ESTABLISHED 1839

# The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 166 Number 4630 New York, N. Y., Thursday, September 18, 1947 Price 30 Cents a Copy

## Profits Aren't That High!

By MAX J. WASSERMAN*

**Economist, in commenting on reports of high business profits, points out present profits are illusory because of rising prices entailing higher replacement costs. Says solution of problem is to compute profits on replacement rather than actual costs. Holds corporate balance sheets are also distorted by inflation, since inventories, when valued at cost, do not reflect real value, and valuing of plant and equipment at cost, rather than replacement value, leads to discrepancies.**

A recent issue of "Exchange" reports that corporate earnings of 402 companies having common stock listed on the New York Stock Exchange showed a net income, January-June 1947, 97.9% higher than that which prevailed in the first six months of 1946. The total net income reported for these companies in the first half of 1947 totaled almost $1.7 billion.

Max Wasserman

The earnings of the iron, steel and the coke industry, for the first six months of 1947, increased 155.3% over the level for the same period of 1946. Other industries displayed similar increases. The automobile industry, represented by 30 companies, and which reported losses in the first half of 1946, earned over $200 million. Railroads, which also lost money in 1946, listed net earnings of almost $150 million. Machinery and metals industries registered an increase of 148.3%; textiles 58.5%; leather and shoe manufacturers 139.9%; paper and publishing 96.9%. Only financial firms, utilities and garment manufacturers showed smaller earnings in the first half of 1947 as compared with the same period of 1946.

Prosperity, it would seem, has evidently found and turned the corner for which we were all looking in the depression-ridden thirties.

But before we spend or invest these earnings, let us examine them a moment. They are high, yes, but not that high. Not as large as the accountants and auditors would have us believe.

First of all prices have risen and are continuing to rise. Profits, like all values, must, therefore, be deflated to determine their true value or purchasing power. These profits of $1.7 billion are today worth but $87 million in terms of their 1939 wholesale purchasing power. Each dollar of today's profits buys what could be purchased in 1926 for 67 cents and in 1939 for 48 cents. Unless

(Continued on page 26)

*The author of this article is an economist on the staff of the Office of International Trade, U. S. Department of Commerce. The opinions expressed in this article are those of the author himself and do not necessarily reflect those of the Department of Commerce or any other Agency of the Federal Government.

## More on Reserve Board's Illegal Distribution of Federal Reserve Banks' Earnings

By WALTER E. SPAHR
Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

**Dr. Spahr amplifies his contention that Federal Reserve Board's action in appropriating 90% of Reserve Banks' earnings in 1947 is illegal and not provided for in Federal Reserve Act. Says it is a case of bureaucratic manipulation that has not been sanctioned by Congress. Sees in Federal Reserve's action an "Eccles strategy" of end justifying the means, and concludes if Reserve Board is sustained, it will encourage similar illegal acts by other bureaucrats in Washington.**

In an article entitled "Federal Reserve Board Out of Bounds Again," in "The Commercial and Financial Chronicle" of June 19, 1947, this author reviewed the action taken by that Board, as revealed in its release (Z-2040) of April 23, 1947, in which it presumed to violate the Federal Reserve Act again.[1]

Walter E. Spahr

The Board, in its press release of April 23, stated that "it had invoked its authority under Section 16 of the Federal Reserve Act" to levy a so-called "interest charge" on Federal Reserve notes in circulation as a means of reducing by 90% the earnings of the Federal Reserve banks for the year 1947, the purpose being to pay these earnings to the United States Treasury.

(Continued on page 22)

1 This author also dealt briefly with this and another violation of law by the Reserve Board in "Monetary Notes" (Economists' National Committee on Monetary Policy, 1 Madison Avenue, New York), Vol. 7, No. 6, June 1, 1947, pp. 1-2.

*EDITORIAL*

## As We See It

### Those Soaring Prices — Some Neglected Facts

Very, very few office holders, legislators, or aspiring politicians now feel that they can afford not to have something to say about high and rising food prices. Many do not confine themselves to food prices, but include all prices in their complaints and proposed remedies. As usual in such circumstances the most highly favored practice is that of seeking out some scapegoat or "whipping boy" — normally either one's political opponents or some already highly suspect element in the population such as "Wall Street" or "business."

"Investigations" galore are already under way or soon to start. Hints of coming prosecutions are heard on all sides. Accusations abound. Prescriptions run from "consumers' strikes" to full restoration of rationing and price control. Predictions of a full scale "bust" as a result of high and rising prices are heard in many quarters. From those who advocate a planned economy —in whose proposals there lies, of course, a plain implication that they know how to meet all contingencies —there come strangely conflicting suggestions.

(Continued on page 24)

# Whither Government Bonds?

By RAYMOND RODGERS*
Professor of Banking, New York University

**Dr. Rodgers ascribes high level of business activity to temporary economic forces, such as: (1) high inventory accumulation; (2) abnormally large exports; and (3) high level of consumer spending. Says Government expenditures are at unbearably high levels and portend continuation of present heavy tax rates. Foresees stiffening of both short-term and long-term money rates, and predicts additional Treasury bond issues to implement Marshall Plan. Looks for action by Federal Reserve to regain control over bank reserve balances by a further firming of short-term rates.**

Business is "to good to be true." Measured by the traditional economic yardsticks of value of product, payrolls, national income, volume of production, and employment, business activity is "terrific." In fact, it's fantastic and almost incredible. For more than a year, Federal tax revenues have been running at a level considerably higher than Washington expected. Now, gentlemen, when tax receipts exceed $40 billion, that is prosperity—in capital letters! This unprecedented level of business activity is chiefly the result of the following three, largely *temporary*, economic forces:


Raymond Rodgers

First, American business and individuals are spending at the rate of $29.5 billion per year for inventory accumulation, war-delayed construction, and producers' durable equipment. Of these, inventory accumulation in many lines has come to an end and, obviously, we will not continue for much longer to buy new factory equipment at the rate of $17 billion per year. Construction is the great hope in this category, but high prices and low productivity of labor are throttling influences on its expansion.

Second, America is exporting goods and services at the annual rate of $20.7 billion and receiving in return only $8 billion. Clearly, this one-sided trade cannot continue indefinitely.

If we apply the "means" test to our foreign trade, the result is even more discouraging. On June 12, my neighbor, Dr. Willard Thorp, Assistant Secretary of State for Economic Affairs, told the American Marketing Association that the United States had, so far, committed itself to foreign grants and loans of $13 billion of which nearly $9 billion had been spent, leaving some $4 billion plus the assistance, which may be extended out of the resources of the International Bank and Fund as the measure of our excess of exports over imports unless Congress votes more money. The so-called "dollar shortage," which many countries are now complaining about is largely a reflection of this situation.

The import restrictions recently adopted by England, Australia, Mexico, and several South American countries clearly point, as a practical matter, to the end of the export boom.

As the third, and most important, support of the present high level of business activity, I would place consumer spending, which is running at the rate of $158 billion a year. According to the President's Council of Economic Advisers, consumers are spending 93.2% of their income and saving only 6.8%. It is indeed doubtful that these rates will be main-

(Continued on page 19)

*An address by Dr. Rodgers before the Annual Convention of the Savings Bank Association of Massachusetts, Swampscott, Mass., Sept. 13, 1947.

# Europe as It Is!

By HENRY J. TAYLOR*

**Well-known commentator reports on sojourn through Europe and notes nations which have recovered most are those which have not adopted socialism. Lays adverse condition of Great Britain and France to control of governments by trade unions, who are engaging in a 'gigantic socialist experiment.' Cautions that as we try to stabilize European economies we must be sure we do not surrender to similar ideas and practices.**

Twice each week in Europe I've tried to gather together, and speak across the Atlantic, thoughts and feelings that perhaps would have been yours had you too been poking around over there with me in an automobile: in England, France, Italy, Greece, Switzerland, Belgium, Holland, Germany.


Henry J. Taylor

The things which were plain to me—the troubles—would have been plain to you. Our problem is not to let ourselves in for similar problems in your land and mine.

These bad situations abroad cannot occur on the scale they are occurring without some of the same ideas taking hold over here.

Methods of communication and travel are so quick, the transfer of ideas is so strong, that Europe's mistakes are bound to make their impact on us.

The struggle for the preservation of America's free enterprise, which is the struggle for the individual freedom of men and women and children, is the struggle of America against the reactionary forces of the world.

None in this country, no company, no enterprise, has a future beyond the future of our country. As this country goes so go we all.

A clear understanding of the blunders in Europe, therefore, is of greatest importance in helping us avoid similar blunders here at home.

Italy, Belgium and Switzerland are forging a strong post-war recovery. Living conditions in these three countries are better than any place in Western Europe. The people are working hard, their governments are leaving them alone, and the countries are getting ahead.

Conditions in Germany are the worse. I made five broadcasts from Berlin, and I don't want to repeat myself, but Germany and England are the two greatest problems in Western Europe. And both problems are rooted in the question of coal.

In Holland, things are very hard. Before the war about 80% of Holland's trade was with Germany. The Dutch situation grows worse every day as a result of the German situation.

Greece, on the other hand, is far better off than we are led to believe. I went all over Greece. Mass suffering is never hard to see where it exists. There is no mass suffering, and certainly no starvation, in Greece. Greece is, at best, a poor country. There is some fighting where I was in the north, but not on anything like you might imagine from the Greek Government's accounts.

We can be glad that things are better in Greece than they sound,

(Continued on page 20)

*A radio talk by Mr. Taylor over the Mutual Broadcasting System, Sept. 12, 1947.

# INDEX

**Articles and News** Page



**Regular Features**




Published Twice Weekly

**The COMMERCIAL and FINANCIAL CHRONICLE**

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers

25 Park Place, New York 8, N. Y.

REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher

WILLIAM DANA SEIBERT, President

WILLIAM D. RIGGS, Business Manager

Thursday, Sept. 18, 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.


# Our European Trade Outlook


By WILBERT WARD*

Vice-President, National City Bank of New York


**Foreign trade expert, reporting on tour of Western Europe, points out our export excess of $10 billions annually cannot be maintained, but business is in position to withstand moderate contraction of exports. Blames economic ills in Britain and other European nations on their own ill-advised economic policies, particularly use of government power to keep their currencies above real market value. Says more production is needed to rehabilitate Europe and urges less economic restraint and more incentive abroad.**

I made my guess with respect to world trade in 1947 early in the year. My conclusion was that world trade in 1947 would be limited, not by demand, but by supply. My prophecy was as follows:

Wilbert Ward

"Historically, our imports for 1943 should have been nearer $7 billion than the $5 billion they reached. Last year, and this, the limiting factor will be, not our tariff, not lack of a domestic market for foreign goods, but the ability of foreign manufacturers to produce them. Similarly, our payments to foreigners for services, which reached $2 billion last year, will expand in 1947 to the extent that increased transportation and accommodations are available, and the demand will overwhelmingly exceed the facilities which foreigners can provide. What world trade needs is more goods with which to trade."

My purpose in visiting Europe this Summer was not to verify this conclusion. The trade statistics, month after month, have made it crystal clear. Our export trade, which had been estimated at $12 billion, actually built up this Spring to a $17 billion rate. There has been some shrinkage in the rate since June, with more in prospect. However, our import trade, which had been estimated at $8 billion, will not at the present pace exceed $6 billion. Balancing imports against exports, of goods and services, the export net stood at mid-year at a $10 billion rate, which indicates that business is in position to withstand gradual and moderate contraction of exports. There is no permanent gain for us as a nation in exports which are not eventually paid for by imports.

**Increased Production Key to World Trade**

All this points up to the fundamental fact that the key to world trade and reconstruction is increased production. What I hoped to sense, in the countries I visited, was whether the peoples of those countries realized that under-production was at the base of their difficulties and whether they were prepared to accept and support leadership which would drive toward increased output.

Any conclusion arrived at during a hurried journey necessarily rests on an inadequate number of observations. I found, in retrospect, that my mind was largely influenced by observations of the way in which people were going about the ordinary business of life. There is not time today to document my conclusion, but that is in any event scarcely necessary as it is rapidly being supported by events.

For what it may be worth, my conclusion was that the peoples of the United Kingdom and of those of the continental countries I visited, which are currently seeking our aid, were unprepared to accept and support leadership which will tell them honestly that the sufferings which they so glibly attribute in their entirety to dislocations caused by war are, in varying degrees, the consequence of their own ill-advised economic policies. You do not have to take my word for it that the policies are ill-advised. Read Henry Hazlitt's article in "Newsweek" for Sept. 8, in which he says that the greatest single barrier to world recovery, hardly discussed at all, is the use of government power to keep the price of currencies far above their real market value. Read the leading editorial in Sunday's "Times" which points out that to attribute "dollar shortages" to the need for goods to replace war destruction does not account for the existence of the same phenomenon in countries untouched by the war, such, for example, as our next-door neighbor, Mexico.

One does not have to go beyond our own borders for examples of the illusionary nature of so-called social gains made by one group at the expense of the country as a whole. Our own bituminous coal output, since the recent wage increases, has been running steadily below the pre-strike figures by something like a million tons a week. To validate a rise in wages and reduction of hours, there must be, if any real social gain is to result, an equivalent increase in man-hour production.

**Effects of Inflation**

To call it by its right name, what we are dealing with is a well-nigh world-trade movement by so-called liberal governments to push social gains to a point beyond the ability of their economies to yield and pay for the benefits which their peoples are led to expect they will receive.

When, in 1914, John Taylor published "An Inquiry Into the Principles and Policy of the Government of the United States," he reported that "there are two modes

(Continued on page 28)

*An address by Mr. Ward to the Overseas Automotive Club, New York City, Sept. 11, 1947.

# Exports Not Responsible for High Food Prices: Harriman

In a radio talk over the NBC network on Sept. 12, Secretary of Commerce W. Averell Harriman, reviewed briefly the food situation and asserted present high food prices were not due to exports but rather to our all-time record of prosperity." Said Secretary Harriman:

W. Averell Harriman

Most of the food which we are sending abroad is being bought and paid for by our foreign customers, with their own money, or by loans. Some of it has been sent for relief, as a gift from the American people.

However, I think it extremely important that all of us understand the true facts about our food shipments and how they are going to affect us. In the first place we are sending mostly wheat, or wheat flour. A large part of the wheat we produce is in excess of our own needs. Of other major food items—such as most dairy products, fruits, and vegetables—only a very small part of our total production is leaving the country.

It is true that the food we are shipping abroad maintains the pressure on certain food prices here at home, but it is hardly fair to blame exports for the general high level of food prices which exists today. The present high prices are due primarily to the fact that this nation is now enjoying an all-time record of prosperity. People have more to spend for food, and they are bidding against each other for the food that is brought to market. To illustrate, Americans on the average are eating 25% more meat today than before the war.

We should bear in mind that it has been the policy of our government to encourage increased production of wheat so as to have it available to meet the present world shortage of food. Our record crop this year is about double the prewar average and half again as large as our biggest bumper crop before the war.

If you had seen the great needs for food which exist in many places in Europe, as I have, I feel sure you would not only support our export program but would urge the government to do all it can to help hungry people abroad.

We need not, and should not, look on our shipments of food as charity. People abroad don't want charity—what they want is a fair chance to work their own way out of their difficulties. The average man wants food for his family and himself in order that he may have the strength to do a good day's work.

In spite of the difficulties, real progress has been made in Europe. But there is still a long way to get back to prewar life. Food to these people means hope, and this troubled world desperately needs more hope and less despair.

How long other countries can keep up their purchases here is a serious question. They have been using up their dollar reserves and credit balances, and they are nearing the bottom of the barrel. The dollar shortage which is developing in the world is a major obstacle to reconstruction, and has great meaning for all Americans.

Now what does the term "dollar shortage" really mean? Fundamentally, it is caused by the inadequate production of goods in other countries. We in this country are turning out more goods than ever before and have more available for export than all the rest of the world combined. Other countries need our goods, but they have not yet been able to turn out products of their own to sell in exchange. In time, they will work out of their present difficulties, but only if we help them by allowing them to buy on credit until they are able to pay as they go.

Our help will not only alleviate hunger, but will get wheels of production turning again. It will make possible the return of normal two-way world trade which will mean a better life for people everywhere, and will mean permanent jobs for Americans. Few people realize that one American out of 12 right now earns his living by producing for world markets; and the only way to maintain those markets is to help other people get back on their feet. But most important of all, American help at this crucial moment of history will be an investment in world peace, for which we have worked and fought so hard.

## BUSINESS BUZZ


"Mind a Bit of a Suggestion, Flotsam?"

# The Western Hemisphere In Today's World

By JAMES S. KEMPER*

President Inter-American Council of Commerce and Production

**Mr. Kemper says businessmen of Americas have unprecedented opportunity to demonstrate superiority of free economy. Scores results by Britain's Socialist government. States if Foreign Ministers come up with another dud, we should negotiate a separate peace which, while shackling Germany from war-making, should restore her productive capacity for world's benefit.**

We who live in this hemisphere are disturbed about many things. One of them is Russian aggression. We are angered at the ruthless and successful drive of the Soviet Union for military power and political advantage. Only yesterday Hungary lost her independence overnight. Her Government was virtually kidnapped. Hungary had committed no offense. Her land and her people were locked behind the iron curtain to increase Soviet power. Poland, Bulgaria, Rumania and many other ancient States have suffered an identical fate. Today it is Hungary or Poland. In a decade or two, the thrust of Russian aggression may menace the Americas. Hence, the reasonableness of that deep anxiety that is felt from Alaska to the Argentine as Stalin out-Hitlers Hitler in his bid for world domination.

James S. Kemper

Another thing that disturbs the people of the Americas is the record and especially the prospects of United Nations. Will it preserve peace for us or will it fold up like the League of Nations? Thus far the obstructive attitude of Russia had reduced United Nations to a mere debating society.

Equally disturbing is the plight of Europe. Large areas of Europe are deteriorating at an alarming rate. Europe as a whole is perhaps nearer to a complete breakdown than at any time since the Fall of Rome.

What is the origin of these three great factors that dominate our time? What can we do about them?

Speaking at New Orleans in June 1944, I pointed out that the Atlantic Charter had raised men's hopes that we were entering a new era. Millions believed that the end of the war would redeem the Charter pledge that all nations would have the right to live under a government of their own choosing. I emphasized that a number of hopes and pledges con-

(Continued on page 25)

*An address by Mr. Kemper before the First Hemispheric Stock Exchange Conference, New York City, Sept. 15, 1947.

# The State of Trade and Industry

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

A slight recession last week in over-all industrial production from the high level of the preceding week took place, due in part to the continued short supply of some raw materials and certain types of skilled labor. However, the decline did not reduce the flood of orders, since backlogs continued to mount.

Commodity prices enjoyed the limelight the past week and soared to new heights on the strength of poor crops and on unusually heavy foreign demand. To illustrate the sharp rise in staple food items, Dun & Bradstreet's wholesale food price index covering the period ending on Wednesday of last week, reveals that it has established an all-time high mark of $7.02. The current figure, it reports is now 40.7% higher than the corresponding 1946 figure of $4.99. The previous peak on March 4, last, stood at $6.77. Out of a total of 31 commodities covered by the index 21 advanced and only three registered declines for the week.

Fresh impetus was given on Monday of this week to commodity prices. Cotton spiraled upward advancing $3 a bale. It was estimated that Monday's increase alone in the price of that commodity, corn, wheat, soy beans and oats would, projected to the estimated 1947 crops of those farm products, add more than $350,000,000 to their base price, not to mention the additional increases and mark-ups every step of the way from farm to consumer.

The impact of previous advances upon the average consumer has strained his purchasing power to the utmost thus making for a price-conscious public.

Resistance to higher food prices and other merchandise is steadily developing and if permitted to pursue its present course would be disastrous to our whole economy. To a large extent the policies of our government in its purchases of grains for export are responsible for pushing prices up to their present levels. Reports coming to hand which tell of lower yields in our own corn crop, Canada's wheat production for 1947 and those of other countries do have a vital bearing on food prices here at home. Should our grain supply prove sufficient after allowing a reasonable amount to take care of the urgent needs of Europe the upward spiral of food prices may be arrested. This is the government's responsibility to its people since the amount of grain allotted for export is determined by it.

Discussing price inflation in its current monthly business review, the Cleveland Trust Company stated that it is one of the main evidences of postwar industrial maladjustment and that the situation cannot be corrected or even the symptoms suppressed by the Federal Government's use of "suggestions and threats" to lower costs.

Emphasizing production, the bank pointed out that the ending of OPA controls and return of the national economy to the prewar pattern of fixing costs, makes it vital for the country to expand output if it hopes to beat back inflation.

Continuing, it said, "the volume of our production is greater than in any previous peacetime year, but it is not large enough to satisfy all the demands made upon it. Many European countries cannot meet their needs for essential products and are competing for ours. This enlarged demand has tended to raise our prices, while expanded currencies and shortages of goods in other countries have increased prices abroad."

Referring to the increased optimism of businessmen in general as compared with earlier in the year, the bank held that this view can be made tenable only by an effective attack on such serious maladjustments as our "greatly expanded" money supply, which had grown faster than the supply of goods, making inflation inevitable.

**STEEL OPERATIONS SCHEDULED AT 6.0% ABOVE WEEK AGO**

The strike by 1,800 operating employees against the Union Railroad Co., an inter-plant railroad of the Carnegie-Illinois Steel Corp. came to an end about midnight on Friday last, with an agreement providing for a wage rise of 15 cents an hour. The Monongahela Valley furnaces of the company were closed down for a week as a result of the strike, with an estimated loss of 140,000 tons of steel ingots. The company stated that it will require nine days to fully restore production.

The amount of steel moving in the gray market is less than 5% of total shipments according to a comprehensive survey made by "The Iron Age," national metalworking weekly. However, the magazine reports opinions from steel users show conclusively that the gray market looms large in the present industrial picture.

In response to a questionnaire dealing with gray market activities, 29% of the 1,500 companies, representing a cross-section of steel consumption, replied to the questions. Efforts to belittle the seriousness of the gray market are wishful thinking, "The Iron Age" concludes, judging by the statistics compiled as the result of the survey.

**Although only 4.3% of the steel purchased during the past six months was classified as gray market material, more than**

(Continued on page 27)

# Observations . . . .

By A. WILFRED MAY

**THE TWILIGHT OF THE GODS—ACT TWO**
**UN Assembly Portrays the Climax in the World's Crisis**

FLUSHING MEADOW, NEW YORK—In his address opening the second session of the General Assembly here, President Oswaldo Aranha ventured to declare that the United Nations is not a political organization. Most unfortunately this was only wishful thinking; but very significant wishful thinking indeed, because it is precisely the political factors which have increasingly hamstrung all the major operations of the organization ever since the opening day of San Francisco's charter-making.

A. Wilfred May

During a conversation Tuesday shortly before he was nosed out for the Assembly Presidency (despite U. S. backing), Australia's fiery Herbert Evatt remarked that "a good chairman might save the meeting." But realistically one must face the conclusion that nothing less than a favorable worldwide political climate can save this meeting, the United Nations, or the peace of the world. For example, the organization's disarmament efforts must remain completely abortive until the individual nations lose their existing warranted sense of insecurity. To hope otherwise, is to put the cart before the horse.

In any event, to expect epochal results from the General Assembly is sheer nonsense. For the Assembly by its rules is estopped from enforcing any order on its sovereign member nations. Nor can it even recommend action on any item which is on the agenda of the Security Council. The Assembly thus is even more impotent than the Council, whose continuing paralysis, and status as the executive body without power to act was epitomised on the very eve of the Assembly's opening in the Russian double-veto of the overwhelming majority will concerning Balkan procedure. With the veto pervading the Council and lack of enforcement-teeth hamstringing the Assembly, we have "net" an organization where in one of its units affirmative decisions cannot even be reached, and in the other they can be reached but not enforced.

The disproportion between protocol and bureaucratic talk on the one hand, and achievement on the other, is illustrated by the fact that in its first year of existence the UN as a whole held no less than 1,701 meetings. Only during the special meeting of the General Assembly lasting eight weeks from last October to December, there were 398 meetings lasting 1,082 hours of which 352 hours incurred overtime charges. The documents numbered 4,261 containing 26,194 pages. As one wag has said: "Apparently Lake Success has been turned into a sea of paper."

**Political Climate Humid**

In addition to the Balkan situation whose implications were most ominously cited on the floor here by Mr. Marshall, the climate surrounding this Assembly, economically as well as politically, could not very well be much worse—and surely extends the downtrend in UN fortunes. Basically the breach between Washington and Moscow has grown to an all-time maximum. There is the Palestine situation whose political, ideological, and economic elements are ready to inflame the rank-and-file as well as the major powers. There is the portentous atom situation, which the Soviet intransigeantly, irrationally, and incomprehensively persists in keeping unresolved. Also there are the "hot" questions of Spain, of South Africa, and of general disarmament. There are the stalemated negotiations for Japanese, German and general European peace settlements, which controversies will be resumed in November when the Council of Foreign Ministers reconvenes in London.

There is the newly aroused tension on the Yugoslav-Italian frontier, the Communist drive for power within Italy, and the dynamite ready to be detonated by the people's bitter dissatisfaction in Trieste. And the problem of Korean independence is, as pointed out by Secretary Marshall in his "keynote" speech here, a matter of vital concern to the United States Government, and hence is another potential Moscow-Washington firebrand.

**Economic Climate Dreary**

Most discouraging of all perhaps is the world's economic crisis, with its close affiliation with the political sphere. Particularly unsatisfactory is the basic international state of mind in regard to the politico-economic elements. Every day we see England, just as strongly as other supposedly friendly nations, becoming more embittered toward us through psychiatric processes. Disappointed with herself over her dependence on international alms, she transfers her frustration into hatred toward her benefactor; namely, the rich greedy Uncle Shylock, Uncle Sam.

Conversely, and equally as injuriously to world harmony, the American people themselves are apparently now swinging toward greater "isolationism." This seems due partly to resentment over

(Continued on page 37)

## F. I. du Pont in Chicago To Larger Quarters

CHICAGO, ILL.—Francis I. du Pont & Co., members of the New York Stock Exchange, will remove their Chicago offices from the Board of Trade Building to new and larger quarters at 200 South La Salle Street.

The new offices will be in charge of Henry Stefany, formerly Chicago manager for Bache & Co.

# Says Wagner Act Made Workers Union Slaves

**C. W. Avery, President of The Murray Corporation of America tells Chicago Bond Club law led to political racketeering by irresponsible labor leaders. Points out individual workers are not liable for union acts under Taft-Hartley Law.**

In speaking before the Bond Club of Chicago on Sept. 10, Clarence W. Avery, President of The Murray Corporation of America, called attention to the defects of the Wagner Act, which led the public to become aware of the excesses of labor leaders and finally resulted in passage of the Taft-Hartley Act. According to Mr. Avery, the Wagner Act "was supposed to emancipate labor from slave driving industrialists, and bring about perpetual industrial peace. The actions of a few unscrupulous employers provided an excuse for this law, but we are aware of the fact that it has made much political hay. It gave tremendous power to ambitious labor leaders which, coupled with the promotion of class hatred by politicians little and big, has brought about a decade of industrial chaos and strife.

Clarence W. Avery

"That the Wagner Act was a one-sided law is an under-statement. Its interpretation and administration under the New Deal were even more one-sided. The Law was supposed to apply only to industry engaged in inter-state commerce. Interpretation was so broad, however, that any small company doing a local business was declared in inter-state commerce if it purchased from a local hardware, even nails that were manufactured in another state. Its application has been almost universal. Workers were led to believe that our Government had ordered them to become union members. Mass picketing and sit-down strikes to the extent of property confiscation were allowed to go uncurbed.

"If workers were ever slaves to industry, they have not only been emancipated, but, in turn have been made slaves to political unionism. If they did not play ball with the union, they were

(Continued on page 37)



# Business Planning and Statistical Analysis


Dr. CHARLES F. ROOS*
President, The Econometric Institute, Inc.


**In discussing use and limitations of statistical analysis in business planning, Mr. Roos points out aids furnished by statistical analysis in budgeting operations; in maintaining satisfactory inventory position; in scheduling new construction; and in anticipating and meeting labor conditions. Cites external statistical factors which indicate trends of business.**

Many companies in the United States today use statistical analyses and forecasts derived from them to plan (1) sales and advertising, (2) inventory and price policy, (3) wage and labor policy, (4) salesmen's compensation and bonuses, (5) capital investments, and (6) financing operations. The degree of use, of course, varies company by company. In some instances the use of statistical analysis is limited to visual comparison of time series. In other cases analyses are very comprehensive and employ the latest methods of statistical analysis. The purpose of the present paper is to sketch some of the more usual approaches.

Dr. Charles F. Roos

## Factors Affecting Sales

Sales are of primary importance to every management. They are affected both by management decisions directly concerned with operations of the company and by external economic forces and developments. Of the two, the external economic forces or developments are frequently the more important.

The average merchant accepts without argument the fact that his sales are affected by changes in consumers' purchasing power. The manufacturer of drugs, clothing, etc., also readily sees the relationship. Sometimes, however, the relationship between sales and income is obscured by intervening developments, as in the case of steel, the demand for which depends upon activity in a great number of industries. For some of these industries — containers, wire fence, and pots and pans— the relation of either demand or sales to purchasing power is a direct one, only one step removed from the demand for steel. For others, such as automobiles, radios, and metal furniture, the demands for the products are not only related to current purchasing power, but also to the condition of consumers' stocks of the products, the hours of work per week of the working population or the leisure which the economy can afford to provide for the enjoyment or use of the goods, and the physical facilities — highways, broadcasting stations, etc., for using the goods. Thus the relationship of sales to income is an indirect one. In still other industries the demand for steel is even more remotely related to purchasing power and may even bear a better relationship to past than to present purchasing power. Thus the demand for steel to build railroad cars or locomotives depends upon (1) the ability of railroads to buy cars which, in turn, usually depends upon general purchasing power; (2) the load being carried by the railroads which usually depends upon purchasing power of the preceding three to six months plus speculative and chance developments, and (3) the condition of railroad rolling stock which is usually traceable to past values of (1) and (2). Even further removed from the effects of current purchasing power is the demand for steel to make the machine tools that are used in railroad car and locomotive building. Nonetheless, it is quite clear that all the demands for steel are fairly closely related either to present or past income. Consequently, alert managements in the steel industry constantly study changes in purchasing power and try to determine their probable immediate and delayed effects.

For any product, whether it be a drug or steel, correct managerial decisions affecting the type of promotional effort, changes in price lines, enlargement of facilities, reduction in costs, etc., make it easier to secure sales. Nonetheless, one correct management decision after another may not be sufficient to arrest a down-trend in sales caused by a decline in purchasing power. Even in a rapidly growing company—one in which management rarely makes mistakes—growth of sales relative to the amount indicated by purchasing power seldom exceeds 5% per year.

While the trend of purchasing power is probably the external variable that is watched most closely by the businessman, other indexes or variables are also important. Management in the automobile industry, for instance, also wants to have continuing estimates of the number of cars on the road, their age and condition. In the steel industry management wants to know these facts as well as the condition of railroad rolling stock, machinery, construction, etc.

Even in the case of a department store, the sales of which are closely tied to income or purchasing power, other outside or external factors may similarly have very important effects in determining sales value. For instance several of the more important external trends affecting sales to consumers during 1941 and 1947 were:

(a) A sharp rise in the birth rate and hence in sales potentialities for the great variety of industries selling products to these new consumers or to industries affected by them.

(b) A sharp increase in the income received by women, teen age workers and old workers (practically all the additions to the wartime labor supply came from these groups) and hence in sales potentialities for goods sold to these customers.

(c) A sharp increase in employment among certain racial groups who had been habitually unemployed or on relief during the depression years.

(d) A sharp decrease in the production of consumers' durable goods and consequent deterioration of consumers' stocks of these goods.

(e) An increase of life expectancy and increased payments of old age and other pensions and war and other benefits, resulting in sharp increases in the demands of these groups.

All these developments improved the position of the consumers' goods industries. In a few instances they were more important than changes in purchasing power.

Even though management should adequately chart and forecast the trends of purchasing power, demand, material and labor supplies, chance or unpredictable elements would still to some extent affect the business outcome. A good many of these outside or chance factors are, however, due to failure of management to use information which is available. For example, the payment of the Soldiers' Bonus in 1936 was an extraordinary incident, the effect of which was not correctly appraised by most businessmen.

Concentration of bonus payments in a short period of time caused income and retail sales to rise sharply for a few months. This rise was followed by a few months of stability at the higher levels. The merchant did not recognize the temporary character of the increment in sales and income. Consequently, he was purchasing in the early part of 1937 about 25 to 50% more goods than he could reasonably hope to sell; and in the latter part of the year he was correcting his error by buying less than he was selling.

Manufacturers of consumers' goods in 1936 were, in turn misled by the sudden influx of new business from the merchants and embarked on programs of expansion which at the time they might easily have identified as being excessive. By December of 1936 the whole economy was geared up to the increased demand of the merchants which, of course, was itself in error. By March, 1937 the average merchant realized that he was over-extended and began to reduce his commitments to manufacturers who, in turn, recognized that they had erred in the degree to which they had expanded plant. Commodity prices began to drop a short time later and by late summer of 1937, production employment, payrolls and other generally available indexes began precipitous declines. Then, as so frequently happens, the average merchant, pushed along by the deflationary policies of the monetary authorities, carried the correction to extremes. Although his excessive commitments were liquidated by December, 1937, he continued to order less than he was selling until August, 1938, at which time he began over-ordering, but only for a short period of time.

In contrast in June, 1946 leading merchants through the help of statistics recognized that commitments were excessive relative to prospective sales and increases in

(Continued on page 21)

*Paper delivered by Dr. Roos, Sept. 9, 1947 before International Statistical Conferences, Washington, D. C.

# *From Washington Ahead of the News*

By CARLISLE BARGERON

It is entirely too much to hope for, yet it is possible that the petulance of labor leaders may remove one of the greatest monstrosities that politicians ever imposed upon a passive people, the National Labor Relations Board. They may accomplish what the new crop of politicians dared not hope to accomplish. It would be a budget saving of some $5 or $6 million a year, and a riddance of a crop of useless bureaucrats, if nothing else.

Carlisle Bargeron

This is the way to look at the action of the CIO, and the A. F. of L. executive council in announcing they will not file affidavits that their officials are not Communists, therefore making themselves ineligible for the board's services. Manifestly, if they persist in their attitude, there will be no need for the NLRB or at least, only for a skeleton one. This is too good to be true.

This is the picture rather than the viewing with alarm on the part of many editors and their apprehensions lest the Taft-Hartley Act have to be amended.

There would still be fundamental laws regarding labor-management relations, the most important of which would be the right of a man to join a union if he so desired. He cannot be dismissed as in the days long ago for union activity. And as I understand the working of the so-called union shop, he has attained a great freedom from union bossism because, although under this provision he must join the union within 30 days of employment and therefore can't be a free-rider, he does not have to kow-tow to the union leadership to hold his job; he has only to pay his dues.

John L. Lewis did not intend to do so, but he rendered a tremendous public service when he talked the A. F. of L.'s executive council into refusing to sign the affidavits. It is understandable how he did it. He stalked up and down the council room and challenged his colleagues to do anything that would "lessen the dignity" of the workers. He threatened to carry the issue to the workers and finally he frightened his fellow bosses into acquiescence.

John didn't do the A. F. of L. any service, however. His accomplishment denied them the greatest opportunity that has come to them in many moons. The A. F. of L. is not worried about Communists in its midst. Signing of the affidavits on the part of its council members would have caused it not the slightest embarrassment. Then the Federation could have torn the CIO to shreds.

The CIO is rent with Communists. It is dominated by them. So it is physically impossible for Phil Murray or any of the others to sign the affidavits. This means that that organization can't have the service of the NLRB.

What does this mean? There are some 2,000 election cases now pending before the NLRB to determine the proper bargaining unit. It cannot under the CIO's inability to comply with the Taft-Hartley Act, certify that organization in a single instance.

The A. F. of L. could have gone to town. With a little activity it should have been able to gobble up every one of these cases. In any election it would have been the only old line organization on the ballot. Unless the contest happened to be with an independent, the Federation's only opposition would have been "no union."

This is the opportunity it has thrown away, at least temporarily.

It is difficult to determine just what John L. had in mind. His outstanding bitterness in life is against the CIO which he considers he brought into being and out of which he was kicked. What better way to wreck it than have the A. F. of L. playing ball with the NLRB and the CIO outside the pale?

But he has another bitterness and that is against Government in labor. He embraced Roosevelt and helped bring the Government into labor such as it had never before been brought in, not only in this country but almost as deeply as it had moved in on labor in European countries.

John L. rode high, wide and handsome for awhile and then he and this Government, in the person of Roosevelt, came to a parting of the ways and he was kicked all over the place. During the war there were some 25 agencies in Washington dealing with labor and they vied with each other in kicking Lewis with his UMW and his District 50 all over the place.

It may now be that he still has hopes for his catch-all District 50 and figures that it can get places in a free and tumble fight without the rigamarole of elections supervised by NLRB. But what is more likely is that he has become so frightened of Government in labor that he simply hopes to kill the NLRB. He has probably acted more in blind prejudice than out of any practical considerations.

It should be OK with the rest of us. The more Government gets out of labor, the better off we will all be.

But to repeat, Lewis has rendered a disservice to the A. F. of L. The new big shot of the NLRB, its general counsel, Robert Denham, would stand for no shenanigans from the CIO, whether it signed the affidavits or not. The days of the NLRB's being a tool of the CIO, would be ended under him. The CIO knows this, aside from its knowledge of its inability to qualify, and so does the A. F. of L. More or less crazily, John has upset the latter's applecart.

# More Production—Key to European Recovery

By HON. CHARLES E. SALTZMAN*

Assistant Secretary of State

**Former New York Stock Exchange official reviews bottlenecks in European recovery and stresses psychological impairment of productivity of workers as factor in retarding economic recovery. Sees unsatisfactory German situation as heart of reconstruction problem, and concludes U. S. must take part in rebuilding Germany's industrial capacity and make sacrifices as price of peace and reward of freedom.**

Today the world's economy is at an extremely low ebb. This condition can be attributed, in the first place, to the factors arising as a direct and inevitable consequence of war, and secondly to other factors which have impeded and retarded efforts at recovery.

Charles E. Saltzman

Global war, by definition, means not merely the effort to destroy and disrupt the military forces of the enemy, it means also the effort to destroy and disrupt the economic life which supports the enemy. Thus the heritage of war in nearly all European countries is the disastrous loss of significant elements of the economy itself—the destruction of plants and equipment; the exhaustion of the people; the depletion of financial reserves, particularly in foreign exchange; and the breakdown of the machinery of economic intercourse. Let us examine these factors in more detail.

**Bottlenecks**

One of the most important of the physical factors retarding the recovery of Europe is coal. Fuel for industry, transportation, power and heating is vital, but coal production in Europe is far below normal. In the Ruhr, greatest source of supply, current production is 240,000 tons per day, or 55% of the pre-war rate. Despite shipments from the United States averaging more than 2½ million tons per month, there is still a serious shortage. The effects are widespread. For example, the Scandinavian countries—Sweden, Norway and Finland—normally import coal from Germany, Poland and Britain. For lack of adequate supplies they are burning wood. The result is a serious curtailment in the export, of badly needed lumber — lumber which, among other things, is used as pit props in underground mining in the Ruhr and to construct housing for the miners who dig the coal. Here is just one of the countless cases where one evil creates another, commencing a vicious economic circle.

Transportation is another bottleneck. Freight yards, tracks, bridges, and rolling stock were favorite targets of bombing attacks, with the result that badly crippled transportation is now imposing a curtailment of economic activity. Although there is no immediate crisis at present except for Germany and Austria, where breakdown threatens, the situation is not sufficiently good to permit a general trade revival. The critical test for transportation in Europe, however, will come this fall when seasonal demands in some countries may rise by 70%.

Another serious deficit is food, which is appreciably below prewar production. Years of farming without fertilizer, combined with the virtual disappearance of agricultural machinery and the destruction or dislocation of farm families, are the major causes. Unusually bad weather conditions have aggravated the critical food shortage and further reduced the already low standard of living. Millions of families are barely able to scrape together enough simply to exist—to prevent disease and starvation. This situation has had its inevitable effect on the people's morale. The psychological impairment of the productivity as workers is another sizeable factor which is retarding economic recovery.

Not only are these essentials to production at such a low ebb—physical capacity, coal, transportation, and food—but the normal ways of doing business have been disrupted, thus limiting the exchange of goods both within and between countries. For example, the farmer has always produced the foodstuffs to exchange with the city dweller for the other necessities of life. At the present time, however, this division of labor is threatened with a breakdown. The town and city industries are not producing adequate goods to exchange with the food-producing farmer. Raw materials and fuel are in short supply. Machinery is lacking or worn out. The farmer or the peasant cannot find the goods for sale which he desires to purchase. So the sale of his farm produce for money which he cannot use seems to him an unprofitable transaction. Therefore, he has withdrawn many fields from crop cultivation and is using them for grazing. He feeds more grain to stock and finds for himself and his family an ample supply of food, however short he may be on clothing and the other ordinary gadgets of civilization. Meanwhile people in the cities are short of food and fuel. So the governments are forced to use their foreign money and credits to procure these necessities abroad. This process exhausts funds which are urgently needed for reconstruction.

**Foreign Exchange Difficulty**

In simple language the situation amounts to this: Most countries need goods in large quantities, but

(Continued on page 28)

*An address by Assistant Secretary Saltzman at the Triennial of the International Council of Women, Philadelphia, Pa., Sept. 11, 1947.

# Public Utility Securities

## American Water Works, Inc.

American Water Works & Electric Co. is offering to its stockholders of record Sept. 26 the right to subscribe to 2,343,105 shares of common stock of its sub-holding company, American Water Works, Inc. The subscription price will be fixed by the underwriters, who will make a public offering of any unsubscribed shares after expiration of a 10-day "standby" period. Nearly 300,000 shares of additional common (also underwritten) will be offered in exchange for the preferred stocks of Community Water Service Co. and Ohio Cities Water Corp.

The new company controls the water works part of the system—75 active companies including 67 operating companies, a service company, five sub-holding companies and two land and water-rights companies. Eighty-seven communities are served in 21 states with a population of nearly 2,800,000. Nearly one-quarter of this population is in Pennsylvania, and other important states are Illinois, Alabama, New Jersey, Indiana, Kansas, Missouri, Tennessee and West Virginia.

System earnings have been quite stable, and pro forma share earnings (derived from data on page 11 of the prospectus) have been as follows:

| | |
|---|---|
| 12 Months Ended June 30— | |
| 1947 | 81c |
| Calendar Year— | |
| 1946 | 84c |
| 1945 | 73c |
| 1944 | 72c |
| 1943 | 75c |
| 1942 | 79c |
| 1941 | 89c |
| 1940 | 72c |
| 1939 | 74c |

Growth has been comparatively slow as compared with that of some of the electric and gas companies. Revenues in the 12 months ended June 30, 1947, were about $22,802,000 compared with $17,252,000 in 1939. Pro forma net income increased from $1,945,000 in 1939 to $2,133,000 in the 12 months ending June 30, 1947.

The management has indicated its intention to pay out about 75% of earnings which would make the current dividend rate about 60c. Competitive bidding groups on Sept. 25 will doubtless govern their bids largely by the yield which they think will make the stock attractive to the investing public. Some of the old-line operating water company stocks sell at relatively low yields. New Haven Water at recent prices yielded about 4.6%, Elizabethtown 4.6%, Hackensack 5%, Middlesex 4.9%, Plainfield 4.9%, Stamford 3.7% and Indianapolis 4%. However, most of these companies have conservative financial structures and their securities are rather closely held and fully seasoned. Some of the newer issues (particularly holding company stocks) sell on a higher yield basis. Five issues offered during 1946-7 yield an average of 5.8% compared with an average of 4.4% for the older group. Scranton-Spring Brook, which might be somewhat comparable to American (it is a Pennsylvania holding company) sells around 11, pays 70c dividends and yields 6.4%. June earnings were 87c. The stock enjoys the advantage of being tax-free in Pennsylvania while American is not.

If the Scranton stock were used as a market yardstck, American would retail around 9½ to yield 6.3%. A year ago when the parent company first started planning the sale they were hopeful of obtaining 23 (less underwriting costs), but the recent prospectus indicated the expectation of selling the stock at 10. This would be a flat 6% yield. Considering current market conditions hopes of obtaining such a price appear a little optimistic.

The new stock can hardly be considered a high-grade investment issue because of the capital structure of the system. While it is difficult to make exact adjustments for intangibles, it appears that the common stock equity would be somewhere in the neighborhood of 16%. This compares with about 20% for Scranton though here again an adjustment for intangibles might change the picture somewhat.

## Hiscox With Cruttenden

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Giles E. Hiscox has joined the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Hiscox was previously with Shields & Co.

## A. G. Becker & Co., Partnership, Formed

CHICAGO, ILL.—Announcement is made of the formation of A. G. Becker & Co., a partnership, members of the New York and Chicago Stock Exchanges. The members of the partnership are also stockholders of A. G. Becker & Co., Incorporated, which will continue the underwriting and distribution of investment securities and the purchase and sale of commercial paper.

The partnership and corporation will share offices and, in the main, operate with identical personnel.

Principal offices are located at 120 South La Salle Street, Chicago; 54 Pine Street, New York City; 564 Market Street, San Francisco, and in other cities.

## Atlantic City Electric Common Placed on Mkt.

An underwriting group of 48 investment houses, headed by Union Securities Corp., offered to the public Sept. 17 343,106 shares of common stock of Atlantic City Electric Co. The stock was priced at $20.075 per share, which excludes the 30 cents per share dividend payable on Oct. 15. The shares were purchased from American Gas and Electric Co. at $19.05 per share.

After sale of these shares, which was carried out in compliance with a plan filed under the Public Utility Holding Company Act of 1935 and, after allowing for five further quarterly dividends of 2% each on its own common stock, American Gas & Electric will retain 179,310 shares of Atlantic City Electric stock, to be distributed on or before Dec. 31, 1948. The company has agreed not to sell any of such shares prior to Jan. 1, 1948.

Atlantic City Electric Co. actually is a misnomer since the company's service area embraces virtually all of southern New Jersey below Camden, including sizable industrial and farming areas. The common stock, on which the company and its predecessors have paid dividends since 1918, has been held by American Gas and Electric since 1907.

For the 12 months ending May 31, 1947, gross revenues totaled $12,728,039 and net income amounted to $1,887,615, or approximately $1.45 per share on the common stock. Dividends are currently being paid at the rate of $1.20 per annum.

# Dealer-Broker Investment Recommendations and Literature

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

**Common Stock Program for Investors**—List prepared to assist the investor in preparing his stock portfolio—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

**Industrial Common Stock Record 1947**—tabular compilation—Rogers & Tracy, Inc., 120 S. La Salle Street, Chicago 3, Ill.

**Investment Funds** — Management, marketability, and continuity—Analysis—Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

Also available is an analytical review of **New York, Chicago & St. Louis.**

**U. S. Government Marketable Securities**—Outlook and comparisons with the past—Sulzbacher, Granger & Co., 111 Broadway, New York 6, N. Y.

**Allied Paper Mills**—Late information—Moreland & Co., Penobscot Building, Detroit 26, Mich.

**Armstrong Cork Company** — Summary and opinion—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

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

**Cleveland-Cliffs Iron Co.** — Memorandum in current issue of the **Public Utility Stock Guide**—G. A. Saxton & Co., Inc., 70 Pine Street, 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; Upson Corp.; United Artists; Vacuum Concrete; Fleetwood Air Flow; Lawrence Portland Cement; Sterling Motors; Diebold; Lamson & Sessions Co.; Aspinook Corp.**

**General Public Utilities Corp.**—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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

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

**Kendall Company**—Report on common stock—Stifel, Nicolaus & Company, Inc., 314 N. Broadway, St. Louis 2, Mo.

**Missouri Pacific**—Memorandum—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

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

**New England Public Service Co.**—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

**Pennsylvania Railroad versus Northern Pacific**—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

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

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

Also available is a memorandum on **Indiana Gas & Water Company.**

**Southern Production Company**—Data—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are data on **Gruen Watch Company** and **Beryllium Corporation.**

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

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

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

## Sees Well-Maintained Business This Fall And Winter

Prospects for most major industries over the next six-eight months reveal little basis for pessimism about the general business outlook, according to the special Fall-Winter Outlook Report released this week by the United Business Service, Boston. While further business expansion can hardly be expected, no more than a moderate downdrift is in prospect through early 1948.

The Service points out that current demand and huge order backlogs in the steel, automobile, farm machinery, rail equipment, and most other durable goods industries assure many months of high level operations. We have never had a major setback when such lines are booming. Moreover, it now appears that even the non-durable goods industries will give more support to total output, employment, and buying power over the next six-eight months than seemed probable earlier this year. Building, too, shows signs of improvement following the ending of Federal controls, although high costs will continue to act as a drag on the prospective postwar construction boom.

The decline in exports is disturbing, and will hit some lines rather hard. But it should be kept in mind that many countries still have substantial remaining balances of dollars and gold. Additional loans will be available through the World Bank, and the Marshall Plan is progressing. Moreover, the Service holds that a moderate shrinkage of exports might well have a favorable effect on our economy by slowing down the price uptrend.

While rising living costs are pinching the buying power of many consumers, high agricultural prices are adding to total cash farm income. With the impetus from terminal leave bond cash and expansion of consumer credit, retail sales are expected to hold up relatively well this fall and winter. The fact that cautious policies have prevented inventory excesses comparable to those in 1920-21 is one of the strongest features of the business picture.

Ultimately, some deflationary readjustment is likely, but it appears improbable in the next six-eight months.

# Britain and Bilateralism

By PAUL EINZIG

**Dr. Einzig notes change of British attitude toward bilateralism and contends, whatever views the present British administrators may have, they will be forced by circumstances to turn toward bilateralism. Holds once bilateralism is established it will be extremely difficult if not impossible to abandon it. Sees still a chance to avert it by U. S. financial assistance.**

The failure of the convertibility attempt has resulted in a revival of the trend towards bilateralism in Britain. This effect is partly the psychological reaction to the events of recent weeks. For months the overwhelming majority of British writers on the subject kept on repeating that the return to multilateral trading methods through restoring the convertibility of sterling would mean an all-round expansion of foreign trade, leading towards the solution of foreign exchange difficulties and to a general improvement of the standard of living. The British public has come to expect something really miraculous, all the more so since this attitude was in keeping with the deeply ingrained free-trade tradition that had developed in Britain ever since Adam Smith.

Dr. Paul Einzig

In the circumstances even in the absence of an acute crisis there would have been widespread disappointment if July 15 had not been followed by spectacular improvements. As it is, the unmitigated failure of the ill-advised attempt has led a great many people to the conclusion that they had been following false prophets until now. Even many of the formerly enthusiastic supporters of multilateralism among the experts have changed front, and are now prepared to admit that they had put the cart before the horse. They now believe that multilateralism must be the effect and not the cause of prosperity: it can only exist in prosperous conditions, but cannot itself restore those conditions. As for the politicians, they realize which way the wind of public opinion blows. Until recently practically the whole of the Labor Party was multilateralist, and so was at least half of the Conservative Party, and of course the entirely Liberal Party. Although it is not easy to ascertain the political currents during the long summer vacation when only a fraction of the Members of Parliaments is in London, there are indications that the majority of all the three parties is now in favor of bilateralism. Even though the Government continues to pay lip service to multilateralism, there is reason to believe that most Ministers are in their heart of hearts converted in favor of bilateralism.

In any case, whatever views Ministers and their supporters may hold, the Government is forced by necessity to turn towards bilateralism. Soon they will be unable to make any more purchases in hard-currency countries without reducing the gold reserve below the danger point. Once that stage is reached it will be inevitable to limit purchases from hard currency countries to the amount of sales to these countries, and to divert purchases in excess of that amount to countries prepared to accept sterling in payment for their exports. Questions of policy and principle will no longer play any part in this. Britain will simply be unable to spend dollars she has not got. And for all practical purposes a large part of the gold reserve will be regarded as the "iron ration" which must not be touched, and which is practically non-existant for current trading purposes. Whether or not the United States Government will agree to suspend the operation of Article 9, it will be disregarded in order to avoid excessive cuts in imported foodstuffs.

Once bilateralism is established it will be extremely difficult if not impossible to dislodge it. Its operation for a few years would result in the development of cotton growing and tobacco growing within the Empire, and the transfer of the bulk of wheat, meat and wool imports from the Western to the Eastern hemisphere. Canada will be placed before the alternative of cutting down her large import surplus from the United States or losing her British market for wheat, since Britain will not be able to pay for Canadian wheat in any other form than in British goods or sterling, so that Canada will not have the dollars for settling her import surplus from the United States. Within a few years world trade will have settled down to a new equilibrium, based on bilateralism, only mitigated by regional trading arrangements such as the proposed European block or the system of the Sterling Area and Imperial Preference.

The only reason why this forecast must be regarded with reserve is that there is still a chance for timely American financial assistance. Even though bilateralism and regional trading system would enable Britain and Europe to work out their own salvation somehow, the Labor Government would naturally prefer to take the line of the least resistance by accepting American assistance as the price for reverting to multilateralism. This would mean the postponement of the day when Britain becomes once more self-supporting, but also the avoidance of having to impose on the people additional austerity measures during the transition period. If assistance should be delayed till next year quite possibly by that time the establishment of the bilateral and regional systems will have advanced sufficiently to induce the Government to refuse to submit to any conditions such as the renunciation of bilateral and regional trading.

For this reason, the outcome of the impending discussions in London between Mr. Snyder and British Ministers is considered to be of decisive importance. It is expected to give the Government an idea whether to expect immediate help or not, and to shape its policy accordingly. Admittedly, the bilateralist policy that will inevitably be adopted in the absence of immediate aid is intended to be temporary. But, according to a good French saying, "It is only the temporary that lasts."

## With Scott, Horner & Mason

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, N. C.—Herbert L. Banton is now connected with Scott, Horner & Mason, Inc. of Lynchburg, Va.

# We Must Have Economic Freedom!

By HAROLD E. STASSEN*

Former Governor of Minnesota

**Republican presidential aspirant, in pointing out conflict between communism and ecoonmic freedom, asserts our system of private competitive enterprise must be maintained if production is to be increased and political liberty preserved. Says centralization of economy decreases production and cites example of Britain. Calls for definite Marshall Plan to be applied only to nations moving in direction of economic freedom, and proposes an American administered "Peace Production Board" to distribute American aid.**

Our country is now engaged in a basic world-wide competition of ways of life. It is participating in a clash of ideologies as to the manner in which man should live in his social, economic, political and religious systems. This struggle involves the fundamental difference between the view that man is an individual, of human dignity, that he has a spiritual value, and is endowed by his creator with certain inalienable rights; and the opposing view that man shall be measured on solely a material basis, evaluated for what he can produce, and be controlled and directed in his economic, social and political life by those in command of a state.

Harold E. Stassen

The strongest exponent of the opposing ideology is the Soviet Union of Russia. Its doctrine and philosophy is set forth most completely by Karl Marx, Frederick Engels, Nicholai Lenin and Joseph Stalin.

The United States of America is the strongest exponent of the free way of life. Its philosophy has been set forth most explicitly in the Constitution of our country adopted on this day, Sept. 17, in the year 1787. This ideology has also been expressed and implemented in the writings and speeches and actions of Thomas Jefferson, George Washington, and Abraham Lincoln.

But these are not the only exponents or advocates of either one of these philosophies. All over the world men and nations, in varying degrees, believe in and advocate the one or the other, or grope in confusion to find their own beliefs and to check and study the two opposing results.

As I see it, it is inevitable that this competition and clash will continue. But it is not inevitable that it will lead to war. In fact, if we remain strong in a military sense so that we do not tempt others to seek a decision by force, there is an excellent likelihood that this basic struggle will be resolved on the economic, social and ideological fronts and will never be an issue in the grim and tragic holocaust of a third world war.

In reality this basic issue cannot be decided by war. A series of tragic mistakes and miscalculations, or a mad decision might lead to war, but even then the question of how man should live would not be thus concluded. That decision must be made in the minds and hearts of men. It cannot be resolved by force.

It is of tremendous importance therefore that we identify the nature of the competition that is going on and develop a clearcut, well-understood united program for our country to follow. It is vital that we cut through the confusion that exists; that we meet narrow arguments of prejudice or of political opportunism; that we openly analyze the situation in which we find ourselves and the most desirable course to follow: I present to you today, in concise form, within the limits of a single address, a series of basic views upon the elements involved in this great problem with a plea that I do not wish my terseness to be taken as an indication of a dogmatic approach. Far from it. I do not claim to have all the answers to this fundamental problem, but I do believe that by the exposure of tentative conclusions, of the premises upon which they are based, we can search through together and find better answers for our country, than we can by being coy and evasive.

It is my first premise that the individual freedom of man is inseparable, that his economic, social, political and religious freedom are all interwined, that they all spring from a basic concept of the nature of man, and that you cannot take away economic freedom and for long have true social, civil, or religious freedoms. This spotlights the basic error and confusion of the liberal socialists, who in an effort to correct deficiencies in a free economic system, would move toward centralized control of the economy under Socialism and thereby take away the true economic freedom of individual men but who protest that they wish to maintain or to advance the social, political and religious freedoms of men. It is not possible to long maintain true freedom to speak and to assemble and to vote and to worship, if freedom to work and to buy and to sell and to own and to earn are taken away and citizens made subject to the whim of men in government for their food, their shelter and their clothing.

### England's Experiment

England is now giving one of the most significant demonstrations of this basic fact. When the socialization and nationalization program was proposed at the end of the war, it was loudly protested that it meant advanced liberties for their people and did not mean taking away traditional English rights of individual freedom. Certainly no country is more thoroughly grounded in the precious nature of individual liberty than England. Yet as their socialization proceeded, production declined, and with its decline, the economic emergency heightened until a few weeks ago the most sweeping peacetime powers ever delegated to its government over individual workmen were enacted.

Country after country since the war, either by its success in turning toward economic freedom, or by its failure in its moves in economic centralization, has furnished additional proof of this basic premise. The best recovery since the war and the best production records have been made by Norway, Belgium, the Netherlands, and Denmark. These are the countries that did not move in the direction of socialization or in peacetime control of the economies, but instead gradually released wartime regimentation and increased the individual economic freedom of their people. The result is that individual social and civil and religious rights are also stronger in these countries today than in the other nations of Europe.

Centralization of an economy decreases production. Decreased production means increased dissatisfaction and want on the part of the people. Soon the point is reached where either the economic policy of government must be reversed or the people must be controlled and their rights and liberties taken away to prevent revolt.

One of America's messages to the people of the world should be this,

(Continued on page 31)

*An address by Mr. Stassen at a Special Meeting of the Chamber of Commerce of the State of New York, New York City, Sept. 17, 1947.

# Holds Building Gains Prove Wisdom of Abolition Of Controls

**National Association of Real Estate Boards points to gain in both home and non-residential construction compared with last year.**

The marked gains in August private residential construction over July and over the same month last year continue to prove the wisdom of Congress in removing the federal restrictions over building, the National Association of Real Estate Boards pointed out on Sept. 13.

The boost given to home building, largely by the simple expedient of cutting away federal red tape, is illustrated by the $443 million of private residential construction (exclusive of farm) in August, compared with $421 million in July and only $347 million in August last year, NAREB, said. These figures, released last week by the Department of Commerce, represent gains of 5.2% and 27.7%, respectively.

The January-August total of $2,765 million of home building, a gain of 51.5% over the $1,825 million of the same eight-month period of 1946, is another encouraging sign that the construction industry is on its way to solving the housing shortage.

Department of Commerce figures on non-residential buliding prove completely unfounded also fears of control-minded bureaucrats who predicted loudly that this type of construction would drain away materials and scuttle building of houses if government restrictions and "channeling" were removed. Private nonresidential building in August totaled $266 million, compared with $261 million in July, representing the usual seasonal gain only, according to the Department of Commerce. Compared with August of last year when restrictions were in full force, moreover, it showed a drop of 17.1% from $321 million.

# Domestic and Foreign Listing on N.Y. Stock Exchange

By COL. JOHN HASKELL*
Director, Department of Stock Lists,
New York Stock Exchange

**Col. Haskell describes procedure and technique of listing domestic and foreign securities on New York Stock Exchange. Points out Exchange does not list hopes and promises, and that issues listed must be at least 200,000 shares, well divided among individual holders. Sees harmony in SEC registration and Exchange listing requirements and stresses the value of a listing to both corporations and their shareholders. Says only about one out of three corporations applying obtain listing privileges. Describes requirements for listing foreign issues and use of "American Shares" and Depository Certificates.**

I am going to speak first on regular listing procedure and listing requirements, policies of the Exchange, because most of them apply in perhaps slightly different form or interpretation to foreign listings. Certainly the fundamental principles that we apply to American companies would be the same applied to foreign companies. Then, after going over the usual requirements for American companies I would like to take a little of your time to explain to you our provisional policies, our problems, our requirements on foreign listings, hoping that you can help us in that regard.

John Haskell

Perhaps I had better start off by the definition of what we mean by "listing." On the New York Stock Exchange only listed securities are dealt in, and that has been true for many years. Years ago we had unlisted trading. Listing means, as I am sure you are all aware, formal application on the part of the company and a positive act of acceptance by the Board of Governors of that company's application and the contracts with the Exchange which it enters into.

The fundamental policy of the Exchange is disclosure. Most of the technical requirements and continuing agreements point to that purpose. However, in addition we have to have tests, entrance tests; no matter if the company would make all our contracts, execute all the listing agreements, pay the listing fee, naturally we could not list a very small private company nor certain types of companies, and I will try to outline the basic tests of eligibility to begin with.

First, we don't list hopes and promises, new companies, no matter how fine and well-capitalized those new companies may be. We expect to have a proven record of earnings and, usually, dividends. We expect that the earnings should be, minimum, around $750,000 per annum, and very rarely is a stock whose current earnings postwar are less than $1,000,000 considered eligible.

### Minimum Shares Required

As to the number of shares: This is an auction market, like your markets, and not a market of negotiation. So we need at least 200,000 shares well-divided among, let's say, 1,000 to 2,000 individual stockholders. Most of the listings are well over that—500,000, 1,000,000 shares or more.

In addition, this is a national exchange and it is the policy of the Exchange to list only national issues that are nationally known. Perhaps some local issues, without a national name, around this New York area might be listed; but customarily the test is national interest. That is, whether the product is well known, whether the company has branches, factories in different parts of the country; or, sometimes, if it is a big public utility company, that its stock is known nationally even though it operates locally. That is an important test.

In the last year or so, for every company that has been finally accepted there have been probably two or three not accepted. Usually the company is not embarrassed by being formally rejected, for it can get an informal opinion from the President, the staff or, if necessary, from the Board of Governors so as to avoid the embarrassment of official rejection.

However, if a company insists on going ahead and presenting its papers and does not take the advice of people whom it asks, it is free to do so, and it might be approved.

### Original Listing Application

Now to come to some of the technical matters. You all have, incidentally, this little pamphlet which is called, "Listing on the New York Stock Exchange." It points out, in general terms, the tests, and also the procedure. The next document is one entitled, "Application for Original Listing of Stock." It describes the information that should be given initially: legal opinion as to the organization of the company, history and business, its property, its management, its labor relations, full capitalization, financial statements, and so forth—just what you would normally expect.

Along with that come various agreements. The fundamental basic agreement is the listing agreement which is customarily incorporated into the application itself. I think you also have that document. There are in all about 25 or 30 specific agreements. Most of them are merely a codification of good business practice. They involve such things as advance notice of special action, public notice of dividend action the minute it is taken, notice to change collateral under bonds and mortgages without notice, agreement not to issue not even one additional share of stock without applying for listing and full publicity. To enforce that, all companies must have a transfer agent and registrar.

Those banks are under agreement with the New York Stock Exchange not to permit even one more share of a listed company to be issued for any purpose without first listing the same.

Right there I should mention the Securities and Exchange Commission and the Securities Act. We have been living under it since 1934. That applies of course in many ways to the broker and the customer, but I will tell you only about how it applied to the company. The company is also under the regulation of the Securities and Exchange Commission under the 1934 Act which regulates the Exchanges.

When the listing is filed—you have samples here of two, the Hilton Hotels and the Scranton Electric—the company must also file with the Commission a registration statement, the stock or the bond then becomes registered with the Commission, and as such that subjects the stock and its officers, directors and management—the company—to the rules of the Exchange which apply to corporations.

It is a rather novel American development and it really follows along the Listing Department of the Exchange's development that the Government or the Stock Exchange should endeavor to tell large corporations or small ones certain things about the conduct of their business. The reason for it was touched on by Mr. Truslow yesterday, the development of a corporation with many small stockholders widely separated, so small that they cannot be bothered usually to really take an interest and follow the affairs of the company. They register their approval or disapproval of the management or their opinion as to the future of the business economy by selling or buying.

So the Stock Exchange becomes a very vital part in the machinery of getting to the corporation the desires, the point of view, the necessities of the stockholder, which the Stock Exchange is more or less forced to express through its experience which comes to it the other way, through the brokers.

So if we had a slightly flattened hemisphere like this we have here a great mass of stockholders who own the corporation, and the company here dealing with the stockholders. The stockholders buy and sell their stock in their contact through the Exchanges, through the Member Firms, in the market. So that it comes back to here. In other words, corporations very often are getting guidance of public demand, stockholder demand, as they must in your countries, through the experience of the Stock Exchange.

The laws of this country, as you know, are very different in each State. In some States stockholders can be treated in one way and in some another way. As a result, the public more or less demands that the Stock Exchange, the market place, have some standard rules of the game for public investment. That was really the genesis; it was the pressure of the stockholders' opinion, and the

(Continued on page 33)

*An address by Col. Haskell before the First Hemispheric Stock Exchange Conference, New York City, Sept. 16, 1947.



# NSTA Notes

## SECURITY TRADERS CLUB OF ST. LOUIS

The Nominating Committee of the Security Traders Club of St. Louis, consisting of C. J. Maender, G. H. Walker & Co., Chairman; Ralph Deppe, Edward C. Jones & Co., and John F. Zaegel, Bramman-Schmidt-Busch, Inc., has appointed the following for officers of the Security Traders Club of St. Louis, for the year 1947-48:

Charles W. Hahn

John Bunn

Leonard Vogel

Tom Ayers

James B. Patke

Norman Heitner

Jerome F. Tegeler

President: Charles W. Hahn, Scherck, Richter Co.
1st Vice-President: John Bunn, Stifel, Nicolaus & Co.
2nd Vice-President: Leonard Vogel, Glaser, Vogel Co.
3rd Vice-President: Tom Ayers, Taussig, Day & Co.
Secretary: James B. Patke, G. H. Walker & Co.
Treasurer: Norman Heitner, Blewer, Heitner & Glynn.
National Committeeman (3 year term): Jerome F. Tegeler, Dempsey-Tegeler & Co.

In accordance with the Constitution, any five members of the Association may in writing nominate an additional candidate for office. Notice of such nominations must be in the hands of the Secretary at least three weeks before the annual meeting, and shall be by him communicated to the members as soon as it is reasonably possible. The annual meeting has been set for Thursday, Oct. 23, 1947, therefore, any additional nominations must be received on or before Oct. 2, 1947.

If an election by ballot is necessary the voting will take place at the St. Louis Stock Exchange at 4 p.m. on Thursday, Oct. 23, 1947.

Guests will be welcomed at the Election Party at a fee of $7.50 each.

## DETROIT BROKERS BOWLING LEAGUE

DETROIT, MICH.—The Detroit Brokers' Bowling League will officially open its 1947-1948 season on September 17 at the Club Bob-Lo. The League is sponsored by the Securities Traders Association of Detroit and Michigan and competes annually for the "Michigan Investor" team trophy. Last year's champion was Wm. C. Roney & Co., with Mercer, McDowell & Dolphyn the runner-up. This year's race appears to be wide-open with additional teams in the field from Cray, McFawn & Co.; Crouse & Co. Detroit Stock Exchange; First of Michigan Corporation; Goodbody & Co.; C. G. McDonald & Co.; McDonald, Moore & Co.; Chas. A. Parcells & Co.; Paine, Webber, Jackson & Curtis; Andrew C. Reid & Co., and Smith, Hague & Co.

Clarence A. Horn

It is anticipated that individual interest in the League will reach a new high as the leading bowlers will be gunning for last year's champion, Robert Wallace of Wm. C. Roney & Co.; Harold "Hook" Montgomery, Smith, Hague & Co.; Wynn "Back-Up" Wakeman, Detroit Stock Exchange; and Henry "Speed" Vandervoort, Cray, McFawn & Co., have been perfecting their games this summer and are expected to provide stiff opposition.

Officers of the League are Clarence A. Horn, First of Michigan Corp., President, succeeding Ray P. Bernardi of Cray, McFawn & Co.; Charles Bechtel, Watling, Lerchen & Co., Vice-President; Ross Sutherland, Cray, McFawn & Co., Treasurer; and Mayden Brown, Wm. C. Roney & Co., Secretary.

It is proposed that the League will be sanctioned by the American Bowling Congress, thus enabling members to compete in the A. B. C. tournament scheduled to be held in Detroit in 1948. Members of the League are also desirous of obtaining match games with securities dealers of nearby cities.

The fairer sex of Griswold Street, not to be outdone, have organized a league of their own, comprised of ten teams bowling Mondays at the Cadillac Recreation.

# The United Nations Must Take Immediate Action

By HON. GEORGE C. MARSHALL*
Secretary of State

**Citing "universally accepted principle" that assistance of rebellious forces against another government is "a hostile and aggressive act," Mr. Marshall demands Russian satellites cease supporting Greek guerrillas. Calls on UN to press forward on many other fronts, including Palestine, Korea, and atomic control. Urges General Assembly provide new machinery to fill hiatus left by veto-ridden Security Council.**

The situation we face today may be summarized by the statement that more than two years after the end of the war, the fruits of peace and victory are still beyond our grasp. Men look anxiously toward the future, wondering whether a new and more terrible conflict will engulf them. We have not yet succeeded in establishing a basis for peace with Germany and Japan, nor have we restored Austria as an independent state. Reconstruction lags everywhere; the basic requirements of life are scarce; there is desperate need throughout great areas. The complex economic machinery which was thrown out of joint by the war has not yet been put back into running order. In place of peace, liberty, and economic security, we find menace, repression, and dire want.

George C. Marshall

A supreme effort is required from us all if we are to succeed in breaking through the vicious circles of deepening political and economic crisis. That is why the United States has placed on the agenda of this Assembly the question of threats to the political independence and territorial integrity of Greece.

### The Greek Case

The history of the Greek case in the United Nations is well known in this Assembly. You are aware that the Security Council, last December, adopted a resolution establishing an Investigating Commission to inquire into the situation along the northern frontier of Greece and report the facts to the Security Council. You know that that Commission and its subsidiary group, by large majorities, have attributed the disturbances principally to the illegal assistance and support furnished by Yugoslavia, Albania, and Bulgaria to guerrilla forces fighting against the Greek Government. The extent or effectiveness of such assistance to the Greek guerrillas is not the point at issue here. It is a universally accepted principle of international law that for one nation to arm or otherwise assist rebellious forces against another government is a hostile and aggressive act. Not only has this principle been upheld in a number of famous cases in international law, but it has also found expression in international agreements. The majority of the members of the Security Council have recorded their support of this principle by their action in this case. One permanent member of the Security Council, however, has three times vetoed the efforts of the Council to deal with the situation.

This Assembly cannot stand by as a mere spectator while a member of the United Nations is endangered by attacks from abroad. If the United Nations should fail to protect the integrity of one small state, the security of all small states would be placed in jeopardy. The inability of the Security Council to take effective action in this case passes a grave responsibility to the General Assembly. I am confident that the General Assembly will not fail to meet this responsibility. It must do so if the oganization is to carry out its fundamental purposes.

The United States Delegation will therefore submit to the Assembly a resolution which will contain a finding of responsibility; call upon Albania, Bulgaria, and Yugoslavia to cease and desist from rendering further assistance or support to the guerrillas in Greece; establish a commission to assist in the implementation of these recommendations and to investigate the facts with regard to compliance therewith; and make other appropriate recommendations to the states concerned.

### The Palestine Question

The General Assembly is also faced with the problem of Palestine. The Government of the United States intends to do everything within its power at this session of the General Assembly to assist in finding a solution for this difficult problem which has stirred up such violent passions, and which is now resulting in the shedding of blood and in great mental and moral anguish. The solution will require of each of us courage and resolution. It will also require restraint.

The Special Committee on Palestine is to be highly commended for its contribution to the solution of this problem. Although the members of this Committee were not able to agree unanimously upon a number of important issues, including that of partition, they have been able to find the basis for agreement on 11 recommendations to this Assembly. Their achievement in reaching unanimity on so many points represents definite progress.

We realize that, whatever the solution recommended by the General Assembly, it cannot be ideally satisfactory to either of the two great peoples primarily concerned. While the final decision of this Assembly must properly await the detailed consideration of the report, the Government of the United States gives great weight not only to the recommendations which have met with the unanimous approval of the Special Committee but also to those which have been approved

(Continued on page 32)

*Address by Secretary Marshall before General Assembly of the United Nations, Sept. 17, 1947.

# Schram Opens Stock Exchange Conference

**In talk at opening luncheon of Hemispheric Stock Exchange Conference he stresses Pan-American unity and importance of maintaining free markets.**

At the opening luncheon of the Hemispheric Stock Exchange Conference now convened in New York City, held at the Hotel Plaza, on Sept. 15, Emil Schram welcomed the delegates on behalf of the American Stock Exchanges. His remarks on the occasion follow:

Emil Schram

This, I believe is the first time in which the Stock Exchanges of the Western Hemisphere have had a meeting of this kind. It is a very graceful tribute to the U. S. and to N. Y. City particularly, that this First Congress is being held here. On behalf of the American Stock Exchanges I extend to you the warmest welcome. It is a very constructive step which the Inter-American Council of Commerce and Production has taken in arranging these discussions.

The Conference could not have been held at a more appropriate time. I say this because of the very close ties and the unity which the peoples of the Western Hemisphere are developing. Their associations in the war helped greatly, of course, to cement these ties. We have more recent evidence of practical solidarity of these continents in the international governmental cooperation as exemplified in the Rio Conference.

The friendship of the countries of the Western Hemisphere needs to be advanced in every possible way. It is my earnest hope that these discussions which we are about to inaugurate will bring about further and closer relations.

The New York Exchanges feel that a great deal can be accomplished in a business sense and in fraternal relationships. It is a gratifying situation that free markets still exist in our hemisphere, while they have been almost completely suppressed elsewhere in the world with a few exceptions, such as in London and Amsterdam. It is a matter of historical record that when free markets die, the freedom of the people also dies.

We do not yet know in what form the growth of reciprocal business will develop among the capital markets that are represented here. I am sure, however, that this will come about. It may involve mutual listings of the shares of important and successful companies of one country on the Stock Exchanges of other countries. This would open the resources of private investment funds of those countries which have surplus capital available. It might accelerate international arbitrage and joint accounts among members of different Exchanges, thus contributing to the stabilization of prices, the further development of natural resources, etc.

The venture which we have undertaken here could result in the increased production of goods and services which the whole world needs. The discussions may shape up in many ways, but in whatever shape this interchange of views occurs, it is certain that our mutual friendship and our acquaintance as to customs, traditions and aspirations will improve.

We realize, of course, that the purpose of this first meeting is primarily exploratory. We of the American Stock Exchanges consider it a great privilege to be associated with you representative delegates from other countries. We shall see to it that you are received at our institutions as close comrades, and we shall, to the extent of your time and interest, open all of our doors to you. Any information that we have is available to you.

We hope that you will share with us our feeling that this Conference will be of benefit to us all. On behalf of our entire membership, the Board of Governors of our Exchanges, officials and employees, I express to you the wish that your visit here will be as pleasant and as interesting as it is in our power to make it. It is our sincere desire to show our deep appreciation of the great honor which you have paid to us by coming such great distances in order to conduct these discussions.

# Warns Savings Banks Must Meet Changing Conditions

In addressing the Savings Banks Association of Maine at Poland Springs on Sept. 15, Fred F. Lawrence, Treasurer of the Maine Savings Bank of Portland, Me., pointed out if the mutual savings bank is to retain its distinctive character and influence, those who guide its destinies must never lose sight of its original mission—the encouragement of thrift—and must adapt their technique to the demands of changing conditions.

"The solution is not in a formula," Mr. Lawrence stated, "It is in mental attitude. If we rest content in following a customary and comfortable routine—and how easy it is to do it—if we neither exercise ingenuity or imagination of our own, nor make effective use of that of others, we have little cause to complain if more enterprising competitors usurp our privileges, as we have already permitted them to do in vast areas of the country."

Continuing, Mr. Lawrence said:

"I can't forbear, here, to remind trustees of the importance of the human factor. There can be no substitute for alert and competent executive officers. Every possible step should be taken to make the career of a savings-banker attractive to the younger generation. No board of trustees can originate methods for meeting operating challenges. That responsibility must devolve upon men in executive positions. For such men the highest possible standards of character, industry, education, initiative and imagination should be set, and they must be held to them. Needless to say, that is impossible of attainment unless they are given a fair measure of responsibility and the assurance of a reward measured by their performance.

"It means next that we must give more intensive thought to the measure of the obligation which confronts us in the light of changing conditions, not the least of which is the shrinking value of the dollar. Deposit limitations, for example, which most of us feel called upon to enforce, are a constant source of perplexity and irritation to our customers, a positive deterrent to the exercise of thrift habits on a scale comparable to modern demands, and a means of diverting savings to other agencies where the encouragement of thrift is only incidental.

"That there should be limits to the amounts we accept may readily be conceded, but those limits should find their justification in the nature of the account and not be a product of collateral considerations having no relation whatever to any rational savings policy. Most limitations in effect today are purely arbitrary, a motley patchwork of outmoded restrictions which most of us seek to avoid whenever conscience will permit. Vast sums are annually refused by the savings banks of Maine, not because they are not real savings, but because we feel we can't handle the money to advantage, which, when you stop to think of it, is a rather pathetic confession of incompetence."

# Connecticut Brevities

The North and Judd Manufacturing Company of New Britain reported consolidated net income of $378,749 for the fiscal year ended June 30, 1947, compared with $363,536 for the preceding fiscal year. Earnings on a per share basis were equal to $3.93 and $3.77, respectively.

The annual report showed that in addition to depreciation, $169,505 had been expended for improvements and replacements which could not be made during the war years. Inventories, abnormally low during the war period, are now approaching a normal basis.

While sales for the 1947 fiscal year were approximately 10% ahead of the preceding fiscal year, profits for the last six months were affected by a recession in the soft goods industry.

* * *

**The Associated Spring Corporation of Bristol recently announced that a new plant costing about $2,000,000 will be constructed in Forestville. The new plant, with an area of 165,000 square feet, is needed to meet the demands of an expanding business. The company is the largest domestic manufacturer of precision springs for mechanical purposes.**

* * *

The Board of Directors of Colt's Manufacturing Company, voted a special dividend of $1.75 a share payable from tax refunds and interest. This dividend is payable Oct. 22 to stockholders of record Oct. 1, and is the first payment since December, 1943.

* * *

**Hartman Tobacco Company showed a net income of $542,327 for the year ended June 30, 1947—the highest in the company's history. Income for the preceding fiscal year was $193,167.**

* * *

Earned surplus at the end of this year was $366,863 compared with $30,630 at the end of the 1946 fiscal year.

* * *

**The New York, New Haven & Hartford Railroad Company announced that their new 5% Series A preferred stock has been admitted to trading on the New York Stock Exchange on a "when issued" basis.**

* * *

On Sept. 4, the Derby Gas & Electric Corporation filed a registration statement with the SEC covering 43,610 shares of no par common stock which would be offered to stockholders, for a limited period, in the ratio of one new share for each five shares held. The subscription price and record date will be filed by amendment.

The proceeds derived from the sale of these shares, estimated to be about $600,000, together with the proposed issue of new debentures, would be used to make loans to the company's three subsidiaries, Derby Gas & Electric Co., Wallingford Gas Light Co., and Danbury & Bethel Gas & Electric Co., to complete construction programs.

* * *

**For the 28 weeks ended July 12, 1947, Billings and Spencer Company showed net before taxes of $124,120 compared with a deficit of $58,560 for the corresponding period last year. After taxes of $51,835 this year, net income amounted to $72,825, or $0.39 a share. A carry-back credit of $105,000 last year brought net income to $46,440, or 25¢ a share for the period ended July 13, 1946.**

* * *

Greenwich Water System, Inc., in its consolidated income account for the 12 months ended June 30, 1947, showed net income of $196,560, against $169,217 for the preceding 12 months. Earnings per share on the 6% preferred stock were $7.68 and $6.61, respectively.

* * *

**The directors of Stanley Works have declared an extra dividend of one share of Hart & Cooley Co., Inc., for every 50 shares of Stanley Works held. The dividend is payable Oct. 10, 1947, to stockholders of record Sept. 10, 1947. In addition the regular quarterly dividend of 50¢ a share was declared payable Sept. 30 to stock of record Sept. 10.**

* * *

The City of Norwich recently sold $200,000 Street Improvement Bonds dated Sept. 1, 1947, payable serially in instalments of $10,000 each year for 20 years. The issue was awarded to the First Boston Corp. at 100.028 for bonds carrying a coupon rate of 1.30%. The re-offering scale to the public ranged from a .70% basis to 1.40%.

* * *

The Town of Darien awarded $425,000 Hindley School bonds to F. S. Moseley & Co. at 100.067 for bonds carrying a coupon rate of 1.20%. The issue matured serially $22,000 each year Oct. 1, 1947 to 1965, inclusive, and $7,000 on Oct. 1, 1966.

* * *

**For the month of August, the Bridgeport division of United Illuminating Company reported sales totaling 31,376,466 kilowatt hours compared to 30,755,337 for the same month of 1946. The New Haven division's sales totaled 23,980,759 kilowatt hours compared to 21,691,796 in August of 1946.**

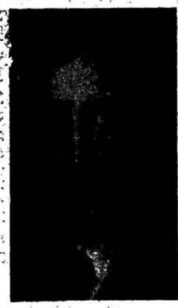


# Position of Stock Exchanges in U. S. Economy

By FRANCIS ADAMS TRUSLOW*
President, New York Curb Exchange

**Curb President states exchanges serve as the mechanism for distributing productive wealth among ever-increasing number of people throughout our hemisphere. Declares exchanges indispensable to industrial growth at home, as well as to our changed status to creditor position internationally.**

We are gathered this week from 22 of the great cities of our Western Hemisphere. In each of those cities there exists a Stock Exchange, which is available to the needs of the regions surrounding that city, to the needs of the 11 nations in which those cities are located, and to some extent to the needs of the citizens of all the nations in this hemisphere and in the other half of the world.



Francis A. Truslow

We are the assembled delegates of 24 stock exchanges. As one of those delegates, I would like to essay the task of stating some of the hopes which have brought us together. Our most individual hope is, of course, that in the long term this meeting may bring increased use for the services of our exchanges on an international scale never before realized. But this rather personal hope rests on four more basic aspirations. We hope that an economic system which rests on the freedom of men and not on the supremacy of states will continue to grow in the world. We hope that in each of our nations men may continue to acquire, own and transfer property freely in accordance with their individual capacities, their individual wisdom and their individual needs. We hope that our exchanges will increasingly serve as the mechanism by which in our personal economy the ownership of productive wealth is distributed among more and more people. Finally, we are assembled by the hope that, through greater knowledge of the business which each of us does and through wider individual acquaintanceship between the human beings involved, we can assist in the process of placing private capital at work in private undertakings wherever it is needed in our hemisphere.

These are not fantastic hopes. For centuries wherever men have achieved individual freedom, they have also reached their highest intellectual attainment and have had the most widespread satisfaction of their physical needs. By contrast, statism has always led to a slavery of the majority to the intellectual dictation and the capricious charity of a few. These hopes that bring us together are no more fantastic than the simple wish that the most appropriate economic system which has grown up among men in four thousand years of history will continue to develop in our world.

### Factual Understanding

During the days of our first conference we will seek a personal understanding of each other and a factual understanding of the differing economic backgrounds and procedures against which and by which our exchanges operate. Perhaps as a result of these human relationships and this knowledge, specific plans may be developed which will make our services more widely and mutually available throughout the Western Hemisphere. We must not expect the seeds of association which we plant this week to grow quickly. We do not want to raise a banana tree—what we must raise is an oak.

Since the seat of our conference is New York, it is logical that a considerable part of our meeting will be devoted to a specific study of the two New York exchanges for which I have the honor to speak this afternoon. It has seemed to the delegates of the New York Stock and the New York Cub Exchanges that it might be helpful to preface the specific studies of our exchanges with a broad description of the position of stock exchanges in the economy of our country. On behalf of our delegations, I will attempt this general orientation as a preparation for our descent into the forest of detail on Tuesday and Wednesday.

### Major Transactions in Equity Securities

The overwhelming majority of transactions on stock exchanges in the United States are purchases and sales of the securities of private corporations, particularly the so-called "equity securities"—common and preferred stocks—of private corporations. As a general rule the bonds of our Federal Government, our states and our cities are bought and sold in greatest volume not on our stock exchanges, but in transactions made by exchange members as well as non-member brokers and dealers in their offices. The stock exchanges of the United States are largely confined by practice, though not by law, to the service of providing a market place for the stocks and obligations of private corporations. The development of our stock exchanges and the position which they hold in our economy are, therefore, closely linked with the development and position of private corporate enterprise in our country. No real understanding of our exchanges is possible without a prior knowledge of the history of our corporate enterprise.

One hundred years ago, a minor percentage of our total sources of production was owned in corporate form. One hundred years ago, it would have been incredible, even to an extreme visionary, that any single business undertaking requiring a billion dollars of capital could be engaged in by our government and even more incredible that private funds could finance so costly a venture. Today the corporate form has become the almost invariable method of organizing an enterprise, regardless of size. Over 90% of our total sources of production is now organized in corporate form. Private business enterprises, requiring not one but several billion dollars of capital, exist and thousands of businesses which could not function with less than several millions of dollars of capital are in operation.

### Advantages of Corporate Form

The corporate form of organization has made possible the development of our national resources, our mines, our factories, our farms, and our science through private, as distinguished from state, ownership and on a scale so vast that it is difficult to comprehend. The characteristics which have preferred the corporate over other forms of business organization are not complex and it is to these characteristics that we must look for an understanding of the position of stock exchanges. Those may be described and listed briefly as follows:

(1) The contributor of capital, the stockholder, is limited in his liability to the amount he invests.

(2) There is no limit as to the number who may be contributors or as to the size of any unit of contribution.

(3) Contributors may transfer to others, of their own choice, the rights or ownership which they acquired by contributing.

(4) The total contribution is subject to the centralized direction of a board of directors and officers.

(5) Within broad limits of authority the directors and officers do not need to consult the contributors before acting.

(6) The organism once established is perpetual so long as its activities are successful.

These half dozen salient characteristics of a corporation permit the accumulation and administration of capital on whatever scale the enterprise requires. The form of organization which results from these elements is at the heart of our economic system. It is this form of organization which has made practical both the development of our wealth and its widespread distribution among our people.

### Dispersion of Ownership

Over these hundred years of development, the ownership of corporations has become increasingly dispersed. The larger a corporation grew, the more capital it needed and the more stockholders it obtained. In 1901 the American Telegraph and Telephone Company had 10,000 stockholders; today it has 695,000. In 1880 the Pennsylvania Railroad had 13,000 stockholders; today it has 219,000. Between 1901 and 1947 the United States Steel Company stockholders list increased from 15,800 to 228,000. These are large examples but the process is equally evident in smaller enterprise. No one knows exactly how many individual stockholders own the wealth of the United States, but all estimates indicate that they number many millions and that the trend toward wider and wider dispersion of ownership is on the increase.

I need not suggest the social and democratic aspects of this division of wealth, or the strong base it creates for our hope that individual freedom will remain the foundation of our economic system. Despite the special problems which have arisen as a result of the separation of property ownership from its control through stock dispersion, the fact remains that corporate form of organization has enabled millions of people of modest wealth to participate in the ownership and profits of all industry.

Our stock exchanges are not direct mechanisms for the raising of corporate capital. A corporation seeking capital does not offer its shares on the floor of a stock

(Continued on page 29)

*An address by Mr. Truslow before First Hemisphere Stock Exchange Conference, New York, Sept. 15, 1947.

# Michigan Brevities

A group of investment bankers headed by Coffin & Burr, Inc., and Spencer Trask & Co., and including among others, First of Michigan Corporation, Watling, Lerchen & Co., Bennett, Smith & Co., Cray, McFawn & Co., Crouse & Co. and McDonald-Moore & Co., all of Detroit, on Sept. 11 publicly offered $60,000,000 of general and refunding mortgage 2¾% bonds, series I, due 1982, of The Detroit Edison Co. at 101⅛ and interest, the proceeds of which will be used (a) to redeem $30,000,000 of general and refunding mortgage 4% bonds, series F, due 1965, at 105 and interest; (b) to repay $12,000,000 borrowed for construction purposes from banks on 90-day notes; and (c) to finance current property additions.

* * *

An additional $30,000,000 of State of Michigan 1¼% veterans' bonds, due serially March 15, 1949 to 1964, inclusive, were publicly offered on Sept. 11 at prices to yield 0.70% to 1.30%. A $200,-000,000 issue was sold earlier this year to bankers after the State was authorized at the last November election to issue up to $270,-000,000 for veterans' bonuses.

* * *

A 16-member joint account headed by John Nuveen & Co. of Chicago and First of Michigan Corporation of Detroit on Sept. 3 offered $2,800,000 Landel Metropolitan District 3½% water supply and sewage disposal No. 1 revenue bonds, due serially Aug. 1, 1952-1977, inclusive, to yield from 2.50% to 3.30%, depending upon maturity. Other members of the offering syndicate included the following Michigan investment houses: McDonald-Moore & Co., Miller, Kenower & Co., H. V. Sattley & Co., Inc., Watling, Lerchen & Co., Crouse & Co. and S. R. Livingstone & Co., all of Detroit, and Donovan, Gilbert & Co. of Lansing.

**The Landel Metropolitan District, created in 1946, comprises all of Lansing Township outside the corporate limits of Lansing, the state capital and fifth largest city in Michigan, as well as part of adjacent Delhi Township.**

* * *

Kent-Moore Organization Inc., of Detroit, manufacturers of tools to service automobiles, on Sept. 10 filed a registration with the Securities and Exchange Commission covering an issue of 32,000 shares of common stock to be sold by two stockholders. This stock will be offered to a limited number of persons at $16.50 per share, without underwriting.

* * *

**On Sept. 12, the directors of The Manufacturers National Bank of Detroit adopted the customary corporation practice of paying dividends quarterly, instead of semi-annually as heretofore, and declared a quarterly dividend of $1.50 per share, payable on Sept. 30, next, to stockholders of record Sept. 16, 1947. Distributions of $3 per share were made on July 1, 1947, and on June 25 and Dec. 23, 1946.**

* * *

The Consumers Power Co., Jackson, on Aug. 22 filed a registration statement with the Securities and Exchange Commission covering an issue of $25,000,000 30-year first mortgage bonds for which it will receive bids up to noon of Sept. 23.

* * *

On Sept. 23, the stockholders of Gerity-Michigan Die Casting Co. of Adrian will be asked to vote upon a proposal to change the company's name to Gerity-Michigan Corp., and on approving a stock bonus plan for salaried officers and employees.

**Gerity-Michigan Die Casting Co. of Adrian, in its annual report for the year ended June 30 shows record sales of $13,941,-400, profits of $1,216,035, or $1.58 a share and substantial increases in working capital, plant investment and invested capital.**

In August, the company purchased a group of seven manufacturing buildings in Adrian which will permit the expansion of manufacturing facilities and provide additional space for warehousing and for shipping. They were formerly owned by the Jim Brown Stores, Inc., and have a total floor space of 80,000 square feet. The purchase price was announced to be substantially less than $1 per square foot.

* * *

On Sept. 25, the Lansing Stamping Co. will pay a dividend of 10 cents per share on the common stock, to holders of record Sept. 8. Prior to the 50% stock distribution made on June 30, the company paid a cash dividend of 7 cents on June 7 and one of 5 cents on March 18.

* * *

**Miller Manufacturing Co., Detroit, on Sept. 29 will pay a special dividend of 2½ cents per share and the regular quarterly dividend of 7½ cents per share on the common stock, both to holders of record Sept. 19. Similar payments were made in each of the two preceding quarters.**

* * *

Net income of Baldwin Rubber Co., Pontiac, for the fiscal year ended June 30, 1947 amounted to $855,963, compared with $294,978 in the previous year. To provide floor space and new equipment for several new items soon to be added to the company's regular line of products, $500,000 has been set aside out of earnings, leaving a balance (after dividends of $220,495) of $135,473 to be added to surplus, which amounted to $3,254,245 at June 30, 1947.

* * *

**On Aug. 22, the directors of the McAleer Manufacturing Co. declared an initial dividend of 10 cents per share on the common stock and the regular quarterly dividend on 12½ cents per share on the 5% cumulative convertible preferred stock, both payable Oct. 1 to holders of record Sept. 15, 1947.**

* * *

C. G. McDonald, President of Decker Manufacturing Co. of Albion, reports that this company is operating at peak capacity, with bookings running into next year. The usual quarterly dividend of 5 cents per share will be payable Oct. 6 to stockholders of record Sept. 17.

* * *

**Howell Electric Motors Co., Howell, reports that volume of sales for the six months ended June 30, 1947 reached an all-time peak for such a period. It amounted to $2,198,345, as compared with $1,710,623 for the previous six months. At the present time backlog of customers' orders amount to $4,064,-000 as against $4,948,600 at the beginning of the year. Net profit for the first half of this year totaled $223,110, or $1.12 per share. For the month of July, 1947 net sales amounted to $392,458, or $24,908 less than in June, the decline being due, in a large part, to vacation periods.**





## Los Angeles Bond Issue Of $14,300,000 Being Offered to Investors

Offering of a new issue of $14,-300,000 City of Los Angeles, California 4%, 1¾% and 2% bonds was announced Sept. 17 by the National City Bank of New York, Bank of America N. T. & S. A. and associates. The 4% bonds mature from 1948 to 1951 and are priced to yield from .65% to .95%; the 1¾% bonds mature from 1952 to 1967 and are priced to yield from 1.05% to 1.80%, and the 2% bonds mature from 1968 to 1987 and are being offered at prices to yield from 1.85% to a dollar price of 96¼. The bonds are interest exempt, in the opinion of counsel, from Federal income taxes under existing statutes and decisions. They are legal investment, in the opinion of the bankers, for savings banks and trust funds in New York, Connecticut, California and certain other States and for savings banks in Massachusetts.

## E. W. Shober & Co. Is Formed in Phila.

PHILADELPHIA, PA.—Edward W. Shober announces the formation of a new firm, E. W. Shober & Co., Inc., to conduct a general investment securities business specializing in investment company shares. The firm will hold membership in the National Association of Securities Dealers, Inc.

Mr. Shober will be President and Treasurer of the newly-formed corporation and James G. Hogg will be Vice-President and Secretary. The firm has taken offices at 1531 Locust Street.

# Missouri Brevities

Eugene Barry, a partner of Shields & Co., New York investment firm, and a former governor of the Association of New York Stock Exchange Firms, has been elected a director of McQuay-Norris Mfg. Co., St. Louis, producers of piston rings and other engine parts for automobiles, trucks, tractors and aircraft, as well as chassis parts for automobile vehicles. Mr. Barry holds directorships in Maryland Drydock Co. and Colonial Airlines, Inc.

**Reinholdt & Gardner of St. Louis participated in the offering of $60,000,000 general and refunding mortgage bonds, series I, 2¾%, due 1982, of The Detroit Edison Co. on Sept. 11.**

* * *

Continental Potash Co. of Kansas City on Sept. 4 filed a letter of notification with the Securities and Exchange Commission for 31,250 shares of $1 par value common stock to be offered at $4.20 per share, the proceeds to be used to construct a plant in New Mexico for the manufacture of potash.

* * *

**On Aug. 28, a letter of notification was filed with the Securities and Exchange Commission by St. Louis Wholesale Drug Co. covering 4,039 shares of common stock to be offered at par ($10 per share), the proceeds to be used for additional working capital.**

* * *

Essentially all of the $120,000 shares of convertible preference stock which Monsanto Chemical Co., St. Louis, called for redemption Sept. 11 were converted into the company's common shares, increasing the outstanding common stock to approximately 4,103,000 shares. Less than one-half of 1% of the called shares were presented for redemption.

* * *

**Century Electric Co., St. Louis, on Dec. 12 will pay to stockholders of record Dec. 2 a dividend for the fourth quarter of 1947 of 1¼% (12½ cents per share) in cash and 2% in stock. This makes a total of 50 cents in cash and 4% in stock paid or payable so far this year. No stock distributions were made in 1946.**

* * *

August sales of Western Auto Supply Co. totaled $11,595,000, an increase of 19.6% over the same month last year, while sales for the first eight months of 1947 were $75,718,000, or 15.0% over the corresponding period in 1946.

* * *

**Edison Bros. Stores, Inc. reports that its sales in August amounted to $5,460,980, a gain of 0.7% over August, 1946, while sales for the eight months ended Aug. 31, 1947 totaled $44,158,808, or 4.8% higher than in the same period last year.**

* * *

Consolidated net sales of National Bellas Hess, Inc. and its subsidiaries, in the fiscal year ended July 31, 1947, were $20,-470,742, 41% greater than the $14,480,098 sales in the preceding fiscal year. Profits before provision for Federal income taxes were $1,144,760, a new all-time high, as compared with $884,858 for the previous year. Profits after provision for all taxes were $709,033 compared with $655,590 for the year ended July 31, 1946. Working capital as at July 31, 1947 amounted to $4,351,255, an increase of $191,333 over the same date last year.

* * *

**The City National Bank & Trust Co., Kansas City, on Sept. 14 publicly offered an issue of Lexington, Missouri, 1½% and 1¾% Hospital bonds at prices to yield 0.80% to 1.85%, according to maturity.**

* * *

The directors of the Missouri-Kansas-Texas RR. on Sept. 15 decided that no distribution will be made Oct. 1 on account of accumulated interest on the adjustment mortgage 5% bonds, series A. On April 1, last, a payment of 2½% was made on this issue against semi-annual coupon No. 35 which was dated April 1, 1940. Unpaid interest now amounts to 37½%.

* * *

**Edison Brothers Stores, Inc. reported that its consolidated net sales for the month of August amounted to $5,460,980, compared with $5,420,786 for the same month last year. For the first eight months of 1947, sales totaled $44,158,808, as against $42,125,166 in the corresponding period of 1946.**

## Bache & Co. to Open Branch in Palm Beach Under Corya

PALM BEACH, FLA.—Bache & Co., members of the New York Stock Exchange, will open a branch office at 271 South Country Road, about Nov. 1st, under the management of Lester A. Corya. Mr. Corya was previously a partner in Edward F. Swenson & Co.

## With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

SAGINAW, MICH. — Philip E. Beehler has become connected with King Merritt & Co., Inc., 55 Liberty Street, New York City.

# Railroad Securities

The long fight to have the Missouri Pacific plan returned to the Interstate Commerce Commission for revision was finally ended last week. The Circuit Court of Appeals reversed the District Court and ordered it to remand the proceedings back to the agency. Earlier this year the lower court had ruled that the whole process of Section 77 must be observed, even though representatives of all classes of security holders were united in their testimony that the old plan was obsolete. In line with the earlier lower court ruling the Commission had been polling bond holders this summer. While it has been taken for granted that the balloting would be heavily against the plan by virtually all classes of creditors, the results of the vote will now presumably be of little more than academic interest.

One of the determining factors in the recent decision by the Circuit Court was apparently the filing, a few weeks earlier, of a petition by the Commission that the plan be returned to it for reconsideration. In its brief the Commission commented on the large amount of senior debt that had been retired since the existing plan was drawn up, the substantial interim accumulation of cash which might be used in part for distribution in reducing remaining claims, and the heavy capital improvements that have been made and which might increase the basic earning power of the properties. These are the points that have repeatedly been stressed in the past by proponents of liberalization of pending reorganizations.

There has been a tendency on the part of some speculators to view the action of the Commission in the Missouri Pacific proceedings as a hopeful augury for Chicago, Rock Island & Pacific junior security holders. The Rock Island plan has been appealed to the Supreme Court. Here also there have been very heavy capital improvements and the present cash balance is generally considered well in excess of the company's normal needs. There has also been some reduction in senior claims, but not so substantial as in the case of Missouri Pacific.

The one major difference between the two cases is that security holders of the Missouri Pacific system were virtually unanimous in their belief that the plan should go back. In the Rock Island proceedings senior security holders are still pressing hard for consummation. Objections come largely from junior interests. It seems rather dangerous, then, to assume that the Commission has set a precedent in the Missouri Pacific action which will be followed in the Rock Island proceedings if the Supreme Court grants certiorari.

Some time ago the various parties of interest in the Missouri Pacific reorganization devised a new compromise plan. This plan provided improved treatment for all classes of security holders and for participation in the new company by the old stock holders. There were three devices used to arrive at the more liberal distributions. First there was to be a reallocation of securities originally provided for senior claims since paid off and the use of some cash. Liberalization in this manner may be accepted virtually as a foregone conclusion. The two other means, however, are controversial and it is a moot question as to just how willing the Commission will be to accept them.

In the old plan the bulk of the new fixed interest debt (exclusive of equipments) was to carry a 4% interest rate. On the theory that interest rates have gone down sharply since the plan was promulgated it is now proposed to reduce the interest rate to 3½%. Thus, without increasing the proposed fixed charges it would be possible to create a larger issue of new 1st mortgage bonds. The same is true of the income bonds which would carry a 4¼% interest rate. It can certainly not be taken for granted that the Commission, also interested in the ability of a railroad to meet its principal obligations, will look kindly on an increase in the face amount of debt to be outstanding.

Finally, the new plan proposes an increase in the amount of annual fixed and contingent interest requirements. The higher charges are presumably based on projected operating economies made possible by the substantial capital improvements completed in recent years. This reasoning, however, takes no cognizance of the sharp increases in wages and other costs that have taken place in the same period. The Commission is being made all too acutely aware of these increased costs in the present rate hearings and will almost certainly not ignore them when it comes to working out a reorganization plan. All in all, then, while considerable liberalization of the reorganization plan may be expected it can certainly not be taken for granted that treatment will be as liberal as that proposed in the new compromise plan.

## Lehman Group Offers Monongahela Pwr. Pfd.

Lehman Brothers and associated purchasers are offering publicly today 40,000 shares of Monongahela Power Co. 4.80% cumulative preferred stock, series B, par $100, at $104.25 per share and accrued dividends. The group won the award of the stock at competitive sale on a bid of $101.00997 per share.

Net proceeds from the sale of the preferred stock and $7,000,000 in new first mortgage bonds, together with other funds, will be applied to the acquisition or construction of extensions, additions and improvements to the properties of the company and its electric and gas subsidiaries and for other corporate purposes. Total construction program in the last six months of 1947 and the year 1948, as estimated by the company, will amount to approximately $18,172,000.

The preferred stock will be redeemable at 108.25% of par to and including Aug. 1, 1952; thereafter, to and including Aug. 1, 1957, at 106.25%, and thereafter at 105.25%; plus accrued dividends in each case.

The principal business of the company and its subsidiaries is that of the production, distribution and sale of electric energy in substantially all of the northern half of West Virginia (with the exception of Ohio and Marshall Counties and the major portion of the Eastern Panhandle) and in small parts of adjoining territory in eastern Ohio, western Maryland and western Virginia.



# "Wall Street Rule" and Foreign Policy

By HENRY A. WALLACE*
Editor of "New Republic"

**Former Vice-President accuses President Truman in collaboration with Republicans of fostering war by attitude toward Russia. Asserts if Democratic Party is a war party and continues to attack civil liberties, then people must have a new party. Urges understanding communism and scores "reactionary capitalism." Attacks universal military training and says "Wall Street is set to run the world."**

Strange things can happen to a person who makes a speech here at Madison Square Garden. Take my speech of a year ago, for example. It had been approved by the President of the United States as we read it over together page by page in the White House a year ago yesterday. And it is sad to say that that speech, which transformed an Iowa citizen into a citizen of New York and a Secretary of Commerce into an editor of "New Republic," reads even better today than it did a year ago.

Henry A. Wallace

Yet that speech gave me an opportunity to carry a message of peace and understanding to five European countries and across and back the length and breadth of the United States. Because of the repercussions of that speech a year ago hundreds of thousands of peace-loving people came to hear me at home and abroad. We have demonstrated that there is a vast reservoir of progressive sentiment in the United States. The American people are not reactionary.

Some of the people who have come to hear me have taken their economic lives in their hands. Government workers in Washington were warned by the Un-American Committee that they had better stay away from the Watergate meeting on June 16. Thousands of them came anyway and now find that one of the questions asked as they are tested for loyalty under the eleven million dollar purge is whether they attended the Wallace meeting of June 16.

I pinch myself to see if I am awake.

Is this the freedom I was taught to believe in out in Iowa 40 years ago? Have we been delivered so completely into the hands of the warmongers that we can't speak or listen or counsel together—to learn truth and seek peace? Has thought control really come to the United States? Is the police state upon us?

I wish that what I said a year ago could be out-of-date by this time. But, unfortunately, we have made no progress in coming to an understanding with Russia. We now have a clearly defined policy for the Near East, but it is a policy for war, not peace. We have accepted the bankrupt and bankrupting British policies in Greece and Turkey.

A year ago, from this platform, I said:

"Through mass meetings such as this, and through persistent pamphleteering, the people can be organized for peace, even though a large segment of our press is propagandizing our people for war in the hope of scaring Russia. And we who look on this war-with-Russia talk as criminal foolishness must carry our message direct to the people—even though we may be called Communists because we dare to speak out."

### Russia Haters Won Overwhelming Victory

And last Fall some of those who spoke out—and many who didn't—were called "communist" and the Russian haters won an overwhelming victory in the Congressional elections. So decisive was their victory that the Democratic Administration decided it would try to out-red-bait the red-baiting Republicans. There has developed an interesting competition based on the bi-partisan principle of breeding hate and war hysteria. This insane policy, if continued, will eventually cost the lives of millions of Americans.

Ever since the time of Jefferson it has been a fundamental tenet of American democracy that minorities have a right to be heard, that they have a right to argue before the public in an effort to expand the minority into a majority.

I still refuse to admit that the rank and file of Democrats, as distinguished from the present Administration, stand for the bi-partisan atitude on abridgment of civil liberties and the insensate drive toward war.

*I don't give up easily.*

Unless I am definitely and positively proved wrong, I shall work within the Democratic party.

There will be charges that we are out to dominate the Democratic party, but it will be more accurate to say that we are out to prevent the Democratic party from committing suicide.

A year ago I closed my Madison Square Garden speech saying that peace will be the dominant issue in the 1948 campaign. Today I say that if the Democratic party is a war party, if my party continues to attack civil liberties, if both parties stand for high prices and depression . . . then the people must have a new party of liberty and peace. The people must have a choice.

Let there be no misunderstanding. This meeting tonight is a political meeting. We must produce results at the Democratic convention next July and at the polls in November of 1948. If this meeting does not produce action, it is a failure. I know that the artists who have given so unselfishly of their time here tonight feel that way just as strongly as I do. They know that you didn't come here to be entertained, but to be inspired to work for peace, jobs and freedom as you have never worked before.

*Peace, jobs and freedom are indivisible.*

There are some so-called liberals who believe that it is wrong to criticize our foreign policy. They tell me that I should confine my speeches to the domestic problems of jobs and security. They are quite willing to attack the economic and political philosophy of Herbert Hoover as it applies to domestic issues; but they are equally willing to blind themselves to the fact that the foreign policy of the United States is based on that former President's philosophy.

I am no less concerned with domestic policies today than I was when I worked for the enactment into law of the Full Employment program. That program put into action can save the 60,000,000 jobs we have today without the artificial stimulus of war threats, heavy munitions programs and a plan for universal military training.

Speaking of universal military training, let me note that it is becoming increasingly popular to endorse this idea. President Truman is for it. The generals are for it. Some leading educators are for it. There are some clergymen for it. It is apparently so safe that even Tom Dewey is for it.

But you are against it—and I am against it—and the American tradition is against it.

I am against it because it is part of the foreign policy conceived by Hoover and being executed in the name of bi-partisanship by an Administration which was elected on a platform of total victory over Fascism and postwar economic security for our people.

Franklin Delano Roosevelt inaugurated the policy of bi-partisanship in foreign affairs, but the bi-partisanship he accepted was based on principles of international cooperation and on the pledge to the people of the world proclaimed in the Atlantic Charter.

The bi-partisanship which welcomes Herbert Hoover at the White House bears no resemblance to the principles of Roosevelt.

We must not forget Mr. Herbert Hoover.

He is quoted this month in a leading national magazine as questioning whether the U. S. had any place in the recent war against the German Nazis and Japanese imperialists.

To which I must add that if his philosophy continues to dominate our foreign policy, we shall, indeed, have sacrificed in vain.

Forty-six days after the death of Franklin Roosevelt, Herbert Hoover was welcomed to the White House. Two years later it is Hoover's thinking which guides our foreign policy.

In February of this year Mr. Hoover went to Germany as a special investigator for President Truman. Today his report, urging the rebuilding of German industry, is the very core of our entire program for European reconstruction. It is a program which is a direct contribution of the Potsdam agreement.

Mr. James McGraw, the influential publisher of business journals, states the big business line on Germany in a recent advertisement, "The Ruhr—Valley of Decision." He says we must take over the Ruhr from the British because they have a Socialist government and turn the management of industry over to the Germans who have a great incentive for putting the Ruhr in working order.

No one can question the importance of the Ruhr to the recovery of Europe, but we must question sharply the idea of returning the industrial heart of western Europe to the very men who used it against the peoples of Europe.

Belgian, Dutch, Norwegian, French and British boys didn't die on the battlefields of Europe to preserve the German industrialists and management class. American boys did not fight and die to preserve the interests of American banking houses.

### Present Foreign Policy Against Freedom

The present foreign policy of the U. S. defends reaction in the name of freedom. The sooner it is revealed in its true colors the better our chances for avoiding *war* and the high price of wasteful preparation for war.

I am sure that many people who

(Continued on page 30)

*An address by Mr. Wallace as guest speaker at the "Progressive Counter-Attack" Rally of Progressive Citizens of America, New York City, Sept. 11, 1947.

# Gangsterism Abroad

By HON. EARL WARREN*
Governor of California

**Asserting today's issues concern world peace, worl l economics and world justice, Governor Warren points out domestic policies we foster are of world-wide significance and will determine world survival. Says rest of world looks to us for leadership and attacks foreign and domestic gangsterism.**

The issues of today are of international extent and of scientific complexity. They are the issues of world peace, of world economics and of world justice. They seem so vast and unwieldy as to sometimes discourage the hope of any single nation and most certainly of any single group or profession. I am convinced, however, that the answers to many of these questions lie right here in the United States. We in America have learned how to handle democratic processes. We are well on our way to a solution of the problems of production and distribution. We are coming to grips with the task of blending the freedom of our people with their security and welfare. We have far outstripped most of the world in all these things.

Gov. Earl Warren

It is for that reason that the people of the world are looking to us for support and example in this hour of international confusion and gathering crisis. They know that, unless the United States is ready and strong as well as charitable, physical collapse and moral surrender will open Europe and eventually this country, to the inroads of international gangsterism and serfdom for millions. They know that the strategy of totalitarians of all kinds is not to counteract the influence of America through immediate and aggressive warfare, but to pin their hope on the belief that America will break, economically and politically, under the strain before peace and justice and freedom are achieved for all the world.

This is a time of world change—politically, economically, socially—a time of great suffering for the people of many countries—a time for testing under world scrutiny the relative merits of free government and the police state. The idealism of allies in a great cause has in many instances been dulled by acquisitiveness, suspicion and fierce idealogies. In such times we move fast—either toward progress or decadence.

When we regard the headlines of the day from this point of view we cannot escape the conclusion, whether we like it or not, that the problems which we once described with detachment as forfierce ideologies. In such times very real sense part and parcel of our domestic affairs.

**Our Domestic Policy of World Wide Significance**

It follows that the domestic policy of this country, including not only what we do through our national government, but also what we do within our States, has become the determinant, not only of American progress, but of world survival. Everything we do at home to improve our political institutions—everything we do to strengthen and stabilize our economy—everything we do at home to balance the equities of our social relationships and everything we do at home to raise the moral sights and develop the spirit of unity of our people tends in some degree to determine the world situation in general for a new generation.

I say this because I am convinced that the rest of the world looks to us, not only for material assistance in its emergency, but also for an American example and leadership that will point out the way to avoid disaster.

It is for this reason that every American who occupies a place of responsibility—in government, in management, in labor or in the professions—is, in a sense, an assistant to the Secretary of State of the United States.

No one in American life today can regard himself as free from responsibility, or safely lapse into the belief that the other fellow, even the specialists of the State Department, will some way or other discover the formula for our security and welfare. Least of all can the legal profession, whose members deal so variously and intimately with the machinery of American life, escape their responsibility that is greater than that of others for this very reason.

*From an address by Governor Warren at the California State Bar Association, Santa Cruz, Calif., Sept. 11, 1947.

## Marx & Co. to Admit Harry S. Graham

Marx & Company, 37 Wall Street, members of the New York Stock Exchange, has admitted Harry S. Graham, member of the Exchange, to partnership in the firm. He was formerly a partner in Clogher & Co. and did business as an individual floor broker.

John F. Reilly, also an exchange member, has retired from partnership in the firm.

## Percy K. Leather With Security Adjustment

BROOKLYN, N. Y.—Percy K. Leather has become associated with Security Adjustment Corporation, 16 Court Street. Mr. Leather was formerly with Fitzgerald & Co. and Lord & Widli.

## New York Stock Exchange Weekly Firm Changes

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

Interest of the late Charles A. Heidel, who held membership in the Exchange, in McLaughlin, Reuss & Co., ceased August 31st.

Howard P. Armstrong, member of the Exchange died on September 7th.

# Bank and Insurance Stocks

By E. A. VAN DEUSEN

## This Week — Bank Stocks

September 30 is rapidly approaching; bank stock investors, traders and analysts will meet it with particular interest this year. What will the third quarter statements and reports of the banks reveal? Are earning assets expanding and earnings improving, or is it otherwise? It seems worthwhile to review briefly the trend of significant factors since June 30, for perhaps these may give us a clue as to what one may expect.

The market for New York City bank stocks, as measured by the American Bankers Index, moved from 39.3 on June 30 to 40.3 on September 11, a gain of 2.5%. Dow-Jones Industrials over this period moved from 177.30 to 176.16, a decline of 0.65%. Thus bank stocks have done better than the general market, since mid-year. During the first six months of the year, however, they lagged substantially behind the industrials.

The performance of individual New York City bank stocks since June 30 has been as follows:

| | Asked Price 6/30/47 | Asked Price 9/11/47 | Change |
|---|---|---|---|
| Bank of Manhattan | 26⅜ | 27½ | +4.3% |
| Bank of New York | 355 | 358 | +0.8 |
| Bankers Trust | 40¾ | 42¾ | +4.9 |
| Central Hanover | 96¼ | 101 | +4.9 |
| Chase National | 36⅝ | 36⅜ | —0.7 |
| Chemical Bk. & Tr. | 41 | 44 | +7.3 |
| Commercial National | 42½ | 43 | +1.2 |
| Continental Bk. & Tr. | 16¾ | 16¾ | —— |
| Corn Exchange | 58¼ | 55¾ | —4.3 |
| First National | 1,435 | 1,430 | —0.3 |
| Guaranty Trust | 275 | 276 | +0.4 |
| Irving Trust | 15¾ | 16 | +1.6 |
| Manufacturers Trust | 51½ | 51½ | —— |
| National City | 41¼ | 43⅛ | +4.5 |
| New York Trust | 92¾ | 98 | +5.7 |
| Public National | 41 | 42 | +2.4 |
| U. S. Trust | 655 | 640 | —2.3 |
| AVERAGE | | | +1.8% |

Eleven stocks out of the 17 advanced, two show no change and four declined. Greatest gain was the 7.3% of Chemical, and greatest decline, the —4.3% of Corn Exchange.

Operating costs, chiefly in the category of payrolls, have advanced substantially during the past few years; furthermore, some wasteful methods of doing business crept in during the hectic and extravagant war years, while inexperienced help was hired to replace experienced men called to war. Today, operating costs are being studied with a critical eye, practical economies are being introduced, efficiency increased, while many experienced prewar employees have returned. In addition to these factors, short-term interest rates on loans and investments are turning up, as was discussed in this column two weeks ago; furthermore, the sharp decline in deposits and earning assets, which followed V-J Day, has slackened and appears to have ended about midyear. Moreover, in one category, viz: commercial loans, there has been a strong general upward trend for nearly two years.

On July 2, 1947, commercial loans of Federal Reserve member banks in New York City, were reported at $4,193,000,000. In succeeding weeks they have been reported as follows:

| Date | $000,000 |
|---|---|
| July 2 | 4,193 |
| July 9 | 4,177 |
| July 16 | 4,157 |
| July 23 | 4,165 |
| July 30 | 4,186 |
| Aug. 6 | 4,227 |
| Aug. 13 | 4,309 |
| Aug. 20 | 4,320 |
| Aug. 27 | 4,378 |
| Sept. 3 | 4,422 |
| Sept. 10 | 4,516 |

Despite a moderate fall-off during July, in August and thus far in September the expansion has been steady, the figures setting a series of new highs each week.

The banks' holdings of governments since mid-year have declined. However, the decline has been in Treasury bills, certificates and notes, while holdings of bonds have increased. The following figures tell the story:

| Date | Treas. Bills | Treas. Certificates | Treas. Notes | U. S. Bonds | Total U. S. Govt's. |
|---|---|---|---|---|---|
| | | | $000,000 | | |
| July 2 | 377 | 1,042 | 770 | 10,364 | 12,553 |
| 9 | 541 | 976 | 772 | 10,392 | 12,681 |
| 17 | 502 | 983 | 772 | 10,440 | 12,697 |
| 23 | 440 | 1,077 | 762 | 10,454 | 12,733 |
| 30 | 130 | 986 | 755 | 10,465 | 12,336 |
| Aug. 6 | 162 | 886 | 748 | 10,486 | 12,282 |
| 13 | 153 | 826 | 718 | 10,465 | 12,162 |
| 20 | 131 | 820 | 714 | 10,456 | 12,101 |
| 27 | 122 | 711 | 720 | 10,424 | 11,977 |
| Sept. 3 | 120 | 698 | 721 | 10,424 | 11,963 |
| 10 | 231 | 680 | 801 | 10,469 | 12,181 |

Total loans and investments show little difference between the two dates, being $20,082,000,000 on July 2, 1947 and $20,046,000,000 on Sept. 3, 1947, but the income position has been improved.

Deposits of the New York City Clearing House banks have declined only fractionally since midyear. On July 2 they totalled $22,789,913,000 and on Sept. 4 they were $22,620,967,000, the drop amounting to only ¾ of 1%. This compares with a decline of 2.5% during the first half of 1947 and of 9.0% during the second half of 1946.

Excess reserves have been fluctuating around the zero line for some time, thus the banks are as fully invested as is practically possible. All in all, the facts set forth above appear to warrant the conclusion that third quarter earnings will not suffer by comparison with first and second quarter results, and may even be moderately better in some instances.

## International Monetary Fund Reports

**Statement of Executive Directors for year ending June 30, 1947, shows but three transactions, all dating from March 1 and involving but $65 millions and 1½ millions sterling. Fund reports slightly less than half million of income with expenses exceeding $2 millions. Britain reported to have applied for $60 millions in exchange for sterling.**

That the International Monetary Fund, established more than two years ago, has been until recently in a quiescent state, awaiting more settled conditions in exchange operations and monetary stability, is indicated in its annual report for the year ended June 30, 1947. Although the Fund has resources approximating $8 billions, of which gold and cash resources are above $2 billions, its transactions, all dating from March 1 of this year, constituted but two sales of dollars to France, comprising $50 millions, and a transfer to Holland of $6 millions and £1,500,000 in return for guilders. This does not include the reported agreement of the Fund, announced in London on Sept. 16, to sell Britain 60 millions of dollars at the reputed rate of $4.03 to the pound sterling. As Britain's quota in the Fund amounts to $1,300,000,000 the full extent of her dollar takings from the Fund is around $325 millions.

Total service charges and other earnings, according to the report, amounted to $465,559.75 against expenditures of $2,071,587.99 resulting in a deficit of $1,606,028.24. The gold holdings of the Bank, of which approximately 57% is held by the Federal Reserve Bank of New York and 35% by the Bank of England, amounted to 38,408,787 ounces valued at $35 per fine ounce, or $1,344,307,565.

The body of the Fund's report is taken up with a discussion of present unstable and distorted trade and exchange conditions throughout the world which has given rise to a serious balance-of-payments problem. "With the great shifts that have taken place in international payments," says the report, "the distinction between hard and soft currencies have been intensified, the problem of finance has become more astute, and the task of restoring convertibility is made more difficult. For the devastated and disrupted countries with large deficits, the problem was met during the past year largely through the use of grants and credits."

Regarding the scope of the Fund's activities, the report states:

"The Fund is primarily concerned with the problems of international payments. The Fund Agreement lays down standards of behavior to which members undertake to conform: the promotion of exchange stability, the maintenance of orderly exchange arrangements and the avoidance of competitive exchange depreciation. The Fund is available as a center for international consultation in this field and is in a position to extend to its members, in accordance with the Agreement, financial assistance to help them overcome temporary disequilibria in their international payments without abandoning these standards of behavior and without being obliged to adopt policies detrimental to their own welfare or that of other nations. By this means the attainment of a high level of international trade and investment on a multilateral basis can be facilitated.

"The field of activity covered by the Fund, although important, is by no means all-embracing. The Fund was not intended to function in isolation but was conceived as one of several instrumentalities through which the nations of the world would seek to attain certain broad purposes which they hold in common. In general terms these purposes are to obtain fuller and more effective utilization and development of productive resources to the end that all may enjoy rising standards of living.

"National economic policies are clearly of basic importance in this connection. In the past these policies have frequently led to restrictive measures and economic conflict in the international sphere which have been a source of widespread impoverishment. In the determination to avoid a repetition of these same errors, steps were taken in the closing years of the war to establish institutions for international economic cooperation. The United Nations Relief and Rehabilitation Administration was set up to provide relief to war-stricken countries and to help start their economies again. The International Bank was intended to assist countries in securing foreign capital for reconstruction and development. The International Trade Organization, the establishment of which is now under discussion, is expected to reduce the barriers to international trade and to establish standards of behavior in this field analogous to those established by the Fund in regard to exchange matters. Of necessity, the extent to which the Fund can attain its objectives will depend on the action taken in these related fields.

"Viewed in perspective, the Fund is one expression of the concept of a world economic system based upon the principle of expanding activity and mutual helpfulness. The Fund is intended as part of the permanent machinery of international monetary relations rather than as an emergency device to meet the special needs of the postwar years. However, when the Fund was set up, it was recognized that it would start to work in a highly abnormal time and provision was therefore made for a transitional period. But the Fund's objectives can be fully realized only in a world in which the war-damaged and war-devastated countries have restored their productive efficiency to the point where they can achieve balance in their international payments with a level of trade conducive to their own and the general well-being. Now, more than a year after the establishment of the Fund, the world is confronted with seriously unbalanced trade, with an urgent problem of financing international payments, and with severe shortages of goods for reconstruction and even for maintaining minimum consumption standards in many countries. The Fund cannot solve these problems, but the role which the Fund will be able to play in the future must inevitably be determined in large measure by the way in which these problems are solved. Stability of exchange rates and the maintenance of orderly exchange arrangements are not ends in themselves. It would be unfortunate if they were achieved through restrictions and discriminations which are inimical to the general welfare rather than through an expansion of trade from which all countries can benefit."









## COMING EVENTS

In Investment Field

**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.

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Four officers of the **Chase National Bank of New York** have been appointed to the newly-created rank of Senior Vice-President by the Chase board of directors, according to an announcement by

Carl J. Schmidlapp Percy J. Ebbott Edward L. Love H. E. Scheuermann

Winthrop W. Aldrich, Chairman. Joining Mr. Aldrich and Arthur W. McCain, President, in the top-level executive group to deal in matters having to do with the bank's management and policy are Carl J. Schmidlapp, Percy J. Ebbott, Edward L. Love and Hugo E. Scheuermann, Vice-Presidents of long standing. All will continue their present assignments in addition to their new responsibilities.

Mr. Schmidlapp is a director of the Chase and Chairman of the commercial banking department. He has been a Vice-President of the bank since 1915, and is a director of Allied Chemical & Dye Corp., Chicago Pneumatic Tool Co. Continental Insurance Co., General Foods Corp., and many other corporations. Mr. Ebbott, Vice-Chairman of the commercial banking department and in charge of the bank's business in 13 midwestern states, has been associated with the bank for almost 35 years and has been a Vice-President since 1921. He is a director of the Allied Stores Corp., Nash-Kelvinator Corp., Moore-McCormack Lines, The Chase Bank and other corporations. Mr. Love, a Vice-President since 1930, is in charge of the bank's public utilities department, which he organized 15 years ago. The division, relatively unique among banks, extends loans to utilities groups which serve virtually every section of the country. He is a director of the New York & Richmond Gas Co., Willys-Overland Motors, Inc., Arnold Constable Corp., and other corporations. Mr. Scheuermann, who has been associated with the bank since 1912, has had extensive experience in the handling of credits and loans to customers in all parts of the country. He has been a Vice-President for 25 years.

* * *

Arthur F. Douglas, President of Hotels Statler Company, Inc., was elected a Trustee of **Dollar Savings Bank of the City of New York** at the September meeting of the Board of Trustees, according to an announcement by Robert M. Catharine, the bank's President. Mr. Douglas, brother of Supreme Court Justice William O. Douglas, graduated from Whitman College, Walla Walla, Wash., and Columbia University Law School. He practiced law, specializing in corporate reorganization, with the firm of Root, Clarke, Buckner and Ballantine from 1927 to July, 1937, when he joined the Statler Company as Secretary-Treasurer. He was elected a director in 1938, Executive Vice-President in 1939 and President of the company in October, 1945.

* * *

E. Chester Gersten, President of **The Public National Bank & Trust Co. of New York**, announced on Sept. 12 that Alton J. Burke, Robert E. Jensen, and James F. O'Donnell at the Main Office, have been advanced from Assistant Cashiers to Assistant Vice-Presidents.

* * *

Daniel G. Hickson, until recently Vice-President and General Manager of Hunt Stromberg Productions, was named a Vice-President of **Bankers Trust Company**

Daniel C. Hickson Frank Hamilton

**of New York** and Frank Hamilton, formerly Assistant to the President of Freeport Sulphur Co., was elected Assistant Vice-President of the Bank at the Sept. 16 meeting of the board of directors. Mr. Hickson has been associated with the motion picture industry for the past 15 years, most recently with Hunt Stromberg Productions and before that with Western Electric Co. A graduate engineer, Mr. Hickson was administrative head of a southeastern group of Western Electric engineers engaged in supervising installation and maintenance of talking picture equipment in theaters. Later, as President of General Service Studios, a subsidiary of Western Electric, he organized a service to major independent producers involving a complete line of motion picture studio facilities. During the war Mr. Hickson was the Washington representative of Western Electric handling war contracts.

Mr. Hamilton has been with the Freeport Sulphur Co. since 1943, during which time he served as Assistant to the President and as a Vice-President of an operating subsidiary, Nicaro Nickel Co. During this period he supervised operations in Cuba and sales activities in the United States with headquarters in New York. He also prepared and administered budgets of operating expenditures, capital expenditures, and purchasing commitments under agreements involving use of government funds. During the early part of the war, Mr. Hamilton was on the staff of the Combined Production and Resources Board of the War Production Board, where he worked on the coordination of supply requirements for aluminum, copper, rubber, hides, leather

(Continued on page 32)

# Production Increase Key to World Recovery

**World Bank's Second Annual Report, presented at London meeting, emphasizes policy of concentrating on projects or programs leading to production increase. Declares food, fuel, and manpower constitute the bottlenecks to European reconstruction.**

LONDON, Sept. 12—During the second year of its existence the World Bank began in earnest its lending and borrowing operations, it was revealed here today in its annual report presented by President John J. McCloy to the institution's Board of Governors. The Bank during the past year began the operational phase of its activities, both in lending and borrowing functions, it is revealed. As shown by the report and supplemental material made available to the Governors, four loans, aggregating $497,000,000, have been made, and an initial $250,000,000 of the Bank's bonds were floated in the United States capital market.

John J. McCloy

**Production the Basic Aim**

The report emphasizes that in order to carry out its task of helping to raise the level of world production as greatly and as rapidly as possible, the Bank must concentrate on "those projects or programs . . . which promise the greatest increase in productive output in the shortest possible time." Accordingly, the Bank has up to now necessarily given particular emphasis to the problems of European recovery. The report notes the substantial progress toward restoration of prewar production levels already achieved by the European countries themselves, but points out that this progress has not been uniform and that the vast extent of war damage makes it necessary to divert much of these countries' production to the restoration and renewal of their basic stocks of wealth.

**The Bottlenecks**

Three major bottlenecks, in the Bank's view, impede European reconstruction. They are food, fuel and manpower. The lack of all three prevents full use of Europe's resources and makes necessary abnormal imports from abroad.

The shortage of food, the report states, not only presents a problem of subsistence but immensely complicates the task of restoring Europe's industrial production, "for adequate food to supply and maintain vitality is as essential as adequate machinery to enable workers to achieve their full productivity." Most of the food to make up Europe's deficit must come from the high-priced dollar area; the drain on European dollar resources is indicated by the estimate that "expenditures in 1947 for imported grain and grain products from the United States and Argentina alone will amount to $1,200 million, or six times the cost of such products from these areas in 1939."

Similarly, the report sees the shortage of energy resources, especially coal, as at the heart of the industrial production problem. Europe's coal production formerly met nearly all her needs. Now it falls far short and the deficit can be only partly made up by the United States coal, which must be paid for in scarce dollars and involves huge shipping costs. In an effort to attack this bottleneck the Bank sent a technical group to survey the coal fields of Silesia and the Ruhr, and has been investigating the possibilities open to it to help increase coal production in Europe.

The third great impediment to European recovery is the shortage of manpower. The Bank stresses that much still remains to be done to reintegrate into the economy the labor forces dislocated by the war. It points to the "large pools of manpower which are either employed in non-productive pursuits or are not employed at all"—in displaced persons camps, in armies and munition factories, and in swollen governmental establishments—as potential sources of manpower for vital production. It suggests also the possibility of permitting surplus German and Italian workers to immigrate voluntarily into labor-deficit areas.

"Europe itself must make the major contribution to the solution of all of these problems," the report states. "Outside assistance is vital, but it represents a small percentage of the total effort." The report stresses that notable progress has already been made by many countries, but that it is necessary for the European nations themselves, individually or collectively, to take further steps. One of the most important is to restore internal financial stability through sound budgetary and tax practices. Others are to integrate the various European reconstruction programs so as to avoid overlapping and to take full advantage of labor specialization; to remove or lower trade barriers; and, subject to necessary security precautions, to utilize German productive facilities.

Recognizing that the final nature and scope of the Marshall Plan cannot help but affect the Bank's role in European reconstruction, the report suggests that the discussions now going on in Paris may provide an opportunity for the European nations to work out together some mechanism for instituting the necessary measures of economic reform and cooperation, and states the Bank's desire to give any possible assistance.

**Loans Granted**

The only loans granted by the

(Continued on page 30)

# Mutual Funds

By HENRY HUNT

## "Balanced" vs. "Fully Administered" Funds

In an attempt to clear up the confusion that seems to exist as to what constitutes a "balanced" mutual fund or a "fully administered" fund, we will try to define each and cite the principal differences.

A "balanced" fund is generally fully invested at all times in a diversified list of bonds, preferred stocks and common stocks. As a rule, certain limits as to the maximum percentage of common stocks or minimum percentage of funds permissible in the portfolio are set. In fact, the SEC requires today that such limits be specified on new balanced funds. Balanced funds normally stress income return and preservation of principal over capital appreciation as their main investment objectives. The principal function of management, in addition to selecting and supervising the original portfolio, is to adjust moderately the weighting among "defensive" and "aggressive" securities in accordance with its opinion of the outlook for business conditions and security prices.

A "fully administered" fund, on the other hand, may be 100% in cash, 100% in bonds or 100% in common stocks if its management so ordains. As a matter of actual practice, they are seldom more than 50% in cash, although occasionally 100% invested in common stocks. In effect, they are designed as trading mediums—and attempt to better the market averages—and investment results generally show wide variance among individual managements. Actually very few have shown the ability to consistently outperform the Dow-Jones Averages. However, for relatively short periods, individual funds have made outstanding records. Fully administered funds generally emphasize appreciation possibilities over return from investment income but, during periods of advancing stock prices, frequently pay handsome "extra" dividends out of security profits.

Shares in fully administered funds with good management records for 10 years or longer as well as certain funds that kept their sails reefed before the break in stock prices last year have sold fairly well in recent months. That mutual fund dealers and investors under present conditions are more cognizant of management results is indicated by the small sales of shares in funds with mediocre to poor performance records.

By and large, sales of well established balanced funds, which offer the investor a "middle of the road" policy, have proved the best selling media among mutual funds so far this year.

### High "Break-Even" Points

Under the above caption **"Selections"** issued by **Selected American Shares, Inc.**, has the following interesting comment to make:

"Those who are pessimistic emphasize their belief that business enterprises have high break-even points today. They fear that a relatively small decline in volume of business being done would quickly change profits into losses. Whatever may be generally true, the following is one actual (though extreme) example:

**Earnings Record of a Fairly Large Enterprise**

| Year(a) | Net Sales | Profit Margin | Earned Per Share |
|---|---|---|---|
| 1929 | $4,033,000 | 18% | $0.07 earned |
| 1930 | 4,178,000 | 18% | 0.07 earned |
| 1931 | 3,190,000 | Loss | 0.05 deficit |
| 1932 | 2,006,000 | Loss | 0.25 deficit |
| 1933 | 2,080,000 | Loss | 0.18 deficit |
| 1934 | 3,116,000 | Loss | 0.29 deficit |
| 1935 | 3,800,000 | Loss | 0.32 deficit |
| 1936 | 4,116,000 | Loss | 0.46 deficit |
| 1937 | 5,029,000 | Loss | 0.31 deficit |
| 1938 | 5,855,000 | Loss | 0.14 deficit |
| 1939 | 5,165,000 | Loss | 0.35 deficit |
| 1940 | 5,387,000 | Loss | 0.36 deficit |
| 1941 | 7,607,000 | Loss | 0.51 deficit |
| 1942 | 12,799,000 | Loss | 1.96 deficit |
| 1943 | 22,282,000 | Loss | 5.59 deficit |
| 1944 | 44,149,000 | Loss | 4.96 deficit |
| 1945 | 46,457,000 | Loss | 5.39 deficit |
| 1946 | 43,038,000 | Loss | 2.07 deficit |
| 1947 | 43,259,000 | 2% | 0.08 earned |

(a) 12 months ended June 30.

"Your first reaction to this table is: 'Preposterous! There is no such business.' When we assure you again that this is the actual operating record of a fairly important and well-known enterprise, your reaction is: 'Well, there's certainly something wrong in Denmark; the management ought to be changed.'

"Perhaps, but all we are trying to show here is what can happen to break-even points and profit margins. Earnings of this particular business have finally gotten back to 1929 levels; but it had to do 10 times the volume to reach the same earnings. Any fall in the business volume would surely produce big new deficits. In fact, the management tells us it couldn't cut expenses if sales went down.

"The table above is the operating record of the U. S. Government. 'Net Sales' are 'Net Receipts' of the government; just add '000' to the figures shown. 'Profit Margin' is the difference between receipts and expenditures, as a percent of receipts. 'Earned per share' is the Federal surplus or deficit; the pennies represent the number of hundreds of millions of dollars involved.

"This is not a joke, by any means. We have a very serious point: Probably the Federal Government has the highest 'break-even' point of any enterprise in our whole economy. Let the national income drop a little, and the inflationary deficits will soon start all over again."

### '47 Earnings to Top $17 Billions

**Keynotes,** published by the **Keystone Company of Boston,** has the following to say about corporate profits:

"In 1929, net profits of all corporations after taxes totalled $8.4 billion. In 1945 this figure had climbed to over $9.6 billion—by 1946 $12.5 billion—and now the U. S. Department of Commerce estimates that in 1947 the total will top $17 billion, based on the first six months of the year."

"Meanwhile in recent years common stock prices, as indicated by the Dow-Jones Industrial Average, have remained comparatively level. Their present position of around 180 is comparable to 1945 and 1946, when the total net profits of all corporations stood at $9.6 and $12.5 billion respectively."

"'Business will find it has priced itself out of market' . . . 'Labor costs are killing profits' . . . 'Industry is crippled by material shortages.' For nearly two years vague fears have caused 'expert' opinion to express such forecasts. The simple fact is that the **net** earnings of **all** corporations are the highest in history."

### Nation-Wide's Present Policy

**Nation-Wide Securities Co. Inc.,** sponsored by **Calvin Bullock,** has been operated as a balanced fund for little more than a year, although it traces its origin back to 1932. Its current investment policy was recently summed up as follows:

"We are maintaining at this time about 30% in cash, money, bonds and preferreds of highest grade quality as a reserve against near term uncertainties. We are holding approximately 15% in good grade bonds and preferreds for dependable income. We have about 5% in convertible preferred stocks of strong investment characteristics. We are holding about 10% in lower grade bonds and preferreds which are in the nature of equities, and we have about 40% in common stocks of investment quality. In respect to the common stock portfolio we have pursued a steady policy of upgrading and are placing major emphasis on the considerations of price history, cyclical outlook and long-term trend. Our principal equity investments at this time are in the oils, chemicals, utilities and heavy industries, including automobile, electrical equipment, farm equipment, containers and metals."

### A Nice Score

During the first eight months of 1947, the **National Securities & Research Corporation** has sold over $4,300,000 worth of **National** Preferred Stock Series which currently affords a return of about 6%. As the late Damon Runyon used to say, "A nice score."











## Hess & Co., Inc., New Firm Name

PHILADELPHIA, PA. — The firm name of Hess, Blizzard & Co., Incorporated, has been changed to Hess & Co., Inc., according to an announcement by Arleigh P. Hess, President. Offices will be maintained at 123 South Broad Street. Russell M. Dotts has been elected a director and Vice-President and Henry B. Gurney, Treasurer. The latter two men will be in charge of the firm's trading department. Daniel J. Taylor and Ralph E. Hendee are Vice-Presidents of the new firm and Elizabeth K. Scott, Secretary.

## Fifty Years With Kuhn, Loeb & Co.

Leon E. Stropp today celebrates his 50th anniversary with the investment banking firm of Kuhn, Loeb & Co., 52 William Street, New York City, members of the New York Stock Exchange. Starting as an office boy, Mr. Stropp became thoroughly familiar with all phases of the business and, having taken advantage of his opportunities, has long participated in the affairs of the firm in an executive capacity.

Leon E. Stropp

Among his many activities, Mr. Stropp has served as office manager, as well as supervisor of the Stock Exchange orders of Kuhn, Loeb & Co.

## N. Y. Stock Exchange Promotes Five on Staff

Emil Schram, President of the New York Stock Exchange, has announced five advancements in the staff of the Department of Member Firms. Those affected are Frank J. Coyle, W. E. Jones, John H. Schwieger, W. K. Vanderbeck and James P. Mahony.

Mr. Coyle, formerly Assistant Director of the Department, has been appointed Director. Mr. Jones, Manager of the Division of Conduct and Finance, has been appointed Assistant Director of the Department of Member Firms. Mr. Schwieger, Assistant Manager of the Division of Conduct and Finance, has been made Manager of the Department's Divisions of Conduct and Finance, Commissions and Quotations and Member Firms and Personnel. Mr. Vanderbeck has become Assistant Manager of the Department.

Mr. Mahony has become Assistant Chief Examiner and an officer of the Exchange.

Mr. Coyle, who will report to Edward C. Gray, First Vice-President, whom he succeeds as Director of the Department of Member Firms, has been employed by the Exchange since 1922. He has been Assistant Director of the Department for the past seven years, prior to which time he was Manager of the Divisions of Member Offices as well as Commissions and Quotations.

Edward C. Gray, who was appointed First Vice-President in December last, and whom Mr. Coyle succeeds as Director of the Department of Member Firms, henceforth will devote all of his time to the First Vice-Presidency.

### Joins Courts & Co. Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA. — Edward S. Gay, Jr. has been added to the staff of Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

### With Bear, Stearns & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John H. Herzog has joined the staff of Bear, Stearns & Co., 135 South La Salle Street.

### Joins Glore, Forgan Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — George Aubrey has been added to the staff of Glore, Forgan & Co., 135 South La Salle Street, members of the New York and Chicago Stock Exchanges.

# Whither Government Bonds?

(Continued from page 2)

tained, especially in view of the inflated character of our price structure.

In this connection, may I remind you that prices can drop regardless of costs. Lard, for example, which was 53 cents a pound last November is now 17½ cents. Or, some of you may recall how the price index dropped from a peak of 167.2 in May, 1920, to 91.4 in January, 1922, a drop of 45.3%. Later, a further drop drove this index down to a low of 59.8 in February, 1933, which was 11% lower than prewar index of 67.3 in July, 1914.

I hasten to add that I do not expect such a drastic drop in prices as we had in the '20s. Wage scales are too rigid; and there is too much purchasing power loose in the United States today to warrant such a belief. But, we do face a business readjustment of sizable proportions.

### Government Expenditures

Despite the efforts of the Republicans and a few economy-minded Democrats, such as Senator Byrd, the expenditures of the national Government remain at unbearably high levels. If the man in the street could only be made to realize that the national Government, directly and indirectly, cost his family $1,155 in 1946 as contrasted with $250 in 1938 and only $121 in the boom year of 1929, he would insist on economy in government. But, so far, no way has been devised to tie up reduction in government expenditures with the self-interest of the majority of voters. The battle for economy being waged by the Republicans and a few patriotic Democrats, who place the interests of the country above partisan advantage, has, unforunately, but little popular support. So, while the budget is balanced—in fact, a surplus is in prospect—it is an uneasy balance because of the general apathy of the public to efforts to reduce government expenditures and the demands being made on Uncle Sam by the rest of the world. In any event, maintenance of tax rates at, or near, current levels and continuation of a reasonably high level of business activity would seem imperative if the balanced budget, promised by the President, is to be achieved.

### The Capital Market

Now that we have surveyed the more important economic and fiscal factors underlying government finance, let us consider the securities themselves and attempt to evaluate the probable effect the changed credit policies will have on them and the money market and capital market, in general.

At long last, the Treasury authorities have taken the first steps in the much-urged program of freeing, or "defrosting," the rates on short-term government issues. The rate on newly-issued Treasury bills has been permitted to seek its own level, and it has stabilized at more than twice its previous artificially low rate. The ⅞ of 1% rate on one-year Certificates has been succeeded by a ⅞ of 1% rate for a ten-month Certificate and by a rate of 1% for a 12½-month Note.

While these changes represent a definite modification of the wartime rate pattern, they are by no means as important as many people think. Their effect on the general money market, so far, has been negligible. On the basis of the market performance of the "free" Treasury bills, a 12-months Certificate with a return of 1⅛% had been expected. The Treasury increase of less than 1/11 of 1%, on a per annum basis, was so disappointing that a further shift into long-term government issues followed.

Thus, the new policy of the monetary authorities does not stop the greatly criticized monetization of the public debt. Likewise, the creation of reserve balances continues under the control of the commercial banks, for they have some unpegged bills left and they can continue to sell Certificates to the Federal Reserve banks at a fixed rate whenever they desire.

The fact that the changes so far have been so ineffective from the standpoint of credit control makes it all the more certain that other steps will be taken by the monetary authorities. The spiral of prices and wages and the speculation and constant increase in prices, particularly in commodities and construction, will force the Reserve authorities to seek more control over the creation of Reserve balances by member banks. Sooner or later, and probably sooner, they will have to promulgate measures which will permit all short-term rates to fluctuate freely. This will place the sale of short-term obligations to the Reserve banks on a market basis and the creation of reserve balances, will no longer be riskless—and, shall I say, automatic. It seems clear, therefore, that the firming in short-term rates has not come to an end; Federal Reserve policy should be watched for a further tightening in the coming months.

### Long-term Rates

Let us now take a quick look at the long-term side of the market. Here we have to carefully distinguish between wishful thinking and financial probability. For example, since shortly after the Seventh War Loan, many bankers have anticipated issuance of new long-term bonds at rates which would be attractive to insurance companies and other ultimate investors. Rumor after rumor, and "inside information," gave "details" of such an issue. The wish was father to the thought, until, in connection with the September financing, the Treasury announced that it will offer 2½%, 18-year, non-marketable obligations to insurance companies, savings banks, and institutional investors. Some $900 million of the issue will also be made available to the commercial banks, on the basis of their thrift and time deposits. The purpose of this new non-marketable issue is to provide an outlet for the surplus funds of these institutional investors. It still remains to be seen, however, whether savings banks and insurance companies will be willing to tie up their funds in non-marketable securities. And, assuming that they are willing to freely purchase such a non-marketable security, we still have the question of the rate offered. As many experts have asked, why should a savings bank or insurance company, which can buy 2½% marketable governments to yield them 2.32% or better, tie up their funds in non-marketable securities which offer them only 2.50%?

The future policy of the Treasury as regards the sale of long-term securities to ultimate investors, as always, will depend primarily upon the needs of the Treasury. If the Marshall Plan is adopted and the United States Government is called upon to spend billions of dollars per annum in rendering assistance to Europe, then, obviously, the present surplus will be converted into a deficit and the Treasury will endeavor to meet it through the sale of obligations to ultimate investors. The ingenious argument, so frequently heard, that the Government will issue bonds solely to meet the investment requirements of savings banks, insurance companies, and similar institutional investors is just talk. The idea that a Government should borrow to meet the needs of the bond market is indeed a novel departure in public finance! Obviously, the Treasury will borrow only when it is necessary from the standpoint of debt management, or credit policy, or when the Government needs money. It is as simple as that.

There are two or three developments on the demand side which tend to firm the long-term rates. In recent months, institutional investors, particularly insurance companies, have been able to acquire a sizable volume of mortgages. Moreover, the new insurance company policy of direct investment, through erecting large buildings in various parts of the country, will absorb a considerable portion of the funds at their disposal. In addition, the increase in building activity has made many insurance and savings bank officials feel that it will be less difficult to invest funds in the near future. It would seem reasonable to expect, therefore, a further firming in long-term corporate obligations, particularly those with a maturity of more than 25 years.

To return to the government issues, we, of course, cannot be certain what the Treasury authorities will do. In sober truth, they cannot be certain themselves. Any long-term program is difficult in a world divided into East and West and with the threat of atomic extinction hanging over it. The Secretary of the Treasury has to "cut his cloth to fit"; it would be foolish to try to do it any other way.

### Treasury Policies "Too Little and Too Late"

In conclusion, however, I think it fair to say that, from the standpoint of credit control, the recent changes in Treasury policy have not accomplished their purpose as they have been too late and too little. The member banks still have the initiative in creating reserve balances. The Reserve banks, as a practical matter, have no more control over the creation of reserves than they had before. If the monetary authorities are to fulfill their historic functions with respect to credit, new measures will have to be inaugurated to enable them to regain at least some control over the creation of reserve balances. In consequence, it seems reasonable to expect more action by the monetary authorities leading to a further firming of the short-term rates.

This is not to say, however, that any drastic changes will take place. On the contrary, the strength and stability of the government bond market is the very foundation of our financial and economic strength. Any changes which would adversely affect that stability are contrary to our national interests. The Treasury and the monetary authorities have the power to prevent any such drastic changes, and they will not hesitate to use their power if needed.

## Offers Plan to Remedy Dollar Shortage

**George Wanders writes in N. Y. "Herald-Tribune" foreign hoarded dollars could be made available by forced exchange of outstanding currency for new issue. Fixes hoarded U. S. dollars at around $2 billions.**

Writing in the New York "Herald-Tribune" of Sept. 15, George Wanders offered what he considers would be a ready remedy for the European dollar shortage. The plan is based on the assumption that there is something like $1 to $3 billions of U. S. currency hoarded by foreigners, which is aggravating the dollar shortage.

According to Mr. Wanders:

"To make the bulk of such holdings promptly and effectively useful, our Treasury need only issue a new series of currency notes and name a date, some 60 or 90 days in the future, when the old notes no longer will be legal tender. In the United States this would be a simple matter of supplying the existing paper currency with a new one, perhaps of varied colors, as was suggested in Washington some weeks ago. Foreign holders of our currency would be put on notice to turn in their notes to their own governments or central banks in exchange for their respective local medium, and the governments concerned would have an immediate accretion of dollar buying power, for the arrangement would include full and free use of the old dollars by all foreign regimes to meet the shortage, within a time limit.

"Such a step might seem revolutionary to our own people, but it can be readily justified by the world dollar crisis. Usually, but not always, a currency change is associated with doubts about the existing medium. There have been quite a few changes of this nature in Europe of late. We substituted our current small bills for the old large notes in 1929, quite without trouble, but never declared the old notes invalid. The British called in £10 and £5 notes successively during the war, as a matter of combating black markets, and hardly a ripple was caused by that action excepting in black market circles. Our own regulations, of course, would hold harmless the sick and other proved innocents."

## Two Join Staats Staff

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Eugene M. Adler and Lester L. Frame have become associated with William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Frame was previously with First California Co. and Nelson Douglass & Co.

## Cohu & Torrey Will Admit Paul Land to Partnership

Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Paul V. Land to partnership on October 1st.

# Canadian Securities

By WILLIAM J. McKAY

We are now at the stage where recent discussions in high places on international finance has created something approaching an Alice in Wonderland atmosphere. From one direction the stage is set for the devaluation of all currencies except the U. S. dollar—as a result the U. S. dollar scarcity situation is further aggravated. From another authoritative source it is held that the United Sates is about to raise the price of gold and add inflation to inflation and thus destroy the only remaining sound basis of exchange in the world.

To set the seal on this bewildering story of apparent inanity in international financial management Foreign Secretary Bevin bluntly proposes a wholesale gratuitious dissipation of the gold—backing of the only generally accepted international exchange medium.

This last proposal which in view of its startling implications received a full measure of publicity offers perhaps a clue to the solution of the world's currency problem, not, however, in the form suggested. No international figure is better fitted than Mr. Bevin to reduce weighty world questions to their earthy elements. It can not be seriously considered that the British Foreign Secretary, in mentioning only the obvious symptom of the world's economic malaise, did not have also in mind its fundamental causes. The deliberately crude candor of his statement moreover left the door open on this side of the Atlantic for an equally blunt retort.

Thus Secretary of Commerce Harriman was afforded the opportunity to point out with similar frankness one of the root causes of the European economic crisis, which Mr. Bevin would have had difficulty to voice—the failure of the nationalized British coal industry to produce for European export. Moreover implicit in the British Foreign Minister's seemingly desperate suggestion was the admission of Britain's inability to maintain her former initiative in world economic affairs.

Hence it would appear that the path is now cleared for a new pattern of international economic and financial relationships based on practical considerations. The Bretton Woods schemes for currency stabilization and the rehabilitation of world trade are now admittedly inadequate in performance and in scope. It is now frankly realized that the international system of exchange based on a free gold standard and the British pound now belongs to the past. Its natural successor is the U. S. dollar standard backed by gold.

To all intents and purposes therefore the practical stage has been reached for the establishment of an international common currency. In order to permit its successful operation, however, the necessary prerequisite is not a gratuitous redistribution of the Fort Knox gold, but U. S. dollar financing of essential production in selected foreign areas.

The stimulation of British coal production certainly provides an immediate field of operation but the often discussed "Hyde Park" arrangement with Canada would afford a still wider scope. As a result the unexploited vast natural resources of the Dominion could be utilized to complement the efforts of this country to nourish the world's trade arteries. The Canadian experiment is also easier to put into operation in view of the already existing common medium of exchange and the Canadian production would assist in the conservation of the by no means inexhaustible resources of this country.

During the week there were indications of a leveling-out tendency in both the external and internal sections of the market following a period of persistent decline. Free funds also displayed a steadier trend as a result of the end-season tourist demand. After earlier weakness stocks showed an inclination to rally led by the mining issues and Western oils.





## Raymond P. Low With William R. Staats Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF. — Raymond P. Low has become associated with William R. Staats Co., members of the Los Angeles Stock Exchange. Mr. Low in the past was in charge of the San Diego office of Dean Witter & Co. and served in a similar capacity with Pacific Company of California for many years.

## W. J. Kelsey Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Marian H. Huddy has been added to the staff of W. J. Kelsey & Company, 25 Taylor Street.

## Carter H. Corbrey Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Edith Hirschfield has been added to the staff of Carter H. Corbrey & Co., 650 South Spring Street. Miss Hirschfield was previously with Investment Fund Distributors.

## With Geo. R. Miller & Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF.—William Crawford has been added to the staff of Geo. R. Miller & Co., Inc., 81 South Euclid Avenue.

## Zoltan Salkay V.-P. Of Gearhart & Co.

Zoltan Salkay, manager of trading activities at Gearhart & Company, Inc., 45 Nassau Street,

Zoltan Salkay

New York City, has been elected a Vice-President of the firm. Mr. Salkay has been with the company since 1935, except during the war when he served in the Merchant Marine.

## U. K. Sells Gold to U. S.

**Disposes of $80 millions to Federal Reserve Bank of New York to meet commitments in dollars. Represents first loss of gold to Britain since outbreak of war.**

It was announced by the British Treasury in London on Sept. 15, that the Bank of England has sold gold valued at £20 millions, or $80 millions in U. S. dollars to the Federal Reserve Bank of New York. The sale, it was reported, was to meet dollar commitments in the United States and represents the first sale of gold from the gold reserves of Great Britain (estimated at $2,400,000,000) since the outbreak of the European War in 1939. In Washington, Treasury officials called the transaction a routine matter, necessitated by the freezing of the unused part of the $3.7 billions U. S. loan to Britain, pending the outcome of new negotiations between the representatives of the two nations. The decision to sell gold, it was stated in Washington, was made by Great Britain, without any suggestion or demand by U. S. Treasury officials. The United States, it was stated, stands ready at all times to buy gold from foreign countries at the stipulated rate of $35 per ounce, and all such purchases are made through the agency of the Federal Reserve Banks.

## Stuart A. Prosser Now Chicago Mgr. for Bache

CHICAGO, ILL. — Stuart A. Prosser has been appointed manager of the Chicago office of Bache & Co., 135 South La Salle Street. Mr. Prosser has been with Bache & Co. since his return from the armed forces. Prior thereto he was Chicago manager for Fahnestock & Co.

## Herbert Burt & Co. Is Formed in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Herbert Burt & Company ras been formed with offices at 105 South La Salle Street, to engage in a securities business. Officers are Herbert J. Burt, President; Charles L. Turner, Secretary, and Joseph A. Bailey, Director and Attorney. Mr. Burt was formerly with William Blair & Company.

# Europe as It Is!

(Continued from page 2)

although any suggestion like that is very unpopular in government circles in Athens.

### Needs Overstated

In fact, throughout Europe, you cannot help thinking that the local governments are consistently and systematically overstating their needs in order to get as much help as possible free from America.

From their viewpoint, I suppose you can't blame them. It's a lot to expect of politicians to ask for less if they think they can get more. But to American visitors who get high-pressured all the time about what America must do, must give, and must forgive . . . all at the direct expense of everyone who works in America . . . the idea of consistently overstating Europe's needs becomes very tiresome.

Potentially, France today is the richest continental country in Western Europe. Wonderfully rich, France—in agriculture, in location, in fundamentals, in basic wealth. Yet France is in a terrible mess.

England—England controls or has access to the greatest system of raw material and manpower pools in existence any place in the world . . . all available to England in British money, pound sterling. Yet England is in a terrible mess.

### Gigantic Socialist Experiment

Both countries, however, are in the middle of a gigantic Socialist experiment which, instead of producing the good things of life, as promised, is producing only shortages instead.

In policies and performance, the governments in England and France have surrendered to organized voters in trade-unions, meanwhile building a larger bureaucracy all the while. Eight million French people—20% of the entire population in France, and 10% in England, are now holding government jobs.

That's one clear answer to the question: Why don't England and France get production? Why do they need so many things free from the working people of America?

### Socialism Means Mismanagement

Mismanagement is at the bottom of the production snafu in England and France.

Further, in England and France the participation of the trade-unions as extra-parliamentary, extra-political organizations, in the hands of a few trade-union leaders, presents new constitutional problems.

The governments make the decisions. But, unless the trade-union leaders approve, the governments' decisions are generally impossible to execute.

Thus the unions form a state within a state. It is this inner state—this inside state controlled by the trade-union leaders—which really controls England and France today.

This dictatorship consists of about 10 or 12 men in each country who hold no elected, public office at all. But it is they who say whether coal will be dug, whether lights will burn, whether ships will sail, whether factories will run, an thus which laws are to be passed and which are not!

The government does not work *with* them. It works *for* them. The inside state rules the roost. The minority rules the majority. Ordinary people are left holding the bag. The helpless, unorganized majority has lost the power that is supposed to remain in the hands of ordinary people. That's England and France today.

### Will It Come to America?

We must be very careful that it does not become America tomorrow.

Now, the proposition behind this is called State Socialism. It's a kind of gray Communism. It develops more and more towards the compulsion of hard-fisted Communism as its gentler measures fail.

Its feature is destruction of the profit motive by taxation that amounts to confiscation and by organized minority rule that amounts to tyranny.

Free Europeans, who fought and died to remain free, as we have done, hoped such reactionary ideas and close-held power by an inner state—like the palace favorite's powers in the days of ancient kings—were gone forever.

Countries doing well, advancing, producing in western Europe today—Belgium, Italy, Switzerland, for example — which are really getting ahead—look on, amazed at the spectacle of increased poverty and restriction in England and France.

Belgians, Italians, Swiss will tell you they simply cannot understand how the Socialist governments are going to keep people from leaving England and France. The majority of young people today want to leave England, get out from under the dead pall of nationalization, Socialism, and the orders of the inner state. Why, when I was in London a young Britisher, ex-RAF flyer, ran an ad in a newspaper asking 12 people to go on a five-year trip in a small sail-boat to some primitive place to build a new life from scratch. "You won't have what's still left here in our England," he said, "but you will have what isn't left at present—opportunity."

The next day 2,000 people wrote him and asked to go. But the Socialist Government refused to let anyone leave. Socialism means mismanagement.

It is the gigantic managerial snafu, represented by the great Socialist experiment in Great Britain, largely underwritten by the United States, that is at the bottom of England's failure to produce above a subsistence level in behalf of the British people.

### The German Ruhr

This extends into the German Ruhr, where the London Socialist Government controls and administers the coal production so vital to recovery on continental Europe.

It extends into the need for more and more gifts of free production from America to make up for the production that Europe's Socialism does not get.

Our American concept of a free society, with respect for the rights of you and I as individuals, with the state the servant of all the people instead of the people being the servants of the super-state or the inner-state, is really the liberal, revolutionary concept of how society should operate.

It is still a new thing in the world. America itself is still a new thing in the world.

As we try to stabilize European economies we must be sure that we ourselves do not surrender to similar ideas and practices and end up having a new world on this side of the Atlantic no better than the old.

## Wilmeth Burns Now With H. L. Emerson & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Wilmeth G. Burns has become associated with H. L. Emerson & Co., Inc., Union Commerce Building, members of the Cleveland Stock Exchange. He was formerly with Field, Richards & Co. and in the past with First Cleveland Corporation and Gillis, Wood & Co.

# Business Planning and Statistical Analysis

(Continued from page 6)

supply and drastically reduced their new orders. In consequence post-war excesses were largely averted, production has remained near capacity levels and full employment has continued up to the present time. Moreover, this timely correction of commitments by American merchants released merchandise for export at a time when it was badly needed. With commitments of retailers now less than normal relative to sales their new orders must be expected to increase. This development will make fewer goods available for export this fall and winter. Perhaps it is not too much to hope that as the use of statistics and modern techniques spread the amplitude of trade fluctuations will decrease.

### Sales Compared With Income Or Purchasing Power

Increasing numbers of retailing, wholesaling, manufacturing and other companies are now comparing their sales performance with disposable income (income payments less personal taxes) or purchasing power. In some cases functional relationships are carefully determined.

Once such fundamental analysis has been completed and the effect of sales response to income has been determined, the growth trend or residual is of very considerable interest to management. In the first place, this trend is a very excellent measure of the effectiveness of past management decisions. In the second place the normal growth obtained by this analysis used with reliable forecasts of income for six, nine and 12 months ahead which are available, yields expected sales. Such a sales forecast figure is much more reliable than sales estimates compiled by divisions or by the sampling of opinions of a sales department, particularly for periods six months to a year in the future, that is, beyond the immediate period for which the sales department has knowledge of pending contracts. It can be successfully used as a basis for sales and advertising policy, production, purchasing, etc. Such forecasts are one of the most essential aids to management.

### Comparison With Industry Sales, Regional Sales, Census Figures

While a comparison of company with industry sales for years has yielded important information with respect to the efficiency of management, additional useful information can be obtained from regional comparisons with purchasing power or income. For example, a manufacturer of retailing equipment for quite a number of years had found that he had been gaining slightly on sales made by his industry and had been satisfied with this trend. Then out of curiosity alone he had his sales charted against disposable income. He found that these two were highly correlated, the residual variations being largely those associated with speculative moods of the retailer and usually cancelling out within the year. Discovery of this relationship led him to compare his sales of the previous year by states with the disposal income for each of the respective states. To his surprise he learned that the relationship was not particularly close. The points for individual states formed a wide scatter around the line of average relationship. But this wide scatter itself indicated wide differences in sales efficiency.[1]

On further investigation of the states for which deviations of sales below the line of average relationship were greatest, he found in all instances lackadaisical or less than average sales representation. On the other hand, he uncovered aggressive local representation in all cases for which sales were substantially above the line of average relationship. By working to improve the representation in the first group of states he was able, within a year, to attain a sales level 50% higher than the level indicated by the past management trend and the income of the trial year.

Continuation of the comparisons of company sales by states with state income indicated the areas in which best sales performance was being obtained relative to purchasing power conditions or potentials. With this information in hand the company was for the first time able to reward its representatives according to their ability rather than according to the influence which income of their sales areas contributed to their sales performance. The result was, of course, a much more efficient and much better satisfied sales department.

### Concept of Normal or Standard Inventory

Return on investment, which is the ultimate measure of success of a business enterprise, is probably influenced more by price and inventory policies than by any other phase of the business.

A standard inventory may be defined as the amount which should be invested in inventory at the end of any month in order to provide adequately for production or sales based on forecasted volume of business for a given number of months in the future and at the same time lead to a maximum return on investment *if prices are unchanged.* These standards thus are expressed as "Number of Months Consumption" and the consumption, in turn, is "Forecast Consumption." The standard or normal inventory should be adequate to permit production (sales) to proceed without any interruption due to shortages of a particular material or of a particular finished product. The inventory standard itself, however, should not recognize the prospect of inventory gain or the risk of inventory loss. This prospect of gain or risk or loss should be measured by the probabilities of a turn in general business or the condition of inventories in the industry, and the probabilities themselves should determine whether inventory should be above or below the standard inventory. Market and price studies thus are important for determining inventory risk.

We may define a market as the net result of decisions of many buyers and sellers. Probably no two operators base their decisions on identical principles and, in fact, the same operator may emphasize different price-influencing factors at different times. Many merely act on hunches, guesses and misinformation. Many cotton mills, for example, rely excessively on crop reports and buy or hedge according to crop estimates which taken alone are frequently no better than guesses. Decisions of others may be colored mainly by the expected trend of exports or by the expected levels of consumption. Only rarely does the buyer or seller adequately take into account all the major factors affecting a particular market.

In view of such human behavior in buying and selling operations, it might seem presumptious for anyone to claim that he can "forecast" prices; that is, that he can forecast phenomena which frequently reflect chance and even irrational action. Such, however, is not the case.

Even though the great majority of all buying and selling may be based purely on guess work, the transactions of those who overestimate usually tend to cancel out the transactions of those who underestimate, thus leaving the trend of the market to be determined by the residual few whose judgment represents careful appraisal of the price-determining factors. Over short-term periods, of course, the balance between those who overestimate and those who underestimate is rarely even and prices are, consequently, only rarely in equilibrium with fundamental factors. This is, however, an important reason for measuring the equilibrium values for the unbalances provide important buying and selling opportunities. Moreover, these unbalanced situations become readily discernible to those who carefully follow weighted averages of the practical price-making factors.

At least the following data concerning factors that affect prices should be collect and their influences on prices measured:

(1) Production of the commodity and closely related commodities;

(2) Total stocks of the commodity and related commodities;

(3) Consumption of the commodity and related commodities;

(4) Exports;

(5) Disposable income (income payments less personal taxes) and/or value of all manufactured products;

(6) Foreign exchange rates of principal countries dealing in the commodity;

(7) Manufacturing labor cost or farm wage rates or some other appropriate measure of labor costs; and

(8) Prices of the commodity.

Most prices particularly those of raw materials, which enter into products sold directly to the consumer, correlate very highly with disposable income because this income measures three price-making factors: consumer demand, consumer willingness to spend and, to a certain degree, the wage and raw material cost of production. Other prices, particularly those of industrial raw materials, such as wood pulp, coal, iron ore, correlate better with the value of manufactured product as a measure of users' purchasing power. Prices also correlate highly with total stock or inventory divided by consumption or what is sometimes called "month's or day's" supply. In fact, disposable income (or value of manufactured product) and this ratio together explain satisfactorily most variations in commodity prices. A more complete and even more satisfactory analysis of probable prices can be obtained by weighting various demand, supply, income, and monetary factors.

Hourly earnings for factory workers as well as for office help have regularly been charted in comparison with similar figures for the industry and for the country as a whole. Where it has not been feasible to get an index for the industry which is wholly comparable to the company's figures, it has nonetheless been useful to chart the company's figures against the nearest comparable index. A comparison of the company's figures with the average for the country as reported by the Bureau of Labor Statistics has also been extremely helpful to management. During the past four years it has been possible to predict from such charts a narrowing of the hourly wage differential between low-wage industries, such as textiles and leather products, and high-wage industries, such as automobile manufacturing and steel. In other words, it has been possible for management in the low-wage industries to forecast that their competitive wage positions in the economy would decrease as the nation moved toward full employment. Managements alert to this development and especially affected adversely have naturally taken unusual steps to install labor-saving equipment. Such studies have also been useful in connection with management's dealings with labor unions on matters of hourly wage rates.

### Hours of Work

For many years the average weekly hours of work have been decreasing. In the early days of industrialization hours were shortened primarily because the boss was unwilling to get down to the plant early and when he was not present the productivity was below standard. As time went on, unions came into the picture and these organizations have more or less continuously pressed for shorter working hours. In consequence of these continuous pressures and the building up of capital equipment in this country the standard work week of 72 hours in the United States in 1860 has gradually shrunk until it is now generally no longer than 40 hours, and in some industries is even shorter.

The economic consequences of decreasing hours of work have been extremely important. Without this trend to leisure many of the large industries of today would not exist or would represent only a small faction of their present size; for a factory worker employed 72 hours a week requires primarily food, a pair of overalls and a bed. Without mass leisure, mass markets would not have developed for such products as radios, automobiles, sporting goods, moving pictures, and many others, whereas markets for women's and men's clothing and a variety of luxury foods would be very much smaller. The trends of leisure both within an individual industry and in industry as a whole are thus of considerable interest to management, for important changes in the number of hours worked necessarily mean important changes in demand for goods as well as in the supply of labor and competitive labor conditions.

### Profits and Dividends

Profits are the net result of management's ability to make sales at prices that cover all costs of production at less than capacity operating levels. They can be materially improved by strict statistical control over selling prices and costs. Alert managements regularly compare prices received for the finished product with the cost of both production and distribution. They also compare their own profits with industry profits and with profits of all industry. Frequently, they also chart their profits and industry profits against disposable income (income payments less personal taxes) or purchasing power.

In a well-managed company the ratio of cost of production or expenses to sales tends to decrease as sales volume increases. If expenses are plotted against sales, a line is obtained which crosses the 45° line (i.e., the expenses equal sales line) at the breakeven point. Generally, expenses are proportional to the sales until the market becomes saturated. Consequently, the spread between the expense line and the 45° line (sales equal expenses) should increase as sales increase. Investigations of substantial deviations of expenses from this line of average relationship have usually been fruitful. Sometimes the findings have led management to correct the company's price structure, sometimes to correct its cost of production and sometimes, its distribution area.

### Cost of Financing

The growing business is frequently in need of new capital and in many cases this capital must be obtained through the public offering of securities. Whether the offering should consist of bonds or debentures, preferred stock or common stock, is a recurring management question. From the point of view of the company it is desirable to achieve the financing with as little cost as possible, but at the same time management must guard against an undue drain upon working capital. A debenture or bond financing might represent the lowest interest charge obtainable, but the rate of repayment of the loan or note required by such financing might be so burdensome as to jeopardize the solvency of the company. Thus, while it is important to know whether interest rates are likely to increase or decrease and whether stock prices are likely to go up or down, computations of cash requirements in the business must frequently determine the type of financing that should be undertaken. If it is decided that financing should take the form of a bond issue or a debenture, the further question arises as to whether the issue can be most advantageously marketed today, a few months in the future or at even a later date. For determining the correct answer to this question management needs to know the pressures on money rates and the likely trends of at least the following factors:

(1) The total money supply of the nation as measured by demand deposits, currency in circulation and a portion, say 10%, of notes and bonds maturing within a year;

(2) Commercial and real estate loans and the ratio of these loans to the money supply as above defined;

(3) Security loans of banks and the ratio of these loans to the money supply above;

(4) Government securities held by banks and the ratio of these securities to the money supply above; and

(5) Excess reserves of banks and the ratio of these reserves to money supply above.

Each of these factors measures a pressure on money rates. A weighted average which measures their combined effect on money rates can also be constructed as, in the author's article "The Determination of Interest Rates."[2]

### Summary

Business profits thus depend upon management's ability to do many things well: To budget the company's operations correctly with respect to the future trend of business; to maintain a satisfactory inventory position with materials that have been purchased at prices more favorable than those obtained by competitors; to schedule the construction of new plant facilities in such a way as to have them ready when needed and not when business recession begins; to anticipate labor conditions and meet them with adequate policies on hiring, rates of pay, hours of work, etc.; and to learn the implications of social trends with respect to demand, hours of work, likely legislation, etc. and to develop the policies necessary to meet these conditions. Leading corporations in the United States are today carefully following all these trends.

---

1 The statistical problem involved in determining the constancy of the effects of management is related to similar problems of quality control of the manufactured product. For techniques of quality control see Walter A. Shewhart, *Economic Control of Quality of Manufactured Product,* New York, 1931 and especially pages 145-158.

2 C. F. Roos and Victor S. Von Szeliski, *"The Determination of Interest Rates," Journal of Political Economy,* 1942. See also the business service *Economic Measures* published by the Index Number Institute, Inc., New York.

# More on Reserve Board's Illegal Distribution of Federal Reserve Banks' Earnings

(Continued from first page)

It was pointed out by this author in the "Chronicle" of June 19 that it is Section 7 of the Federal Reserve Act, not Section 16, that provides how the earnings of the Reserve banks shall be treated. It was also demonstrated that the Board's own Counsel rulings prove, what every student of the Federal Reserve System doubtless knows—at least he could easily determine the facts in the case—namely, that Section 16 is devoted to an entirely different matter.

**Provisions of Federal Reserve Act**

For the convenience of present readers the salient facts will be summarized briefly:

The pertinent part of Section 7, devoted, it should be noticed, to "Dividends and surplus funds of reserve banks," reads: "After all necessary expenses of a Federal reserve bank shall have been paid or provided for, the stockholders [member banks] shall be entitled to receive an annual dividend of 6 per centum on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met, the net earnings shall be paid into the surplus fund of the Reserve bank."

Section 16 of the Federal Reserve Act, devoted, let it be emphasized, to "note issues," is relatively long and covers various aspects of the issuance and retirement of Federal Reserve notes by the Reserve banks and Board. That part of Section 16, which the Board said it "invoked," in its violation of the specific wording of Section 7, is a portion of subsection 4 of Section 16. This subsection 4, it should be noticed, is entitled "Maintenance of redemption fund; granting right to issue notes." That portion of this subsection, which the Board claimed, with amazing effrontery, provides it with authority to distribute 90% of the earnings of the Reserve banks for 1947, reads as follows: "The Board shall have the right, acting through the Federal Reserve agent, to grant in whole or in part, or to reject entirely the application of any Federal Reserve bank for Federal Reserve notes; but to the extent that such application may be granted the Board of Governors of the Federal Reserve System shall, through its local Federal Reserve agent, supply Federal Reserve notes to the banks so applying, and such banks shall be charged with the amount of the notes issued to it and shall pay such rate of interest as may be established by the Board of Governors of the Federal Reserve System on only that amount of such notes which equals the total amount of its outstanding Federal Reserve notes less the amount of gold certificates held by the Federal Reserve agent as collateral security."

Now the purpose of the authority given the Reserve Board to tax Federal Reserve notes was to provide an instrument of credit control to supplement the use of the rediscount rate. If this authority were to be used to distribute the earnings of the Reserve banks, then, obviously, Section 7 was unnecessary. Every student of the Federal Reserve Act knows, or should know, what Section 16 was designed to accomplish. But the Board and its staff proceeded to act as though they did not know these facts. If they really did not, then both were incompetent. Both were unable to understand clear English. Both either failed to read or to understand or to respect the rulings of their own Counsel.

Whatever the understanding or intent of the Board may have been, it proceeded to violate the law as it has done before under the chairmanship of Marriner Eccles. To attain its purposes, it proceeded to confuse a busy Congress by contending that it found authority for its act in a section of the law that has nothing whatever to do with the matter involved.

**Previous Interpretations**

The reader should be interested in what the Board's own Counsel has said Section 16 means—a fact that the Board ignored and never mentioned. Back on Oct. 15, 1915, the Board's Counsel said in part that "the obvious intent of Congress [in respect to interest charges on Federal Reserve notes as provided in Section 16] was to enable the Federal Reserve Board to control and to enable the Board to adapt not only rediscount rates but also the volume of Federal Reserve notes to the varying needs of different sections of the country. There would not seem to be a more effective way of checking an undesirable inflation of credits that to enable the Board to impose different rates of interest on the various issues of Federal Reserve notes." (Reproduced in Henry Parker Willis' "The Federal Reserve System," The Ronald Press Co., New York, 1923, pp. 883-884.)

The latest edition of the "Digest of Rulings of the Board of Governors of the Federal Reserve System" (to Oct. 1, 1937), says under the heading "Tax on notes in form of interest charges" (p. 183): "One of the primary purposes of this provision is to enable the Board to control the volume of notes placed in circulation."

The Counsel's interpretation of the meaning of Section 16 should be clear even to a layman. Neither Counsel stated that one purpose of this Section 16 was to enable the Reserve Board to distribute the earnings of the Reserve banks in any manner that the Board might choose. Both obviously understood that Congress specifically provided in perfectly clear words in Section 7 just how the earnings of the Reserve banks were to be distributed. And Section 7, and nothing else, still controls in that matter.

**The Proper Method of Appropriating Earnings**

The Board's stated reason for wishing to confiscate these earnings of the Reserve banks was that they are relatively high "as a result of operations essential to government financing." If the Board's members thought these earnings were excessive and that a portion should be paid to the United States Treasury, all they needed to do was to go to Congress, explain their beliefs to the proper committees, and suggest an amendment to Section 7.

Congressional committees could then have called in the presidents of the Reserve banks and obtained, perhaps, their independent opinions. After all, the net earnings of the Reserve banks under Section 7 of the law belong to the Reserve banks until Congress specifies otherwise; and it was the duty of the Reserve bank presidents to protect those earnings, against dissipation by any person or persons, in accordance with the law. The Reserve Board had no more right to distribute those earnings than had the Treasury, the President of the United States, or any other Federal agency. Considering the great amount of free services performed by member (and other) banks for the Treasury during and after the War, Congress might well have considered it appropriate to provide an extra dividend for member banks.

But instead of proceeding in such a forthright manner with Congressional committees, the Board decided to act for Congress—to do the legislating itself. In an effort to justify that course, Chairman Eccles insisted, quite incorrectly, that the Board had the power under Section 16 to engage in this transaction. In a somewhat less positive manner, a representative of the Board attempted later to justify this illegal action by stating that while this procedure "is not specifically authorized by Section 16 of the law, neither is it prohibited."

**A Second Case of Manipulation**

This is a second outstanding case in which this Reserve Board has engaged in an illegal manipulation of this type. The other case was mentioned by this author in his article in the "Chronicle" of June 19 and is described fully in a pamphlet by this author called "The Manipulation of Our Federal Reserve Notes" (published by the office of the Economists' National Committee on Monetary Policy, 1 Madison Ave., New York, May, 1944). In the case of that particular violation of the Federal Reserve Act, it required two years for a sufficient number of the House of Representatives to become convinced of what the Board (in cooperation with the Treasury) had done to cause the House to join the Senate in passing a law that closed the door after the horse had been stolen. (The Senate, under the guidance of Senator Taft, passed a bill with commendable promptness in 1943 in an effort to correct that violation of law by the Reserve Board and Treasury, but the House, being inadequately informed, let it die.)

This author is not disposed to blame the House in any great degree, for its slowness in dealing with that manipulation, although the facts were laid before that body as well as before the Senate. The manipulation, or sleight-of-hand performance, was hidden in a maze of technicalities which most of the generally non-specialized and very busy Congressmen could not grasp promptly with assurance. These technicalities provided the Reserve Board with a variety of side doors through which they were able to escape because the Congressmen, occupied with other things and apparently finding it difficult to believe that the Board and Treasury would do the things charged, were not able then to catch them, and made no special effort to do so.

A major contention of this author here is that it is the duty of specialized administrative and executive officers, operating in highly specialized and technical fields, to protect non-specialized and very busy Congressmen against error, and not to mislead or trick them. This author is convinced that, in this violation of Section 7, as in certain other cases, the Reserve Board has not fulfilled its appropriate functions properly or admirably in its dealings with Congress. It failed miserably in this instance, as it has failed on other occasions[2] to throw a cloak of security around our national legislature in matters falling in the fields of money and banking.

[2] As another example, besides those mentioned elsewhere in this article, the reader may be interested in the fact that the research staff of the Board, under the guidance of its director of research, and also Chairman Eccles, were hopelessly confused as to the distinctions between "lawful money," as used in the Federal Reserve Act, and legal tender. Following publication in the "Federal Reserve Bulletin" of March, 1944, p. 234, of a statement in which the Board's research staff incorrectly asserted that lawful money includes all money that is legal tender, this author pointed out, and proved, the obvious error in that assertion. Despite the conclusiveness of the proof submitted, the director of research, nevertheless, insisted that the statement in the "Bulletin" was accurate.

One of the disturbing aspects of instances of this sort, in this author's opinion, is that he cannot recall a case in which the Board, or staff, or Counsel, ever admitted making an error, even when it had been pointed out with conclusive proof, or ever attempted to correct one of its errors.

It is this author's contention that accuracy and reliable guidance to Congress and the general public do not arise out of that sort of procedure.

**The Reserve Board's Position**

After the publication of this author's article in "The Commercial and Financial Chronicle" of June 19, an outstanding Washington commentator presented some queries to the Board regarding the charges made and received the following reply: "The action was taken before the Banking and Currency Committees of both Senate and House; explained there by Eccles, it met with no opposition. It also was uniformly approved by the presidents of the Reserve banks, and cleared with the Treasury. The Board asserts that, while action is not specifically authorized by Section 16 of the law, neither is it prohibited; so that, with consultation with and approval of the two Congressional committees, the Board felt sufficiently supported to go ahead."

That reply of the Board requires analysis, sentence by sentence, to determine in what respects it conforms to, and conflicts with, what appear to be the facts in the case.

It is said that "The action was taken before the Banking and Currency Committees of both Senate and House, explained there by Eccles, it met with no opposition."

The question arises as to whether the Board's action was explained with sufficient care to those Committees to make certain that they understood the significance of what was being said. It is the contention of this author that such was not the case. Had they understood, they probably would not, at least they should not, have let the matter pass as they did. It will be noticed that Chairman Eccles assured them that he had the power to do what he proposed. He can, therefore, accurately say that he discussed the matter with them. But that is not the point. He should have known, and probably did, that they had no appreciation of the fact that Section 7 was to be violated. Probably not one of those members looked up and read carefully Section 7 or Section 16 or the rulings of the Board's Counsel. Since these busy men neglected to question him closely, Chairman Eccles should have protected them against themselves. He should have gone over Sections 7 and 16 carefully; he should have read the rulings of the Board's Counsel, quoted above; and then, of course, he would have had to ask for an amendment of Section 7 to accomplish his purposes. These are the things he did not do; instead, he let these Congressmen make a serious mistake.

The reason that his proposition met with no opposition in the Congressional Committees should be obvious: the Congressmen did not understand the law and Chairman Eccles really did not help them to understand it.

When the Senate Committee on Banking and Currency was holding hearings (April 17) on S. 408, a bill to repeal Section 13b and to amend Section 13, of the Federal Reserve Act, the following dialog took place ("Hearings," pp. 22-23):

**"The Chairman** [Senator Tobey of N. H.]: It is a kind of an unusual feeling to have something turned back to the Government in contradistinction to the reverse.

**"Mr. Eccles:** Out of the Reserve banks' earnings, which is very substantial now above their expenses, the Board is considering—we have the authority under what is known as Section 16 of the Federal Reserve Act, to put an interest charge or a tax on Federal Reserve notes in circulation which are not secured by gold. That portion which is not covered by gold certificates we can levy the tax upon them, and we are considering levying a tax upon the notes of each bank in an amount that would turn into the government each quarter the excess earnings of the Reserve banks, possibly 90% of them.

"Now, that should turn into the government each year, from that source, based upon the present earnings of the banks in excess of expenses, somewhere between 60 and 75 million dollars. That may well increase, should there be an increase in the short-term rate, in the bill note.

**"The Chairman:** What percentage of those notes are without gold now?

**"Mr. Eccles:** Somewhere between 50 and 60%.

**"The Chairman:** How much gold have we at Fort Knox now?"

Then followed more irrelevant discussion of gold and inflation, after which Mr. Eccles came back to a discussion of Section 16 as follows:

**"Mr. Eccles: . . .** In connection with this Section 16 authority, on turning this money back to the Government, we can do it. That formerly was turned back on what was known as the franchise tax. That franchise tax was repealed in 1933. I do not know why but it was repealed. I suppose it was when the surplus went below the —because of the $139,000,000 being taken out [of Federal Reserve System to provide part of the capital for Federal Deposit Insurance Corporation], would reduce the surplus and they repealed that so that the surplus could be built up.

"Now, the Board is considering getting the money back through this Section 16, this special tax on notes. If the Congress would prefer to reimpose the franchise tax and get it back that way, they can, but that will take legislation and we can accomplish the same purpose through the application of the tax.

"I mentioned this to the House committee in a hearing on the direct purchase authority, and I am merely mentioning it here today as what we are intending to do, which would mean of course, if the Congress has objection to getting the money back by that method they can get it back by some other method, but it seems to me that they are interested more in the end result of having earnings of a Reserve bank which, after all, the Government has the residual interest in, being turned back to the Government."

It is to be noticed that Senator Tobey obviously had no understanding of the meaning of Section 16 or the significance of what Mr. Eccles was saying to those present. He merely expressed an interest in the fact that something was to be "turned back to the Government" and then he drifted off into a discussion of gold and inflation. No other member of the Committee raised any questions about Section 16 or maifested any interest in it.

The nature of the Eccles performance, also, is to be noticed. He made no careful attempt to awaken those Senators to an understanding of Section 7 versus Section 16. Instead, he lulled them into a passive or receptive attitude, and capitalized Senator Tobey's interest in the fact that something was to be "turned back to the Government" by saying that "it seems to me that they [members of Congress] are interested more in the end result of having earnings of a Reserve bank which after all the Government has the residual interest in, being turned back to the Government."

In other words, Chairman Eccles was saying that it is the end, not the means employed to attain it, that is important. That, in general, seems to be the key to this transaction. But the question still remains: Why did the Board employ an illegal means instead of attempting to persuade Congress of the desirability of holding hearings on the amendment of Section 7 for the purpose of ascertaining the wisdom of distributing the Reserve banks' earnings as recommended by the Board?

It is also to be noted that Chairman Eccles did not ask authority to use Section 16 (for a purpose never intended) and that the members of this Committee did not express approval or disapproval of his proposal. It is true that he met no opposition on the point, but the reason was that those present did not appreciate the nature of the matter involved.

It will be noticed that Mr. Eccles told the Committee that "We have the authority under Section 16 . . ." to do thus and so, that "In connection with this Section 16 authority, on turning this money back to the Government, we can do it." He then points out that "If the Congress would prefer to reimpose the franchise tax and get it back that way, they can, but that will take legislation and we can accomplish the same purpose through the application of the tax." Had he dealt with that Committee properly, he would have said that to pay these earnings to the Treasury it would be necessary to amend Section 7; and he would never have mentioned Section 16 as having any bearing on such a proposal. Instead, he would have contended and proved that Section 16 dealt with an entirely different matter.

**Eccles Strategy**

Highly indicative of how an irrelevant matter was brought in by Mr. Eccles with the effect of lulling the Committee into an attitude of unquestioning acceptance of his proposal is the Eccles statement regarding the earnings of a Reserve bank "which after all the Government has the residual interest in. . . ." Now what does that refer to? It refers to paragraph 2 of Section 7, "Disposition of surplus on dissolution or liquidation" of a Federal Reserve bank. The law provides that "should a Federal Reserve bank be dissolved or go into liquidation, any surplus remaining, after the payment of all debts . . . shall be paid to and become the property of the United States." Now what did that have to do with the distribution of the earnings of running Federal Reserve banks? Nothing at all. Why did Chairman Eccles drag it in? It was like saying to the members of Congress: "After all, the Government having a residual interest in these banks, is entitled to take their earnings when and to the extent it pleases, and the Board, like an accommodating and understanding, and, indeed, smart, agency, is merely helping Congress to do it."

Senator Tobey liked the sound of that soporific irrelevancy, and succumbed. The others said nothing; and Chairman Eccles accomplished his purpose in so far as that group was concerned.

Mr. Eccles stated before the Senate Committee that he had mentioned the matter of using Section 16 in a hearing before the House Committee on Banking and Currency on "Direct Purchases of Government Securities By Federal Reserve Banks" (on H. R. 2233, superseded by H. R. 2413, March 3, 4, and 5, 1947, pp. 29-31). That statement, too, must have had the psychological effect of suggesting to the Senate Committee that the House Committee had approved the proposition, that since the House had considered it and apparently had not disapproved it, the Senate Committee could relax and approve the Eccles plan without further inquiry. Note how Mr. Eccles put the matter: "I mentioned this to the House Committee in a hearing on the direct purchase authority, and I am merely mentioning it here today as to what we are intending to do. . . ." The thought, of course, is that it is all settled, the House Committee understands and approves, and so "I am merely mentioning it here today since we are intending to do it"!

The pertinent dialog in the hearings before the House Committee was as follows:

"**Mr. Patman:** When was that franchise tax repealed?

"**Mr. Eccles:** In 1933.

"**Mr. Patman:** Well, in view of the great earnings of these 12 Federal Reserve banks, do you not think that that law should be restored, Mr. Eccles, and that provision placed back in the Federal Reserve Act?

"**Mr. Eccles:** I would like to acquaint the committee with a little of the history behind that, if I may. It was repealed in 1933 at the time the Congress took from the surplus of the Federal Reserve banks 139 million dollars for the purpose of providing part of the capital for the Federal Deposit Insurance Corporation, as it was set up. And, therefore, it was repealed.

"The idea, no doubt, being to permit the Reserve banks to earn back, in their surplus account, the amount that was taken away.

"For quite a number of years, in fact, up until the time of the war, the earnings of the Federal Reserve banks were negligible. They were just about making enough for their expenses during the greater period from 1935 to 1940, and it is only since the war, and with the war financing, that they have greatly increased their income, and have finally succeeded in building back the surplus. Therefore, this problem of Federal Reserve bank earnings only now—certainly within the year—really becomes the problem that Congressman Patman has referred to. The earnings of the System are such that they have recovered completely the $139,000,000, and some in addition to that. The Federal Reserve Board has discussed this question several times, and we have felt that it was necessary to either ask the Congress to reinstate the franchise tax, which provides that nine-tenths of the earnings of the Reserve System above expense be turned in to the Treasury, or the Federal Reserve Board could impose immediately on the Federal Reserve banks, under the provisions of Section 16 of the Federal Reserve Act, paragraph (4), what is known as a tax on Federal Reserve notes.

"**Mr. Patman:** You are not referring to the Federal Reserve bank notes, are you?

"**Mr. Eccles:** Yes."

* * *

"**Mr. Eccles:** And under the law we can impose an interest rate on that circulation which could immediately get into the Treasury without legislation, all of the earnings of the Federal Reserve banks. Although the authority in the original act to charge a rate of interest on note circulation that was unsecured by gold was not meant for that particular purpose, our lawyers advise us that the Board could use that authority—I have a memorandum here from one of our lawyers on that question.

"**Mr. Patman:** In other words, Mr. Eccles, to shorten it, you have an alternative, you could really do the same thing under Section 16 of the Federal Reserve Act?

"**Mr. Eccles:** Immediately.

"**Mr. Patman:** And you would not have to wait for a change in the law?

"**Mr. Eccles:** Well, I was going to say that the Board—in fact, we just discussed this last week with the Reserve bank presidents at their conference, with the idea that we could immediately impose it, and if Congress at any time wanted to substitute a franchise tax for that, of course, they could do so."

* * *

"**Mr. Patman:** But in the original act, Mr. Eccles, it was contemplated that when the surplus reached the amount equal to the capital stock, the additional amount would go, nine-tenths of it, into the Treasury. Was that not contemplated?

"**Mr. Eccles:** Yes; I think it was when it reached that point.

"**Mr. Patman:** So according to that, there would be something like $150,000,000 available now that could go to the Treasury and be used to pay the national debt; is that not right?

"**Mr. Eccles:** Of course, it was contemplated also that 6% of the capital would likely be used, in which case the capital would be double what it is, and the surplus would not be excessive in relation to the capital."

Perhaps the key thought in the Eccles comments on this matter before this Committee is that the Board, under Section 16 could act at once, that legislation was not necessary, and that "our lawyers advise us that the Board could use that authority — I have a memorandum here from one of our lawyers on that question." [3]

Unfortunately that memorandum was not included in the **Hearings**. It would have been interesting to see just how those particular lawyers could circumvent the clear wording of the law, on which are superimposed clearly-worded section headings as guides, and the Counsel rulings quoted above.

Just as Chairman Eccles lulled the Senate Committee into an unwarranted assurance by telling them how he had taken this matter up with the House Committee, so he similarly lulled the House Committee into an unwarranted state of confidence in the legality of his proposal by telling them how he had discussed it with the presidents of the Reserve banks. His words were: "Well, I was going to say that the Board—in fact, we just discussed last week with the Reserve bank presidents at their conference, with the idea that we could immediately impose it. . . ."

The Reserve Board also stated to the Washington publicist that "It [the Board's distribution of the Reserve bank's earnings] also was uniformly approved by the presidents of the Reserve banks, and cleared with the Treasury."[4]

The clearance with the Treasury probably has no significance. The Treasury would simply be the recipient of the funds and, doubtless, pleased to receive them.

**Reserve Bank Presidents Did Not Approve**

But the statement that this procedure was uniformly approved by the presidents of the Reserve banks is in conflict with fact. In checking with these presidents[5], this author finds that the Board did not ask for their approval; it simply told them what it proposed to do.

For example, one president says: "We were not asked to approve or disapprove since we were informed that the responsibility for action rested solely upon the Board of Governors."

A second president says: "The proposed action was discussed by the Board of Governors with the President on numerous occasions, although the Reserve Banks were not asked to approve it, this responsibility under the law resting solely on the Board."

A third president says: "While the subject was fully discussed by the Board of Governors with the Presidents of the Federal Reserve Banks, the Presidents were not asked either to approve or to disapprove. Action, under the statute, resting solely with the Board of Governors."

A fourth president writes that the matter "was fully discussed at a joint meeting of the Presidents of the Federal Reserve banks and the members of the Board of Governors, but as the authority to levy such a charge and to fix the rate of interest in connection therewith is vested by law in the Board of Governors, the Presidents were not requested to approve or disapprove the proposal."

It is doubtful that any of the other five replies thus far received alter the picture provided by these four, although the wording of two of them expresses approval of the Board's action. One president writes: "It is our view, concurred in by counsel, that this action of the Board of Governors is in conformity with the provisions of Section 16 of the Federal Reserve Act and appropriate in the circumstances." Another president states that "we, as is our usual practice in matters of this kind, referred the matter to our outside counsel. It was counsel's opinion that the Board of Governors had acted within its authority in levying the assessment.

"Since in our judgment responsibility for this action rested with the Board and since in the opinion of counsel the Board acted within its authority, we paid the assessment."

These replies should leave no question in anybody's mind about the inaccuracy of the Board's statement that its proposal "was uniformly approved by the presidents of the Reserve banks." [6]

This author maintains that the opinions of the two counsel, mentioned immediately above, were erroneous and that this is easily demonstrated by a reading of Sections 7 and 16 and by reference to the two opinions of the Board's Counsel quoted above.

The question also arises in this author's mind as to why most of the presidents and directors of the Reserve banks acquiesced, by inaction or otherwise, in this violation of Section 7 by the Reserve Board. They should know what the Federal Reserve Act says and means, and they should have consulted the statements made by the Board's own Counsel.

**Reasons for Acquiescence**

This acquiescence by inaction reminds this author of how these or other presidents and directors cooperated, outwardly at least, with the Reserve Board without protest in 1942 when the Board and the Treasury issued Federal Reserve bank notes as a Treasury liability, instead of a Federal Reserve bank liability, as required by the Federal Reserve Act.

This sort of acquiescence, at least outward acquiescence, on the part of the officers and directors of the Federal Reserve banks in the violations of the Federal Reserve Act by the Reserve Board would seem to raise a serious question as to the position occupied, or being taken, by these officers and directors. Are they in fact merely instruments for carrying out the will of the Board regardless of what the Board's will may be? In so far as the law regarding the powers of the Board versus the powers of the officers and directors is concerned (Section 11, f), they seem to be essentially agents of the Board. But it would appear that questions of personal integrity and self-respect on the part of officers and directors still remain. When a case arises in which an officer or director knows that the law is being violated by the Board, does he participate or acquiesce in the violation, or does he enter a protest but cooperate if overruled, or does he protest and, if overruled, resign? Thus far, resignations do not appear to be a part of this picture. Acquiescence seems to be the whole of it.

The Reserve Board's statement to the Washington publicist also says: "The Board asserts that, while action is not specifically authorized by Section 16 of the law, neither is it prohibited."

**The Legal Aspect**

To assert that the Board may do what is not specifically prohibited in the law is to reveal an appalling ignorance of the most elemental aspects of Constitutional and Statute Law in the United States. The answer to that ridiculous contention is that the Federal Government is one of delegated, not general or plenary, powers, and that the Reserve Board may legally do only what it is specifically authorized to do—not the things that are not specifically prohibited.

A further and obvious answer to the Board is that of course Section 16 did not prohibit such action as that taken by the Board for the reason that it was not dealing with any such matter. By the same reasoning, the Board might just as well have said that such action could be taken because it was not prohibited by Sections 1 or 2, or 3, or 10, or 15, or any other Section, except of course Section 7. But had the Board turned to Section 7, it would have gotten a straight, simple answer—namely, that Congress had stated specifically in that Section of the Act that the net earnings of the Reserve banks, after expenses have been paid or provided for and dividends met, "shall be paid into the surplus fund of the Federal Reserve bank."

The remainder of the Board's statement to the Washington publicist was: "so that, with consultation with and approval of the two Congressional Committees, the Board felt sufficiently supported to go ahead."

Now the simple fact of the matter is that the two Congressional Committees did not approve any such action on the part of the Board. The proposition was not presented to them for approval in any formal manner and they did not so approve. Still further, had they approved, the most that they could have done was to make a recommendation to Congress from whom these Committees get their authority and to whom they report. The power to act in matters of this sort resides in Congress.

(Continued on page 24)

3 Legal opinions of this type raise a question as to the value of such Counsel. The opinion in this case, presumably by Counsel, reminds this author of a similar kind given in connection with the Board's manipulation in the issuance of Federal Reserve bank notes beginning in December, 1942, in which Board Counsel, a member of the Board's research staff, and Mr. Eccles made statements that were not only contrary to fact in several major respects but were so contradictory that even a casual reader of the testimony should easily perceive the extent of the contradictions involved. It probably would be difficult to find a more stultifying exhibition on the part of Federal administrators and their Counsel. The interested reader can find this material in the "Congressional Record" of Feb. 4, 1943, pp. 621-623, and in the report on the hearings on "Wartime Suspension of Certain Provisions of Federal Reserve Act" held by the Senate Committee on Banking and Currency, Feb. 17, 1943, pp. 24-37. An analysis and interpretation of these data, with excerpts, will be found in this author's pamphlet on "The Manipulation of Our Federal Reserve Bank Notes."

Another example of this sort of procedure on the part of the Reserve Board will be found in connection with an effort made by Mr. Eccles at the same hearing before this same House Committee (the hearing on "Direct Purchases," pp. 119-120) to support his assertion that the Federal Reserve banks had had authority under Section 14 of the Federal Reserve Act from 1914 to 1935 to purchase government securities directly from the Treasury. Despite his alleged supporting legal authority, the simple facts of the matter are that Section 14 provided no such authority and that the Secretary of the Treasury, in 1917, required the Reserve banks, because of their duties as fiscal agents of the Treasury, under Section 15, to purchase Treasury certificates. The Board could have gotten the facts in its own "Annual Report" for 1917, p. 3. Although that is another story, it provides another illustration of how the Board and its Counsel sometimes do not aid Congress.

4 It is noteworthy that while the Washington publicist was told by some representative or member of the Board, that the Board's proposal was "uniformly approved by the presidents of the Reserve banks," Mr. Eccles did not so state to the House Committee.

5 This check was undertaken on the ground that the Board, in answering the queries of the Washington publicist, had ceased to treat the matter as a confidential one between itself and the officers of the Reserve banks.

6 In addition to the above evidence of this nature, this author has been informed that the president of one Reserve bank expressed his opposition to the method employed by the Board. This author, unfortunately, cannot divulge the name of this president or the source of his information. But, considering the manner in which the allegation reached this author, he would be surprised if the report were inaccurate.

# More on Res. Board's Illegal Distribution Of FR Banks' Earnings

(Continued from page 23)

Therefore, the Board's statement that they were acting with the approval of the two Congressional Committees is most remarkable, to say the least.

The accuracy of the evidence and contentions, as presented here, as to the nature of this transaction by the Reserve Board[7] should be easily determined by members of Congress. Assuming their accuracy, the question arises as to whether Congress will investigate them and, if they are sustained, whether Congress is willing to tolerate this sort of administration of the Federal Reserve System.[8]

If Congress permits this administrative violation of law to pass without challenge and without appropriate corrective action, then this Board as constituted, and possibly other administrative and executive agencies, can find good grounds for encouragement in a belief which is obviously widespread in administrative circles—namely, that they can do substantially as they please, violate laws with impunity, mislead or hoodwink busy Congressmen, and continue a bureaucratic law-making government by overriding, nullifying, and amending the laws of Congress as they see fit.

7 This author understands that Governor Szymczak of the Board had nothing to do with this transaction because he was out of the country. It is also this author's understanding that Ronald Ransom, Vice Chairman, was absent because of illness. This author regrets that, because of lack of information, he is unable to clear with accuracy any members of the Board or its staff who may have opposed this illegal transaction. The chief responsibility, obviously, falls upon and was willingly assumed, apparently, by Chairman Eccles.

8 During the last session of Congress, Representative Smith of Ohio made an effort to do something about this matter, but Congress was too busy in its efforts to complete work on pressing matters, in anticipation of a recess, to consider an issue of this sort.

In a hearing on "Government Credit" by the House Committee on Banking and Currency, Part III, on "Guaranty of Bank Loans by Federal Reserve Banks" (June 3, 4, and 10, 1947), the following dialog took place (p. 322):

"MR. SMITH. One moment, please, Mr. Chairman [Wolcott of Michigan]. Mr. Eccles, will you prepare a statement for me in answer to that question that is asked in Monetary Notes, volume 7, No. 6, June 1, 1947, with respect to the interest charged on Federal Reserve notes and how the Board has decided to distribute the earnings of the Reserve banks?

"THE CHAIRMAN. Couldn't you have him write you a letter in that regard? I don't think it has any connection with this matter.

"MR. ECCLES. It has no connection with this.

"MR. SMITH. I think it has.

"THE CHAIRMAN. Well, there is no reason why you should not get the information. Perhaps you could discuss it with Mr. Eccles during recess.

"MR. SMITH. Very well."

It is interesting to notice, and indicative of at least some of Chairman Eccles' methods of not helping Congressmen properly, that, although he did not wish to discuss the question of confiscating the "surplus" earnings of the Reserve banks for the Treasury at the House hearings on "Government Credit" as requested by Representative Smith, he did it in a Senate hearing devoted to "Federal Reserve Assistance in Financing Small Business," and in a House hearing devoted to "Direct Purchases of Government Securities By Federal Reserve Banks." It is difficult to see why those hearings were more appropriate places for discussion of his proposition than was the hearing on "Government Credit." The point, in the opinion of this author, was that Chairman Eccles did not wish to have to reply to Representative Smith. It was Representative Smith who subjected Mr. Eccles to some effective and revealing questioning at the hearings in March, 1947, on "Direct Purchases." After contending, at that hearing (pp. 116-119), that the original Federal Reserve Act, in Section 14, gave the Reserve banks authority to purchase securities directly from the United States Treasury, Chairman Eccles was driven into a corner by Representative Smith and finally compelled to say "I do not know what was in the original bill."

On July 18, Representative Smith introduced in the "Congressional Record" (pp. A3836-A3837) a statement in which he concluded from the evidence seen that the Reserve Board had violated the Federal Reserve Act in engaging in this method of distributing what the Board regarded as the "excess" earnings of the Reserve banks.

# *Securities Salesman's Corner*

By JOHN DUTTON

Some salesmen are working and they are doing business. Current dullness in the securities markets has had an enervating effect upon sales morale. August, usually a slow month, was hotter this year and the inertia has carried over into September in most parts of the country. Yet I spoke with a salesman the other day who claimed he made eighty sales in about five weeks working almost exclusively on the Tucker deal. This salesman, a war veteran, has been away from retail security selling for many years and he has to get out there and scratch to dig up the orders. That may be the reason why he did business last month in substantial volume. He tried.

An analysis of the Tucker promotion showed the following results. Leads that were obtained by taking the names of the people who went to Radio City in New York and looked at the car were developed into sales. This salesman obtained the rest of his leads from newspaper advertisements. A prospectus was sent to those who replied to the ad and it was followed up by personal calls. The average sale was small; about 75 shares. Quite a few GIs bought stock. Most people called upon were interested in making a SPECULATION. Risk did not deter them. This salesman indicated that there was a speculation in the stock but a promising possibility of success right at the outset of his interview. There were quite a few chain sales. Only a small percentage of these sales were made to individual investors who might be classed as promising future accounts. Majority were very small buyers. The interesting point is that the public will answer newspaper advertisements today and they like speculations as much as ever. Small sales can mount up to a large volume of aggregate business but it takes a great deal more energy and ambition to do this kind of a selling job than most men will expend these days.

If you had a salesman who would work like this would you not give him every encouragement? Unfortunately this man is a rarity today in almost any line of work. There is no doubt about it—if you have something attractive to offer that is timely and you put your efforts behind it you can do business. It is very likely that this man could make a success of any line of selling today.

Some dealers are discovering that many investors are becoming very much fed up with the low rate of return on high grade bonds. They are selecting several attractive stocks that yield six, seven or even eight percent (they can be found) and they are plugging high yields and making a success of it. Newspaper advertisements are pulling good leads along these lines at the present time according to what we have heard. Of course, some sections of the country are more likely to be interested in this angle than others. The farming sections, bituminous coal regions, and medium sized localities (cities of around 200,000 to 500,000 population) have promising aspects for this type of promotion. A good selling advertisement offering substantial yields and backed up by a selling drive can bring in the business at this time. In the securities business you have to adopt the same successful selling technique used by the vendors of any other product. Offer the public WHAT THEY WANT, WHEN THEY WANT IT, AND LET THEM KNOW WHERE THEY CAN GET IT. Two percent isn't even peanuts anymore with the cost of living where it is today and high taxes to boot. That is why the small investor is looking around for more take home dividends these days. But you won't find him visiting your office and asking you about these things. You still have to go our and see him.

# As We See It

(Continued from first page)

### Neglected Facts

Throughout most of all this there is a remarkable want of reference to the facts which underlie the current situation and which must somehow be reckoned with in any intelligent and intelligible analysis of it or prescription for it. Here are some of them:

**(1) During the years 1941 through 1945, individuals received in current income $130 billion more than they spent for consumer goods. Personal income was enormously increased as a result of higher wages, great overtime rate payments, and drastic enlargement of the number of men and women at work. Consumer goods to absorb this enlarged volume of income simply were not to be had at prices then prevailing. Appeals to wartime patriotism, plus controls more or less effective during hostilities, prevented consumers from bidding against one another for a strictly limited supply of goods until prices rose sufficiently to absorb the higher incomes. A substantial part of this excess of income over current purchases was absorbed by savings bonds—which, however, are redeemable upon demand and were often sold with a plea that they constituted the best known way of "storing" purchasing power pending the return of peace and an opportunity to buy things really wanted.**

(2) Capital actually used up during these years, 1941 through 1945, in the production of war and other goods (approximated, presumably, by the Department of Commerce from estimates of depreciation charges, accidental damage to plant, and the like) amounted to $49 billion. Total private domestic capital investment during the period is estimated by the Department of Commerce at $46 billion. Thus on a net basis, industry was not only unable to expand its plant and equipment, but actually accumulated unexpended depreciation reserves. As a further means of meeting these capital needs, corporations during these years accumulated $25 billion in undistributed earnings.

**(3) The deficit of government on what the Department calls "Income and Product Transactions" for this period totals to the staggering sum of $169 billion.**

(4) One very significant result of all this was to place in the hands of the public some $85 billion in currency and bank deposits.

### The First Peace Year

So much for the war years. Now for the first full postwar calendar year, 1946. First, we find that personal income during that 12 months, far from declining as so many wiseacres in Washington had repeatedly warned, rose to $177 billion, which topped 1945 by some five or six billion. The highest figure prior to 1945 was in 1944, at about $165 billion. Second, individuals in 1946 spent all but $14.8 billion of their income for consumer goods. They had "saved" $29 billion in 1945, $36 billion in 1944, $30 billion in 1943, and $25 billion in 1942.

**Again, private business, far from permitting depreciation reserves to accumulate, spent nearly $25 billion for plant and facilities, and in the replenishment of inventories. Depreciation and similar charges were only about $9.3 billion. Meanwhile, we (mostly government) "invested" nearly $4.8 billion abroad, net. That is to say, in practical effect we supplied foreigners with dollars to buy goods here in these amounts over and above any investments they may have made here.**

Figures for the first half of the current year are not nearly so complete, but enough is now available to indicate quite clearly that the same factors have been operative, and to suggest that their force has hardly declined appreciably. Personal income has continued to break all records. It has moreover continued to rise from month to month. In July it touched the record-breaking annual rate of $197 billion. In the first six months preliminary estimates place such income at the annual rate of $191 and personal expenditures for consumer goods at $158 billion. When taxes are taken into account, these figures suggest an annual saving rate of only $12 billion.

**Foreign purchases with funds furnished by us, or purchases by Americans for foreign account have continued enormous. Some rather moderate decline in these purchases and indications that they might in the months immediately ahead decline substantially (leaving the ordinary citizen of these United States of America a somewhat better opportunity to buy what he wants and needs) have quickly given rise to demands for a "Marshall Plan," and for huge expenditures for foreign account in the name of a "Marshall Gap," which has somehow, according to these commentators, to be bridged in order to maintain the flow of goods abroad during the time it takes to settle upon and adopt any "Marshall Plan."**

And still some of these gentlemen, who are so fond of rushing into print or of telling their assembled fellow citizens what is what, are unable to account for high and rising prices—except, that is, in political terms. We find it hard to conceive of what would be necessary to lead these observers to expect and understand rising price trends.

### Other Strange Notions

But there are other strange aspects of this situation. A very short time ago there were many current statements to the effect—and we are not certain that such beliefs are not rather widely held at this very moment—that unless some way was found to maintain the flow of American goods abroad, depression would certainly overtake us within the very near future. But today a new "warning" comes from the wiseacres. They now think it well to impress us with the notion that the normal price effects of all this will, in a short time, send us all to the poorhouse, individually and collectively. They apparently — or at least some of them—however do not wish to do anything to reduce over-swollen demand for all these things. No, that, too, according to them, would induce depression and unemployment.

**What we must do, so say these soothsayers, is to encourage demand, but prevent it from having its normal price effect—that is, go back to wartime ways of doing things, to the very practices which we have described in preceding paragraphs as the underlying causes of our present troubles.**

Verily, the mental processes of economic planners are past finding out!

# The Western Hemisphere in Today's World

(Continued from page 4)

tained in Wilson's Fourteen Points were thrown out the window after World War One. Then I asked: "Are we to experience the same disillusionment again?"

"It is not a pleasant thing," I asserted, "but it is the cold blunt truth that when this war is over, Europe will be right back in the old game of power politics."

Power politics on a vaster scale than ever before is the order of the day. Instead of the beautiful "one world," we have at least three worlds with which presently we are most concerned:

(1) Communistic Russia and her slave and half-slave satellites.

(2) Socialist England, France and Italy.

(3) This Western Hemisphere which still upholds the banner of freedom.

### Our Stupidity Responsible for Russia

The Russian world has been made possible largely by our stupidity plus effective use by Russia of U. N. forums for the purpose of confusing the issues while at the same time she went ahead with her program of absorption and enslavement. It's become common of late for speakers in the political arena to denounce Russian aggression and infiltration. But I shall never understand why it took them so long to appraise the obvious implication of things like, for example, the decision to invade Europe by way of Normandy rather than through the Balkans; or the stop order to our troops to permit the Russians to enter Berlin first—to mention but two of dozens of indices.

*Now*, when the Russian program has become crystal clear, we meet the critically serious situation in Central Europe by manicuring the toenails of our Hellenic patient while the vital problem of Germany (the heart of Europe) is left unsolved.

In my humble judgment we cannot save Western Europe unless we have an entirely new approach to the German situation. There we shall win or lose the fight we are waging to preserve something for the desperate European peoples facing tragedy in all directions.

The plan to reduce Germany to a pastoral state was as stupid as it was vindictive. A grammer school student with a list of European production, imports and exports for the five years before the war, could demonstrate to anyone that elimination of Germany as a producing and exporting nation easily could wreck the whole European economy.

It was equally stupid to set up the so-called Level of Industry plan for Germany on a basis that made it impossible for her even to produce the food necessary to feed her own people. So this hemisphere is being called upon increasingly to make up the deficiencies.

The German problem further is complicated by the policies of the Socialist governments of England and France. In the bizonal area the British are endeavoring—with considerable success, I regret to say—to nationalize industry. Beyond that they wish to pay the Germans in almost worthless marks, then sell their products for U. S. dollars.

Small wonder it is that the German farmer would rather trade what surplus he has for family necessities than to sell it for marks.

Meanwhile the situation is further handicapped by what is going on in England under its Socialist government. For example, before the war, England was a large exporter of coal. Britain's coal provided a much needed product for other European countries and gave her funds with which she could buy things she needed.

But since the Socialist government of England inaugurated the 5-day, 35-hour week, England's coal production has declined to the point where little, if any, exportable surplus remains. So the workers of this hemisphere are asked to put in longer hours to supply the shortage.

### Coal Mining Under Socialism

The strike of 40,000 of England's coal miners because they were asked to dig 2 feet more of coal per day evidences the paralyzing influence of socialistic doctrine. By any measuring stick the Utopia simply hasn't materialized.

Meanwhile on the political front, little is being accomplished toward making peace. And right at this point, may I add, that unless the Foreign Ministers' Meeting in Moscow in November results in agreement for the right sort of peace treaties with Germany, Japan and Austria, the countries of this hemisphere should act independently. In other words, we should announce forthwith that we no longer will tolerate continuance of the present policy of delay and obstruction. That announcement should carry with it the statement that we intend to proceed at once with the negotiation of separate peace treaties, inviting all of like mind to join us.

Every so often one hears the query, "But how can we permit Germany to resume manufacture without risking the possibility of a re-armed Germany—again a threat to world peace?" That's a natural question and merits an unequivocal answer. The best information I can get from those qualified to answer is, that the policing of Germany, having no army and navy, could be handled—easily handled—by not over 10,000 men.

If that is true, and even if it takes 100,000 men, what are we waiting for? Every day that goes by adds to the chaos—fertilizes the communistic program—removes hope from the hearts of men—and makes readjustment more difficult and more costly. And don't forget that Communism has a vested interest in chaos.

Money alone is not the answer. Bad loans never made good friends. They destroy character—when what is needed is a rebuilding of character, of faith, of courage.

I recall a letter I received from a very dear and a very astute English friend shortly after U. S. made the loan. He wrote:

"Well, you made the loan and with it you settled our debt to you for 2½ cents on the dollar. Very generous I should say, and quite sporting. But what have you done to us? Time alone will give the final answer. But you have part of it already in the announcement of the closing of the Liverpool Cotton Exchange. That evidences that our Socialist Government waited until your Cotton States Senators had voted for the loan before they stopped the relationships of decades which our textile people had with your cotton producers. You'll find that's just a beginning, and you have underwritten it by making this loan. But more than that, and worse still, you have undermined British character.

"What sort of a position does it put us in to accept 97½% discount from you when we're not sure we can get even 33⅓% discount from our own empire countries? And what chance have we to save old England if you save our Socialist Government? Far better if you had let us stew in our own brewing at least until my people had awakened to the hopelessness of nationalization of industry and returned to the only kind of government that ever has ensured freedom and plenty.

"Don't misunderstand me, please. You did what you did because of your long-time friendship for my country. And you did what those responsible for my government asked you to do.

"But *you now* are the strong nation. Our relation to you is that of a child to a parent. And as you and I, as fathers, know so well, we don't give our children everything they ask of us. We protect them from themselves.

"This is the first time in our many years of friendship that I have undertaken to lecture you. I write as I do only because I wanted you, my best friend in the States, to have the true picture, one that I fear your propaganda services as well as ours are not presenting to your people.

"Here's hoping I'm wrong, because it will be a sorry world for all of us if we can't stand together and work together for the things we know are right. If we can recapture the old time fundamentals, we'll come out on top and be ready to help you as we should. But please don't bribe us to be quitters by making any more loans."

That letter was written 14 months ago. A little less than two weeks ago Lord Beaverbrook expressed himself on the same general subject. After indicating that Britain blamed the Socialists for the "mess Britain is in," he added, "But it is not the Socialists alone who are responsible for the present state of affairs. The basis of our being in the present condition instead of being well on the way to recovery is the *loan* and the conditions under which it was *accepted*. It provided *easy* money for Britain. It *destroyed* our prospect of reconstructing our economy on *sound lines*."

And even more recently, last Wednesday in fact, Britain's wartime Prime Minister, after commenting on "The incapacity of the Socialist Government" and its "strange, un-British doctrines," observed: "I am convinced that the first step to insure our survival must be the expulsion from power of those who have mismanaged, mauled and mistreated their native land." On the same day John J. McCloy, American President of the World Bank, stated that Americans were beginning to question whether dollar loans were the answer to Europe's problems.

If these appraisals are correct, the recent suggestion that we pass around some of our gold would not provide the answer. And that, regardless of the fact that our excess of gold over liabilities and necessary reserves is much less than generally is realized.

It just may be that the right answer can be found in the old adage, "The Lord helps those who help themselves."

### The Worst Help

Certainly help which makes mendicants rather than self-respecting, hard-working, frugal citizens is the worst possible kind of help for men and for nations. And always there is the additional factor of the resources of the donor. Certainly, U. S. resources are not inexhaustible. No lover of freedom could view with anything but genuine alarm the possibility of an insolvent U. S. in this critical period in the world's history.

So what should the overall attitude of the businessman of this hemishpere be in this difficult time?

I shall not attempt to chart a course. I prefer merely to give you some thoughts on the basic problems that may stimulate your own thinking.

In the first place, the Pact of Petropolis again demonstrates that we of this hemisphere can cooperate. That stems from the fact that we are willing to give and take for the good of all. If we cannot have that same spirit from others, the sooner we realize it and quit fooling around the better off we and the rest of the world will be.

I suggested earlier that if the Foreign Ministers come up with another dud, we should immediately negotiate a separate peace with Germany, Japan and Austria. That would pave the way for a changed policy toward Germany. Such a policy should completely shackle her against any disturbance of world peace. But it could restore her productive capacity to the great benefit of western Europe and the world.

At Potsdam, Russia agreed that a united Germany should emerge after peace treaties were signed. Whether that agreement is worth any more than the others she so callously has repudiated, remains to be seen. But in November she should have her last chance to make good on this promise. Then, I think we should insist that all the countries asking aid put their own houses in order. At least, to such an extent as their elections have been free, it's not our business what sort of governments they choose. But if those governments by unsound fiscal policies and unsound economic doctrines negative the aid we give, that aid should be withdrawn.

### Too Much Government

The world is suffering from the malady of too much government. People, misled by self-seeking demagogues, have come to believe that in government they can find the cure-all for every ill. And, in too many cases—and the Western Hemisphere is not free from this symptom—the slogan is "more money for less work."

I am reminded of Lincoln's advice to his indigent half-brother, when he wrote:

"Dear Johnston: Your request for eighty dollars, I do not think it best to comply with now. At the various times when I have helped you a little, you have said to me, 'We can get along very well, now;'—but in a very short time, I found that you were in the same difficulty again. Now, this can only happen by some defect in your conduct. What that defect is, I think I know. You're not lazy, and still you are an idler. I doubt whether, since I saw you, you have done a good whole day's work in any day. This habit of uselessly wasting time is the whole difficulty. It is vastly important to you, and still more so to your children, that you should break the habit. It is more important to them, because they have longer to live, and can keep out of an idle habit before they are in it, easier than they can get out after they are in."

That sort of homespun advice is what the world most needs. Unless the leaders of European thought and government can instill some of that philosophy into their people, all the gold in the world won't save them.

But you may ask, what should the American Republics do if we get no cooperation from our late allies? That, in my opinion, would be most unfortunate, because then we might have to withdraw from the European scene, limiting ourselves to the donation of such food and other surpluses as we could spare.

But even that would be preferable (unfortunate though it would be) to a go-along policy which in the end would wreck this hemisphere along with Europe. Because eventually Europe must see the light and when that time comes we would have something with which to help.

My hope, and I'm sure your hope, is that the Moscow November meeting will bring results. That probably is the only thing that will save the UN and make possible at this time any sort of cooperation on a world basis.

I realize your meeting here is for free discussion and friendly interchange of views amongst the stock exchange leaders of the Hemisphere. But as this is my first appearance as President of the Inter-American Council, I felt I should discuss with you briefly a few of the things that concern all of us.

### Businessmen's Opportunity

The business men of the Americas have an unprecedented opportunity to demonstrate the superiority of a free economy based on individual initiative and enterprise. We have in our Pan-American System a real pattern for peace and cooperation.

In the field of business and enterprise the Inter-American Council is today the Congress of the businessmen of the Americas.

The Council has taken a firm position at its various hemispheric and regional conferences in favor of adequate protection for all foreign investments which assist in raising economic levels in borrowing nations. It has repeatedly stated that foreign government loans whose genesis is political . . . are detrimental to the spirit of enterprise. Private foreign investments soundly made, however, encourage interchange between debtor and creditor countries and increase their levels of production and standards of living.

The Inter-American Council feels deeply honored in sponsoring this First Hemispheric Stock Exchange Conference. In welcoming you I wish to express our deep appreciation to the U. S. Inter-American Council, the Stock Exchange and the Curb Exchange of New York for their most effective support.

We, the business men of the Americas who believe in this movement, feel that the Inter-American Council is the logical medium for continued hemispheric economic development—and for the maintenance and expansion of free private enterprise in the western world.

Private enterprise must supply the initiative needed in the development of the resources and industries of the hemisphere. It is a factor essential in economic expansion which will bring about a rising standard of living, maximum employment and social and political stability throughout the Americas. By promoting friendship and understanding among the men in the stock exchange fraternity and among your customers you of this conference can contribute much.

I have great faith in people. Given the facts, they usually will find the correct answers. I have particular faith in our peoples of the Western Hemisphere. For decades we have furnished a shining light to troubled nations everywhere. Let us then hold fast to the things we know are right and true. Let us be not afraid to speak boldly for honor and decency, for integrity, for frugality, and for fair play. Then, regardless of the measure of success we achieve, we shall know we have done our part to preserve Western Christian civilization.

---

### Joins Breed & Harrison

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Frank W. Gano has become affiliated with Breed & Harrison, Inc., First National Bank Building.

# Profits Aren't That High!

(Continued from first page)

business earns today $197 million, where it earned $100 million before the war, it is not any better off.

### The Profit Illusion of Increasing Prices

In the second place the most dangerous thing rising prices is that it produces an illusion of great prosperity. Unfortunately, the profits, based upon ordinary accounting, may fail to reflect the true results of business operations and transactions. The well-known story of the European nail merchant, popular after World War I, will bear repeating.

"Once upon a time there lived in the city of Hamburg a wealthy merchant with a warehouse full of nails. Then inflation came along and with it prices and costs started to rise, slowly at first, and then with a constantly accelerating tempo. Business was wonderful. Customers crowded his store and soon he had sold his entire stock.

"With the proceeds of this sale, which were exactly one million marks, he bought a train load of nails. These he sold in record time and they brought two million marks. Never before had he made such easy money. He immediately reinvested these two million marks in nails, this time purchasing a car load of nails which he sold again in short order for five million marks. Again the clever merchant invested his money in nails, this time buying a gross and selling them immediately for 10 million marks.

"Still desiring to pyramid his fortune, the nail merchant took his 10 million marks and bought some more nails. This time he obtained exactly one dozen nails. But still business was booming and he sold these nails, which had cost him 10 million marks, for 25 million marks. Finally he took these 25 million marks and again invested them in nails. This time he was able to purchase but one nail which he used to hang himself."

And thereby hangs a moral. For this is the illusion of inflation. One appears to be making money when one may be selling oneself out. The Germans had a word for it. They called it *ausverkauf*.

### Inflation Price Policy

The trouble with the German nail merchant was the fact that his records showed that he was making money when in reality he was losing it. When he sold one million marks worth of nails for two million marks he thought he had cleared one million gross. In reality he had lost heavily. His error was due to figuring profits as equal to net sales less the cost of the goods sold. His formula should have read—net sales less the cost of replacing the goods sold. Had this been done his loss would have stood out clearly.

The solution of the problem lies in the application of the theory of replacement costs. Merchandise should always be sold at the cost of replacing it and not at the cost of production or acquisition. If this is not done the firm runs the risk of depleting its working capital, and the depletion of the working capital will be largely in proportion to the rapidity of the rise of prices under inflation.

Selling prices, therefore, must be based upon the cost of the goods at the moment of the sale and not at the date on which the goods were manufactured or purchased. This is necessary because, during the time elapsed between the acquisition of the goods and their sale, prices and costs will have risen. An example may make this clear.

On January 1 the cost of production of an object was as follows:

| | |
|---|---|
| Raw material | $1.00 |
| Labor | 1.00 |
| Overhead | .50 |
| Factory cost | $2.50 |

Six months later, on June 1, this article was sold, with a mark up of 50%, for $3.75. Apparently the manufacturer made a gross profit of $1.25.

The cost of producing the same article on June 1, after six months of inflation, rising prices and costs was:

| | |
|---|---|
| Raw material | $1.50 |
| Labor | 1.50 |
| Overhead | .75 |
| Factory cost | $3.75 |

Now if the profit of the manufacturer be figured on a basis of replacement costs we find that he had merely broken even on his factory costs and, when the other elements of costs are added, it can be seen that he would really have lost money. What he should have done was to figure the selling price of goods on the basis of the replacement cost of $3.75. This, with a 50% mark-up, would have brought the selling price to $5.63. If this manufacturer were to continue to ignore replacement costs in setting prices for a long period of time it would not be long until his working capital was depleted.

### Balance Sheet Problems Presented By Inflation Prices

In general accounting practice, it is customary to enter the items in the books at the prices stipulated in the instruments giving rise to the accounting entry or at the current market value for entries which do not result from a transaction. In times of monetary stability this procedure is satisfactory, for the market values expressed in the books of account remain relatively the same over short periods of time, at least. Thus, the financial statements at the end of the year ordinarily indicated with reasonable veracity the financial position of the business and the results of the year's operations. In periods of rapidly increasing prices, this practice ceases to give truthful results.

An example will illustrate this fact. An enterprise founded in 1926 did business steadily and the balance sheet, as of Dec. 31, 1946, was as follows:

| Assets | |
|---|---|
| Plant | $100,000 |
| Equipment | 50,000 |
| Inventory | 40,000 |
| Accounts Receivable | 40,000 |
| Cash | 20,000 |
| | $250,000 |
| **Liabilities** | |
| Capital Stock | 75,000 |
| Bonds | 50,000 |
| Depreciation | 100,000 |
| Reserves | 5,000 |
| Accounts Payable | 15,000 |
| Surplus | 5,000 |
| | $250,000 |

This balance sheet does not give a true picture of the business. In the first place, the plant, acquired before the war, is worth much more than $100,000—it would cost much more to reproduce. The same remark is also true as regards the equipment. It must be carefully noted, though, that the increase in the value of these two items is not appreciation — it might properly be termed quasi-appreciation — and the readjustment of this account should not be handled as real appreciation.

The book value of the inventory, entered at cost, no longer reflects anything approaching the real market value of the stocks although this account is more accurate than plant and equipment. The degree of exactitude of its book value depends upon the period of turnover of the business in question. The stocks of raw materials, goods in process, and manufactured goods were gradually acquired during the past few months. The book value of those elements recently acquired will be more accurate than that of those acquired at earlier dates. It is evident that a thorough reevaluation of these accounts is needed.

The book value of accounts receivable is exact. This account is based upon contractual agreements with the customers of the firm who agreed to pay a definite sum. No matter how high the general level of prices goes, they cannot be obliged to pay more than the stipulated amount.

The cash account is also exact. It is evident that the cash on hand does not increase with the general level of prices, and that the bank cannot be forced to pay its depositors any more than they have deposited. But the value of these two accounts tells us very little about their actual purchasing power. The decline in their purchasing power constitutes a real loss to the business which should properly be shown in the books. Ordinary accounting methods, as the balance sheet shows, fail to do this.

On the liability side of the balance sheet the capital stock account, expressing a legal relationship, must always remain exact. Further, the nominal value on the carried on the books is of but little consequence since it does not correspond generally to reality. A share of capital stock represents a residual interest in the assets of the business, and in practice the par or book value of a share seldom corresponds to any real value.

The account for bonds is also always exact since it expresses a legal relation. The corporation can only be obliged to pay back the bonds in terms of nominal dollars. However, the depreciation of the purchasing power of the bonds constitutes an element of profit for the business which classical inflation theorists have long stressed. Unfortunately the books do not show this gain and it would be wise to install an accounting method which would bring out this element of profit.

Depreciation presents a different problem. If it be assumed that the plant and equipment of this firm were purchased in 1926, and that their life was estimated at 30 years, then it would obviously be necessary to charge off $5,000 a year for depreciation. By Dec. 31, 1946, the date of the balance sheet, the depreciation reserve account would show $100,000. But unless the dollar was brought back to its prewar value, the corporation could not replace the plant and equipment with the sum reserved. In all probability, judging by the movement of prices, it would cost close to $300,000 to reconstitute these items. It is quite evident that depreciation should have been increased.

If the plant and equipment were carried on the books at their replacement prices, this discrepancy would stand out at once.

Had such a sufficient amount been set aside as soon as prices started to rise, this situation would not have arisen. Accounting, through the use of the usual measures, failed to bring this fact out in the balance sheet. It is evident, of course, that these criticisms could not apply to a bond amortization account.

The account, Reserves, expresses a value in terms of depreciated dollars. If the firm has been setting aside a fixed sum, or a fixed percentage of surplus, each year as a provision for business contingencies it would be necessary, just as was the case with the depreciation, to increase the amount at a rate corresponding to the depreciation of the dollar. This is especially important in view of the fact that any contingencies which arise are certain to cost more than they would have cost in the absence of any inflation.

The same remarks which were made with reference to accounts receivable apply with equal force to accounts payable. In this case, however, the rise in prices works to the advantage of the firm, and not to its disadvantage as was the case with accounts receivable.

In view of the readjustments to be made in the balance sheet the surplus can hardly be said to represent with any accuracy the earnings of, or the accretions to, the business. If the plant, equipment, and inventory accounts were brought up to their actual market or replacement value, the surplus account would appear much larger than it actually is, but if surplus be debited for the full amount of the depreciation its balance would be reduced. It is, however, to be doubted if the increased value of the plant would form a proper credit to the surplus account; it would appear better and clearer practice to create a special account to take care of this increase. Certainly, it would not constitute good or conservative business practice to pay out this quasi-appreciation in the form of dividends— this might result if the quasi-appreciation were credited to surplus.

It may further be asked if the surplus account as shown on the above balance sheet is a true surplus. In the present case, the surplus is due in part to a failure to maintain a replacement policy of depreciation.

The surplus is also inexact in that it fails to show the accretions and depletions of the business which are due to the decline in the purchasing power of the nominal amounts inscribed for accounts receivable and payable as well as cash. The variations in the purchasing power of these accounts properly constitute debits and credits to profit and loss or surplus. Ordinary accounting methods make no provisions for this and, therefore, the surplus account must remain inexact under these systems.

Due to causes such as this, it is quite conceivable that the balance sheet show a surplus which is a pure fiction, not due even to a failure to maintain the depreciation at its correct amount. This can very well be the case where the fixed assets are relatively small, the liquid assets relatively large, the short-term debts small, or the capitalization relatively large.

Another source of deficit comes about through the normal operations of the business by a failure to sell at a remunerative price—which, under inflation, consists of selling on a basis of "replacement prices." The accounts, maintained in the usual fashion, and consequently the balance sheet, will show a profit or surplus whenever the goods are sold for more than the total cost. But if this selling price does not permit the business to restock the same quantity of goods sold, then the profit fails to correspond to any liquid assets, and disappears when the balance sheet is deflated.

### Profit and Loss Problems

The problem of the surplus is, of course, closely allied to the profit and loss accounts and statements as well as to the cost accounts. Under inflation the usual methods of keeping these accounts gave no more satisfactory results than was the case with the balance sheet. A consideration of the following statement may serve to illustrate and explain this point: In this statement it is assumed that all goods produced are sold.

| | | |
|---|---|---|
| Net sales | | $100,000 |
| Cost of materials | $25,000 | |
| Labor cost | 25,000 | |
| Prime cost of goods sold | $50,000 | |
| Factory overhead | 10,000 | |
| Factory cost of goods sold | | 60,000 |
| Gross profit | | $40,000 |
| Administrative and selling expenses | $10,000 | |
| Other expenses and deductions | 10,000 | |
| | | 20,000 |
| Net profit | | $20,000 |

This statement shows a net profit of $20,000. All of the deductions from net sales have been entered at their actual cost at the time that the expenditures were made.

As the statement now stands, this net profit of $20,000 may be erroneous and not find its counterpart in any of the working capital assets accounts. During the manufacturing period (or the turnover period if we are dealing with a trading enterprise) the prices of all the elements which enter the finished product are increasing.

The raw materials are increasing in price. Factory labor is well organized and is obtaining wage increases. The elements of factory overhead, light, hat, rent, taxes, power, etc., are being constantly increased as are the other elements of cost.

But the profit and loss statement presents these elements at their price at the time that they were incurred. If the statement showed the costs of material, labor, and other expenses, at the time of the sale of the goods, the surplus, as shown on the statement, would be smaller. Such a procedure would represent with greater accuracy the net result of the business operations than does the present practice; for the surplus shown does not find its full counterpart in the net working capital assets since a larger sum of money would be needed to replace the goods sold than their total cost as indicated by the cost accounts.

A surplus or profit under these conditions is likely to prove misleading. Profit can only be calculated upon cost of production when the monetary unit is relatively stable—it is only under this condition that the profit will reflect itself fully in working capital. Where money is undergoing depreciation and where costs are rising with equal rapidity, then profit must be figured on the cost of the reproduction or replacement of the materials and labor sold. This conception may appear false to those accountants to whom gross profits must always equal net sales minus total cost of production, but even the most traditionally minded must admit that profits which have no counterpart in net working capital are purely fictitious.

If prices are based upon cost of production or acquisition during a period of rising prices the monies or credits received from the sale of goods will not permit the business to reproduce or restock the same amount of goods as were sold at these prices. For during the period of manufacturing or stocking the prices of the goods purchased, raw materials, labor, and other costs will have risen. It will evidently take greater funds to restock after this period than it did at the beginning and if provision has not been made in the selling price for this rise then the working capital will decline.

The usual accounting methods cast their cost data in terms of cost of production. This, of course, will permit the business managers to estimate or figure reproduction costs for purposes of pricing, but, in many instances, it would be preferable that the accounting department be able to furnish cost data for any parts of the merchandise based upon the cost of reproduction at a particular moment. The usual cost accounting methods here are incomplete and inadequate for the formulation of a price policy and do not furnish a certain method of control, because they are based upon actual cost outlays.

There is no doubt, in spite of all this, that business in general has been profitable so far this year—more profitable than in many a moon. But before deciding important question of business policy based upon today's apparent earnings as reported by standard accounting methods, it would be wise to deflate these earnings and to recalculate them on the basis of replacement costs taking into account the hidden losses resulting from inflated prices.[1]

[1] The adjustments in the accounts, required by rising prices, may have been made, partially or totally, by the American corporations whose profits were recently discussed in the magazine "Exchange." The author of this article does not take the position that they were not or that the accounting methods employed by these firms are inexact. Obviously, the books of account, accounting methods and procedures, of private firms are not open to inspection by the general public. The point is, however, unless appropriate methods or mark-ups are utilized, ordinary accounting techniques, quite appropriate for periods of stable prices, fail to produce accurate results during inflation.

## Blyth & Co., Inc., Group Offers San Diego Com.

An underwriting group headed by Blyth & Co., Inc., is today (Thursday) offering 300,000 shares of common stock of San Diego Gas & Electric Co. at $14.50 per share. The group was awarded the stock at competitive bidding Tuesday.

Proceeds from the sale of the stock will be used by the company to reimburse its treasury because of income invested in utility plant prior to June 30, 1947. The company proposes to use an amount equal to such net proceeds to finance, in part, its 1947 construction program, which calls for the expenditure of approximately $16,000,000.

For the six months ended June 30, 1947, the company reported net income of $851,877. This compared with net income of $1,527,383 for the calendar year 1946 and $1,507,551 for 1945.

San Diego Gas & Electric is an operating utility engaged in the business of generating, purchasing, transmitting, distributing and selling electric energy for light, power and heat to domestic, commercial, industrial, agricultural, governmental, military and naval customers in San Diego County, California, and in a portion of the southern part of Orange County, and of purchasing natural gas at wholesale and manufacturing, transporting, distributing and selling gas at retail in the city of San Diego and other communities in western San Diego County.

## Vic Wikle Opens

(Special to THE FINANCIAL CHRONICLE)

ANDERSON, IND.—Vic Wikle & Associates, Inc., has been formed with offices in the Citizens Bank Building to engage in the securities business.

# The State of Trade and Industry

(Continued from page 5)

**43% of the steel consumers replying have dabbled in the gray market for supplies during that time. If the percentage of gray market steel indicated in the comprehensive sample testing is plotted against total finished steel shipments expected during 1947, it is estimated that 2,600,000 tons will have been ultimately disposed of by the gray market. This figure supports testimony in Washington last week that close to 3 million tons of black market steel on an annual basis, was reaching consumers.**

Steel leaders have repeatedly denied (and exhaustive investigation by "The Iron Age" supports their position) that they have had any traffic with the gray market and therefore cannot be held legally responsible for this situation. Notwithstanding this denial 40% of the purchasing agents answering questionnaires place the blame for the gray market on steel producers.

It is apparent that the gray market will be extremely active until steel supplies catch up with demand. Some 32.8% of steel consumers think that the gray market is expanding while 67.2% believe it is decreasing.

**Hardly any steel customer derives the bulk of his steel from the gray market. In most cases only the tonnages necessary to keep manufacturing operations at high levels to meet competition are purchased at the fantastic prices ultimately charged for steel sheets. The storm and fury arising from the fact that customers are forced into the gray market and are forced to pay such fancy prices is out of all proportion to the total tonnage involved.**

Almost 10% of those using the gray market pay up to $60 above mill prices for such material. It is estimated that the average mill delivered price for cold-rolled steel products, including extras and freight, is around $80 a ton. Those paying from $61 to $100 a ton above mill prices were 39.5% of those buying in gray market; 25.8% paid between $101 and $150 above the mill price, and 25.5% paid more than $150 above the so-called delivered mill price. A weighted average of these premium prices indicated that users of gray market steel combined paid at least $114 more for premium steel than they would have paid had their normal suppliers furnished them with mill priced material.

Major sources of gray market material are: (1) Redirected export tonnage; (2) redirected tonnage shipped to customers who do not need as much as they are getting; and (3) the tremendous growth of so-called conversion deals. It is the latter source which enrages so many steel buyers when the conversion charges by regular steel mills to reduce ingots into sheets, takes out of the consumer's pocket an amount corresponding to regular gray market prices for steel coming from other sources.

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 89.4% of capacity for the week beginning Sept. 15, 1947, as compared with 84.3% one week ago, 92.8% one month ago and 89.1% one year ago. This represents an increase of 5.1 points, or 6.0% from the preceding week.

The week's operating rate is equivalent to 1,564,400 tons of steel ingots and castings compared to 1,475,200 tons one week ago, 1,623,900 tons one month ago, and 1,570,300 tons one year ago.

### ELECTRIC OUTPUT HITS ALL-TIME RECORD HIGH

The amount of electric energy distributed by the electric light and power industry for the week ended Sept. 13, 1947 was 5,053,300,000 kwh., according to the Edison Electric Institute. This compares with 4,720,659,000 kwh. in the preceding week and was 11.8% in excess of the 4,521,151,000 kwh. produced in the corresponding period of last year.

The Sept. 13 week's total represented an all-time record high and compared with the corresponding period in 1932 and 1929 when output amounted to 1,430,863,000 kwh. and 1,792,131,000 kwh. respectively. A previous peak of 4,952,876,000 kwh. was established in the week ended Aug. 23, 1947.

### RAILROAD FREIGHT LOADINGS DECLINE FOR WEEK BUT HOLD ABOVE LAST YEAR'S LEVEL

Loadings of revenue freight for the week ended Sept. 6, 1947, totaled 809,050 cars, the Association of American Railroads announced. This was a decrease of 116,682 cars, or 12.6% below the preceding week. This represented an increase of 14,567 cars, or 1.8% above the corresponding week in 1946, and an increase of 79,196 cars, or 10.9% above the same week in 1945.

### AUTOMOTIVE DAILY OUTPUT ATTAINS NEW POSTWAR HIGH IN LATEST WEEK

Automotive production for last week established a new high point in the postwar period when output totaled 109,123 units. The previous record figure for automotive output was reached on March 22, last, when 108,472 units were turned out.

Prospects for the current week's volume, according to Ward's Automotive Reports, could closely parallel last week's figure, but, it was pointed out, a "seriously curtailed and rapidly declining rate of metal output in United States Steel Corp. plants, occasioned by the inter-mill rail strike in the Pittsburgh area" could result in drastic reductions in output.

**Production in the United States and Canada during the past week totaled 109,123 units, compared with a revised figure of 83,444 units for the previous week and 88,888 units in the comparable period of last year, states Ward's.**

**Last week's output comprised 103,976 vehicles made in this country and 5,147 in Canada. The U. S. total included 77,626 cars and 26,350 trucks, while the Dominion figure showed 3,240 cars and 1,907 trucks.**

### BUSINESS FAILURES AT NEW HIGH POINT IN FOUR WEEK PERIOD

In the week ending Sept. 11, commercial and industrial failures rose to the highest level in the last four weeks, reports Dun & Bradstreet, Inc. Concerns failing numbered 75 as compared with 60 in the preceding week and 31 in the corresponding week of 1946. While failures were over twice as numerous as in the same week of any previous year since 1942, they comprised only a fraction of the total of 269 reported in the comparable week of pre-war 1939.

**Most of the week's increase occurred in failures involving liabilities of $5,000 or more. Up to 60 from 49 a week ago, there were more than twice as many businesses failing in this size group as in the corresponding week of last year when 26 were recorded. Small failures with losses under $5,000 accounted for 15 of the total failures during the week, but they did rise slightly from the preceding week's 11 and were three times as numerous as a year ago when only 5 concerns failed involving liabilities under $5,000.**

### WHOLESALE FOOD PRICE INDEX ESTABLISHES NEW ALL-TIME HIGH

With staple food items, grains and meats soaring to new heights, the wholesale food price index, compiled by Dun & Bradstreet, Inc., increased 31 cents over last week's level of $6.71 to set a new all-time high mark of $7.02 for this index which has been continuously compiled since 1316. Up 4.6 percent in the week, the current figure is now 40.7 percent higher than the corresponding 1946 figure of $4.99, and exceeds the previous March 4 peak of $6.77 by 3.7 percent.

### WHOLESALE COMMODITY PRICE INDEX 27.6% ABOVE YEAR AGO

Rising grain and food prices pushed the wholesale price level to new high ground for many years during the past week. The Dun & Bradstreet daily wholesale commodity price index reached a new post-war peak of 280.50 on September 5 and closed at 283.53 on September 9. This compared with 276.26 a week previous, and represented a rise of 27.6% above the 222.18 recorded on the like date a year ago.

**Continuing the advance begun about six weeks ago, all grains rose to new record heights under the impetus of world wide demand. Offerings of corn were small and cash prices reached the highest in history. Although rain and lower temperatures prevailed in the corn belt last week, the total yield is expected to be about 1,000,000,000 bushels less than last year's harvest of 3,287,000,000 bushels.**

Domestic flour business expanded on good buying by large chain bakers. The government lifted its flour buying price but advancing market prices held buying at a low level. In the Chicago livestock markets, hogs reached a top of $29.25, only slightly under the February peak. In other centers, prices went to the highest on record. Cash lard advanced sharply and supplies were reported dwindling as sales exceeded current output. Butter prices continued upward, touching new highs for the year. Futures and spot prices for both cocoa and coffee went to new seasonal highs, with the September cocoa contract touching a new all-time high.

**Cotton prices dropped again last week. Early weakness resulted from liquidation and hedge selling against new crop movement and the continued unfavorable export outlook for the staple. Mill buying showed a slight gain. Inquiries were more numerous and activity in spot markets showed some increase but caution continued to rule as the trade awaited the government's second estimate of the new domestic crop on September 8.**

Irregular movements followed issuance of the report which forecast a yield of 11,849,000 bales, and prices at the close of the week were the lowest in many months. The current estimate shows little change from that of a month ago but it is 3,200,000 bales higher than last year's small yield. Registrations under the export sales program for the current season through August 30 were placed at 48,836 bales, according to the CCC. Carded gray cotton cloth markets were featured by fairly brisk trading in print cloths for delivery in the second quarter of next year. Broadcloths were also quite active but other staple items lagged.

Buying of domestic wools in the Boston market continued active last week but many buyers showed a disposition to await government grading of the new clip. Demand for fine wool tops remained heavy. Auction sales of Australian wools were opened in Sidney and Adelaide last week. Bidding was very active with prices on the better grades of wools up from 10 to 20% over closing sales held in June. British interests appeared to be the heaviest purchasers.

### RETAIL AND WHOLESALE TRADE SHOWS MODERATE INCREASE FOR WEEK AND YEAR

Retail volume the past week rose moderately above the level of the previous holiday-shortened week and was slightly above that of the corresponding week a year ago, Dun & Bradstreet, Inc., reports in it's survey of trade. The cashing of terminal leave bonds increased the purchasing power of some consumers. While the effect on retail trade is difficult to estimate, a total increase of between 2 and 3% could result in the next four months. Resistance to high-priced merchandise grew and the tendency to shop around became more evident.

Food volume also showed a moderate rise. The demand for fresh fruits and vegetables rose slightly as housewives augmented their supplies for home canning. Canned meats, fresh fish and cheeses become more popular as consumers sought substitutes for high-priced meats.

**Consumer interest in Fall clothing perked up and back-to-school articles continued to be emphasized. The volume of children's clothing and shoes was steady at a high level. The demand for women's dresses and sportswear was also large. Men's Fall suits and topcoats were purchased enthusiastically with shirts and haberdashery in steady call.**

Paper products continued to be sought in large quantities and wallpaper volume proved substantial. Paints, carpenter tools and building supplies were steadily desired items. Automobile parts and accessories sold well. and the purchasing of good quality home furnishings and floor coverings was considerable.

The general optimism of retailers in the week was reflected in their increased efforts to enlarge inventories of Fall merchandise. Wholesale volume rose moderately above the level of the previous week and was slightly above that of the corresponding week a year ago. The instability of prices of some goods resulted in very cautious buying in some lines.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 6, 1947, reveal no change from the like period of last year. This compared with a decrease of 1% (revised figure) in the preceding week. For the four weeks ended Sept. 6, 1947, sales decreased by 3% and for the year to date increased by 7%.

On a percentage basis retail sales volume here in New York the past week moved forward with department store volume estimated at close to 10% above one year ago. The trucking and delivery strikes in the 1946 period make for a rather poor comparison when it is understood that trade was adversely affected by them.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period to Sept. 6, 1947, decreased 3% below the same period last year. This compared with a decrease of 4% (revised figure) in the preceding week. For the four weeks ended Sept. 6, 1947, sales declined 5% and for the year to date rose by 7%.

# More Production—Key to European Recovery

(Continued from page 7)

they do not have the necessary foreign exchange to pay for them. And they are unable to obtain the foreign exchanges because their productivity is not high enough to give them an export surplus. Finally, to complete this vicious circle, the financial resources of Europe are so depleted that few if any countries are in a position to extend credits to others.

These and many other difficulties have led the European countries to establish elaborate controls over all types of economic activity. For instance, unusual fiscal measures have been adopted in an effort to prevent runaway inflation. In the field of foreign economic relationships, most countries are now exercising controls through quota systems over the type of goods to be moved, and through foreign exchange control over the process of international payment. Most of the controls are essentially restrictive. They arise because of the necessity for allocating short facilities or materials to the most essential use. All such measures lead to the same basic difficulty—that of choking off trade. Because of this, most of the countries of Europe are relying on barter and compensation agreements when they find that they must import goods to secure minimum levels of production. This type of bilateralism works for only a relatively few simple items and limits the flow of trade between two countries to the amount which the poorer country is able to supply.

**German Situation**

Finally, and most important, are the exceedingly low levels of operation in Germany, formerly the nerve-center of much of Europe's trade, once a giant in the production of iron, steel, coal, a purchaser of raw materials and food from other parts of the continent, and the major supplier of manufactured goods to the bulk of the continental countries. Germany was more thoroughly smashed than any other part of industrial Europe. Germany was a workshop and supplier of manufactured goods, a railroad center, a shipping artery, a financial entity, and a purchaser of raw materials and food from other parts of Europe. It is far from that today.

The impact caused by the virtual disappearance of Germany from the European economy can be seen clearly in the case of a country like the Netherlands. Nearly one-fifth of Dutch trade was conducted with Germany just before the war. In the case of key industrial imports such as iron and steel products, chemicals, machines and instruments, the percentages were much higher. More than one-half of all industrial equipment in the Netherlands is of German manufacture. It follows that Dutch industrial production is stagnating because of lack of spare parts, equipment, and materials of all kinds which Germany formerly supplied.

Germany was also an important market for Dutch products, particularly agricultural products which composed a third of total Dutch exports. The failure of Germany to take any part of its customary one-fifth of Dutch exports of dairy products and garden produce has been a severe blow. Another major export item was the transit traffic through the Dutch ports of Amsterdam and Rotterdam. Eighty percent of the Dutch Rhine fleet was employed in carrying German goods. This substantial income for the Netherlands has been practically eliminated since the war. German trade through the Rhine ports has been reduced to a fifth of its prewar volume. In order to save foreign exchange, and thus reduce occupation costs, the occupying authorities have diverted this trade to the German North Sea ports, increasing the strain on a weakened German transportation system.

Italy, too, has been hurt by the shift in German food imports to cheaper calories such as grains. Seventy percent of Italian exports of fruits and vegetables were sent to Germany. They paid for 50% of the very substantial Italian imports from Germany. Today the flow of these items, badly needed for a vitamin-deficient population, has been practically stopped.

The failure of German exports, especially coal, to revive is an even more obvious hindrance. Because of the pressure to earn currencies which can be used to purchase needed import materials, there is a tendency for German manufacturing efforts to concentrate on luxury and semi-luxury items—cameras, toys, binoculars—which find a ready market in so-called "hard currency" countries such as the U. S. In the meantime, Europe is starving for German mining machinery, spare parts, milking machines to increase Dutch and Danish dairy production, and many other items essential to recovery. As long as German production is less than half of prewar, and with her trade lagging far behind even that low level, there can be no recovery in Europe.

This is the picture of Europe today. Most certainly it is not a pretty one, as many of you here tonight well know. Cities are in shambles, factories disrupted, the entire fabric of the economy dislocated, and on every hand the weary faces from which hope is fading.

**Cooperation of U. S.**

In this unhappy situation, what has been the record of the United States? We have sought to cooperate with all other nations in an atmosphere of genuine friendliness, both within the United Nations and through normal diplomatic and commercial channels. We have made substantial contributions to programs of emergency relief through loans, grants, credits, and the disposal of surplus property. And we have proposed and joined in financing plans designed to promote economic stability and world-wide prosperity on a long-term basis. The International Bank, which was created to finance long-run developmental projects, the International Monetary Fund, which was set up to aid in stabilizing currencies, and the International Trade Organization, which has been proposed by the United States for the fundamental purpose of expanding world commerce through breaking down the barriers to trade, are cases in point. Since the end of the fighting, the United States has made available to European relief and reconstruction, grants and credits in the amount of nearly $11 billion, of which more than $8 billion has been expended up to June 30, 1947. Finally, we have consistently endeavored to establish, in collaboration with other nations, those conditions—political, economic and social—that will enable the peoples of the earth to live together in peace and increased well-being.

But in spite of our strenuous efforts, combined with those of other countries working toward the same objectives, we in this country must not lose sight of the sober fact that the world today is still in a critical condition from the effects of the war. There are a number of reasons for this. In the first place, there has been some underestimation of the extent of wartime damage, the exhaustion of the people, and the effect on Europe of price rises in this country. Second, because of the tremendous need, aid has necessarily been concentrated on relief rather than on recovery and reconstruction. In addition, there has been a lack of whole-hearted international cooperation, due to differences in national interest, political disagreement, and a lack of appreciation of the economic interdependence of European well-being. In its most acute form, this lack of cooperation has appeared to be positive obstructionism. A new approach is clearly indicated.

It is for this reason that Secretary Marshall on June 5 proposed that Europe take the initiative in making an inventory of the maximum resources it could utilize in effecting its own recovery and in estimating the minimum additional resources required to supplement its own money, goods and labor in order to get the job done.

Production is the key to European recovery and Germany has its part to play in the overall increase required. For more than two years, the United States has attempted to obtain implementation of the Potsdam Agreement to treat Germany as a single economic unit and improve the level of industrial production, but with little success.

The recent directive to General Lucius Clay and the joint decision calling for higher level of industry in the British-American zones of Germany are confirmation of the fact that the United States does not intend to wait longer to fulfill its obligation under the terms of the Potsdam Agreement. These actions served notice that further needless delays would not be tolerated.

On the other hand, these actions do not, by any stretch of the imagination, mean or imply that the United States will condone development of industry in Germany to a point where it will be a war potential or even a threat to the peace. We reaffirm our determination to see to it that the terms of the Four Power Agreement on the demilitarization of Germany are respected.

At the same time, we cannot deny the Germans economic hope, and we must see to it that they have the means to provide themselves with a decent living, but at the same time, a standard of living that, as set forth in the Potsdam Agreement, is no higher than that of Europe as a whole.

In this connection, Secretary Marshall stated American policy during the conference of foreign ministers at Moscow in these words: "The United States is opposed to policies which will continue Germany as a congested slum or an economic poorhouse in the center of Europe. . . . We want Germany to use its resources of skilled manpower, energy and industrial capacity to rebuild the network of trade on which European prosperity depends; ultimately, we desire to see a peaceful Germany, with strong democratic roots, take its place in the European and world community of nations."

These are the objectives of a free people who believe in the power and responsibilites of freedom—who are convinced that the more broadly these principles are applied, the more abundantly will people everywhere prosper and live in peace. These are the objectives of a people who believe that enterprise and production are the way to a richer life—who believe that fair dealing and cooperation are the true paths to peace and prosperity. These are the objectives of a people who believe that any totalitarian rule by fear, force and fraud will eventually be found out for just what it is. These are the objectives of a people, who with other freedom-loving peoples, are prepared to make sacrifices now in behalf of peace rather than invite the greater sacrifices that would be demanded by a third world war.

The sacrifices we must make for peace are a small price to pay for the benefits and rewards of freedom. The acceptance of the requisite sacrifices is a test of the moral strength of a nation—the strength which, in the final analysis, is rooted in the national character. It is equally true that the survival capacity of a free and unregimented civilization depends upon the character of those who choose it against all other systems.

The choice we make today will—like the one made here in Philadelphia a century and a half ago—shape the destiny of human kind for generations to come.

# Our European Trade Outlook

(Continued from page 3)

of invading private properties—the first by which the poor plunder the rich—sudden and violent; the second, by which the rich plunder the poor—slow and legal." The worthy Senator from Virginia overlooked a third mode—inflation—which insatiably plunders both rich and poor. Sometimes it is "sudden and violent," at others "slow and legal," but it is at its insidious worst when it is creeping and continuous. So long as it is not so violent as completely to arrest the habit of saving, politicians can utilize inflation to conceal the widening gap between money and the goods it will buy, and create the illusion of social progress by shortened hours and higher wages. The illusion is furthered by capital levies and by the taxation of inheritances and income to a degree which reduces enterprise capital to the vanishing point. It is beyond dispute that the peoples I observed are the victims of this cruel invasion of their right to share in the economic well-being to which technical progress entitles them. But I saw no evidence that the peoples realized the relationship between the policies they support and the shortages that plague them. Of the awareness of their predicament which precedes its correction, I saw no clear sign anywhere. The economic well-being of these countries will remain arrested, or deteriorate further, until what we loosely call labor governments have come to learn their responsibilities as well as their power.

**German Problem**

A week in Germany gave no clue to the policies its people would support. Germany is a nation in suspended animation. Its people and its institutions stagnate while military government chases problems around the vicious circle. One can start with coal, or food, or transport. To mine more coal, the miners must work more hours—but if a miner can in two days earn wages enough to buy all the food, clothing and shelter that are available to him, what is the inducement to work longer? Solve that problem and the increased coal production will exceed the transport facilities available to haul it. Divert all transport to coal haulage and the potatoes will again, as they did last winter, freeze in the fields.

Or one can start with the need to revive Germany's export trade, particularly with those contiguous countries for which Germany was formerly the natural souce of supply. What can Germany afford to export when her level of production is below the country's own minimum needs? To resort to imported raw materials, to be converted into finished goods and re-exported, there must be something other than the present German currency which is unusable beyond its borders. To finance it there must be stable banks, with credit lines available in world money markets. To buy and sell, German merchants must have easy access to their former customers. And when these obstacles are all overcome, one comes back to the question of where to find the coal and transport to deal with any increase in the volume of production.

In the modern quarters at Grunewald which were erected by Goering to administer the Luftwaffe, our European command is pondered with these and other problems. The advisors to the commanding officer are competent and earnest. They are harmonious in the sense that they respect each other's opinions. But there are basic differences in viewpoint. One view is that the reform of Germany must precede its revival. To that end, the de-Nazification inquisitors continue to thumb through the party files. To that end, the decartalization chiefs plan the liquidation of the joint-stock banks that operated throughout Germany, with branches and correspondents in all the world money centers. To that end, the entry of potential customers from neutral countries into Germany is severely restricted.

It can truthfully be said, in support of this program, that our boys did not risk their lives to perpetuate the evils of the German system. And it can, less truthfully, be said that anyone who proposes to strengthen the German economy is working toward the nullification of our sacrifices. Those who express such views can be asked whether we fought this or any other war to impose our social and political system on another people.

**Too Much Reform—Too Little Production**

The emotional repercussions of such an issue are enormously difficult to dampen. The impression one gains from contact with Germany and the Europe of which it was the industrial center is that the issue is, after all, a subsidiary one. Suppose one concedes the desirability that reform should precede revival—is there time for its accomplishment? What will be the mental and physical impact upon the German nation of further years of stagnation—of malnutrition—of frustration of the natural energies which are latent in the race? What will be the reaction of contiguous countries upon our continued restriction upon the habitual trade and travel in Germany?

There can be no overall solution—because there is no central problem. The problems are innumerable. No group of men, however competent and conscientious, small enough in numbers to be cohesive, could possibly comprehend and deal with them. What is imperative for European reconstruction, within and outside Germany, is that there should be less restraint and more incentive. When better worlds are built, individual initiative will build them.

## With Shillinglaw, Bolger

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Chester R. Toutloff has become connected with Shillinglaw, Bolger & Co., Inc., members of the Chicago Stock Exchange. He was formerly with Straus & Blosser.

## With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

ELGIN, ILL. — William A. Kieley is with Slayton & Co. Inc., 164 Division Street.

# Position of Stock Exchanges in U. S. Economy

(Continued from page 12)

exchange to be subscribed by those who send in orders to buy. An issue of securities is not available for transactions on our stock exchanges until the issuing corporation has sold it. The basic function of a stock exchange in our economy is to provide a central market place where individual owners may offer their securities for sale and other individuals may acquire shares in an established enterprise.

**Integral Part of Financial System**

But the stock exchanges are an integral part of the system of corporate finance. They provide a vital element otherwise missing in the corporate form—marketability for the contribution. Through the facilities of a stock exchange the prospective contributor is able to invest his capital without being forced to make a permanent financial commitment. The corporate form extends to stockholders the right to transfer their commitments to anyone at whatever prices they can negotiate. But it is our stock exchanges which provide stockholders with a public market where they can exercise this right.

The elaborate communications system, which links all parts of this nation with our trading floors, serves to concentrate the greatest possible number of orders to buy and sell at one central point for each issue of securities. It minimizes the cost of purchase and sale and it minimizes the possibility that one individual will sell a security for $90 at the same time that another is selling the same security at a higher price, or conversely that a purchaser will pay $100 when another is paying $90. It thus provides a continuous method for the fairest possible appraisal of the market values which contributors who wish to sell may obtain and which investors who wish to buy must pay.

The economic necessity for the services of stock exchanges has increased in our country with the increasing dispersion of corporate securities among individual owners. One hundred years ago stock exchanges were of negligible significance in our economy. Today they are an essential element. The rise of stock exchanges in the United States during the past hundred years has coincided with the rise of corporations. The phenomena are mutually dependent and neither could have occurred without the other. The contributor to the latter required the services of the former as a major inducement to contribution. The position in our economy of stock exchanges as the central market places for the purchase and sale of corporate ownership and debt thus increases in importance in direct relation to the increased dispersion of that ownership and debt and the need for new capital accumulation.

Any attempt to orient the position of stock exchanges in the economy of the United States of North America would represent bad navigation if it did not emphasize the dynamic character of that economy and of the stock exchanges which are one of its integral parts. We must check the course we have run not only to find where we are, but, also, and of more importance, where we may be going.

Unfortunately our economy has left no well-defined wake along which we can sight to project its future course. Rather, it has left countless footprints, like the trail of a nomad nation moving across open country from one grazing land to the next. Even averaging the directions of all of the prints, if that were possible, would not service since the resulting projection would leave out of account unforeseen mountains, unpredictable bad weather and attacks by other tribes which could deviate or reverse the course.

However, one possible direction indicated for our economy, and the stock exchanges within it, should not be left unobserved.

In the first 52 years of this Republic we needed things from abroad beyond our capacity to pay. In those years we imported things which others made far in excess of the value of the things we could send abroad. We were building our capacity to produce from the raw stuff of a sparsely population wilderness. This unbalance was possible, not only because we sought and found capital abroad, but also because foreign capital sought us out as a place to work.

**Change in Our International Status**

During those first 50 years the amount by which our imports exceeded our exports became an increasingly small percentage of our capacity to pay. This trade deficit average 53% of our exports in the period 1791-92, 25% in the period 1795-1812, 74% in the period 1813-1816, 15% in the period 1834-1842 and disappeared entirely in 1843.

For the next 50 years our exports more than balanced our imports, but the excess during this period represented a relatively small percentage of those exports. Our capacity to supply our own needs and to produce enough of what the rest of the world needed to buy the things we could not produce was on the rise, but the margin was slim.

During all of the first century of our existence foreign capital flowed in to our economy and fed our growth. At first it must have come with considerable trepidation and I have no doubt that my European ancestors considered our wild land a most indifferent risk. It seems to me that historians have given too much place in their books to the men who came adventuring to America and too little recognition to the savings of Europe that sailed on the same ships.

The capital that came to us left behind securities to represent it in Europe. In the stock markets of Europe those securities became a major medium of trade. The flow of dividends from our country abroad helped pay for the increasing exports as our productive capacity increased. Our wilderness became a factory owned here and abroad.

In subsequent years and up to the present time our capacity to produce has grown prodigiously. We no longer need to seek capital from the outside world. Our exportation of goods to other lands has grown to an annual value of billions of dollars and the amount by which our exports exceed our imports has shown a pronounced tendency to represent an ever-higher percentage of the amount we export. For the last 10 years this percentage has averaged 45% against an average of 28% in the 27 years since 1920.

No one knows where these footprints are leading, but the answer may be discernible. While our productive capacity has been growing, fed at first by foreign capital and fed now by the wealth it produced for us, the productive capacity of other lands has not been growing at an equal rate. Our growth is progressively exceeding growth abroad. In the past 10 years the world was able to pay for only 55% of the goods we shipped to it by sending goods to us. Whereas, in the preceding 10 years, the world was able to pay for 85% of what it bought by sending us its goods.

If this answer is correct—if our rate of growth in productivity has been exceeding that of our export market at anywhere near this indicated difference—we may well guess at a direction which our economy will take.

Obviously, the 18th and 19th century shoe is on the other foot. Just as the gap between our needs and our ability to pay was once filled by foreign capital sent here to make us more productive, so today the gap between what we can, and in our own interests must produce, and the ability of others to pay us for it, must be filed by our capital going adventuring in other lands to make them more productive.

**The Postwar Necessities**

Immediate problems created by the destruction of war make it necessary for the gap to be filled by the "thumb" of government funds. But two probabilities make it likely that this type of capital investment can only be a temporary expedient and that even the U. S. Treasury is like the little Dutch boy at the dike needing help. In the first place, the basic need is not for dollars to buy with, but invested capital placed where it will build up productive capacity abroad. It will indeed be a novel case if government funds accomplish that. In the second place, transfers of government funds must come from taxes and the remoteness of the benefit to the taxpayer which those funds will earn will make the value of the investment imperceptible to most taxpayers. In their wisdom, even though it may be born of ignorance, the taxpayers will vote a halt.

I do not doubt that our economy, and not our government's funds, will move into the gap. We are able to produce and we must export. As a nation we have built up a productive capacity, which is capital, and that capacity and capital are the individual property of millions of our citizens and are greatly in excess of their needs.

It is inconceivable to me that the old pattern will not repeat itself, but this time in reverse. Our capital—our excess productive capacity—will move abroad attracted by the potential of greater profits in areas of new production. As that capital moves abroad, it will leave bonds and shares of stock in the hands of our citizens to represent it here. The corporate form will become as well known and productive in foreign lands as it has become in the United States, to which it was transplanted from England.

The contributors here to these voyaging funds will make their contributions at least partly in reliance on the marketability which our exchanges will give to their investments.

In those not too-distant days our stock exchanges will become the market place in our economy for the securities of corporations working in every country of the Western Hemisphere from Baffin Land to Tierra del Fuego.

## Paul G. Lieberum Is With Riley & Company

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS. — Paul G. Lieberum has become associated with Riley & Company, First Wisconsin National Bank Building. Mr. Lieberum was formerly Vice-President of Bankers Investment Company with which he had been connected for many years.

## Parker Campbell Joins Staff of Otis & Co.

TOLEDO, OHIO — Parker Campbell has become associated with Otis & Co., Spitzer Building. In the past he was with the First Cleveland Corporation.

## *Our Reporter on Governments*

By JOHN T. CHIPPENDALE, JR.

The government securities markets are doing very little because investors still seem to be on the sidelines. . . . Price changes have been minor on declining activity. . . . Although switches in holdings are being made, this type of transaction is not nearly as important now as in recent past. . . . A wait and see what will happen attitude appears to be holding sway in the Treasury market. . . .

The handling of the October 1 certificates is being watched very closely with the majority of informed followers of the money markets looking for a 1% rate. . . . The transition period in interest rates, which is what the money markets are going through now, is no doubt responsible for the apparent lack of action in the government market. . . . How long this will continue is a matter of conjecture, but there is a feeling that important monetary developments may be forthcoming in the near future. . . .

The monetary authorities, by pulling the peg on the certificate rate and allowing the bill rate to rise, are injecting uncertainty and some confusion into the money markets. . . .

**It is believed in some quarters that the part of the program that was not revealed in the September financing is beginning to unfold. . . . It is being pointed out that action must be taken to curb inflationary trends and higher interest rates and uncertainty are among the forces that will probably be used for such a purpose. . . .**

**MORE CONTROLS?**

It seems as though the groundwork is being laid for greater control over the money markets by the powers that be, especially the creation of reserve balances by member institutions. . . . While the initiative for expanding the credit base still remains with the commercial banks, fluctuating short-term rates will make this process more hazardous, particularly as these rates continue to firm. . . . Last week, when the longest 7/8% certificates went under 100, for the first time since the war, the government market declined. . . .

**UNCERTAINTY REIGNS**

Uncertainty was created by this action of the authorities and since then many traders and investors have pulled in their horns. . . . No one knows what is likely to happen, but there has been quite a movement into the shortest certificates for protective purposes. . . .

**However, yield curves are being worked on in order to find out what might take place in the government market if there should eventually be a 1 1/8% certificate or even a 1 1/4% issue. . . . There are many plans being put forward by the financial community as to how to meet the changing conditions, but these are so largely based upon guesswork, that they serve only to accentuate the cautious attitude that has been evident in the past few weeks. . . .**

**ACCORDING TO PLAN**

One thing does, however, appear to be quite certain and that is the authorities have succeeded in injecting a degree of confusion into teh money markets, which is most likely just what they wanted to have happen. . . . Such a condition is not conducive to bringing buyers into the market and this generally results in prices being on the defensive or fluctuating within narrow ranges on light volume. . . . While "Open Mouth Operations" have not been too vigorous yet, rumors have been making the rounds that credit restricting measures will again be restorted to in order to curtail the activities of the member banks. . . .

**NEW ISSUE ATTRACTIVE**

The non-marketable issue is going to be well received, with commercial banks that have thrift deposits in nearly every instance going in for maximum amounts. . . . This is likewise generally the case with trust accounts. . . .

**Savings banks and insurance companies, according to reports, will be among the largest buyers (outside of government accounts) of the new obligation since these institutions appear to be impressed now with the favorable maturity (18 years) of the new bond. . . . They will most likely hold them until maturity or at least long enough to give them a better yield than would be obtained from the marketable issues. . . .**

**ON THE DEFENSIVE**

Bank eligible securities, while on the defensive, are not expected to move down very much because of the need to maintain income on the part of the deposit banks. . . . Retirement of debt, especially the higher income issues, along with the cost factor, means that these institutions must get the most effective use out of their investable funds. . . .

**This still can be done by purchasing the longer-term obligations and no doubt these institutions will take advantage of price weakness to acquire needed securities. . . .**

The scarcity factor is important in the market action of the eligibles as is the fact that some of the large non-bank investors have no more eligibles to sell in the open market. . . .

**HIGHER YIELDS POSSIBLE**

The restricted issues, with the market as a whole on the uncertain side, have acted quite well although it seems that most of the larger institutions do not have the same investment problem now that they had a few months ago. . . . This will no doubt be more important market-wise in the not distant future. . . . There are indications that mortgages and building propects are going to give Treasury issues real competition from here on. . . . It could mean more attractive yields for government securities.

# "Wall Street Rule" and Foreign Policy

(Continued from page 14)

support this policy are fooled by the banner of freedom under which it is proclaimed.

I believe there are honest men in the Administration and in the Congress who have been fooled into support of this policy. Some are victims of a psychosis about communism which has been carefully nurtured by men whose great fear is not communism but democracy.

I doubt if the President fully understands the perilous course on which he leads us. The moral leadership of the United States was great in the world when Roosevelt was expressing our hopes, not our fears.

That moral leadership is fading fast.

The mountain of condemnation of Soviet Russia does not hide the moral weakness of our policy. We cannot defend corporate interests abroad in the name of "civil liberties" and ignore the struggle for freedom of the Indonesians. We can't ignore the aspirations of the Chinese people and give additional support—even with reprimands—to a fascist dictator. We can't ignore the basic human needs of the Latin Americans and burden them with armaments. We can't consider the problem of Palestine a matter for long study, debate, compromise, hesitation, and political double-dealing; while we treat the problem of Greece as our very own and subject to drastic, emergency actions. The Jews of Europe have learned to recognize fascism when they see it.

We must end the horrors of the DP camps that have shocked the world. We must stop the return of Jews to the nation which massacred them by the millions.

While it is not perfect, I believe that the majority report of the UN Commission on Palestine comes close to a solution of this all-important problem. I call on the American delegation to give full support to the majority report in the Assembly. America must accept its share of responsibility for the Jewish people.

### Ways to Change the Policy

If we are to change the course of our overall foreign policy we must do three things:

First, we must understand communism and put it into its proper perspective,

Secondly, we must understand that our choice today—though maybe not tomorrow—is not limited to reactionary capitalism and communism.

And, third, we must take a realistic view of the domestic political scene.

I can't hope to cover fully these subjects in the next few minutes, but I can set forth a few general principles which may be helpful.

### Concept of Communism

Of communism, let us note, first of all, that the word is used by reactionaries to cover every liberal idea. Reading the Congressional Record of our newspapers today it appears that the advocacy of any Christian or democratic principle is proof of communism. It is reaction's purpose to frighten us into silence for fear of a red label. The distortion is becoming so pronounced that we are heading into a time when it will be called "American" to practice and preach hatred of races and religions and nations; and un-American to practice and preach brotherhood and Christianity. One need look no further than the Thomas-Rankin committee to see this developing philosophy.

The red-baiting of reactionaries stems, as I have said before, not from fear of communism, but from fear of democracy.

But we can't dispense with the problem of red-baiting by calling attention to the distortion of the word "communism" for there is a real communism—and throughout the world it has tens of millions of followers.

The communist way is not my way, but I would make two simple points to my liberal friends, who fear the communists:

First—we can't suppress ideas with force or legislation. If we try, we automatically express a lack of confidence in the give-and-take of the democratic process. We show that we lack faith in our ability to make *our* system produce abundantly.

Secondly—if we believe it is impossible to live in the world with communism, we are accepting the inevitability of suicidal war.

I don't believe that sane, democratic men can accept such conclusions.

Let us face the fact that our crises are not brought on by the communists. The people responsible for high prices, high rents, and growing insecurity are the monopoly capitalists and their political errand boys.

It wasn't the communists who removed the wartime controls needed after V-J Day. The present Administration did that.

The communists did not kill OPA. The Republican Congress did that.

We can't blame the communists for the scarcity economics, high prices, and economic insecurity of reactionary capitalism. Yes, I say to all of you who are suffering from scarcity and high prices—and will be suffering even more in the months ahead—that the responsibility rests equally on the present administration, the Republican Congress and the reactionary capitalists.

Nor are the communists directing the foreign policy which can only serve, in the end, to verify their predictions of the failure of capitalism.

That foreign policy which is anti-communist without being pro-democratic is being formulated and carried out by men whose essential interests are quite different from those of the average citizen.

I don't believe that investment bankers and military men are evil men by reason of their profession; but I must admit that the one discrimination in employment making any sense to me is discrimination against such men in public position where they can consciously or unconsciously further their particular professions.

### Attacks State Department Personnel

In the "New Republic" next week we shall tell the story of the men who run our foreign policy and who have driven us closer and closer to war.

Working with a military trained Secretary of State in formulating foreign policy we find:

—The Undersecretary, Robert Lovett, a former partner in the Brown Brothers Harriman banking firm.

—The Assistant Secretary, Charles Saltzman, a former V.P. of the New York Stock Exchange.

—The Ambassador to England, Lewis Douglas, Chairman of the board of the powerful Mutual Life Insurance Company.

—Then there is the Defense Secretary, Mr. James Forrestal, on leave as head of the Wall Street banking firm of Dillon Read Company, the Secretary of Commerce, W. Averell Harriman, Chairman of the Brown Brothers Harriman firm, and the Secretary of the Treasury, John Snyder, a banker from St. Louis. Another product of Dillon Read, Major General William Draper, has just returned from Germany to become the Assistant Secretary of War. Even the World Bank chief is a Wall Street lawyer—John McCloy.

### "Wall Street Set to Run the World"

Under the Republicans Wall Street ran America; under the present administration Wall Street is all set to run the world.

These men, supplemented by Admiral Leahy, several other military men as ambassadors, and the Russophobe career men in the State Department may be good Americans; but I think we can justly question whether they truly represent the hopes and interests of the independent businessmen, farmers, workers, and professional people who elected the Roosevelt-Truman ticket in 1944.

I could stand here tonight and heap higher the mountain of criticism of other nations for their foreign policies, but our own policies cannot be explained as a defense against the policies of Russia. The men who direct our foreign policy are attempting to export their own reactionary capitalist ideology. They have their foreign agents, just as the Russian communists have their ideological counterparts in many countries, but it is sad to note that the foreign agents of American capitalism are by and large the most reactionary element in the world today. In some places they are the feudal lords. In others they are men of industry, some of whom were actual collaborators with fascist governments.

Indignation about Russia and communism gives us no license to embrace fascists or to employe undemocratic methods of our own.

Americans do not have to choose between capitalism and socialism; but we do have to choose between progressive capitalism and the reactionary monopolistic capitalism which is trying to strangle freedom both at home and abroad.

The war-with-Russia hysteria is a propaganda weapon of reactionary capitalism. We are paying for it at home in high prices and economic instability. People the world over are paying for it in an armament race which is criminal in a world that can't stand another war.

Progressive capitalism all over the world is as much alarmed about this situation as you and I, but reactionary capitalism rejoices in it, because temporarily it can, by control of governmental fiscal policies and the utilization of scarcity to charge high prices, build up enormous monetary reserves. Out of these great monetary reserves reactionary capitalism can get the wherewithal to mold some public opinion and build political power.

### "Lick Reactionary Capitalism"

I say until you lick reactionary capitalism and the scarcity and war talk it stands for—peace, jobs, and freedom will be in danger in every country in the world.

There are not many progressive capitalists, but these few, together with leaders of organized labor and the small farmers hold in their hands the chief possibility for peace, jobs, and freedom.

The only practical political question in the U. S. today is not a question of communism, but whether we are going to continue to strengthen the hands of the witch-hunting, labor-hating reactionaries who will be responsible for World War III or whether we shall join hands and plan definitely and precisely—both politically and economically—for the peace and abundance without which no freedom can long remain.

This week the Freedom Train begins its trip throughout our land. It will carry some wonderful documents—the Magna Carta, the Declaration of Independence, the Constitution, the Emancipation Proclamation and many others. It is good to reread these magnificent milestones of progress.

But viewing them in air-conditioned showcases is not enough. Paying lip service to their principles is not enough. We must rededicate ourselves to making them a reality.

We must work for the day when Negroes in the South leaving a Freedom Train won't step forth into the reality of Jim Crowism; when government employees, after glimpsing these documents, won't return to the realiyt of the Loyalty Order, when workers won't return to the reality of the visions of the Taft-Hartley Act.

And no one who has absorbed the true meaning of these documents can fail to be conscious of the documents that are not yet there, the *missing* documents that should and must be as great a part of our American heritage as the Declaration of Independence.

I pledge—and I am sure that everyone assembled here tonight will join me in the pledge—to see to it that in our lifetime the Freedom Train of Tomorrow will carry these additional documents:

—a document embodying a permanent FEPC;

—a bill abolishing the poll tax;

—an act establishing the inalienable right of every American child to equal educational opportunities, regardless of race, creed, or color;

—legislation ending Jim Crow in our nation once and for all;

—a Magna Carta for labor;

—and, side by side with the Bill of Rights drafted by our forefathers the *Economic* Bill of Rights proclaimed by Franklin D. Roosevelt.

When these documents, too, will have become part of the very fabric of our day to day life, then can we truthfully say to the rest of the world: We have an American system for export.

# Production Increase Key to World Recovery

(Continued from page 17)

Bank before Aug. 10, 1947, the end of the period covered by the report, were to France and the Netherlands, in the amounts of $250,000,000 and $195,000,000, respectively. The report summarizes the reasons for each credit and the conditions attached to them. Additional material describing two loans granted since Aug. 10—$40,000,000 to Denmark and $12,000,000 to Luxembourg—is also being presented to the Governors.

[Ed. Note: The $12,000,000 loan, granted the Duchy of Luxembourg on Aug. 28, will bear interest at 3¼% and the Bank will also charge a commission of 1% a year to be set aside in a special reserve fund, in accordance with its Articles of Agreement. The loan runs for 25 years with amortization payments, beginning in July, 1949, providing for retirement by final maturity in 1972.

The proceeds of the loan will be used by the Government of Luxembourg to finance the purchase of equipment for the steel industry and of rolling stock for the railways. Of the $12,000,000 realized, Luxembourg will apply $4,500,000 to the purchase of locomotives, box and gondola freight cars, baggage cars and miscellaneous railroad equipment, and $7,500,000 toward the purchase of equipment for a modern reversing steel strip mill which will enable the country to produce by modern methods high-valued finished products such as sheets, plates, etec.]

Although the most pressing calls upon the Bank have been for purposes of European recovery, the report stresses that reconstruction and development needs in other areas — Latin America, Africa, Asia, and the Middle East—are also being actively considered. "Indeed it should not be very long before the financing of development projects in these areas will tend to become the primary concern of the Bank."

The Bank cannot do the whole job, the report makes clear, because the development work that appears feasible requires financial and technical help in amounts which only the free flow of private capital can provide. The Bank's aim is to stimulate and assist this private investment. The report suggests that for many prospective borrowers the first step toward reopening the flow of capital is to clear up their external debt record by reaching fair settlement agreements with their creditors. The possibility of setting up an impartial body of experts to recommend just settlements, as well as to propose measures to place the finances of the countries concerned on a sound basis, is suggested; the Bank states its willingness to assist in any such efforts.

A loan from the Bank would not necessarily be contingent upon completion of all remedial measures required to improve the prospective borrower's credit standing, the report emphasizes. Indeed, "financial assistance from the Bank may form part of an integral plan involving both long-range financial reform and long-range development of productive facilities." But the Bank "cannot assist a country which neither has . . . stability nor credit nor a willingness to take action to achieve them. Such lending would be neither prudent nor productive. Furthermore, it would cause the Bank to lose the confidence of the investment community, and, with it, the very source of the major portion of its loanable funds."

In this connection the report points out that the Bank's paid-in capital amounts to only about $1,600,000,000, of which only about $725,000,000 is in United States dollars. Any additional amounts of loanable funds must be obtained from the sale of securities to private investors, for the present principally in the United States.

### The Marketing Operation

The Bank's first marketing operation — comprising $150,000,000 of 25-year 3% bonds due July 15, 1972, and $100,000,000 of 10-year 2¼% bonds due July 15, 1957 —was highly successful. These bonds were offered on July 15, 1947 through over 1,700 securities dealers — more than twice the largest number that had ever before participated in a single security distribution. However, the report states frankly that a major factor contributing to the success of the offering was the guarantee afforded by the 80% uncalled portion of the United States subscription to the Bank's capital. As the Bank's lending operations expand, its ability to borrow will depend more and more upon the private investor's judgment as to the soundness of its loan portfolio.

The basic character of the Bank's loans is defined by the Articles of Agreement. In addition, out of the experience of the past two years, more detailed lending principles have emerged; they are summarized briefly in the report. In particular, the Bank stresses the importance of using its funds so "as to result in the greatest possible increase in productivity in the shortest possible time," and thus "provide a catalyst by which production may be generally stimulated and private investment encouraged."

The Bank prefers that its members, before filing a formal loan application, conduct exploratory discussions with representatives of the Bank so that the prospective borrower may frame its plans to fit the policies and requirements of the Bank. In its investigation the Bank looks not only into the specific program or project for which funds are sought, but also into all important aspects of the borrower's economic position. Political conditions are considered to the extent that they might affect the borrower's financial and economic prospects.

### Loan Limitation Urged

The report states that, in granting loans, the Bank limits its commitment as much as is practicable. Where a long-term reconstruction or development plan is involved, the Bank usually lends at first only enough to cover an initial period, leaving the remainder of the application to be considered in the light of progress during this period. The Bank maintains controls to see that the proceeds of loans are used only for the purposes intended, and keeps in close contact with the borrowing country to assure that the loan contributes as expected to the reconstruction or development plan.

Most of the loan applications so far submitted have come from European members, the report discloses. Apart from the four countries to which loans have already been extended, applications have been received from the following countries for the amounts and purposes indicated: Chile, $40,000,000 for hydro-electric, forestry, harbor, urban and suburban transport, and railway projects; Czechoslovakia, $350,000,000 for reconstruction of war damage and losses, restocking of raw materials and rehabilitatioin projects; Iran, $250,000,000 for modernization and development of industry, agriculture and transport; Mexico, $209,000,000 for irrigation, hydro-electric, pipeline, highway, railroad and harbor projects; Poland, $600,000,000 for equipment and materials for reconstruction of coal mining, iron and steel, textiles, electricity and transport.

Membership in the Bank increased from 38 to 45 during the period covered by the report, with the admission of Colombia, Venezuela, Turkey, Italy, Syria, Lebanon and Australia. In addition, an application for membership has been received from Finland and is the subject of a special report to the Board of Governors.

### The Bank's Administrative Budget

The administrative budget for the fiscal year ending June 30, 1948 prepared by the President and approved by the Executive Directors contemplates expenditures of $4,361,000 during the year. Of this total $3,862,500 represents administrative expenses, including salaries, rent, supplies and equipment, contribution to staff benefits and contingencies. The remaining $498,500 comprises expenses for the offices of the Executive Directors and for the annual meeting of the Board of Governors. In addition, it is estimated that bond registration and issuance expenditures for the year will aggregate $3,987,000.

The statement of income and expenses for the year ended June 30, 1947 and the balance sheet as of June 30, 1947 contained in the report had been submitted previously to the Governors and released to the press on July 29.

# We Must Have Economic Freedom

(Continued from page 9)

"Beware of leaders who say, 'Give to us your economic freedom, and we will insure to you your material needs and your civil, social and religious freedom'. They are either confused, mistaken or deceptive in their approach."

### Must Have Competition

My second premise is that Rule A for America in this world competition must be to keep her own domestic economy strong and free. Unless this is done, none of the alternatives before us can effectively be carried out. The economic strength of America is home base for freedom in this world contest. To keep it strong requires first of all to keep it highly productive, and that in turn means that we should not move toward the nationalization or socialization of any industry or enterprise in America. It also means that we must taper off from our excessively high wartime tax levels. But it does not mean that we refuse to move toward correction of deficiencies, weaknesses, and maladjustments in our system. The American system is not one of ancient *laissez faire* capitalism. It is a modern capitalism evolved with trial and error through a century and a half of vigorous representative government. It involves basically an approach of establishing the broad rules of the road under which capital and labor and individual citizens can conduct their affairs. Fundamentally it requires that the rights and opportunities of the people shall not be subjected to administrative whim and caprice. It concludes the hammering out, by the slow and sometimes confused but definitely superior, legislative methods, of the basic outlines or limits of individual freedom so that the actions of one do not unnecessarily infringe upon the liberties of another. Thus has been developed the anti-trust acts, the non-restraint of trade laws, the limitations on speculation, minority rights, punishment for fraud, labor relations legislation, unemployment compensation and the whole range of basic codes for production and trade. This process of analyzing and correcting weaknesses must continue to keep our dynamic modern capitalism strong and to yield the greatest good to the greatest number. But the process must not be diverted toward the pattern of centralized detailed control which springs rather from the opposing Socialist and Communist theories.

With these two basic premises ever in mind, we should give all-out support to the Marshall Plan for the rebuilding of Europe.

We should seek to constructively implement and fill in its broad outline. It is not a perfect plan, and some have well said that it is not really a plan at all. But we need to realistically face alternatives. As Europe moves into this next bleak Winter, there are only two plans for Europe—one is the Marshall Plan, and the other is the Communist Plan. The Marshall Plan envisages assistance by this country on the basis of a proposal developed by Europe for its own self-help and for its needs from America. It envisages the rebuilding of Europe, the gradual raising of the standards of living of its wartorn people, and the maintenance there of political and economic freedom, and of independence from ourselves and from others.

The Communist Plan as I judge it, seeks a Europe, moving step by step along a socialist route. It calls for a limitation and disruption of the production of European countries until Communist minorities can attain control, the chaining of the people through economic control, efforts then and not until then toward rebuilding production, the wiping out of civil and social liberties of its people under Communist dictatorships, and the orientation of both the economy and the foreign policy in the direction of Russia.

With this alternative, it is extremely clear that the best interests for the future of the people of Europe and of America lie in choosing the alternative of the Marshall Plan.

### A Definite Marshall Plan Essential

My urgent message today is that speed is necessary in its implementation. The President should promptly advise the country of the clear fact that Europe cannot move into this next winter without a definite program from this country. A special session of Congress should be called by the President to meet the problem.

As these weeks and months slip by, knowing that the cold blasts of winter will soon sweep out of the North Sea, that hunger and cold and death wait for no man, it is time we ask the President of the United States, "What are you waiting for?" If the answer is, that our Government is not ready with a program for action we should ask, "Why not?" It is over two years since the end of the war. The basic facts of this year's economic situation in Europe were known months ago. This is not a surprise situation. It is a challenge that has been known for many months but not adequately met to this day. The American people are overwhelmingly in support of meeting the problem. They seem to be more keenly aware than our leaders of the requirements of the worldwide competition in which we are engaged. America's future and the future of freedom in Europe and around the world demand definite action and prompt action and sound action.

The shortage of food around the world for this next winter requires immediate action. We should begin at once a nationwide, coordinated, voluntary food conservation program in America. Every week that goes by without the initiation of such a program means food wasted that could otherwise be saved. This is important both for Europe and for us. Unless we do this the pressure of demand on a dwindling food supply next winter will drive our high prices even higher and increase the danger of boom and bust in the American economy. Instead of drifting along as we now are without leadership in this food problem, a definite, nationwide voluntary program of personal and industrial conservation of food should be initiated promptly. It must be under leadership of the President and the Government as this is the only place from which effective national leadership of this type can come.

The urgent needs of Europe beyond food, as has been known ever since the end of the war, and as recently specified in definite figures, include mining machinery, electrical equipment, steelmaking equipment, inland transport facilities and agricultural machinery. Is it not clear that these cannot be suddenly obtained from our American production now operating at almost full tilt? Early and definite ordering on a sensible schedule of delivery so as to permit expansion and adjustment of specific manufacture is essential not only to obtain the results for Europe but to decrease the adverse impact on the American economy at home. This leads me to directly suggest a number of factors which I believe should be included in the implementation of the Marshall Plan.

The Marshall Plan thus far does not have any detailed principles set forth. I think this should be our approach to the nations of Europe. First of all, regardless of their individual economic, social or political decisions, we will endeavor to the best of our ability to asist them with food and to seek to prevent starvation and suffering. Second, that we are willing to go beyond that to make major contributions toward the rebuilding of their production, and of their entire economy, if and only if, they are moving in a direction of economic freedom of their own people and are not sliding down the road of socialism or communism.

I realize there are those who criticize this conditional approach. They say it involves dictation to the European nations and interference in their internal affairs. On the contrary it appears elementary that if we do believe that individual freedom is the most productive form of an economy, and if our objective is to assist the European nations in improving their conditions and rebuilding, then we should definitely advocate and place conditions in relationship to our aid program.

If a nation insisted on tying one arm of each of its workers behind his back, and then asked for help in building up production and rehabilitating their war-torn areas, would we not clearly insist that they untie their workers as a condition of our aid? The regimentation of an economy and the socialization of industries restricts the capability of the workers of a country, deprives them of tools and of effective management and holds them down just as effectively as if their hands were tied behind their backs. Every major scrap of evidence, not only since the war but in the earlier economic history of the world, confirms this conclusion. Why then should we not place economic conditions on the program of our aid toward rebuilding? Can it be sustained that the leaders of European governments should say, "Give us your machinery, your electrical equipment, your steelmaking facilities, your railroad cars and your locomotives but do not give us any economic ideas!"

I do not mean that we can expect or should ask for a sudden change toward a free economy. I do mean that we should seek an understanding of the economic direction in which they will move and as a minimum requirement during the time they are receiving American aid they should not take steps of increased nationalization or socialization, and should not increase their control over the economic liberties of their people, and should move toward more individual freedom for their workers, their managers and their capital.

I am convinced that is the direction in which their own future better living standards can be found, and it is also the direction in which a world economic system will give increased prospects for peace.

I believe further that the amount of aid that we extend should be substantial, and not miserly, and that we should contemplate its continuance over a period of years, at least five in number, rather than a hit or miss winter-by-winter approach.

### A Peace Production Board for Europe

Third, that the appropriations of Congress for carrying out this program should not be made to foreign nations directly as loans but that an American agency, a Peace Production Board, if you will, should be established, and the appropriations made to this agency for the purpose of purchasing and ordering the manufacture in this country of definite materials and food for other countries. The specifications of needs of the other countries should be received and the purchasing and manufacturing should be scheduled. The reasons are manifold. With the strain we place on our domestic economy, our proper scheduling of manufacturing and of purchasing is of great importance, if we are not to subject it to sudden impacts upon specific segments.

Furthermore, by having it be an American agency that conducts the program here, it will be subject to continuous supervision and inquiry by Congress and by the American people. This is not true of a foreign purchasing agency.

Finally, there should be a condition in our aid program that those who receive it, agree that raw materials under their control would be available to us in future years on the same basis as they are available to others. This is of great importance because at the high rate of production of our economic machine, many of our basic raw materials are becoming depleted in supply. Unless we are foresighted, we may well reach a point 5, 10 or 15 years from now of critical shortages in specific raw materials, and then be faced with restrictive economic policies by others. A reasonable amount of stockpiling should be currently carried out and arrangements for assisting in the opening up and developing of raw material sources by American capital and engineering should be completed.

By establishing our own Production for Peace agency, the priorities of assistance can be developed so that those specific needs of high priority, such as production of coal in the Ruhr and in England, and Customs Unions such as those between Belgium and the Netherlands can be advanced.

Above all, we must recognize that we will not successfully carry through this basic competition of systems in the world by a negative attitude of opposition, nor will we carry it through in a short time. We must be positive and affirmative and constructive in our approach to this worldwide problem. We must advocate the dynamic qualities of our basic system of freedom and emphasize that it does not involve subordination to us, but it does involve cutting loose the bonds upon men that they might be free to produce, to invest, to manufacture, to sell, to buy, to live. We must clearly recognize that a negative approach of opposition could well result in our support of a reactionary and royalist element in various parts of the world which do not represent the dynamics of American freedom and cannot advance our way of life.

### Confident of Ultimate Success

I am confident in our ultimate success, as I believe basically in the fundamental concepts of our way of life. But I realize full well that the essential fundamental change in policy of Russia will not come quickly if it comes at all. We need to understand the difficulties of the Russian situation, the background of their development after becoming free of the Czarist regime, and of the extreme damage that they suffered in the war. They cannot easily change their basic approach.

Our task is difficult, but the stakes are high. If we are to advance the freedom of men without war, we must succeed in this economic and ideological competition. We must economically and ideologically win over the Russians—and then win them over.

No one can now prove that the latter can or cannot be done. But is it not the best hope of peace and progress and freedom for ourselves and for all mankind? I have a sober optimism and a deep confidence in the future if we in America stop our worldwide economic drifting and begin to act and to advocate in accord with the dynamic principles of freedom set forth in the Constitution adopted on this day 160 years ago.

# United Nations Must Take Immediate Action

(Continued from page 11)

by the majority of that Committee.

I turn now to the question of the independence of Korea. At Cairo, in December, 1943, the United States, the United Kingdom, and China joined in declaring that, in due course, Korea should become free and independent. This multilateral pledge was reaffirmed in the Potsdam Declaration of July, 1945, and subscribed to by the Union of Soviet Socialist Republics when it entered the war against Japan. In Moscow in December of 1945, the Foreign Ministers of the USSR, the United Kingdom and the United States concluded an agreement designed to bring about the independence of Korea. This agreement was later adhered to by the Government of China. It provided for the establishment of a Joint U. S.-USSR Commission to meet in Korea and, through consultations with Korean democratic parties and social organizations, to decide on methods for establishing a Provisional Korean Government. The Joint Commission was then to consult with that Provisional Government on methods of giving aid and assistance to Korea; any agreement reached being submitted for approval to the Four Powers adhering to the Moscow Agreement.

### Unsatisfactory Status of Korea

For about two years the United States Government has been trying to reach agreement with the Soviet Government, through the Joint Commission and otherwise, on methods of implementing the Moscow Agreement and thus bringing about the independence of Korea. The United States representatives have insisted that any settlement of the Korean problem must in no way infringe the fundamental democratic right of freedom of opinion. That is still the position of my Government. Today the independence of Korea is no further advanced than it was two years ago. Korea remains divided at the 38th parallel with Soviet forces in the industrial north and United States forces in the agricultural south. There is little or no exchange of goods or services between the two zones. Korea's economy is thus crippled.

The Korean people, not former enemies, but a people liberated from 40 years of Japanese oppression, are still not free. This situation must not be allowed to continue indefinitely. In an effort to make progress the United States Government recently made certain proposals designed to achieve the purposes of the Moscow Agreement and requested the Powers adhering to that Agreement to join in discussion of these proposals. China and the United Kingdom agreed to this procedure. The Soviet Government did not. Furthermore, the United States and Soviet delegations to the Joint Commission have not even been able to agree on a joint report on the status of their deliberations. It appears evident that further attempts to solve the Korean problem by means of bilateral negotiations will only serve to delay the establishment of an independent, united Korea.

It is therefore the intention of the United States Government to present the problem of Korean independence to this session of the General Assembly. Although we shall be prepared to submit suggestions as to how the early attainment of Korean independence might be effected, we believe that this is a matter which now requires the impartial judgment of the other members. We do not wish to have the inability of two powers to reach agreement delay any further the urgent and rightful claims of the Korean people to independence.

### Many Fronts

For the achievement of international security, and the well-being of the peoples of the world, it is necessary that the United Nations press forward on many fronts. Among these the control of atomic and other weapons of mass destruction has perhaps the highest priority if we are to remove the specter of a war of annihilation.

The preponderant majority of the Atomic Energy Commission has made real progress in spelling out in detail the functions and powers of an international control agency which would provide a framework for effective atomic energy control. Two nations, however, have been unwilling to join the majority in the conclusions reached. This is a disturbing and ominous fact. In dealing with the facts presented by the advent of atomic energy, the majority has devised a system of control, which, while it is bold and daring, is, in our view, essential for security against atomic warfare. The minority has evidently been unwilling to face these same facts realistically. The mandate of the General Assembly remains unfulfilled. Failure to agree on a system of control which can provide security against atomic warfare will inevitably retard the development of the peaceful uses of atomic energy for the benefit of the peoples of the world and will accelerate an atomic armaments race.

The initial offer made by the United States on June 14, 1946, by which this country would give up its present advantage in exchange for an effective system of control, has found most gratifying acceptance by the majority of the nations represented on the Commission. They have worked earnestly together to hammer out specific proposals whereby such a system could be put into effect. All have made important contributions to the end product. The majority is convinced that its proposals provide the only adequate basis for effective control.

Since the United States realizes fully the consequences of failure to attain effective international control, we shall continue our efforts in the Atomic Energy Commission to carry forward our work along the lines of the majority views. We must state frankly, however, that in the absence of unanimous agreement on the essential functions and powers which the majority has concluded must be given to the international agency, there will necessarily be limitations on the extent to which the remaining aspects of the problem can be worked out in detail. If the minority persists in refusing to join with the majority, the Atomic Energy Commission may soon be faced with the conclusion that it is unable to complete the task assigned it under its terms of reference laid down in the General Assembly Resolution of Jan. 24, 1946.

The United States also recognizes the importance of regulating conventional armaments. We regret that much more progress has not been made in this field. From this rostrum it is very easy to pay lip service to the sincere aspirations of all peoples for the limitation and reduction of armed forces. This is a serious matter which should not be the subject of demagogic appeals and irresponsible propaganda. I say frankly to the General Assembly that it is the conviction of my Government that a workable system for the regulation of armaments cannot be put into operation until conditions of international confidence prevail. We have consistently and repeatedly made it clear that the regulation of armaments presupposes enough international understanding to make possible the settlement of peace terms with Germany and Japan, the implementation of agreements putting military forces and facilities at the disposal of the Security Council, and an international arrangement for the control of atomic energy.

Nevertheless, we believe it is important not to delay the formulation of a system of arms regulation for implementation when conditions permit. The Security Council has accepted a logical plan of work for the Commission for Conventional Armaments. We believe that the Commission should proceed vigorously to develop a system for the regulation of armaments in the business-like manner outlined in its plan of work.

The effective operation of the United Nations Security Council is one of the crucial conditions for the maintenance of international security. The exercise of the veto power in the Security Council has the closest bearing on the success and the vitality of the United Nations.

In the past the United States has been reluctant to encourage proposals for changes in the system of voting in the Security Council. Having accepted the Charter provisions on this subject and having joined with other permanent members at San Francisco in a statement of general attitude toward the question of permanent member unanimity, we wished to permit full opportunity for practical testing. We were always fully aware that the successful operation of the rule of unanimity would require the exercise of restraint by the permanent members, and we so expressed ourselves at San Francisco.

It is our hope that, despite our experience to date, such restraint will be practiced in the future by the permanent members. The abuse of the right of unanimity has prevented the Security Council from fulfilling its true functions. That has been especially true in cases arising under Chapter VI and in the admission of new members.

The Government of the United States has come to the conclusion that the only practicable method for improving this situation is a liberalization of the voting procedure in the Council.

### Veto Liberalization Needed

The United States would be willing to accept, by whatever means may be appropriate, the elimination of the unanimity requirement with respect to matters arising under Chapter VI of the Charter, and such matters as applications for membership.

We recognize that this is a matter of significance and complexity for the United Nations. We consider that the problem of how to achieve the objective of liberalization of the Security Council voting procedure deserves careful study. Consequently, we shall propose that this matter be referred to a special committee for study and report to the next session of the Assembly. Measures should be pressed concurrently in the Security Council to bring about improvements within the existing provisions of the Charter, through amendments to the rules of procedure, or other feasible means.

The scope and complexity of the problems on the agenda of this Assembly have given rise to the question whether the General Assembly can adequately discharge its responsibilities in its regular annual sessions. There is a limit to the number of items which can receive thorough consideration during the few weeks in which this body meets. There would seem to be a definite need for constant attention to the work of the Assembly in order to deal with continuing problems. Occasional special sessions are not enough. The General Assembly has a definite and continuing responsibility, under Articles 11 and 14 of the Charter, in the broad field of political security and the preservation of friendly relations among nations. In our fast-moving world an annual review of developments in this field is not sufficient.

### Interim Committee Proposed

The facilities of the General Assembly must be developed to meet this need. I am therefore proposing, today, that this Assembly proceed at this session to create a standing committee of the General Assembly, which might be known as the Interim Committee on Peace and Security, to serve until the beginning of its third regular session next September. The Committee would not, of course, impinge on matters which are the primary responsibility of the Security Council or of special Commissions, but, subject to that, it might consider situations and disputes impairing friendly relations brought to its attention by Member States or by the Security Council pursuant to Articles 11 and 14 of the Charter and report to the Assembly or to the Security Council thereon; recommend to the members the calling of special sessions of the General Assembly when necessary, and might report at the next regular session on the desirability of establishing such a Committee on a permanent basis.

In our opinion, every member of the United Nations should be seated on this body.

The creation of the Interim Committee will make the facilities of the General Assembly continually available during this next year to all its members. It will strengthen the machinery for peaceful settlement and place the responsibility for such settlement broadly upon all the members of the United Nations. Without infringing on the jurisdiction of the Security Council, it will provide an unsurpassed opportunity for continuing study, after the adjournment of this Assembly, of the problems with which the United Nations must contend if it is to succeed.

### Organization Must Be Perfected

The attitude of the United States toward the whole range of problems before the United Nations is founded on a very genuine desire to perfect the Organization so as to safeguard the security of States and the well-being of their peoples.

These aims can be accomplished only if the untapped resources of the United Nations are brought to bear with full effect through the General Assembly and in other organs. The Assembly cannot dodge its responsibilities; it must organize itself effectively, not as an agency of intermittent action but on a continuous basis. It is for us, the members of the Assembly, to construct a record of achievement in dealing with crucial problems which will buttress the authority of the Organization and enable it to fulfill its promise to all peoples.

The large Powers bear special responsibilities because of their strength and resources. While these responsibilities bring with them special advantages, the Great Powers must recognize that restraint is an essential companion of power and privilege. The United Nations will never endure if there is insistence on privilege to the point of frustration of the collective will. In this spirit we have indicated our own willingness to accept a modification of our special voting rights in the Security Council. In the same spirit we appeal to the other permanent members of the Security Council, in this and in all matters, to use their privileged position to promote the attainment of the purposes of the Organization.

The Government of the United States believes that the surest foundation for permanent peace lies in the extension of the benefits and the restraints of the rule of law to all peoples and to all governments. This is the heart of the Charter and of the structure of the United Nations. It is the best hope of mankind.

# News About Banks and Bankers

(Continued from page 17)

and textiles. Prior to that he served with Lee Higginson & Co. and Monnet, Murnane & Co. Both Mr. Hickson and Mr. Hamilton will serve as officers in the Banking Department with headquarters at the main office, 16 Wall Street, New York.

* * *

At a regular meeting of the board of directors of **The National City Bank of New York** held on Sept. 16 Joseph D. Farrell was appointed an Assistant Cashier.

* * *

The Board of Trustees of **The Bowery Savings Bank of New York** on Sept. 15 appointed Thomas A. Dolan Assistant Vice-President and Elbert B. Schenkel Deputy Mortgage Officer. Mr. Dolan was promoted from Deputy Mortgage Officer and Mr. Schenkel from Principal Executive Assistant.

* * *

At a meeting of the board of directors of the **First National Bank of Boston, Mass.**, held on Sept. 11, the following officers were elected and appointed, it was reported in the Boston "Herald" of Sept. 12: E. Morton Jennings, Jr., Joseph E. Scanlon and William A. Tucker, Assistant Vice-Presidents; Harold B. Hassinger, Auditor; Albert E. Black, Assistant Comptroller; Ben Ames Williams, Jr., Loan Officer; John S. Bridges, 3rd, Branch Manager; Edward H. Maloney, Jr., Assistant Branch Manager; Thomas B. Dudley, K. Kenneth Koch, Frank L. Miller and James H. Shepherd, Assistant Managers Control Division; John S. Walker, Assistant Manager Foreign Division; Geoffrey G. Felt, Assistant Personnel Officer.

* * *

Frank H. Wright, President of **Rockland Trust Company of Rockland, Mass.**, and Vice-President of the Nantasket Steamboat Co., died on Sept. 10. He was 70 years of age. Hingham advices Sept. 10 to the Boston "Herald" had the following to say regarding his activities:

Director of the Rockland Trust Co. since its founding in 1907, he was the first Secretary of the board of directors. He became President in 1930.

In 1896, Mr. Wright joined the staff of the Suffolk National Bank, which was absorbed by the Second National Bank of Boston in 1903, when he became Assistant Cashier. He was named Cashier in 1920 and Vice-President several years later. He became a Trustee and Incorporator of the South Scituate Savings Bank in Norwell in 1918 and was named Chairman of the Investment Committee in 1927. He also was a director of the Hingham Cooperative Bank.

# Domestic and Foreign Listing on N.Y. Stock Exchange

(Continued from page 10)

members, knowing that unless companies as well as members had a high standard of conduct toward investors it would not be good for either them or the economic development.

### The SEC Registration and Exchange Listing

In 1934, when Congress adopted the Securities and Exchange Act, following the Securities Act, practically all of the codification of listing requirements became a requirement of law under the Commission. There are certain things that are basically the same. Epescially that is true in the requirements for the registration of foreign companies under the Federal law and the Stock Exchange. They are almost identical.

For that reason, to avoid duplication, trouble to companies, the Exchange accepts as a listing application, with just a few special agreements added, the SEC prospectus, even under the 1933 Act. One of these listing applications which you have, I believe, which was recently listed shows that the bankers' prospectus in the form required by the Securities and Exchange Commission is at the same time a listing application, with certain special things added, such as the listing agreements.

Also the companies pay a listing fee per share, which is very small, but the aggregate may be around $1,000,000 a year to the Exchange. It is one-half a cent per share to come in initially and then $75 per hundred thousand shares paid to the Exchange each year for not more than 15 years. For larger companies the rate goes down; it is more or less a sliding scale.

Before going to the foreign listing technique, I wonder if we are not all thinking, why is it tnat the companies in this country will go to such engagements and pay fees, bind themselves with these various agreements, publish quarterly reports, and now 93% of our companies publish estimated earnings more than once a year—why do they do all that? They do it because in this country probably more than anywhere else the advantages of listing are so apparent to their stockholders, and their stockholders want them to do it so they can follow the quotations throughout the country by the ticker service or in the papers, whatever they may be.

They know the rules for fair dealing of our members. They know that being listed the entering into of these contracts really establishes the company in the class of leaders. Furthermore, many companies know that even in addition they get considerable advertising value from all of it for their product. How vital that is and how much stock stockholders take in it we have seen on several occasions, fortunately very few in the past where, for one reason or another the Board of Governors has had to consider and, in some cases, suspend or de-list a stock.

To be sure, such a serious step is taken with a good deal of caution and care, unless it is a matter of emergency. Often public hearings are held and you see the stockholders come in, big ones and little ones, and almost cry on your shoulder not to take the stock off. That shows you the value. Ordinarily, too, there is a certain added monetary value in the price that you can see, an increase in the value of the stock because it is listed and, therefore, a wider field of interest develops in the company's securities.

### Mutual Reciprocal Listings

Now to go to the special problem that we in the Exchange are tremendously interested in for the future and in which we feel a common bond with you, and that is the question of mutual reciprocal listings. I will talk chiefly about shares because bonds—well, they have their place. Recently, we listed $250,000,000 of the Bank for Reconstruction and Development issues, but the orientation of most of our people who have studied the matter is on the idea of common stock, equity securities, preferred or convertible, rather than bonds.

It is the general feeling that in an international business it is better to be partners. From our American investors' point of view—not from the view of the Argentinian or Chilean or Dutch corporation—we learn from the unfortunate experiences of the 20's that bonds, making a fixed return can only pay that or else not pay it, go down. For the risk, including foreign exchange risks and the other problems, it would seem from the American investors' view it would be better having an equity. He could profit greatly through risks of development nature.

From the point of view also of working together, it seems that a partnership relationship, rather that a debtor and creditor one, is always a more pleasant and more productive arrangement. So we hope that the trend will be toward shares. Long ago and even today practically all the shares listed on this Exchange are listed in Amsterdam and a great many in London. It has contributed to our growth, it contributes even today to the business of the Exchange. It has given those countries a reserve when they needed it.

Looking the other way, we have had foreign share listings and we have today on the New York Stock Exchange but very few, except for Canada, two or three English ones, two or three Cuba shares; Swift International of Argentina, which is really more of the character of an American company in its aspects rather than in its form, two in Mexico very recently.

However, we hope and we dedicate ourselves in our Stock List Department to work with you to develop that and to endeavor to interpret these various requirements which seem so complicated at first glance, but if helped by our staff here and by you people there perhaps we can bridge this gap. We have done it with Canada. I think the Canadians will agree with us that it has been beneficial to have some 17 or 18 very fine Canadian stocks listed. It has brought capital to Canada in increasing proportion, and the right kind of capital, and it has created business between our markets in this country and in Canada.

What are the requirements? First of all, the same as the American in general. We want a going concern. We don't want to list a South American new venture if we wouldn't list an American new company. We want an established concern, one that is among the top in the country, one of the leading companies. It is better for you and better for us that we start with the best rather than the doubtful or medium ones.

As to number of shares, it doesn't make very much difference if there is free exchange and arbitrage is permitted. While, with an American company, we should have at least $5,000,000 worth well distributed to begin with, with one of your countries, gentlemen, if it has a home market already which is broad, we would take your advice and possibly could start with as little as $1,000,000 in this country, if there was exchangeability, so that there would be a market here aided by your market until it established a home market of its own.

### The American Share Certificate

On the technical side we have found that the American depositary receipt or American share certificate is probably the best technical machinery. That gives the American investor a piece of paper written in his own language in the form that he is used to and with the tradition and customs that he has had. Instead of getting coupons for his dividends the bank mails it to him, as it would be an American corporation. The bank takes the trouble of converting the foreign exchange, when it can, instead of having this little fellow who doesn't know all about those things have to do it.

From the point of view of marketability, if you have an American certificate, as we have today on the Floor—say Electrical Musical Industries—America can take it and turn it into the bank and tomorrow, by cable, get the British certificate for delivery on the London Exchange; or a London broker can come in with his shares, put them in the London bank and, by cable, receive American securities within a day or two for immediate delivery.

In Canada we don't need that. We speak the same language, we have the same customs fundamentally. Their transfer agents are near and handy; we don't need it. So that that process is not necessary. Perhaps it won't be in other places if communications with other countries get faster. It is not a requirement; it is just the result of experience so far.

Now we come to the question of the country itself. We have talked about the technique. Naturally, we are interested in, you might say, the pay-off to the American investor. Whatever form the regulations may take, the regulation of a foreign security is two-fold: the company's results and the country's policies. Naturally we could not list any stocks of a company which were bad. Naturally we would expect that the foreign companies, and especially the foreign governments, would like to have dollars at certain time, and for that we think that it would be fair, and it is now the present policy of the Exchange to list new shares of foreign companies only when the foreign exchange regulations permit the American stockholder to get dividends; that whatever the rate of exchange may be it may be transferred into dollars.

Also for new money, for dollars going in, if he should decide later to sell, to be able freely to export, not at any fixed rate. The American investor must take the risk of the rate of exchange, and he is willing to take that risk, but we think that at least for official listing on the Exchange it is better not to list when you are buying a blocked investment.

Now even that is a provisional requirement. We are feeling our way in a very changed postwar world. These general policies of foreign listing which you have, provisional requirements for listing foreign shares, are only a guide. The principles are there, but the Board of Governors has an open mind and we want your help if you see anything that should be changed.

There are a tremendous number of complications, but you, as we are, are used to complications. We have had to deal in New York with listed corporations of many different States in this country whose laws are different. Our languages in many cases are different, our laws are different, your stemming, many of them, from the Napoleonic Code and ours from the British common law. Our accounting methods, our customs, our traditions vary, but we should be able and intelligent enough to overcome these, big as they are, and to find some way to bring, on one hand, capital when it is needed to the areas that need productive installations and the capital to create them.

Since it is so obviously good to both our countries, whatever countries we represent, and selfishly to ourselves and to the public we represent, I think that perhaps we can look forward with confidence to an increase of such reciprocal business, and I hope, gentlemen, that you will be the bridge that will take the difficulties out of these things so that we can go forward in a way that Europe went forward with this country many years ago.

## *Tomorrow's Markets Walter Whyte Says—*

By WALTER WHYTE

**Skyrocketing commodity prices do not indicate similar move in stocks. Past points to reverse action.**

Last week I wrote a beat up piece about England's economic problems. I started off with a definite thought in mind. Somewhere along the way I lost it. When I read the piece in the paper I was hopelessly confused. And if I, who wrote it was confused, I can imagine the reaction of the average reader. The fact that an eager blue pencil wielder also chopped little things off here and there didn't help any either.

* * *

Actually few readers are concerned with England, or any other country, or for that matter their next door neighbor. What they want to know is what about the stock market. We have all read reams of stuff about how low stocks were and, with everything else jumping over the moon, it was only a question of time when the stock market would do the same. This may eventually be so but we have heard the cry of wolf-wolf so long it now hits deaf ears. I think you can be sure that eventually the market will go up, just as you can be sure that eventually it will go down. This is nothing more than the stopped clock theory applied to the market. You know the old saw: Even a stopped clock is right two times a day. The problem is when will either of these happen and that is something the market isn't saying.

* * *

The skyrocketing of commodities is no indication of a bull market. On the contrary, if the past is any yardstick, it calls for a bear market. Going back over past records which include 1937 and go back as far as 1815, every time there was a jump in commodities the stock market either went down shortly after or accompanied the commodity rise—in reverse.

* * *

The reasons behind it are simple. A prosperity built on high prices and scarcity, even though it brings high profits, is too ephemeral to build anything on. I know the argument that stocks are cheap and would still be cheap even if earnings were sharply reduced. A stock earning $10 today and selling at 50 would still be cheap if earnings dropped to $5, using the ten times earnings rule. Unfortunately things don't work out that conveniently. The kind of earnings a company has today can drop not to $5 from $10 but to $1, or even get into the red, once the high price structure starts toppling. That, it seems to me is the real obstacle that prevents the market from going up in the face of all the tremendous profits one reads about. Remember, the market seldom reflects past or present income. It is busy trying to evaluate future results.

* * *

There is talk that foreign selling is responsible for the dullness today. Maybe it is partially responsible. It cannot be entirely at fault. There is enough loose money in America to take advantage of distressed selling. The fact that it doesn't is enough reason to walk carefully.

* * *

I don't know when the picture will change. I do know that until it does I intend staying away from the mention of specific stocks.

* * *

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

## F. C. Billing Asst. V.-P. Of J. P. Morgan & Co.

Fred C. Billing was made Assistant Vice-President of J. P. Morgan & Co. Incorporated by the Board of Directors at their regular meeting on Sept. 17.

Mr. Billing was graduated from the U. S. Naval Academy at Annapolis in 1925. He entered the service of J. P. Morgan & Co. in 1933 and when the partnership became an incorporated bank in 1940 he was made Assistant Secretary. From July 1941 to December 1945 he was on active service with the U. S. Navy, from which he was released with the rank of Commander.

# Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

**A. B. C. Vending Corp., New York (9/23)**
June 30 filed 165,134 shares ($1 par) common. **Underwriter**—Reynolds & Co., New York. Price to public, $7.50. **Proceeds**—Of the total, 120,000 shares are being sold by stockholders; 20,124 are being issued to A. J. Morris for services at $3.775 per share; 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. (9/25)**
June 26 filed 123,246 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 58,880 shares and four selling stockholders the proceeds from the sale of 64,366 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $2,000. Net proceeds will be used to pay current bank loans and for working capital.

**American 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.

**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**—Stockholders of record Sept. 26 of American Water Works & Electric Co., Inc., will have the right to subscribe on or before Oct. 6 for the stock to the extent of one share for each share held. **Bids**—American Water Works Co., Inc., is inviting proposals for the purchase from it of such of the shares of its common stock to be offered by it pursuant to the subscription offer to holders of common stock of American Water Works and Electric Co., Inc., and the exchange offers to the public holders of $7 cumulative first preferred stock of Community Water Service Co. and $6 cumulative preferred stock, series A, of Ohio Cities Water Corp. as are not required to be issued by the company pursuant to such offers. The total number of shares of common stock so to be offered by the company cannot be determined until a proposal has been accepted by the company. Proposals will be received by the company at Room 901, No. 50 Broad St., New York, up to 12 noon (EDT) on Sept. 25.

• **Anchor Post Products, Inc., Flemington, N. J.**
Sept. 8 (letter of notification) 45,550 shares ($2 par) common. **Price**—$6 a share. To be offered to stockholders of record Sept. 5 in ratio of one new share for each five shares held. Rights expire Oct. 3. No underwriting. For payment of notes and additional working capital.

• **Associated Baby Services, Inc., New York**
Sept. 9 (letter of notification) 9,057 shares (no par) common. **Price**—$15 a share. No underwriting. For general business expanses.

• **Associates Investment Co., South Bend, Ind.**
Sept. 15 filed 223,000 shares ($10 par) common. **Underwriters**—F. S. Moseley & Co., Boston; Glore, Forgan & Co. and Merrill, Lynch, Pierce, Fenner & Beane, New York. Price by amendment. **Proceeds**—Of the total offering, the company is selling 200,000 shares and 23,000 shares by selling stockholders. The proceeds will be added to working capital. **Business** — Financing and insurance business.

• **Bacon & Vincent Co., Inc., Buffalo**
Sept. 16 (letter of notification) 1,000 shares of preferred stock (par $100). **Price**—$100 per share. **Underwriting** —None. For additional working capital.



**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.

• **California-Pacific Utilities Co., San Francisco**
Sept. 11 filed 45,000 shares ($20 par) 5% cumulative preferred stock. Underwriters — First California Co., and Sutro & Co., San Francisco. **Price**—$20.50 a share. **Proceeds**—To repay $700,000 of short term bank loans with the balance added to treasury funds. **Business**—Public utility.

**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.

**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.

• **Central Ohio Distributing Co., Columbus, Ohio**
Sept. 9 (letter of notification) $150,000 5% sinking fund debentures, due 1959, with stock purchase warrants attached, and 7,500 shares (no par) common. Debentures will be sold at 100% and the common will be sold upon exercise of the warrants at $5 a share until Sept. 1, 1948, $5.50 a share until Sept. 1, 1950, and $6.25 a share until Sept. 1, 1953. **Underwriter**—The Ohio Co., Columbus. For modernization and expansion purposes and to purchase equipment for wholly owned subsidiary and to provide working capital for the subsidiary and the issuer.

• **Champion Mines Co., Denver, Colo.**
Sept. 10 (letter of notification) 2,500,000 shares (1¢ par) capital stock. **Price**—2¢ a share. To be offered through officers of the company. For mine development.

**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.

**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 (10/9)**
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. Rights expire Oct. 8. Unsubscribed shares will be offered publicly. Price by amendment. **Proceeds**—To redeem outstanding notes and for working capital.

• **Colorado Central Power Co., Golden, Colo.**
Sept. 8 (letter of notification) 9,872 shares ($10 par) common. **Price**—$30 a share. Company will sell the stock through investment bankers or security dealers and pay a commission of $1.25 a share. Proceeds will be used to repay a $100,000 loan and to reimburse its treasury cash.

**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**—Bids for the purchase of the bonds will be received at office of Commonwealth & Southern Corp. (N. Y.), 20 Pine St., New York, before noon (EDT) Sept. 23.

**Continental Casualty Co., Chicago (9/18-19)**
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.

**Cummins Engine Co., Inc. (9/29)**
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.

• **Dalglish (J. M.) Co., St. Paul, Minn.**
Sept. 15 (letter of notification) 14,500 shares (no par) common. **Price**—$20 a share. No underwriting. To be added to working capital.

**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.

**Duquesne Light Co., Pittsburgh, Pa. (9/23)**
Aug. 1 filed $75,000,000 30-year first mortgage bonds. **Underwriting**—To be determined by competitive bidding. Probable bidders include: Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp. **Proceeds**—To redeem $70,000,000 of first mortgage 3½% bonds at 103¼. The balance will be added to general funds to pay part of the cost of new construction. **Bids**—Bids for the purchase of the bonds will be received by company at Room 700, 435 Sixth Ave., Pittsburgh up to 11:30 a.m. (EDT) on Sept. 23.

**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 (9/26)**
Aug. 21 (letter of notification) 80,000 shares ($1 par) common on behalf of the company, and 15,000 shares ($1 par) common on behalf of officers and stockholders. The 80,000 shares will be sold at $3 a share. The 15,000 shares will be sold to L. D. Sherman & Co., New York, the principal underwriter, at 60 cents a share. The underwriting discount for 80,000 shares will be 50 cents a share. The company will use its proceeds to increase working capital.

**Federal Electric Products Co. (9/22-26)**
Feb. 26, filed 150,000 shares ($1 par) common class A. **Underwriter**—E. F. Gillespie & Co., Inc., New York. **Price**—$7.25 a share. The registration states principal stockholder has granted the underwriters an option to purchase 45,000 shares of class B ($1 par) common at $7.25 a share, exercisable for a period of three years. **Proceeds**—Proceeds of approximately $870,000, together with $755,000 of other bonds, will be used to repay the balance of $34,000 of a property mortgage, to pay off loans in the amount of $1,295,000 to Bankers Commercial Corp., New York, and for additional working capital.

# NEW ISSUE CALENDAR

**September 18, 1947**
Continental Casualty Co.____________Capital Stock

**September 19, 1947**
Standard-Thompson Corp.___Debentures, Common

**September 22, 1947**
Federal Electric Products______Class A Common
Gum Products, Inc.______Class A Convertible Stock

**September 23, 1947**
A. B. C. Vending Corp.______________Common
Consumers Power Co., Noon (EDT)________Bonds
Duquesne Light Co., 11:30 a.m. (EDT)______Bonds
Illinois-Rockford Corp.________________Common
McPhail Candy Corp._________Preferred & Common

**September 24, 1947**
Interstate Power Co., 11:30 a.m. (EDT)_Bds., Com.

**September 25, 1947**
Acme Electric Corp.__________________Common
American Water Works Co., Inc., Noon (EDT) Com.
Denver & Rio Grande Western, Noon (MST)______________Equip. Trust Ctfs.
Revere Racing Association, Inc.__________Common
Somners Drug Stores Co._______Preferred & Common

**September 26, 1947**
Empire Projector Corp.________________Common

**September 29, 1947**
Cummins Engine Co.__________________Preferred
National Union Fire Ins. Co.__________Capital Stock
United Utilities & Specialty Corp._________Preferred

**September 30, 1947**
New England Tel. & Tel. Co.___________Debenture
Texas Electric Service Co.________________Bonds

**October 1, 1947**
Chicago Milwaukee St. Paul & Pacific, Noon (CST)________________Equip. Trust Ctfs.
Conlon-Moore Corp.______________________Bonds
Florida Rami Products, Inc.______________Common

**October 7, 1947**
Metropolitan Edison Co.___________________Bonds
Pacific Gas & Electric Co.________________Bonds

**October 9, 1947**
Cluett, Peabody & Co., Inc._____________Preferred

**October 14, 1947**
Texas Power & Light Co.__________________Bonds

**October 21, 1947**
Pacific Tel. & Tel. Co.________________Debentures

**Florida Rami Products, Inc. (10/1-10)**
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.

**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 Ins. 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 (9/22-26)**
Aug. 29 filed 175,000 shares class A ($5 par) 60 cent cumulative convertible stock; 273,500 shares ($1 par) common, and 350,000 shares of common reserved for conversion of the class A stock. **Underwriter**—Blair & Co., Inc., New York. **Offering**—175,000 common shares and class A shares will be offered in units of one share each. 18,500 shares of common will be offered to officers and employees and an unspecified number of common shares will be offered to officers, directors and partners of the underwriters and to certain of their customers. The balance will be sold at public or private sale. **Price**—By amendment. **Proceeds**—To purchase capital stock of its subsidiary, H. & H. Candy Corp., and to redeem its outstanding 5% preferred stock.

**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.

● **Henna Mines, Inc., Boulder, Colo.**
Sept. 10 (letter of notification) 29,700 shares ($1 par) common. **Price**—$1 a share. No underwriting. For mine development.

● **Hercules Steel Products Corp., Galion, O.**
Sept. 11 (letter of notification) 14,900 shares ($20 par) series B 6% convertible preferred. **Price**—$20.07⅔ a share. **Underwriters**—Dempsey & Co., Chicago, and van Alstyne, Noel Corp., New York. For payment of notes and towards payment of purchase price of Star Manufacturing Co., St. Louis.

**Illinois-Rockford Corp., Chicagog (9/23)**
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** for purchase of bonds will be received at Chase National Bank, 11 Broad St., New York, up to 11:30 a.m. (EDT) on Sept. 24.

Bids for purchase of the stock under two alternative plans will be received at Chase National Bank, 11 Broad St., New York, up to 11:30 a.m. (EDT) on Sept. 24.

● **I-T-E Circuit Breaker Co., Philadelphiha**
Sept. 15 filed 61,476 shares ($10 par) common. **Underwriter**—No underwriting. **Offering**—The shares will be offered to ($10 par) common stockholders of Railway & Industrial Engineering Co., South Greensburg, Pa., on an exchange basis of 1⅕ shares of I-T-E Common for one share of Railway Common. The offer will be made pursuant to a plant of reorganization. **Business**—Manufacture of indoor air circuit breakers and switchboards for industrial electric power distribution and plants.

● **Jazz Festival Society, Inc.**
Sept. 12 (letter of notification) 1,000 shares of class B non-voting stock (par $1). **Price**—$1 per share. **Underwriting**—None. Working capital.

● **Jersey Shore (Pa.) Gas & Heating Co.**
Sept. 10 (letter of notification) $25,000 first mortgage sinking fund debentures. Price, par. **Underwriter**—Bioren & Co., Philadelphia. To retire present loan of $20,500 and to add to 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.

**Kentucky Utilities Co., Lexington, Ky.**
May 9 filed 130,000 shares ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. It was announced July 25 that the company has instituted conversations with The First Boston Corp., Lehman Brothers and Lazard Freres Co. (jointly) toward underwriting the stock. **Offering**—Preferred stock initially will be offered in exchange for outstanding ($100 par) 6% preferred and ($50 par) junior preferred. The basis of exchange will be one share of new preferred for each share of 6% preferred and one share of new preferred for each two shares of junior preferred. Shares of new preferred not issued in exchange will be sold at competitive bidding. **Proceeds**—Proceeds from the sale of new preferred will be used to redeem unexchanged shares of old preferred. **Bids**—Bids for purchase of stock advertised for July 14 postponed. Expected that offering will be made end of September.

**Koch Chemical Co., Winona, Minn.**
July 22 (letter of notification) 60,000 shares ($1 par) common. **Price**—$5 a share. **Underwriter**—H. P. Carver Corp., Boston. To retire debt and for working capital.

**La Plant-Choate Manufacturing Co., Inc., Cedar Rapids, Iowa**
April 30 filed 60,000 shares ($25 par) 5% cumul. convertible preferred. **Underwriter**—Paul H. Davis & Co., Chicago. **Price**—$25 per share. **Proceeds**—To be added to working capital and will be used in part to reduce current bank loans.

**Legend Gold Mines, Ltd., Toronto, Canada**
June 27 filed 300,000 shares ($1 par) common treasury stock. **Underwriting** — To be supplied by amendment. **Price**—50 cents a share. **Proceeds**—To develop mining properties. **Business**—Mining.

**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.

**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.

● **McConnell Schools, Inc., Minneapolis, Minn.**
Sept. 9 (letter of notification) $50,000 of promissory notes and 5,000 shares of Class B common ($1 par). To be sold in units of 10 Class B common shares for each $100 principal amount of promissory notes at $110 per unit. No underwriting. To be sold to officers and employees and business associates. For expansion purposes.

**McPhail Candy Corp., Chicago (9/23)**
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 Broadcasting Corp., Washington, D. C.**
Sept. 9 (letter of notification) 177 shares ($100 par) common. **Price**—$100 a share. No underwriting. For operating deficits.

**Metropolitan Edison Co., Reading, Pa. (10/7)**
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 Sept. 25, to be opened Oct. 7 at 61 Broadway, New York.

● **Meyeblanke Co., St. Louis, Mo.**
Sept. 15 (letter of notification) 2,400 shares (no par) common, being offered on behalf of E. R. Meyer, Chairman. **Price**—$16.25 a share. **Underwriting**—Smith-Moore & Co., St. Louis.

● **Mid-Alamo Oil Co., Washington, D. C.**
Sept. 12 (letter of notification) 300,000 shares ($1 par) common. **Price**—$1 a share. No underwriting. To drill new wells and for working capital.

**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.

● **Pacific Gas & Electric Co. (10/7)**
Sept. 10 filed $75,000,000 2¾% 1st and ref. mortgage bonds, series Q, due Dec. 1, 1980. **Underwriters**—To be determined through competitive bidding. Probable bidders include: Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; The First Boston Corp. **Proceeds**—To retire bank loans and to finance in part construction program. **Bids**—Tentatively expected Oct. 7.

**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.

(Continued on page 36)

(Continued from page 35)

● **Peoples Protective Life Insurance Co., Jackson, Tenn., and Peoples Protective Life Association, also of Jackson**
Sept. 9 (letter of notification) 150,000 shares of capital stock. **Price**—$2 a share. No underwriting. To finance new stock life insurance company.

● **Persiro Manufacturing Corp., Newark (9/20)**
Sept. 15 (letter of notification) 120,000 shares of class A stock (par $1). **Price**—$1 per share. **Underwriting**—None. To increase production and promote sales of manufactured products.

**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.

● **Rare Minerals Processing & Chemical Co., Phila.**
Sept. 10 (letter of notification) 295,000 class A shares (par $1) and 395,000 common shares (par 1¢), of which 295,000 class A and 295,000 common shares will be offered in units of 1 share of each at $1.01 per unit, and 100,000 shares common will be offered to underwriter at 1¢ per share. **Underwriter**—Thornton & Co., New York. Erection of plant facilities, working capital, etc.

**Revere Racing Association, Inc. (9/25)**
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**—McDonald & Co., Cleveland. **Price**—By amendment. **Proceeds**—Shares are being sold by stockholders who will receive proceeds.

**Salant & Salant, Inc., New York**
March 28 filed 240,000 shares ($2 par) capital stock. Underwriter—Eastman, Dillon & Co., New York. Price by amendment. Proceeds—Shares are being sold by 13 stockholders who will receive proceeds.

**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.

● **Seminole Oil & Gas Corp., Dallas, Tex.**
Sept. 15 (letter of notification) 15,000 shares ($10 par) 5% convertible preferred; 45,000 shares of common reserved for issuance upon conversion of preferred and 50,000 shares of common ($1 par). To be issued upon exercise of outstanding warrants. **Price**—$10 a preferred share and $3 a common share. **Underwriters**—Buckley Brothers and Carstairs & Co., Philadelphia. For working capital.

● **Silver Creek (N. Y.) Precision Corp.**
Sept. 10 (letter of notification) 15,000 shares (40¢ par) common. To be sold at market through brokers and dealers. The shares are being sold by Lawrence Schmitt, President, who will receive proceeds.

**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.

● **Snow Ridge Ski Corp., Turin, N. Y.**
Sept. 15 (letter of notification) $25,000 5% preferred stock (par $100). **Price**—$100 per share. **Underwriting**—None. Purchase of realty, construction, working capital.

**Somners Drug Stores Co. (9/25-26)**
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.

**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. (9/19)**
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 dfebentures. Expected end of September.

**Sterling Electric Motors, Inc., Los Angeles, California**
Sept. 10 (letter of notification) 19,591 shares ($1 par) common. The shares will be issued upon exercise of outstanding warrants. To be added to the corporation's funds.

● **Teaco Beverage Co., Nashville, Tenn.**
Sept. 8 (letter of notification) 25,000 shares ($10 par) 5% cumulative preferred. **Price**—$10 a share. The purchaser of each share of preferred will receive from the seller one share of $1 par common. No underwriting. The shares are being sold by three officers of the company who will receive proceeds.

**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 are offered at $45 per share for subscription to stockholders of record Sept. 17 on basis of one new for each five shares held. Rights expire Oct. 8. **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.

● **Texas Power & Light Co. (10/14)**
Sept. 12 filed $8,000,000 30-year first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders include: Blyth & Co., Inc., Smith, Barney & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp., Hemphill, Noyes & Co. and Drexel & Co. (jointly); White, Weld & Co., Lazard Freres & Co. and Harriman Ripley & Co. (jointly). **Proceeds**—To finance construction program. **Business** — Public utility. Bids for purchase of bonds expected about Oct. 14.

**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.

● **Tri State Linen White Corp., Jackson, Miss.**
Sept. 8 (letter of notification) 20,000 shares ($1 par) common and 250 shares ($100 par) preferred. To be sold at par. No underwriting, to be sold through officers of company. For plant expansion and broadening sales territory.

● **United Cities Utilities Co., Chicago, Ill.**
Sept. 9 (letter of notification) 41,790 shares of Class A ($1 par) common. **Price**—$3.875 a share. **Underwriter**—Ray T. Haas, Chicago. For additional working capital.

**United Utilities & Specialty Corp. (9/29)**
July 10 filed 75,000 shares ($10 par) 5% cumulative convertible preferred. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Price**—$10 a share. The underwriters will receive a commission of $1.50 per share. In addition, they will be granted warrants to purchase 50,000 shares of the issuer's common at $5 a share. **Proceeds**—For additional working capital.

**Utah Chemical & Carbon Co.**
Dec. 20 filed $700,000 5% 15-year convertible debentures due 1962, and 225,000 shares ($1 par) common. The statement also covers 112,000 shares of common reserved for conversion of the debentures. **Underwriter**—Carver & Co., Inc., Boston. **Price**—Debentures 98; common $3.75 per share. **Proceeds**—For plant construction, purchase of equipment and for working capital. Registration statement became effective June 28.

**Vauze Dufault Mines, Ltd., Toronto, Canada**
Mar. 31 filed 500,000 shares ($1 par) common. **Underwriter**—Name to be filed by amendment. **Price**—50 cents a share. **Proceeds**—For general operating expenses.

**Weber Showcase & Fixture Co., Inc.**
Mar. 31 filed 108,763 shares ($5 par) common. **Underwriters**—Blair & Co., Inc. and Wm. R. Staats Co. **Offering**—Shares will be offered for subscription to Weber's common stockholders. Certain shareholders have waived subscription rights. **Proceeds**—To retire preferred stock and to reduce bank loans. Reported July 16 that the present plans will be entirely changed.

**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

● **All-American Aviation, Inc.**
Sept. 15 Robert M. Lowe, President, told stockholders at annual meeting that the amount of additional financing that will be needed depends on what certification is received from the C. A. B. on its pending application. He said that if company is told by the C. A. B. to start on all passenger and freight service for which All-American has applied the new financing will approximate $3,000,000.

● **Belden Manufacturing Co.**
Company will offer to stockholders of record Sept. 25 the right to subscribe at par ($10) for 29,164 additional shares of stock in ratio of one share for each ten held. Formal offering is expected around October 2 and rights will expire October 28.

● **Chesapeake & Ohio Ry.**
Sept. 17 reported company plans to issue invitations shortly for bids to be considered early next month for $5,250,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **Chicago Milwaukee St. Paul & Pac. RR. (10/1)**
Company will receive bids up to noon (CST) at Room 744, Union Station Bldg., Chicago, for the sale of $2,240,000 equipment trust certificates, series AA, to be dated Oct. 1, 1947 and maturing in 20 equal semi-annual instalments April 1, 1948-Oct. 1, 1957. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**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.

● **Firemans Insurance Co., Newark, N. J.**
Reported company contemplating issuance of $10,000,000 preferred stock, with Blyth & Co., Inc. as probable underwriter.

● **General American Transportation Co.**
Nov. 3 stockholders will vote on creating an authorized issue of 250,000 preferred shares (no par) of which company contemplates issuing 150,000 shares. Probable underwriter: Kuhn, Loeb & Co.

● **Georgia Power Co.**
Sept. 6 Georgia P. S. Commission authorized company to issue $10,000,000 mortgage bonds, to bear interest not to exceed 3½% with a maturity date of not less than 30 years. The issue is to be sold competitively. Probable bidders include: Halsey, Stuart & Co.; Morgan Stanley & Co.; Blyth & Co.; Lehman Brothers; Harriman Ripley & Co.; Goldman, Sachs & Co.; Lazard Freres & Co., and Equitable Securities Corp. (jointly).

● **Glens Falls Insurance Co.**
Sept. 5 stockholders authorized increase in authorized capital stock from 500,000 to 650,000 shares. Expected additional shares will be offered for subscription to stockholders on basis of 3 new shares for each 10 shares held. Probable underwriter: Morgan Stanley & Co.

● **Indianapolis Power & Light Co.**
Sept. 16 company filed with Indiana P. U. Commission petition to issue 214,451 common shares and 50,000 4.25% preferred shares, the common to be sold at not less than $22 a share (net) and the preferred at not less than par. Proceeds for improvements and expansion.

● **New York Yankees**
Sept. 11 unconfirmed out-of-town reports say that under 50% of New York Yankee stock, or about 300,000 shares, may be sold publicly at from $9 to $10 a share. Proceeds, the reports indicated, would be used to reduce the present mortgage on the Yankee property and to pay off a loan. All present Yankee stock is held by Larry McPhail, Dan Topping and Del Webb.

**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.

● **Public Service Co. of Indiana, Inc.**
Sept. 17 reported company contemplating raising of funds within a few months, the amount to range anywhere from $6,000,000 to $16,000,000 depending on company's needs.

# Observations

(Continued from page 5)

foreigners' demonstrations of ingratitude, running the gamut from the comparatively well-tempered British and French complaints to the Italian Communists' "Death to Truman" demand as thanks for our billion of relief handed to this recent enemy nation. Our growing aloofness no doubt also results from our people's disgust with the amazingly abortive results achieved by Britain and France with the "loans" already extended to them, and with their persistent chasing of economic "reforms" at home as half-baked apeing of their Communistic neighbors from whose threatening clutches our largesse is intended to save them.

### UN's Long-Term Trend

There is an ever-present inclination on the part of those of us who attended UN's incubation at San Francisco to appraise the contrasts between "then and now." As was remarked to this observer here Tuesday by L. B. Pearson, that Conference's candidate for the Secretary-Generalship which was barely captured by Trygve Lie, "A lot of water has gone *under* (rather than over) the dam since San Francisco." President Aranha at Tuesday's session here at Flushing Meadow said that "peace that was initiated in San Francisco must be furthered in New York." But what really has happened is that, as was foreseen by some of us despite the complacent glossing-over in California, the veto provisions that were forced in the charter there resulted from the existence of basic continuing conflict between sovereign nations and provided the permanent mechanics for its manifestation. Irrespective of who, be it the Soviet Union or the United States Senate, was really responsible for the bringing in of the veto procedure at Yalta, or is responsible for its retention now, the unalterable fact was and is that if such a mechanism is always readily available as an escape clause for a member, unified action on matters involving any real sacrifice by a member is thereby automatically prevented.

The architects of San Francisco were faced with the alternatives of the Soviet-formulated veto or no charter at all, just as the Powers here now are confronted with continuation of the Soviet-abusing veto privilege or the complete withdrawal from the UN organization of Russia, her satellites, and the neutrality-seeking nations of Sweden and Switzerland. The final upshot here at Flushing will be a pious hope that Mr. Gromyko will henceforth behave better than is warranted after his twenty vetoes exercised since the Russians' San Francisco promises to the contrary.

*With veto, no effective UN; without veto, no UN at all.*

This conclusion is but confirmed by the tenor of Mr. Marshall's remarks on the subject delivered to the gathering here. It can safely be prophesied that his proposal that the General Assembly establish its own sort of compromise "interim" committee to compensate for the veto-emasculated Security Council, will be approved by the Russians only if it gives them an equivalent of the veto, and otherwise involves no sacrifice of their arbitrarily exercisable nonconformity with the majority will. The fact that the Assembly's decisions, including the one to establish such a device, cannot be estopped by veto does not alter this conclusion; the threat of complete withdrawal from the UN by the Soviet and her satellites constitutes all the effective obstructing power which she needs.

### Veto Fundamentals

To explain the basic nature of the veto: its basis was established at Yalta through the conception that the Security Council would have two broad groups of functions. The first category of functions involves the taking of direct measures in connection with the settlement of disputes, determination of threats to the peace, removal of threats to the peace, and suppression of breaches of the peace—so-called "substantive" matters. Other measures, including selection of officers, organization and administration, were called "procedural" matters. Decisions concerning these "procedural" matters are taken by vote of any seven members of the Council. But the first kind of decisions, that is "substantive" ones, are governed by a qualified vote; that is, by the vote of seven members including the concurring votes of *all of the five Big Power permanent members* (excepting that actual parties to a dispute shall abstain from voting). At San Francisco it was further held that the making of an investigation by the Council or even asking member states to settle their differences might "initiate a chain of events requiring measures of enforcement," and hence were "substantive" matters requiring the qualified or "veto" voting formula.

Moreover, in a kind of declaratory interpretation issued at San Francisco June 7, 1945, the so-called double-veto privilege, as used by Mr. Gromyko on Monday of this week, was clearly if grudgingly granted. For apart from the merits of a question, even the very decision as to whether that question falls within the category of a vetoable vote is itself veto-able. Thus on the United States resolution to have the General Assembly consider the dispute between Greece and Albania, Yugoslavia, and Bulgaria, the Russian Council representative first "solo-decided" that the question was "substantive" and therefore subject to veto, and then again exercised his veto prerogative on the question itself. This double-obstruction repeated his performance of June 1946 on the Franco-Spain question.

* * * *

How much the majority of genuinely peace-loving Powers will actually accomplish at this session in pushing veto reform and in the other above-mentioned controversial items is uncertain. But what is being privately concluded ~~by the Organization~~'s powers-that-be is the wholly negative concept that, despite the broad hopes uttered by Mr. Marshall and others, if the session can get to its end without stirring up new incidents of international friction, it will merit a verdict of success.

* * * *

### Appeasement East-West

Overheard at Secretary Marshall's reception: His Excellency Mr. Andrei Y. Vyshinsky, USSR Deputy Minister of Foreign Affairs, to Bernard M. Baruch: "There happen to be some capitalists that are good."

### Appeasement West-East

By Mrs. Franklin D. Roosevelt: "I nominate Oscar Lange of Poland as President of the Humanitarian Committee because he thinks with his heart as well as his head."

# Says Wagner Act Made Workers Union Slaves

(Continued from page 6)

caused mental suffering by taunts and threats, and physical suffering by actual violence. Their homes were not sacred, but subject to threats and violence at the hand of goon squads organized for the purpose of intimidating workers into submission to union authority. Yes, workers have become truly slaves to unionism because it cannot be escaped wherever they go.

"Please do not misunderstand me. I am not against unionism. I believe that a responsible union, run for the sole benefit and welfare of its members, can be a valuable factor in our economy. But in general we have not had that kind of unionism. What we have had has been a kind of political racketeering in which irresponsible labor leaders have been far more interested in the promotion of their own political advantage, than in the welfare of the worker.

"When the Wagner Law was passed, even though completely one-sided, it was recognized as the law of the land by industry, which proceeded to do its best under a severe handicap. As time progressed, the public gradually became more and more aware of the ever increasing excesses of labor leaders. Workers, believing that the Law had been passed solely for the protection of their rights, became aware of the fact that they had become slaves to this new system. This thinking on the part of intelligent workers and the public generally, found expression in a recent election in the form of a mandate to our Government for equalization of responsibility. The Taft-Hartley Law was subsequently passed.

"Union publicity was immediately turned loose. The public was bombarded with the slogan *Slave Labor Law*, although the knowledge of its provisions was extremely limited.

"This publicity has probably affected public opinion adversely in regard to the Law as such. However, based upon reliable information, we believe that a decided majority of the public favors each of its provisions, especially that for union liability in case of contract violation. This is also true of employees. The unions have declared war upon this Law and are utilizing every means at their command to force its repeal.

"The political strategy is to discredit the need for this Law. The unions don't want it, and if it can be shown that industry also doesn't want it, there will then be strong argument for its repeal. That is exactly the reason why the unions are putting such tremendous pressure upon industry to evade its provisions. Our recent trouble at Murray was based entirely upon the provision for union liability. This was something new, something unheard of, and not to be tolerated.

"The Taft-Hartley Law is designed to put unions and employers upon equal footing in regard to bargaining strength."

Referring to the Taft-Hartley Law, Mr. Avery pointed out that the liability provisions of the Act apply only to the unions as such and not to the individual members, and, in this light, The Murray Corporation has explained to its workers, whose union went on strike because the company refused not to make use of the liability clauses, that they, the workers, were not personally liable to the company for losses due to violation of union agreements.

# Our Reporter's Report

The fare offered investors this week was kind of "thin" in volume but the several small corporate issues brought to market received a decidedly good reception. This was noticeably true in the case of the several small utility issues which came out.

**To begin with these undertakings were of the type which induced the kind of competition for which the Securities and Exchange Commission doubtless hopes, but very seldom sees.**

In two instances nine separate bids were made for each issue, while in the case of the third, a stock offering, two groups were in the running.

**Both the $7,000,000 first mortgage bonds of Monongahela Power Co. and the $3,500,000 first mortgage bonds of Iowa Public Service Co. were bid for as 3s, the former bringing on a price of 101.549 and the latter 101.819.**

**A treat for the eyes of insurance company buyers who have long been forced to look at lesser coupons, the bonds were priced to yield 2.90% and 2.875% respectively.**

The result was a brisk demand which assured quick success for both issues. Both firms have earmarked the funds for use in financing new construction, either under way or in contemplation.

### Strictly a Local Deal

Sale through competitive bidding of 300,000 shares of common stock of the San Diego Gas & Electric Co. turned out to be a strictly local project.

An eastern banking syndicate headed by White, Weld & Co., and Shields & Co. sought the stock but was outbid by a group headed by the West Coast firm of Blyth & Co. Inc.

**Paying a price of $13.46 a share to the company, the syndicate fixed a reoffering figure of $14.50 a share and, according to well-posted observers the successful group was in receipt of sufficient orders to absorb the entire block on the Coast.**

### Atlantic City Electric

A group of 48 underwriting houses undertook the task of marketing a block of 343,106 shares of common stock of Atlantic City Electric Co. for the account of American Gas & Electric Co. yesterday.

**Some time back the selling concern sought unsuccessfully to dispose of the block through competitive bidding and by permission of the Securities and Exchange Commission negotiated with the bankers to handle the deal.**

**The block was originally much larger, but through scaling down, and arrangements to pay out part of the original total in the form of stock dividends, was reduced to current proportions.**

There is a balance of 179,310 shares, which the American Gas & Electric has agreed will not be sold prior to Jan. 1, next.

### Big Issues Ahead

Next week promises to give the underwriters ample business to keep them occupied, that is, of course, the lucky ones, for the bulk of the issues in prospect are destined for sale over the competitive bidding route.

**Largest, by far, of the issues ahead is the $75,000,000 of Duquesne Light Co. first mortgage bonds, due 1977, which was held in abeyance for a week.**

**Close behind is one of the biggest equity deals growing out of the Death Sentence Clause of the Public Utility Holding Company Act, involving 2,600,000 shares of common stock of American Water Works Co., Inc.**

Consumers Power Co.'s $25,000,000 of first mortgage 30-year bonds should attract keen competition and the same goes for $19,400,000 of first mortgage bonds and $8,635,000 common stock of Interstate Power Co.

An industrial deal, negotiated, involving 112,974 shares of second preferred stock of Cluett Peabody & Co. Inc., will serve to bolster the total.

### New Issue Planned

Another piece of new-money financing came into prospect this week with the report that Public Service Co. of Indiana is contemplating raising of funds within the next few months.

Details have not been worked out, but it is figured that this offering could range anywhere from $6,000,000 to $16,000,000 depending on the company's needs as the time approaches.

## Herrick, Waddell Adds

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—Walter G. Cox has been added to the staff of Herrick, Waddell & Co., Inc., Merchants Bank Building.

# 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. 21 | 89.4 | 84.3 | 92.8 | 89.1 |
| Equivalent to— | | | | | |
| Steel ingots and castings produced (net tons) | Sept. 21 | 1,564,400 | 1,475,200 | 1,623,900 | 1,570,300 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil output—daily average (bbls. of 42 gallons each) | Sept. 6 | 5,173,050 | 5,156,850 | 5,104,500 | 4,799,950 |
| Crude runs to stills—daily average (bbls.) | Sept. 6 | 5,246,000 | 5,209,000 | 5,184,000 | 4,876,000 |
| Gasoline output (bbls.) | Sept. 6 | 16,205,000 | 16,753,000 | 16,163,000 | 15,406,000 |
| Kerosine output (bbls.) | Sept. 6 | 1,917,000 | 1,910,000 | 1,964,000 | 1,821,000 |
| Gas oil and distillate fuel oil output (bbls.) | Sept. 6 | 6,337,000 | 5,919,000 | 5,932,000 | 5,509,000 |
| Residual fuel oil output (bbls.) | Sept. 6 | 8,708,000 | 8,962,000 | 8,757,000 | 8,102,000 |
| Stocks at refineries, at bulk terminals, in transit and in pipe lines— | | | | | |
| Finished and unfinished gasoline (bbls.) at | Sept. 6 | 83,336,000 | 84,105,000 | 84,858,000 | 86,909,000 |
| Kerosine (bbls.) at | Sept. 6 | 21,102,000 | 20,723,000 | 18,562,000 | 19,990,000 |
| Gas oil and distillate fuel oil (bbls.) at | Sept. 6 | 56,763,000 | 54,806,000 | 49,545,000 | 55,626,000 |
| Residual fuel oil (bbls.) at | Sept. 6 | 56,168,000 | 55,242,000 | 53,531,000 | 54,936,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | Sept. 6 | 809,050 | 925,732 | 905,244 | 794,483 |
| Revenue freight rec'd from connections (number of cars) | Sept. 6 | 634,314 | 701,227 | 692,757 | 640,513 |
| **CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:** | | | | | |
| Total U. S. construction | Sept. 11 | $146,229,000 | $122,766,000 | $57,401,000 | $86,166,000 |
| Private construction | Sept. 11 | 82,511,000 | 90,272,000 | 24,425,000 | 54,387,000 |
| Public construction | Sept. 11 | 63,718,000 | 32,494,000 | 32,976,000 | 31,779,000 |
| State and municipal | Sept. 11 | 46,743,000 | 28,884,000 | 27,030,000 | 30,116,000 |
| Federal | Sept. 11 | 16,975,000 | 3,610,000 | 5,946,000 | 1,603,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | Sept. 6 | 10,650,000 | 12,030,000 | 11,810,000 | 11,326,000 |
| Pennsylvania anthracite (tons) | Sept. 6 | 946,000 | 1,200,000 | 1,179,000 | 1,029,000 |
| Beehive coke (tons) | Sept. 6 | 119,300 | *129,500 | 129,800 | 108,600 |
| **DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100** | Sept. 6 | 265 | *277 | 223 | 264 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | Sept. 13 | 5,053,300 | 4,720,659 | 4,923,000 | 4,521,151 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.** | Sept. 11 | 75 | 60 | 78 | 31 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | Sept. 9 | 3.19141c | 3.19141c | 3.19141c | 2.70711c |
| Pig iron (per gross ton) | Sept. 9 | $36.93 | $37.08 | $36.52 | $28.13 |
| Scrap steel (per gross ton) | Sept. 9 | $37.75 | $37.83 | $40.42 | $19.17 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | Sept. 10 | 21.225c | 21.225c | † | 14.150c |
| Export refinery at | Sept. 10 | 21.350c | 21.400c | 21.425c | 16.350c |
| Straits tin (New York) at | Sept. 10 | 80.000c | 80.000c | 80.000c | 52.000c |
| Lead (New York) at | Sept. 10 | 15.000c | 15.000c | 15.000c | 8.250c |
| Lead (St. Louis) at | Sept. 10 | 14.800c | 14.800c | 14.800c | 8.100c |
| Zinc (East St. Louis) at | Sept. 10 | 10.500c | 10.500c | 10.500c | 8.250c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Govt. Bonds | Sept. 16 | 122.24 | 122.42 | 122.24 | 121.74 |
| Average corporate | Sept. 16 | 116.02 | 116.80 | 117.20 | 117.20 |
| Aaa | Sept. 16 | 120.84 | 121.67 | 121.88 | 121.46 |
| Aa | Sept. 16 | 119.20 | 119.82 | 120.22 | 119.41 |
| A | Sept. 16 | 115.82 | 116.61 | 116.80 | 117.00 |
| Baa | Sept. 16 | 108.70 | 109.60 | 110.15 | 111.44 |
| Railroad Group | Sept. 16 | 111.07 | 112.19 | 112.56 | 113.70 |
| Public Utilities Group | Sept. 16 | 117.40 | 118.20 | 118.60 | 118.00 |
| Industrials Group | Sept. 16 | 119.61 | 120.22 | 120.43 | 120.22 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Govt. Bonds | Sept. 16 | 1.49 | 1.52 | 1.53 | 1.60 |
| Average corporate | Sept. 16 | 2.85 | 2.81 | 2.79 | 2.79 |
| Aaa | Sept. 16 | 2.61 | 2.57 | 2.56 | 2.58 |
| Aa | Sept. 16 | 2.69 | 2.66 | 2.64 | 2.68 |
| A | Sept. 16 | 2.86 | 2.82 | 2.81 | 2.80 |
| Baa | Sept. 16 | 3.24 | 3.19 | 3.16 | 3.09 |
| Railroad Group | Sept. 16 | 3.11 | 3.05 | 3.03 | 2.97 |
| Public Utilities Group | Sept. 16 | 2.78 | 2.74 | 2.72 | 2.75 |
| Industrials Group | Sept. 16 | 2.67 | 2.64 | 2.63 | 2.64 |
| **MOODY'S COMMODITY INDEX** | Sept. 16 | 438.1 | 429.7 | 422.0 | 327.9 |
| **NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:** | | | | | |
| Foods | Sept. 13 | 234.0 | 226.1 | 223.9 | 176.5 |
| Fats and oils | Sept. 13 | 222.2 | 187.6 | 180.0 | 188.0 |
| Farm products | Sept. 13 | 266.1 | 261.0 | 257.4 | 208.5 |
| Cotton | Sept. 13 | 302.0 | 303.2 | 329.4 | 344.0 |
| Grains | Sept. 13 | 292.0 | 277.9 | 260.8 | 209.1 |
| Livestock | Sept. 13 | 260.5 | 256.1 | 249.7 | 187.1 |
| Fuels | Sept. 13 | 182.4 | 182.4 | 182.4 | 154.2 |
| Miscellaneous commodities | Sept. 13 | 167.3 | 164.2 | 164.8 | 143.5 |
| Textiles | Sept. 13 | 215.5 | 210.9 | 218.0 | 205.3 |
| Metals | Sept. 13 | 159.1 | 159.1 | 159.1 | 124.5 |
| Building materials | Sept. 13 | 226.3 | 231.0 | 221.9 | 177.9 |
| Chemical and drugs | Sept. 13 | 149.7 | 149.7 | 149.7 | 127.5 |
| Fertilizer materials | Sept. 13 | 132.6 | 130.8 | 129.7 | 120.7 |
| Fertilizers | Sept. 13 | 135.5 | 135.5 | 135.5 | 121.4 |
| Farm machinery | Sept. 13 | 127.1 | 127.1 | 127.1 | 115.4 |
| All groups combined | Sept. 13 | 212.0 | 208.5 | 206.80 | 169.3 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | Sept. 6 | 196,986 | 167,268 | 169,653 | 192,978 |
| Production (tons) | Sept. 6 | 139,886 | 176,588 | 174,180 | 138,189 |
| Percentage of activity | Sept. 6 | 79 | 99 | 97 | 83 |
| Unfilled orders (tons) at | Sept. 6 | 478,283 | 425,412 | 488,283 | 615,865 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100** | Sept. 12 | 141.6 | 140.1 | 140.4 | 137.0 |
| **WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:** | | | | | |
| All commodities | Sept. 6 | 154.9 | 154.0 | 152.2 | 122.0 |
| Farm products | Sept. 6 | 182.4 | 181.7 | 181.2 | 150.4 |
| Foods | Sept. 6 | 174.1 | 172.1 | 171.1 | 130.7 |
| Hides and leather products | Sept. 6 | 183.2 | 183.3 | 176.5 | 139.6 |
| Textile products | Sept. 6 | 140.3 | 140.1 | 139.5 | 117.3 |
| Fuel and lighting materials | Sept. 6 | 114.4 | 114.2 | 110.7 | 95.1 |
| Metal and metal products | Sept. 6 | 150.4 | 149.8 | 146.7 | 113.6 |
| Building materials | Sept. 6 | 180.1 | 179.3 | 178.0 | 133.1 |
| Chemicals and allied products | Sept. 6 | 118.5 | 117.6 | 116.9 | 97.5 |
| Housefurnishing goods | Sept. 6 | 131.9 | 131.9 | 131.8 | 114.1 |
| Miscellaneous commodities | Sept. 6 | 117.2 | 115.9 | 116.0 | 101.3 |
| Special groups— | | | | | |
| Raw materials | Sept. 6 | 168.5 | 167.9 | 166.4 | 137.5 |
| Semi-manufactured articles | Sept. 6 | 150.2 | 149.9 | 147.1 | 111.5 |
| Manufactured products | Sept. 6 | 150.1 | 148.9 | 147.2 | 116.9 |
| All commodities other than farm products | Sept. 6 | 148.9 | 147.9 | 145.9 | 115.8 |
| All commodities other than farm products and foods | Sept. 6 | 137.9 | 137.3 | 135.2 | 110.8 |

*Revised figure. †No market—previous quotation, 21.225c.

| | Latest Month | Previous Month | Year Ago |
|---|---|---|---|
| **BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—** | | | |
| Month of August | $84,406,000 | $93,733,000 | $82,704,000 |
| **COTTON GINNINGS (DEPT. OF COMMERCE)—** | | | |
| Prior to Aug. 23: | | | |
| Running bales | 647,391 | 324,137 | 532,664 |
| **COTTON PRODUCTION (DEPT. OF AGRICULTURE)—As of Sept. 1—** | | | |
| Bales (50c pounds gross weight) | 11,849,000 | 11,844,000 | 8,649,000 |
| **COTTON SEED — DEPT. OF COMMERCE—** | | | |
| Received at mills (tons) Aug. 1 to Aug. 31 | 167,130 | 3,068,968 | 107,733 |
| Crushed (tons) Aug. 1 to Aug. 31 | 102,148 | 3,088,335 | 88,033 |
| Stock (tons) Aug. 31 | 163,321 | 98,339 | 137,506 |
| **COTTON SEED PRODUCTS—DEPT. OF COMMERCE—** | | | |
| Crude Oil— | | | |
| Stocks (pounds) Aug. 31 | 19,209,000 | 14,967,000 | 27,019,000 |
| Produced (pounds) Aug. 1 to Aug. 31 | 31,109,000 | 972,617,000 | 25,902,000 |
| Shipped (pounds) Aug. 1 to Aug. 31 | 29,677,000 | 975,966,000 | 23,946,000 |
| Refined Oil— | | | |
| Stocks (pounds) Aug. 31 | 116,709,000 | 171,342,000 | 199,001,000 |
| Produced (pounds) Aug. 1 to Aug. 31 | 24,913,000 | 911,907,000 | 24,288,000 |
| Cake and Meal— | | | |
| Stocks (tons) Aug. 31 | 26,416 | 46,916 | 25,625 |
| Produced (tons) Aug. 1 to Aug. 31 | 47,068 | 1,361,668 | 37,831 |
| Shipped (tons) Aug. 1 to Aug. 31 | 67,568 | 1,346,380 | 43,834 |
| Hul's— | | | |
| Stocks (tons) Aug. 31 | 34,580 | 35,484 | 25,830 |
| Produced (tons) Aug. 1 to Aug. 31 | 23,210 | 726,594 | 19,865 |
| Shipped (tons) Aug. 1 to Aug. 31 | 24,114 | 717,035 | 19,980 |
| Linters—running bales— | | | |
| Stocks Aug. 31 | 72,396 | 79,431 | 46,364 |
| Produced Aug. 1 to Aug. 31 | 31,807 | 991,195 | 26,073 |
| Shipped Aug. 1 to Aug. 31 | 38,842 | 946,818 | 14,763 |
| Hull fiber (500-lb. bales)— | | | |
| Stocks Aug. 31 | 103 | 149 | 148 |
| Produced Aug. 1 to Aug. 31 | 134 | 19,118 | 228 |
| Shipped Aug. 1 to Aug. 31 | 180 | 19,472 | 283 |
| Motes, gabbots, etc. (500-lb. bales)— | | | |
| Stocks Aug. 31 | 9,486 | 10,248 | 2,117 |
| Produced Aug. 1 to Aug. 31 | 1,428 | 39,137 | 1,415 |
| Shipped Aug. 1 to Aug. 31 | 2,190 | 30,619 | 1,028 |
| **CROP PRODUCTION IN U. S. — U. S. DEPT. OF AGRICULTURE—Estimate as of Sept. 1:** | | | |
| (000's omitted) | | | |
| Corn, all (bu.) | 2,403,913 | 2,659,949 | 3,287,927 |
| Wheat, all (bu.) | 1,408,602 | 1,427,747 | 1,155,715 |
| Winter (bu.) | 1,095,648 | 1,095,648 | 873,893 |
| All Spring (bu.) | 312,954 | 332,099 | 281,822 |
| Durum (bu.) | 43,245 | 45,734 | 35,836 |
| Other Spring (bu.) | 269,709 | 286,365 | 245,986 |
| Oats (bu.) | 1,226,792 | 1,223,624 | 1,509,867 |
| Barley (bu.) | 285,919 | 289,845 | 263,350 |
| Rye (bu.) | 25,405 | 25,405 | 18,685 |
| Buckwheat (bu.) | 8,862 | 8,931 | 7,105 |
| Flaxseed (bu.) | 39,521 | 39,480 | 22,962 |
| Rice (bu.) | 76,047 | 74,885 | 71,520 |
| Sorghums for grain (bu.) | 89,937 | 93,190 | 106,737 |
| Hay, all (ton) | 102,030 | 103,232 | 100,860 |
| Hay, wild (ton) | 13,179 | 13,406 | 11,530 |
| Hay, alfalfa (ton) | 33,119 | 33,710 | 31,817 |
| Hay, clover and timothy (ton) | 33,271 | 33,149 | 34,330 |
| Hay, lespedeza (ton) | 6,614 | 6,990 | 7,182 |
| Beans, dry edible (100 lb. bag) | 16,659 | 16,366 | 15,797 |
| Peas, dry field (100 lb. bag) | 6,542 | 6,544 | 6,926 |
| Soybeans for beans (bu.) | 181,247 | 187,906 | 196,725 |
| Peanuts (lb.) | 2,144,850 | 2,136,895 | 2,036,430 |
| Potatoes (bu.) | 368,168 | 361,793 | 475,969 |
| Sweet potatoes (bu.) | 59,001 | 60,238 | 66,807 |
| Tobacco (lb.) | 2,150,511 | 2,126,477 | 2,312,080 |
| Sugarcane for sugar & seed (ton) | 6,136 | 6,420 | 5,997 |
| Sugar beets (ton) | 12,140 | 12,086 | 10,562 |
| Broomcorn (ton) | 33 | 33 | 44 |
| Hops (lb.) | 44,844 | 49,520 | 53,171 |
| **FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX JAN. 2, 1931=100 (COPYRIGHTED) AS OF SEPT. 1—** | | | |
| Composite index | 124.9 | 124.1 | 116.0 |
| Piece goods | 120.1 | 120.4 | 113.5 |
| Men's apparel | 121.7 | 121.7 | 108.0 |
| Women's apparel | 121.1 | 120.6 | 116.6 |
| Infant's & children's wear | 122.5 | 122.0 | 109.1 |
| Home furnishings | 131.4 | 131.2 | 118.7 |
| Piece goods— | | | |
| Silk | 79.3 | 79.1 | 85.1 |
| Woolens | 113.0 | 114.1 | 110.5 |
| Cotton wash goods | 168.1 | 168.1 | 145.0 |
| Domestics— | | | |
| Sheets | 168.1 | 167.3 | 139.2 |
| Blankets & comfortables | 143.5 | 143.3 | 135.8 |
| Women's apparel— | | | |
| Hosiery | 81.7 | 82.4 | 90.0 |
| Aprons & house dresses | 152.3 | 152.3 | 139.5 |
| Corsets & brassieres | 121.9 | 122.5 | 114.3 |
| Furs | 146.9 | 143.4 | 157.0 |
| Underwear | 112.4 | 111.8 | 102.7 |
| Shoes | 111.4 | 110.9 | 96.3 |
| Men's apparel— | | | |
| Hosiery | 119.7 | 119.7 | 109.1 |
| Underwear | 131.6 | 131.1 | 118.3 |
| Shirts & neckwear | 112.1 | 112.4 | 102.5 |
| Hats & caps | 104.6 | 105.0 | 96.7 |
| Clothing including overalls | 114.9 | 114.6 | 108.2 |
| Shoes | 147.2 | 147.2 | 113.2 |
| Infants' & children's wear— | | | |
| Socks | 126.7 | 125.6 | 115.0 |
| Underwear | 111.6 | 111.6 | 103.3 |
| Shoes | 129.3 | 128.9 | 109.0 |
| Furniture | 141.0 | 141.0 | 132.2 |
| Floor coverings | 164.6 | 164.6 | 149.3 |
| Radios | 73.3 | 73.3 | 68.2 |
| Luggage | 96.9 | 96.0 | 94.8 |
| Electrical household appliances | 109.2 | 108.3 | 95.3 |
| China | 120.8 | 120.6 | 110.9 |
| **TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of Aug:** | | | |
| Net sales | $308,111,500 | $609,139,700 | $41,211,700 |
| Net purchases | ——— | ——— | ——— |

*Revised figure. †Preliminary figure.

| | | | |
|---|---|---|---|
| **UNITED STATES GROSS DEBT DIRECT AND GUARANTEED — As of August 31** | $260,176,196,535 | $259,527,711,055 | $267,924,475,268 |
| General Fund Balance | 3,400,395,127 | 3,068,793,567 | 11,039,597,173 |
| Net Debt | 256,775,801,408 | 256,458,917,488 | 256,884,878,095 |
| Computed Annual Interest Rate | 2.125% | 2.116% | 2.015% |

# Misuse of Language Blamed for Economic Ills

**Research conducted by American Economic Foundation indicates frictions result not from anti-business prejudice but from ignorance of actual business operations. Simplified accounting advocated as indispensable.**

Research studies conducted for the American Economic Foundation by Fred G. Clark, General Chairman, and Richard Stanton Rimanoczy, education director, show that one of the best ways to help solve the country's economic ills — including strikes, and the price rises which follow—is to revise the language that business uses to report its activities.

Economic frictions are not based upon prejudice against business, the research showed, but upon ignorance of how business operates.

So an important step toward correcting this, according to Clark and Rimanoczy, is to get rid of all the word-confusion that often confounds economic issues, and then show what makes business tick by using words with a singleness of meaning that cannot be distorted or confused, either by accident or intent.

The great need for stable business terms was further demonstrated when the researchers found that the word, "profit," used so frequently in business, has 21 different interpretations.

Clark and Rimanoczy have traced word usage back to the birth of language and claim that many distorted meanings originate in our classrooms.

"For example," said Clark, "take the word 'capitalist,' frequently used now as an insult. This word came into general use when livestock was the commonest form of productive property. 'Capita' was the word used for head, and property was measured by the 'number of heads' in the herd or flock. The head count was known as the 'capital count.'

"As productive property assumed other forms, the word 'capital' became 'capital goods,' and was applied as an adjective. Later the word 'goods' was dropped and 'capital' stood by itself as a noun. Next, the noun was personalized and became 'capitalist,' which set the stage for a third noun, 'capitalism.'"

In setting the stage for a new "economic vocabulary," Clark and Rimanoczy established what they called a "semantic laboratory" for the psychological study and classification of words—a science called "semantics."

Results of the research are now available to all branches of industry, labor, and business, at the American Economic Foundation headquarters, 295 Madison Avenue, New York 17, New York, to help these groups gain a clearer mutual understanding of the whole economic picture. The Foundation is a non-profit educational institution wholly supported by public subscriptions for the purpose of adult economic education, particularly in the labor-management area.

### New Accounting Method

In line with various studies, a manual of instructions regarding a new method of accounting especially useful to corporations is now being given wide national distribution through the Foundation. This manual is called "The Functional Report," and explains the "Short Form," which supplements orthodox control accounting by providing a method of "social" accounting that uses a new vocabulary of simple words with incontrovertible meanings. The "Short Form" is already being applied by a number of big business institutions, among them the New York Central Railroad, General Mills, American Radiator and Standard Sanitary Corp., Vanadium Alloys Steel Co., Allied Chemical and Dye Corp., Atlantic Refining Co., Marine Midland Bank, and others.

"Our work actually began eight years ago," Clark stated, "when we undertook to explore the theory that people can only dislike people they do not know and understand."

In several test campaigns the Foundation was successful in promoting understanding and friendship between business men, workers, and the general public but a fly showed up in the ointment when the Foundation's researchers saw that although the disputants grew more friendly and excused each other for their personal participation in the system, the fundamental prejudice against the system still remained.

### The Semantic Laboratory

The next step, then, was to uncover common interests that outweighed selfish interests. And here's where the semantic laboratory came in. A weekly radio quiz debate was launched on 107 stations called "Wake Up, America!" along with a debate-in-print in 950 newspapers, similarly titled. The radio program served as a laboratory for the spoken word, and the newspaper debate functioned as a semantic test tube for the written word.

Champions for both sides spoke, which led to the important discovery that prejudice against business is caused principally by the general confusion surrounding the meaning of words used by business to report its operations to workers, stockholders, and the public. So the Foundation now exerts wide national influence toward simplifying the technical language in which business issues financial reports, annual statements, and other literature on economics.

"To help this movement along," Clark said, "we have re-defined the entire economic structure in words so simple that nobody can misconstrue or misinterpret them. In fact, we have evolved a ten-sentence dissection of capitalism which has proved complete and accurate. Through the use of this new vocabulary, we have been able to show who-gets-how-much-for-doing-what under the private enterprise system, and to demonstrate that it produces the greatest good for the greatest number. It is a simple but accurate yardstick that enables any high school child to measure and evaluate the claims of rival economic systems."

# Business Man's Bookshelf

**Expenses and Profits of Limited Price Variety Stores in 1946,** Chains and Independents—Elizabeth A. Burnham—Harvard University Graduate School of Business Administration, Soldiers Field, Boston 63, Mass.—paper—$2.

**Functional Operating Report, The**—New Form of Social Accounting for use in Public and Employee Relations—Robert R. Doane and Joseph E. Canning—The American Economic Foundation, 295 Madison Avenue, New York 17, N. Y.—paper—$1.00.

**Guarantee of Annual Wages**—A. D. H. Kaplan—The Brookings Institution, Washington, D. C.—paper.

**Oliphant's Earning Power of Railroads**—42nd annual edition—contains tables enabling comparative study of 92 railroads, providing data on capital structure, earnings, traffic, etc.—James H. Oliphant & Co., 61 Broadway, New York 6, N. Y.—fabrikoid.

**Trade and Employment** — The Review of the Draft Charter of the International Trade Organization of the United Nations—Brochure No. 106, United States Associates, International Chamber of Commerce, Inc., 590 Madison Avenue, New York 22, N. Y.—paper.

**What Every Business Man Should Know About His Taxes**—Harold Ehrenreich, National Accounting Service, Lynbrook, N. Y.—Paper—No charge.

# Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Revision of the capital gains tax and the double taxation of corporate income is to be recommended this fall by the House Ways and Means Committee special civilian advisory group. Specific proposals in that direction will be popped before the committee when it meets in November to write tax legislation. You can be sure the committee will OK such reform. But don't be sure about final enactment of any tax bill until we learn the Marshall Plan's price tag in terms of U. S. dollars.

* * *

**Tax revision has a better chance than tax reduction. That's the prospect right now. But a Congressional bloc aims to discourage Marshall Plan disbursements by (1) shoving through a general tax cut measure and thereby (2) shrinking the volume of incoming dollars available for sprinkling abroad. To succeed this clique must flatten a presidential veto.**

* * *

Soft drink bottlers are harassed by continued talk of a new penny-a-bottle Federal excise tax. They're worried it may progress beyond the conversation stage.

* * *

**Coca-Cola Company wants the Supreme Court once and for all time to lay down a prohibition against other bottlers using a similar trademark. Coca-Cola has asked the court to reverse a recent circuit court opinion that a Massachusetts firm making "Polar Cola" is not infringing, has reminded the supreme tribunal that other circuit courts have ruled infringement in similar situations. Coca-Cola seeks a clarifying decision from the top jurists.**

* * *

Here's a memo to you fellows responsible for high prices: don't be startled if some congressional investigator ducks around a corner and shouts "Boo." That's now the avowed intent of the Senate subcommittee which opened price hearings in Providence last Monday. Committee members—at least some of them—hope to frighten prices lower by warning you they're too high. Better get set for this psychological shock.

* * *

**Connecticut's Republican Senator Ray Baldwin, who authored legislation financing the price probe, told a press conference the subcommittee would single out price offenders and warn them of reprisals. He thought that would get results, but was a little unhappy when some cynic remarked that similar warnings from the White House and Justice Department hadn't frightened manufacturers, wholesalers, retailers — or farmers—into basement bargain sales.**

* * *

Here's an example of what pressure at the right place from the right people will do. Last August, Agriculture Secretary Clinton Anderson told the public in general and fruit growers in particular the government would not adopt a dried fruit purchase or loan program. Now he's in the market for 133 tons of such products, including 127 tons of prunes and raisins. That's only a beginning.

* * *

**The CIO drive to organize the banks is being viewed with interest — but not alarm — from Washington. There'll be no intervention unless disruption of service is threatened. And the government men figure the public will forestall that possibility—won't tolerate interference with their banking operations by labor, organized or otherwise.**

It's being surmised here—but can't be proved yet—that there's a construction on trend toward rental units, away from homes for sale. Proof would be welcomed by the Administration's public housers. From the beginning they have argued—they still do—that GIs should be supplied with rental dwellings rather than houses with inflated price tags. Veterans' Administration concurs.

* * *

**If you're financing GI insured mortgages, expect word shortly from a Veterans' Administration field man that lenders are to be held responsible for faulty construction. VA holds it's the obligation of lenders to inspect against inferior materials and workmanship. You'll cooperate or be blacklisted, VA warns. Just what this threat means hasn't yet been demonstrated.**

* * *

Don't discount the possibility of public housing legislation of some sort next session. It's not only possible but probable.

* * *

**Housewives will be paying 10 cents a pound for potatoes shortly after the turn of the year, perhaps more later in the summer. That's the forecast of Agriculture Department economists. The given reason—a poor crop, dwindling supplies and the rising price spiral. Remember those pictures a few weeks back depicting Federal agents burning heaps of "surplus" spuds?**

* * *

Make this bet with yourself: if Congress gives the Administration another couple of billion for foreign relief, the domestic price of grains, meat and dairy products will touch new record highs. Our overseas neighbors haven't taken kindly to suggestions we feed them canned, fresh and dried fruits and vegetables. They're demanding — and will be given — cereal grains, meat and dairy supplies.

* * *

**The railroads are to receive from the ICC a temporary 10% freight rate hike. They may also win part, but not all, of the additional 27% requested.**

* * *

Remember that complicated questionnaire on business expectations and governmental policies circulated for the congressional joint committee on the economic report by Dun & Bradstreet? Here's the payoff. Only one member of the entire committee asked the staff for an explanation of what the replies meant in concrete, realistic terms.

* * *

**It pays to advertise. That's the latest advice for farmers spooned out by the House Agriculture Committee. In its first preliminary report on a long-range agricultural policy the committee bruskly raps farmers for not advertising their goods like the manufacturers of radios and washing machines, adds . . . "No other industry dumps its product at the factory door and leaves the selling up to someone else — but that is what American farmers have been doing for generations."**

* * *

The Senate Small Business Committee isn't satisfied with promises the steel shortage can be ended in two years. Staff experts remain convinced a 10 to 15% expansion is essential, believe this can be achieved only by legislative action. They'll file specific recommendations next session.

* * *

**A "Thank you" to the banks for the manner in which they have redeemed terminal leave bonds is to be forthcoming shortly from Treasury Secretary Snyder. Treasury officials feel the banks have done a good job in (1) discouraging conversion of bonds into cash, and (2) cashing bonds shoved across the counter.**

* * *

This really happened the other day. A western visitor inspected with reverent eyes the dignity and beauty of the white palace housing the Federal Reserve Board, then drawled . . . "This reminds me of the biblical reference to the money changers in the temple."

# Taft Tours West Coast

**Gives views on major issues in addresses at Santa Cruz and Los Angeles, Cal. Favors aid to Europe and says new social welfare laws must wait until 1949. Again expresses opposition to price curbs.**

Senator Robert A. Taft is touring the West Coast in what is generally considered a campaign to test his position as a 1948 Republican presidential candidate. On Sept. 12 he gave an address at Santa Cruz, Cal. in which he outlined his views on major political issues. These included the extent of American aid to Europe, the food price situation and government price controls, taxes, labor and the foreign policy generally. On Sept. 16 in an address at Los Angeles he accused President Truman of non-cooperation with the Republican Congress and stated that new social welfare laws must await the election of a Republican President, when a definite program for such legislation can be drawn up. Regarding the Taft-Hartley law, Mr. Taft challenged the labor unions to make it an election issue, saying the law was demanded by the whole people, and he referred to the recent Congressional by-election in Pennsylvania as evidence of this. "The Taft-Hartley law was the issue and the only issue in this contest," Sen. Taft stated. "Yet the Republicans won by a larger percentage and by a larger vote than before. It we meet the arguments as they were met there, we will win.

Robert A. Taft

"The Republicans polled 61% of the votes in the district. In Allentown, a strictly labor town, the Republican vote fell off from about 52 or 52½% to 51% or so. In other words, the Democrats gained only about 1%. The point is that while opponents of the Taft-Hartley law may pick up some votes, they also bring out everybody else who feels the other way.

"That is why I say that if labor union leaders try to make the law the issue they will meet with overwhelming defeat."

As to renewed price controls, Sen. Taft said, "I would be very, very loathe to return to anything like government controls. In peace time they can only lead to black markets. The situation is serious, of course, and I propose to discuss it at length in my speech before the Commonwealth Club in San Francisco next Friday."

High prices he asserted "are largely due to the tremendous demand, which is largely domestic demand. The individual's consumption of meat, for instance, is 15% higher than before the war. Voluntary reduction of consumption would help. Americans should eat less meat and eat less extravagantly. I don't mean that every one has too much. Many just have enough. But many could eat less and thus make food available for needy countries."

In Los Angeles, Sen. Taft expressed the belief that war with Russia could be averted, but added:

"However, I do believe we should oppose any further Russian aggression, as we have opposed it in the past. We should not make any concessions to Russia on vital matters. I am optimistic that they are more concerned in spreading their ideology than their military force.

"I am hopeful that we do not face a war. But we should not yield in anything that would permit Russia to spread her dominion more than she has. If we had pursued a different policy in the last year or two of the last war, Russia wouldn't be in the strong position that it is today."

As to supplying help to countries wholly or partially dominated by Russia, Senator Taft said:

"I think I would not aid countries within the Russian orbit today. For one thing, they are much better off east of the iron curtain as to food than west of the iron curtain.

"I think further aid (he meant to countries west of the iron curtain) should be based largely on the theory of helping them to develop economies which will enable them to resist the growth of Communism."

Senator Taft referred to the income taxes today as a "dangerous burden" on the people, and spoke of Republican efforts to reduce both taxes and Federal expenditures.

"We were met, however," he concluded, "by a demand by President Truman for a budget of $37,500,000,000 and a continuation of the wartime tax system. The President took the position that we could not take one cent off his budget or one cent of the existing taxes."

# "Beginning to Question"

"I am beginning to question seriously whether or not it is actually possible for the United States to purchase Europe's economic rightness. I don't think there yet exists a full inclination in Europe to meet the rehabilitation problem; that it will ever be tackled at its roots with the money we are expected to provide. And next year, having poured out the money, we may find that things are no better. What to do about it is a hard decision, but insisting that Europe work out its own salvation may be the only realistic answer."—Anonymous. Quoted by George A. Mooney in the New York "Times."

**We feel certain that this gentleman, who prefers to remain unidentified, is by no means alone in "beginning to question" a good many current assumptions in these matters.**

**We can only hope that realistic thinking will presently fully replace most of present day emotionalism—and that our policy will be correspondingly modified.**