorganized workers has increased 72%, and those produced very largely by organized workers have increased 48%.

I want to make it clear that I do not contend that wage increases have not been a factor in price increases. It is obvious that they have. That fact, however, does not justify any effort on the part of those who have increased prices to place the whole blame for them upon increases in wages.

### Wages and Profits

For example, there has been a phenomenal increase in profits during this last year. For the first quarter of 1947 corporation profits were $875,000,000, compared with $323,000,000 for the same period a year ago. Corporations manufacturing automobiles earned almost half as much for the first quarter of 1947 as they did for the entire year of 1939.

I do not contend that any manufacturer or that any corporation is not entitled to make profits. The profit system is the basis of our economy. I would no more favor a general regulation of profits than I would compulsory arbitration. I know full well the right and need of a corporation to set aside a portion of its profits for future use. Again my objection goes to the effort being made to place full responsibility on labor for price increases. These profits are in part made because of increase in prices. Let me reiterate the fact that I recognize fully the right of a corporation to set up reserves against future losses or future disasters. What I do object to is that many of the same people who contend for that right to make their corporations secure, also contend that the wage earners of America should seek no adjustment of their wages because of

(Continued on page 28)

*A radio address by Mr. Schwellenbach over Station WOL and Mutual Broadcasting System, Aug. 31, 1947.

# Mutual Funds

## August—A Bad Month

By HENRY HUNT

The past month was unusually hot and humid, even for August, and the sales indices of shares in mutual funds followed an opposite course to temperature readings. Unquestionably the weather had an enervating effect on salesmen and many potential buyers were on vacation. Financial activity, as measured by the volume of trading on the New York Stock Exchange, was the smallest in more than three years, only 14.2 million shares changing hands—off 72½% from the 1946 peak month.

For the benefit of Wall Streeters who wish they were farmers today, it is interesting to note that during nine of the past ten years, monthly volume on the Stock Exchange during the last four months of the year has been substantially in excess of the August volume — averaging 56% higher for the decade.

| | August Volume* | Sept. to Dec. Average Monthly Volume* | Incr. |
|---|---|---|---|
| 1946 | 20.8 | 31.9 | 53% |
| 1945 | 21.7 | 33.3 | 53 |
| 1944 | 20.8 | 20.7 | -- |
| 1943 | 14.3 | 16.7 | 17 |
| 1942 | 7.4 | 14.5 | 96 |
| 1941 | 10.9 | 19.5 | 79 |
| 1940 | 7.6 | 15.9 | 109 |
| 1939 | 17.4 | 29.5 | 70 |
| 1938 | 20.7 | 30.2 | 46 |
| 1937 | 17.2 | 35.7 | 108 |
| 10-Yr. Avg. | 15.9 | 24.8 | 56 |

*In millions of shares.

It will also be noticed from the above tabulation that the August, 1947 volume of 14.2 million shares was 10½% under the average of the preceding ten Augusts and little more than half the average volume for the last four months of the year during the past decade. Let us hope that last month exemplifies the adage, "It is always darkest just before the dawn."

*Sell Against the Crowd*

In a letter to stockholders, **Edward C. Johnson, II, President of Fidelity Fund of Boston** writes in part as follows: "It would seem that there are too many investors who only want to buy or sell at particular times. Thus the same man who eagerly buys General Motors at 75 may have no interest at all when it is offered at 50.

"We therefore are continually emphasizing to ourselves that one of the greatest advantages of full time investment management is its continuity of application as against the natural human tendency to act spasmodically when it doesn't 'hurt to act.' It's curious how well one may know a given principle of this sort and yet fail in its application unless one keeps remembering it. Probably that's why our homespun ancestors used to hang mottoes on their walls; in this case it might read 'Where emotion prevails reason departs.'

"It may be that part time investing very often leads to investing at those times when 'it makes one feel good' to act. That's probably true of many activities which are incidental to one's business — emotional factors play too large a part. Investing should be based upon matured convictions of long run value which are acted upon when it 'hurts to act.' It is altogether too easy to buy and sell with, not against, the crowd.

"It might be a fair conclusion that investing, more than any other activity, needs uninterrupted application because sporadic emotions are involved. Therefore, that investment company can perform a real service by lessening the factor of emotion which is necessarily present to some degree in every investment decision."

*Shares Outstanding Up 53% Asset Value Down 34%*

The record of **Keystone's S-4 Series** during the past 12 months shows that an aggressive sales organization can sell a fund composed of speculative common stocks even in a declining market. During the 12 months ended July 31, the number of shares outstanding rose 53% from 2,875,000 to 4,407,000 although net asset value declined 34% from $6.77 to $4.47 a share during the same period. Total assets of Series S-4 now amount to $19,715,000 of the total $169,000,000 in Keystone's ten funds.

*RR. Equipment Orders Pile Up*

**Distributors Group** in a recent bulletin states that the R. R. Equipment Industry today offers an amazing investment bargain. "In the railroad equipment business, the backlog of orders continues to mount. In the first seven months of the year the carriers were forced to retire 8,000 more freight cars than were received from manufacturers; result, there were 9,000 more cars on order Aug. 1 than on July 1. Furthermore, it is officially stated that such retirement of worn out cars was running steadily ahead of deliveries.

"With 'on hand' orders for freight cars more than four times the total delivered in the first seven months of this year, and orders for locomotives close to double the total delivered in the same period, there is no question of the continuing capacity demand for railroad equipment for years."

*Replacement Values Higher Than Book Values*

**"Selections,"** published by **Selected Investment Company** of Chicago, calls attention to the fact that the cost of building new plants today is far in excess of the figures at which old plants are carried. It comments in part as follows: "It is quite probable in the case of the representative companies in a great many industries that they couldn't begin to replace their plant and equipment at the values at which they are carried on their books. Stated another way: True book values of a good many stocks are probably much higher than the balance sheets indicate.

"In the depressed 1930's, and even now, considerable emphasis has been given by security analysts to 'liquid assets' and 'working capital' in balance sheets. That is certainly sound enough. But it has often been the case that the analyst has skipped over or handled the plant and property account as being of somewhat questionable value, unless it happened to be owned by a public utility.

"Actually, it begins to appear that plant and property account may be worth not only the figure at which it is carried, but probably very much more.

"Stocks usually represent equity in tangible property, among other things. That is one reason why they have usually been good inflation hedges."

## Phillips, Schmertz & Co.

PITTSBURGH, PA.—The firm name of Phillips, Schmertz & Robinson, Union Trust Company, members of the Pittsburgh Stock Exchange, has been changed to Phillips, Schmertz & Co. George W. Sheridan and Ellwood S. Robinson have retired from partnership in the firm, the latter forming Aspden, Robinson & Co. in Philadelphia.

## New Hampshire Secur. Co.

MANCHESTER, N. H.—The firm name of W. H. Elmes & Company, 875 Elm Street, has been changed to New Hampshire Securities Company. Earl S. Dudley, Jr. is manager of the trading department and customers' department.

## Reports Marked Decline In Rate of Savings

**New York Savings Bank Association announces July deposits this year less than one-third for same month in 1946.**

Deposit figures for the month of July, released by the New York State Savings Bank Association, reveal a marked lag in rate of gain over previous months of this year and over comparative periods of last year, Robert M. Catharine, President of the Association and the Dollar Savings Bank, reported today.

"Though savings deposits and accounts in the 131 savings banks of New York State continue to show an increase, it seems quite apparent that the continuing rise in the cost of living is very definitely affecting people's ability to save," Mr. Catharine stated.

The savings banks of New York show a gain for July of $20,902,300 as compared with $62,340,070 for July of 1946 and $50,007,485 for June of this year. The net increase in new savings accounts for July was 7,621 as compared with 24,686 for July of 1946 and 15,268 for June, 1947.

During the first seven months of this year, savings bank deposits have risen $335,300,075, or 3.7%, as compared to $447,590,964, or 5.7%, for a similar period during 1946. The gain in accounts for the same seven months of this year was 120,221, or 1.7%, as compared with 181,414, or 2.8% for the first seven months of 1946.

"While the net gain in savings during July were sharply reduced, the figures for the one month are not conclusive," Mr. Catharine pointed out. "Since most banks credit interest dividends on July 1, there is a tendency on the part of depositors to delay withdrawal of needed funds wherever possible until the end of the interest period. Consequently, withdrawals are generally abnormally high in January and July. The experience during the next few months will indicate just how seriously the ability to save is being affected by rising costs and increasing availability of consumer goods. If people do not continue to add to their savings regularly, or are unable to do so, it can very easily have a serious effect on our entire economy. Not only would the lack of new savings give further impetus to the tendency toward inflation, but also, the withdrawal of savings would represent reduction of security reserves and consequent future hardship to individual families."

## With Carter H. Corbrey Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Chester Marcell, Jr., has become affiliated with Carter H. Corbrey & Co., 650 South Spring Street. Mr. Marcell was previously with the First California Company.

mankind but for our ability to open a certain number of new, imaginative fields in which our imagination can play a part and in which the amount of knowledge which we have acquired can be used extremely well.

I think it is not true, as many people say and as often stated in the papers, that only two countries in the world have a truly free economy. I know that about 62% of the world has a mixed economy, where one sector is a planned or controlled economy and one sector of the total national production is uncontrolled. In Great Britain today there is still 38% of exports and imports which is completely open and practically free from any government control (although there is some consultation with ministries for facilities of transfer of money, etc.). France has 58% of her total trade that is still free. Therefore, I think we should not accept at their face value the overall generalizations that we hear about the end of the world and the end of the United Nations and the end of economic trade. I think there are immense opportunities and if some of you are interested I would be very glad to give you the many figures which I have accumulated for our discussion today.

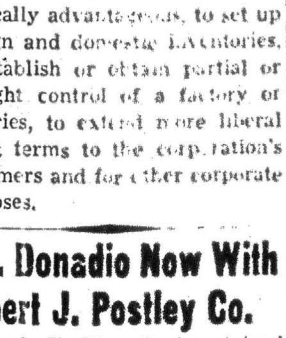
## Pan-American Export Class A Stock Offered

An issue of 93,000 shares of class A common stock, par value $1, of Pan-American Export Corp. is being publicly offered at $2.625 per share by Henry P. Rosenfeld & Co., New York. The securities, according to the prospectus, are offered as a speculation. The primary object of the corporation is the exporting into foreign countries of manufactured products. Today the corporation's products are shipped to 33 foreign countries and places.

The net proceeds obtained by the corporation from the sale of this issue will be used for working capital, to expand the corporation's business into new lines and new territories, to engage in further advertising programs suitable to the areas in which the corporation will carry on its business, when it shall deem economically advantageous, to set up foreign and domestic inventories, to establish or obtain partial or outright control of a factory or factories, to extend more liberal credit terms to the corporation's customers and for other corporate purposes.

## Jos. Donadio Now With Gilbert J. Postley Co.

Joseph F. Donadio has joined the trading department of Gilbert



Joseph F. Donadio

J. Postley & Co., 29 Broadway, New York City, it is announced. Mr. Donadio was formerly with Strauss Bros.

# Business Slow-Up Ahead!

By DR. ROBERT C. SHOOK*

Vice-President, International Statistical Bureau, Inc.

**Business economist warns that current high activity will be followed by fourth quarter decline. Believes dollar sales will follow decline in unit distribution within 30 to 60 days. Asserts coming readjustment will be less severe than in 1929-1932 depression.**

Saying anything in public about the business outlook has come to be a serious occupational hazard. During the summer revival of optimism particularly, financial writers of every creed and color were blasting all economists who had ever expressed any pessimism about the outlook for production and prices.

Robert C. Shook

As a matter of fact, some of this criticism was justified. Business prognostications have become a popular indoor sport; there seem to be a very few people left who do not express their views sooner or later on this subject. Such observers include not only government economists private forecasters, but businessmen and writers for trade publications as well. As a matter of fact, some of the writers who have criticized forecasters for having made forecasts, have in the same breath made their own forecasts, usually expressing fervent optimism about the outlook for as long ahead as it can be seen.

In another way also, some of the recent criticism is justified. When security prices declined last September and October, and some of the other speculative markets followed them down, many commentators became unduly pessimistic. Because I am a stranger to so many of you, it will merely keep the record straight to point out that we disagreed with the premature pessimists of a year ago. They expected a decline in business activity to come much too soon, and having been disappointed, many of them are now among the most fervently optimistic. We find, however, that we can no more agree with them now than we could a year ago. Over-optimism at the present time seems even less justified than excessive pessimism seemed at the earlier date.

### Purchasing Policy Not Entirely Dependent on Business Forecasts

Business forecasters should know that what they may believe about the future in guesswork rather than certainty. Each within his own limits tries to make as good an estimate as possible and then puts this into effect in his operations. Purchasing agents, therefore, are quite aware of the fact that every decision represents a balancing of risks and that this balance changes with the price level. Consequently, there are certain obvious facts that must be taken into consideration in setting a buying policy.

(1) **Selectivity is always highly essential.** There is never a time in any business cycle where some item is not in over-supply at the same time that others are still scarce. Successful buying depends on complete information about a myriad of individual products and a cold-blooded analysis of what this information implies.

(2) **At the moment, prices in the United States are just as high, with one or two exceptions, as they ever have been.** This statement applies to price averages. Naturally, there are some commodities that have exceeded previous all-time peaks and others for which the advance has been more moderate, or for which there has already been a decline.

(3) **Total industrial production on a unit basis has been averaging between 80 and 90% above prewar for many months.** It is true that national income is also at peak levels, but this has been increasingly offset by the rising trend in living costs. In any event, for many months past the current level of production has been able to meet a record level of demand with something to spare.

Without any further discussion of the immediate business outlook, these points suggest a common sense approach to purchasing policies. With a few exceptions there are no longer any important shortages of supply. The most important elements of unit demand are beginning to shrink. The private concern, therefore, can minimize its risks by buying conservatively. If the worst happens, and it has to purchase later at a somewhat higher price, presumably a trend of business favorable enough to push prices up further will allow the company to put a normal markup on the new purchases. Government purchasing agents, of course, are in a little different position. But it should be of some value to them to know that industrial purchasing agents have not gone overboard on the possibility of a further strong inflation.

### Business Outlook Important Nevertheless

Although purchasing policies at this point can rest firmly on the belief that the risk of price declines is much greater than the risk of further advances, it is important to make estimates of the business and price outlook. Is another round of inflation underway? Or are we on the verge of sharper and more general readjustments?

Last October, when we warned that over-pessimism at that time was not justified, and that the high in production and wholesale prices had not yet been reached, we also told them that we believed a sharp setback in general business activity would be under way by the fourth quarter of 1947. Almost a year has passed since that time and we find little reason to believe that production and prices can get through the remainder of the year without the beginning of a sharper and more general decline.

### The Domestic Market Shrinking

Considerable downward pressure developed last Fall in many wholesale markets. An important source of this pressure was a sharp drop in now orders by retailers. You have frequently heard the argument that income and retail sales do not change very rapidly during the early stages of a changing business cycle. This is true, but it is also true that changes in primary or speculative markets come very abruptly. These markets are sensitive not so much to the volume of goods being moved to the consumer, but to the volume of new orders being placed by distributors. And unlike the level of retail sales, the volume of distributors' new orders does change drastically from time to time.

This is what happened last year. Distributors were seriously overcommitted at the end of July and reduced their new buying during the third and fourth quarters, when it normally shows a seasonal gain. A year ago, however, exports were still rising, manufacturers in some cases were still actively building up inventories, and other form of demand, such as those in the construction industry, were on the up grade.

By May of this year, distributors generally had gotten back into a more reasonable position. Their unfilled orders were still somewhat high in relation to prewar normals, but their stocks were slightly below normal in relation to current sales. In June, their earlier policies began to be reversed. There was a very sharp pickup in new buying, which continued in July and August.

The normal placing of initial orders for the Fall season was misinterpreted by many sellers as being a new revival of demand. Inflationary psychology was stimulated by the advance in coal miners' wages and in steel prices. Before long, many distributors seemed to accept the sellers' viewpoint that initial buying had not been enough. There are indications now, therefore, that third quarter orders by distributors increased by as much as 30

(Continued on page 33)

*A speech by Dr. Shook before National Institute of Governmental Purchasing, Inc., New York, Sept. 9, 1947.

# *Canadian Securities*

By WILLIAM J. McKAY

In the attempt to cure the world's current economic ills, drastic experimentation is certainly not the appropriate medicine at this stage. The plight of Britain today would have been less acute if the Labor Government had not chosen such an unpropitious period for its far-reaching schemes of Socialization. In the same way the delicate balance of international economic relationships can not withstand any further rough shocks produced by endeavors to effect fundamental changes in the existing economic framework.

The Canadian situation well illustrates this point. Prior to the world U. S. dollar crisis Canada had an active and flourishing volume of foreign trade which the Dominion was able to finance partly by foreign credits and partly by the traditional method of offsetting U. S. dollar deficits by conversion of its favorable balance in sterling and other currencies.

With the near exhaustion of the foreign-held fund of U. S. dollars, Canada has now to give consideration to revolutionary changes in her historic economic relations with Britain and this country. The most obvious course suggested is the choice between economic union with this country and the entry into a customs union with Britain and the other British Dominions.

Either alternative, however, implies economic nationalism of the worst kind and the abandonment of a multilateral system of world trade. Instead of the present division of the world into two camps chaos would be worse confounded by the partition of those countries which still adhere to the principles at least of a free system of foreign trade and democracy.

It is vital therefore at this eleventh hour to avoid this disastrous disintegration of the time-honored bases of world trade. In spite of their imperfections and the ruinous impact of two world wars U. S. trade with Britain, Canada and the rest of the British Commonwealth has constantly expanded.

Efforts so far to maintain this desirable state of affairs have been far from successful. Lavish and indiscriminate outpourings of U. S. dollars and theoretical global schemes for world rehabilitation have only aggravated the situation. What is now needed is a practical plan to assist this country's best customers during the present period of emergency.

Although more difficult to put into execution than during the war, a "Hyde Park" agreement with Canada would constitute the ideal first step. This could subsequently be extended to other British Dominions and then as an alternative to U. S. dollar gifts and loans, sterling could be rendered convertible during the emergency period as a result of temporary official support by the U. S. currency stabilization fund. If thereby the war-stricken British economy could be restored to its former strength this investment in sterling could conceivably return good dividends. Moreover, the resources of the British Commonwealth as a whole still are capable of providing good collateral.

During the week the securities market continued to follow the dull and declining trend of recent months. There was little activity in the external section, but at their new low level internal Dominions attracted some institutional investment demand. Free funds continued to ease partly as a result of liquidation of internal securities and partly with the decline of the tourist demand for Canadian currency.

Stocks were more active and the golds moved into a higher trading range as a result of buying of a more solid type than has hitherto been evident. Papers and Western oils also strengthened noticeably and reports from the new Leduc oil-field in Alberta tend to confirm that Canada has discovered a source of oil that will eventually replace the Turner Valley field as the Dominion's principal producer.





## William L. Johnsen Is With Farwell, Chapman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — William L. Johnsen has become associated with Farwell, Chapman & Co., 208 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Johnsen was formerly President of Behel, Johnsen & Co., Inc.

## FHLB Issue Placed

An issue of $85,000,000 1¼% one-year consolidated notes of the Federal Home Loan Banks were sold at par September 3 by Everett Smith, fiscal agent. The issue is dated Sept. 15, 1947 and matures Sept. 15, 1948. The proceeds will be used largely for the financing of home construction through 3,700 member savings and loan associations over the coming months.

## Marshfield Steele Dead

Marshfield Steele, head of Marshfield Steele & Company, Inc., Fort Worth, Tex., died at the age of 59 after a long illness.

# Labor's Policies Must Be Worldwide

By DAVID A. MORSE*
Under-Secretary of Labor

**Government official, urging labor to extend its thinking to all corners of earth, asserts impoverishment abroad will drastically lower our production and entail severe unemployment.**

Labor Day was created to give recognition to what its founder called "the industrial spirit, the great vital force of every nation."

It was "the industrial spirit"—the will of free Americans to work under a free system—which made our country the arsenal of democracy. It was the productive capacity and competence of American workers and the industrial know-how of American management which enabled our Nation to outproduce the entire world. This margin of productivity was a vital factor in our recent military victory.

David A. Morse

In the two years since V-J Day, this same spirit has begun to penetrate the world economic arena, operating as a force for peace. An impoverished, sick and hungry world has turned to us for assistance. Once again American labor and American management are rising to the occasion. They have reconverted an industrial arsenal to production of consumer goods with a minimum of economic and social dislocation. They have achieved unprecedented heights of peacetime production. They are feeding to a world starved for consumer goods the machines and materials which will build the homes and plant and harvest the crops. They must resolve to continue to assist in curing the ills of a world which after six years of total war stands at the crossroads of civilization.

Labor Day was first celebrated with a street parade to demonstrate to the public "the strength and esprit de corps of the trade and labor organizations." That was in 1882. Since then, American labor has, among many other things, obtained shorter hours, higher wages, safer and healthier working conditions, welfare funds, unemployment compensation and other benefits that cannot be measured in dollars.

As a result, the working man of today is achieving the status in our country which he deserves. He sits on labor-management committees. His representatives serve on Government boards, have been recognized in the councils of the United Nations, and sit as voting partners in the Governing Body and Conferences of the International Labor Organization. Labor has made substantial progress in obtaining universal recognition.

### Responsibilities and Objectives

These points are on the asset side of the ledger. However, there is much more to be done—and it is well for all of us on this day each year to reflect not only on the past but also on the responsibilities and objectives which lie ahead. The improvement in labor's position has brought serious responsibilities which must be met. Yet labor's present position is neither strong enough nor secure enough for complacency. Many difficult problems still exist; many unsatisfactory conditions still require correction.

Labor can no longer confine its thinking to the four corners of our own country. Labor's policies today must embrace the world and take into consideration the problems of our fellow men in all parts of the earth. That is the new responsibility—the perspective for the immediate future. Only if labor, and all other Americans, raise their sights to this extent can we hope to maintain our democracy and insure that men everywhere will be free.

Labor Day 1947 is celebrated in a world far different from that in which we marked the same occasion a few years ago. Formerly we were able to pursue our national self-interest without considering the international consequences of our actions. Today labor, industry, and agriculture realize that our national self-interest in conditioned greatly by world developments. Our domestic actions have a direct effect upon the health and well-being of other countries; and their domestic programs in turn affect us. This is as true in the economic field as it is in the political and military fields.

### Impoverished World Spells U. S. Unemployment

An impoverished world cannot buy American goods. An impoverished world cannot sustain democracy. Let me be as clear as I know how to be about this. If there is no market for our exports, we must curtail our own production to that extent. Curtailed production means unemployment. Unemployment of American workers results in diminished purchasing power at home. This necessitates additional reduction of production and more unemployment. It also makes it difficult for us to import goods—particularly essential raw materials—from other countries. This in turn results in curtailment of production and in some unemployment in those nations.

At the present time the world badly needs American goods. Most countries do not, however, have sufficient dollar or gold reserves to buy as much of American products and food as they need. Loans to these countries have served as a stop-gap. They have permitted purchase of American products of farm and factory. This in turn has helped us maintain our own production and imports at high levels—thus benefiting them and us.

It is this interdependence of world economics which makes it impossible for us to maintain high levels of employment and production over long periods unless other countries who are our customers are also prosperous. We cannot remain an oasis of plenty in a desert of destitution.

American businessmen, workers, and farmers are now generally cognizant of these facts. They realize that helping the world to get back on its feet will help us to stay on our feet. They realize that helping our neighbors is not only a good deed but is of mutual interest and concern.

It is for these reasons that there has been such universal acceptance of this Government's policy which was so aptly interpreted by Secretary Marshall at Harvard. Europe is now attempting to work out a plan of self-help and self-organization so that we may assist with greater effectiveness in a long-term program for world stability. Europe, faced with chaos, has drawn new hope and inspiration from America's words and deeds. This is a front from which we cannot morally retreat.

### Necessary Resolutions

If our domestic and international policies are to succeed, there are three resolutions which American workers must make during the coming year: (1) high production and productivity; (2) maintenance of balance in price-wage relationships; and (3) stability in labor-management relations.

These are not only essential for the continued well-being of American workers. They are also prerequisites for the continued prosperity of American businessmen and American farmers—and for the recovery of our allies who suffered devastation and destruction during the war. While I speak here of the resolutions to be made by labor, the same applies equally to all other groups of our country.

(1) High production and productivity must be maintained if we are to have maximum employment and prosperity at home. They are also essential if we are to supply America and the world with the products, machines and food they need. When production is curtailed, it is labor which feels the adverse effects first—and longest. Even during seven fat years, workers do not have enough margin of income over expenses to prepare for seven lean years. Consequently American workers have the greatest stake in high production and productivity.

(2) High wages are of little value to the American worker if prices are still beyond his reach. The average person is more vitally concerned with what his wages will buy than in the number of dollars he receives. That is because high wages are merely an illusion in an economy plagued by soaring prices.

Yet prices and wages are directly related. High labor costs make high prices just as high prices require high wages. Therefore there must be maintenance of a reasonable balance between prices and wages if one is not to chase the other up in an inflationary spiral.

### General Interest First

It is in recognition of these facts that business, labor, and agriculture must put the general interest before personal gain and exercise self-restraint in seeking higher prices and higher wages. The only alternatives to such economic statesmanship are government controls or inflation. Since government controls over the price system have been removed, we must exercise self-restraint in the maintenance of a balance between prices and wages or suffer "boom and bust" inflation. It is imperative that more and more businessmen, workers, and farmers recognize and operate by this principle.

(3) Stability in labor relations is essential to the maintenance of high production. Strikes and lockouts could have a disastrous effect at this time. They would interrupt the vital momentum of America's industrial machine. They would also cut off shipments abroad which are so badly needed for world recovery.

It is gratifying to report that in recent months both labor and management have often made substantial concessions to avoid work stoppages. Such statesmanship will be needed to an even greater degree in the months ahead.

On this Labor Day 1947 it is also appropriate for us to turn our attention to the plight of those less fortunate than we. Two years

*An address by Mr. Morse over Columbia Broadcasting System, Sept. 1, 1947.

after V-J Day there are still hundreds of thousands of the victims of war who have no homes to which it is safe to return. These too are workers — mechanics, laborers, carpenters, machinists, farmers. We call them "displaced persons."

Americans are descendants of "displaced persons." We should realize what it is to have to leave a land because of political or religious beliefs. We know that our Nation has drawn strength from the varied nature of our population. The various nationalities, races, and religions which have come to our shores have all made significant contributions to the cultural, scientific, and political life of the Nation; and all gave their blood in our recent fight against aggression.

I know that labor will be the last to disregard the needs of those homeless refugees who ask only the opportunity for a new start.

On this Labor Day American workers can look to the past with pride and to the future with hope and determination. There is still much to be accomplished. There are still substandard wages and unsatisfactory working conditions in some occupations which need correction. There are other knotty problems requiring solution. Most American workers are today working for better wages and under better shop conditions than ever before. The vigilance of workers and their representatives and the recognition on the part of industry that it has a stake in its workers' welfare alone can assure continued progress.

In certain situations cooperative endeavor by labor and industry will not suffice to assure solution of problems facing many workers. In those cases legislation will be needed. It is for that reason that President Truman in his Labor Day Statement called for early Congressional action to increase mimimum wage rates, broaden the socal security system "by extending its benefits to a greater number," and establish an "adequate system of health insurance." I am sure that labor and the public at large will hail and support enactment of this vital legislation.

I am confident that labor, conscious of its strength, senses the importance of its responsibilities, and will work and build for an always better America and a decent peaceful world. To labor all Americans can say: Best wishes for the tasks that lie ahead!

## Finance Institute Offers New Fall Courses

The New York Institute of Finance, successor to the New York Stock Exchange Institute, is offering the following advanced lecture courses this Fall:

W. Truslow Hyde, Josephthal & Co.—"Analysis of Public Utility Holding Company Securities."

Patrick B. McGinnis, McGinnis, Bampton & Sellger—"Current Developments in Railroads."

Harold H. Young, Eastman, Dillon & Co. — "Current Developments in Utilities."

Louis H. Whitehead, Louis H. Whitehead Co. — "Current Economic Developments Affecting Security Values."

The Fall Term commences Sept. 15. Basic investment analysis and brokerage procedure courses are included in the curriculum. Registrations are accepted at the New York Institute of Finance, 20 Broad Street, New York 5, N. Y.

## With Newburger, Loeb

Newburger, Loeb & Co., members of the New York Stock Exchange, announce that Samuel Seiniger is now associated with them as a registered representative in the firm's branch office at 57th Street and 6th Avenue, New York City.

# Pay Rises Are the Workers' Right

By LEWIS B. SCHWELLENBACH*

Secretary of Labor

**Labor Secretary asserts wage boosts have not been sole cause of price rises. Citing relatively small rate of savings among low income groups, Mr. Schwellenbach declares workers have as much right as corporations to nest egg for future.**

Two years ago last month the unconditional surrender of Japan occurred. Great celebrations occurred in all parts of America. The belief was strong that within a few months reconversion to peace would ensue in both the international and domestic scenes. We now know how false was that hope. Roadblocks have been created and used to prevent any speedy international progress. On the domestic side, despite the fact that our production for 1946 was the highest peacetime production in the history of our nation, we still are not producing enough to permit the ordinary laws of supply and demand to come into play. One thing I believe all of us failed to envisage on VJ-Day was the impossibility of our casting aside the nervous tensions which had developed in almost four years of active war. Out of those tensions grew distrust, fear and antagonisms which had developed during the wartime years. The shadows of distrust, the fears and antagonisms, hung like clouds over every meeting between industry and labor. These clouds, in many instances, made impossible the securing of agreements through the ordinary procedure of collective bargaining. Many strikes resulted. Despite the work stoppages thus resulting, we did produce more goods and services than we have produced in many previous peacetime years, and during the six-months' period from Dec. 23, 1946, to June 23, 1947, the number of stoppages was among the lowest in any peacetime year since 1921, with the exception of the years of the deep depression in the early 1930's. It is my considered opinion that the prime reason for the decrease in strikes was that by that time tension had been lessened and the nerves of our people had been relaxed.

L. B. Schwellenbach

I am not unaware of the criticisms that have been made of the Administration and of me during the period of labor unrest. The chief criticism of the Administration has been that it relaxed wage controls so much sooner than the Congress repealed price controls. That criticism is unwarranted and contrary to the facts. It is true that operations of the National War Labor Board concerning dispute cases between employers and employees were eliminated as of Dec. 31, 1945, but the Wage Stabilization Board, which passed upon wage increases insofar as they might have affected our national economy, was continued in operation until February, 1947. Congressional action which generally lifted the lid on prices was taken in June, 1946.

### Criticisms Answered

I was criticized because I didn't crack down and publicly rebuke whichever side of the labor dispute I felt was in the wrong during collective bargaining sessions. A doctor doesn't attempt to cure a nervous patient by denouncing him in the press. Furthermore, the statute under which I operated in the conciliation of disputes, as construed by regulation by the first Secretary of Labor in 1913, required impartiality as between labor and its employers. I knew that in any particular case in which I rebuked one side or the other, neither I nor the members of the Conciliation Service could effectively work in that case once a position of impartiality had been abandoned. It has been the policy of the Administration, definitely adhered to, that the only democratic way to handle labor disputes was through the medium of free collective bargaining. That was made clear by President Truman in his Labor Day message of this year. He said, "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." I know that many people in this country without realizing the results which must inevitably flow from such action believe that labor problems might quickly be solved by instituting a system of compulsory arbitration. The fact is that in those countries which have tried compulsory arbitration, the results have been total failures. Furthermore, such action here would go contrary to the system of democracy which we cherish and for which we have fought two wars. It would be the direst tragedy for us should we take this first step toward dictatorship. How could we then look at the graves in every part of the world where men are buried because they were willing to give their lives in order that freedom in America be not destroyed by the totalitarian dictators who so much hated it?

Labor, organized and unorganized, also participated in that war. The high measure of production that resulted from their labor is proof that they too took part when they made of America the arsenal of democracy for the world. America is still the arsenal of democracy. Our peacetime munitions are the fruits and goods of peace.

### Insufficient Praise for American Worker

I cannot restrain my own tensions when I think of the faltering praise which has been given to the American worker for his accomplishments in both war and peace. Particularly do I resent the widespread effort that has been made to shoulder the responsibility for increased prices exclusively upon the backs of those who work. Hardly a day passes but some statement is issued having as its purpose the acceptance of this doctrine by the American people. Particularly frequent now are those protestations. The reason for it is the hope that the American people will forget statements that the same individuals made in June of last year when they promised that with the lifting of price controls within a few months prices would be lowered. I know that they must shudder when they see the monthly reports showing how prices are increasing, but they should not be permitted to justify their dismay by attempting to shift responsibility entirely to the organized workers of America.

There is one simple answer to their protests. That is, that the prices of food products have increased 72% over prewar prices, and the prices of manufactured products have increased 48% over the same period. Very largely the people who grew and processed the food products are not organized into unions. Almost universally the people who produced manufactured products were organized into unions. I have no quarrel with the farmers, nor do I intend to pick one by pointing out those facts. The farmers do not fix the prices for which their products sell. They are fixed by the operations of the wheat exchange, the corn exchange, and other similar exchanges. Furthermore, the farmers in the country have done a magnificent job in producing at a time when the production of farm products was essential not only to our own economy but as a protection of our position in the international field. For example, wheat. The estimate of wheat production this year is 1,400,000,000 bushels. I remember that when I was a member of the Senate Committee on Agriculture, any time wheat production got over 750 million bushels, we started to worry about a surplus. The farmers of the country met the needs of the nation, both here and abroad, and they gave us an increase in production almost impossible to understand. Yet the fact remains that the price of products produced very largely by unorganized workers has increased 72%, and those produced very largely by organized workers have increased 48%.

I want to make it clear that I do not contend that wage increases have not been a factor in price increases. It is obvious that they have. That fact, however, does not justify any effort on the part of those who have increased prices to place the whole blame for them upon increases in wages.

### Wages and Profits

For example, there has been a phenomenal increase in profits during this last year. For the first quarter of 1947 corporation profits were $875,000,000, compared with $323,000,000 for the same period a year ago. Corporations manufacturing automobiles earned almost half as much for the first quarter of 1947 as they did for the entire year of 1939.

I do not contend that any manufacturer or that any corporation is not entitled to make profits. The profit system is the basis of our economy. I would no more favor a general regulation of profits than I would compulsory arbitration. I know full well the right and need of a corporation to set aside a portion of its profits for future use. Again my objection goes to the effort being made to place full responsibility on labor for price increases. These profits are in part made because of increase in prices. Let me reiterate the fact that I recognize fully the right of a corporation to set up reserves against future losses or future disasters. What I do object to is that many of the same people who contend for that right to make their corporations secure, also contend that the wage earners of America should seek no adjustment of their wages because of

(Continued on page 28)

*A radio address by Mr. Schwellenbach over Station WOL and Mutual Broadcasting System, Aug. 31, 1947.

# Mutual Funds

## August—A Bad Month

By HENRY HUNT

The past month was unusually hot and humid, even for August, and the sales indices of shares in mutual funds followed an opposite course to temperature readings. Unquestionably the weather had an enervating effect on salesmen and many potential buyers were on vacation. Financial activity, as measured by the volume of trading on the New York Stock Exchange, was the smallest in more than three years, only 14.2 million shares changing hands—off 72½% from the 1946 peak month.

For the benefit of Wall Streeters who wish they were farmers today, it is interesting to note that during nine of the past ten years, monthly volume on the Stock Exchange during the last four months of the year has been substantially in excess of the August volume — averaging 56% higher for the decade.

| | August Volume* | Sept. to Dec. Average Monthly Volume* | Incr. |
|---|---|---|---|
| 1946 | 20.8 | 31.9 | 53% |
| 1945 | 21.7 | 33.3 | 53 |
| 1944 | 20.8 | 20.7 | -- |
| 1943 | 14.3 | 16.7 | 17 |
| 1942 | 7.4 | 14.5 | 96 |
| 1941 | 10.9 | 19.5 | 79 |
| 1940 | 7.6 | 15.9 | 109 |
| 1939 | 17.4 | 29.5 | 70 |
| 1938 | 20.7 | 30.2 | 46 |
| 1937 | 17.2 | 35.7 | 108 |
| 10-Yr. Avg. | 15.9 | 24.8 | 56 |

*In millions of shares.

It will also be noticed from the above tabulation that the August, 1947 volume of 14.2 million shares was 10½% under the average of the preceding ten Augusts and little more than half the average volume for the last four months of the year during the past decade. Let us hope that last month exemplifies the adage, "It is always darkest just before the dawn."

### Sell Against the Crowd

In a letter to stockholders, **Edward C. Johnson, II, President of Fidelity Fund of Boston** writes in part as follows: "It would seem that there are too many investors who only want to buy or sell at particular times. Thus the same man who eagerly buys General Motors at 75 may have no interest at all when it is offered at 50.

"We therefore are continually emphasizing to ourselves that one of the greatest advantages of full time investment management is its continuity of application as against the natural human tendency to act spasmodically when it doesn't 'hurt to act.' It's curious how well one may know a given principle of this sort and yet fail in its application unless one keeps remembering it. Probably that's why our homespun ancestors used to hang mottoes on their walls; in this case it might read 'Where emotion prevails reason departs.'

"It may be that part time investing very often leads to investing at those times when 'it makes one feel good' to act. That's probably true of many activities which are incidental to one's business — emotional factors play too large a part. Investing should be based upon matured convictions of long run value which are acted upon when it 'hurts to act.' It is altogether too easy to buy and sell with, not against, the crowd.

"It might be a fair conclusion that investing, more than any other activity, needs uninterrupted application because sporadic emotions are involved. Therefore, that investment company can perform a real service by lessening the factor of emotion which is necessarily present to some degree in every investment decision."

### Shares Outstanding Up 53% Asset Value Down 34%

The record of **Keystone's S-4 Series** during the past 12 months shows that an aggressive sales organization can sell a fund composed of speculative common stocks even in a declining market. During the 12 months ended July 31, the number of shares outstanding rose 53% from 2,875,000 to 4,407,000 although net asset value declined 34% from $6.77 to $4.47 a share during the same period. Total assets of Series S-4 now amount to $19,715,000 of the total $169,000,000 in Keystone's ten funds.

### RR. Equipment Orders Pile Up

**Distributors Group** in a recent bulletin states that the R. R. Equipment Industry today offers an amazing investment bargain. "In the railroad equipment business, the backlog of orders continues to mount. In the first seven months of the year the carriers were forced to retire 8,000 more freight cars than were received from manufacturers; result, there were 9,000 more cars on order Aug. 1 than on July 1. Furthermore, it is officially stated that such retirement of worn out cars was running steadily ahead of deliveries.

"With 'on hand' orders for freight cars more than four times the total delivered in the first seven months of this year, and orders for locomotives close to double the total delivered in the same period, there is no question of the continuing capacity demand for railroad equipment for years."

### Replacement Values Higher Than Book Values

**"Selections,"** published by **Selected Investment Company** of Chicago, calls attention to the fact that the cost of building new plants today is far in excess of the figures at which old plants are carried. It comments in part as follows: "It is quite probable in the case of the representative companies in a great many industries that they couldn't begin to replace their plant and equipment at the values at which they are carried on their books. Stated another way: True book values of a good many stocks are probably much higher than the balance sheets indicate.

"In the depressed 1930's, and even now, considerable emphasis has been given by security analysts to 'liquid assets' and 'working capital' in balance sheets. That is certainly sound enough. But it has often been the case that the analyst has skipped over or handled the plant and property account as being of somewhat questionable value, unless it happened to be owned by a public utility.

"Actually, it begins to appear that plant and property account may be worth not only the figure at which it is carried, but probably very much more.

"Stocks usually represent equity in tangible property, among other things, That is one reason why they have usually been good inflation hedges."











## Phillips, Schmertz & Co.

PITTSBURGH, PA. — The firm name of Phillips, Schmertz & Robinson, Union Trust Company, members of the Pittsburgh Stock Exchange, has been changed to Phillips, Schmertz & Co. George W. Sheridan and Ellwood S. Robinson have retired from partnership in the firm, the latter forming Aspden, Robinson & Co. in Philadelphia.

## New Hampshire Secur. Co.

MANCHESTER, N. H. — The firm name of W. H. Elmes & Company, 875 Elm Street, has been changed to New Hampshire Securities Company. Earl S. Dudley, Jr. is manager of the trading department and customers department.



## Reports Marked Decline In Rate of Savings

**New York Savings Bank Association announces July deposits this year less than one-third for same month in 1946.**

Deposit figures for the month of July, released by the New York State Savings Bank Association, reveal a marked lag in rate of gain over previous months of this year and over comparative periods of last year, Robert M. Catharine, President of the Association and the Dollar Savings Bank, reported today.

"Though savings deposits and accounts in the 131 savings banks of New York State continue to show an increase, it seems quite apparent that the continuing rise in the cost of living is very definitely affecting people's ability to save," Mr. Catharine stated.

The savings banks of New York show a gain for July of $20,902,300 as compared with $62,340,070 for July of 1946 and $50,007,485 for June of this year. The net increase in new savings accounts for July was 7,621 as compared with 24,686 for July of 1946 and 15,268 for June, 1947.

During the first seven months of this year, savings bank deposits have risen $335,300,075, or 3.7%, as compared to $447,590,964, or 5.7%, for a similar period during 1946. The gain in accounts for the same seven months of this year was 120,221, or 1.7%, as compared with 181,414, or 2.8% for the first seven months of 1946.

"While the net gain in savings during July were sharply reduced, the figures for the one month are not conclusive," Mr. Catharine pointed out. "Since most banks credit interest dividends on July 1, there is a tendency on the part of depositors to delay withdrawal of needed funds wherever possible until the end of the interest period. Consequently, withdrawals are generally abnormally high in January and July. The experience during the next few months will indicate just how seriously the ability to save is being affected by rising costs and increasing availability of consumer goods. If people do not continue to add to their savings regularly, or are unable to do so, it can very easily have a serious effect on our entire economy. Not only would the lack of new savings give further impetus to the tendency toward inflation, but also, the withdrawal of savings would represent reduction of security reserves and consequent future hardship to individual families."

## With Carter H. Corbrey Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Chester Marcell, Jr., has become affiliated with Carter H. Corbrey & Co., 650 South Spring Street. Mr. Marcell was previously with the First California Company.

# Peace-Making Must Not Be Deferred

By HON. WALTER F. GEORGE*
U. S. Senator from Georgia

**Senator George declares we cannot await cooperation from Russia. Doubts Soviet wants or is prepared for war. States U. S. will help those countries who try to help themselves.**

We are striving to maintain the Great Power unity which enabled us to win World War II but which has not yet achieved peace nor security against aggressors to which we stand committed.


Walter F. George

With actual hostilities at an end we realize and are ready to admit that certain mistakes were made in both policy and strategy during the war and thereafter.

The first of these was not our decision to destroy militarism as such, but our insistence on the strangulation of the economic life of both Germany and Japan. It now seems clear that it was a mistake to attempt to deprive the world of the constructive capacity of these highly productive countries.

The second mistake was based upon a misconception of Russia and Russian aims. United in common military cause, we accepted Russia as a democratic country with aims similar to our own and with the desire to join in the making of peace and the enforcement of peace against aggressors.

### Imperialism and Expansionism

Events have now shown that Russia's purposes are controlled by traditional Russian imperialism and the new Communist expansionism; that from Marx to Stalin the Socialism of the one and the Communism of the other call for the destruction of all other social and economic systems, especially Capitalism. These things were little understood by us in our generous desire to accept Russia as a democratic ally. Plainly we were not justified by the historic facts of the record in reaching any such easy conclusion and subsequent events have demonstrated that Russia has not departed and has no purpose presently to depart from the traditional doctrine of imperialism and the new expansionism of which she has become the foremost exponent in the postwar world.

These mistakes are in part at least responsible for the philosophy which found expression in the Quebec, Yalta and Potsdam Agreements and led to the quadripartite division of Germany into four zones.

As realists we must accept the present partition of Germany as an accomplished fact, at least for the time being. We must also accept as a fact for the time being the present position of Russia in Manchuria, North China and Korea, down to the 38th parallel.

### Russian Perseverance

Whether Russia will change her attitude is anyone's guess. A careful study of the history of Russian Communism for the last 30 years discloses that Russia is able to adjust herself to conditions which she cannot control; that she has time, ample time, in which to accomplish her objectives and purposes, and finally, that Russia can conform her ideology to her national interest in both foreign and domestic affairs. The only safe course is to assume that Russia will not abandon her main objectives.

What then is the course which we must pursue in the interest of peace and security? Since General Marshall made his speech at Harvard on June 5, much has been said about the "Marshall Plan." In truth there is no Marshall Plan, as such. General Marshall suggested an approach to the solution of the pressing economic problems of Europe and gave expression to an idea wholly constructive if the devastated nations of Europe have the capacity and the will to act upon his recommendations.

Completely implicit in the suggestion is that it applies only to those European nations who are willing to help themselves and who are able to help themselves in some measure at this time of crisis. Completely implicit in his recommendation is the making of an accurate inventory of present resources and needs of all countries who are willing to participate in the recovery program to be ultimately announced. General Marshall's proposal was not addressed merely to the peoples of Western Europe. Russia not only declined to participate in the conference suggested by General Marshall but she effectively vetoed participation by any of her satellite states. It is worthy of note that Russia did not break definitely with the Western powers in her rejection of the Marshall proposal but she approached dangerously near an open and final breech. Again it must be concluded that Russia does not want war with any of the Western powers; it must be assumed upon the basis of all known facts that she is not able at the present time to prosecute a war against any first class power. Should a final breech come between the Communist states headed by Russia and the Western democracies we will be forced to make the supreme military effort of all time. The cost to us would be great but it is a cost which we would bear. Of course, we do not desire war with any country and we have no wish to make war upon Russia's political, social and economic institutions. By the same token we ask that our own social, economic and political systems be preserved inviolate against direct, open, or secret attack or infiltration.

### Loans Not Grants

If the Marshall proposal is to develop into a plan carrying with it a substantial hope for the peoples of Europe and for the peace-minded nations of the world it must be understood from the beginning that loans — self-liquidating loans—not grants, are proposed; that the initiative in handling the loans upon this basis must be accepted by Great Britain and other European nations and that the opportunity shall be available at all times to the United States to follow all advances made for the rehabilitation of Western Europe. Undoubtedly, such loans will serve the general purpose of relief but they must provide for the rehabilitation of war devastated areas and for the restoration of the productive capacity of the peoples of Western Europe. It is of first importance that all of Germany now in the hands of France, Britain and the United States should be rehabilitated and the productive capacity of Western Germany adequate to full peace time economy be restored. Some 48 million people live within Western Germany. The areas now under control of France, Britain and ourselves will not produce more than 50% of the food supplies necessary to the maintenance of 48 million people. They must, therefore, through the production and sale of goods, be able to supply the balance of the food, clothing, and medicine actually needed by the population of Western Germany. No further reparations in kind should be paid by either Germany or Japan.

I have said that the advance in loans should be made for purposes self-liquidating in character. Through the centuries tillers of the soil have needed seed, fertilizer, tools and machinery for the planting and for the harvesting of crops. An advance for this purpose is essentially a self-liquidating loan; even though the particular state to which an advance is made is unable to convert the products of the farm into money and to pay the loan, the people of the country will have the advantage of the crops produced and the necessity for further production loans will cease to exist. The manufacturer must secure raw material, machinery and tools and supplies of coal. Advances to aid and assist countries of Europe to supply raw material, necessary machinery and coal are certainly self-liquidating in chaacter. If the British people expect aid from America they must be willing to dig coal. Austerity is not a substitute for production. Objection to the mining of coal in the Ruhr must not be accepted as valid, except upon the clearest reasoning. The United States has not been remiss in meeting its obligations since V-J Day. We will continue to meet our obligations.

### Europe Must Share Burden

While we will help within the limits of our capacity those people who wish to help themselves, we cannot carry the entire burden. European nations must share the burden. The World Bank and Monetary Fund where these can assist must also share the burden. The United States has always responded to the cry of those free men who were seeking to preserve places where they might retain their freedom. What Europe needs at this time is not an over-indulgent creditor but a wise creditor who will aid in restoring the productive capacity of the people of war devastated lands to the end that they may take care of themselves.

What will Rusia do in the face of a constructive plan of action for the reconstruction of Western Europe? Russia did not declare war when we came to the assistance of Greece and Turkey although the question of relief was not the primary consideration motivating our action. I have already indicated that in my opinion she will not go to war although the adoption of a constructive plan of action for the reconstruction of Western Europe and for the Far East will not be entirely to her liking. We cannot too long defer the conclusion of peace in Europe and in Asia; and finally, regardless of the effect upon Russia, we must make a real effort to create an adequate peace force under United Nations control. If Russia should one day abandon the joint effort to preserve peace it will be necessary for the United States to redouble its efforts to make the United Nations organization function. With the solidarity of the Western Hemisphere assured is it too much to hope that wise leadership upon our part at this time may lead to the rehabilitation and restoration of Western Europe? In all events it is our best hope to keep open the possibility that a better world may dawn tomorrow.

*Speech by Senator George prepared for delivery at Summer Commencement, University of Georgia, Aug. 30, 1947.

## Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government securities markets took the announcement of the terms of the non-marketable issue very much in stride, indicating they had been pretty well anticipated and rather fully discounted marketwise. . . . Prices of Treasury issues firmed slightly following the disclosure of the terms because the outstanding obligations as a whole still appear to be more attractive than the new bond. . . . A considerable part of the rise to bring the marketable securities in line with the new offering had already taken place. . . . The government market nevertheless appears to be somewhat on the cautious side, because investors are inclined to believe that the foreign situation and rumored action by the authorities to retard inflationary trends may have a disturbing effect upon prices of Treasury obligations. . . .

### WAITING

Some believe that the bloom is off the market on the up side for the time being and as a result are inclined to move to the sidelines. . . . The feeling of this group, which seems to be taking a somewhat longer-range viewpoint of the situation, is attributed to the belief that funds of non-bank investors seeking investment in many cases are now about in balance with the commitments they want to make. . . .

**Others hold the opinion that the issue of non-marketable bonds gives them an out, in case the market should reverse its trend. . . . Hence they see no need to rush commitments. . . .**

### MARKET ACTION

Prices of Treasury issues, particularly the longer-term eligibles, continue to back and fill at levels, slightly below their highs on not too much activity. . . . Likewise the intermediates have given some ground, as the buying wave seems to have petered out. . . . The ineligibles have receded somewhat but the demand appears to be fairly good for the issues that become bank eligible in 1952. . . .

**Prices in most instances have gone down more from being quoted down than from the pressure of selling. . . .**

On the other hand, some of the shrewdest money market followers are inclined to be on the defensive side, which probably means they will await clarification of expected developments before there is much change in attitude. . . .

### THE NEW 2½s

The non-marketable 2½% bonds, due in 18 years, will no doubt fill a sizeable amount of the existing demand with estimates of the amounts that will be taken ranging all the way from $1,250,000,000 to $2,000,000,000. . . . The latter figure will most likely be reached if government trust accounts should be buyers. . . . Mopping up of a part of the demand should relieve the Treasury of much of the pressure of selling outstanding issues in order to keep prices within desired limits. . . .

**Redemption values for the new obligation indicate no appeal for short-term buyers, but with the break-even point in yield, between the new issue and the outstanding marketable securities about 1954, there is some attraction for those that would hold the non-marketable obligation eight years or more. . . . This is the maturity range in which a good part of the buying by commercial banks with savings deposits has been going on, so the new non-marketable issue should supply a part of this demand. . . .**

### SWITCHING UNATTRACTIVE

The cash surrender values of the non-marketable issue, as they approach maturity, are higher than the yields on comparable maturities of the restricted bonds. . . . However, the appeal of the new issue is not so marked when one looks upon the ineligible issues from 1962/67 through 1966/71 as obligations coming due between 1952 and 1954, which is when they become bank-eligible obligations. . . . There seems to be no reason why there should be liquidation of the outstanding marketable issues in order to take on the non-marketable obligation. . . .

**The short- and intermediate-term redemption values are not favorable enough to warrant selling of corresponding maturities of the outstanding securities. . . . This is the bracket in which selling might have taken place if the new offering terms had been more advantageous. . . .**

Although the return on the non-marketable issue is more attractive than the yields on outstanding securities, if held to maturity, this feature is not likely to bring about liquidation of the longer-term marketable obligations. . . .

### PROBABLE BUYERS

Considerable talk is being heard about minimum subscriptions only, but not too much stock is being put in this kind of thinking because it is believed that most investors will go in for as many bonds as they will be allowed to buy. . . . Commercial banks with savings deposits according to reports, will be among the important buyers of the new issue, despite their apparent distaste of a non-marketable obligation. . . . This should take away some of the funds that have been going into the 2¼s due 1956/59 and the 2½s due 1956/58 and Sept. 15, 1967/72. . . . Trust accounts, according to reports, will be among the sizeable buyers, with corporate obligations likely to be affected more by these purchases than Treasury issues. . . .

### CREDIT CURBS POSSIBLE

There is a feeling that the powers that be have set a definite pattern for future financing in the non-marketable issue and this has taken many sellers of the marketable obligations out of the market despite prevailing high prices and good-sized profits that could be realized. . . . Marketability means more to them at this time. . . . The early redemption values of the new issue give no clues as to the extent of the rise in short-term rates, other than to indicate it will be a slow, gradual process. . . . While the Treasury states that the funds raised from the sale of the new non-marketable obligation will be used in the financing operation of September and October, there is some question as to what is likely to take place. . . .

**In some quarters, the opinion is held that in addition to cash payment of notes not refunded, there will probably be some credit restrictions instituted, with the proceeds of the new bond issue.**

## Securities Salesman's Corner

By JOHN DUTTON

### IF SECURITIES DEALERS WEREN'T BUMPING THEIR HEADS AGAINST A STONE WALL, WHAT WOULD HAPPEN?

(Continued from page 3)

it was no longer necessary that only retail organizations which have been properly vaccinated with NASD serum should be invited to get on the band wagon and go to work. On the Chicago Transits this freedom of action allowed EVERYBODY to get in there and push. And did you read the selling literature that was distributed by the syndicate members on the Transit issue? Here was a demonstration on how to forcefully present the salient features of an issue so that the public could GET IT instead of the usual gibberish we have had to mail out ever since the SEC has had a whip over our necks. And last, but not least, for the first time since Roosevelt flipped a coin with Morgenthau to establish the price of that yellow stuff which is now so popular with our cousins across the sea INDIVIDUAL INVESTORS COULD BUY A BOND THAT OFFERED AN ATTRACTIVE YIELD—THANKS TO TAX EXEMPTION.

**Here then are two smashing examples of what can be done if the securities industry is given an opportunity to function as it should. Over regulation—unsound discretionary powers of regulatory bodies—NASD monopolistic provisions against non-members—and prohibitive taxation upon bond interest and equity income are the reasons why America's production plant finds it difficult to attract the savings of our people so that more and better things can be had by all of us, both workers and owners alike.**

But the New Deal philosophy which still prevails in the executive department of our government is determined to play into the hands of the radicals and all those who do not have faith in our free enterprise system—either because they don't understand the dangerous long-term implications of such a policy or don't give a damn as long as expediency brings in the votes.

**For those in the financial world who should know better to say YAH to these heresies is not only unsound procedure for the securities industry but is bad morals and bad Americanism as well. Bumping our heads against the same old wall will never solve this vital problem—you can be sure about that.**

## North and South American Stock Exchange Activities to Be Compared

**Delegates from Latin America, Canada, and United States meeting in First Hemispheric Stock Exchange Conference in New York on Sept. 15.**

Delegates from nine Latin American countries, Canada and the United States will meet in N. Y. City beginning Monday, Sept. 15, in the First Hemispheric Stock Exchange Conference. The four-day conference of financial leaders is being sponsored jointly by the Inter-American Council of Commerce and Production, which has its headquarters in Montevideo, Uruguay, and the American wing of the organization, the Inter-American Council of the United States. The plenary sessions of the conference will be held at the Plaza Hotel, while other conference activities will be held at the New York Stock Exchange, the New York Curb Market, and the Chamber of Commerce of the State of New York.

The conference, which has been described as exploratory, will deal with matters of mutual interest to stock exchanges throughout the Western Hemisphere. Among the topics in its agenda are "Stock Exchanges and Free Private Enterprise"; the "Position of Stock Exchanges in the Economy of the United States," and technical and financial aspects of exchange operations in the various countries of the South American Continent.

**Latin American Exchanges to Be Described**

Among the speakers who will participate in the conference discussion are: Francis Adams Truslow, President of the New York Curb Exchange; Emil Schram, President of the New York Stock Exchange; and James S. Kemper, President of the Inter-American Council of Commerce and Production. Latin Americans who will deliver talks on the operation of stock exchanges in Latin America include Senor Jose P. Hernandez, President of the Bolsa de Comercio of Buenos Aires, and Senor Tomas Eduardo Rodriguez, President of the Bolsa de Comercio of Santiago, Chile.

Guest speakers during the course of the meeting will be James Wright, director of the American Republics Division of the State Department, and Hon. William L. Thorp, Assistant Secretary of State for Economic Affairs and United States Representative in the Economic and Social Council of the United Nations.

The conference will also have observers from several important agencies, such as the International Bank for Reconstruction and Development, U. S. Department of the Treasury, U. S. Department of Commerce, Federal Reserve Bank of New York, the Securities Exchange Commission, the Export-Import Bank of Washington, the Department of State and the Pan American Union.

# A Challenge to Labor

By PHILIP MURRAY*

President CIO

**Labor leader charges profit-hungry capitalists took advantage of postwar confusion to further their selfish interests at expense of country's welfare. Predicts we are headed for severe depression, which can be prevented only by reduction in profits and increase in purchasing power.**

I intend to speak bluntly this Labor Day of 1947 on a subject directly connected with the welfare of millions of persons throughout the entire world.

Philip Murray

When the terrible slaughter of World War II came to an end, many of us thought—and all of us hoped—that a new and better civilization could be built. In this endeavor we expected the United States to lead the way.

Those of us who were weary of conflict and eager for peace and tranquillity hoped that our costly and tragic mistakes of the past would not be repeated when we tackled the job of building order out of world chaos.

Between the beginning and the end of the last war, the United States—whether it intended to do so or not—assumed the role of world leadership. As a result of this, millions of war-weary men, women and children in many lands turned to us for inspiration and guidance. These people felt sure that a nation which could produce such efficient machines of destruction would also be able to chart a true course to prosperity and peace.

Our conception of political democracy and economic capitalism was thus put on trial. The world was little interested in what our speechmakers said about politics and economics. But it was greatly interested in our performances.

How have we as individuals and as a nation performed?

It is about this that I want to speak, and—as I said before—speak bluntly.

**Our Postwar Maladjustments**

Our country came out of the war with a badly adjusted economy. It could not have been otherwise. We had been producing for destruction. Ordinary civilian supplies were low. The millions who had been in the armed forces were returning to a war-weary nation.

It was at this point that powerful men eager for profit and determined to obtain undue benefits for special interests started repeating some of our tragic mistakes of the past.

They began leading the nation along the path that two decades ago carried us to a boom and then into a terrible depression. And they hypocritically attempted to justify their actions by telling the public that *"this is the American way."* They talked about "threats to democracy" and about the "plots to destroy capitalism."

And while they made pretty speeches their spokesmen in Congress started chopping away at measures which had been enacted to safeguard our economy and protect our democracy.

It is interesting today to read the statements that were made just before Congress brought price control prematurely to an end. For example, it was the National Association of Manufacturers, leading spokesman for industry and big business, which said:

"If OPA is promptly discontinued, production of goods will mount rapidly and through free competition prices will quickly adjust themselves to levels that consumers are willing to pay."

The Congress of Industrial Organizations took an entirely different position. We said that the OPA should be continued until production was able to catch up with demand.

**OPA Should Have Remained**

The high prices and enormous profits of today provide convincing proof that we were right and that our opponents were wrong.

I want to say right here—and say *most emphatically*—that the nation is heading toward another depression—a depression that could easily make the last one appear to be only a minor economic setback.

I *am not* saying that another depression is just around the corner. I *am* saying that the present trend of higher and higher profits and smaller and smaller purchasing power must be halted and reversed if we are to avoid economic chaos in the future. Of this you can be certain!

Now let us look at another part of the distorted picture that the special interests are painting for us.

The organized labor movement, a bulwark of democracy, grew rapidly and performed efficiently during the war. Immediately thereafter it became the target of a campaign of destruction. Those who led the drive against the unions were in the main those who are responsible for our unhealthy price-profit situation.

**Hypocrisy About Wagner Act**

I believe I will be forgiven if I am somewhat bitter about the hypocrisy that accompanied the drive to get rid of the Wagner Act and saddle organized labor with unreasonable legal restrictions.

Luncheon speakers and editorial writers told the public that there no longer was a need for the Wagner Act. They said that business and industry had learned its lesson—that they were now willing to accept the idea of free collective bargaining. They scoffed at the idea that employers would coerce or intimidate workers who became interested in unionism.

While this was going on, organizers assigned to the CIO's Southern membership drive were being brutally beaten and jailed on unconstitutional charges *simply because they were union organizers!* Hundreds of workers were demoted or fired outright because they joined unions. Dynamite charges were set off in two towns in an effort to break up union meetings.

Twenty-one of our representatives connected with the membership drive have been physically assaulted. Two were shot at and their car set afire.

The 21 who were beaten, the hundreds who were fired or demoted, and the millions who were associated with them through the CIO knew that something even stronger than the Wagner Act was needed—and needed badly.

But what did we get? We got the Taft-Hartley Act, a strong piece of legislation designed to weaken if not destroy labor unions.

This Act, hailed by spokesmen for the special interests as something of a cure-all for our labor-management ills, was designed to take away many of the gains labor had secured over the years through free collective bargaining.

Here again is revealed the hypocrisy of those who fight the nation's working men and women.

The Taft-Hartley Act became law as a direct result of a heavily financed political action program designed and executed by business and industry.

Yet the Act itself is designed to curtail the political action program of the Congress of Industrial Organizations and all of organized labor. It even goes so far as to attempt to silence the labor press on matters relating to politics.

Let me draw the picture a little clearer.

Those responsible for the Taft-Hartley Act said in effect: "Through our own political action we will make the unions weak and ineffective. We will keep them that way by sharply limiting their political activity."

This obviously is so unfair and undemocratic that further comment is not needed.

It is because of things such as I have mentioned that American working men and women celebrated Labor Day in a fighting mood. They are determined that their unions will not be weakened or destroyed. They are determined to change the anti-labor complexion of Congress. They are determined to wipe the infamous Taft-Hartley law from the statute books.

Their determination is being translated into action—into democratic action—into political action.

When I say this I am not talking alone about the CIO and its members. I am talking about the great mass of working men and women who have become convinced that they are being squeezed economically and pushed around politically.

They are tired of having our nation set a poor example for the rest of the world. They want a high standard of living for the many—not a high margin of profit for the few.

They want better homes, better working conditions, improved medical care, adequate educational facilities and real opportunities for advancement.

And these things they shall have if they will use their full economic and political strength wisely.

American labor could face no greater challenge—and no greater opportunity—on this Labor Day of 1947.

*An address by Mr. Murray over ABC network, Sept. 1, 1947.

## Increase in Price of New Jersey Newspapers

On Sept. 2 the Newark, N. J., "Evening News" announced that the price of the paper, previously 4 cents a copy, would be 5 cents effective as of that date. The announcement said:

"The increase is made necessary by steadily rising publishing costs. The decision has been delayed as long as possible. The action is taken in order that we may continue to produce the kind of paper that will warrant the patronage and confidence of our readers."

The "Herald News" of Passaic, N. J., similarly announced on Sept. 4 that beginning Sept. 8 the price of the daily would be increased from 4 to 5 cents per issue.

## John B. Daly Now With Kneeland & Co. in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John B. Daly has become associated with Kneeland & Co., Board of Trade Building, members of the Chicago Stock Exchange. Mr. Daly in the past conducted his own investment business in Chicago under the firm name of J. B. Daly & Co.

# Argentina Reflects Prosperity of War Years

By JOSEPH W. ROWE*
Vice-President, Irving Trust Co., New York

**With trade balance in 1946 most favorable on record, Argentina is enjoying a period of inflationary prosperity, with ineffective price controls and deficient internal transport system. Banks have now become agencies of the Government central bank and no change in official exchange rates is in sight. Present Government's policy is to acquire foreign-owned utilities and railroads, but foreign capital is welcome in concerns partly Government owned.**

Present conditions in Argentina reflect the prosperity of the war years. Activity continues high and there is so far no sign of a tapering off. The long-range economic position is much improved with a more balanced economy than ever before resulting from the broad industrial development of the war years. There is almost no foreign debt, and gold holdings are heavy. Suggestive of the general well-being is the fact that the average new life insurance policy has increased from 7,000 to 11,000 pesos.

Joseph W. Rowe

As in most other parts of the world, inflationary forces, influenced by high circulation and scarcities, are at work.

### General

The favorable trade balance for 1946 was the highest on record. There is general expectancy that this favorable balance will continue. Generally speaking, production of basic products is normal. A corn crop roughly estimated at 8 to 9 million tons will shortly be harvested. Inventories not only are not heavy but in most imported goods are said to be under normal. Collections are good. Failures are not abnormally high. Profits, except perhaps for the farmer and stockraiser who sell at fixed prices to the government purchasing and exporting agency which will be described later, continue high. While prices of real estate are very high, the market reports relatively little speculation and no undue amount of construction. There are no rent ceilings on new buildings and new space is said to cost about double the price of that under ceilings. Office and living quarters are extremely difficult to obtain.

Notwithstanding efforts taken to make price controls effective, the results have been mostly negative. As a consequence, a fairly broad black-market obtains. Drastic legislation has just been adopted to punish price offenders and speculators. A composite estimate is that the cost of living during recent years has increased about 85% and is running ahead of real wages. For this reason, there is more or less continuous labor unrest and frequent strikes. Labor looks for shorter hours and increased real wages. There seems to be a labor shortage in most lines of endeavor but it is hoped that the immigration program which is now under way will help to alleviate this situation.

### Financial Developments

The internal transport system and equipment are deficient and badly worn, with strong efforts being made to secure new equipment abroad. Port congestion is causing many headaches as it now takes merchandise about two months to clear after arrival of the steamer. The general feeling is that this situation will only slowly right itself, it being thought that real improvement depends basically on additional port facilities.

In the field of finance, the most interesting development has been the new banking law under which commercial banks became agencies of the central bank. The law provides that all deposits are received for the account and risk of the central bank; that a bank cannot loan in excess of its capital and surplus without the permission of the central bank although all loans are at the risk of the commercial banks. As far as the public is concerned in its dealings with banks, no change of any kind has taken place. The new system seems to be working smoothly. As the central bank grants satisfactory compensation for the services which its agents perform, profits are good. Banks are strong. Commercial demand for money is brisk. Commercial interest rates range from 5% to 6% per annum. No change in the official exchange rates is in sight.

A point of strength in the financial field which is worthy of mention is that during the inflationary war years no mushroom development of small banks and financing companies occurred such as happened in many other countries.

One concern of the market today is the perpendicular rise of common stocks, it being reported that in recent years the general average of stocks has risen several hundred percent. The market is still going up. The most common explanation of this phenomenon is high profits and plethora of stock dividends.

### Exchange Position

The gold and exchange position totals around 5 billion pesos, there having been some shrinkage since the high point of September, 1946 when it was approximately 6 billion pesos. This is said to be due to heavy spending, mostly for government account, to pay for needed imports and the purchase of the telephone system. After the payment in June of £150 million for the British-owned railways and after allowing for anticipated exchange receipts and disbursements, the best guess is that the remaining total gold and exchange holdings may then be about 3 billion pesos. Although holdings of dollar exchange are believed to be shrinking and it is expected that the trade balance with the United States will in all likelihood continue to be unfavorable, there is reason to believe that there will be no hesitation in selling gold if necessary to meet commercial needs. It is the opinion of the market that continued high exports at favorable prices assure ample foreign exchange for some time to come. If grain production in Europe becomes normal, foreign exchange availabilities may, of course, shrink sharply, which might make necessary restricted imports and/or sale of gold. There is a broad general control, not only of imports, but also of exports and exchange.

### Five Year Plan

With the declared desire to strengthen her own economy to permit her to play her full part with the rest of the Americas in the event of another world war, Argentina has embarked on an ambitious Five Year Plan for public works, transport, power plants, public health, immigration, etc. to cost 6,790 millions of pesos. It is hardly beyond the blue-print stage yet, although colonization efforts have already begun. Expert advice has been called in and it is reported that the plan (which can only be realized slowly due chiefly to difficulty in obtaining equipment) will be scaled down. It is the announced purpose of the government to finance this plan with the profits of the Instituto Argentino de Promocion del Intercambio, otherwise known as "Iapi". This government owned entity is purchasing all of the exportable surplus of grains, meats, hides, vegetable oils and seeds—in fact the major exportable products other than wool — and is realizing a large profit from their resale abroad. Profits for 1947 are estimated by the government at 2 billion pesos. One of the weaknesses of the Five Year Plan, as pointed out in some quarters, is that a year or two of normal cereal production in Europe may cause these profits to fade quickly. "Iapi" is said to have already commited itself for purchases abroad (a long list of articles must be imported through it) to the extent of about U. S. $350 millions although it is reported that new orders are now being placed sparingly. It is too early even to guess how this program may be implemented or what the results will be.

### Government In Business

It is the declared policy of the government to acquire foreign-owned utilities and railways on a basis of fair payment for the properties purchased. Other activities of the government in the field of private enterprise are purchases and sales of exportable surpluses such as those described above, control of importation of certain products, banking and petroleum. It is not known that the government contemplates entering any other field of business activity.

Foreign capital is welcome but emphasis today is placed on the creation of new industries involving a mixed company owned partly by the government and partly by private capital, foreign and domestic.

### Composition of Imports

So far as imports are concerned, the broad development of industry during recent years, and contemplated by the Five Year Plan, is swinging the demand away from consumer goods to machinery and industrial equipment. The types of goods most likely to be in demand from the United States are machinery, raw materials for manufacturing, transportation equipment, chemicals and certain consumer goods.

*This is one of a series of reports on conditions in South America prepared by Mr. Rowe, who visited Argentina earlier in the year.

## McNear & Willard Formed

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — McNear & Willard has been formed with offices in the Russ Building. Partners are Fred W. McNear, Edward H. McNear, member of the San Francisco Stock Exchange, and Robert H. Willard. Mr. Willard has recently been with J. Barth & Co. and prior thereto was a partner in Wm. Cavalier & Co. and H. R. Baker & Co. The others were partners in McNear & Hoelscher.

# Radio Advertising

By ROGER W. BABSON

**Mr. Babson discusses consumer reaction to "commercials" on radio and concludes newspaper advertising as "visual teaching" is more effective than auditory. Sees buyers' market developing, along with more and better advertising.**

A recent survey shows that a majority of the consumers feel that advertising, in general, is better than it was five years ago. They also agree that higher sales through advertising can result in lower prices. From this survey, it seems clear that the public fully believes in displaying the product but often dislikes the way in which it is presented.

Roger Babson

Over 50% think good taste frequently is lacking. Only a minority feel it worth their time to listen to radio commercials. Even a high broadcasting official has admitted that radio broadcasters had permitted "advertising excesses." The radio station which put on over twenty-two hundred "commercials" in one week (of 19-hour days) is an unusual example. It shows, however, why a public might well become "fed up" with the trend.

### Consumer Reaction

Sometimes, consumer distaste is revealed in the purchase of some gadget, such as I read about not long ago. By pressing one of two buttons of a remote control switch it will eliminate all sound from your radio for a portion of a minute, a minute or thereabouts. Just long enouugh to avoid the commercial. It is said that over 900 of these were sold the first week they were on the market!

Sometimes the representatives of the people have to go to work to protect them. Federal Trade Commission decisions are usually upheld by the U. S. Circuit Court of Appeals to protect the public from products and services which are not what they seem from advertising. Some people think that the Federal Communications Commission should become active in improving the quality of radio programs. Others feel that a product's radio commercials might be changed for the better by a sort of boycott or refusal to buy on the part of large women's clubs or organized groups of business women. Unpleasant publicity from a group representing the largest buyers of home commodities might bring drastic action.

### Comparisons

I am not an expert on advertising but I do know something about statistics. My studies lead me to believe that the pulling power of radio advertising is overestimated. Personally, I had rather invest in the stock of almost any newspaper than in the stock of most broadcasting companies. Naturally, I would prefer a company which both owned a good newspaper and a good broadcasting station.

A newspaper advertisement is available all of several days to the family reader. On the other hand, the radio "spot" must be caught on the fly at a certain minute of a certain day on a certain station—or be lost forever. In order to compare the amount of time an ad is available to the public in the two fields we might take as example a weekly newspaper with a circulation of 5,000. Multiply the number of minutes which the advertising is available to its readers (say 10 hours a day for a seven day week) by the 5,000 circulation and you get 21,000,000 minutes. Along the same line of reasoning, a one minute radio commercial would need to have a possible audience of 21,000,000 people to equal the pulling power of the little weekly of only 5,000 circulation. Yet a good sized radio-network may claim no more than a maximum potential listening audience of 10,000,000.

### Conclusion

Visual teaching is more effective than auditory. At least, this seems to be a movie industry claim. Newspapers have the visual appeal. They are especially good for presenting "name" trademark products. One suggestion I would make is that advertisers use larger type and fewer words. The use of color is especially promising. Almost 400 newspapers are now printing two-color advertisements. Over 150 are printing three-color ads. Color ads in newspapers "stop" the reader many advertising experts think.

For the past three months a "buyers market" has been developing. More advertising and better advertising are again becoming necessary to interest the customer. But, with a U. S. population increase amounting to over 9,000,000 since 1940, business also has an enormous new market to sell. It should be able to meet the challenge of good old American competition with bounce and with pleasure provided the newspapers, both large and small, are fully utilized.

## Australia Sells Gold to Britain

Australia has sold 150,000 ounces of gold to the United Kingdom. In announcing this Prime Minister Joseph B. Chifley said that during the depression Australia had to part with practically all her gold reserves to meet overseas obligations. During recent years the Commonwealth Bank had begun rebuilding the gold reserves by purchasing and holding current production. The government and the Commonwealth Bank would like to have continued the policy of gradually rebuilding Australia's gold reserves, but the current dollar situation was so serious that it had been decided, for the time being, to sell current gold production to the United Kingdom as a special measure of help in her present difficulties.

### Large Savings From Import Cuts

A saving of $10,500,000 in the current trade year is expected by Commonwealth officials following the announcement of a long list of import embargos and quantity restrictions on goods from dollar countries. Officials say that most of the goods affected can be either manufactured in Australia or imported from "soft" currency sources. One of the principal effects of the ban is likely to be an intensification of the labor demand in local production. Most contracts already made for the supply of goods on the banned list will be allowed to be fulfilled. Some clothing trade men say that huge imports of Britain's cotton piece goods and other textiles will be essential to meet the shortages caused by cuts of dollar imports.

# Keep Up Selling Activity to Avoid Depression!

By PAUL G. HOFFMAN*
Chairman, Committee for Economic Development
President, The Studebaker Corporation

**Laying cause of economic instability to fluctuations in market demand, Mr. Hoffman stresses importance of maintaining and expanding sales activity as a means of moderating any future depression. Says continued willingness to spend and invest, combined with application of power and machinery to increase production, can moderate a depression, but denies there is any magic formula to prevent peaks and valleys in business activity.**

Early in 1943, Scott Fletcher, speaking for the Committee for Economic Development, addressed the New York Sales Executives' Club and urged you as members to join CED in challenging a notion which then prevailed that immediately following V-J Day, there was certain to be substantial unemployment. Predictions were being made quite freely that when peace came, from eight to 10 million war workers would be walking the streets looking for employment. I spoke at one forum at that time at which a very prominent labor leader predicted a minimum of 19,000,000 unemployed. This idea, that large scale postwar unemployment was unavoidable, was exceedingly dangerous. Of and by itself, it tended to create unemployment by promoting a donothing attitude and it also provided the collectivists with an excuse for proposing a group of radical measures aimed at intensifying peacetime government controls over our economy.

Paul G. Hoffman

Mr. Fletcher urged that instead of accepting this notion of unavoidable pastwar unemployment, we should get busy at once and make plans not only for the quick reconversion of our enterprises from wartime to peacetime activities, but also for a substantial expansion of business far beyond any peacetime levels previously reached. He urged that the Sales Executives' Clubs in the country, in addition to their general support of courageous postwar planning take on the particular assignment of training sales executives for their enlarged responsibilities. The magnificent performance turned in by the Sales Executives' Clubs should be a source of continuing gratification to you. Your activities in the sales field were matched by similar activities on the part of thousands of other businessmen in production, engineering and finance. Many national organizations in addition to CED, and hundreds of local organizations also, gave their full support to the campaign to combat postwar unemployment. You know the results—employment today is at a level that none of us would have dared predict even two years ago.

Today, I'm going to ask the members of the New York Sales Executives' Club to join CED in combating another dangerous notion—that a great depression in the early '50's is unavoidable. When you think it over, the implications of such a notion are terrifying. Who can doubt that a great depression would put our free economy in a most hazardous position! And if our free economy goes, our basic freedoms go with it. All this could happen without any direct vote on the part of the people on the issue of freedom versus dictatorship. We would slip into a dictatorship by voting for measures that would have great appeal during a period of mass unemployment. For example, with millions out of work, there would surely be pressure on the government to guarantee jobs for all. Such a proposal sounds plausible, but only a totalitarian government controlling all enterprise could make good on it. It is not only internal hazards that a great depression would create—there would be hazards from the outside as well. Russia today is eagerly awaiting signs of collapse. They know that their ideology gains adherence only when chaos prevails—when people are confused and desperate.

*An address by Mr. Hoffman before the Sales Executives' Club of New York, New York City, Sept. 9, 1947.

### Cause of Economic Instability

Before we can intelligently consider measures aimed at moderating the boom-bust cycle, we should try to determine what makes our economy unstable. The answer is simple. Instability in our economy results from instability in effective market demand. But the answer to why market demand is unstable is not simple. It is very complex indeed. Market demand for goods and services is, of course, made up of the combined demands of individual customers, business firms and governments. At any given time market demand depends upon (1) how much cash or credit is available to customers, businessmen and the government, and (2) how much of that cash or the proceeds of that credit they are willing to spend for goods or to invest in business assets.

That is clear enough, but involved in the determination of how much cash and credit is available to customers and business firms are such "minor" matters as income distribution, tax policies, credit policies, and the status of international trade. Involved in the determination of how much cash and credit is available to the Federal Government are decisions of the executive branch and of Congress.

### Willingness to Spend and Invest

Complex as are the problems dealing with the matter of availability of cash and credit, they are nothing as compared with those which determine the willingness of customers and businessmen to spend and invest. Here we run directly into psychological factors. Individual customers quite often have enough cash or credit to keep market demand stable but are not willing to spend this cash or credit. Paradoxically, this question of willingness of customers to spend becomes a more significant factor with every increase in our standard of living. When you give thought to it, the reason is obvious. If most of us are just barely able to earn a minimum living, we will have little choice as to what we buy or when we buy it. Our money will go for food, clothing and shelter that we have to have regularly. On the other hand, the more money we have beyond what we must use for basic needs, the more chance we have to choose what we buy and the larger the number of purchases which we can postpone—and aften do, even if we have money in the bank.

What is true of the individual buyer is true of business. Business can also postpone its purchases. Modern competition makes business put more and more of its money into capital goods—buildings and machinery, office and store equipment and inventories—to make possible low-cost production and to provide the values and services which buyers demand. If businesses do not make such purchases, the savings of both individuals and businesses cannot find their way into the stream of active, creative capital. But businessmen will make investments in such capital goods only if there is promise of a reasonable profit; so these purchases are postponable. When chances of profit are dreary, they are often put off even though ample cash reserves are on hand.

It is against the background of these various factors which influence market demand that we must develop a program to moderate its fluctuations. The program must recognize, of course, the necessity of maintaining adequate purchasing power, but it must also take into full account the importance of giving individuals confidence in the continuity of their incomes, and businessmen, confidence in the prospects for continued profitable operations.

While we are seeking for measures to minimize the instability of our economic system and thus correct its weaknesses, we must constantly keep in mind that its strength lies in the natural lusty vitality. That we must not lose. Otherwise, we may end up with a stabilized poverty so characteristic of the tired, regimented, old-world economics.

### No Magic Formula

Now comes the $64 question. What kind of a program can we get under motion that will yield us dynamic stability? Perhaps you will agree with me that the complexities of the problem are such that (1) it will take the collective wisdom of all of us—government, business, labor, agriculture and the educators—to help us work our way toward our goal; and (2) there is no money magic, no one formula, no one cure for the boom-bust cycle. Nevertheless, if we fail to check a climactic boom or if we have a disastrous depression, it will not be because of an act of God or a convulsion of nature. It will be because of the acts of men—American men, American leaders—you, and other men like you. Looking backward, we can see that all past depressions were caused by things men did (things which they could have refrained from doing) and by things they failed to do (which they could have done). This being so, if men act more sensibly in the future than they have in the past, fluctuations in the business cycle can be moderated. There is no excuse for either violent booms or busts. By adopting appropriate measures, the drop between the peaks and valleys can, I believe, be held to fluctuations of 20%, or perhaps 15%. We can live with that; we cannot live with a fluctuation such as that which took place between 1929 and 1932, when business volume dropped more than 50%.

To achieve this goal of reducing the range in fluctuations from 50% to 15%, we will have to have action on many fronts. We will have to recast our tax structure so that it tends to promote stability rather than instability, as it now does. We should also give thought to stabilizing the availability of credit so that those who are entitled to it can get it when times are somewhat tough, as well as when times are good. In the past, as you well know, it was possible to get too much credit when you didn't need it and very little when you did. There are also opportunities to promote stability in the management of the public debt, through timing in the construction of public works, the administration of social security, and the regularizing of employment, as well as in various other areas, some controlled by government, some by businessmen, and some by others. However, if we are to win our battle against depression, there is one part of the program the responsibility for which rests squarely upon sales executives.

### Intensive Use of Power and Machinery

Our productiveness and consequent high standard of living are dependent upon the large-scale, intensive use of power and machinery. It is obvious that we cannot have more goods for more people by reverting to horses and to hand tools. Yet, we fought the last depression in part by setting millions of men at unproductive work—WPA leaf raking—and by spreading the work in factories so that a larger number of workmen would produce a smaller amount of merchandise.

The steam and electric power and the machines of production have their counterparts in the advertising power and mass selling essential to the distribution of billions of dollars worth of merchandise. We know that we cannot distribute the products of mass production by reverting to peddlers' carts and handbills. Yet many businessmen started fighting the last depression by cancelling advertising and by firing salesmen. As an example of how drastice were those cuts in advertising expenditures, I call your attention to these two bound volumes of the "Saturday Evening Post," one for the last quarter of 1929, the other for the last quarter of 1930.

### Keep Up Selling Activity

Here is what we must not forget. During the first stages of every depression there is ample purchasing power. Individual consumers and businesses have vast needs and money to pay for much of what they need. But, as I have pointed out, a large proportion of those purchases are postponable. And they will be postponed if selling and advertising support is curtailed. Then there will be a shrinkage in willingness to buy far in advance of and far exceeding the shrinkage in ability to buy. This should not happen. When depression threatens, it is up to the sales executives of America to intensify—not reduce—market pressures and thus keep the will to buy alive in the hearts of American business and consumers.

It will take courage for you and your associates to continue your advertising and to maintain your sales forces when the storm clouds begin to gather. You will be told that in order to maintain profits a sharp pencil must be used on advertising schedules—that that is the quickest and easiest way to save 10, 50 or one hundred thousand dollars. I suggest that you reply that many a business has been stabbed to death by such use of a sharp pencil.

It should always be remembered that one man's expenditure is another man's income, and vice versa. Every cut in expenditures is a cut in income—and a cut in selling expenditures results in a double cut in income. First, those who would receive as income the money paid out do not receive it. Second, and more important, certain sales are never made because of the selling pressure that was never applied.

It is a good sign that at present we are not spending extravagantly and that during recent years selling and advertising expenditures in relation to national income have been the lowest on record. This is as it should be, provided businessmen are prepared to spend some of the money they are saving now when the going gets tough.

One factor which has contributed to under-spending for sales and advertising in periods when business is hard to get and overspending in good times is the emphasis sales executives themselves have placed on maintaining a fixed ratio between advertising and sales expense and sales volume. Whether it is 3% or 30% that is the criterion, the figure takes on mystical importance. Actually, we do not move merchandise with percentages—we do it with dollars. Theoretically, if we wish to stabilize sales volume, it is dollar expenditures, not expense ratios, that should remain constant. There are times, of course, when this is impractical, but I do urge that we get away from the tyranny of percentages. I suggest instead that profit considerations should form the basis for our judgment as to appropriations for selling and advertising expenditures. We should allocate that amount which will produce the most net profit. That might well be 1% in one period and 5% in another.

The time to prepare to fight a depression is before it starts, so right now is the time for you to sell top management and boards of directors on the soundness of a reasonably stable program of sales and advertising expenditures. It will be too late when some unforseen incident precipitates the type of hysteria we experienced after the stock market crash of 1929. You must convince them now, in advance of the need, that it is not smart to try to fight a fire by rationing water and sending half the fire company back to the station because we are "conserving" half the available water.

Make your plans now and get an agreement on sustained advertising and selling in splite of hell and high water. The scores of thousands of executives who planned and worked to take up the slack of demobilization of 20,000,000 war workers and 10,000,000 soldiers, and who helped create 60,000,000 jobs without government guarantees or other socialistic expedients, can help prevent the next depression—and I believe that they will do their full part.

## With Martin, Burns, Corbett

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—James T. Doyle has become associated with Martin, Burns & Corbett, Inc., 135 South La Salle Street. He was in the past with the Chicago office of Stifel, Nicolaus & Co., Inc.

## With Continental Secs.

(Special to THE FINANCIAL CHRONICLE)

GRRAND RAPIDS, MICH.—Donald J. Frans has been added to the staff of Continental Securities Co., Inc., People's National Bank Building.

## Herrick, Waddell Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Harry L. Martin is now connected with Herrick, Waddell & Co., Inc., 418 Locust Street.

## Joins Newhard, Cook Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Roland J. Jones has become affiliated with Newhard, Cook & Co., Fourth & Olive Streets, members of the New York, St. Louis, and Chicago Stock Exchanges.

## Two With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Charles J. MacKeen and Edward M. Ziemba have joined the staff of Slayton & Co., Inc., 408 Olive Street.

# Holds Marshall Plan Essential Curb to Russia

**NPA International Committee says cost and sacrifice will not be too great to fend off disaster of extension of Soviet power in Western Europe. Denies that we cannot afford it, that it will give new impetus to domestic inflation, or that it will strengthen Socialist government throughout Western Europe.**

The Committee on International Policy of the National Planning Association, headed by Frank Altschul, Chairman of General American Investors Company, has issued a statement on "America's Vital Interest in European Recovery," in which full support is given to the Marshall Plan. After discussing considerations taken up in the forthcoming report of Committee appointed by the Paris Conference to draw up a plan for European recovery, the report states:

When the delegates to the Paris Conference have submitted their report, it will be our turn to act. What conclusions will be reached it is not yet possible to predict. Neither the extent of the European effort, nor the character or quantities of goods or services we may be asked to supply, can be more than vaguely surmised.

Yet even now a few general observations can safely be made.

(1) Any plan wisely conceived must be on a scale adequate to assure the greatest possible chance of success.

(2) The net deficit which the United States will be asked to meet will extend over a period of years but will diminish from year to year.

(3) The amount of this net deficit in the early years of the plan will in any event be considerable.

Ignorance of the precise nature of the obligations we shall be called upon to assume has not deterred certain elements from laying the groundwork for a violent attack on whatever program our government may decide to recommend. Opposition has reached the ridiculous extreme of attempting to frustrate any effort by the State Departments to awaken the public to the critical nature of the choice which lies ahead. It is urgently necessary, therefore, that those who hold the conviction that the security and welfare of the United States is at stake should speak out with no further delay.

For this is not a casual matter. It is the most momentous issue to come before the people and the Congress since we were last preoccupied with the question of Peace or War.

### Arguments in Opposition

The opponents of any further substantial participation by the United States in European reconstruction have so far advanced three main arguments:

(1) That we cannot afford it.

(2) That it would give a new impetus to domestic inflation.

(3) That it would strengthen Socialist governments throughout Western Europe.

The answer to the first argument, briefly stated, is that we can afford anything better than to allow Western Europe, in deepening distress, to fall prey to Communism and dictatorship. Such a catastrophic development would plunge the world into economic and political turmoil and would threaten the well-being of our people and the integrity of our institutions.

The answer to the second argument is that however great may be the demands made upon us by the nations of Western Europe, the amounts finally agreed upon can scarcely be materially greater than our current exports to these nations. Purchases of this order of magnitude for Eurpean account have already had their impact on the domestic price level. With the exception of certain items momentarily in short supply, it is unlikely that the program in prospect will cause any considerable further increase in the American cost of living. It seems far more probable that it will exercise a sustaining influence on our economy.

The answer to the third argument is that the Socialist experiment in Western Europe, unlike Communism in practice, has involved no infringement upon the civil liberties of the individual. This, from the American point of view, is of supreme importance. Our primary concern should be whether individual liberty is in fact protected, and not whether it finds expression under any particular pattern of economic life. If it is protected in any nation, that nation falls within the area of freedom which, for the preservation of our own liberties, we are called upon more insistently than ever before to defend.

### Gap Between East And West

Men of goodwill are troubled by a consideration of very different order. They detect in recent developments a tendency to accept as unbridgeable the gap between East and West—a tendency which uninterrupted would inevitably undermine the United Nations. At the recent meeting of the three Foreign Ministers, they point out, lines of division were more vividly drawn than ever before. In connection with the program of aid to Greece and Turkey, the Security Council was by-passed. The Economic Commission for Europe was by-passed by the Paris Economic Conference.

These facts cannot be denied. Affairs have taken a turn for which possibly no government bears the entire responsibility. Conscious of this dangerous drift, however, we should do all that lies within our power to arrest it. With this in mind we should, on every appropriate occasion, emphasize as forcibly as possible that:

(1) The United States, desirous of submitting to the United Nations for determination every issue that should properly come before it, is prepared to do whatever lies within its power to place that organization in a position to function in the manner and in the spirit envisaged when the Charter was adopted at San Francisco.

(2) The invitation extended by the United States to the nations of Europe through our Secretary of State was opened to the Soviet Union and to its satellites. It remains open in the continuing hope that the Soviet Union may yet decide to join the Western nations in the peaceful task of European reconstruction.

* * *

But national policy, as previously pointed out, can no longer safely be based on so fragile a foundation as hope alone. Storm warnings are flying, which it would be perilous to ignore. Peace and security may be the true objectives of Soviet policy. But lacking further evidence, we cannot prudently act on the assumption that this is the case. There are too many signs that Russian imperialism is again on the march. And no one can state with assurance what limits, if any, the Soviet Union has placed upon its dominion.

### What Can We Afford?

This is the fundamental justification for the statement made above that we can afford anything better than to allow Western Europe, in deepening distress, to fall easy prey to Communism. This is the fundamental reason why we must promptly take whatever steps may be required effectively to implement the program initiated by Mr. Marshall.

There are urgent humanitarian considerations as well, which appeal to the generous spirit of America. It goes against our grain to see vast numbers of men and women condemned, through no fault of their own, to suffering, malnutrition and idleness. We wish insofar as possible to extend them a helping hand. In this we should be influenced by a consideration of paramount importance. Advances made for the destructive purposes of war were not and, in the very nature of things, could not be repaid. Advances made for the constructive purposes of peace, on the other hand, can in the normal course of events be repaid. For they release the very productive forces which make repayment possible. The greater our success in restoring European productivity, the more secure will become our investment in world peace.

The impelling reason for decisive action at the next session of Congress is enlightened self-interest. If we strike out boldly on the course charted by Secretary Marshall, we may yet succeed in laying the foundation for a world order based on peace, justice and the rule of law. This is our supreme objective; yet, it is not one to be attained as long as tyranny anywhere dominates the actions of nations or of men. Our unique position in world affairs imposes upon us the obligation of leadership. If we will but lead, countless millions in other lands will gladly follow.

Nowhere have we a greater opportunity for democratic leadership than in Western Europe where hunger and hopelessness are hacking away at the great principles for which the war was fought. If these twin evils can be removed, one of the chief causes for the spread of Communism will be removed as well. Then free enterprise within a democratic framework will once again be able to demonstrate that it can do more than any other system yet devised to meet the needs and desires of men.

To bring about conditions in which this system may have a fair chance, the arsenal of democracy, which furnished so liberally the sinews of war, must continue for a time to carry the burden of furnishing in adequate measure the sinews of peace. Food, raw materials, manufactured products and technical skills will be required. In meeting these requirements, we shall give practical expression to our determination that the ideals and beliefs for which we fought shall survive. In this manner, we shall make of Western Europe a secure bastion from which freedom may gradually regain in other areas the ascendancy lost in the aftermath of war.

This is the challenging, the constructive task which beckons us. If through hestitation, through lack of courage or vision, we fail to accept the challenge, we shall give substance to the charge so widely circulated by the anti-democratic forces that we cannot be relied upon to back up our words with deeds. In this event, we may witness the extension of Soviet power to the Atlantic Seaboard as the democracies of Western Europe, in an atmosphere of growing despair, yield increasingly to the pressure and propaganda of a despotic police state. This would present a formidable and imminent threat to the welfare and security of the United States. It is hardly an exaggeration to say that it might even presage the destruction of Western civilization.

To fend off any such disaster, no sacrifice is too great. The alternatives have not been overstated, and they point to only one rational conclusion: We must do whatever may be necessary to make our cause prevail. We cannot afford safely or wisely to do less.

# U. S. Atom Superiority Increasing

By BRIEN McMAHON*

U. S. Senator from Connecticut

**Congressional committee member reveals great progress in production of bombs and atomic energy in general. Scores Russians for necessitating our bomb-production.**

You have listened to a discussion of some of the vital issues of our times. Important as they are, important as it is that they be solved, there is a vastly more urgent and vital task in the years ahead.

Sen. Brien McMahon

Whether we will it or not, we are faced with the task of leading the world. The primary duty that that leadership brings is to maintain a just peace. How we discharge that responsibility will determine not only our fate, but that of civilization as well.

I know that some of our people, after the war years, long for relief from the responsibility that leadership brings with it; but we must realize that normalcy, so-called, is not just around the corner and that we cannot go back. It is axiomatic that power and prestige wither and die if they are not used wisely and well, but out of their proper use can come true satisfaction in the realization that we are successfully matching our talents with our tasks—that we have a faith in our destiny and are determined to achieve it.

We should congratulate ourselves that we have been successful in achieving a unity of purpose in foreign policy matters under Mr. Truman. The achievement of that unity in foreign affairs has not been accidental. It has come about because your government has devised and advanced sound programs on matters essential to the keeping of the peace; policies which have inevitably, because of their worth, attracted the support of statesmen, irrespective of party.

Permit me to illustrate. We knew that our achievement of the use of atomic energy raised a new problem of tremendous magnitude. The control of that energy, domestically and internationally, lies at the very heart of the maintenance of peace. We have acted intelligently in a way to command the unanimous support of our people. A control Act was passed a year ago, setting up a Civilian Commission to operate atomic matters here. It is a tribute to the worth of that Act that it received the unanimous approval of the Senate.

We are now making real progress in the achievement of ever greater superiority in atomic energy production, including the making of atomic bombs—bombs, incidentally, which we wish we did not have to continue to make—bombs which we would not be making if the American proposals for International Control had been agreed to by Russia. That those proposals were right and decent and just is testified to by the fact that every nation except Russia has supported them.

Because we have failed to succeed in securing agreement on the control of weapons of mass destruction; because we have seen that Russia is pursuing an aggressive and expansionist policy on every front; because we see that the "Iron Curtain" is becoming ever more rigid, we have become unified in our determination that Russia shall not either by intrigue or by force accomplish the domination of Europe and Asia. We prevented that domination by defeating Fascism at a terrible cost of lives and treasure.

We know that we cannot surrender Western Europe into the control of the Russians. Secretary Marshall's proposal to the European nations, including Russia, that a joint effort be made to put Europe on its feet, was the highest kind of statesmanship. That Russia has refused to participate in that plan is full confirmation of the necessity for its success without her.

I predict that if the countries of Western Europe fulfill the obligation which we have placed upon them—namely, of coming up with a fair and workable plan for their salvation—that the people of America will be behind this Administration, regardless of party, in the measures necessary to make the plan a success.

I have confidence that we will surmount our difficulties and lead the world into a just peace. All human things are ephemeral, I suppose. It may be that this government in whose future destiny we believe so deeply will be found at the sunset of some day to have disappeared. But the principles of Justice are eternal and that government which adheres to them will last forever—forever progressive, ever freer, ever stronger, ever more durable. I believe that with each new development of science, creating vast additions to our wealth, our American system will be found adaptable enough to include them, strong enough to regulate them, and that here will ever flourish the strongest and truest way of life, maintaining institutions which will stimulate patriotism and stand as a beacon light for the oppressed of every land.

*A talk by Senator McMahon over American Broadcasting Co. network, Sept. 2, 1947.

## Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—William H. Leach and Raymond R. Pritchard have joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

## With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Edward F. Rottman has become associated with E. F. Hutton & Co., 160 Montgomery Street.

## Joins Daniel F. Rice & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—Michael W. Sullivan is now with Daniel F. Rice & Co., Roney Plaza Hotel. He was formerly connected with Florida Securities Co.

## With E. M. Adams & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE.—Verling W. Pierson has been added to the staff of E. M. Adams & Co., American Bank Building.

## With Graham, Parsons Co.

Allyn A. Bernard is with Graham, Parsons & Co., 14 Wall Street, New York City.

## F. W. Dyer in Denver

DENVER, COLO. — Fred W. Dyer has formed Fred W. Dyer Co. with offices at 1835 Champa Street to conduct a securities business. Mr. Dyer in the past was head of the Denver Bond & Share Co., but has not recently been engaged in the investment business.

# News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

**Corn Exchange Bank Trust Company of New York** announces the election of Horace P. Bromfield and Donald M Elliman as Vice-Presidents; also the appointment of Franklin A. McWilliam as Assistant Secretary.

* * *

The board of directors of the **Day Trust Company of Boston, Mass.**, announces the election of Franklin Thomas Bigelow as Vice-President and of Francis Blake and William C. Paulson as Trust Officers and the promotion of Harold R. Austin to Assistant Trust Officer. The foregoing is from the Boston "Herald" of Sept. 5, which further said:

"Mr. Bigelow was formerly a general partner in the firm of Sweetser, Sheppard & Deakin and during the second World War was a Lieutenant-Colonel with the General Staff Corps. He was formerly with the Old Colony Trust Company and the First National Bank of Boston."

* * *

George Clarke Bryant, President of the **Ansonia National Bank of Ansonia, Conn.**, died on Aug. 28 at the Lake Placid Club, Lake Placid, N. Y., while on a vacation. He was 74 years of age. The New Haven "Evening Register" reports that he served as the City Court Judge in Ansonia from 1899 to 1911, that he was named director of the Farrel-Birmingham Company in 1904, and in 1918 was made Secretary, a position which he resigned in 1943. The same paper added: "He was President of the **Naugatuck Valley Morris Plan Bank** until 1932, and Chairman of the Ansonia Red Cross for nine years."

* * *

The board of directors of **The Paterson Savings Institution of Paterson, N. J.**, announces a change in the bank's name and charter to permit a broadening of its services, under the name of **The Paterson Savings and Trust Company.** In addition to its former services the bank now offers individuals and industry complete commercial banking facilities.

* * *

John F. McNelis, President of the **North Philadelphia Trust Company of Philadelphia** has been elected a director of the **Commonwealth Title Company of Philadelphia**, it is learned from the Philadelphia "Evening Bulletin" of Aug. 29.

* * *

The directors of the **Industrial Trust Co. of Philadelphia** have elected Robert W. Godfrey Assistant Secretary and Assistant Treasurer of the institution, it was stated in the Philadelphia "Evening Bulletin" of Sept. 5.

* * *

Oliver Stamper, until now attorney for Union Properties, Inc., has been appointed Assistant Trust Officer of the **Union Bank of Commerce of Cleveland, Ohio**, effective immediately, President John K. Thompson announced on Sept. 8. Mr. Stamper will be primarily concerned with rendering corporate trust services to the bank's commercial customers, Mr. Thompson said. While the Union Bank of Commerce was chartered with trust powers in 1938, it did not begin to offer corporate trust services until last year. Mr. Stamper graduated from Phillips Exeter Academy in 1917, Harvard College in 1921, and Harvard Law School in 1924, being admitted to the Ohio bar that year. After practicing law for two years, he joined the Union Trust Co. in 1926. He later was associated with the Union Trust liquidation and since 1938 has been with Union Properties, Inc.

* * *

The election of George A. Bryant, President of the Austin Company as a director of the **Cleveland Trust Company of Cleveland, Ohio**, occurred at a meeting of the directors of the latter on Sept. 4, an item appearing in the Cleveland "Plain Dealer" of Sept. 5 by its Financial Editor, Guy T. Rockwell, stated. The item said that Mr. Bryant has been President of the Austin Co., nationally known construction company, since 1940, when he succeeded the late Wilbert J. Austin. From the item in the "Plain Dealer" we also quote:

"Previously Mr. Bryant had been Executive Vice-President and General Manager since 1930.

"He joined the Austin Co. in 1913 as field engineer of a glass factory in western Canada. He was named District Superintendent for New England operations in 1916 and later that year opened the company's office in Philadelphia as Manager. Just before World War I the company opened offices in New York and Washington and Bryant was placed in charge of both. He was made Sales Manager in 1918 and elected a director in 1922 assuming the duties of General Manager in 1930."

* * *

Promotion of Paul M. Minter and R. M. Lindstrom from Assistant Vice-Presidents to Vice-Presidents of the **National City Bank of Cleveland, Ohio**, and C. R. Holton, Jr., from Cashier to Assistant Vice-President of the bank was announced on Aug. 26 by Sidney B. Congdon, President, according to the Cleveland "Plain Dealer" which indicates that after previous banking experience, Mr. Minter entered the National City Bank in 1924, serving in all its major operating departments. Mr. Lindstrom has been in the bank's service since 1944, while Mr. Holton has been with the bank since 1941.

* * *

**The Central National Bank in Chicago** announced on Sept. 3 that Carl F. Kuehnle had resigned as President and had been succeeded by J. Ross Humphreys, former Administrative Vice-President and Cashier. The Chicago "Tribune" of Sept. 4, from which we quote, added:

"Mr. Kuehnle retains his substantial stock interest in the bank and will continue as a director, the bank said. An illness of several months led to Mr. Kuehnle's resignation, associates said. The bank announced the election as Cashier of G. L. Nelson, who also is Senior Vice-President. Adam Cieciwa was elected Auditor.

* * *

A new state bank, the **Bank of Chicago, Chicago, Ill.**, will open Sept. 27 at Wilson and Broadway. The Chicago "Journal of Commerce" of Sept. 3 in making this known said:

"It has a capitalization of \$200,000, surplus of \$50,000 and reserves of \$50,000. The bank announced that Raymond G. Schmidt, President of George T. Schmidt, Inc., has been elected to replace Marshall Corns who headed the bank in its organization stages."

* * *

**The First National Bank of North Platte, Neb.**, has increased its capital from \$100,000 to \$150,000 by a stock dividend of \$50,000, according to advices from the Office of the Comptroller of the Currency. The enlarged capital became effective August 19.

* * *

R. Foster Lamm, for the past 16 years Vice-President of the **Citizens National Trust & Savings Bank of Los Angeles, Cal.** on Sept. 2 assumed his new duties as President of the Southern County Bank, Anaheim, with branch offices in Artesia, Buena Park and El Monte, according to the Los Angeles "Times" of Sept. 3.

* * *

The election of A. J. Nardi as Vice-President of **Central Bank of Oakland, Cal.**, to head the real estate loan department, is announced by President Dunlap C. Clark, it is learned from the San Francisco "Chronicle" of Sept. 5, which reports that Mr. Nardi has been supervisor of loan development in the head office of the **Bank of America**, and has been connected with the bank for 29 years.

* * *

Carvel C. Linden, who resigned recently as President of the **Second National Bank of Paterson, N. J.**, to become a Vice-President of the **United States National Bank of Portland, Ore.**, took up his new duties on Sept. 2. His election to his new post was noted in these columns July 24, page 340.

* * *

Caspar W. Clarke, recently elected Chairman of the board of the **Pacific National Bank of Seattle, Wash.**, assumes the post left vacant by the retirement on June 30 of George H. Greenwood, according to the Seattle "Times" of Aug. 28 which states that Mr. Clarke joined the staff of the **Pacific National Bank** as Vice-President in 1931 and was named Executive Vice-President in 1936. The "Times" added:

"Seven years after entering the banking field here in 1915 as a bank messenger he was named Assistant Cashier of the **Union Savings and Trust Co.** In 1924 he became Cashier of the **National Bank of Commerce.**"

The election of Mr. Clarke to his new post was noted in our issue of Sept. 4, page 926.

* * *

It is learned from the Seattle, Wash., "Times" that officials of the **Seattle-First National Bank of Seattle**, and the **United States National Bank of Portland, Oregon**, said on Aug. 26 in a joint announcement that the **Clark County National Bank at Vancouver, Wash.**, has been sold to **Seattle First** and would be operated after September 2 as a branch.

The same paper stated:

"The announcement was made by Lawrence M. Arnold, Chairman, and Thomas F. Gleed, President, of the Seattle bank, and E. C. Sammons, President of the Oregon bank. The officials said the present staff of the Vancouver bank would be retained for its operation as the Clark County Branch of Seattle First National.

"Mr. Sammons said ownership of the Vancouver bank, which has been controlled by interests affiliated with the Portland institution, was transferred pursuant to a policy of the Portland bank to confine its operations to the State of Oregon. Under Federal and Oregon laws, the National Bank could not establish branches outside of Oregon, he said.

"Mr. Arnold said Seattle First plans to make the Clark County branch one of its largest operations. Coincident with the acquisition of the bank was election of Horace Daniels, its President, to a Vice-Presidency in Seattle First and his designation as Manager of the new Vancouver branch."

## Norris & Hirshberg Adds

(Special to The Financial Chronicle)

ATLANTA, GA.—George F. Weyman has become associated with Norris & Hirshberg, Inc., C. & S. National Bank Building. He was previously with Hancock, Blackstock & Co.

# On Secretary Bevin's Proposal

(Continued from first page)

"authoritative sources" in Britain could say subsequently was that "the suggestion" has now been thrown open for discussion "although neither the Cabinet nor Mr. Bevin himself has any intention of pressing the suggestion further at present."

Secretary of the Treasury Snyder really went to the heart of the matter when he said: "That's United States gold!" Further comment can be of advantage only to those who are not fully aware of just what is wrong with the Bevin proposal or who do not regard the Snyder comment as adequate.

### Our Small Amount of "Free" Gold

The United States government has little so-called "free" gold at its disposal. Most of the gold held in the Treasury already has claims, as Treasury liabilities, against it. Against the \$21,765,000,000 gold stock of the United States on Sept. 3, the Federal Reserve banks held claims of \$20,534,115,000 in the form of gold certificates. Even the difference, \$1,230,885,000, is not "free" gold at the disposal of Congress, since there are some specific offsetting liabilities in the form of United States and Treasury notes of 1890. The so-called "free" gold, carried in the general fund of the Treasury, was \$1,027,783,071.17 on Sept. 3, but even this is really not free since it is an asset item helping to offset in part other liabilities of the Treasury.

Against the gold certificates held by the Federal Reserve banks, the latter, on Sept. 3, had outstanding \$24,622,738,000 of Federal Reserve notes and \$18,236,215,000 of deposits—a total of \$42,858,953,000 which is more than twice the gold stock of the United States.

Therefore, the Bevin proposal is to the effect that it would be helpful to the devastated areas of the world if the United States would deprive the Reserve banks of their reserves against their notes and deposits and the Treasury of its gold assets against its other liabilities. Such a step would result in a destruction of the value of money, deposits, and other forms of credit in this country. Our money would then be something like that of the Chinese, for example.

Of course the devastated countries would have more purchasing power if they had our gold; there is no money equal to gold in purchasing power unless it is convertible directly or indirectly into gold. But by what process of reasoning does a British Foreign Secretary think it appropriate for him to suggest that Congress destroy the value of our money and credit by distributing our gold reserves to the devastated countries?

Such a proposal suggests, if Secretary Bevin understood what he was saying, that there is no known limit to the extent of the requests which the British government is willing to make of the United States.

### Our Taxpayers' Sacrifices Wasted

The taxpayers of the United States have sacrificed much to help Britain, but the effort apparently has been largely wasted in so far as beneficial results in England under a Socialist government can be measured. Moreover, the reward of the taxpayers of this country apparently has been blame rather than appreciation on the part of Socialist Britain. Now comes a proposal, reaching beyond ingratitude, that we destroy our monetary and credit structure to aid Britain and other devastated countries!

The argument of Secretary Bevin that the United States "handicapped herself and caused high taxation in her own country by failure to redistribute the Fort Knox gold" was so fantastic that commentators could do little but speculate as to what he may have thought was the connection between a large gold supply and high taxes. The most generous type of surmise could produce no basis for any assumption that there is any connection between the two. Perhaps all that need be said is that a small gold supply in Britain did not mean low taxes for her.

If our gold could be distributed abroad "to increase the purchasing power of people in devastated countries," without disaster for us, this still would not be the proper form of aid. The recipients would simply send the gold back to us for more dollars with which to buy our goods and services. It would be simpler, and much less dangerous, to give these countries \$21,765,000,000 of goods. But even that is not the proper answer.

### Stabilization at Real Values Needed

Those countries need to be started on the road to recovery. Their currencies need to be stabilized and anchored to gold at their real (market) value. With sound currencies established production, trade, and investment would tend to take hold. An increase in income and purchasing power should follow as a matter of course. But no currency can be stabilized for long and anchored to gold at a fixed rate unless the government of a country balances its budget and does other related sensible things such as return to free, open, competitive markets, the removal of obstructions to competitive private enterprise, the abandonment of international bilateral agreements in favor of free, competitive international trade, the restoration of natural interest rates, and so on.

Still further, the people of such a country must settle down to hard work and stop trying to live off the earnings of others doled out as charity or as a feature of some social program which involves not increased production but a carving up of the existing economic pie with the consequence that in time all, including the really productive, may soon be hungry and unproductive.

### Unprecedented Proposal by Friendly Nation

Any economist should know that Socialism is destructive—economically, socially, and individually. It may be doubted, however, that any Socialist has ever proposed a more destructive course for a friendly nation than that suggested to the United States by Secretary Bevin on Sept. 3.

It was Lenin who is supposed to have said that "There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency." That is precisely what Secretary Bevin proposed that the United States do to itself "to increase the purchasing power of the people of the devastated countries of Europe."

# As We See It

(Continued from first page)

**term "the Marshall Plan," and the thoughtful observer begins to wonder if the campaign is not beginning to show results which may presently prove about as far-reaching and as injurious as those which followed the use of similar tactics in support of such things as "social insurance," most of the labor legislation of the New Deal era, and much else which was taken to the statute books of the nation from 1933 onwards.**

### Already Becoming Sacrosanct

Apparently, the time has already arrived when doubt about all this which seems to be taking place in the name of the "Marshall Plan" is met in most quarters with raised eyebrows. It has, for all appearances, now become a *faux pas* to begin any discussion of our relationship with Europe, or for that matter, with any other part of the globe, without first saluting the "Marshall Plan." Indeed the matter has gone even further. There is now a "Marshall Gap" (reminiscent of that powerful but nonsensical slogan, the "Inflationary Gap" of anything but sainted memory) apparently referring to the alleged necessity of pouring further untold billions into Europe while the politicians and others debate the "Marshall Plan" — which, according to popular ideas, will naturally be adopted and given effect so soon as small-time politicians can be placated and appeased.

**Yet, what in Heaven's name is the "Marshall Plan"? Echo answers "What?" Some months ago Secretary of State Marshall made certain very vague remarks about international coordination in Europe and the need for it before the United States could go much further in the extension of aid. Many observers in this country were moved to hope that the Secretary had in mind, partly at least, the need for far greater effort on the part of Europeans to help themselves, and, in particular, an amelioration of those production impediments which stemmed from international ill-will and fear. Many European leaders appeared to take the Secretary's words to mean that the nations of Europe should assemble and estimate their own "needs" or "requirements" from the United States, and then to send us something akin to a certificate of necessity covering the area as a whole.**

### Unofficial Reports, but — — —

Unofficial reports are to the effect that American authorities have found their own means of letting the European conferees know that they are interested in what the European countries find that they can do to increase their ability to take care of themselves. It is also said in these dispatches that these same Europeans have been warned rather pointedly that the people of the United States are not likely to sanction further aid to Europe on the scale of lend-lease shipments — an idea which appears to die hard in Europe. Yet despite all this, it must be said that, by and large, the steps taken in Washington and the various outgivings there and among political leaders elsewhere seem to lend very considerable support to the original European notion of the inner meaning of the "Marshall Plan"—i.e. a conception of it which makes it primarily a tool or instrument for getting many more billions from this country.

Again we ask: "What is the 'Marshall Plan'?"

**Whatever it turns out ultimately to be, it appears to carry with it the assumption that the United States of America must in its own defense continue on an almost incredible scale to buy western Europe out of the clutches of Soviet Russia and Communism. It appears to assume that these peoples can be so bought indefinitely with funds (or rather goods) which do not exceed our ability or willingness to give. It appears further to concede that unless such goods are given in large quantities, we shall presently find large numbers of Mr. Roosevelt's favorite apple sellers on the streets again. The wails of anguish that now daily arise from Europe about their lack of and need of dollars, and the fact that some of these countries (as well as some others outside of Europe) have forbidden or reduced the volume of permissible imports from this country, is apparently considered further evidence that we must hasten to provide the wherewithal for these impoverished people to buy in this country in large quantities —or else we shall be in grave danger of suffocation in our own riches.**

Old slogans such as "too little and too late" have been taken out of cold storage and pressed into service. "It is later than we think," shout the apparently carefully schooled propagandists. We must hasten along with the "Marshall Plan," and we must lose no time in filling the "Marshall Gap." Should we fail in either we could not hope to stand erect before the bar of world opinion, and we might as well reconcile ourselves to that collapse that Stalin appears to be waiting for.

Again we ask: "What is the 'Marshall Plan'?"

MEANWHILE:

**The goods which we are told we should be shipping to impoverished Europe in order to keep our economy on an even keel are soaring in price. Export demand added to domestic demand has already resulted in skyrocketing prices and a condition in which the American consumer simply cannot obtain what he wants and has the capacity to pay for at any reasonable price. With some not overly important exceptions, of course, the current supply is simply not great enough to go round.**

MEANWHILE:

British coal mines, already undermanned, and already worked only five days a week, have been suffering from strikes as calmly announced and as calmly accepted as if the British economy were not faced with threatened death and as if the British people were not at this moment living in substantial part upon international charity! The apathy thus illustrated is said by reliable witnesses to permeate the British people who from some accounts at least much prefer the beaches to the shops.

MEANWHILE:

A similar lethargy seems to pervade France whose borrowed dollars have already about disappeared (into the pockets of French citizens and, in many cases, only to remain there) and whose leanings appear to be toward Russia and Russian communism in any event.

MEANWHILE:

There is evident nowhere in Europe any sense of gratitude or any sign of appreciation of our generosity.

Neither does there appear to be the slightest supposition that acceptance of aid from this country carries any political responsibility of any kind.

Current reports carry the strong suggestion that the cynical European is convinced simply that we must support him in substantial part or go broke. So much, apparently, for the insidious propaganda of Mr. Stalin and of some of our own so-called economists!

Again: "What is the 'Marshall Plan'?"

**Had the people of the United States not better wait to find out what the "Marshall Plan" really is and upon what assumptions it rests before permitting themselves to become committed to it?**

# Inter-American Treaty A Milestone

(Continued from page 12)

quences. Additional pacific machinery it to be developed at another inter-American conference in Bogota next January.

Of course, the Security Council of the United Nations will be immediately notified of all such developments and the jurisdiction of the "region" will cease whenever — but not until — "the Security Council has taken the necessary measures to maintain international peace and security," as required by its Charter. I underscore "necessary" measures.

### Maximum Protections

I hope I have made it plain that the new treaty thus throws maximum protections around the peace and security of the inter-American "region" if peace of the "region" is menaced by armed attack from any source whatever originating inside or outside the "region." In other words, this inter-American "region" is the beneficiary of special regional co-operation at all times and under all circumstances of aggression. These two co-ordinated continents thus will offer no hospitality to alien aggressors who, following the usual pattern, would "divide and conquer."

But that is not all. The framers of this treaty were not satisfied to rest content with mutual and co-operative protection against armed attack at our "regional" gates. They took the broader view, consistent with bitter history and repeated experience, that an aggression far beyond our "region"—even on other continents — may potentially threaten our own "regional" peace. They lifted their sights to the horizons of the earth. They meant what they said in that fundamental obligation which I quoted—namely, that any armed attack against an American state shall be considered as an attack against all of them, and they proceeded to spell it out. They said that "if the inviolability or the integrity or the sovereignty or the independence of any American state should be affected by an aggression," even though it not be an armed attack, or "by an intra-continental or extra-continental conflict, or by any other fact or situation that might endanger the peace of America," they will consult immediately in respect to common action. This is all-inclusive. There could not be more complete comprehension. I may say, in passing, that the delegation of the United States was particularly earnest in urging this idea that crimes against peace and justice cannot be confined within latitudes and longitudes. We were anxious that the creation of our "region" should imply no lack of interest in world peace outside the "region," nor condone war crimes against humanity wherever they occur.

I think it is important to make it plain that all these agreements were hammered out on the anvils of full, free and general debate. There was no semblance of dictation from any source. There was no cut and dried advance plan which reduced conference action to the shallow status of an empty formality. At times there was vigorous argument, but always among friends. The ultimate and manifest enthusiasm which greeted the finished treaty is the more eloquent and the more prophetic and the more reliable because it thus flowed from a free meeting of free minds.

### Summary

Let me sum it up. The Republics of North, Central and South America have united in a hard and fast agreement that an attack upon one is an attack upon all. When the attack comes home to us within our "region," they pledge immediate and effective action—all for one and one for all. When it originates outside our "region," they pledge immediate consultation looking toward united action—again, all for one, and one for all.

In both instances, the pledge is solely and exclusively a peace pledge. At all times it recognizes —and I quote from the treaty— that "peace is founded on justice and moral order and, consequently, on the international recognition and protection of human rights and freedoms, on the indispensable well-being of the people, and on the effectiveness of democracy for the international realization of justice and security."

I submit, my friends, that such a "regional arrangement"—faithfully reflecting the purposes and the formula of the United Nations —is cheerful, encouraging and happy news in a cloudy, war-weary world which is groping, amid constant and multiple alarms, toward the hopes by which men live. It is good for us. Is is good for all our neighbors. It is good for the world.

Yes; and it is good for the United Nations. We give them new strength. We give them a useful and impressive model how big and little states can work together on a basis of absolute equality of both obligation and power in the pursuit of international peace and security. We also make plain how member nations, despite all obstacles, can persist in perpetuating international peace and security and justice among friendly, peace-loving nations which think alike about these precious aspirations and who are determined to make them live.

What we have put on paper is important. But far more important is the spiritual unity which thus makes common cause in answer to the dearest prayers of humankind.

# Exports and Our National Economy

(Continued from first page)

Europe, all were hungry for our products and so it was thought that once having become acquainted with American quality products, the markets of the world would turn increasingly to us for their requirements.

That was a beautiful dream. But we had a rude, a very rude awakening.

1920 was the peak year. The very next year saw our exports decline to a little more than one-half of the 1920 figure. After a short revival which brought our exports up to $5,240,000,000 in 1929, our exports once again declined until in 1932 they reached the low point of $1,611,000,000, or less than they had been at any time since 1905.

Something had gone decidedly wrong. It took most businessmen by surprise. They were of the opinion that more intensive selling was the answer. Export magazines abounded in articles explaining how by adopting the methods that had been used by the German exporters, we could stem the tide. And our government began to spend large sums of money to establish an efficient information service with representatives in every important trading center of the world. But all these attempts proved unable to stop the downward trend.

We had not yet learned to recognize the inescapable fact that exports are not unrelated to basic economic situations, that they do not occur in an economic vacuum, and that more is required than the mere determination on the part of the seller to force his goods upon the foreign market. We heard a great deal about the needs of Europe, about the shortage of food and manufactured goods, about the opportunities open to American business since the German and Austrian exporters were temporarily out of the market.

### Must Have Customers Able to Buy

But one important matter was almost entirely overlooked. Little if anything was said about the difference between a customer who wants to buy and one who is able to buy. The decline need not have caused surprise if this elementary distinction had been realized. To be sure during and shortly after the first world war we were able to sell abroad but this was largely due to the fact that we first lent the money with which customers could pay for their purchases. Loans are not asked for because the foreign nations want our money. They have no use for it. They borrow in order to be able to buy the goods they need. The money does not leave the country, the goods do. It is a matter of simple arithmetic that exports will increase when our government or private interests are willing to grant loans. Had we been even more generous or reckless in our lending, we could easily have increased our exports from the peak of $8,000,000,000 to $16,000.000,000 or even $32,000,000,000. Salesmanship, American efficiency, had very little to do with increasing our exports.

But by the same token as soon as we were less willing to lend, exports were bound to decline. Exports could have been sustained only if the countries abroad had found other means of paying for the goods they needed. The principal way open to them to find these means was of course to send goods of value to the United States where their sale in the American market would have created the dollar accounts necessary for continued purchases.

But this means imports into the United States. And imports are regarded by many as detrimental to the American economy. This may seem a rather strange concept to some. They would reason that if we send a tractor abroad with the understanding that as soon as the foreigner is able he will send us another tractor in return, this can hardly be the road to economic ruin. The alternative surely is not more attractive. If the tractor is not returned, either the American Government suffers the loss, since the loan cannot be liquidated, or the American investor who has bought foreign bonds or has borrowed from his bank to pay for the exported tractor will be holding the bag.

Simple though this proposition is, many American businessmen still live in a dream world in which exports are profitable although no return payment can be made.

### "What Goes Out Must Come Back In"

The explanation is found in the fact that the exporters are quite satisfied since they are paid out of funds made available by others; the manufacturers who see competing products enter the market have a convincing case for demanding protection and no one worries much about the losses suffered by the government or by private lenders. Were all these activities carried out by the same persons, they would have no difficulty in understanding that if exports are to be profitable and are to continue, then the principle "what goes out must come back in" must be scrupulously applied.

As it was we raised our import duties in 1921 just about the time our borrowers were getting ready to pay us back and when they insisted we raised our import duties again to the fantastic heights of the 1930 tariff. This certainly was good business. We accomplished our purpose: we were not paid.

But being unable to pay for past purchases, being unable to secure new credits, our customers of whom we were so proud quit buying and our export trade skidded into the cellar. To be sure we were willing to take gold in payment. The world still adhered to the curious notion that gold somehow was desirable, not that we could use it except in limited quantities by the arts and by our dentists. But it looks good to see gold. And so we received it and buried it in the ground for fear that someone might walk off with it.

And so the world began to present the grotesque picture of the people of the United States paying their manufacturers and farmers to work overtime in producing goods we could use to be sent abroad and receiving in return ever larger quantities of gold for which we had no use and burying it in the hills of Kentucky.

Economic insanity had never reached such heights.

### Repeating Errors of the 1920s

We are now in the process of repeating our experience of the twenties in aggravated form. Again we are lending. The objectives are sound. They are economic and political. Driven by fear of Russia we have declared an economic war upon that country and are about to pour huge sums into Greece, Italy, and heaven knows what other countries in order to strengthen governments for which we have no admiration but from which we expect that they will with our financial aid stop the Russian advance. No one would dare to estimate the total amount that will be spent for this purpose. I for one do not see the possible limits of this program.

But our funds are also used to aid other countries. And this aid has a different motive. It is reasoned correctly that continued prosperity in the United States cannot be hoped for if European and other countries are allowed to remain in economic chaos. If peace is indivisible so is prosperity. Not that the strategic conditions are wholly absent from these loans. We are told, and there is good reason to believe the message, that a country in economic distress is more likely to turn its back upon capitalism and to embrace some other as yet untried economic system than a country in a sound economic condition.

But apart from this secondary objective, the main objective is sound business policy. We spent about $300,000,000,000 in winning a war. It certainly would be bad business to be unwilling to spend a fraction of that sum if such additional expenditure can buy for us a stable, prosperous and friendly world. We shall not have peace until the entire job is done. We have undertaken a most generous lending program and the end is not yet in sight. Whatever the virtue, political and economic, may be of the Marshall plan, the fact remains that it will mean more and larger loans.

Thus far these loans have been provided largely by the United States Government either directly or through such instrumentality as the Export-Import Bank. Recently the International Bank for Reconstruction and Development has made its contribution but since the United States has the largest stake in that bank and private investors have now purchased the bonds floated by this bank, even this lending assumes an American aspect.

The inevitable has happened. The loans have resulted in exports. The peak year 1920 looks small alongside our present annual exports of approximately $15,000,000,000.

In 1920 when our exports reached what was an unheard of peak, imports increased as well and rose from the 1914 level of $1,789,000,000 to $5,278,000,000. But large though this increase was, it nevertheless left an excess of exports over imports of nearly $3,000,000,000, or nearly three times the total imports of 1914.

### We Are Not Being Paid

The implication of this was clear. We were not being paid currently. Today the situation is even worse; with exports of nearly $15,000,000,000 our imports have increased to less than $6,000,000,000. This leaves an excess of exports over imports of about $9,000,000,000, or more than our total gross exports during the boom year 1920. Again, we are not getting paid for our exports. But that is not the most serious aspect of the situation. It also means that the borrowing countries are falling far short of being able to build American bank accounts sufficient to support our exports at the present rate if and when we stop lending. And stop we must some time. We shall be called upon to grant more loans because the loans already made are rapidly being exhausted. As our prices continue to rise our loans will be used up that much more rapidly. The loan we made to Great Britain of $3,750,000,000 has already been almost completely spent. How much longer can we continue to lend?

There may be some who hold to the comfortable notion that our government's capacity to lend is well nigh inexhaustible. But surely there must come an end to the ability of our government to lend.

In the year of so-called prosperity, 1929, Federal expenditures represented less than 4% of the national income. Today our national income is far greater than in 1929 and yet Federal expenditures today represent not 4% but almost 25% of our national income. Government expenditures have been somewhat reduced this fiscal year but it is legitimate to raise the question to what extent further reduction will be possible if we continue to pour billions upon billions into the project of foreign rehabilitation. Surely it cannot go on forever.

Once we find it necessary to curtail our loans, the purchasing power of the nations which now place large orders in this country will evaporate. And the adjustment will not take place gradually but comparatively suddenly.

When no more dollars are made available by means of loans, our customers will have to depend almost entirely upon their capacity to sell goods in the United States. Up to date they could only do so to the amount of $6,000,000,000, and there is no good reason to suppose that they will suddenly find a way to increase this. Our exports, robbed of the artificial support now given them through loans, may then drop within a relatively short period of time from the present $15,000,000,000 to approximately $6,000,000,000. In fact, the purchasing power of our customers may well fall below this figure since a substantial part of their production of manufactured products depends upon some of the raw materials they now secure on credit in this country. To be sure some of these countries may pay their bills abroad through the services of their merchant marine and through expenditures made by Americans traveling abroad. But these sources of income do not hold out much promise. The world's merchant fleet is as yet far below that of prewar days. The demand for cargo space is not what it once was and the countries abroad are experiencing increasing competition from the lines owned in the United States. Tourist expenditures in prewar days were sizable but the amount spent abroad was less the result of a few well advertised and lavish spenders than of the large number of small expense budgets of school teachers and other white collar workers of moderate means. The high prices and high taxes are not leaving much for travel to this latter group, especially not since the ocean fares have more than doubled.

### Increase Volume of World Trade

The picture would be less black if as by a magic wand we could suddenly increase the total volume of world trade. Our customers could then sell some of their products in other markets besides the United States. The funds so liberated could then be translated into raw materials for which a growing need is developing in this country. Through such triangular trade the problem of building dollar accounts in this country could then in part be met.

But such a desirable development is not likely to occur. In Latin America, in Australia, in British India, and in South Africa, new industries have developed. During the war these countries were unable to import the products they had obtained from abroad during peace time. So they set about to make the most of their opportunities and built plants that could at least in part supply them with the goods they formerly imported. Large steel plants were built in Brazil and Australia, the textile, automobile tires, electrical, and pharmaceutical industries expanded as by magic and plants were built to produce products never before produced in these countries. The high prices these countries were able to demand for the raw materials they exported to the United States and Great Britain provided them with ample capital for industrial development and in many cases we supplied not only the funds but technical assistance to speed the process. Having started on a program of industrialization, these countries are not going to allow their newly established industries to die because of competition from foreign sources, more experienced and more efficient in production. They see in the industrialization an opportunity to build a national economic life of greater diversity and therefore of greater stability because they will become less dependent upon exports to pay for necessary imports. This means that they will find ways of protecting these industries through import duties or through foreign exchange controls and import licenses. They have already chosen this course.

But to the European countries this means less opportunities to sell in these markets, and less opportunities to build dollar accounts in this country by triangular trade. Their problem will be still further complicated by the fact that these newly industrialized countries are still in possession of substantial though rapidly dwindling dollar balances and are using these while they last to buy the industrial equipment they need in the United States rather than to dissipate them upon consumer goods obtainable in Europe.

### Can Europe Liquidate Loans?

Under the most favorable circumstances the European countries will find it difficult to produce enough exportable goods to enable them to liquidate their loans and at the same time provide sufficient dollar accounts to enable them to continue buying.

The loans are for reconstruction and are being used for that purpose mainly. Railroads, bridges, sewer systems, and other essential rebuilding is now taking place. All this is a legitimate and a productive use of the funds provided. But although such rebuilding will contribute to the general welfare of the borrowing countries, it will not in a short period of time provide an adequate volume of exportable goods. In the long run a good railroad will aid in production but it will do so only indirectly. And we are not now interested in what will happen in the far distant future but in what will take place if the purchasing power of the loans is exhausted and we stop lending in the near future.

### Reduction of Import Restrictions

There is of course an obvious though partial solution for all this. If we can get all nations to agree to reduce their import restrictions, trade will once again be stimulated and triangular trade will again begin to play the important role in international finance it once did.

And so we called a conference in Geneva to bring this about. But it was and is rather a forlorn hope. The newly industrialized countries have no stomach for it and are willing to make reductions in their import restrictions only if others do likewise. The European countries cannot afford to bring about substantial reductions in their import controls because the limited amount of foreign exchange they have at their disposal must be carefully used to pay only for those imports that contribute directly to their economic reconstruction. Imports must be carefully selected and that means strict foreign exchange and import controls. We in the United States are no more willing to reduce our import restrictions than they. In fact, while preaching the virtues of a freer world trade, our Congress decided that what was needed at this time was an increase in duties on wool. We do not produce enough wool to supply our domestic needs and never will. Australia depends to a large extent upon wool exports for her foreign purchasing power. Australia will not be able to make reductions in her import controls if she meets with increased difficulties in disposing of her wool crop. The Geneva Conference was indeed a noble effort but no real solution of the world trade problem can result from it.

**The Impending Export Slump**

This means that once we stop lending there will be no way of supporting our export trade and a very serious slump in exports will be inevitable. A drop in exports from $15,000,000,000 to around $6,000,000,000 may not seem a serious matter if these figures are compared with the total value of our industrial and agricultural output. But such comparisons are deceptive. The total value of our productive output includes many articles that never enter into foreign trade.

More than ever before, the foreign purchases are today concentrated upon a relatively small number of industries. A decline of $9,000,000,000 in their sales may effect them disastrously. We ship abroad 23% of all our wheat, 30% of our tobacco, 21% of our trucks and busses, 39% of our cotton, 53% of our freight cars. These and a comparatively few other products will feel the brunt of any decline in foreign sales.

Many factors have been at work to raise prices in this country. It is not possible to measure exactly the effect upon our domestic prices of the purchases made by our borrowers. But it is obvious that this demand of $15,000,000,000 a year, of which no less than $9,000,000,000 annually is created by pump priming on the part of the American Government, has played an important part in keeping prices high and in increasing them. Our present prices cannot be maintained once this foreign demand drops off. To be sure at first only the comparatively few selected export industries will be immediately affected but they will face a sudden decline which will result in shutdowns and unemployment. The domestic market cannot at once take the place of the foreign demand, not at present prices.

From these industries the effect will snowball to involve other industries. The high fever of prices in part created by successive shots in the arm by our lending policy will suddenly pass and the reaction will leave our patient weak indeed.

**Effect on Farm Prices**

As always our farmers will probably be the first ones to feel the full effect of the shrinking purchasing power abroad. The countries abroad, deprived of further loans, unable to export for adequate amounts, and seeing their dollar accounts dwindle rapidly are going to search for ways of becoming self-sufficient. Expansion and intensification of agriculture is at least a partial answer. During the war shortages of manpower, almost total lack of fertilizer, the destruction of cattle herds, the decline in the number of poultry and hogs, created an ever more serious food shortage. It takes time to rehabilitate cattle herds and to build up the fertility of the soil. But these countries have had almost three years in which to accomplish this and farm output is on the increase. This means a smaller demand for the farm products now obtained in the United States.

The prices of these products are extremely high today, another reason why the foreign customers will reduce their purchases in this country when it becomes at all possible. The Department of Agriculture forecast this year's wheat crop at a record high of 1,435,000,000 bushels. With prices at present at around $2.45 a bushel, a sudden drop in foreign sales cannot fail to affect the market seriously. It does not take a large drop in the total demand for such products to bring on a sizable drop in prices.

When the income of farmers declines, the purchasing power of the farmers drops and this decline is reflected in a decline in the demand for manufactured products. The farmers will begin to ask for increased government support. They have now become fully accustomed to government subsidies in one form or another. The manufacturers will receive no such aid. If the farmers receive increased subsidies to meet their falling prices, the Federal budget will bear the burden. With even a slightly reduced national income the present tax level, high though it may be, cannot be substantially reduced. As long as the national income payments to individuals remain at the record high, a balanced budget and moderate tax reductions are possible, but should the income received by individuals decline to say the 1942 level of $117,285,000,000, then the prospect of a balanced budget with reduced taxes grows dim. The principal savings to be made in Federal spending and those most attractive politically will be in a reduction of foreign loans. Thus the downward spiral once it is started will be accelerated.

**Will Tariff Be Reduced?**

Once a recession, even though moderate, starts the chances of a reduction in import duties become less. The experience of 1921 and 1930 shows that our legislators yield readily to a demand for increased import duties once domestic business begins to face a decrease in demand with resulting lower prices.

Should a new administration yield to this pressure we would make purchases from abroad still more difficult and would see our exports decline still further. Thus the spiral downward may well start in earnest.

**Inescapable Conclusions**

A gloomy picture. But the conclusions seem inescapable. We have built an economy on a price level far out of line with the rest of the world and a productive capacity far in excess of the ability of the domestic market to absorb it. A gradual adjustment could stave off disaster, a sudden change is bound to have serious consequences.

The countries abroad will continue for some time to come to be in desperate need of dollars. As the loans are used up and their exports fail to meet their import needs, they will resort to other measures. Thus far the liquidation of foreign-held American securities has proceeded slowly and in an orderly fashion. Private holders have been reluctant to dispose of them. They looked upon them as an insurance against a possible inflation at home and as a sound investment especially in view of the strength of the American stock market.

The recent action of the Netherlands government is typical of what may be expected to be the action of other countries. The present value of United States securities owned by private investors in the Netherlands is estimated at about $561,000,000. The Netherlands government has now started a campaign of exchanging these holdings for domestic government bonds at the prevailing dollar rate. Thus these private holdings will largely pass into the hands of the government. Although even under these conditions, liquidation will take place carefully so as not to depress the New York market unduly, liquidation may well take place more rapidly as the need for dollars becomes more pressing. What the effect of this will be upon the New York market will as always depend upon the rate of liquidation. But the possibility is not remote that the effect will be to depress prices seriously.

**Raising Value of Gold**

It has been suggested by some that one way to meet this difficult problem is an increase in the price paid for gold in the United States. This, so it is argued, would enable the countries abroad to buy more in the United States with the gold holdings they have. This, however, does not seem to be the answer. It would benefit some countries. Those that produce gold would be able to sell the metal at high prices. But they would be the only ones to benefit. A higher purchase price for gold in the United States or a devaluation of the dollar would aggravate the domestic situation since it would result in still further price increase in this country. The increasing dependence of this country upon imported raw materials to be purchased at world prices would have its effect upon increased costs of production in this country. An increase in the gold purchase price above the present level of $35 an ounce would encourage gold production and would increase the flow of gold to this country. We already have more of this metal than we have any use for. The gold reserve rate of the Federal Reserve system is now 48% against 25% as the minimum requirement. The purchase price comes out of the pockets of the American taxpayers. We must reduce, not increase, government expenditures. The domestic market needs lower taxes so that more money will be in the hands of consumers so that they may buy at least a part of the commodities now sent abroad.

An increased price for gold would also be a cause for additional embarrassment for the poorer countries. It would have an inflationary effect there, the very situation which they have tried desperately to control. The only cure for the effect upon our national economy of our foreign finances is twofold. In the first place, foreign loans should be tapered off gradually to soften the effect and to allow for gradual readjustment. Payment of interest and principal demanded should be spread over a very long period of time so as to lighten the burden upon the borrowing countries and to leave to them a larger portion of the dollar accounts created by their exports to be used in making purchases in this country.

Most important of all is a systematic, gradual, but substantial readjustment of our import tariff. We must realize the fundamental fact that what goes out must come back in and that the ultimate volume of our exports will be determined by what we are willing to receive in payment.

This does not mean that we should enter upon a period of free trade. It does mean that a determined effort must be made, and at once, to increase the import opportunities to our customers. The example set by this country will have a salutary effect upon other countries. Unless we take the initiative, and boldly, they cannot contemplate reducing their import controls. Even under the most favorable circumstances the channels of trade and finance would have become choked as a result of the almost entirely one-sided trade we have started with our loans. Trade continues to be and always will be a two-way proposition. No country can continue for long to pipe its products to the world through a six-inch pipeline and to receive in return the dribble that drips from a one-inch pipeline.

The ultimate hope for us and for the world lies in a general increase in world trade. A large volume of goods flowing back and forth between nations can safely support a large financial burden. In this adjustment the United States as the world banker and the world money lender must take a bold initiative or suffer the consequences.

# Farm Cash Income at All-Time High, but Vulnerable

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in the year ended June 30, 1947, hung up a new record in loan volume with a total of $680 million which was nearly $120 million more than the previous year. There were 15,545 more loans made in the year than in the previous year.

**PCA's Operating on Private Capital**

The end of the year found 12 production credit associations operating entirely without government capital. Of these 12 associations seven are located in the Berkeley Farm Credit Administration district. The reason for this is obvious. There are numerous associations in this district which lend mostly to large livestock ranchers and farmers. Generally they deal in large amounts of money and their membership in many instances is relatively small.

As you know, the kind of services required of production credit associations varies rather widely throughout the country. In some areas the loans are rather small and made for rather short periods. Obviously, it is more difficult for associations so constituted to roll up reserves as quickly as the associations with a few large borrowers who obtain their money for longer periods. However, the service in one instance is just as important as it is in the other.

By the end of the present year, I am hopeful that a considerable number of the production credit associations will have repaid Government capital to a point where the members own almost all of the capital of their associations and are dependent upon the Government for a minority of their capital. By June 30 of this year, 74 of the associations had paid government capital down to $25,000 or less.

PCA's are widening their service by bringing it as close as possible to the farmer. In addition to 504 headquarters offices, the PCA's now maintain 650 full-time field offices and in 850 other towns service is rendered either on a part-time or a seasonal basis.

Farmer-ownership of the PCA's is being accomplished. But what about the ownership of the production credit corporations? No step has yet been taken toward making these organizations anything but wholly-owned government corporations. This is one of the problems to which we can well be giving considerable thought.

The PCA's, as I have said, made a much larger volume of loans last year than previously. The larger number of borrowers, however, does indicate that the increase was not entirely in the size of loans. The amount of short-term credit going to farmers has increased with all lenders making a larger volume of loans. Here I would like to give a word of caution. In many respects, we are in a period similar to that after World War I. Farmers, in general, we know are much better off than they were in this earlier period; yet some of the lessons learned then may well be heeded at this time. In that period, short-term credit expanded greatly. Later it caused much distress. Farmers who owned land changed their short-term debts over to farm mortgages; those who didn't own land or who had bought land in the boom and had a big mortgage often had to give up their farms because their collateral had to be taken to repay the loan.

Farmer cooperation in purchasing farm supplies, marketing farm products, and providing services, has shown a substantial gain in the past decade. Farmers' business cooperatives are on a sounder basis; they are providing better service, and they have built up their reserves.

If we were to study the reasons for this improved condition we might find that the banks for cooperatives could well be credited with a substantial part. The services offered by these banks provide security in the field of cooperative finance. They encourage cooperative associations in performing their jobs.

In the year ended June 30, the 13 banks for cooperatives extended credit totaling $531 million to 1,271 cooperatives or $155 million more than the previous year to 248 more cooperatives.

The banks for cooperatives have developed staffs trained in cooperative operations. Their analysts and fieldmen study a cooperative's program to see whether it is built around a sound development of cooperation for the community. In this work, they endeavor to assist the co-op in improving its financial structure. The revolving capital plan, long recognized as sound in financing cooperatives, has been adopted in many associations through the work of the banks.

The service the banks offer and the advice they give is often as valuable as the money they lend. At the present time, they may be able to assist cooperatives considerably by cautioning them in regard to future operations, principally in regard to inventories.

Signs are becoming more and more plentiful in manufacturing and processing businesses, that output is catching up with demand. Some cooperatives have already found they need to make adjustments in some of their inventories. If these adjustments are put off cooperatives may run the risk of having to sell slow moving items at lower prices.

The set-back of 1921 and 1938 which accompanied heavy inventory losses could occur again if stocks become large and consumer demand is insufficient to keep up the demand. It is important at the present time for any business to watch carefully the frequency of turn-over.

The rate of turn-over, of course, varies widely with the kind of business, the location, and the volume of business done. However, the difference between a satisfactory rate and a slow one may mean the difference between a successful business and an unsuccessful one, whether it be owned by members of a cooperative or other interests. Generally speaking, the bigger the business the more frequent the turn-over.

If marketing cooperatives encounter a falling market they should not try to bolster prices by trying to hold back stocks because they may soon find themselves holding large inventories that have to be sold at lower prices. That's just what their competitors would thrive on. Their job is to see that the product moves into trade channels at an even flow. Marketing and processing cooperatives should realize their members expect them to lower marketing costs rather than to remove the risks they ordinarily have to bear themselves.

Of course, purchasing cooperatives must maintain sufficient inventories at all times to give satisfactory service to their patrons. They cannot avoid the risks of some price decline. However, they should reduce this risk to a minimum by constantly watching to see that inventories are no larger than absolutely necessary. Both marketing and purchasing cooperatives often find it possible to reduce their risks by "hedging" some of their necessary inventories.

Some cooperatives also face the

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# Farm Cash Income at All-Time High, but Vulnerable

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danger of extending too much credit to their members. This can become particularly hazardous in times of high prices. Only recently, I have been told that several small cooperatives have failed because of inadequate credit control. Marketing and purchasing cooperatives must recognize that they aren't primarily in the business of extending credit. Therefore, they should get as near to a cash basis as is possible and let their members finance their operations through production credit associations, or commercial banks, which specialize in that field. Cooperatives that extend too much credit may easily dry up their own source of funds for carrying on their normal operations.

The capital owned by cooperatives in the 13 banks for cooperatives totaled $8,811,200 on June 30, 1947, the highest amount at any time since their organization. This compares with $6,482,000 a year ago. Earned net worth of the 13 banks on that date was $40,135,555 which was 17.7% of the total net worth. Operating expenses of the banks continue to take a smaller percentage of the gross earnings.

While we have made progress in coordination at the local level still many farmers might well ask this question: Why can't I get all my credit at one office and make all my repayment there? This is logical and if the Farm Credit Administration is to function to the best interests of agriculture, its various services should be coordinated wherever possible. Out of 991 national farm loan association offices and 504 production credit association offices, we have on June 30, 243 locations where the headquarters offices of both associations were joint or adjacent, a slight decrease over Dec. 31, 1946. During these same six months, the locations where we have a joint secretary-treasurer for the national farm loan association and production credit association increased from 52 to 54. Wherever such action is practical and feasible we should make every effort to work out a joint housing or joint representation. And I need hardly mention that representatives of each of our services should be able to discuss the credit services of the other units within Farm Credit and to send persons interested in getting loans to the correct office.

### FCA Expenses Low

As a cooperative institution, the Farm Credit Administration is charged with the responsibility of getting credit to farmers at cost. As I have already mentioned, we are operating with fewer employees. Expenses have been cut. Of course, we cannot eliminate employees and cut expenses to a point where service is impaired. Yet, while these material reductions have been made, we still can make more progress in this direction. But in doing this we must keep in mind a high standard of service to our farmer-members but at the lowest possible cost.

Sometimes it is said that what our Farm Credit System needs is to be let alone. To those who feel that way I like to ask two questions: Who is going to let us alone? Do we really want to stop progressing? We need a healthy competition to keep us alert; otherwise we might stop growing and vegetate.

You men who are meeting here, the boards of directors of the 12 Farm Credit Districts, are responsible for the policies of the district units. You are closer to the farmer-borrower and his business cooperatives than the officials in the district offices or those of us who are in the Central Office. You also are nearer to the other lenders of the country. In this position, you are able to bring to the system changes that are occurring that may bring about a need for adapting our credit to them.

As leaders in your communities and in the section of the country you represent, you have been chosen to take a part in a nationwide system. You are making a notable contribution. By coming together in meetings of this kind, you are able to gain a knowledge of the problems of cooperatives and of cooperative credit in the various districts and thus be familiar not only with your own individual district but other FCA districts. This nation-wide vision of situations and problems involved will be helpful in solving the problems of your own district.

During this meeting we have at least three major subjects which I think we shall wish to discuss:

(1) Coordination of the service rendered by the FCA.

(2) Better service to farmers at reduced costs.

(3) Methods whereby greater farmer-ownership can be had by the users of the system.

Farm credit is a credit service to agriculture. It includes long-term, short-term, and credit for farmers' cooperatives. After all it is credit available to the industry of agriculture and it should be obtainable easily by every eligible farmer and farmers' cooperative in the country. In other words, it should be available locally.

To assure the availability of credit to farmers and their business cooperatives the credit institutions and associations must be operated on a sound basis; the credit must be sound and kept so at all times. Operations must be efficient and economical. Farmers must acquire greater ownership in the various units.

I think there are some people who feel that the Farm Credit Administration has been an expensive operation in consideration of its accomplishments, primarily because the units have all had the benefits of varying amounts of Government capital without charge, and the units have had statutory privileges in regard to taxation. There are others who feel that now while credit is relatively easy to obtain through ordinary commercial channels, the Farm Credit services to agriculture ought to be curtailed.

### Worthy Accomplishments of FCA

I disagree with those points of view. I think all the Farm Credit units have demonstrated that they are of financial value to the farmers and to the economy of this country; that any privileges by way of use of capital, counsel, supervision, or taxation benefits that have been supplied have been justified in terms of benefits to the general public as well as to agriculture; and that the costs of these benefits to the Government are less in dollar amounts, than the aid, in taxpayers' money, that has been given through subsidies to banks, industrial concerns, and other lines of business.

All of the lending units, especially the Federal land banks and the Federal intermediate credit banks, have loaned millions of dollars that has gone to banks, insurance companies, and other lines of business to pay debts and increase buying power, when credit for such purposes was generally unavailable. The production credit associations under the guidance of the corporations have helped to teach farmers how to manage their own credit sources, and how to handle their own farming enterprises on a business basis. The banks for cooperatives have encouraged farmers' cooperative associations to carry on their own business in a sensible way with full assurance of a dependable source of credit. The emergency agencies of Farm Credit, the F.F.M.C. and the R.A.C.C. have helped to round out the Farm Credit system so that farmers can be assured of dependable credit, adapted to their needs, in depressions as well as in normal times.

All of these units, working together, have served to stabilize agricultural interest rates and the terms of agricultural loans so that farmers, whether they borrowed from a Farm Credit unit or not, have been able to get financing on a more reasonable basis than was possible before the Farm Credit system was created by Congress to aid agriculture.

Certainly a credit system with the record of operation and the benefits to the economy which I have highlighted has fully justified its continued existence.

# Pay Rises Are the Workers' Right

(Continued from page 17)

increased prices, but should instead dip into their savings and let the future take care of itself.

### Worker Entitled to Nest Egg

I think the wage earner is as much entitled to get a nest egg of insurance for the future as a corporation. The fact is that during this period since the war the wage earners of America have not been able to keep abreast of the cost of living. This is proved by the fact that savings by the wage earners decreased 45% as between 1945 and 1946. Furthermore, our lower-income families, who are most in need of a nest-egg for the future, have been the hardest hit. Families in which the total earnings of all employed members is less than $3,000 a year make up 65% of our population. During 1946 these families earned more than one-third of the total income. Nevertheless, they accounted for only 4% of the personal savings for that year. That fact becomes more startling when it is realized that the 30% of the families in this country in the upper income bracket and who had 59% of the income accounted for 93% of the savings in 1946.

I have presented these figures in order to demonstrate two things. First, that it is inaccurate and unfair for those who predicted in June, 1946 that the lifting of price controls would result in a lowering of prices now to attempt to force the American people to believe that labor unions exclusively are responsible for price increases. My second purpose is to call attention to those who work that wage increases in themselves are not an answer to their problem. It is pretty well demonstrated during these last two years that the securing of wage increases might be likened to the will-o'-the-wisp, or to put it more crudely, like a dog who chases his tail and is never quite able to reach it.

I do not propose at this time to discuss the recent events in Congress which culminated in enactment of the Labor-Management Relations Act of 1947. The changes in government activities regulating labor-management relationships that have been enacted are the law of the land. The Administration has a duty to administer it. The Administration has acted, quickly and sincerely, to insure a trial be provided through prompt administration of the law.

I propose to discuss now the Department of Labor's program under the new laws and appropriations enacted by the first session of the 80th Congress.

The long history of the Department has proved that there is need in peace as well as in war for government services which help labor and management, in a free economy, to develop resources, to increase production, to improve working conditions. It was well-said by the Congress which established the Department of Labor in 1913 that its purpose was to foster, promote and develop the well-being of the wage-earners. And the Department consistently has carried out that mandate by providing facts and services to help improve the whole economy — the well-being of every person who works for a living.

I take this opportunity to challenge the comment of some of my short-sighted friends that the Department of Labor's job is becoming less important or useful.

### Job to Provide Facts

The Department's job from the start has been to provide facts, not force.

We have a staff of several thousand trained public servants, who have specialized duties of assisting the operations of organized society — unions, managements, State governments, and all who work. We find workers for jobs, and jobs for workers. We study and develop standards of work, industrial safety programs, apprentice-training agreements. We administer the Fair Labor Standards Act which safeguards more than 20 millions of workers in low-paid and unorganized industries, and prohibits dangerous and oppressive child labor.

Our Department carries on the function of research into our economic activities, which is as vital to our peace and prosperity as research in mechanics and physics. It develops the facts necessary to sensible management of factories and unions. We know, and the people who use our facts know, that statistics, even though they may seem dull, often provide the green-go-ahead signals or the red warning flags that are absolutely necessary on the economic highway.

The Department of Labor has been given new functions by the Congress, to safeguard the reemployment rights of veterans and to receive financial and organizational reports from unions which desire to qualify in certain National Labor Relations Board cases.

The President has stated his consideration of a program to unify the related operations of the U. S. Employment Service and the unemployment compensation operations, designed to develop closer cooperation between those important activities. Under the present law, the Employment Service next year will take up again the job of farm labor placement, so necessary to aid agriculture in its great task.

These facts mean that the Department of Labor's job is as big as it ever was—bigger, in fact, because of the fact that we now have a Nation in which 60 million people have jobs.

The principles of good government and sound common sense call for a strong Department of Labor, adequately staffed, and bringing together the labor functions of government. By labor functions, I mean the things which foster, promote and develop the welfare of the wage earners, improve their working conditions, and advance their opportunity for profitable employment.

The President has pledged himself to a strong Department of Labor, and I propose to devote my energies and those of my staff to carrying out his proposal. I am confident that the Congress will support prudent measures to develop a sufficient and an efficient Department.

### Higher Minimum Wage Workable

One of the major parts of the President's program is to expand the coverage of the Fair Labor Standards Act, the so-called Wage-Hour Act. This would include raising the minimum wage to at least 65 cents. We know from our experience with the present lower minimum wage, established under the law passed in 1938, that this procedure is workable and profitable for all concerned. It safeguards millions of unorganized workers from wages which are inadequate for decent living. It bulwarks purchasing-power and helps business. It protects higher-paid workers from sub-standard competition.

The increases in prices of the war end postwar years have now brought us to a point where the prewar minimum wage level is too low for adequate protection. We know from our studies of living standards in many industries, and in all parts of the country, that the normal worker cannot support his family in decency and health on 40 cents an hour, which amounts to only $16 in a normal workweek, and only $800 a year.

The Department of Labor will carry on its work of advising with the State authorities, especially the State labor commissioners, to develop better working conditions through better administration of present laws and improvement of their own laws and regulations. This applies to the great area of safety and health and welfare where local legislation and local enforcement are of paramount importance to every working man and woman in the country.

We shall continue to advise and counsel with unions and managements on their problems, to develop information to aid them in meeting their problems.

The Department of Labor has another big job. It is to see that labor's interest in world problems be given its full significance. Our international relations are of greater importance to American workers than they ever have been before. The unions have participated in our efforts as a people, and as a government, to achieve international cooperation.

The Department of Labor has put its facilities into the job of providing a connecting link of information and contact. American labor has been brought closer to the United Nations and its cooperating and specialized agencies. The strong support of labor is behind us in this task, because labor knows as well as anyone else that we in this country are responsible for our neighbors' welfare. Economically and politically, nationally and internationally, we must be concerned and we must act, to see to it that people do not starve anywhere, that people are free everywhere.

We can conquer the complicated problems of economics, natural resources, politics and nationality, now facing the world, if we organize to cooperate, and not merely for self-service. Labor has long recognized that the individual workman was helpless to improve his lot alone. So our workers organized to promote the welfare of large groups. The aims of those who are organized must be broadened.

To those who may take issue with this last statement I say this: History proves that every dictator movement has been preceded by a movement to destroy free trade unions. The first step to elimination of a free democratic system is the elimination of a system of free trade unionism and free collective bargaining. Dictators have taken this first step to destroy free trade unionism because they recognize in free trade unions the real bulwark of democracy.

I am happy to have had this opportunity of joining the workers of our country in observance of Labor Day. I know that each of you joins with me in dedicating this day with the resolution in his heart that together we will tread the path which will lead the peoples of the world to peace and prosperity.

# Houses Are Not Being Priced Out of Market

(Continued from page 9)

by higher labor rates and decreased labor productivity.

From this analysis, it appears that only slight and gradual reductions in new housing costs can be expected in the foreseeable future. The stronger factors operate to increase costs.

The only factor existing today which can operate to cause substantial reduction in the price of houses is propaganda encouraging fear among buyers.

This is an artificial factor but it can stop buyers from buying and builders from building.

It can force a halt of the construction industry.

This can only precipitate a major economic recession in which labor would be unemployed and the whole economy slowed down badly.

The home building industry believes it is better to have relatively high priced housing with full employment and higher earnings with which to buy it than to have lower prices and even lower earnings with which veterans and others will be unable to buy it.

Compared with the price of other things, and compared with purchasing power, today's houses do not cost too much.

In fact they represent a good buy.

They are better built than ever before. They have better equipment—they have more pleasing exteriors and surroundings—they are better planned — they have better arranged rooms — they are easier to maintain — they provide more light and air — they are in better planned neighborhoods with access to shopping and community centers — and they are priced fairly.

That's why, if you need a house, it's good sense to buy a house today.

You have no assurance whatsoever that you can obtain a "better buy" by waiting.

# First Boston Offers Florida Pwr. Preferred

The First Boston Corp. and Smith, Barney & Co. headed a group of investment banking firms which offered to the public Sept. 9 a new issue of 100,000 shares of Florida Power & Light Co. 4.50% cumulative preferred stock, $100 par value, at $100 per share and accrued dividends.

Net proceeds from the sale of the new preferred, estimated at $9,710,000, will be used to pay off at par promissory notes in the amount of $4,750,000 and due Dec. 31, 1947, to American Power & Light Co., which owns all of the company's common stock. The remainder of the proceeds will be used to provide additional electrical production, transmission and distribution facilities, as well as gas production and distribution facilities.

The securities are being offered as part of a general plan of refinancing under which the company recently sold $10,000,000 of 1977 series bonds and $10,000,000 of debentures. In connection with this plan, American Power & Light Co. has agreed to purchase 100,000 additional shares of the company's common stock for $2,500,000 on or before Oct. 31, 1947.

Upon completion of the financing the company will have outstanding a total funded debt of $65,000,000; 100,000 of 4.50% cumulative preferred, and 2,000,000 shares of common stock (not including the 100,000 shares of additional common to be purchased by American).

# The State of Trade and Industry

(Continued from page 5)

rubber factories rose as production was scheduled at a lower level than in previous weeks.

Engineering construction in the week ended September 5 amounted to $122,766,000, a decrease of 10% from the level of the preceding week, while private construction rose 7% to $90,272,000. Lumber production declined about 1% to 202,778,000 from 205,099,000 board feet. Lumber shipments for the week were seriously hampered by the shortage of box cars and dropped almost 13% below production, while new orders rose 8% and were 3% below production.

The manufacture of furniture and bedding continued at a high level with output rising slightly in the week. Woolen and worsted mills maintained high production and reflected some improvement in clothing output. In the shoe trade manufacturers had substantial order backlogs although the number of new orders declined somewhat during the week.

### STEEL PRODUCTION DROPS SHARPLY ON RAIL STRIKE

An unauthorized strike of 1,800 Union Railroad employees at Pittsburgh resulted in a sharp decline in scheduled steel mill operations the current week at the Carnegie-Illinois Steel Corporation plants. The Union Railroad and the Carnegie-Illinois plants are subsidiaries of the United States Steel Corporation. The wildcat walkout of the rail employees, members of the Brotherhoods of Operating Railroad Workers, which began late last week, has made idle a total of 17,000 mill hands at the corporation's four Pittsburgh district mills.

The current steel shortage as measured by urgent customer demand is expected to last several months at least, according to "The Iron Age," national metalworking weekly, in its current survey of the steel trade. It may become far more serious before real relief is effected. Most serious shortage involves flat-rolled steel products used by automobile makers and other manufacturers of consumer goods with pipe runs a close second.

Automobile producers want more steel but the chances are that they will not be successful in their insistent demand that they obtain 17.3% of total steel output which they got in 1929 rather than the 15% which they are now getting, the magazine states.

**Steel executives will not yield the additional steel which the auto industry wants so desperately. The existence of new consumers, which has assumed greater importance since 1929, will force steel mills to deliver at about the same rate next year as they did during 1947.**

It is expected that with automobile companies actually setting up their production schedules on the basis of far more steel than they can possibly obtain, periodic shutdowns at manufacturing plants will occur and the reason will be given as "a shortage of steel." This despite the fact that every steel company is bending over backwards to see that automakers get their fair share of available finished steel products.

**Wholly unlooked for by some steel officials has been the substantial increase in demand for flat-rolled material from consumers who are now starting up operations at a high level after vacation and inventory shutdowns. Some products such as plates, shapes and structurals are approaching a normal market condition.**

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 84.3% of capacity for the week beginning Sept. 8, 1947, as compared with 92.4% one week ago, 93.2% one month ago and 88.5% one year ago. This represents a decrease of 8.1 points, or 9.1% from the preceeding week.

The week's operating rate is equivalent to 1,475,200 tons of steel ingots and castings compared to 1,616,900 tons one week ago, 1,630,900 tons one month ago, and 1,559,700 tons one year ago.

### ELECTRIC OUTPUT 12.8% AHEAD OF A YEAR AGO

The amount of electric energy distributed by the electric light and power industry for the week ended Sept. 6, 1947 was 4,720,659,000 kwh., according to the Edison Electric Institute. This compares with 4,939,801,000 kwh. in the preceding week and was 12.8% in excess of the 4,184,404,000 kwh. produced in the corresponding period of last year.

### RAILROAD FREIGHT LOADINGS CONTINUE ADVANCE FOR WEEK AND YEAR

Loadings of revenue freight for the week ended Aug. 30, 1947, totaled 925,732 cars, the Association of American Railroads announced. This was an increase of 24,837 cars, or 2.8% above the preceding week. This represented an increase of 17,292 cars, or 1.9% above the corresponding week in 1946, and an increase of 65,390 cars, or 7.6% above the same week in 1945.

### AUTOMOTIVE DAILY OUTPUT INCREASES ABOUT 20% IN LATEST WEEK

Unless unexpected difficulties develop, production next week should easily exceed the 100,000 mark, according to Wards Automotive Reports. Even on the basis of present daily schedules a five-day week would bring the total above that level and it is expected that both General Motors and Ford output will continue to increase. On the basis of a four-day week, output in the period just ended increased nearly 20%.

**Output in the United States and Canada during the past week totaled 83,816 units, compared with a revised figure of 87,998 units for the previous week and 72,535 units in the comparable period of last year, according to Ward's.**

**Last week's output comprised 79,146 vehicles made in this country and 4,670 in Canada. The U. S. total included 59,451 cars and 19,695 trucks, while the Dominion figure showed 2,980 cars and 1,690 trucks.**

### BUSINESS FAILURES OFF SLIGHTLY IN HOLIDAY WEEK

A small decline occurred in commercial and industrial failures in the work week ended September 4 which was shortened by Labor Day. Dun & Bradstreet, Inc., reports 60 concerns failing as compared with 64 in the preceding week and 14 in the corresponding week of 1946. Although failures this week were almost four times as numerous as a year ago, they were only one-third as high as in the same week of pre-war 1939.

**Both large and small failures fell off a little in the week just ended. Manufacturing was the only industry or trade group in which failures increased this week.**

### WHOLESALE FOOD PRICE INDEX NEARS ALL-TIME PEAK LEVEL

More than half of the commodities entering into the wholesale food price index, compiled by Dun & Bradstreet, Inc., moved upward in the past week. This resulted in a rise of 7 cents which lifted the September 2 figure to $6.71, or less than 1% under the all-time peak of $6.77 recorded on March 4. The current index represents a gain of 1.1% over the $6.64 for the preceding week, and is 37.5% above a year ago when the index dropped sharply to $4.88 due to the reimposition of ceiling prices on livestock and meat products.

### DAILY WHOLESALE COMMODITY PRICE INDEX TOUCHES NEW POSTWAR PEAK

The daily wholesale commodity price index, compiled by Dun & Broadstreet, Inc., continued to move slightly upward last week, rising to a new post-war high of 276.26 on September 2, comparing with 273.70 a week ago, and with 222.24 on the corresponding date a year ago.

Grain markets were strong under the leadership of wheat and oats. Cash wheat averaged around 10 cents per bushel higher than a week ago, while the September contract reached a new record high for that delivery. The rise was attributed largely to extensive Government purchases of both wheat and flour for export during the past two months, equal to about 94,000,000 bushels of wheat.

**While interest in wheat broadened, trading in corn declined and prices trended easier after breaking all records for both cash and futures in the preceding week. The decline reflected liberal profit-taking and reports of more favorable weather conditions over the corn belt. Domestic demand for flour was very quiet with buyers holding to the sidelines except to fill actual needs.**

Foreign demand for cash lard was only fair last week. Domestic demand for lard was quite active and prices moved over a fairly wide range closing slightly up from last week. Hog prices were slightly easier with market receipts about the same as in the previous week.

In comparatively light trading, cotton values continued to decline last week. The New York spot quotation closed at 33.51 cents per pound, a drop of 62 points for the week. The current level represents a loss of 6.67 cents since August 16 when the staple sold at 40.18 cents, and is 3.61 cents less than the comparative 1946 figure of 37.12. One of the chief influences in the decline has been the increasingly unfavorable outlook for exports of cotton from this country. The crop was reported making average progress in central and eastern sections of the belt. Heavy rains occurred in parts of Texas and Oklahoma but damage to the new crop was said to be relatively insignificant. Mill stocks of cotton as well as stocks in public storage as of July 31, 1947 were the smallest for that date for many years, according to the Census Bureau.

Activity in domestic wools in the Boston market picked up considerably last week. Demand was good and some houses reported having sold all offerings of fine wools of average staple or better. Woolen wools were also more active and increased interest was shown in territory wools. There was good demand for foreign wools but business in such wools remained very slow due to a continued lack of offerings of such types.

### RETAIL AND WHOLESALE TRADE STIMULATED BY COOLER WEATHER

The advent of cooler weather in many areas encouraged consumer buying last week with volume moderately above that of the preceding week and slightly higher than that of the corresponding week a year ago. Fall merchandising campaigns were generally successful in stimulating buying. Back-to-school apparel and novelty items were emphasized. Some consumer resistance to high prices continued to be evident.

**The demand for food continued to be substantial. Canned meats and fish sold well with large quantities of fresh fish and poultry also in demand. Some discrimination against high-priced fresh meats continued, resulting in a steady call for cheeses and meat substitutes.**

Extensive advertising and promotions of Fall apparel were instrumental in attracting consumer interest. The demand for Fall dresses increased and coat and suit volume was steady. Response to furs and high-priced garments was generally slow. Consumer buying of beach and sportswear for the Labor Day holiday was considerable. Promotions of men's wear increased with men's shoes selling well.

**Bedding and household supplies continued to sell in large volume. Response to clearance sales of some furniture items was good, and the demand for high quality dining and bedroom furniture remained substantial. The volume of linoleum and rugs increased, and nationally advertised washing machines, ranges and refrigerators were much-wanted items. The supply of plumbing and electrical goods also improved in some areas, and general lines of hardware, building supplies and paints remained in good demand.**

**Wholesale volume rose moderately above the level of the preceding week despite Labor Day market closing, although the increase as compared with the corresponding week a year ago was very slight.**

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 30, 1947, decreased 2% below the same period of last year. This compared with a decrease of 5% (revised figure) in the preceding week. For the four weeks ended Aug. 30, 1947, sales decreased by 4% and for the year to date encreased by 8%.

**Softness characterized retail trade here in New York last week as department store volume from estimates given, experienced a decline from the similar week of last year, which was an active sales period. Price resistance too, was particularly noticeable in foods, causing a decline in unit sales at retail.**

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 30, 1947, decreased 3% below the same period last year. This compared with a decrease of 1% in the preceding week. For the four weeks ended Aug. 30, 1947, sales declined 4% and for the year to date rose by 7%.

# Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

**Market back to June support area. If rally is to come this June range must hold.**

Last week the market looked okay. Stocks stopped at a critical point and turned up giving the impression that a test of support had been withstood. But that was last week.

In the past few days all the good that was done was wiped out and the conditions which led me to warn against buying, maintaining close stops, popped up again. It was this possibility that led to last week's general column. I wrote the market was going up but I didn't specify individual stocks. Looking at the market I think I'll stay that way.

Right now prices are about back to the 174-176 support range of last June. If they're going to make any stand, this is the place for them to do it. Obviously I don't know if they will or won't. So I'll lean to the idea that a rally is ahead tho I'll still shy away from recommending specific stocks.

There has been plenty said and written about the fundamentals behind this market of ours. Most of it has irritated me. In an effort to get some of this irritation out of my system I'll give you my interpretation of the news: Major foreign sore spot is England. Everybody has some ideas what to do about it. I don't, but I think I know the facts. The Conservatives blame the Bevin Labor Government. Bevin blames us and we blame the British coal miners. So far as I can see the fault is much more deep rooted. It's a question of the entire British economy and not whether the British are 25 miles away from Fort Knox. England is a small country. It has outgrown its land and its plant which supported its population. In the past it depended on free markets. A couple of wars and competition from American industry has changed that. The country has only one natural resource, coal. This industry is so far behind us in mechanical improvements, the word obsolete doesn't even apply. Mining is so inefficient that the British miner does only one fifth of the work of the American miner. This calls for more manpower to get enough tonnage for even domestic use.

Its textile industry, also important to British economy, is also way behind ours. In this country weavers, thru mechanization, can handle 10 times as many looms as does his British counterpart. This means that more manpower is needed. To solve its problems England is trying to borrow its way out and leaning more and more on us. Whether the loans we can grant them will be more than a stopgap is difficult to say.

* * *

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



# Why Sterling Convertibility Could Not Succeed

(Continued from page 2)

available. But, naturally, they will have to be used with caution and may be subject to considerable modification as time goes on.

Speeches by the Prime Minister and the Chancellor of the Exchequer in the House of Commons during the debate on the Emergency Bill provide the main sources of available information. The data are scant, not always easy to interpret and to reconcile and sometimes even contradictory. Yet, they have to be used for whatever they are worth as a basis for analysis and discussion.

**Distribution of Dollar Disbursements**

The total dollar deficit was 1400 million dollars in 1946 but rose to 1620 million dollars during the first half of 1947, an increase of about 130%. During the same period the excess of merchandise imports from the United States increased from about $750 million to about $550 million, or by some 45%. Thus it appears that the trade deficit with the United States is not a principal reason for the steep rise in the dollar deficit.

A breakdown of British imports from the United States shows that the increase of the dollar deficit reflects not merely the price rise in this country as has been suggested frequently.

**BRITISH IMPORTS FROM UNITED STATES**

| | Second half of 1946 | First half of 1947 |
|---|---|---|
| | (In millions of dollars) | |
| Food | 119 | 266 |
| Raw materials, oil | 118 | 298 |
| Tobacco | 157 | 27 |
| Machines, manufactured goods | 53 | 163 |
| Ships | 14 | 94 |
| Films | 35 | 27 |
| | 496 | 875 |
| Imports for British zone of occupation in Germany | * | 169 |
| Total imports | 496 | 1,044 |

*No figure available but amount was probably small.

The increase in dollar expenditures was much greater for the countries of the Western Hemisphere outside of the United States. Dollar payments during the second half of 1946 were 143 million against 472 million in the first half of 1947, an increase of some 230%. The total for the 12 months period is distributed as follows:

| | In Millions of Dollars |
|---|---|
| Canada | 220 |
| Central America | 260 |
| South America | 135 |
| | 615 |

Many will be surprised at the large amount of dollar payments to Canada in view of the considerable free balance of that Dominion's loan to Britain. As a matter of fact, almost one-third of the British trade deficit with Canada (about 650 million during the 12 month period) was settled in U. S. currency rather than drawn against the Canadian loan in order to alleviate Canada's shortage of U. S. dollars.

Yet the figures for the sterling area are even more startling. The dollar deficit during the first-half of 1947 amounted to 205 million according to Dr. Dalton (Mr. Attlee gave the even larger amount of 272 million). However, in the second-half of 1946 the sterling area produced an inflow of 155 million to the dollar pool. This indicates a virtual collapse of the structure which had been built up during the war to collect and distribute dollars within the Commonwealth. Dr. Dalton furnished these additional supporting data:

| | In Millions of Dollars |
|---|---|
| Australia | 60 |
| South Africa | 50 |
| Rest of Sterling Area | 235 |
| Total outflow | 345 |
| Income from Malaya | 140 |
| Total deficit | 205 |

The breakdown shows that not only the "unwilling" members of the sterling bloc like India and Egypt drew on the dollar pool (they are included in the "rest" caption) but the faithful Dominions as well. The British Treasury has made much of the willingness of the Dominions to continue voluntary cooperation and even to forgive voluntarily part of their sterling claims but failed to reveal the large amounts they withdrew from the American loan.

In 1946, the Bank of England, apparently, was still able to manage the dollar pool in the traditional manner by keeping income and outflow of dollars in balance and, in addition, saving the inflow from Malaya for British expenditures. But the system did not work in 1947 any longer and the Dominions tried to participate in the distribution of the remaining part of the American loan.

There seems to be a fair assumption that Commonwealth countries including Canada might have received some 500 million dollars during the first semester of 1947 or almost one-third of the total dollar deficit of the period which, according to Mr. Attlee, amounted to 1620 million.

**Dollar Pool Depleted before July 15th**

Thus we see an enormously increased dollar outflow during the first half of 1947 to areas outside the United States and particularly to countries of the British Commonwealth. These surprising developments were, undoubtedly, closely related to the negotiations which preceded resumption of "convertibility" on July 15, 1947 in accordance with the provisions of the American loan agreement.

The principal purpose of these negotiations was to draw an "imaginary line" between "current" and "blocked" sterling accounts. For convertibility was supposed to extend to "current" balances only[2] and Britain is indebted to countries within and without the Commonwealth to the tune of some 14 billion dollars.

In order to get the creditors' consent to continued freezing of blocked balances, Britain had to make concessions by unfreezing some percentage of them. The amounts varied in accordance with the mood of those creditors; in some cases certain groups of balances were released in full, particularly those of individuals, while other categories such as banks remained blocked.

The total amount of these unfrozen sterling balances was estimated recently by the London "Economist" at some 200 million pounds (800 million dollars).[3] Thus these unfreezings of blocked balances preliminary to resumption of convertibility of currently earned sterling undoubtedly account for a substantial portion of the dollar withdrawls during the first half of the year.

There was still another perplexing problem. Who should make the distinction between "transferable" and "blocked" sterling in individual cases after resumption of convertibility? It was obvious that the Bank of England could not cope with the variety of situations that would develop all over the world and would be unable to pass upon all applications, as had been done since 1939. Finally the decision was made to let the foreign central banks determine which sterling balances should be considered "transferable" and which should remain "blocked". Thus the fate of the American loan was placed in the hands of foreign central banks that were less concerned with the future of sterling but rather with the acquisition of much needed dollars.

In the circumstances, there should have been hardly any surprise when after July 15 the amount of "transferable" sterling increased by leaps and bounds far beyond expectation of the experts. No reliable estimate is available how many sterling accounts were converted in this fashion (in addition to those officially released by the British). But it was sufficient to force immediate repeal of convertibility.

Businessmen all over the world did not share the official optimism that convertibility would make sterling more attractive and induce holders to increase rather than reduce their balances. They felt all along that Britain would be unable to maintain convertibility for any length of time and they made their decisions accordingly. In the end, they proved right and the "experts" wrong.

**"Current" and "Capital" Transfers**

How was it possible that the best informed experts failed to foresee those facts which were clearly visible to businessmen in many countries? For months the trend to climb on the bandwagon of convertibility was almost irresistible and there were but few exceptions.[4]

British policies relied on the theory that it is possible to continue control of some types of a currency while leaving free other types of the same currency. This theory was embodied in the Bretton Woods Agreements and thus has been made the official and world-wide doctrine. Article VI of the Articles of Agreement of the International Monetary Fund permits members to continue control of "international capital movements" while these controls shall not extend to "current transactions." The British Treasury followed these provisions faithfully. But, unfortunately, they failed to work out according to expectations and had to be repealed quickly to avoid disaster. Maybe there is time to subject that doctrine to a searching review in connection with those recent experiences.

This was another instance to confirm the age-old truth that people quickly forget what happened only a short while ago. For the inter-war period has provided proof time and again that no currency can exist "half free and half controlled." There has always been an almost irresistible trend from "blocked" to "free" balances as long as there prevails any considerable difference in price or usefulness between the two. After all, there is no genuine distinction between a blocked and a free account, merely a notation on an account card.

The experience made during the short-lived period of sterling convertibility should remind those responsible in determining monetary and financial policies to watch practical business opinion and not to rely too heavily upon theoretical distinctions which may be blown away by hard facts.

Secretary of the Treasury Snyder's statement[5] that the United States agreed to suspension of convertibility on the understanding that it was to be restored as quickly as possible should be considered with a view to realities. As long as Britain has not succeeded in consolidating its foreign debts on a long-term basis, there is no practical possibility to restore convertibility without inviting the same troubles that led unavoidably to its repeal after only a few weeks.

2 The term "current" was defined in accordance with the rule laid down by article 19, section (i) of the articles of agreement of the International Monetary Fund.

See a pamphlet issued by the British Information Service: "The Significance of July 15—Sterling Convertibility and its Relation to World Trade for a detailed discussion.

3 Post-mortem on Dollars, August 16, 1947.

4 For the optimists:

"Sterling and July 15," monthly letter of the National City Bank of New York, July, 1947 issue.

"Transferability of Sterling", monthly review of the Federal Reserve Bank of New York, August, 1947 issue.

"After July 15", London "Economist", July 19, 1947.

For the pessimists:

"Stabilization of Dollar-Sterling Rate—Key to Britain's Recovery", Commercial and Financial "Chronicle", April 10, 1947. Paul Einzig's weekly columns in the "Chronicle."

5 At the Press Conference on August 27, 1947.

## Dean Witter & Co. Adds Brown in N. Y. Office

Dean Witter & Co., members of the New York Stock and Curb Exchanges and other leading security and commodity exchanges, announce that Samuel G. Brown has become associated with the firm as a registered representative in the New York City office, 14 Wall Street.

## White, Noble Adds Two

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—William F. Floyd and Hudson White, Jr. have been added to the staff of White, Noble & Company, Michigan Trust Building, members of the Detroit Stock Exchange.

# Meditations on Foreign Trade

(Continued from first page)

national commerce" as though they were un-American.

Hence we must see that all our plans to break down trade barriers and to expand international commerce will come to naught, until we get a definite educational program into action, which will teach our people to think clearly and without emotional blocking, about our foreign trade. For as long as we are a democracy, in the long run, the legislators in Washington will have to listen to their constituents, even if the voters think in the most muddled fashion. And that means the man in the street as well as the student within the classroom must learn about tariffs, tariff preferences, quotas and embargoes, subsidies, state trading, exchange controls, credit international cartels, and restrictive business practices as well as a knowledge of many other fundamental economic concepts.

Foreign trade, in its proper meaning, antedates recorded history. Even in the period of Neolithic Barbarism, the Danubians imported into central Germany and the Rhineland the shells of a Mediterranean mussel, which they used for ornaments and amulets. Trade was always limited by the factor of transportation because the goods had to be carried by humans or beasts of burden over poor roads, across deserts, and through mountain passes. Moats were frail and dependent upon muscle power at the oars or rude sails. Hence the commodities in which there was foreign trade by necessity consisted of articles of high value and small bulk. We find in this early trade such commodities as gold, silver, precious stones, copper, tin, iron, amber, spices, gums, incense, fine fabrics, dyes, camel's hair, ivory, furs, salt, honey, ebony, dried fish and barley.

### Foreign Trade a Two-Sided Affair

Essentially foreign trade is a two-sided affair in its simplest aspect. If one country wants to sell to another, that can only take place in the long run, if the second country can also sell its commodities. This, we often say, should be evident to even a baby, but you still have the type of mentality with us that would like to see a high tariff wall around our country, and a low tariff wall in the other country. Benjamin Franklin was annoyed at the inability of his compatriots to see this bit of reasoning and in a letter dated London, 7 July, 1767, he wrote:

"Suppose a country, X, with three manufactures, as cloth, silk, iron, supply three other countries, A, B, C, but is desirous of increasing the vent, and raising the price of cloth in favor of her own clothiers. In order to do this, she forbids the importation of foreign cloth from A. A, in return, forbids silks from X. Then the silk-workers complain of a decay of trade. And X, to content them, forbids silks from B. B, in return, forbids iron ware from X. Then the iron-workers complain of decay. And X forbids the importation of iron from C. C, in return, forbids cloth from X. What is got by all these prohibitions? Answer —All four find their common stock of the enjoyments and conveniences of life diminished."

In its extreme form, we have what may be called economic isolationism or the desire for self-sufficiency. Before World War II, there was a well defined movement aimed at getting us to make or raise every product we imported from abroad. Economic self-sufficiency is no new phenomenon and the tendency to national exclusiveness is as old as human nature. We could, of course, raise bananas and even coffee in this country, provided we were willing to pay the cost of production plus a normal profit. As Professor J. G. Smith has ably pointed out, "Scientific progress and technological invention which used to lend support to a free trade policy are now among the most powerful of forces encouraging economic nationalism. Standardization of processes and of output, development of intricate machine tools which can be operated by comparatively unskilled labor after a brief period of training, wide distribution of electrical power and the growth of technical education in every branch of industry enable new factories to be set up with equal prospects of success almost anywhere throughout the world."

In our post-war period manufacturers have realized that with products made in this country, we can produce substitutes to equal or rival commodities formerly imported in large quantities from abroad. Nylon and synthetic rubber are two illustrations of the trend we will probably follow in years to come as more and more we turn to our research laboratories to produce goods, though the resultant economic upheavals in the former exporting countries are going to give us headaches. In the plans to help Japan get on her feet, will it be economically sound to have her silk industry rebuilt, if in the world market silk must meet nylon as a competitor? And what will be done about the economy of Ceylon, French Indo-China, Malaya, and the Netherlands Indies with their product of natural rubber which now has a serious competitor in the line of synthetic rubbers, some of which can perform functions which the natural product can not do.

The basis of international trade is that it is always wise to buy in the cheapest market. The theory may be best understood by quoting the words of Adam Smith, "It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than buy. The tailor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor. The farmer attempts to make neither, the one nor the other, but employs these different artificers. All of them find it for their interest to employ their whole industry in a way in which they have some advantage over their neighbors, and to purchase with a part of its produce, or what is the same thing, with the price of part of it, whatever else they have occasion for. What is prudence in the conduct of every private family can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage." In a recent Department of State publication in its commercial policy series entitled," "Building a New World Economy" the common sense of Adam Smith was paraphrased.

### Fallacy of Isolationism

There is a feeling that international trade deprives a country of its wealth and that it would be a much better and richer place of it kept the products at home for its own people. In one form or another this fallacy has plagued economists and politicians for centuries. Back in 1621, Thomas Mun wrote "A Discourse of Trade, from England unto the East-Indies" which was in effect a brief for the East India Company. He took the position the trade brought more money to England than it took out. He saw very clearly that goods and trade brought prosperity as he analyzed the work of the Italian and Lowland merchants.

Centuries later, ex-President Herbert Hoover showed his recognition of the significance of foreign trade when he said in a trend of thought similar to Mun, "The whole structure of our advancing civilization would crumple and the great mass of mankind would travel backward if the foreign trade of the world were to cease. . . . World trade has become more of the nature of a common pool into which all nations pour goods and credit and from which they retake goods and credit. . . . Trade in its true sense is not commercial war; it is vital mutual service. The volume of world trade depends upon prosperity. In fact it grows from prosperity. Every nation loses by the poverty of another. Every nation gains by the prosperity of another."

We talk much about a world which will be free of the fear of war. If we can reach that stage of civilization where man can look ahead to the morrow without the worry of destruction on the battlefield, his energies and productive capacities can go into the channels of more commodities for a world that is an eager buyer. Somehow this country has been sold a bill of goods that it has the mission to save the world and so we most generously give of credit and goods to other nations. Every religious minded individual will accept the thesis that there is a moral obligation to give charity and aid to the needy, whether individuals or nations. If you saw a man drowning, you would not hesitate to jump into the water and save him. But if you knew he would later take a knife and kill your wife, burn down your factory, and even destroy you, it would be perfectly moral for you to either let him drown or make arrangements to protect yourself. There is a lesson in this that has escaped the brain cells of many of our people. Some of the countries that are crying aloud for credit, cash, and commodities from us to "save" their countries, are also taking measures that will either hamper or threaten to ruin part of our foreign trade. It certainly is about time that some of our statesmen awoke to the fact that we are plain suckers along this line.

When Marco Polo, who essentially was a trader, went on his epoch making trip, the world was divided into "known" and "unknown" areas. And Columbus was looking for a short trade route to the riches of the East when he discovered the New World. But the world of today is very small, it has actually shrunk because we are now beginning to realize the true significance of the airplane. It has changed the concept of time-distance to miles-distance. Any place in the world is not more than 60 hours of time, flying, from any other place. We are living in this new small world, and in it we have to do a lot of clear thinking about our foreign trade. Seems to me that the future belongs to those who can do the best thinking and put the resultant plans into effect.

# The U. S. Will Help Her Friends

(Continued from page 10)

upon international relations as governed by the same standards of moral conduct by which individuals are governed.

In short, the declarations of Sept. 7 and July 4 demonstrate that we have the same concept of freedom and democracy.

One of your great statesmen, Ruy Barbosa, whose name has left an imperishable memory, once said that the nations of the world constituted a single society and that the principles which formed the basis of stability and justice within each state should be applied equally to nations. He felt that this was the only hope of maintaining civilized relations between them.

The idea was not new. It was part of Brazil's inheritance, as it is part of the inheritance of every other Christian nation. But Ruy Barbosa's eloquence has made it a living principle of the foreign policy of Brazil. His declaration that there can be no neutrality between right and wrong will remain forever part of the moral tradition of your country.

In a recent exchange of correspondence with Pope Pius XII, I said that I desired to do everything in my power to support and to contribute to a concert of all the forces striving for a moral world. I believe in making that statement I spoke the thought not only of my own country but of Brazil as well.

The United States has been fortunate in having Brazilian friends who have been wise counselors when joint action was called for. The name of Ambassador Joaquim Nabuco, who served in the spirit of your great Foreign Minister, Rio Branco, will always be associated with the maintenance of the Monroe Doctrine within its proper limitations. He is but one of a long line of your distinguished countrymen who have contributed so greatly to the understanding that exists between us.

Through the years we have learned that because there is agreement between us upon the fundamental principles of justice and equity, we can face our common problems with an assurance of agreement upon the ways and means of solving those problems.

The recent war again gave convincing proof of our friendship. The mutual trust and confidence that exist between us manifested itself at an early date in the immediate response of your government to our need for air bases and for supplies of strategic materials.

When both our countries were attacked, our people fought side by side until victory was attained.

The bravery of your fighting men, against an experienced and resourceful enemy, cemented our comradeship and gave us another reason to feel a deep sense of pride in our friendship.

I am here to say that we are not a people who forget our friends when they are friends in need.

The memory of those days of struggle and sacrifice together will always be a sacred bond between us.

But today the problems of peace still lie ahead of us. They are more difficult than we could have anticipated. They will require the closest collaboration between us. But I am confident that we can solve them with mutual goodwill and forbearance. The one essential is that we maintain our common ideals and our common principles of morality and justice. With these to guide us we can go forward together, and we shall not permit any minor differences to divert us from the pursuit of our common objectives.

We are in a period in which Brazil and the United States must continue to cooperate with their sister nations of the Western Hemisphere in the development of a strong and concerted force for the good of mankind. One of the great lessons we have learned in recent generations is that we do not dwell alone. Destruction, suffering and confusion in other parts of the world confront us now as never before. Our nations made great sacrifices throughout the war, but we have been spared the wanton destruction and dislocation suffered by many.

I am confident that Brazil and the United States will be faithful to a great trust on which depend the lives and liberty of so many millions of disillusioned and discouraged people.

The people of the United States followed with keen interest and high hopes the progress of the Inter-American Conference which has just ended. The splendid result attained brings to us a sense of deep satisfaction.

### We Can Submerge Individual Aims

We in this hemisphere have demonstrated to the world that right-thinking men can submerge their individual prejudices and their individual aims in the accomplishment of an agreement that will bring great benefit to the world.

The conference of Rio de Janeiro will go down in history as a tremendously important milestone in our progress toward the outlawing of force in international relations and the establishment of the rule of law and order.

In some quarters today one hears expressions of disappointment in the accomplishments thus far of the United Nations. This must not deter us in our constant effort to build the organization that the world needs so badly.

Furthermore, we must keep ever in mind that the United Nations was not intended to settle the problems arising immediately out of the war, but to provide the means for maintaining international peace after just settlements have been made.

The United Nations was not born fully developed by the signing of its charter in San Francisco. It will take steadfastness of purpose, unremitting toil and infinite patience to achieve our goal.

### U. N. Permanent

The United Nations is not a temporary expedient. It is a permanent partnership—a partnership among the peoples of the world for their common peace and common well-being.

The difficulties that we have encountered in this early phase in the life of the United Nations have not discouraged us. On the contrary, they have increased our determination that it shall succeed. The United States is resolved to support the United Nations with all the resources at our command.

Brazil and the United States have advanced side by side in developing progressive concepts of the democratic way of life. We have proved to ourselves that policies founded firmly on belief in the dignity of man and his possession of certain inalienable rights inspire us to greater endeavor and lead us to new heights of achievement.

I shall leave Brazil with the conviction that here flourishes a people dedicated to the firm ideals upon which my countrymen and I were nurtured. It is difficult for me to tell you how deeply I appreciate the wonderful reception I have been accorded in your country.

Because this Congress consists of the chosen representatives of the people, and because you men, through the operation of the democratic process, are so closely identified with the people, I wish to express my heartfelt thanks, through you, to all the people of Brazil.

As I passed through your beautiful capital city on the day of my arrival, the warm expressions of friendship on the faces of hundreds of thousands of your people deeply moved me and left with me an impression I shall never forget.

When the time comes for me to depart I shall carry away in my heart strengthened confidence in the enduring friendship of our two countries and in the goodness and generosity of the people of Brazil.

# The So-Called Dollar Shortage

(Continued from page 2)

determine what they can do for themselves and what they need, as a group, from the United States. But determination of their wants and how they will use our gifts or loans is not enough. They should also include in their statement what these countries (direct or indirectly) propose to return to us in exchange. Are they going to give us goods and services in return for our goods and services, or are they going to give us in exchange only some pretty promises that they will be good boys, may pay us some day, and will not go communistic?

Exports of American manufactures are a very important factor in the maintenance and development of our national prosperity. But we cannot build up either a sound export program or a sound domestic economy on dollars that we merely give away or lend on an unsound basis. We should determine before we pass out our dollars and the products of our farms, forests, mines, and factories what we are to receive in return. If we leave this to the future, accepting in the meantime only promises, the promises will be all we shall ever get.

### Dollar Shortage a Delusion

The so-called dollar shortage is a delusion. The real shortage is a deficiency in most foreign countries of production, of faith in their own government and its currency, and a shortage of people who are willing to sell an American dollar for fifty cents. British exchange regulations say the British exporter must accept from his government only one pound sterling for every four dollars worth of products he sells in New York. But the market place says his pound is worth only two dollars. French law tells the French exporter he must accept 120 francs for his dollar when it takes 250 francs to buy a dollar's worth in the market place. So—whenever a foreigner gets a dollar he keeps it or hides it, directly or indirectly, and then he says "there's a dollar shortage." So long as foreign governments force legitimate businessmen to treat our dollars as though they were half dollars, the so-called shortage will continue — unless we undertake to supply every Englishman, every Frenchman, every Italian, Greek, and Chinese with all the undervalued dollars he wants. We can never cure the so-called dollar shortage by passing out any number of billions so long as present conditions remain as they are. The demand is insatiable.

### European Monetary Management

The war has been over for two years. The difficulties of our foreign friends are not merely the inescapable aftermath of war. They grow out of mismanagement and incompetence in high places, bureaucratic interference with all of the normal processes of production and exchange, theoretical socialistic experiments, extravagance, ruinous exchange regulations set up in attempts to cover up the results of governmental extravagance, pampering of communistic labor leaders for the sake of the votes they control, undue multiplication of jobs in government regulatory bodies, and political management of the increasing number of business enterprises these socialistic governments now operate or control. No amount of free-spending and giving on our part will correct the general inefficiency, the political favoritism and chicanery, and the general maladministration that characterizes most European governments today.

The British Government has put into circulation twice as much money as before the war, the French Government eight times as much, and other countries still more. Since production has not increased, prices in each country have increased in proportion to this monetary inflation. It is impossible for a foreign exporter to export anything to us if he must buy English or French products at these inflated prices, ship to America, and get back through an arbitrary official exchange rate only half or less of the real value of what he has sold. As a result of these arbitrary exchange rates, foreign countries cannot export to us the goods to pay for what we export to them, and they can pay for all their imports only with dollars. Naturally, there are not enough dollars abroad to do this. Hence, the monetary mismanagement of France, England, Greece, or China is disguised as a "dollar shortage."

The governments now seeking our aid, gifts, grants, and loans have misused and mismanaged the resources they now have. Their politicians hope to continue in control of these countries by persuading us to pour our resources indefinitely down the rat-holes of their own incompetence. We cannot cure Europe's sickness by merely writing more checks. Our billions of dollars might make the symptoms look better temporarily, but our dollar stimulants only conceal a disease whose causes lie much deeper.

### Britain Squandered Loan

When we made the loan to Britain a year ago we were assured that it would enable her to buy all the raw materials, machinery, and equipment needed to cover all of her requirements for a five year period. But instead of utilizing these dollars for the purposes for which they were borrowed, Britain has squandered the bulk of them on tobacco, fancy foods, gasoline, unnecessary local improvements, and consumer goods which her people could have very well done without, produced for themselves, or obtained from countries that do not require dollars in exchange. Instead of utilizing her manufacturing abilities to modernize and develop her industrial capacity, she has exported to all the soft-money countries of the world the machinery and equipment she needs to produce effectively in her own industrial plants. Because Britain has bought luxuries and nonessentials from us with dollars and has sold her industrial equipment and machinery (even her seed stock) to countries who could not pay her in dollars, she has lost her dollars and now wants us to give her some more. After squandering on nonessentials in one year seven-eighths of the dollar purchasing power we lent her for five years of reconstruction, Britain's socialist government now asks us to release them from what they agreed to do in the last loan agreement. Mr. Herbert Morrison has even had the audacity to suggest that the next contribution on our part shall be a gift called "mutual aid"; and Mr. Bevin wants us to send them our gold in addition to all the other things so he can redistribute it.

Before the war, the United Kingdom used to provide all her own coal needs and export enough coal in addition to pay for the wheat she needed. Now her government is so obsessed with utopian schemes for socialization and nationalization to the exclusion of efficient production that they cannot even get enough coal ahead to take care of home and factory heating; and when they have a storm they have to shut down industrial production entirely for some weeks—this two years after a war that did not injure the coal mines. Despite the critical position which coal bears in the present British economy, the British Labor Government would rather pamper a communist-led coal miners' union for the sake of staying in power than take steps necessary to secure maximum production from British coal mines.

The same governmental incompetence, political pampering of communists, and bureaucratic interference with all normal business procedure characterizes France. France claims to be unable to build her industrial machine unless we provide her with more dollars. Yet her government allotted millions of dollars for the purchase of Brazilian coffee, to be paid for in dollars, while the coffee on the plantations in her own French Colonies of Central Africa remained unpicked and wasted because of the incompetence of her colonial administration. She claims a labor shortage; but her workmen tell me that her nationalized industrial plants now featherbed four or five men in jobs that one did before the war.

### Government Extravagance

In all of these countries, the difficulties these governments find themselves in arise primarily from overspending, extravagance, and excessive interference by the government in economic and business affairs rather than from war damage. All these countries find it easier to print paper money in huge quantities to pay the extravangant obligations of bureaucrats, than it is to set up an adequate tax system to bring in the money and then limit expenditures to the income and resources available. They find it easier to set ridiculously inadequate official exchange rates, which make exports impossible, than it is to face the results of their own folly and allow international exchange of goods and services at realistic market rates.

### Recommendations

It is time we put a little realistic thinking into our Foreign Aid Program. How can we do this? We cannot change the inefficiencies, the Utopianism, the monetary mismanagement, or the cheap politics of foreign governments; but we can refuse to go on paying for these policies with our own tax money. As specialists in international trade, those of us in this assemblage can do six things:

(1) We can urge our starry-eyed international check-writers to stop giving away our goods and services in the form of credits, grants, lump-sum loans, and gifts, except—and this is important—in exchange for the foreigners' goods and services.

(2) We can point out the importance to the American economy of continuing exports of American manufactures and the fallacy of basing our exports on a temporary program of gifts and lump-sum loans that will later be repudiated.

(3) We can insist that the officially operated and inspired discrimination against American manufactured products that now characterizes every area that is even remotely controlled by the governments now seeking our financial help shall be terminated at once.

(4) Wherever long-term projects are to be developed in foreign countries with our financial aid, we can insist that American management and supervision shall be proportional to the American financial contribution; and we can tie-in the installments of our contribution to specific projects and specific production goals. It has been proved over and over again that political loans to foreign governments cannot be counted upon for repayment if we turn over the money or credits on a lump-sum basis and they handle matters without reference to American technical assistance or supervision.

(5) We can see to it that the foreign business policies of the individual manufacturers we represent are soundly based on a realistic approach to the actual competitive market situation in each important foreign market area in the world and that amateurish handling of our foreign trade operations is terminated.

(6) We can insist that our contribution to foreign reconstruction shall be on an economic rather than a charity basis.

### Aided Nations Can Furnish Goods

Those who want to give away our hard-earned dollars to bankrupt foreign governments have been operating on the fallacious assumption that the countries in need of our aid do not have anything to exchange for our goods and services. This may sound plausible, but my brief visits to 26 countries indicate to me that it simply is not true. Every one of the countries that seek to impose upon our generosity has resources in minerals, raw materials, agricultural commodities, manpower, productive capacity, services, present or future, that can be exchanged with us for what they ask us to give them. Naturally, foreign governments would rather have us give them our food, coal, machinery, and equipment in exchange for the same worthless promises that have been dishonored in the past. That is much easier for them than sending us the present or future products of their mines, factories, farms, or labor. But if they realize we are as realistic and hard-headed as they are and we make this a prerequisite, they will find things to exchange with us that have real value.

Minerals, particularly strategic minerals, are available in almost endless supply and can be stockpiled in this country in almost any amount. Besides gold and silver, which are relatively useless, we could pile up tremendous stock piles of tin, lead, chromium, wolfram, manganese, uranium ores, and any other useful minerals. Minerals retain their value indefinitely and cost relatively little to store for as long time as necessary.

Timber, pulpwood, and other products of forest and tropical agriculture now so short in this country are much needed for our housing and industrial construction. Moreover, the bringing into production of the timber resources of other countries would develop those countries, create markets for American machinery and equipment used in cutting, transporting, and developing these foreign resources, and it would create opportunities for American technicians and workers as well as nationals of the countries concerned.

European manufactured products could be imported in large volume if international markets were freed from the burdensome and unrealistic official exchange rates that now make such imports practically impossible. Many European manufactured products are needed in greater variety than American mass production techniques can efficiently produce them, and the smaller manufacturing units customary in Europe can produce some products more efficiently or more artistically than our large-scale specialized mass production industries can. What American consumers lose by shipment of our food, coal, and other products to Europe could be made up by European products received in return if European governments would permit it.

Some American manufacturers may object to such importations of European manufactures in spite of present shortages and the obvious advantage to American consumers. But if this is so, it is better for us to recognize this political fact and pressure now while wide shortages exist than to postpone the question of what we will accept to a later time. It is wiser to face such facts now while the need of foreign purchasing power is obvious to everyone than it is to postpone consideration of what imports we are willing to receive until after we have shipped our own products abroad.

In addition to commodities, all of these foreign countries have manpower that they can use to provide goods or services useful to us if they are forced to understand that they must use their own manpower to work in our interest if they wish us to use ours to provide goods and services for them. If it is necessary, we can furnish the raw materials for processing in foreign factories, and the finished goods can then be returned to us or exchanged with some other country for something that the third or even a fourth country can give us.

Tourism furnishes another large potential source of repayment. Senator Brewster estimates $3 billion can be obtained in this way. Why not throw this potential payment (whatever it is) in the balance at once? Why should we loan foreigners of our substance and then pay them three billions in addition? Let them give us paid coupons covering transportation, living expense, and other travelers' credits for which they can pay their own people in their own currency and for which our tourists can reimburse our Government in the same dollars we credit to the foreigner for his imports?

### Give Americans Shares in Foreign Industry

Besides the goods and services which all foreign countries may well give us in exchange for the goods and services they require of us, they can also offer us in exchange for our goods and services a share in the future production of the industries our dollars create. They can do this by giving us a participating interest in the individual enterprises we help to establish. It is much better for all concerned if Americans receive a share of the stock of a manufacturing plant in Manchester on the same basis as the English investor receives a share of that stock when our equipment and machinery goes into that plant than it is for an American investor or taxpayer to receive indirectly in the name of his government a piece of paper of doubtful value specifying the obligation of the British labor government to repay him some specified amount of currency at some future time.

### Improve Our Foreign Sales Management

Besides the influence we can exert as citizens and as foreign trade specialists, we can do something ourselves to improve the effectiveness of our foreign sales management. Except in certain lines where Americans have long had specialized foreign sales organizations such as in automobiles or films, the manufacturers of other countries are in many cases doing a more effective foreign sales job than we are simply because too many of our own manufacturers are trying to run their foreign operations without a practical knowledge of marketing conditions in the individual foreign markets of the world. Every market has its own peculiarities, and the only way to discover these practical factors and keep up with changes constantly occurring is to visit these markets and see what the situation is on the ground. As your Chairman has pointed out, I have just returned from a trip that covered by plane, train, and automobile, 26 countries of Europe, Asia, and Africa. Last year every country in the Western Hemisphere was covered similarly. In every one of those areas I found some very inept American foreign trade practices and methods.

Foreign trade under the competitive conditions ahead is not for amateurs. A manufacturer must know the practical conditions in every one of the markets of the world that can use his products. Either he should appropriate enough money to enable his export manager to travel personally to every market of the world and see for himself what is going on, or he should employ an organization that specializes in foreign sales management to do that for him.

Debates are now about to begin as to how much we ought to contribute to European reconstruction; and Europeans are struggling to set up a budget of requirements under the Marshall Plan. Ostensibly this is to be a budget of absolute needs, but their practical problem is to determine how much of a hand-out they can get away with from the American Congress.

They tried 30 billions. That didn't go over so well so they tried 21 billions. Now the papers tell us that frantic emissaries have been rushed from Washington to Paris to urge them to reduce their "needs" to 15 billions or less to avoid scaring Congress.

I don't think we ought to limit them to 15 billions, 30 billions, or any other specific amount. I say let's give them all of our resources they want—up to the very limit of what they can show they can earn and pay for.

If our foreign reconstruction is on a sound basis, we need not be concerned with whether the total is 15 billion, or 30 billion. The larger the trade between us the better, so long as it is trade and not gifts disguised as loans.

I suggest an entirely different basis for these negotiations. Away with the poisonous atmosphere of supplication and charity loans! Let the self-respecting people of these countries tell us what they can and will do instead of how poor and unfortunate they are. Let us have their requirements in terms of what they are going to give us in tangible goods and services, what, how, and when.

Let them submit their requirements on a project basis, showing project by project how and what they propose to exchange with us in return for our contribution. Our much-maligned Congressmen naturally object to giving any more blank checks on the tax money of their constituents, but they are likely to approve any number of individual projects, each of which carries within itself the assurance that Americans will receive at least as much as they give.

We have the largest internal debt in the world and one of the heaviest tax rates. Let us leave our charity for cases where charity is required. The governments of Europe and Asia are not in that category. We can no longer afford to play the role of Uncle Sap. Let's go back to our older role of Yankee trader.

# Business Slow-Up Ahead!

(Continued from page 15)

to 40% above the second quarter level, and that both stocks and unfilled orders will be up substantially at the end of September or October.

### Alternatives for Fourth Quarter

This suggests two alternatives for the fourth quarter:

(1) Either the recent rate of distributors' purchases will be maintained, in which case business activity and the wholesale price average will not show much decline. In that case, however, retailers would be not only overcommitted but over-stocked at the end of the year, and the outlook for the first half of next year would be very poor indeed.

(2) The other alternative is that the third quarter increase in buying will be followed by a decline in the fourth quarter, in which case some pressure on many wholesale markets is bound to develop.

Frankly, the second alternative seems much more likely to me. Cashing of terminal leave bonds should provide some stimulus for sales during September and October, in addition to which comparisons with a year ago will have the advantage of an unfavorable showing in 1946. Reports we have received so far on September business, however, are not too encouraging. There has been a pickup, as there always is at this season of the year. But there has not been a pickup in line with the cash payments to veterans, and the movement of many important appliances and home furnishings items has slowed down. Resistance to high prices has become more evident, which is not surprising in view of the advance in food prices and the beginning of rent increases. Too many people seem to have forgotten that about 35% of the nation's families still have $2,000 a year or less. Even the 90% that have $5,000 a year or less are not too comfortably situated in view of today's living costs. As a matter of fact, real income, after adjustments for increased living costs, has been below a year ago for many months and unit volume has been declining for some time, according to official estimates.

I have spent this much time talking about the position of distributors because the domestic market is far more important than anything else. A decline of 5% in expenditures for goods and services by the United States' public would be equivalent, in fact, to: a decline of 79% in foreign buying; a decline of 29% in government spending, or a decline of 27% in expenditures of businessmen.

### Foreign Market Shrinking

Exports reached an all-time high in May. Official figures show that the drop in June was followed by another decline in July. Reports on export sales indicate that actual shipments in the latter part of the year will decline even further.

This decline in exports is only the most direct indication of deterioration abroad. Although official statements were made when Congress adjourned that there would be no need for a special session, these were not very convincing. However, it is more important to judge the foreign situation in relation to domestic business activity than it is to speculate on the calling or the outcome of a special session.

If Congress meets again in November, it will be under emergency conditions. A great many people believe that the problems of Europe, under present political conditions, are the problems of the United States. They had hoped that it would be possible to get away from emergency actions; to consider the European area as a whole; and to provide any further aid on a sounder and less wasteful basis.

At the same time, there has been a feeling in some sections of Congress that a serious crisis in Europe could not be prevented in any case, and that additional large expenditures should be put off until this had run its course. Otherwise, they believe that the money would be wasted.

The fact that a new emergency has come sooner than the public expected—although it can hardly be a surprise to any one reasonably well informed about European conditions—may tend to strengthen this last type of sentiment. The least that can be expected is that an emergency session may defer discussion of a long-term European aid plan. It may also influence its outcome.

From an immediate business viewpoint, however, there is not much ground for optimism. Exports are on the downgrade already. Calling of an emergency session might temporarily stimulate speculative psychology, in the belief that large appropriations would be made immediately. Congress, however, has refused to vote such funds without thorough discussion. Actual appropriations that would influence foreign buying, therefore, are not likely until some time in the first half of next year. Occupation expenditures will be increased sharply if Great Britain withdraws from Germany, but this will hardly offset the decline in British imports. Meanwhile, the crisis in Europe affecting other areas, and their trade with the United States will be depressed further.

### 1930 Type Depression Not Imminent

It is very interesting to note that the optimism of 30 to 60 days ago is being replaced in some quarters by a new wave of pessimism. One of the prominent newspaper columnists attributes this pessimism to the President's Council of Economic Advisers. The theory is that the last cost increases in steel and automobiles could have been absorbed at current operating rates: that producers in these fields admit as much; but that they expected a setback in production which made it necessary to build up reserves. Furthermore, it is believed that they based current prices not so much on current operations as on the prospect of reduced operations later.

This policy, the theory goes, may lead to a depression of the 1929-1932 variety.

This possibility, of course, cannot be completely eliminated. However, it seems to imply that steel and automobile producers and other businessmen will make no price reductions as demand begins to fall off. Such a policy, if followed generally, would throw the entire burden of readjustment on production. If prices shared none of the burden, then the decline in output and employment would be very sharp.

I wonder, however, whether this is a realistic appraisal. It seems to forget that businessmen in general have made record high expenditures for new plant and machinery in the last few years. Will they sit by idly and see only a small part of this capital investment actually in use as competitive conditions return? Or will they do what they have always done in the past, make strenuous efforts to get production costs down despite the high level of wage rates? It seems to me that the mere volume of new machinery purchases indicates that the latter course will be the one to be followed. If it is, then substantial price reductions for finished products will be possible during the next year or two. These will reflect not only a lower level of raw material costs, but also a higher level of efficiency on the part of both labor and management.

### Scarcities Rare

It is true that all scarcities have not been completely eliminated. It is also true that many scarcities have been exaggerated, particularly during the past few months. I think it might be worthwhile to stop and consider a few of the primary raw materials.

There is no shortage of wool, and not even a real shortage of fine wool. Total world stocks are enough to take care of one year's consumption even without the new clip wool, which is now moving into the market in the Southern Hemisphere. What has happened, however, is that the world as a whole has come in and built up its war-depleted stocks during the last two seasons. This has caused an exceedingly high level of activity in primary markets, but about three-quarters of this merely represents the transfer of wools from producing countries to consuming countries. The scarcity of fine wool has been a scarcity of market supply at the tail end of the season, and not a general shortage in the hands of most consumers.

There is no shortage of cotton. This year's crop, at almost 12 million bales, will meet domestic consumption and prospective exports as well as reversing the downward trend in carry-over. Moreover, shortages of cotton goods seem to be localized in two or three important categories, rather than being general. Record high prices have been paid for print cloths, but spot cotton prices have already declined by 6 or 7 cents a pound. It should be plain that the cloth market will experience an important test when an attempt is made to pass on these high-priced goods in the form of finished items to the consumer.

There is no apparent shortage of hides and leather. Shoe stocks have been increased steadily, resistance to high prices has gained, production has declined somewhat, but shoe prices are nevertheless scheduled for a further advance in the fourth quarter. This is hardly a sound foundation on which increased unit volume can be based.

There is a relative shortage of corn, at least in comparison with estimated requirements. The sharp advance in prices, however, will reduce demand. The short corn crop may also cause a more than seasonal increase in slaughter and in slaughter by-products such as hides and lard.

Canned foods provide another example of a market where excess supplies still exist. There has been some liquidation; but the anxiety with which the trade has appealed to the government to increase its exports of canned goods is a good indication that supplies of many canned foods are more than ample at present price levels.

In the field of metals, shortages are also local rather than general. Even in the case of rolled steel products, most consumers, with a few exceptions, are operating far above prewar levels, in addition to which there are many new businesses using sheet steel. This situation may prove similar to that of some types of electric motors, where delivery schedules have declined from a 2½ year to a 3 months' basis within the past five or six months. Even the non-ferrous metals trades seem to recognize that general shortages at current prices are a thing of the past, although special products are still in scarce supply.

In the field of building materials, there has been in most cases a steady increase in production. Lumber mill activity has been at a high rate and the so-called shortage is more a question of transportation facilities than of actual lumber supply. Even the paper and pulp markets seem to have reached their peak.

### Conclusions

The big difference between conditions now and two years ago, and even one year ago, is that every single element of demand was expanding at that time on both a dollar and unit basis. At the present time dollar measures still make favorable reading in some cases, although in exports the trend is already downward. But unit demand, which is the basis of employment and income, shows a different picture. We are at the point, I believe, where dollar measures will begin to follow the downward trend of unit measures within the next 30 to 60 days. That will mean that the present recession in business activity has passed its first gradual and confusing stage, and that readjustments will be more general and much more disturbing.

In relation to 1929-1932, the coming readjustment will be of minor proportions. In fact, it seems impossible that wholesale prices will drop as much within the next 12 months as they did in 1920-1921. Government supports under agricultural prices alone should be enough to prevent this. On the other hand, although the price correction will be more gradual, it will probably take longer before it is completed. What seems to be ahead is a readjustment of values that may take two years to complete, and that will depend in the long run on what the new Congress does about the Government program of support for farm prices.

# Wall Street Is Misunderstood

(Continued from page 6)

but to the insurance companies, banks, etc. These articles would also contain interesting biographical sketches of the leading investment bankers. While, in general, figures would be avoided, some attempt should be made to show graphically the dollar amount of the issues sold and the relatively small dollar amount of securities sold to the public which have declined substantially in value since offering.

(4) **The Functions of the Commission Broker Should be Described**—These might include the present efforts on the part of the brokers to give, not tips, but accurate statistical information on sound companies. The machanics of the brokerage transactions on the stock exchange, should be illustrated. As mentioned above the stock exchange is making attempts to do this. These efforts should be increased. In some way it should be brought home to the public that the number of stock exchange firms that failed during the depression, both in number and in percentage, has been relatively small compared with the number of banks that failed.

Other activities of Wall Street which might be explained to the public include—

(a) The New York Society of Security Analysts.
(b) The Odd-lot brokers.
(c) The Self-Regulation of the New York Stock Exchange.
(d) The operation of the New York Curb Exchange.
(e) The Operation of the Securities Exchange Commission.
(f) The Commodity Exchanges.
(g) The Investment Trusts.

These are simply a few suggestions of what might be done to sell the public WALL STREET. Others could be developed. But the point which should be emphasized is that the bankers, brokers, dealers and employees too long have allowed politicians and rabble rousers to use them as whipping boys. Even now it is rumored that the Administration is planning an investigation into certain activities of the financial community. In short, it is believed that the bankers, brokers and dealers should, by concerted action, stand up and fight for their rights and reputations.

## Merrill Lynch Firm Adds

(Special to THE FINANCIAL CHRONICLE)

PROVIDENCE, R. I.—Geroge W. Bishop, Jr., has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, Industrial Trust Building.

# Securities Now in Registration

**● INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

**A. B. C. Vending Corp., New York (9/17-19)**
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. (9/15-19)**
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.

**● Alabama Farm Bureau Mutual Casualty Insurance Co., Inc., Montgomery, Ala.**
Sept. 4 (letter of notification) $75,000 of "advancement certificates." Not less than $100 per certificate. To be sold through own officers and agents. For investment in legal investments.

**● Allen (J. J.) & Co., Inc., Buffalo, N. Y.**
Sept. 3 (letter of notification) 1,727 shares of common stock (par $20). Price $20 per share. The securities are being reoffered in conjunction with an offer of recission as the stock was sold in violation of the Securities Act.

**● American Brake Shoe Co., New York**
Sept. 8 filed 199,101 shares ($100 par) cumulative preferred. Preferred stock is convertible into common any time prior to Oct. 1, 1957. **Underwriters** — The First Boston Corp., New York, and Harris, Hall & Co. (Inc.), Chicago. **Offering**—Preferred shares will be offered for subscription to common stockholders of record on Oct. 1, in the ratio of one share of preferred for each five shares of common held. Unsubscribed shares will be offered publicly through the underwriter. Price by amendment. **Proceeds**—To pay off $12,250,000 short-term bank loan and for general funds. **Business**—Manufacture of brake shoes, miscellaneous castings and allied products.

**American Water Works Co., Inc., N. Y. (9/25)**
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**—Bids for the purchase of the stock will be received at company's office, 50 Broad Street, New York, up to noon Sept. 25.

**Atlantic City (N. J.) Electric Co. (9/17)**
March 19 filed 522,416 shares ($10 par) common, being offered by American Gas & Electric Co. **Underwriters**—Union Securities Corp. **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. **Price**—$20.07½ per share flat (ex-dividend). Shares were offered competitively earlier this year but bids were rejected.

**● Bell Finance Co., Red Bank, N. J. (9/15)**
Sept. 3 (letter of notification) $225,000 6% cumulative deferred debentures. **Price**—$100. **Underwriters**—None. To exchange short-term indebtedness, reduce cost of borrowed money, expansion of operation.

**● Bellefield Co., Pittsburgh, Pa.**
Sept. 44 (letter of notification) 30,877 shares (no par) capital stock. To be offered to shareholders at $5 a share. **Underwriter**—Pioneer Land Co., Pittsburgh. For improvement of hotel properties.

**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.



**● Brown Radio Productions, Inc., Nashville, Tenn.**
Aug. 29 (letter of notification) 17,000 shares ($1 par) common. **Price** — $8.25 a share. **Underwriter**—Mid-South Securities Co., Nashville, Tenn. For payment of bank indebtedness and other corporate purposes.

**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.

**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.

**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.

**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.

**● Cincinnati Fund, Inc., Cincinnati, Ohio**
Sept. 4 filed 99,050 shares ($1 par) capital stock. **Underwriter**—Cartwright & Co. is general distributor for shares of the Fund. Price based on market price. **Proceeds**—For investment. **Business**—Investment business.

**● Ciro Twins Mining Co., Orogrande, Idaho**
Sept. 4 (letter of notification) $100,000 of class A stock and $200,000 of class B stock. **Price**—25 cents per share. **Underwriter**—Lavigne & Co., Spokane, Wash. For development of property.

**● Cluett, Peabody & Co., Inc., New York**
Sept. 4 filed 112,974 shares ($100 par) cumulative second preferred. **Underwriters**—Goldman, Sachs & Co., and Lehman Brothers. **Offering** — The shares will be offered to common stockholders of record on Sept. 24 on the basis of one share of preferred for each six shares of common held. Unsubscribed shares will be offered publicly. Price by amendment. **Proceeds**—To redeem outstanding notes and for working capital.

**Conlon-Moore Corp., Chicago (10/1)**
July 25 filed $800,000 10-year first mortgage 4¾% sinking fund bonds. **Underwriters** — Illinois Securities Co., Joliet, Ill., and Mullaney, Ross & Co., Chicago. **Price**—Par. **Proceeds**—To pay off indebtedness and to finance expansion of business. Registration statement effective August 29.

**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.

**● Continental Potash Co., Kansas City, Mo.**
Sept. 4 (letter of notification) 31,250 shares ($1 par) common. **Price**—$4.20 a share. No underwriting. To construct plant in New Mexico for manufacture of potash.

**● Cummins Engine Co., Inc., Columbus, Ind.**
Sept. 8 filed 21,678 shares ($100 par) 4½% cumulative first series preferred. **Underwriter** — A. G. Becker & Co., Inc., Chicago. Price by amendment. **Proceeds**—The shares are being sold by six stockholders who will receive proceeds. **Business**—Manufacture of high-speed diesel engines and parts.

**● Derby Gas & Electric Corp., New York**
Sept. 4 filed 43,610 shares (no par) common. **Underwriting**—If a public sale is made the underwriter will be supplied by amendment. **Offering**—The shares will be offered to common stockholders on the basis of one share for each five shares held. Unsubscribed shares may be sold privately or publicly through an underwriter. Price to be supplied by amendment. **Proceeds**—Proceeds from the sale of stock and from the sale of new debentures will be used to make advances to the company's three operating subsidiaries for construction purposes. **Business**—Public utility holding company.

**Duquesne Light Co., Pittsburgh, Pa.**
Aug. 1 filed $75,000,000 30-year first mortgage bonds. **Underwriting**—To be determined by competitive bidding. Probable bidders include: Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp. **Proceeds**—To redeem $70,000,000 of first mortgage 3½% bonds at 103¼. The balance will be added to general funds to pay part of the cost of new construction.

**Duraloy Co., Scottdale, Pa.**
March 12 (letter of notification) 25,000 shares ($1 par) common on behalf of the issuer, 12,500 shares ($1 par) common for the account of Thomas R. Heyward, Jr., and 12,500 shares ($1 par) common for the account of Mrs. Thomas R. Hayward, Jr. **Price**—At market (approximately $3.25 per share). **Underwriter**—Johnson & Johnson, Pittsburgh, Pa., and The First Cleveland Corp., Cleveland. The company will use its proceeds for working capital.

**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.

**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.

**● E. A. Filene Cooperative of Virginia, Inc., Arlington, Va.**
Sept. 3 (letter of notification) 6,000 shares ($50 par) common. **Price**—$50 a share. No underwriting. To equip and stock a department store in Arlington.

**● Georgia Hardwood Lumber Co., Augusta, Ga.**
Sept. 2 (letter of notification) 3,000 shares ($1 par) common. To be sold at market. **Underwriters**—Reynolds & Co., New York; and Clement A. Evans & Co., Augusta. The shares are being sold by R. B. Pamplin, secretary of the company.

**● Great Eastern Mutual Life Insurance Co., Denver**
Sept. 2 (letter of notification) 45,250 shares ($1 par) capital stock. **Price**—$2 a share. To be sold through officers of the company. Of the total 13,250 shares will be sold for cash and 32,000 will be issued in exchange for 32,000 shares of capital stock of Western Agency Co. in order to acquire all of the latter's assets.

**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 (9/25)**
Aug. 29 filed 175,000 shares class A ($5 par) 60 cent cumulative convertible stock; 273,500 shares ($1 par) com-

## NEW ISSUE CALENDAR

**September 15, 1947**

Acme Electric Corp.----------Common
Bell Finance Co.----------Debentures
Tobin Packing Co.----------Common

**September 16, 1947**

Iowa Public Service Co.------Bonds and Common
Monongahela Power Co.
Noon (EDT)----------Bonds and Preferred
San Diego Gas & Oil Co., 8 a.m. (PST)----Common

**September 17, 1947**

A. B. C. Vending Corp.----------Common
Atlantic City Electric Co.----------Common
Hooker Electrochemical Co.----------Preferred
Providence & Worcester RR., noon (EDT)---Bonds
Standard-Thomson Corp.------Debs. and Common

**September 18, 1947**

Continental Casualty Co.----------Capital Stock
Revere Racing Association, Inc.----------Common

**September 22, 1947**

Empire Projector Corp.----------Common

**September 23, 1947**

Consumers Power Co.----------Bonds

**September 24, 1947**

Interstate Power Co.---------Bonds and Common

**September 25, 1947**

American Water Works Co., Inc. (noon)---Common
Denver & Rio Grande Western RR.
Noon (MST)----------Equip. Trust Ctfs.
Gem Products, Inc.----------Cl. A Convertible

**September 29, 1947**

Florida Rami Products Inc.----------Common
Metropolitan Edison Co.----------Bonds
National Union Fire Ins. Co.----------Capital Stock

**September 30, 1947**

New England Tel. & Tel. Co.----------Debentures
Texas Electric Service Co.----------Bonds

**October 1, 1947**

Conlon-Moore Corp.----------Bonds

**October 7, 1947**

Pacific Gas & Electric Co.----------Bonds

**October 21, 1947**

Pacific Tel. & Tel. Co.----------Debentures

mon, 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.

**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.

• **Mobeck (Eugene D.), East Cleveland, Ohio**
Sept. 4 (letter of notification) Preorganization subscriptions for 250 shares of $100 par common. **Price**—$100 a share. No underwriting. For purchase of mining equipment and machinery.

**Hooker Electrochemical Co. (9/17)**
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.

• **Ice-Flo Corp., New York**
Sept. 4 (letter of notification) 75,000 shares ($2.40 par) class A stock and 210,000 shares (5¢ par) common. Of the common 15,000 shares were sold to Alexander D. Harvey, a director at 5 cents each and 45,000 shares were sold to Gillen & Co., New York, at 5 cents each for investment. The balance, 160,000 shares will be offered in units of one share of A stock and two shares of common at $2.50 per unit. **Underwriter**—Gillen & Co., New York. For payment of obligations and development of manufacture of refrigerating machines and ice-making trays. Issue will be placed privately.

**Illinois-Rockford Corp., Chicago**
July 24 filed 120,000 shares ($1 par) common. **Underwriters**—Brailsford & Co., and Straus & Blosser, Chicago. **Price**—$9.25 a share. **Proceeds**—The shares are being sold by four stockholders and represent part of the stock the sellers will receive in exchange for their holdings of four furniture companies to be merged with the registrant. The merging companies are Toccoa Manufacturing Co. and Stickley Brothers, Inc., both Illinois corporations, and the Luce Corp. and Stickley Bros. Institutional Furniture Co., both Michigan corporations.

**Inglewood Gasoline Co., Beverly Hills**
July 7 (letter of notification) 100,414.8 shares ($1 par) capital stock. **Price**—$1 a share. To be offered to stockholders. Unsubscribed shares to be offered publicly through Bennett & Co., Hollywood. To purchase equipment, liquidate indebtedness, and for working capital. An amended application may be filed in near future.

**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. (stock only). **Proceeds**—For debt retirement, finance new construction and for working capital. **Bids** expected about Sept. 12 for submission 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 the bonds will be received until 11 a.m. Sept. 16 by the company at 30 Broad Street, New York.

• **Kable Brothers Co., Mount Morris, Ill.**
Sept. 3 (letter of notification) 253 shares ($10 par) common. **Price**—$10 a share. No underwriting. For working capital.

• **Kent-Moore Organization Inc., Detroit**
Sept. 10 filed 32,000 shares of common. **Underwriting**—No underwriting. **Price**—$16.50 a share. **Proceeds**—Shares are being sold by two stockholders who will receive proceeds. **Business**—Manufacture of automobile tools.

**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.

• **Klaus Built-in-Arch Shoe, Inc., Highland, Ill.**
Aug. 28 (letter of notification) 22,000 shares ($1 par) common and 17,800 shares ($10 par) preferred. Preferred will be offered publicly at $10 a share while the 22,000 shares of common are to be sold to Calvin C. Klaus for certain patent rights valued at $22,000. No underwriting. For acquisition of plant machinery and for working capital.

**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.

**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.

• **Loomis-Sayles Mutual Fund, Boston, Mass.**
Sept. 4 filed 10,000 shares (no par) capital stock. **Underwriter**—Loomis, Sayles & Co., Inc., Boston, is investment manager for the fund. **Price**—Based on market. **Proceeds**—For investment.

**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.

**McCormick & Co., Inc., Baltimore, Md.**
Aug. 13 (letter of notification) 1,400 shares ($100 par) 5% cumulative preferred. **Price**—$100 a share. No underwriting. For additional working capital.

**McPhail Candy Corp., Chicago**
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. (9/29)**
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. 29.

**Monongahela Power Co. (9/16)**
Aug. 15 filed $7,000,000 30-year first mortgage bonds and 40,000 shares ($100 par) cumulative preferred stock. **Underwriters**—To be determined by competitive bidding. 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). **Proceeds**—For construction. **Bids**—Bids for purchase of securities will be received by the company at Room 901, 50 Broad Street, New York, up to noon (EDT) Sept. 16.

**Morris Plan Corp. of America, N. Y.**
Mar. 31 filed $3,000,000 debentures. **Underwriter**—Eastman, Dillon & Co., New York. Price by amendment. **Proceeds**—To retire outstanding bank loans.

**National Union Fire Insurance Co. of Pittsburgh, Pa. (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.

• **Orient-Eureka Gold Mines Co., Spokane, Wash.**
Sept. 3 (letter of notification) 490,000 shares (10¢ par) common. **Price**—10 cents a share. To be sold through officers and directors of the company. To develop mines.

**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.**
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. Effective Sept. 10.

• **Pennsylvania & Southern Gas Co.**
Sept. 3 (letter of notification) $20,000 first lien and collateral trust bonds, series B, due Sept. 1, 1965. **Price**—Par. **Underwriter**—Bioren & Co., Philadelphia. Payment of corporate obligations and general corporate purposes.

**Public Service Co. of New Hampshire**
Sept. 2 (by amendment) 387,428 common shares (par $10), now owned by New England Public Service Co. **Offering**—Shares will be offered in exchange for 118,747 shares $7 prior lien preferred and 60,000 shares $6 prior lien preferred of NEPSCO. If unexchanged publicly offered terms will be filed by post effective amendment. Kidder, Peabody & Co. and Blyth & Co., Inc., have been selected managers by NEPSCO to solicit exchanges of prior lien stocks.

**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.

**Revere Racing Association, Inc. (9/18-19)**
July 29 filed 130,000 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. Registration statement became effective Sept. 5.

**Russell (F. C.) Co., Cleveland**
Aug. 20 filed 113,678 shares ($1 par) common. **Underwriter**—Mconald & Co., Cleveland. **Price**—By amend-

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ment. **Proceeds**—Shares are being sold by stockholders who will receive proceeds.

● **St. Louis Wholesale Drug Co., St. Louis, Mo.**
Aug. 28 (letter of notification) 4,039 shares ($10 par) common. **Price**—$10 a share. Sales to be handled by O. J. Cloughly, executive vice-president of company, and R. L. Stoll, an employee. For additional working capital.

**Salant & Salant, Inc., New York**
March 28 filed 240,000 shares ($2 par) capital stock. Underwriter—Eastman, Dillon & Co., New York. Price by amendment. Proceeds—Shares are being sold by 13 stockholders who will receive proceeds.

**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**—Bids for purchase of stock will be received at Room 111, Sutter Street, San Francisco, up to 8 a.m. (PST) on 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.

● **Seattle (Wash.) Gas Co.**
Sept. 4 (letter of notification) $300,000 ($50 par) preferred. **Price**—$50 a share. **Underwriter**—Shea & Co., Boston; and Smith, Landeryou & Co., Omaha, Neb. For payment of loan and current obligations.

**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 Plume Mining Corp., Idaho Springs, Colo.**
Sept. 5 (letter of notification) $27,000 capital stock. **Price**—$1 a share. To be sold through directors of the company. For mine repairs and development.

● **Sleepy Valley Development Co., Hot Springs, Arkansas**
Sept. 4 (letter of notification) 1,000 shares ($100 par) 6% preferred and 100 shares ($100 par) common. To be sold at par. No underwriting. To re-equip plant and buildings and for other corporate purposes.

**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.

● **Snyder Chemical Co., Topeka, Kans.**
Sept. 2 (letter of notification) 250,000 shares (10¢ par) common and 10,000 shares ($5 par) 5% cumulative preferred. **Price**—10 cents a common share and $5 a preferred share. No underwriting. For working capital, purchase of equipment and a building site and for construction of a building.

● **Somners Drug Stores Co., San Antonio**
Sept. 5 filed 100,000 shares ($5 par) 30¢ cumulative preferred and 67,500 shares ($1 par) common. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. Price to be supplied by amendment. **Proceeds**—To acquire control of two other drug companies—Somners Drug Stores in San Antonio and the Thames Drug Co., Inc., Beaumont, Tex. These two companies will be liquidated upon transfer of their assets to the registrant. **Business** — Operation of drug store chain.

**South Atlantic Gas Co., Savannah, Ga.**
Aug. 22 (letter of notification) 22,400 shares ($5 par) common. Offered to common stockholders of record Aug. 7 at $8.50 per unit on the basis of one share for each five shares held. Rights expire Sept. 12. **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.

**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.

● **Sta-Kleen Bakery Inc., Lynchburg, Va.**
Sept. 8 (letter of notification) 1,621 shares ($1 par) common, on behalf of company and 8,000 shares ($1 par) common, on behalf of four stockholders. **Price**—$12 a share. **Underwriter** — Scott Horner & Mason, Inc., Lynchburg, Va. Company will use its proceeds for working capital and expansion purposes.

**Standard-Thomson Corp., Dayton, O. (9/17-19)**
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.

● **Steve Larsson Homer & Co., Seatle, Wash.**
Aug. 28 (letter of notification). Pre-organization subscriptions for stock in corporation to be formed to be known as Chilkoot Motorship Lines. Subscriptions are for 320 shares of $25 par 5% cumulative preferred and 160 shares of $25 par common. **Price**—$75 per unit, consisting of two shares of preferred and one share of common. No underwriting. For general corporate purposes of company which intends to engage in shipping and trucking operations serving the Alaska trade.

**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 of record Sept. 17. Rights expire Oct. 8. Price by amendment. **Proceeds**—To be added to general funds for corporate purposes.

**Texas Electric Service Co., Fort Worth (9/30)**
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. **Bids**—Bids for purchase of bonds expected Sept. 30.

**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. The SEC Sept 3 announced it had instituted proceedings to determine whether a stop order should be issued suspending the effectiveness of the registration statement.

● **Tobin Packing Co., Inc., Rochester, N. Y. (9/15)**
Sept. 8 (letter of notification) 2,000 shares of common stock (no par). **Price**—Not more than $50 per share. **Underwriter**—Mercier, McDowell & Dolphyn, Detroit. Proceeds to Frederick M. Tobin.

● **Turner Advertising, Inc., Cincinnati**
Sept. 2 (letter of notification) 300 shares ($100 par) preferred and 64 shares (no par) common. **Price**—$100 a preferred share and $100 a common share. No underwriting. For additional 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.

● **U. S. Gold Corp., Seattle, Wash.**
Aug. 29 (letter of notification) 140,000 shares of common. **Price**—50 cents a share. To be sold through officers of the company. For exploring and developing mining claims.

**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.

● **Wiard Plow Co., Batavia, N. Y.**
Sept. 3 (letter of notification) 100,000 shares of common stock (par $1) with rights to purchase up to 10,000 additional shares. **Price**—$2.90 per share; rights 3¢. **Underwriter**—E. F. Gilespie & Co., Inc., New York. Pay bank loan, acquisition of small implement company and working capital.

# Prospective Offerings

● **Canadian Breweries, Ltd.**
Sept. 2 it was announced that stockholders of record Sept. 12 will receive rights to subscribe at $20 per share to one new share for each 10 common shares held. Rights which will be distributed to all holders Sept. 17 except U. S. residents, may be exercised up to Oct. 15. Rights will be distributed to U. S. residents after all SEC and N. Y. Stock Exchange requirements have been complied with.

● **Denver & Rio Grande Western RR. (9/25)**
Company has issued invitations for bids to be received on or before noon (MST) Sept. 25 at office of company, 201 Rio Grande Bldg., Denver, Colo., for $2,220,000 of equipment trust certificates. The certificates will be dated Nov. 1, 1947, and are to mature semi-annually from May 1, 1948, to Nov. 1, 1962. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **El Paso Natural Gas Co.**
Sept. 6 reported company contemplates sale of bonds and possibly sale of stock, besides a bank loan, in connection with construction of another natural gas pipe line. Traditional underwriters: White, Weld & Co. and Stone & Webster Securities Corp.

● **Equitable Office Building Corp.**
Sept. 10 two new reorganization plans filed with Federal Court. One plan is a compromise filed on behalf of Wertheim & Co. and Manufacturers Trust Co. The other plan is proposed by a group headed by Louis J. Horowitz. The underwriting group of the latter plan is headed by Carl M. Loeb, Rhoades & Co.

● **Hickok Manufacturing Co.**
Sept. 3 reported an undetermined number of shares of common from estates of S. Rae Hickok and Lowell Shields, deceased, will be offered for public sale through Wertheim & Co. and E. H. Rollins & Sons, Inc.

● **Pacific Gas & Electric Co. (10/7)**
Sept. 4 company expects to file a registration statement at an early date with SEC covering the offering of $75,000,000 2¾% bonds, due Dec. 1, 1980, the proceeds to be used for construction needs. Probable bidders include Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; The First Boston Corp. Bids for purchase of bonds tentatively expected Oct. 7.

**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-Washington Insurance Co.**
Oct. 3 stockholders will vote on increasing stock by sale of 100,000 shares to stockholders on basis of one new share for each three shares held. Price to be determined later. Proceeds to increase capital funds. Probable underwriter, The First Boston Corp.

**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. Probable bidder: Adams & Peck.

● **Springfield Fire & Marine Insurance Co.**
Oct. 6 stockholders will vote on approving splitup of 2½ shares for 1 with reduction in par from $25 to $10 a share and an increasing stock from $5,000,000 to $7,000,000. The 200,000 shares will be offered pro rata to stockholders in ratio of one $25 share for one $10 share. Issue will be underwritten by The First Boston Corp. and Kidder, Peabody & Co.

# The Business Outlook

(Continued from page 6)

obvious reasons for the very high peacetime production that we have witnessed. The war left us with enormous unfilled demands for goods. We have been very busy filling up the pipe lines. Between the end of 1945 and May, 1947, we added about $12 billions to the value of business inventories. At the end of May, total business inventories were about twice as large as at the end of 1939. Much of the increase represents price appreciation. Prices have nearly doubled since 1939. While there may be further inventory building, it is clear that it will not be the important sustaining factor that it was in 1946 and early 1947.

This inventory expansion has been accompanied by a large movement of goods into consumption. Large and small businesses have purchased new equipment, built new plants and made up much deferred maintenance. Buying for these purposes has been a powerful force in making general business good. Mounting costs, however, have already caused substantial curtailment in plans for increased spending of this type. Much of the most urgent need has been met and business can afford to await more favorable conditions for increased expenditures of this type. While the total expenditures will remain large for some years to come, it seems reasonable to expect some decline from the 1946 and 1947 levels.

One hears very little said about consumer inventories. Of course, a large part of our retail sales represents goods that are promptly consumed, but there are other goods that are not quickly consumed and which become a part of consumer inventories. Such inventories are now much larger than they have been in several years. The large extra demands created by restocking the pantry shelves, rebuilding depleted wardrobes and replenishing household supplies have been fairly well met by many months of high production and record sales. While there are still large unsatisfied demands, the urgency to buy many types of goods is now far less acute than it was six months ago. There is no longer a severe shortage of many goods whether it be nylons, white shirts, canned goods, cleaning compounds, shortening or other products. Many of our customers can afford to await more plentiful supplies and better values. Many are doing just that.

### Retail Sales and Disposable Income

Retail sales normally bear a close relationship to our aggregate disposable income. In 1946, these sales were much higher than we would expect them to be on the basis of their past ratios to disposable income. Sales in 1947 will also be somewhat high in relation to disposable income. These abnormally high sales in 1946 and 1947 have been achieved in part by extensive use of past savings and large use of consumer credit.

"Credit sales in 1946," says the 1946 "Retail Credit Survey," "increased 38% to a record high level of $22.5 billion dollars ---- Dollarwise most of the increase in credit sales occurred in charge account transactions, which increased about one third from the unprecedented large volume of 1945. Installment sales expanded almost twice as fast as charge account sales, but remained considerably below the prewar level." There has been further expansion of credit business in 1947. The rate of savings is decreasing, and our most recent official survey indicates that the lower income families have diped into their savings to make purchases. There are limits to this kind of sales expansion.

Our peacetime production has also been supported by record exports. In recent months, much has been said and written on this subject. Nearly three-fifths of these exports have been bought by countries not in the war-damaged areas of Europe and Asia. Deep inroads have been made into the dollar exchange supplies of these countries. The other countries have been financing their imports largely from our loans and grants-in-aid. Regarding the English situation, the London "Economist" remarks: "The nation is heading at breakneck speed towards a crisis of dollar insolvency; its prospective deficit on external account during the next twelve months is of the order of £450 million; it is living, quite plainly and obviously, beyond its income." What additional props to our export trade will be furnished by our government remains to be seen. There seems to be quite general agreement that substantial curtailment of this record export trade will come in the near future.

Much of our phenomenal business gains in 1946 and 1947 has come solely from the rise in prices. Unfortunately, we can only make crude guesses about the change in physical volumes because we have no really adequate measure of the price change. It is estimated that total retail trade in 1946 was about 26% higher in dollar volume than in 1945 and that the actual gain in physical volume was about 15%. In 1947, the physical volume of retail trade is slowly shrinking; and what gains we realize this year will probably arise solely from rising prices. During the first half of 1947, the number of sales transactions has been declining and our average check has been rising. This is a highly disturbing trend because the current physical volume of peacetime production cannot be maintained if we continue to sell lesser quantities at higher prices.

### The "Lower Price" Appeal

Early in April, 1947, my company, in a bold dramatic advertisement, launched a broad appeal for more reasonable prices. Perhaps never before had a great corporation in our industry made such a forthright appeal for business statesmanship in meeting the price problem. This advertisement stated in part:

"Ours is a mass production economy. Prosperity depends upon full employment. Full employment demands that more and more units be made and sold. There is overwhelming evidence that this cannot be accomplished at the present price levels. We believe that the present high national income and the resultant prosperity can be maintained indefinitely at somewhat lower price levels. Unless prices are lowered, we believe that a business recession is probable."

We have since noted many price readjustments to lower levels, and especially, considerable improvement in quality at the old prices. The process of price readjustment is slow, however, and marked by occasional minor counter trends. Nevertheless, what we said then is still true, and the process must continue if we are to maintain full peacetime production.

"During the first half of 1947," says the Midyear Economic Report of the President, "purchasing power in the hands of consumers, business buyers, government disbursing offices, and foreign takers remained adequate to take the full product of American industry and agriculture without undue accumulation of unsold goods or general lowering of prices." The Report expresses deep concern, however, about the temporary character of some of this extraordinary demand. It points out that the per capita real incomes of consumers is continuing the downward trend that began in the middle of last year. It reaffirms belief in the stabilizing effect of voluntary price readjustments. It states that: "Price adjustments in each case, as it emerges, can smooth the progress to a sound and vigorous peacetime economy. As backlogs of demand are worked off, as shortages are overcome by increased production and as demand is less supported by the use of liquid assets and credit, sellers' markets begin to fade. Such adjustments then become imperative. To avoid a price collapse and the demoralization of markets, it is necessary to make substantial price reductions before market forces take control. As competition reappears, sellers who overstay the market are likely both to suffer serious inventory losses and to create a worsening economic situation through curtailed production. If price adjustments are not promptly made, there will be danger of a simultaneous collapse of a number of markets, which would have a cumlative influence toward general business recession." While prices levelled off in the second quarter, the Report emphasizes that restraint in pricing policies is "even more important today" than it was last January when the first Report was published.

### Temporary Factors

Enough has now been said to portray the uncertain foundations of our current prosperity. Purely temporary factors have had a large part in sustaining production and trade in 1946 and 1947. They are powerful factors and there is no magic formula that will tell us in advance just when they will have spent their force, nor do we know what new factors may appear to change the outlook for better or for worse. In a sorely troubled economic and political world, long range guessing is hazardous. All judgments are necessarily qualified by the unknowable and the unknown.

We do know that vast markets still remain. They will open up as, if and when prices and other conditions are favorable. As yet we face no credit strain, such as helped to precipitate the sudden collapse of 1920. With skilled monetary management, there now appears to be no reason to fear great price inflation. There have been repeated warnings of the pending readjustments. Many business men have heeded them and are reasonably well prepared to meet them. It may well be that the readjustments now under way and yet to come will be found to be of relatively small magnitude, but it would be folly to ignore the lessons of the past and to shut our eyes to the inherent dangers in replacement booms. We cannot throw caution to the winds and assume that nothing will transpire to interrupt our replacement prosperity. Whether the readjustments come in the last quarter of 1947, or only become marked in the first half of 1948 is far less important than to be prepared for a change in trend. We cannot run away from economic storms, but we can reef our business sails, batten our loose hatches watch the price barometers and steer a safe course.

No one should leave this meeting with any feeling of deep foreboding or apprehension. Dollar sales will doubtless hold up pretty well, with some modest decline possible in the last quarter. Profits are likely to be less than the abnormal levels in 1946, but they can still be better than any prewar standard if we work hard to make them so. Our fundamental purpose here is neither to understate nor to overstate the adjustments that lie ahead. It is rather to stress the need for a more informed, a more cautious and a more astute merchandising approach to our opportunities. Smart thinking must always proceed smart merchandising. Both are responsibilities of trade leadership. In more practical terms, better balanced inventories, improved turnover and restricted forward commitments are still imperative requirements for safe merchandising under present conditions.

# *Our Reporter's Report*

The new issue market, getting away to a gradually rising tempo in the wake of the summer lull, gave a good account of itself despite none-too-encouraging performance of the seasoned markets this week.

**Although the stock market continued to do little more than mark time and, if anything, ease a bit more, with railroad bonds under some pressure in consequence of the poor foot put forward by the carriers in their plea for an emergency rate increase, new issues and a large secondary equity offering were well taken.**

Things were enlivened by the brisk bidding which attended the offering of Detroit Edison Co.'s $60,000,000 of new 2¾% general and refunding mortgage bonds on Tuesday.

**Four bids in all were received for the issue with the winning tender, 100.5779, topping the next nearest offer of 100.449. The lowest of the four bids was 100.113, less than half a point under the top, indicating that the competing groups were thinking pretty much along the same lines.**

A reoffering price of 101⅛ was fixed for the issue giving it an indicated yield to maturity of 2.70%, with preliminary inquiry seemingly foreshadowing a brisk demand.

Meanwhile an issue of $10,000,000 of Florida Power & Light Co. 4½% preferred stock, offered at par, was reported to be moving out to investors in good fashion.

### Big Secondary Closed

One of the largest industrial secondary undertakings in recent months went through at the beginning of the week after having "hung-fire" for several days.

Bankers brought out a block of 120,000 shares of International Harvester Co. common after the close on Monday, priced at $83 a share.

The following day it was announced that the operation had been terminated. But according to discussion in dealer circles the entire block was not disposed of. Report has it that approximately 100,000 shares of the foregoing total were placed and the deal closed out on that basis.

### Tennessee Gas & Transmission

Public offering of Tennessee Gas & Transmission Co.'s $40,000,000 of first mortgage pipe line bonds, due 1967, plus 100,000 shares of $100 par preferred, was evidently assured of a good reception.

**At any rate dealers appeared anxious to get hold of those securities for distribution, presumably finding a wide customer interest in both issues.**

Proceeds from the sale will place the company in funds to be used in liquidating loans contracted earlier to finance construction and for other corporate purposes.

### Adhering to Schedule

Evidently both the underwriters and the prospective corporate issuers have gotten over the idea that all contemplated financing must be crowded into a given period of time.

**At all events it is interesting to note, from a glance at the new issue calendar, that such projects now in sight are rather well spaced out so as to avoid unnecessary congestion.**

**This week, for example, the market was called upon to absorb four substantial corporate offerings. And next week the calendar shows three rather large offerings in the making.**

Biggest is the $75,000,000 of Duquesne Light Co. first mortgage bonds, originally scheduled this week, but held off in deference to Detroit Edison's plans. Up for competitive bidding also will be 300,000 shares of San Diego Gas & Electric Co. common.

Destined for market, via the negotiated route, is an issue of 134,034 shares of common stock of Hooker Electrochemical Co. due about mid-week.

### Pacific Gas & Electric

Pacific Gas & Electric Co. is scheduled to register with the Securities and Exchange Commission shortly to cover a planned issue of $75,000,000 of new money bonds to mature in 1980 and carry a 2¾% coupon.

**Bids are to be opened for this issue on Oct. 7, or just a week after the contemplated $40,000,000 of New England Telephone Co. debentures are sold in competition on Sept. 30 next.**

At least three syndicates already have indicated they will be in the field for this one.

# First Bost. Corp. Offers Seaboard Finance Pfd.

An underwriting group headed by The First Boston Corp. offered to the public, Sept. 10 100,000 shares of Seaboard Finance Co. new $2.60 convertible preferred stock, subject in part to exchange rights tendered by the company to holders of outstanding old preferred stock. The offering is being made at $53 per share plus accrued dividends to yield 4.91%. Each share of new preferred is convertible, on the basis of its stated value of $50, at any time, into common stock of the company at the initial conversion price of $18.18 per share.

Of the new preferred shares, 56,184 are being offered by the company in exchange for its outstanding series A and series B cumulative preferred stocks on the basis of 63/100 share of new preferred for each share of series A preferred and 40/100 share of new preferred for each share of series B preferred, in each case with a cash adjustment of dividends. The company's exchange offer expires on Sept. 19, 1947.

The net cash proceeds to the company from the issue of the 100,000 shares of new convertible preferred stock together with the proceeds from the proposed sale to The Mutual Life Insurance Co. of New York of $1,250,000 aggregate amount of 4% subordinated notes will be used to retire any unexchanged old preferred stock and for addition to working capital.

The company is engaged in the personal finance business, primarily making small loans to individual borrowers and to a lesser degree, purchasing retail instalment sales contracts originating with dealers in automobiles, refrigerators and other appliances.

Giving effect to the sale of the new convertible preferred stock the company's outstanding capitalization will consist of $5,500,000 of funded debt; the 100,000 shares of new preferred stock and 787,687 shares of common stock.

# 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. 14 | 84.3 | 92.4 | 93.2 | 88.5 |
| Equivalent to— | | | | | |
| Steel ingots and castings produced (net tons) | Sept. 14 | 1,475,200 | 1,616,900 | 1,630,900 | 1,559,700 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil output—daily average (bbls. of 42 gallons each) | Aug. 30 | 5,156,850 | 5,152,800 | 5,087,600 | 4,833,450 |
| Crude runs to stills—daily average (bbls.) | Aug. 30 | 5,209,000 | 5,217,000 | 5,271,000 | 4,901,000 |
| Gasoline output (bbls.) | Aug. 30 | 16,753,000 | 16,539,000 | 16,517,000 | 15,405,000 |
| Kerosine output (bbls.) | Aug. 30 | 1,910,000 | 2,091,000 | 2,043,000 | 1,849,000 |
| Gas oil and distillate fuel oil output (bbls.) | Aug. 30 | 5,919,000 | 5,892,000 | 6,004,000 | 5,374,000 |
| Residual fuel oil output (bbls.) | Aug. 30 | 8,962,000 | 8,674,000 | 8,582,000 | 8,357,000 |
| Stocks at refineries, at bulk terminals, in transit and in pipe lines— | Aug. 30 | | | | |
| Finished and unfinished gasoline (bbls.) at | Aug. 30 | 84,105,000 | 83,915,000 | 85,645,000 | 86,813,000 |
| Kerosine (bbls.) at | Aug. 30 | 20,723,000 | 19,981,000 | 17,665,000 | 19,348,000 |
| Gas oil and distillate fuel oil (bbls.) at | Aug. 30 | 54,808,000 | *53,018,000 | 48,574,000 | 53,858,000 |
| Residual fuel oil (bbls.) at | Aug. 30 | 55,242,000 | *54,688,000 | 53,107,000 | 53,037,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | Aug. 30 | 925,732 | 900,895 | 921,591 | 908,440 |
| Revenue freight rec'd from connections (number of cars) | Aug. 30 | 701,227 | 682,753 | 649,195 | 707,190 |
| **CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:** | | | | | |
| Total U. S. construction | Sept. 4 | $122,766,000 | $136,943,000 | $109,768,000 | $86,065,000 |
| Private construction | Sept. 4 | 90,272,000 | 84,413,000 | 47,943,000 | 58,432,000 |
| Public construction | Sept. 4 | 32,494,000 | 52,530,000 | 61,825,000 | 27,633,000 |
| State and municipal | Sept. 4 | 28,884,000 | 32,775,000 | 45,245,000 | 24,919,000 |
| Federal | Sept. 4 | 3,610,000 | 19,755,000 | 16,580,000 | 2,714,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | Aug. 30 | 12,030,000 | *12,000,000 | 11,700,000 | 12,516,000 |
| Pennsylvania anthracite (tons) | Aug. 30 | 1,200,000 | 1,194,000 | 1,126,000 | 1,274,000 |
| Beehive coke (tons) | Aug. 30 | 122,600 | *133,300 | 131,300 | 129,100 |
| **DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100** | Aug. 30 | 275 | *243 | 220 | 281 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | Sept. 6 | 4,720,659 | 4,939,801 | 4,874,172 | 4,184,404 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.** | Sept. 4 | 60 | 64 | 60 | 14 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | Sept. 2 | 3.19141c | 3.19141c | 3.19141c | 2.70711c |
| Pig iron (per gross ton) | Sept. 2 | $37.10 | $37.10 | $36.38 | $28.13 |
| Scrap steel (per gross ton) | Sept. 2 | $37.83 | $37.83 | $41.67 | $19.17 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | Sept. 3 | 21.225c | 21.225c | † | 14.150c |
| Export refinery at | Sept. 3 | 21.400c | 21.425c | 21.175c | 16.300c |
| Straits tin (New York) at | Sept. 3 | 80.000c | 80.000c | 80.000c | 52.000c |
| Lead (New York) at | Sept. 3 | 15.000c | 15.000c | 15.000c | 8.250c |
| Lead (St. Louis) at | Sept. 3 | 14.800c | 14.800c | 14.800c | 8.100c |
| Zinc (East St. Louis) at | Sept. 3 | 10.500c | 10.500c | 10.500c | 8.250c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Govt. Bonds | Sept. 9 | 112.42 | 122.55 | 122.05 | 122.14 |
| Average corporate | Sept. 9 | 116.80 | 117.00 | 117.20 | 117.80 |
| Aaa | Sept. 9 | 121.67 | 121.88 | 122.09 | 122.09 |
| Aa | Sept. 9 | 119.82 | 120.02 | 120.22 | 119.82 |
| A | Sept. 9 | 116.61 | 116.80 | 117.00 | 117.60 |
| Baa | Sept. 9 | 109.60 | 109.79 | 109.97 | 112.00 |
| Railroad Group | Sept. 9 | 112.19 | 112.37 | 112.56 | 114.27 |
| Public Utilities Group | Sept. 9 | 118.20 | 118.40 | 118.60 | 118.60 |
| Industrials Group | Sept. 9 | 120.22 | 120.43 | 120.63 | 120.63 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Govt. Bonds | Sept. 9 | 1.52 | 1.51 | 1.54 | 1.61 |
| Average corporate | Sept. 9 | 2.81 | 2.80 | 2.79 | 2.76 |
| Aaa | Sept. 9 | 2.57 | 2.56 | 2.55 | 2.55 |
| Aa | Sept. 9 | 2.66 | 2.65 | 2.64 | 2.66 |
| A | Sept. 9 | 2.82 | 2.81 | 2.80 | 2.77 |
| Baa | Sept. 9 | 3.19 | 3.18 | 3.17 | 3.06 |
| Railroad Group | Sept. 9 | 3.05 | 3.04 | 3.03 | 2.94 |
| Public Utilities Group | Sept. 9 | 2.74 | 2.73 | 2.72 | 2.72 |
| Industrials Group | Sept. 9 | 2.64 | 2.63 | 2.62 | 2.62 |
| **MOODY'S COMMODITY INDEX** | Sept. 9 | 429.7 | 419.7 | 424.8 | 327.4 |
| **NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:** | | | | | |
| Foods | Sept. 6 | 226.1 | 224.5 | 222.0 | 188.3 |
| Fats and oils | Sept. 6 | 187.6 | 186.6 | 187.8 | 182.0 |
| Farm products | Sept. 6 | 261.0 | 255.8 | 259.0 | 207.0 |
| Cotton | Sept. 6 | 303.2 | 312.7 | 344.4 | 246.0 |
| Grains | Sept. 6 | 277.9 | 268.9 | 257.2 | 208.1 |
| Livestock | Sept. 6 | 256.1 | 248.2 | 249.9 | 184.7 |
| Fuels | Sept. 6 | 182.4 | 182.4 | 180.1 | 154.2 |
| Miscellaneous commodities | Sept. 6 | 164.2 | 163.4 | 165.8 | 143.4 |
| Textiles | Sept. 6 | 210.9 | 216.2 | 220.5 | 207.4 |
| Metals | Sept. 6 | 159.1 | 159.1 | 158.8 | 124.5 |
| Building materials | Sept. 6 | 231.0 | 230.4 | 221.3 | 177.4 |
| Chemical and drugs | Sept. 6 | 149.7 | 149.7 | 149.8 | 127.5 |
| Fertilizer materials | Sept. 6 | 130.8 | 130.8 | 129.8 | 120.7 |
| Fertilizers | Sept. 6 | 135.5 | 135.5 | 135.0 | 121.4 |
| Farm machinery | Sept. 6 | 127.1 | 127.1 | 127.1 | 115.4 |
| All groups combined | Sept. 6 | 208.5 | 207.1 | 206.4 | 172.3 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | Aug. 30 | 167,268 | 149,464 | 206,732 | 160,074 |
| Production (tons) | Aug. 30 | 176,588 | 177,712 | 173,527 | 173,064 |
| Percentage of activity | Aug. 30 | 99 | 100 | 99 | 100 |
| Unfilled orders (tons) at | Aug.30 | 425,412 | 438,848 | 494,554 | 564,299 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100** | Sept. 5 | 140.1 | 139.3 | 141.3 | 136.1 |
| **WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:** | | | | | |
| All commodities | Aug. 30 | 154.0 | 153.5 | 151.3 | 128.2 |
| Farm products | Aug. 30 | 181.7 | 181.4 | 180.8 | 157.1 |
| Foods | Aug. 30 | 172.1 | 172.3 | 168.0 | 150.9 |
| Hides and leather products | Aug. 30 | 183.3 | 182.3 | 174.5 | 140.1 |
| Textile products | Aug. 30 | 140.1 | 140.1 | 139.0 | 115.2 |
| Fuel and lighting materials | Aug. 30 | 114.2 | 114.1 | 109.7 | 96.7 |
| Metal and metal products | Aug. 30 | 149.8 | 147.0 | 146.1 | 113.6 |
| Building materials | Aug. 30 | 179.3 | 179.1 | 176.6 | 132.8 |
| Chemicals and allied products | Aug. 30 | 117.6 | 117.4 | 116.9 | 98.1 |
| Housefurnishing goods | Aug. 30 | 131.9 | 131.9 | 131.4 | 114.0 |
| Miscellaneous commodities | Aug. 30 | 115.9 | 115.6 | 116.8 | 101.5 |
| Special groups— | | | | | |
| Raw materials | Aug. 30 | 167.9 | 167.7 | 165.6 | 142.6 |
| Semi-manufactured articles | Aug. 30 | 149.9 | 149.5 | 147.2 | 111.3 |
| Manufactured products | Aug. 30 | 148.9 | 148.3 | 146.0 | 124.5 |
| All commodities other than farm products | Aug. 30 | 147.9 | 147.4 | 144.8 | 121.9 |
| All commodities other than farm products and foods | Aug. 30 | 137.3 | 136.6 | 134.7 | 111.0 |

*Revised figure. †No market—previous quotation 21.225c.

| | Latest Month | Previous Month | Year Ago |
|---|---|---|---|
| **AMERICAN GAS ASSOCIATION—For Month of July:** | | | |
| Total gas sales (M therms) | 1,945,809 | 2,110,831 | 1,799,046 |
| Natural gas sales (M therms) | 1,722,067 | 1,847,537 | 1,582,923 |
| Manufacturing gas sales (M therms) | 146,057 | 165,179 | 143,614 |
| Mixed gas sales (M therms) | 77,685 | 98,115 | 72,509 |
| **AMERICAN PETROLEUM INSTITUTE—Month of June:** | | | |
| Total domestic production (bbls. of 42 gallons each) | 163,483,000 | 166,416,000 | 156,391,000 |
| Domestic crude oil output (bbls.) | 152,978,000 | 156,024,000 | 146,890,000 |
| Natural gasoline output (bbls.) | 10,455,000 | 10,342,000 | 9,351,000 |
| Benzol output (bbls.) | 50,000 | 50,000 | 150,000 |
| Crude oil imports (bbls.) | 7,628,000 | 8,703,000 | 6,880,000 |
| Refined products imports (bbls.) | 3,711,000 | 5,625,000 | 4,238,000 |
| Indicated consumption—domestic and export (bbls.) | 169,265,000 | 172,944,000 | 158,570,000 |
| Increase—all stocks (bbls.) | 5,557,000 | 7,800,000 | 8,939,000 |
| **AMERICAN TRUCKING ASSOCIATIONS—Month of July:** | | | |
| Number of motor carriers reporting | 282 | *282 | 282 |
| Volume of freight transported (tons) | 2,522,689 | *2,555,645 | 2,312,058 |
| **AMERICAN ZINC INSTITUTE, INC.—Month of August:** | | | |
| Slab zinc smelter output, all grades (tons of 2,000 lbs.) | 66,852 | 69,128 | 59,752 |
| Shipments (tons of 2,000 lbs.) | 59,653 | 59,737 | 51,886 |
| Stock at end of period (tons) | 190,917 | 183,718 | 237,613 |
| Unfilled orders at end of period (tons) | 40,028 | 44,955 | 41,595 |
| **CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS RECORD—Month of July:** | | | |
| Total U. S. Construction | $413,494,000 | $524,238,000 | $541,325,000 |
| Private Construction | 222,772,000 | 253,321,000 | 339,100,000 |
| Public Construction | 190,722,000 | 270,917,000 | 202,225,000 |
| State and Municipal | 146,324,000 | 194,180,000 | 160,991,000 |
| Federal | 44,398,000 | 76,737,000 | 41,234,000 |
| **CLASS I RRS. (ASSOC. OF AMER. RRS.)—Month of July:** | | | |
| Number of miles represented | 227,361 | 227,374 | 227,361 |
| Total operating revenues | $705,361,414 | $696,908,689 | $674,111,738 |
| Total operating revenues | 555,361,881 | 550,057,087 | 542,219,369 |
| Operating ratio—per cent | 78.73 | 78.93 | 80.43 |
| Taxes | $74,948,797 | $72,653,480 | $54,905,884 |
| Net railway operating income before charges | 60,958,451 | 60,201,057 | 63,029,671 |
| Net income after charges (est.) | 37,000,000 | 35,500,000 | 32,700,000 |
| **COAL OUTPUT (BUREAU OF MINES)—** | | | |
| Pennsylvania Anthracite (net tons)—Month of August | 4,994,000 | *4,084,000 | 5,428,000 |
| Beehive Coke (net tons)—Month of August | 573,200 | *427,100 | 539,900 |
| **COTTON ACREAGE AND PRODUCTION—U. S. DEPT. OF AGRICULTURE—As of Sept. 1:** | | | |
| Acreage | 21,143,000 | 20,989,000 | 17,991,000 |
| Production, bales lint | 11,849,000 | 11,844,000 | 8,640,000 |
| **DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM)—(1935-39 Aver.=100)—Month of August:** | | | |
| Adjusted for seasonal variation | 282 | *287 | 290 |
| Without seasonal adjustment | 236 | *219 | 242 |
| **EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—Month of June:** | | | |
| Estimated number of production workers in manufacturing industries— | | | |
| All manufacturing | 12,397,000 | 12,341,000 | 11,623,000 |
| Durable goods | 6,483,000 | 6,426,000 | 5,865,000 |
| Nondurable goods | 5,914,000 | 5,915,000 | 5,758,000 |
| Employment indexes— | | | |
| All manufacturing | 151.3 | 150.6 | 141.9 |
| Durable goods | 179.5 | 178.0 | 162.4 |
| Nondurable goods | 129.1 | 129.1 | 125.7 |
| Payroll indexes— | | | |
| All manufacturing | 319.4 | 312.2 | 262.8 |
| Durable goods | 365.4 | 353.8 | 289.1 |
| Nondurable goods | 274.4 | 271.6 | 237.0 |
| Estimated number of employees in manufacturing industries— | | | |
| All manufacturing | 15,317,000 | 15,237,000 | 14,371,000 |
| Durable goods | 7,848,000 | 7,781,000 | 7,172,000 |
| Nondurable goods | 7,469,000 | 7,456,000 | 7,199,000 |
| **FACTORY EARNINGS AND HOURS WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of July:** | | | |
| Earnings— | | | |
| All manufacturing | $49.25 | $49.37 | — |
| Durable goods | 52.41 | 52.95 | — |
| Nondurable goods | 45.89 | 45.47 | — |
| Hours— | | | |
| All manufacturing | 39.9 | 40.3 | — |
| Durable goods | 40.0 | 40.6 | — |
| Nondurable goods | 39.8 | 39.8 | — |
| Hourly Earnings— | | | |
| All manufacturing | $123.4 | $1.227 | — |
| Durable goods | 1.310 | 1.303 | — |
| Nondurable goods | 1.153 | 1.141 | — |
| **FACTORY EARNINGS (U. S. DEPT. OF LABOR—Month of July:** | | | |
| Average weekly earnings (all manufacturing industries | $49.25 | *$49.37 | — |
| Average weekly hours | 39.9 | *40.3 | — |
| Average hourly earnings | $1.234 | $1.227 | — |
| **MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of August:** | | | |
| Industrials (125) | 5.0 | 4.8 | 3.8 |
| Railroads (25) | 7.0 | 6.7 | 5.6 |
| Utilities (25) | 5.0 | 5.1 | 4.2 |
| Banks (15) | 4.4 | 4.4 | 3.8 |
| Insurance (10) | 3.6 | 3.5 | 3.2 |
| Average yield (200) | 5.1 | 4.9 | 3.9 |

*Revised figure.

## Seltsam Co. Adds Maris

TOPEKA, KANS.—Don Maris has become affiliated with Seltsam & Co., Inc., 204 West Sixth Street.

### DIVIDEND NOTICES

**ARKANSAS WESTERN GAS COMPANY**

***Dividend Notice Common Stock***

The Board of Directors of Arkansas Western Gas Company has declared a quarterly dividend of twenty cents (20c) per share, payable September 30, 1947, to its holders of common stock of record September 15, 1947. Checks will be mailed from the First National Bank of Chicago on or about September 30, 1947.

L. L. BAXTER, President

**BRITISH-AMERICAN TOBACCO COMPANY, LIMITED**

**NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER**

**A second interim dividend on the Ordinary Stock for the year ending 30th September 1947, of one shilling for each £1 of Ordinary Stock, free of United Kingdom Income Tax, will be payable on 30th September 1947.**

**Holders of Bearer Stock to obtain this dividend must deposit Coupon No. 200 with the Guaranty Trust Company of New York, 32, Lombard Street, London, E. C. 3., for examination five clear business days (excluding Saturday) before payment is made.**

**Holders of Stock Warrants to Bearer who have not exchanged Talon No. 3 for Talon No. 4 but have deposited Talon No. 3 with the Guaranty Trust Company of New York in New York, in accordance with the arrangement which has been announced in the Press, are notified that Coupon No. 200 will be detached from the corresponding Talon No. 4 and cancelled by the Company in London as and when the dividend to which they are entitled is paid.**

**The usual half-yearly dividend of 2½% on the 5% Preference Stock (less Income Tax) for the year ending 30th September next will also be payable on the 30th September 1947.**

**Coupon No. 88 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W. C. 2., for examination five clear business days (excluding Saturday) before payment is made.**

**DATED 19th August, 1947.**

**BY ORDER,**
**E. G. LANGFORD, Secretary.**
**Rusham House, Egham, Surrey.**

**CANADIAN PACIFIC RAILWAY COMPANY**

**Dividend Notice**

At a meeting of the Board of Directors held today a dividend of two per cent. (fifty cents per share) on the Ordinary Capital Stock in respect of the year 1947 was declared payable in Canadian funds on November 1, 1947, to Shareholders of record at 3 p.m. on September 22, 1947.

By order of the Board.

Frederick Bramley,
*Secretary*

Montreal, September 8, 1947.

Following the meeting Mr. W. M. Neal, Chairman and President, stated that the payment of this dividend was possible solely because of income derived from sources other than railway operations.

He added that while gross earnings from freight and passenger traffic had shown an increase compared with the previous year the higher wage rates and advances in prices of materials and supplies had resulted in a lower net railway income.

## Tennessee Gas & Trans. Bonds and Pfd. Offered

Stone & Webster Securities Corp. and White, Weld & Co. headed a group of investment banking firms which offered to the public September 10 a new issue of $40,000,000 of Tennessee Gas Transmission Co. first mortgage pipe line bonds, 3% series due 1967, and 100,000 shares of 4.25% cumulative preferred stock, $100 par value. The bonds are being offered at 102¼ and accrued interest, to yield 2.85% to maturity. The preferred stock is priced at $103 per share and accrued dividends, to yield over 4.12%.

The net proceeds from the sale of the new securities, amounting to approximately $50,254,000, will be used in connection with the expansion of the company's pipe line system.

The company owns and operates a pipe line system for the transportation and sale of natural gas at wholesale. The line, covering a distance of 1,364 miles, extends from the San Salvador Field in the Rio Grande Valley of Texas into West Virginia.

The company's system, put into operation in 1944, was initially designed to deliver approximately 200,000 MCF of natural gas per day. At present the company is actively engaged in increasing the capacity to about 600,000 MCF per day to supply the growing demand of its customers. For the 12 months ended June 30, 1947, the company's operating revenues totaled $19,432,065 and gross income for the period was $6,085,634.

Upon completion of the present financing the company will have outstanding funded debt of $89,660,000, of which $74,660,000 are mortgage bonds and $15,000,000 are bank loans; 100,000 shares of 4.10% cumulative preferred stock; 100,000 shares of 4.25% cumulative preferred and 2,100,000 shares of common stock. In order to complete the present expansion program, it is contemplated that the company will issue an additional $15,000,000 of bank loans.

### DIVIDEND NOTICES

**EATON & HOWARD STOCK FUND**

The Trustees have declared a dividend of ten cents ($.10) a share, payable September 25, 1947, to shareholders of record at the close of business September 15, 1947.

24 Federal Street, Boston

**EATON & HOWARD BALANCED FUND**

The Trustees have declared a dividend of twenty cents ($.20) a share, payable September 25, 1947, to shareholders of record at the close of business September 15, 1947.

24 Federal Street, Boston

Exide BATTERIES

**THE ELECTRIC STORAGE BATTERY COMPANY**

***188th Consecutive Quarterly Dividend***

The Directors have declared from the Accumulated Surplus of the Company a dividend of seventy-five cents ($.75) per share on the Common Stock, payable September 30, 1947, to stockholders of record at the close of business on September 15, 1947. Checks will be mailed.

H. C. ALLAN,
*Secretary and Treasurer*

*Philadelphia 32, September 5, 1947*

**LOEW'S INCORPORATED**

"THEATRES EVERYWHERE"

*September 3rd, 1947*

THE Board of Directors has declared a quarterly dividend of 37½c per share on the outstanding Common Stock of the Company, payable on September 30th, 1947, to stockholders of record at the close of business on September 13th, 1947. Checks will be mailed.

CHARLES C. MOSKOWITZ,
*Vice President & Treasurer*

**OFFICE OF LOUISVILLE GAS AND ELECTRIC COMPANY**

The Board of Directors of Louisville Gas and Electric Company (Delaware) at a meeting held on September 5, 1947, declared a quarterly dividend of thirty-seven and one-half cents (37½c) per share on the Class A Common Stock of the Company for the quarter ending August 31, 1947, payable by check October 20, 1947, to stockholders of record as of the close of business September 16, 1947.

At the same meeting a dividend of twenty-five cents (25c) per share was declared on the Class B Common Stock of the Company, for the quarter ending August 31, 1947, payable by check October 20, 1947, to stockholders of record as of the close of business September 16, 1947.

G. W. KNOUREK, Treasurer.

**New York & Honduras Rosario Mining Company**

120 Broadway, New York 5, N. Y.

September 10, 1947.

DIVIDEND NO. 380

The Board of Directors of this company, at a meeting held this day, declared an interim dividend for the third quarter of 1947, of Fifty Cents ($.50) a share on the outstanding capital stock of this Company, payable on September 27, 1947, to stockholders of record at the close of business on September 17, 1947.

W. C. LANGLEY, Treasurer.

**RKO**

**RADIO-KEITH-ORPHEUM CORPORATION**

THE Board of Directors has declared a quarterly dividend of 30 cents per share on the Common Stock of the Corporation payable on October 1, 1947 to stockholders of record at the close of business on September 20, 1947.

J. MILLER WALKER
*Secretary*

September 10, 1947

### DIVIDEND NOTICES

**RADIO CORPORATION OF AMERICA**

RCA

**Dividend on First Preferred Stock**

At the meeting of the Board of Directors held today, a dividend of 87½ cents per share, for the period July 1, 1947 to September 30, 1947, was declared on the $3.50 Cumulative First Preferred Stock, payable October 1, 1947, to holders of record at the close of business September 15, 1947.

A. B. TUTTLE, *Treasurer*

New York, N. Y., September 5, 1947

**THE TEXAS COMPANY**

180th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on October 1, 1947, to stockholders of record as shown by the books of the company at the close of business on September 10, 1947. The stock transfer books will remain open.

L. H. LINDEMAN
*Treasurer*

*August 8, 1947*

**The United Corporation**

**$3 Cumulative Preference Stock**

The Board of Directors of The United Corporation has declared a dividend of 75c per share, accrued at July 1, 1947 upon the outstanding $3 Cumulative Preference Stock, payable September 23, 1947 to the holders of record at the close of business September 15, 1947.

THOMAS H. STACY,
*Secretary.*

September 4, 1947
Wilmington, Delaware

**United States Plywood Corporation**

Weldwood

For the quarter ended July 31, 1947, a cash dividend of 20c per share on the outstanding common stock of this corporation has been declared payable October 20, 1947, to stockholders of record at the close of business October 10, 1947.

SIMON OTTINGER, Secretary.

New York, N. Y., September 3, 1947.

**The Board of Directors of Wentworth Manufacturing Company**

has declared an extra dividend of fifty cents (50¢) per share on the outstanding common stock of the Company, payable on September 27, 1947, to stockholders of record at the close of business September 16, 1947. Checks will be mailed.

JOHN E. McDERMOTT,
Secretary.

### FINANCIAL NOTICE

**ARE YOU A PREFERRED STOCKHOLDER OF INTERSTATE POWER COMPANY?**

If so, we urge you to **make certain (1) that your stock is registered in your name**, or the name of an authorized agent, and (2) that your correct address is on file with American National Bank and Trust Company of Chicago, 33 North LaSalle Street, Chicago 90, Illinois, Transfer Agent.

This is important because the Board of Directors has adopted resolutions providing in effect that if Alternative I or Alternative II of the Company's Plan of Reorganization dated August 15, 1945, as amended January 21, 1947, is declared effective, and if the effective date of said Plan is declared to be October 3, 1947, as is presently contemplated, then 5 P.M. Chicago Time on October 2, 1947, shall be the record date for the termination of the right to effect transfers on the books of the presently outstanding preferred stock of the Company and for the determination of holders of $7 Dividend Series Preferred Stock and $6 Dividend Series Preferred Stock entitled to receive distribution of the new securities to be issued pursuant to the Plan of Reorganization.

**You will not receive the new securities to which you may be entitled unless your stock is in proper name and your address is correct on the records of American National Bank and Trust Company of Chicago as of October 2, 1947. You should act promptly as these securities may be issued on or shortly after October 3, 1947.**

Stockholders of record will receive, promptly upon the Plan being made effective, written instructions by mail as to the procedure to be followed in exchanging their preferred stock for new securities. Do not send in any stock certificates at this time except for the purpose of effecting transfer to the proper name and address.

INTERSTATE POWER COMPANY

September 10, 1947.

### HELP WANTED

**TRADER-SALESMAN**

**Long established over-the-counter firm wants experienced trader-salesman with clientele. Salary and liberal commission basis, complete facilities. Box K 711, Financial Chronicle, 25 Park Place, N. Y. 8.**

### SITUATIONS WANTED

**YOUNG MAN**

Completing night course in accounting, with some bookkeeping and office experience, seeks position with securities firm. Compensation secondary to opportunity. Box S 911, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

**SECURITY ANALYST**

**Experienced, knowledge of underwriting procedure. Good writer. Seeks connection with progressive organization requiring services of man possessing sales, analytical and promotional ability. Box M 94, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.**

### REDEMPTION NOTICE

NOTICE OF REDEMPTION

*To the Holders of*

**WENTWORTH MANUFACTURING COMPANY**

**Convertible Preferred Stock**

NOTICE IS HEREBY GIVEN that Wentworth Manufacturing Company, pursuant to the provisions of its amended Certificate of Incorporation and pursuant to resolutions of its Board of Directors, has elected to redeem and will redeem, on October 15, 1947, all of the outstanding shares of its Convertible Preferred Stock.

Accordingly, there will become due and payable on October 15, 1947, on each share of the Convertible Preferred Stock of the Company called for redemption, upon the surrender of certificates therefor at the office of CHEMICAL BANK AND TRUST COMPANY, Redemption Agent, No. 165 Broadway, New York 15, New York, $17.50 per share, plus accrued and unpaid dividends thereon to the date fixed for redemption, to wit, 16⅔¢ per share.

As provided in the amended Certificate of Incorporation and the certificates for said shares, holders of the Convertible Preferred Stock called for redemption may, at their option, at any time up to the close of business on the tenth day prior to the date fixed for redemption, convert their shares into shares of Common Stock of Wentworth Manufacturing Company at the rate of two shares of such Common Stock for each share of Convertible Preferred Stock, upon surrender of certificates for such shares to CHEMICAL BANK AND TRUST COMPANY (Corporate Trust Department), 165 Broadway, New York 15, New York, transfer agent for the stock, on or before the close of business on October 6, 1947.

Wentworth Manufacturing Company will before the date of redemption deposit in trust for such redemption with CHEMICAL BANK AND TRUST COMPANY all funds necessary for such redemption. As provided in the amended Certificate of Incorporation, except as to (i) the above mentioned right of conversion before the close of business on October 6, 1947, and (ii) the right to receive from CHEMICAL BANK AND TRUST COMPANY, from the funds so deposited in trust, the redemption price for said shares, without interest, the shares called for redemption as aforesaid will after such deposit no longer be deemed outstanding. The right to receive dividends thereon will cease to accrue from and after October 15, 1947 and all rights of the holders of said shares will cease and terminate.

The books for the transfer of shares of the outstanding Convertible Preferred Stock called for redemption as aforesaid will be permanently closed at the close of business on the last business day preceding said redemption date.

By order of the Board of Directors

WENTWORTH MANUFACTURING COMPANY

By ALVIN A. SOPKIN, *President*

FALL RIVER, MASSACHUSETTS, September 5, 1947.

# Washington ... And You

Behind-the-Scene Interpretations from the Nation's Capital

Don't be thrown off balance by all this sudden alarm over crisis in Europe. Certainly there's trouble in sight. But that's not news. Most of us have known it for months. The State Department knew it, too—even more authoritatively. That's why the woeful diplomatic wail of unexpected economic deterioration can be largely discounted. You'll find at least a partial explanation in State Department-Treasury disagreement over dollar divvying.

* * *

**The diplomats are politicians, are motivated by politics, judge end results by political standards. That's not so completely true of Treasury Department guides right now. Some, at least, are trying to make a businessman's approach to the European mess, want to be careful, want the facts before committing the dollars.**

* * *

Real fact is there's chilly void between Treasury Secretary Snyder and State Secretary Marshall. Marshall has high-hatted the special advisory council on foreign affairs created by the President. Snyder is council Chairman. Secretaries of State and Commerce and heads of the Reserve Board and Export-Import Bank are members. To date, Marshall has remained aloof, hasn't attended a single council session, has substituted a subordinate.

* * *

**You can bet the State Department underlings now howling about impending disaster have a two-pronged objective in view. They would ignore Treasury caution and (1) force a special session, (2) jolt Congress into more piecemeal foreign financing. They may get (1), won't get (2).**

* * *

Congress wasn't when it recessed, won't be if recalled, in any mood to hand Truman more millions or billions for haphazard handouts. There's to be no more random relays of American dollars between the Treasury vaults and Europe's needy by way of the State Department. Republican staffmen know that, have passed the buck on the special session call to the President because they know it.

* * *

**Mark this down as certain: the President may try for but won't extort more money for Europe from Congress in special session. Committee hearings and floor debate will consume months. There'll be no important vote before 1948.**

* * *

The Federal Reserve Board plans another look-see at margin requirements—but not with the thought of lowering the cash ratio. The Governors insist adequate funds are available to the market now. But they foresee Congressional clamor for a reduction next year — hence will be loaded with "facts" in rebuttal.

* * *

**It now looks like we may have at least one objective Congressional investigation — the RFC probe by a Senate banking subcommittee. Republican Chairman Buck of Delaware honestly aims to ascertain the exact needs for RFC operations, to report on same to Congress as foundation for continuing legislation. He may open public hearings within a month.**

* * *

RFC is reorganizing and decentralizing its accounting division and wiping out between 700 and 800 jobs in Washington. Much of the accounting work is to be transferred to the field offices. Another pending RFC order will consolidate all lending operations in one bureau under a single administrator.

* * *

**Memo for national bankers: the Federal Reserve Board says you can't accept funds for participation in your common trust for investment purposes. Such participation clearly violates Section 169, Internal Revenue Code, which prohibits participation for other than fiduciary purposes, the Board opines.**

* * *

Here's what provoked the Reserve Board ruling: a national bank informed the Board several small corporations wanted to place certain funds in the bank's common trust because (1) they weren't satisfied with return on short-term government bonds, and (2) savings banks wouldn't take their money. The bank wanted to know if it could accept such participations. The Board said no, because such participations would obviously be in lieu of other investments and would not be for fiduciary purposes.

* * *

**Federal Trade Commission's broadened policy of dealing with business and industry through trade practice rules is lopsided, will stir up trouble. In sets of such rules already promulgated FTC has extended certain privileges to participating groups but says those same privileges can't be granted to new groups because of revisions in FTC regulations. That issue will go to Congress.**

* * *

Don't disregard entirely talk of new price controls. Republicans laughed off such suggestions last session. Now the situation isn't so funny. It's to be even less mirthful in 1948 and there's a first-rate chance the Administration may embarrass the GOP by publicly preaching consumer cost ceilings.

* * *

**You can be positive rent control will be extended again. Probably a year from next March—certainly until after the Presidential election. Already, responsible Republican spokesmen have pledged tenant protection unless the housing pinch quits hurting. They know it won't — not before March.**

* * *

The Justice Department's anti-trust drive to bust high prices won't hit organized labor unless Congress tosses some pitches Attorney General Clark can't dodge. That's possible. The trust busters are watching with wary apprehension the advance operations of a House investigating committee which will shortly swing around the nation smelling out practices within the construction industry hindering home building and hiking prices. Important issue is whether the prospectors will unearth odors Clark can't ignore.

* * *

**Don't be surprised if Congress revives restrictions on grain usage. This isn't officially in sight yet but may be soon. Agriculture Department would like to avoid use controls, is trying to do so by shifting foreign grain demands to other foods. The idea isn't clicking.**

* * *

You're paying plenty to help Congressmen make plush tours of the international sore spots. Cost of these official junckets hasn't been reckoned yet, but investigations now under way or planned will supply round trip tickets abroad for 101 lawmakers—plus some wives and staff members. Names of 33 Senators and 68 House members are on this prize package list. Each will qualify as an "expert" on foreign affairs next session.

* * *

**Legislation authorizing the government to recover war contract over-payments in which fraud was not evident is the aim of a House expenditures subcommittee investigation launched last Tuesday. Contract termination settlements frequently resulted in over-payments from (1) fraud, (2) claims in which no fraud was apparent. Don't look for the gumshoe committeemen to embarrass the big suppliers, but it's a good guess many of the smaller operators who hiked inventory values, sold goods to Uncle Sam twice, and charged off usable goods as scrap will be hauled in for inspection.**

* * *

A compromise on the 75% British film tax is still a possibility. Trade sources claim the substitute proposal that a portion of the income from American films be impounded in England has important London acquiescence. Big question remains — what percentage should be impounded?

* * *

**Better not write off the possibility Congress may hoist the minimum hourly wage about 20 cents next session. If that's done—and both parties would like to do it—farm hands will be exempted.**

* * *

Washington financial circles are watching with interest that phase of the commercial agreement between Chile and Brazil which contemplates creation of a corporation of mixed Chilean and Brazilian capital and preferential treatment of Chilean and Brazilian insurance companies, reinsurance operations, branch banks, and means of transportation. Objective of the pact is to supply the needs of each country with the exportable surpluses of the other.

# What the ----?

"I know that America will be upset at what I am about to say, but I have always got to upset somebody. My own conviction is that she handicaps herself, causes high taxation in her own country, by a failure to redistribute the gold in Fort Knox.

"If you found another gold mine in the world which would assist you, it would be a very great advantage. There is a mine where it has already been mined, and it is one of the readiest ways to assist in increasing the purchasing power of the devastated areas of the world." — Foreign Secretary Bevin of Great Britain.

Ernest Bevin

**Is Mr. Bevin as naive and as simple-minded as these words taken at face value would indicate?**

**What of those other Britishers who are reported as of the belief that this idea of Mr. Bevin is "well worth considering?"**

**To be sure, proud Britain can not have come to the point of begging alms — either as lend-lease or in the form of gold to which she has no claim and for which she has repeatedly of late years expressed so much scorn!**

## World Bank Barred from Extending Interim Relief, Officials Confirm

### McCloy and Garner reiterate regulations' confinement of credits to productive purposes

LONDON, ENG., Sept. 10—"The World Bank is not in the stopgap business," the institution's President, John J. McCloy, told a press conference here today. This very definite statement was apparently made in response to inquiries by Undersecretary of State Robert Lovett's indication last week that the Bank might be used as a "temporary device" to fill in the hiatus before adoption of the Marshall plan. Mr. McCloy further emphasized that the terms of the Bank's organization confine its lending operations to those stimulating national production or leading to increased productive capacity; and not for the financing of food, consumer goods purchases, or trade deficits.

John J. McCloy

Robert L. Garner

Within these regulations England, as a member, can apply to the Bank for credits at any time, Mr. McCloy stated.

* * *

**Italy, France and Ruhr Can Receive Credits Within Rules, Garner Points Out**

WASHINGTON, D. C., Sept. 9 —Robert L. Garner, Vice-President of the World Bank, at a press conference here today decried suggestions that the Institution could supply Europe with credits for the purchase of needed consumer goods to fill in for the Marshall plan. He emphasized the obligation to safeguard the interests of investors by barring loans which do not carry sound repayment prospects.

The Bank may possibly make loans to France and Italy, and for the Ruhr's coal production, but only if they are made for purposes that are demonstrably productive, Mr. Garner declared.

## Alfred S. Klauber Dead

Alfred Samter Klauber, partner in Lober Brothers & Co. since 1926, died on September 7th at Mt. Sinai Hospital.

## With Westheimer & Co.

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO — Bluford D. Oakes has joined the staff of Wesheimer & Company, Third National Building.

## With Gill Associates

(Special to THE FINANCIAL CHRONICLE)

Toledo, Ohio—Frank J. Eschenburg is now with Gill Associates, Inc., Hotel Secor.