Abandon Savings Bond Issues!

By RAY B. WESTERFIELD
Professor of Economics, Yale University

Dr. Westerfield argues Savings Bonds compete unfairly with private investment departments and depress interest rates. He holds Savings Bonds do not furnish risk capital and serve the growth needs of small business or promote housing, and are unfair and unprofitable to holders. He contends they are a usurpation of functions of private enterprise and a product of New Deal "easy money" policy. Holds U. S. bonds should be tested by market.

In my opinion the time has come for our private savings institutions to defend themselves. It is time to stop facilitating redemption. It is time to unselfishly sacrifice the welfare of the state and to take over their function. They are doing this at a time when the Western World, having just emerged from the Fascist forms of Fascist and Stalinist totalitarianism, is struggling to maintain the constitutional form. They are letting a thankless government impose on them speciously in the name of thrift and patriotism, debt reduction and deflation.

During the depression of the 1930's the doctrine gained acceptance that private thrift was excessive, running for should be reduced, in the name of government, accumulating in bonds that ought to be spent on consumption, thus causing and increasing the depression; that it was necessary for the government to get these bonds by taxation or bond sales and to put them to work through...

(Continued on page 41)

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American Bankers Association

Holds 73rd Annual Convention

Convenes at Atlantic City, Sept. 28 to Oct. 1. Joseph M. Dodge succeeds C. W. Bailey as President; Evans Woolen, Jr., becomes Vice-President, and Frank P. Powers is elected Treasurer. New Division officials chosen. Addresses of Winthrop W. Aldrich; A. L. M. Wiggins, Under Secretary of the Treasury, and others are given herein. Convention approves resolutions favoring both aid to Europe and national debt and tax reductions.

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(Continued on page 84)

As We See It

A LAME AND IMPOLITEN ANALYSIS

In what appears at times to be a sort of apologia pro vita sua, the Chairman of the Board of Governors of the Federal Reserve System the other day in an address to the National Association of Supervisors of State Banks employed some remarkable reasoning and arrived at still more strange conclusions. The full text of this rather extraordinary outgoing was presented at last Thursday's issue of the "Chronicle." It is well worthy the scrutiny of all those who undertake to keep intelligently abreast of what is going on in the country—and, still more perhaps, of all those who find it advisable to try to follow the course of official reasoning.

Had not Mr. Eccles in the past indulged in many intellectual meanderings, we should be tempted to say that the Philistines had now taken him into camp boots and baggage.

At any rate he is now greatly concerned about "inflation." He looks with jaundiced eye on the possibility that the banks of the country may continue in one degree or another to replace their holdings of govern-... (Continued on page 47)

H. M. DODGE, Evans Woolen, Jr., Frank P. Powers

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At any rate he is now greatly concerned about "inflation." He looks with jaundiced eye on the possibility that the banks of the country may continue in one degree or another to replace their holdings of governments with ordinary business loans. This, he thinks, might well be disastrous, since if these institutions should presently decline to hold so many of these almost yieldless obligations of the Federal Govern-... (Continued on page 47)
Iron Hand Over Securities Business Oppresses Our Economy

By EMIL SCHRAM
President, New York Stock Exchange

Contending honesty does not automatically go forever forward, Mr. Schram dizzies unanswerable methods in dealing with our vast economy. Helds capitalism should not be placed on the national scene, for it is now apparent in nations abroad. Says there is shortage of private venture capital, and ascribes this to "iron hand over securities business." Attacks 75% margin requirement and asserts "Federal Reserve Board lacks understanding of our capitalism economy.

What I have to say relates to the lives and well-being of all of us. There never has been a period when people of America have been better satisfied with their democratic political system, or with the free institutions of their capitalistic economy.

Our prosperity and our national In- terests are out in sharpened de- greee, with the depression wave of the rest of the world. However, this is not a situation to boast about. We have an abundance of goods which the rest of the world lacks. For food, fuel and many of the other mate- rials of life, other nations make a beaten path to our door.

Too often, I fear, we overlook one of the facts which contributes most to our well-being. I refer to the pressing personal incentives which are at the heart of the competitive system of enterprise, more properly called democratic capitalism. Our eco- nomic system must reward usefulness to society.

The synthetic philosophy of Karl Marx may teach an artif- icial doctrine keynoted to the public, but the reader has his ability, and to each according to his work, has finally evolved economic system actually operating to the benefit according to his contribution.

Sometimes free enterprise may be befitting to the weak and inefficient, but more often it stirs the lazy man into useful activity.

The apologists for capitalism often have stressed and praised the profit motive. Profit, however, is only one incentive which makes free enterprise work. The other incentive is a impor- tant, for it makes the entre- preneur plan and execute; but for- every entrepreneur there must be many "prives" in the ranks. These "prives" must have in- centives, too. That is why in- centives, incentive salaries the incentives of advancement, the incentive of a higher standard of living for the entrepreneur.

If we were to diagnose the slow progress of our business with British friends in bettering their pres- ent condition, I would be forced to take note of a misplacement em- phasis on consumption rather than on production. There has not been enough to consume in England in these years. From the standpoint of ideals, it (Continued on page 58)

--

What's Happened to the Wolf?

By R. L. LUCIE
Paine, Webbers & Jurice

Mr. Lucie holds the business situation has grown fundamentally weaker, particularly in capital goods and exports spheres. Concludes, however, that business caution does not presuppose securities liquidation, and predicts series of "baby" bull and bear markets. More immediately, a rally of May-July pro- portions is forecast.

As speculative fear of another post-Labor Day financial panic passes into limbo, one fact stands out: The action of the stock market and the trend of business activity in the past courted neither the extreme pessimists nor the perennials. Certainly, the prophets of doom can find little to support their fears with the market's actual high- ness a year ago and the ten-Intensity at least su- bsequently evident in almost every corner of Wall Street. Conversely, however, the fact that we are approximately at the mid-way point in the trading range which has persisted in this year of indecision means little to the holders of securities in those indus-_try which entered a bullrun market. They have suffered their own private bear market in a pe- riod of generally increased earn-ings and dividends.

But what of the outlook now? Will an extraordinary degree of selectivity continue to confound those who mistakenly sought ref- lection in the terms bull or bear market? Or is it really decisive movement in both business and the market? If so, has the wolf been born or is it still a wolf in sheep's clothing?

*Southern Industries With New Lease on Life*

On the business front, there is no denying that some of the industries which were a cause for concern early in the year have taken a new lease on life. As a case in point, the textile industry has largely diverted itself from depression fears—fear, following a drastic house-clearing in the winter and spring months, a way of retail ordering got under way in June. Even the jewelry trade, which was one of the industries hit by the end of the national buying spree, re- cently enjoyed a pickup in retail buyers. And direct sales—with all its fadery—was national in—whether incidentally, seem worried about the other fellow's business but most of them—suggest that busi- ness activity will be at a high level for the remainder of the year.

But glittering generalities can be misleading, for they obscure the diversity of trend which has been a feature of this year of con- fusion, midly pleasant it is prob- ably stretched to follow localized ad- spots in business means that a permanent market plateau has been achieved. Furthermore, the fact remains that, although of the past two months—the fundamental situation today is weaker than it was last sum- mer or last Spring. A year ago although the end of the consumer goods boom and the national buying spree was sight, the pro- spect of continued capital goods prophecy pointed to at least over- hale all business activity. Neverthe- less, the capital goods props to our economy are rather smothered with the result that the only ques- tion is whether there is a further—whether incidentally, seem worried about the other fellow's business but most of them—suggest that busi- ness activity will be at a high

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Shrinking Profits in Securities Business Step Toward Communism

By JOHN DUTTON

Author sees NASD and SEC mark-up policies making investment banking business less and less attractive. Advocates revising Securities Acts and depriving NASD of monopolistic power to forbid members to give dismissals to non-members.

One of the first laws of capitalismis that if you wish to stimulate production you should encourage the more attractive. The more attractive make you profit possibilities in any line of endeavor the more the people will go into that type of production. This principle will be intensified. This law of economics has never been refuted or negated. When it is negated by action of government bureaus, or policies, the effects of the law are at times obscured for a while but the devil will out.

Recently a poll was conducted by certain investment firms in Boston to discover if possible why new men were not coming into the securities business. The answer in brief was that for banking they couldn't make enough money. Only 2% of the new men who stuck it out for a year made as much as even $200 per month average income, and that's not take-home pay but before taxes. The results of this survey indicate those who have for years been favoring the attempts of the National Association of Securities Dealers and the Securities and Exchange Commission in their determined efforts to reduce mark-ups in the sale of over-the-counter securities.

Those who have voiced their approval of the attempts of the Securities and Exchange Commission to define considerable and unscalable profits, to enforce competitive bidding for new issues, and also back up their words with their brother's blood brothers in the NASD in that organization's continued efforts to reduce mark-ups to ever smaller and smaller proportions have seen the handwriting on the wall. It is not the smaller dealers throughout the country that have been in the forefront of those who have heaped praise upon the actions of the Securities and Exchange Commission and the NASD. Many larger firms also see the broader implications of restrictive bureaucratic actions.

Most dealers do not put new men to work for the following reasons. They do not feel free to expand a business which overnight can be demolished by the simple act of an over-zealous bureaucrat who can come into their office, rip their books out, copy off the names of their customers, go on a fishing trip and end by throwing up the office, for some infraction of a certain rule or regulation; or a difference of opinion as to mark-ups, or a challenge of the propriety of a statement made in writing or by one of their unschooled agents while conversing with a prospect or customer.

The SEC can say we don't do this but the actual state of affairs existing today in the securities business is such that they might as well do so because the very fact that powers are so much power always hangs over the heads of those who are a few and do not trust them. No matter how fair the members of the Commission may be, they are not trusted. They have teamed up with the NASD too often, and that organization has been steadily narrowing spreads in the securities business and sending emissions around the country attempting to change trade practices and custom which has been standard procedure ever since we have had an over-the-counter market and dealers in securities.

Right at this time field men of the NASD are making their rounds and visiting dealers trying to confirm securities transactions as agents instead of principal under rules which the NASD thinks should be proper despite the provisory nature of the legal to trade practice and the probable reason for such procedure is that it will narrow the profit (Continued under "Securities Dealer's Corner" on page 56)


**What's Ahead for Retailing?**

By JULES BACKMAN

Associate Professor, New York University

Dr. Backman reviews retailing developments during past year and analyzes favorable and unfavorable factors in immediate outlook. Concludes on basis of his analysis that strength rather than weakness is still predominant characteristic of retailing, will have general adverse effect. The profit picture of retailing, reflecting store costs has not yet been fully reflected, is not likely to be on their toes to maintain satisfactory profit margins.

Before we examine what's ahead for retailing, it probably will be useful to determine what's behind in retailing. What has been the record during the past year and what bearing does this have on the future? By way of preface, it should be emphasized that the general index of business—industrial production, construction, and retail sales—were at their highest level in postwar history. By every standard we have been going through a period of strong business prosperity. This record has confirmed the prophets of doom who have been warning of depression at three month intervals since the end of the war. As each date for the anticipated decline arrives, and the forecasted decline has been indicated, the date has been pushed forward another three to six months. Sales have continued long enough, some day there will be a convergence between the performance of business and the forecast, and a prophets of doom, whom I like to call the pessimistic, will proclaim that retailing is right now.

Turning now to several of the indicators of retail business, we find the following picture.

**Sales**

In the first eight months of 1947, department store sales averaged about 7% above the same period in 1946. In recent weeks, however, total sales have been running a little behind last year. The expansion in the sales of durable goods has been sufficient to maintain high level retail sales. The sharp increase in sales early in 1947 as compared with 1946, reflected in part the fact that prices were substantially higher this year than a year ago. I shall return to this subject later.

*Department sales have been running about 15% ahead of last year, reflecting the increased farm income above the record levels of 1946. In 25.6% of the stores surveyed, rising sales have been indicated; 11.4% of the stores have been able to maintain the sales level of 1946; and 33.0% of the stores have indicated a decline in sales. Despite the increased prices in the first half of 1947, the price index of 1947, clothing price index was 183.5 (1935-1939), as compared with 175.8 last December, or an increase of 53.5. For June last year the index was 172.1. During the first six months of 1947, clothing prices showed an average increase of more than 5% in the first six months of 1946. Thus, it may be probably somewhat less because the official index understated clothing prices. The rise in prices undoubtedly contributed to the increased dollar sales. rex 9,999.7,000.

**Prices**

*The latest indexes are up considerably in retailing. According to the data compiled by the Controllers' Conferences of the NRDGA, retail price indexes in March were above the record levels of the first six months of 1947 as compared with the first half of 1946.*

**Markdowns**

During the first half of 1947, markdowns once more became a factor of considerable importance in retailing. According to data compiled by the Controllers' Conferences of the NRDGA, markdowns increased as follows in the first half of 1947 as compared with the first half of 1946.

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<thead>
<tr>
<th>Country</th>
<th>1946</th>
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**Gross Margins**

*The cumulative markdown showed very little change from that in 1947 in each of the categories of products. (Continued on page 48)*

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Europe's Poverty—Facts vs. Fiction

By Dr. Max Winkler

Dr. Winkler asserts large amounts of foreign aid is needed in order to help the European countries get back on their feet. However, European countries are not entirely poor, and the amount of foreign aid is not as critical as one might think. Therefore, it is important to understand the current situation and consider the facts before making a decision.

Touring the market in 1947, the price index for clothes was down substantially compared with last year. Thus, it appears that the price index for clothes was down substantially compared with last year. Thus, it appears that the price index for clothes was down substantially compared with last year. Thus, it appears that the price index for clothes was down substantially compared with last year. Thus, it appears that the price index for clothes was down substantially compared with last year.
Observations

By A. Wilfred May

At mid-week they present a somewhat confusing picture... 

The Dow theory is a perfect demonstration of the fact that technical... 

Dow Theory: A Logical Absurdity

Stripped of all its surrounding circus glamour and esoteric jargon, Dow's theory is absolutely absurd as a market... 

Dow theorists likewise basically believe that the chances of a succession of identical situations are more than one in a million. A thermodynamicist in the assumption that the chances are then greater, rather than less, than even in figures, that the trend will probably be extended rather than reversed. 

Incidentally, in common with the other technical systems, Dow's theory is as well as games of chance, is subject to the laws of Random variation, which turn out wrong, the Dow theorist blames himself for having "mis-read" the chart, and extrapolates the secondary cycle (a most complex mental somersault). 

Cycle Technique

Similarly empathizing the temptation unconsciously to glory in hindsight, is the growing popularity of Cycle Theory. Thus, a recent burst for a current amazingly well-selling book says significantly that it "is not a book of crystal gazing. It is a book of probabilities of tomorrow, scientifically clocking the trends and cycles of the past. The authors have assembled a wealth of data from charts, which they have wisely sifted, analyzed, and compared— and they have reached some fascinating and startling conclusions. Study of economic cycles provides a series of weather charts for American business which give the businessman a chance to prepare for any kind of business climate."

This surely is only a slight variation from our weather-vane analogy for the Dow technique's assumption of the future for the past. 

There are two main categories of such cycles: the business cycle which is determined by its own internal conditions and the weather cycle which is determined by external conditions within the respective situation; and rhythm with the cycle for the moment of each other's natural" 

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Sustaining Prosperity and General Stability

By DR. EMERSON F. SCHMIDT*
Director of Economic Research, Union Bank of Commerce

After commenting on discouraging forces of rapidly rising prices, Dr. Schmidt holds we are still confronted with further inflationary forces. Averts even peak production cannot overcome plethora of circulating media, and new wage increases that create inflation spiral are self-defeating. Denies business, of itself, can do the job. Must call down inflation to 11 without further price or wage reduction.

In an exchange economy where nearly everyone makes his living by trading his services or products for money, it is of the highest importance that the money should have a reasonably stable buying power from month to month and year to year.

The Tax of Inflation

Rapidly rising or falling prices may levy a cruel tax on some persons and unjustifiably enrich others. Hard work and production by some persons may go unrewarded, while high prices may cause distress to others.

Lack of information as to how far people have become accustomed to propaganda.

Case 1: Website.

Here was a situation where we were told, of chaos in labor-management relations. Well, the chaos.

Case 2: Telephone.

It makes no experience in Washington, I suppose, have I seen mix-up; it seems about one thing. The headlines generally are one, that is a board had outgeneralized its own counsel. Only one that I read was truthful. It said the board bowed to John L. Lewis. In the first place, the board, under the Taft-Hartley Act, cannot make over to the country. He is the big shot. He is not subordinate to the board. He is the head of the board.

It makes the board could do what it did do was to rule that insular as its jurisdiction was concerned, which meant to certify unions as the proper bargaining agents, it would disregard Lewis's decision, as an officer of the AFL, that he didn't have a right to that, that is anti-Communist affidavit. But this still meant that General counsel had said it and that he ruled and that it always are the representatives of certain labor organizations as the proper bargaining agents, unless he would not accept them. Then they

(Continued on page 36)

*Net corporate income:
1929 1929
Net profit after taxes (billions of dollars) 38.4 32.0
Return on net worth (%) 5.3 5.7
Real net profit income (1929 prices): 6.8 5.0
Real net profit after taxes (billions of dollars) 4.2 3.7
Real return on net worth (%) 5.9 7.2
Real profit per dollar of sales (cents) 4.9 4.1
N.A.—Not available. *All data from U.S. Departments of Commerce and Agriculture.

At 4.9, the 1929 data are not usable.

Production Not Enough

We need more production, but even more must be done to overcome a plethora of circulating media. At other times in our nation, the output of various financial forces were not loose through lack of a good supply, maximum possible production could still be impossible for stimulation.

Today we have twice our present commercial activities and three times our supply of currency; consumer prices are up. The great body of some people, for example, were held up by $15 billion in 1929, or $22 billion in December 1946, of which the rate of change was 9.1. The Federal Reserve Bank of St. Louis, 301 South Second Street, St. Louis 1, Missouri.

[Address delivered by Dr. Robert Denham, October 3, 1947, before the Federal Reserve Bank of St. Louis, Committee on Monetary Policy and Finance.]

We have made every effort to correct any misinterpretation of this article. We hope the entire economy, so widely accepted today, that wage rates and prices may be able to be in the cost of living, must be self-defeating to less than cost of living.

Surely, if we are to lack this, we have every dollar's worth of profit, a tax of less than two cents. The National Board of Commerce, N.A.—Not available.

(Continued on page 46)
Dollar Problem and World Trade Federal Reserve Policy and Inflationary Pressures

By ALAN H. TEMPLE

Federal Reserve Bank of St. Louis

Volume 116 Number 4636

THE COMMERCIAL & FINANCIAL CHRONICLE

BY OLIVER P. WHEELER

Vice-President, Federal Reserve Bank of San Francisco

Pacific Coast banker analyzes sources of inflationary pressures, and points to excess currency and bank deposits as principal cause of inflation. Helds because of large ratio of government to private debt, Federal Reserve System is forced to seek control of credit through open market operations and, in order to afford value of government securities, must agree to buy up such securities offered by banks. Stresses credit expansion possibilities of heavy bank bond purchases and cautions that a new little Federal Reserve can do in applying traditional controls, so much is left to initiative of banks.

We announce the formation of STRADER, TAYLOR & CO., INC.

to conduct a general business in

Investment Securities

Ludlum A. Strader

Clarence E. Taylor

Peoples National Bank Building

Lynchburg, Virginia

An address by Mr. Wheeler before the San Francisco Chapter, American Society of Public Accountants, San Francisco, Oct. 1, 1947.
Public Utility Securities

Standard Gas & Electric Plan

The long awaited integration plan of Standard Gas & Electric, when filed with the SEC. The rival groups of the last few years will be uniting their plans on a single valuation of the potential plans for the Consolidation. The valuation has been prepared within a few weeks by

but estimating the value at around ten times recent earnings, the value might be available on the neighborhood of $15,000,000 (allowance is being made for selling costs). Since the company has estimated net quick assets of $3,300,000, this would about ex out the amount required.

The minority plan would then distribute 80% of the remaining assets to the senior preferents and 20% to the preferred common (the common would presumably get only a token allowance)

If Philadelphia Company is allowed to remain intact. But if Philadelphia Company is to be dissolved, the distribution would be 92% and 8%, respectively. The reason for the wide difference in these two sets of ratios is not made clear in the condensed parts of the plans as published in the Wall Street Journal. Presumably the difference reflects the divergent views of the stockholders' group over the SEC order that Philadelphia Company be broken up. It is understood that the chairman Crowley and the minority group have been having discussions with representatives of the junior issues are less likely to agree to the SEC proposal.

Presumably the minority (senior) plan will have to fight their opposition to the breakup and their contention that Philadelphia Company is economically justified. It seems unwise that the plan will agree to the wide differential.

The majority plan would (after retiring the bank loan) allocate the stockholdings in Oklahoma Gas & Electric to the electric to the preferred. Presumably it is not intended to sell the assets.

The majority plan for the remaining assets would be to sell them for the current market price of $15,000,000.

Morgan Stanley & Co. Underwrites Glens Falls Insurance Stock

Glens Falls Insurance Co. has mailed to holders of its capital stock warrants entitling them to subscribe for as many as $5 par stock at $35.50 per share. The company is heading a group of underwriters that will purchase all unsubscribed stock.

The subscription warrants will expire on Oct. 22, 1947, entitle stockholders to subscribe for the stock at the rate of ten shares for each $100 of par value held of record at the close of business Oct. 6, 1947. An increase in the capital stock of the company from 500,000 to 650,000 shares was authorized by the board of directors on Sept. 5, 1947.

The subscription warrants may offer shares of capital stock concurrently with the offering of the common stock of the company.

Call of the company was organized in 1849 and has had a continuous existence since then. The company has facilities for the writing of policies of life insurance in all lines save fire insurance in New York.

Dealer-Broker Investment Recommendations and Literature

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


Railroad Developments of the Week—Current developments affecting the industry—Villas & Hickey, 40 Wall Street, New York 3, N. Y.

Security Ratings—Recent issue of 80-page folio of 363 charts containing vital data on leading listed stocks, graphically portraying weekly, quarterly, and annual values of price, dividends, business index, relative group action and other important data—National City Bank, 141 Mill Street, Boston 9, Mass.

Tax Loss Sales—Bank & Insurance Stocks—Circular—Laird, Sinell & Metts, 120 Broadway, New York 6, N. Y.

Tracage Facilities—Information regarding available industrial sites having tracage facilities in the territory served by the Union Pacific—Industrial Department, Union Pacific Corporation, Omaha 2, Neb. * * *

American Water Works & Electric Co.—Memorandum—H. Kent & Co., Inc., 9 Beverley Street, New York 4, N. Y.

Boston Elevated Railway Co.—Memorandum discussing interesting speculative possibilities—Maxwell, Marshall & Co., 447 South Street, Spring, Los Angeles 14, Calif.

Buda Company—Detailed report—Stifel, Nicolaus & Co., Inc., 214 N. Broadway, St. Louis 2, Mo.

Central Public Utility Corp.—Detailed Study and Outlook—Stratford & Wood, 208 South La Salle Street, Chicago 4, Ill.

Colorado Milling & Elevator Co.—Data—Buckley Brothers, 1420 Walnut Street, Philadelphia 7, Pa.

Also available is information in Foremost Steel and Beryl- lum Steel.

Columbia Gas & Electric—Analysis—G. H. Walker & Co. 1 Wall Street, New York 5, N. Y.


Glens Falls Insurance Co.—Analysis—Bellinger, Lubetkin & Co., 41 Broad Street, New York 12, N. Y.

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

Lansdown & Sessions—Special report—Ward & Co., 120 Broadway, New York 12, N. Y.

Also available are special reports on Upson Company, Dohiel & Finkbankers Co. and Ports- mouth Steel.

Long Bell Lumber Company—Detailed analysis available for interested dealers—Comstock & Co., 281 South La Salle Street, Chicago 4, Ill.

Merchants Distilling Corp.—Late data—Farrell & Co., 203 South La Salle Street, Chicago 4, Ill.

Metal & Thermall Corp.—Memorandum—American New Hanseatic Co., 120 Broadway, New York 5, N. Y.

National Gymnops Co.—Appraisal and outlook—Koeb, Voorhis & Co., 10 Broadway, New York 5, N. Y.

Also available is a review of New York, Snoqualmiam & Wester- n Railroad: and a review and study of Comstock & Co., 41 Broad Street, New York, 4, N. Y.


Reiter Foust Oil Corporation—Circular—Cruiser, Currier & Summers, 74 Trinity Place, New York 6, N. Y.

Royal Dutch Co.—Analysis—Hayden, Stone & Co., 23 Broad Street, New York 4, N. Y.

Shattterproof Glass Corp.—Bul- letin—Peter Barker, 32 Broad- way, New York 7, N. Y.


U. S. Glass Co.—Analysis available for each of Glens Falls, Greene & Co., 37 Wall Street, New York 5, N. Y.

Upson Company—Special report—Ward & Co., 120 Broadway, New York, 5, N. Y.

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

COMING EVENTS

in Investment Field

Oct. 10-12, 1947 (Myrtle Beach, South Carolina)

Oct. 18-22, 1947 (Myrtle Beach, South Carolina)

Nov. 29-30, 1947 (Hollywood, Fla.)

**Upcoming Bankers Association Annual Convention at the Holly- wood Beach Hotel.
Mr. Babson advises waiting a little while longer before starting building a home, not because lower prices can be expected, nor because the falling market in building materials and labor is eased. See no change in home mortgage outlook.

To next specific questions about securities, the next most interested in problems concerning the residential building outlook. Many are asking whether they should build now or wait? Others want to know whether they should build or follow the Wall.

This is a question of European recovery, one of the world's most pressing problems. Whether we have or not we have a job at hand. In the interests of your own welfare we must proceed to build, which would tend to let Western Europe do deeper chaos, confusion and despair.

The American people, as a whole realize the seriousness of the situation, as a collapse of Western Europe may have on the destinies of even our individual future. We cannot have been brought home to the individual.

You members of the Association of gentlemen, if you have experienced in reaching the conclusion that the above things will happen. No one can prophesy today amid the uncertainties and contradictions which appear in the decisioned possibility that through major economies, you can't put on rooseved speculations or all the money, the misery-ridden, hungry continent of Europe and imagine the worst.

These things are, in fact, expected to happen unless the American people wake up to the fact that the collapse of the West with us in Europe and act in time.

Comment Russia, of course, hopes that America will do nothing, and is working to keep developing collapse of Western Europe, that England will not dig coal and that Prussia will not be able to move West with a new plan of reconstruction.

It is my best judgment that Russia will not go to war at 11th time. Her policy is one of watchful waiting to see a period of grandiose proposals and take advantage of the confusion and chaos, and would follow an economic collapse.

If we fail to take appropriate action, it would be a disaster, and Russia's hands. If Western Europe collapses, the economic col¬ lapse will result in a severe depression, throughout the British Empire and the United States. It would have no advantage, therefore, to take the necessary precautions to avoid such a catastrophe. It can be prevented through constructive help, through incentives to production with ade¬ quate safeguards to be sure that we are not resuscitating the American dole but are simply providing the means to keep Western Europe to help herself.

There is an immediate problem and we should face for you. Get the facts across to every individ¬ ual in your country. At the joint commit¬ tee of the Association of Na¬ tional Advertisers and American Association of Advertising Agencies has been cooperating for some months until now to America to formulate a program for the proper use of American money to promote a public understanding of the system of free enterprise and its advantages to every economic group.

Free Enterprise Is At Stake

Mr. Babson asks a question at stake in Western Europe. Our destinies are involved, and vice versa. If we are to strengthen free en¬ ergy in the United States we must start a fight in Europe to fortify themselves go¬ odly. The reason is that such gentlement can play a big part by (Continued on page 8)

Home Building

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Our Capital Must Move Abroad!

By FRANCIS ADAMS TRUSLOW

President, New York Curb Exchange

Mr. Truslow, noting U. S. excess trade deficits, stresses us surplus capital to finance increased productivity in rest of world. Lacks of proper insurance against foreign securities, and use of securi-
ties exchanges to furnish marketability for American investments in for-

erge, temperature, or physical characteristics. Predicts renewal of private capital investments abroad as evidence of the process.

If I can make but a few minutes in competition with the attractions of Florida, I would like to point out some

which the productivity of the rest of the world is increasing.

The path of our trade and finan-
cial well-being is the world has, in my opinion, approached full circle in our economic history. The poverty stricken settle-
ments on the eastern shores of North America have utilized the credit of the rest of the world to open enormous sources of production and to store those reserves of private credit. Now as some people have done the world can think that this is the end of the process. It is in fact merely a capital which began somewhere in the heart of Asia at the time of the Roman Empire. No one who has visited the world must have been the source of men's invention other lands, which were unpar.

The deserts of Arabia, the forests of Africa and the wide lands of China, the European and the American territories have acquired accessibility and a new type of wealth.

There is no shortage of work for our capital. We cannot do anything short of capital in the development of the rest of the world. And to the various countries and groups which have been creating in order to secure this that we have gone into the world.
Our Capital Must Move Abroad!

(Continued from page 16)
America. Men will interfere with this process and the artificial barriers they may erect may slow it, but the process will continue just the same.

I believe that you gentlemen and your successors will increase the banks for the registration of foreign securities. I and the heads of the New York Curb Exchange and other Exchanges will increasingly be called upon to furnish marketability for America's share in foreign enterprise, I believe that the investment bankers and securities dealers of America will be increasingly agents for the channeling of American capital into work in which millions have too much to hope that all of you and I will meet the plans for foreign investments which come to our desks as un¬wanted, exotic and troublesome matters, but as particles of the process we have described to be welcomed, directed and encouraged.

Perhaps these are dreams enough for one session, but I cannot leave them without suggesting their significance beyond the field of economics.

There is probably not a mind among us which is not restless and overshadowed by the violent words on Flushing Meadows and the threats they imply. We hate the thought that a new system of slavery is spreading in the world. We abhor the fact that although we have spent our nation's blood and resources to crush the tyranny of Hitler, we now find that the same evil persists and only names and faces have changed. We know that hunger is suffering are growing in the world and that where this is so, people will listen to the false arguments by which they have already been enticed into slavery.

We know that our continued free¬dom depends on our ability to as¬sist other nations to regain their strength and become invulnerable to these false promises.

Because time is short we must use the central authority of our government as our agent to dis¬tribute them in such a way that the risks of any adverse situations will be reduced to a minimum.

Such aid can only provide tempo¬rary relief, temporary dollars to the people to stop at the things we have and need. Such dol¬lars will be transient voyagers abroad and will not stay as investments in productivity—the permanent cure. They must be followed by the kind of numer¬ous, individual and personally in¬ vested in which add to the human capital force that trans¬mutes credit into working capital.

For you gentlemen, for our country and for our industry's part in the life of our country, economic isolation must disappear just as surely as our political isola¬tion has ceased to exist. Our capital must move abroad propelled by an economic trend which has been moving capital throughout history. Faced with the pres¬ervation of freedom in our own land and in the lands of the out¬side world, that capital must move from private hands at home to private enterprise abroad. "To have and to hold" must be raised beyond our borders to the work waiting to be done in the world.

Increase Margin Requirements

Grain Exchanges comply with Administration's request that down payments in grain futures trading be 33 1/3% of purchase price.

In line with the request of the Administration, backed up by the recommendation of J. M. Metz, President of the Agricultural Exchange Division of the Agricultural Department, the principal grain exchanges, following the lead of the Chicago Board of Trade on Oct. 6 increased the minimum margin requirement on futures transactions in grain to 33 1/3% of the purchase price. As noted in the "Chronicle" of last week, (Oct. 2, 1947, p. 16) the Chicago Board of Trade, had at¬tempted to meet the widespread demand for increased margins by adopting a sliding scale system, whereby each 10 cent rise in the price of a futures transaction would require an additional 5 cents down payment. However, this acton did not satisfy Presi¬dent Truman or the Agricultural Department, so the President an¬nounced in his radio address on Oct. 5 that he would direct the grain exchanges to adopt the 33 1/3% margin as originally pro¬posed by the Agricultural Depart¬ment late in September. Accord¬ingly, telegrams were sent to the grain exchanges, reading as fol¬lows:

"By direction of the President we request that the governing board of your exchange increase the minimum initial margin require¬ments on all transactions in grain futures on your exchange to no less than 33 1/3% of the market price." The telegrams were signed President Truman, and the names of the three members: Secretary Anderson, Chairman; Secretary of Com¬merce A. W. Harriman and Tom C. Clark, Attorney General. Although the Administration cannot force an increase in mar¬gins, or down payments, in grain market speculation, it had power to limit trading in grain futures under the Commodity Exchange Commission Act.

Subsequent to the announce¬ment of the compliance of the Chicago Board of Trade with the President's "order," J. O. McClint¬ock, President of the organiza¬tion, gave out the following state¬ment:

"We will know that such a move will neither alleviate nor correct the situation for which the President is seeking a remedy, namely, high prices. If the Presi¬dent has been allowed to build his hope that in such a panorama lies the cure for high prices, then he has been sadly misinformed.

"Grain prices are being given undue emphasis as to the part they play in the over-all food price situation. They are being unfairly and illogically used as the whipping boy.

"We believe the people should be told the elemental economics of the situation. Grain prices are only influenced by the laws of supply and demand and the facts are that there just isn't enough grain to meet our normal domestic needs and at the same time carry out the government's plans for exports to feed the hungry nations of the world.

"It is unfortunate, therefore, that the President has been mis¬led into the mistaken thesis that operating method of a part of the exchanges which he erroneously described as 'gamboling' was re¬sponsible for price advances.

"The appeal is underserved by the marketing institutions whose methods and organizations have been a model of efficiency in our distribution system.

"Furthermore the President does not seem to have been in¬formed that prices in the futures markets have been consistently lower than the prices of grain for immediate delivery."
Handicaps to Venture Capital

BY JAMES F. BURNS, JR.*

Retiring President, Association of Stock Exchange Firms

Stressing importance of well organized securities industry in U. S. economic growth and expansion, Mr. Burns points out current unprecedented demands for capital formation, estimated at $20 billion annually is not likely to be obtained under present high taxation and arbitrary and discriminatory licensing regulations.

It is indeed a great honor to be invited to talk before such a distinguished gathering of the business leaders of this community—a community which is so typical, and is one of the outstanding results, of the functioning of our American system of free enterprises, here this evening represent large industrial corporations with their thousands of owners, some of you represent smaller organizations with their relatively few stockholders or partners, and some of you, individually owned and operated businesses. All are essential to the proper economic functioning of a community such as yours. And no one, therefore, knows better than you the part that private capital has played in your successful development and the risks that such capital was willing to undertake in order to promote and to participate in your enterprises.

The growth, the expansion of American industry and commerce during the past 160 years could not have been accomplished without the use of venture capital. This capital in the main was assembled in hit-or-miss fashion. Most of it was assembled through the broad efficient and economical facilities of the securities industry. This industry, consisting of national securities exchanges and

*Remarks by James F. Burns, Jr., President, Association of Stock Exchange Firms, Before Chamber of Commerce at Pittsburgh, Thursday, October 9, 1947. Mr. Burns is a partner in Harris, Upham & Co.

Their members, underwriters and distributors of securities, and the underwriters and over-the-counter markets, has provided the machinery for the flow of capital from industry to sources everywhere.

Capital expenditures by industry for expansion will be new and better products—for improvement of plants and facilities—are an essential characteristic of a prosperous economy. We do not have to overtax our memory either to remember the desirability of capital formation in the 1900's or to recall that this was one of the principal causes for the continued growth and acceptance of that depression period.

Conditions today, however, created by depression and 4 years of war, have developed a unprecedented demand for capital formation. Present capital expenditures by industry are substantial, and it has been estimated by eminent economists and statisticians that in the five years 1947 through 1951, current expenditures will approximate $100 billion—or $20 billion each year.

This is an enormous sum. But upon the ability of industry to obtain these funds will depend the prosperity of our country. Upon that ability will also depend the growth of our national and world economies.

As it has been estimated that two-thirds of these capital requirements will come from undistributed earnings and reserves, it appears that one-third or approximately $65 billion a year will have to come from private capital sources.

This, too, is an enormous sum. It is about three times the average annual amount that was used for the prosperous 1925-29 period.

Part of this required capital will be obtained through debt financing, and part must come from equity financing or risk capital. There are prudent limitations of the former, for certainly good taxation to destroy or retard the increase fixed charges beyond sound proportions. There are deterrents to the fulfillment of the latter, if not eliminated or ameliorated, may make it difficult if not impossible of achievement, and those deterrents should be of grave concern to each of us.

It is, I believe, self-evident that all forms of private capital—either for equity investment or for fixed interest or dividend return—must emanate from the savings of the people of our country. If there were no savings and our national incomes were utilized for the payment of living expenses and taxes, then formation of private capital would be an impossibility and our system of private enterprise would have forfeited a raising standard of living, a standard that would be impossible, I believe, by one nationization of which thus far has only produced partial success.

During the past 15 years a large part of that capital which has been accumulated as savings of the people of this country has gone by taxation and governmental expenditures and taxes, then formation of private capital would be an impossibility and our system of private enterprise would have forfeited a raising standard of living, a standard that would be impossible, I believe, by one nationization of which thus far has only produced partial success.

Furthermore, the Federal Reserve Board estimates that after allowance has been made for the increased cost of living, the savings which are the primary source of this capital group will amount to approximately $10 billion a year in the period 1925-29, whereas the estimated financial requirements of investments in industry, which are about three times as great as the savings is approximately only one fifth of these estimated capital requirements for 1947-49. Unless, therefore, that after taxes, it will be approximately 10% lower.

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Business Man's Bookshelf.


Reading List on Business Administration—Fifth revision—Designed for the use of those who wish to accumulate books for study and reference, and for concert use in libraries, etc.—small libraries for staff use—The Amos Tuck School of Administration, Dartmouth College, Hanover, N. H.—$2.00.


SECURITY DEPARTMENT: The Underwriting Department and Bend & Househouses in the United States, Canada—1947—$1.00.

W. W. Miller Opens SOUTH BEND, Ind.—Welby W. Miller is engaging in the securities business from offices of the National Bank & Trust Building, South Bend, Indiana. The business was with Slatsky & Co., Inc. and price thereof conducted his own investment business in South Bend.

This advertisement is not, and is under no circumstances to be construed as, an offer to sell, or a solicitation of an offer to buy, these securities. The offering is made only by the Prospectus.

NEW ISSUE

218,000 Shares

Associates Investment Company

Common Stock

($10 Par Value)

Price $30.25 per share

Copies of the Prospectus may be obtained from such of the undersigned as are registered dealers in securities in this State.


Glore, Porgon & Co.  Merritt Lynch, Pierce, Fenner & Beane


Incorporated

E. H. Rollins & Sons  Hornblower & Weeks

Paine, Webber, Jackson & Curtis  White, Weld & Co.

Riter & Co.  Shields & Company

The Wisconsin Company  Blair & Co., Inc.

Central Republic Company (Incorporated)

Lee Higginson Corporation

Hayden, Stone & Co.

Graham, Parsons & Co.

Watling, Larchen & Co.

Irish Free State Bonds

Drawn for Redemption

Thaddeus Martin, Irish Free State Bank (Saoirse Eireann) external loan sinking fund 5% gold bonds, due Nov. 14, 1947. The bonds will be redeemed at the face amount of $10,000 principal amount of these bonds have been drawn by lot for redemption on Nov. 14, 1947. Only 1 out of every 200 persons will have the opportunity to purchase these bonds.

The battle to save food in the United States is the battle to save our own prosperity and to save the free countries of western Europe. Our self-control will serve us good indeed in the years to come.

The voluntary program is the best way for us to go. We believe that self-control is the best control. From now on we shall be testing at every meal the degree to which each of us is willing to exercise self-control for the good of all.

The program which has been presented to you to eat, if faithfully carried out, will save the grain we need.

Hunger people in other countries look to the United States for help, I know that when they see this they will be strengthened and encouraged by this expression of our friendship.

I know that they will be waiting with hope in their hearts and a fervent prayer on their lips for the response of our people to this program.

We must not fail them.

President Outlines Food Program

In radio talk he stresses emergency needs and inflationary dangers. Concedes exports and competition for scarce goods elevate prices, but places blame for some of the increase to gambling in commodities. Asserts that 90% of recent corn future accounts are speculative. Says restoration of Western Europe as free, self-supporting democracies is essential requirement of lasting peace.

In a radio talk, Oct. 5, following sim lar short broadcasts by Secretary of State Marshall, President Harry S. Truman outlined a food-saving program which he said was being planned for the United States. The President declared a national emergency and appealed for every support by all segments of the people. The text of the address follows:—

My fellow citizens:

The food-saving program which I have just been presented to you has my wholehearted support. I am confident that the American people will have the support of every American.

The situation in Europe is grim and growing worse as winter approaches. Despite the vigorous efforts of American farmers, their crops have suffered so badly from drought, floods and frost that the tragedy of hunger is a stark reality.

Governments of Western Europe will soon be scraping the bottom of the food barrel. They cannot get through the coming winter and spring without help—generous help—from the United States and from other countries which have food to spare.

I know every American feels in his heart that we must help to prevent starvation and distress among our fellow men in other countries.

But more than this, the food-saving program announced tonight offers an opportunity to each of you to make a contribution to peace. We have dedicated ourselves to the task of securing a just and lasting peace. No matter how brief or long the way, we cannot turn aside from that goal.

An essential requirement of lasting peace in the world is the restoration of the countries of Western Europe as free, self-supporting democracies. There is reason to believe that those countries will accomplish that task if we aid them through this critical winter and help get them back in their feet during the next few years.

They must do most of the job themselves. They cannot do it if we stand aside. We believe that they can—and will—do the job if we extend to them that measure of friendly aid which marks the difference between success and failure.

Their most urgent need is food. If the peace should be lost because of starvation and in preventing undue price burdens for our American housewives have already been laid down, strict conservation measures. I say to those housewives, "Keep up the good work" and save even more and where you can.

On the other hand, there are also many Americans who are overeating and wasting food. Unless these people cut their consumption in the ways required they will be taking more than a fair share of the food supplies available. They will be personally contributing to increased inflation on at home and to the desperate scarcity of food overseas.

The battle to save food in the United States is the battle to save our own prosperity and to save the free countries of western Europe. Our self-control will serve us good indeed in the years to come.

The voluntary program is the best way for us to go. We believe that self-control is the best control. From now on we shall be testing at every meal the degree to which each of us is willing to exercise self-control for the good of all.

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I know that they will be waiting with hope in their hearts and a fervent prayer on their lips for the response of our people to this program.

We must not fail them. 
Increased volume on strength and position suggests a favorable outturn for the day and the immediate prospect of a withdrawal of previous bearish influences. Stocks indicate new leadership.

At least two factors favoring the advance that has been experienced since Tuesday are the large heavy volume of business transacted and the record-breaking close. There was a couple of million shares, and the average was over 120,000, while the previous day was 60,000. The close and the high price were the highest since August 17. The day's advance, while not of the magnitude of some previous sessions, was a most convincing demonstration of the new leadership that is now evident. The day's trading has been done on a most sound basis, and the indications are that confidence is growing.

It is evident that the public is not only being satisfied with the gains that have been made since the bottom was struck, but is also becoming more interested in the advances. The demand for shares is increasing, and the supply is not keeping up with the demand. The market is becoming more active, and the buying is more widespread, with a larger number of participants. The advance is being made on a solid foundation, and the upturn is likely to continue.

The sentiment is that the market is in a strong position, and that the gains are likely to be sustained. The public is becoming more optimistic, and the buying is more widespread, with a larger number of participants. The advance is being made on a solid foundation, and the upturn is likely to continue.

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of our relations, the world situation is in the worst mess of all time. The United States and the Congress must assume a share of the blame. The Congress is at fault in the handling of our foreign affairs—although under the Constitution the primary responsibility rests with the President—let's be sure we are not responsible.

In this connection, however, the other branch of the government—upon which I think all loyal Americans will agree—that is that whatever else may happen, whether we lose or we win the money and our resources to re-establish world trade. The world must not be spent in such a manner that the governments devoted to the promotion of unbridled, unpracticed selfish, or even actively selfish, purposes, use, to our own free system. We can't continue to be free if we abandon the institutions that have led inevitably in working out whatever plan may finally be approved by Congress.

Democratic Party Responsibility

As I have indicated earlier, the distinguished Democratic Party was in control of our Federal Government during all but the last few months of the year. It is clear that that party must bear the responsibility for the situation which has developed. This fact, of course, does not re¬move from the Democratic Party the responsibility now that it has con¬trolled government and is responsible for keeping the nation in dangerous circumstances. It has done nothing to remedy the situation, but we should always keep in mind that the Democratic Party was in control in the first place. Among the fac¬tors which have led inevitably to the present undesirable high prices is the ability of the Democratic Government to keep these prices up and that fact had a tendency to further increase inflationary pressure.

(1) The "easy money policy" of the Democratic Administration over a decade-and-a-half put into circulation an amount of currency which is today closing to goods available for purchase. It was estimated that the Democratic Government, and that fact had a tendency to further increase inflationary pressure.

(2) The Administration policy, apparently dictated by political motives, of increasing the cost of production by prohibiting wage increases while at the same time attempting to keep the cost of living down without increasing prices. When an elevator in this building goes up it goes up, and if the people get hot there due to the amount of currency in circulation, the Democratic Administration hearted attempt to stabilize wages, but immediately after V-J Day it jumped to new heights and came out openly for further wage increases. It is true that Senator Johnson said, could be made without price increase. The methods by which the procedure the Administration was simply attempting to kid the wage earners by giving them more dollars which bought less. One speci¬ficial result of this effort was a series of very costly strikes in banking, insurance, and other industries by a phony report put out by the Democratic Commerce under the then Secretary of Commerce, Mr. Wallace, that wages could be increased. The result was a tremendous increase in prices. After the war we had lost millions of dol¬lars in wages and the nation had been losing billions of dollars in badly needed production, Mr. Wallace blandly ad¬mitted that he and the Administration were not so accurate and misleading.

(3) The Administration policy, apparently dictated by political motives, of increasing the cost of production by prohibiting wage increases while at the same time attempting to keep the cost of living down without increasing prices. When an elevator in this building goes up it goes up, and if the people get hot there due to the amount of currency in circulation, the Democratic Administration hearted attempt to stabilize wages, but immediately after V-J Day it jumped to new heights and came out openly for further wage increases. It is true that Senator Johnson said, could be made without price increase. The methods by which the procedure the Administration was simply attempting to kid the wage earners by giving them more dollars which bought less. One speci¬ficial result of this effort was a series of very costly strikes in banking, insurance, and other industries by a phony report put out by the Democratic Commerce under the then Secretary of Commerce, Mr. Wallace, that wages could be increased. The result was a tremendous increase in prices. After the war we had lost millions of dol¬lars in wages and the nation had been losing billions of dollars in badly needed production, Mr. Wallace blandly ad¬mitted that he and the Administration were not so accurate and misleading.

50,000 Shares

Glen's Falls Insurance Company

Capital Stock

(par value $5 a share)

Rights, evidenced by Subscription Warrants, to subscribe for these shares have been issued by the Company in booklet of its Capital Stock, which rights will expire at three o'clock P. M., Eastern Standard Time, October 22, 1947, as more fully set forth in the Prospectus.

150,000 Shares

Subscription Price to Warrant Holders

$35.50 a Share

The several Underwriters, including the undersigned, may offer shares of Capital Stock acquired through the subscription of rights and any shares of Unsubscribed Warrants at the highest price at which the Capital Stock is currently being offered by others in the secondary stock-market plus the amount of any concessions to dealers.

Copies of the Prospectus may be obtained from such of the several Underwriters, including the undersigned, as may legally offer securities in compliance with the securities laws of the respective States.

MORGAN STANLEY & CO.

THE FIRST BOSTON CORPORATION

SPENCER TRASK & CO.

Dated: October 9, 1947.
Needed: More Uniformity in Blue Sky Laws

By MURRAY HANSON

General Counsel, Investment Bankers Association of America

Mr. Hanson strongly urges uniformity in State Blue Sky Laws and better integration of such laws with Federal Securities Acts and SEC rulings. Points out difficulties in distribution of "red herring" prospectuses resulting from application of state laws, and advocates overall study of great body of securities law.

This is a matter which I realize has been the subject of discussion almost annually at your conventions. I am aware also that through the work of your committees with other interested groups, substantial progress has been made on some of the more pressing difficulties.

For example, it is evident that we have grown familiar with the term "uniformity" and non-interpretation of this great body of blue sky law. The uniform registration form which was worked out some years ago and the uniform financial statement to be filed by brokers and dealers are excellent examples of the results of such cooperative efforts in the past. But while this much, much more remains to be done.

It seems to me important that we make this problem a matter of top priority for several reasons. In the first place, as good citizens in these crucial times, I think it behooves all of us concerned in any way with business to do our utmost to make that business function as effectively and efficiently as possible. If we are to maintain our way of life in this country out of lack of capital, we must encourage others of like views to continue the struggle for a comparable way of life elsewhere. In another war, there certainly could be no greater catastrophe than that to the American people of this country or to the other remaining free peoples of the world than a depression here. It seems to me obvious, therefore, that if we are to meet our present and likely future commitments abroad, service our huge public debt, maintain our present standard of living and avoid rampant inflation, we must make every effort to seize every opportunity to expand our production, our productive facilities, and to make every segment of our economic life work at maximum efficiency. All of this at first blush may seem somewhat remote to the problem at hand and I am, of course, not foolish enough to suggest that the solution of our problem of uniformity and integration is even a necessary prerequisite to meeting the larger problem with which we are all so vitally concerned, but I do think it has an important bearing on the over-all problem. Certainly our economic and our productive capacity is to expand as we would have it, there must be a free flow of capital and particularly a free flow of equity capital to both old and new enterprises. As you well know, it is in this latter field of providing for a free flow of equity capital where the lack of uniformity in our various blue sky laws and in the interpretation of the Federal Acts often make for an exaggerated difficulties, delays, and unnecessary duplication of time, effort, and expense. This situation thus does present us with both a challenge and an opportunity to make this very important phase of the business work more efficiently and save in time and money an important contribution to the overall problem.

I think it should be recognized, therefore, to do all that can be done to eliminate every restriction, obstacle, difficulty, duplication, and expense which is not absolutely essential to the protection of investors and the general public interest.

Another reason why I think this problem of uniformity, and more particularly its integration, should be given top priority is that it has a direct bearing on the protection of the public. It is only up to the states to see that every investor is protected, and certainly the enforcement of the Securities Act of 1933 was to provide the investor, through a full and accurate disclosure of all material information, a security before he is legally bound to buy it or before he is "on the hook," as the boys at the Commission put it. Indeed, the aim was also to provide similar information to investors in the distribution group before they like- wise are "on the hook." With the possible exception of one state securities act, your state laws of the regulatory type in general do not specifically embody this function, but it is certainly inconsistent with the protective scheme of the regulatory type law and I am sure that most, if not all, of you think this a desirable objective.

For reasons which I need not go into here, as they are familiar to all of you, the '33 Act, as it has worked out in practice, has not in the vast majority of cases afforded this protection to investors and, as you know, we have held a long series of discussions with the Commission to see if there isn't some practicable way of amending the Act to accomplish this objective.

In the interest of getting the red herring prospectus at least to the dealers and professional types before the offering date, the Commission last year promulgated its Rule 131. We intend to make it a "level playing field," in other words, we recognize, I think, that if we can cover the whole situation now shapes up as we continue the various state acts and therefore such distribution would be permissible prior to registration in those states, but even here we run into problems. The Federal Act recently amended the definition of the terms "sell" or "sale," which would allow all kinds of advertising. If the more prudent construction in most states, the result is that the red herring can't be distributed prior to state registration unless the securities were registered before the last date for which the class is exempt from registration or provision for certain types of transaction which is exempt.

An examination of the regulations of the various state laws and of the provisions of Rule 131 to the effect that the different states were trying to regulate the same problem, their approach was entirely different. Consequently, we have, less rather than more, uniformly, and, indeed, so long as we do not have any consistent state or federal laws we can't expect otherwise. I recognize, of course, that this is a long-range project and that it will take time. Indeed it took Rule 131 to arrive at a uniform Act which was approved by the courts in a great many cases and I think it is likely that if we approach the problem this time in a slightly different manner it may come sooner.

I'm glad to say that I now mean as one alternative to proceed as the various states did this year—that is to say, each state would define its own needs as are indicated by experience and independent studies of the type of business, to make their respective laws as workable and non-restrictive as possible and to harmonize its existing laws with the general public interest. This I think a field of cooperative work on a state or regional or national scale, through the good offices of the American Bar Association and the Federal Reserve Bank of St. Louis, is sure to be helpful and we want to encourage it.

With respect to the over-all study, looking toward the development of new uniform laws, most of you have doubtless seen that the American Bar Association, at its convention in Cleveland last week, adopted a resolution in favor of a uniform system of securities laws and regulations which was put to me in particular by 

Col. Murray Hanson

33,400 Shares

Western Gold Mines, Inc.

Common Stock

Price $8.50 Per Share

Orders will be executed by the underwritten

FRANK L. PORTER

52 William Street, New York 5, N. Y.

Whitehall 6-0787

Ordered by the underwriters.
Extols Job Done by Banks in Agricultural Credit

86% of total sound farm production and operating credit.

Chester C. Davis tells American Bankers Association since 1935, banks have never supplied less than take advantage of it, they will still finance agriculture, but it will be largely through the purchase of low-yield government supported bonds or debentures.

"The local banker controls most of the financial pipelines in his community. He has his deposited funds at his disposal. Two general courses are open to him. He may concentrate his investments in low-yield, low-risk outside securities. This is the easy way. But for a time it will provide sufficient income to satisfy the bank's needs. But it will not set the banker up as a useful citizen or the bank as a source of full public service in the community."

"On the other hand, he may carefully direct excess local capital first into investments that build and encourage the sound economic development of the community. This means sound loans to farmers and local business to create a greater efficiency and rising community income.""}

Two With Herrick, Waddell

KANSAS CITY, MO.—Harold F. Bentz and Burton P. Smillie have been added to the staff of Herrick, Waddell & Co., 1212 Baltimore Avenue.

"The rate increases are to take the form of additions to the freight bills as figured on the basis of present rates, excluding the 3% Federal transportation tax. This method was suggested by the railroads. According to the ICC, during the calendar year 1947 there were marked increases in operating costs "wholly beyond the power of the petitioners to prevent." An application for a more general and higher rate is still pending before the Interstate Commerce Commission, the present 10% rate increase having been granted merely as an interim emergency measure. It has been estimated that the additional gross revenue to the railroads from this action will be equal to about $700 millions per annum.

Supplying 50,000 Items

To Southern Homes and Industries

RATED as one of the five largest wholesale hardware companies in the United States, MOORE & HANDLEY HARDWARE COMPANY, INC., of Birmingham, distributes general hardware, electrical supplies, and appliances, mine and mill supplies and machinery, building supplies and materials, automobile accessories, sporting goods, and many other lines of merchandise throughout a large part of the area comprised by the States of Alabama, Mississippi, Florida, Georgia and Tennessee.

Organized in 1852, the Company did business with over 5,000 customers during the first half of 1947. Among its accounts are retail establishments, railroads, public utilities, coal and iron mines, metal processors, and various other types of manufacturers. Sales for 1947 are running far ahead of 1946, when they exceeded $20,000,000.

MOORE & HANDLEY's reputation is attested by exclusive selling contracts, going back in some instances for more than 40 years, with many of the nation's leading manufacturers. New lines of merchandise added in recent years have broadened the scope of the Company's operations to include toys, work clothing, house furnishings, floor covering, and furniture. With new and improved products coming into supply daily, it is conservatively estimated that over 50,000 different items are carried in stock.

Through its own training course, which has since been published by the National Wholesale Hardware Association, MOORE & HANDLEY is conducting a school for over 100 ex-GIs, who one day will acquaint many more Southerners with the Company's distinctive quality trade mark. MOORE & HANDLEY's hard-hitting, aggressive management is gearing its organization for a period of growth commensurate with the new expansion of industry and the increased purchasing power in the South.
American Interest in European Reconstruction

BY WINTHROP W. ALDRICH
Chairman, Board of Governors, Federal Reserve Bank of New York

Leading American banker, after reviewing background of European conditions, asserts our security as a nation depends largely upon prompt and successful economic reconstruction of Western Europe. In addition to Marshall Plan, suggests creation of "U. S. Corporation for European Reconstruction" to aid and enforce increased production and to check inflationary pressures. Sees German recovery as essential to plan, and wants removal of trade restrictions and elimination of unnecessary national economic controls.

The Problem Stated

This morning, I plan to center my remarks on a point of greatest interest and concern to all of us—bankers, citizens and individuals—the economic reconstruction of Western Europe. Let me recall that at the end of the war, we made four trips to Western Europe and have traveled in Great Britain, France, Holland, Belgium, Switzerland and Germany. These four trips were in addition to one I made to Great Britain during the war itself. My conclusions are based not only on personal observations but also on conversations with numerous individuals in public and private life in Europe and with many civilian and military representatives of the United States Government both here and abroad.

With the foregoing background, it is my judgment that our security, our capacity to raise and measure upon the prompt and successful economic reconstruction of Western Europe. Tragically enough, the world today is not one world, but two worlds, engaged in economic and diplomatic conflict. During the two years which have elapsed since the cessation of hostilities we have been forced to make peace with Germany and Austria, and European commerce is divided into two separate economic areas by the iron curtain erected by Russia and her satellite nations. Failure to give assistance to the nations of Western Europe would be replaced by dictatorships of the left or the right. The present European situation requires the understanding and support of all of us.

By "Western Europe" I mean, for purposes of definition, the nations represented on the Paris Conference in April, 1945. It is, of course, understood to include Belgium, Denmark, France, Italy, Greece, Iceland, Norway, Portugal, Sweden, Switzerland, Turkey, and the new states of the Baltic countries, plus the three western zones of Germany.

An address by Mr. Aldrich before the Third Annual Convention of the American Bankers Association, Atlantic City, N. J., Sept. 28, 1947.

PACIFIC COAST AND HAWAIIAN SECURITIES

Direct Private Wires

DEAN WITTER & CO. MEMBERS NEW YORK STOCK EXCHANGE HONG KONG STOCK EXCHANGE LOS ANGELES STOCK EXCHANGE 14 WALL STREET, NEW YORK, N. Y. Telephone Bayside 7-4300 NEW YORK SAN FRANCISCO LOS ANGELES HONOLULU
adapted to changing requirements, the Corporation would quite naturally give consideration to the effect of its own program on the American economy. The program itself should be viewed as a four-year project, with the amount of assistance extended declining over the period.

Within the limits and specifications set by the Congress and subject to periodic Congressional review, widely discretionary powers should be granted to the Corporation in administering the funds appropriated for the recovery and reconstruction of Western Europe. The Corporation should have reasonably liberal authority to determine the type and amount of aid to be allocated to various areas and nations. It should retain the power to extend aid in kind as well as in money and to buy goods in the world's cheapest markets. Its operations should follow as closely as occasion allows the patterns of private enterprise. The Corporation should give continuous review to the economic progress made in Western Europe in order to ascertain that assistance given is constructively used. It should be in the right and obligation to negotiate agreements concerning the measures which the beneficiary nations themselves will take to bring about reconstruction.

Within the limits, the Corporation should maintain close liaison with the National Advisory Council, with the International Monetary Fund and with the International Bank for Reconstruction and Development. In my judgment, the Corporation should not be permitted to extend loans which fall within the province of the International Bank for Reconstruction and Development and which the Bank is prepared to make. You will remember that the International Bank itself cannot extend loans which borrowers are able to obtain on reasonable terms in the private capital markets.

Insofar as possible, the Corporation should endeavor to encourage direct investment by American firms and corporations in the plants and industrial equipment of Western Europe. Direct investment, the “partnership basis of private capital,” will, I am sure, take place on a substantial scale if the investment of such American funds is given non-discriminatory treatment and adequate safeguard by foreign law and, above all, if the American investor is convinced that there is a reasonable prospect of continued (Continued on page 38)
The activities of the banks during the last two years have reflected economic and financial conditions prevailing in the country. With the termination of the war, the end of deficit financing, and the adoption of the present debt management policy, the holding of govern ment securities by the banks began to decrease, and these were replaced at least in part by loans and other securities. The constant rise in the cost of living since V-J Day has brought about an increase in the cost of operations of the banks, with the result that their earnings as a whole were somewhat lower during the first half of 1947 than during 1946. The banks throughout the country have become more aggressive in seeking loans and in serving their communities, with the result that the volume of risk assets of the various institutions has increased at a relatively fast rate, which in turn has again brought to the forefront the question of the need of increasing the capital resources of the banks of the country.

The dire predictions made at home and abroad shortly after the

*Address by Dr. Nadler before State Bank Division at 72nd Annual Convention of the American Bankers Association, Atlantic City, N. J., Sept. 29, 1947.

The Outlook for Banking

By MARCUS NADLER* Professor of Finance, New York University

Asserting banks as a whole are in stronger position than ever before, Dr. Nadler points out bank changes and problems as: (1) trend toward concentration; (2) greater reliance on lending activities and expansion of loans; (3) increase in term loans and mortgage holdings; and (4) conservative dividend policy. Says no material changes in money rates are likely, and warns bank deposits are larger than needed for business, and trend of expansion of personal loans is excessive.

end of hostilities, that the United States would soon witness a serious recession accompanied by a sharp increase in the number of unemployed, did not materialize. On the contrary, the nation is rid ing on the crest of the greatest wave of prosperity ever witnessed in the economic history of the country. It is rather ironical that those countries which planned to control their own economic environment and which were most pessimistic about the future of the United States and about the system of private enterprise, should themselves experience a serious crisis and ask the United States for assistance running into billions of dollars.

Notwithstanding the great wave of prosperity and the essentially sound outlook for business, there is a great deal of uneasiness all over the country, which is exercising a strong psychological influence on business and on the banks. Internationally, there is lack of cooperation between the western democracies and eastern Europe. The deterioration in political relations between the United States and the Soviet Union has caused a great deal of fear about the possibility of war.

The dollar shortage has already caused a decline in the volume of exports, and many people are wondering what the effects of a sharp decrease in exports will be on the economy of the United States. Maladjustment in wages and in prices and the realization that a readjustment is bound to take place in the future are causing considerable concern among business and banking circles.

While it cannot be denied that serious economic and political problems will have to be solved in the future, it is comforting to know that the banks as a whole today are in a stronger position than perhaps ever before and are therefore, capable of contributing their share in meeting any economic readjustment that may take place. Important economic changes are bound to take place, and they will undoubtedly have their effect on the activities of the banks.

The purpose of this talk today is to analyze some of these changes and problems that will confront the banks in the future and to draw certain conclusions.

The Trend Toward Concentration

While the number of new business concerns has decreased sharply in recent years, there has also been a strong movement toward mergers and consolidations of small and medium-sized concerns. Costs of production have increased materially, and competition is bound to be keener in the future than perhaps ever before. The labor unions are powerful and operate on an industry-wide scale. This at times places the small enterprise at a disadvantage. Increased competition and the effort to reduce the cost of production will lead to an intensification of mass production which requires large capital investments and which small-sized business enterprises are unable to obtain. In order to reduce the high cost of distribution, there are bound to be considerable changes in the methods of distribution, from which the independent retailer may suffer. It is not necessary to inquire whether the concentration of industry and trade is sound or unsound. The fact is that it is progressing and, therefore, must be taken into account.

The merger movement in industry and trade is bound to have its effect on the banks. Small institutions will be absorbed by larger ones and converted into branches. In many cities which still are over-banked, mergers of equal sized institutions are also likely to take place. The increased costs of operating banks plus relatively low rates of interest will further contribute to the merger movement among banks. It is fairly certain that the banks of the country, reflecting the general trend in industry and trade, will become bigger; and this in turn raises a number of questions. The fact should not be overlooked that the strength of American banks rests on the unit banking system and that a rapid reduction in the number of small banking institutions is not desirable. The question of consolidation and merger of banks, therefore, deserves the utmost attention of the banking fraternity. While mergers are desirable in localities where too many banks exist, yet a too rapid absorption of the smaller institutions does not seem wise, particularly at the present time.

Will the Banks Continue to Be Primarily Investing Institutions?

At the end of World War II, lending activities of the commercial banks throughout the country tended to decrease while investment in all kinds of securities was on the increase and was not likely to be repeated in the future. In the first place, there is reason to believe that the Treasury will endeavor to reduce the holding of government obligations of the banks, particularly during periods of good business activity. Even though the United States may be called upon to contribute between three and five billion dollars per annum for a period of four or five years in order to assist in the rehabilitation of the western Euro
pean economies, a cash deficit of the Treasury is not likely. Even though the Federal Reserve Bank of St. Louis may be an able agent, the Federal Government may be unwilling to pay off commercial banks or the government-operated trust funds during a recession. The Federal Reserve may not be able to enable the Treasury to meet the requirements for European assistance and the volume of government obligations held by the commercial banks.

The question of taxation versus repudiation is one that has been bound to remain acute for years to come. Despite the realization that a reduction in the very heavy war-bond issue is desirable, the political dangers are subject to considerable fluctuations. The banks should also bear in mind that economic conditions are subject to rapid changes and that the credit standing of some municipalities may be adversely affected by a decline in business activity. Now is the time for commercial banks to buy credit obligations.

Realizing the growth in risk assets and the changing character of business, and bearing in mind the possibility of an economic readjustment sometime in the future, the banks will continue to follow a very conservative dividend policy and will endeavor to plow back as much as possible of their earnings into undivided surplus and unpledged profits. Some banks will endeavor to increase their own capital resources through the sale of new capital to the public and to their present stockholders. The increase of money rates and stabilization of bank expansion, if any, will have a favorable effect on bank earnings and net profits.

The point low in money rates has long since been passed, and on this basis the banks have witnessed moderate firming in short-term rates. The upswing of the bill rate and the shortening of the maturity on certificates of indebtedness forecasts the upswing of the certificate rate somewhat in the future. Any firming of short-term rates, however, is bound to be very spasmodic character. When the bill rate was unpegged, the Governor of the Federal Reserve System stated that "The Federal Reserve System is bound to purchase and hold Treasury bills as well as other government securities in amounts deemed necessary in the existence of a constricted money market security, and the discharge of the System's responsibility for the general credit situation of the country." With the stability of the government bond market is practically to key out of economic stability. So long as this policy is maintained, no material change in money rates is likely to take place. The unpegging of the discount rates will probably have a minor effect on medium to long-term government obligations, but it is not likely to have any particular effect on long-term government obligations. These, however, will continue to fluctuate primarily under the influence of psychological factors.

The increased supply of mortgaged bonds as well as the volume of state and municipal obligations is bound to have an effect on interest rates. It is needless to say that the market for government obligations, which are usually bear in mind that their marketability is not as great as that of government obligations and that the return on the former may be much less remunerative. Furthermore, banks do not seem warranted in investing a large portion of their funds in high-grade obligations with a very long maturity, partly because of the small size of purchases and partly because such obligations, particularly with restricted funds, are subject to considerable fluctuations. The banks should also bear in mind that economic conditions are subject to rapid changes and that the credit standing of some municipalities may be adversely affected by a decline in business activity. Now is the time for commercial banks to buy credit obligations.

In that case, the supply of new securities, both stocks and bonds, will be substantial and the demands for short-term bank credit will increase. What is more important, the threat of unemployment will decrease and economic security will grow. Above all, we have demonstrated to the rest of the world that the system of private enterprise is willing to take risks and rely on the Federal government for aid and support, and to take the initiative.

If the first assumption prevails, then production of commodities will increase, business will expand, new industries will spring up, and competition will be keen.

THE TRAVELING SALESMAN

GOOD SALESMANSHIP HELPS BUILD OUR NATION

We stepped at a ranch, and found there a traveling salesman, displaying his merchandise before the good people of the place, who were evidently with astonishment.

It was a veritable miniature drug store... this stales the open. All sorts of things were there: things for every need and use. The cases on the old horses, on being opened, wore a marvel to see!

What a profit of solicits! A miracle indeed!

The talkative gentleman was, without doubt, a number one salesman. With tempting words he sold, he flattered them, praised their good looks and fame. He was a perfect "salesman.

As to the men... well... he was not so thick on salse, that who could resist digging in for the cash!

The highlight, tho, of his orbitical fireworks came when he tried to sell a flower corslet to a pretty girl. Something he said to her made her blush, and sensing he had gone too far, he put the corslet away and offered her, instead, the choice of a coffee grinder, a barometer or a pair of smoked glasses.

High-pressure salesmanship often embarasses the prospective customer and creates dissatisfaction for the product and the dealer. MM dealers have no com

We may also induce other nations when are still true to act, to face our way of life. If, on the other hand, economic stagnation sets in, it is bound to be followed by the establishment of a planning economy. In that event, there is not much hope for the banks or for the economy as a whole. In fact, one might go so far as to state that it is doubtful whether our system could withstand the shock of another depression in the magnitude of that of 1929-1933. The future of the banks, of the economy, of the sys,

(Continued on page 21)

MINNEAPOLIS-MINING POWER IMPLEMENT COMPANY

MINNEAPOLIS, MINNESOTA
The Outlook for Banking

(Continued from page 21) With demand for private enterprise—in fact, the future of the American way of life—depends on economic and political developments that may take place during the next few years.

As to which of these conditions will prevail, the answer will depend primarily on the wisdom of our leaders in government, business, banking, and labor. Basically, there is no sound reason why this country should not enjoy an indefinite period of good business from which the violent swings of the business cycle have been eliminated. In contrast to Europe, where so much damage was wrought during the war, our productive capacity is greater today than ever before, and we are in a position to meet the economic requirements of our people. The general standard of living is higher than before, and although a number of individuals, particularly in the lower income groups, have already disposed of their savings and have incurred new debts, the accumulated savings of the nation are still very great and the pent-up demand for all kinds of commodities is tremendous. The demand for housing, for example, is only too well known. As soon as a moderate decrease in the cost of construction takes place, it is bound to lead to a substantial increase in the volume of building activity. The demand for machinery and equipment remains unabated and will continue strong because manufacturers as a whole have realized that the only way to combat the high cost of labor is through the acquisition of more modern machinery and equipment. The demands for our products from abroad are bound to be considerable, particularly in the Marshall Plan area. Furthermore, a number of abuses that were responsible to a large extent for the collapse in 1929 have already been eliminated. The stock market cannot exercise the same influence on the volume of credit and on business activity as it did in the 20's, while bank failures have, for all practical purposes, been eliminated. Wholesale foreclosures of real estate and of farms, such as occurred in the 30's, are also not likely to recur. It is therefore evident that, basically, economic conditions in the United States are sound, and there is no good reason why we should not have an expanding economy for a long period of time.

It cannot, of course, be denied that there are many maladjustments which must be rectified and many problems which must be solved. The decline in exports is bound to have an effect on some phases of our economy. Food prices are altogether too high, and too large a proportion of the average family income has to be devoted to food. The problem of inflation is becoming more acute and the rate of increase in wages, costs of goods, and prices is bound to be higher. As a result of this, in combination with increased costs, the prices of bank services and the interest rates will have to be raised. These increases in rates and costs, in turn, will have to be recouped; and what they take place, the banks will go through a period of readjustment from a seller's to a buyer's market. Fact is, this readjustment may be to some, if not to the general extent of the market. The readjustment, will make possible the conversion of potential buying power into real buying power. Once this readjustment is ended, there are no reasons why business activity in the United States should not continue at a high level, accompanied by a growth in national wealth and income, both on the public and private side, and a rise in the standard of living. These goals cannot be achieved, however, unless we devote all our energies at the present time to preventing existing maladjustments from becoming more aggravated.

What can the banks do in this direction? First, they must exercise great care in the creation of credit. With the Federal budget balanced and the public debt decreasing, new deposits can be created only by the banks. With increased lending and investing of idle funds in the lower income groups, in making new investments, the banks should take into account the following factors:

1. The volume of bank deposits has increased much more than is needed for business purposes. The same is true of the volume of currency in circulation, which now exceeds $28 billion.

2. The volume of personal loans and those made for the purpose of financing the purchase and sale of durable goods has increased at a rapid rate. Further acceleration is not desirable. The control over installment selling will be removed on Nov. 1. The banks must act on their own and must utilize great restraint in making new loans.

3. Loans on commercial goods on mortgages increased at a rapid rate during 1946. Some of the smaller banks in particular were paying the wrong rates in this respect, with the result that some institutions the volume of mortgage loans is entirely out of line with their resources.

4. While inventory loans have not increased materially and in- vestment loans are considered too large in relation to the present volume of sales, in making inventory loans banks should take into account the fact that most commodity prices are excessively high, that buyers' resistance is gradually developing, and that economic changes can take place without warning.

The above suggestions are not intended to mean that banks should stop making loans. On the contrary, the granting of loans is the prime function of the commercial banks. What is implied, however, is that the banks should be more cautious in the extension of loans at the present time and do their best to prevent a too rapid increase in the volume of deposits, particularly as long as the forces of inflation are still predominant. The chairman of the Board of Governors once said: "When everything looks rosy, it is always advisable to become cautious; when things look bad, it is perfectly safe to become optimistic." I believe this is truer today than perhaps at any time during the last five years.

Acting as economic counselors for your local bank officials, the banks can do a great deal to prevent overexpansion of loans. In the too rapid contraction. Banks can advise their customers, be they corporations or farmers, that it is (Continued on page 24)
They borrowed winter to help you stop!

This is not a scene in an Eskimo service station. The picture was taken in Detroit—and shows one of the experiments that helped bring about the latest important automobile brake improvement.

The fur-collared man is an engineer, dressed to test this new kind of brake in the artificial winter of the Chrysler Corporation Cold Room.

He steps on the brake pedal of a one-wheeled "test-car," reads the sensitive instruments that tell how the new brake works at temperatures down to 20° below zero . . . and reports the results by microphone to another engineer outside the observation window.

This was one of the experiments that led us to put the revolutionary new Safe-Guard Hydraulic Brakes on all our cars. It proved you can trust them in cold-weather driving.

Other tests checked them in extreme heat, thick dust and other driving conditions. And thousands of miles of on-the-road testing showed them superior for all kinds of driving . . . they bring you the safety of easier brake control with 25% to 30% less foot pressure!

Safe-Guard Hydraulic Brakes are another result of the practical imagination that has led to the exceptional value of the new Plymouth, Dodge, De Soto and Chrysler.

CHRYSLER CORPORATION

PLYMOUTH  DODGE  DE SOTO  CHRYSLER

Airtemp Heating, Cooling, Refrigeration  Chrysler Marine & Industrial Engines  Dodge Job-Rated Trucks  Oilite Powdered Metal Products  Mopar Parts & Accessories  Orlyoad
Contributing vitally, not only to the welfare of our thousands of employees, but also to the communities in which our mills are located, the Company today is operating all of its mills, including the largest worsted mill in the world and the largest woolen mill, on a full time basis with orders ahead assuring steady employment through the first quarter of 1948.
Railroad traffic might well be called the blood stream of America. It cannot stop if our nation is to be strong and healthy.

United States Steel is proud of the part it has been able to play in the constant improvement of the service and efficiency of America's railroads through better steels and better products of steel.

Steel bearing the U·S·S trade-mark participated in the development of the gleaming stainless steel streamliners that helped to revolutionize railroad passenger transportation.

United States Steel has also pioneered in developing Cor-Ten, a high-strength, low-alloy steel for light-weight construction that has been used in more than 65,000 freight cars and also to reduce deadweight in numerous streamlined trains, trolley cars, buses and trucks.

The research program of United States Steel is continuing daily—to develop newer and finer steels to provide better living for you.
In these anxious days, the subject of taxes, the budget, and the debt is one of universal concern. It is all of us. There is no practical value in existing in this subject in terms of economic abstractions. We must recognize the fact that the fiscal policies of the United States are bound to be developed in a world that is not at peace and in which the years that have not been restored to even its old levels of productivity. This disturbing situation provides an invaluable frame of reference in which fiscal measures must be applied. It imposes major budgetary facts that must be surmounted in any fiscal proposals that can be considered realistic.

The first of these budgetary facts is our expenditure on national defense. The requirements for this purpose are in the order of $10 billion. We must be prepared to cover this cost for many years to come. We may hope and believe that this is an abnormal item, the consequence of living in a dismembered world. We may look for, and work for, the day when we will not need to spend in such amounts in which we can have confidence, a peace which we want in any case for its own sake. When this peace is attained, our expenditure on national defense can then be drastically reduced. But that day is not at hand nor does it seem to be in a future near enough to soften the effect of the defense item on present fiscal policy. To put it bluntly, for the foreseeable future, expenditure for national defense will have to be a large item.

World Reconstruction Expenses. A second major budgetary fact will be presented to us by our untried sons. The second major budgetary fact includes the overwhelming cost of post-War reconstruction. A third major budgetary fact includes the cost of relief for the victims of a large number of post-War disasters. It is probable that the requirement will be directed toward restoring the productive facilities and capacities that were destroyed by war. We have already indicated our awareness of these three specific objectives. An address by Mr. Ruml before the National Bank Division of the 73rd Annual Convention of the American Bankers Association. Atlantic City, N. J., Sept. 29, 1947.

Mr. Ruml discusses phases of Marshall Plan and points out three basic points are: (1) that money for relief abroad is spent in U. S.; (2) that it will take form of goods and services; and (3) that repayment can be made only in goods and services. Urges reconstruction aid be preceded by sale of stock and bonds to the public. Recommends that voluntary reforms, along with tax reduction and proper use of national debt as instrument of fiscal policy.

First, that the dollars which the United States will spend for relief on humanitarian grounds, it is generally agreed, I believe, that appropriations by the United States for the reconstruction of its neighbors must be both effective and unambiguous. Life abroad must be in response to a demand for better living. The world financial system must be agreed on in advance and given promise for its ultimate success. The ability to do and the will to do must both be present in such a program. We must be prepared to loan in addition to grants. Loans will be both unworkable and unworkable. It will not be easy to agree that these desirable aspirations of a moral, cultural, and political character are convincing, and at least the most optimistic will agree that the path to their accomplishment must be long and strenuous. Nevertheless, even these most advanced observers admit that in recent months much progress has been made in defining the terms that cover the cooperation. The point is thinkable.

Let us assume that there will be proper differences of opinion as to the adequacy of the moral, cultural, and political character and that the proposals that have and will be given to us by the United States are the result of the economic program. Let us admit that proposals are not always in the best interests of the United States and that they are not always in the best interests of the United States. Let us assume that taking everything into account, there is a serious doubt whether the program that has been set forth will meet our own standards of the international program. Under the program that has been set forth, it is possible that we will have questions of our own fiscal policy that can be separately discussed on their own account. It is possible that the critical questions will be: "What do I wish to address my next paragraph?"

Misunderstanding of Marshall Plan. The public does not understand the most elementary facts with respect to the economic operations of a loan under the Marshall Program. The public does not understand the terms of commentaries—all make matters worse. Once again we have the blind leading the blind—uninformed opinion being solidified by uniformed opinion. Here at this point the bankers can cut through and all the leaders of opinion the simple facts of an international financial transaction at the governmental level.

There are three basic points that the public should understand:

First, that the dollars which the United States will spend for relief for American citizens who have been affected by events abroad are spent in the United States; that these dollars will not go where they become wages, rents, and profits for American citizens. You know and I know the minor exceptions to this general proposition. These exceptions are material and that, broadly speaking dollar made available abroad is spent in the United States, and it becomes part of the United States' national income.

The second point that all should understand is that the substantive contribution of the United States to relief and reconstruction will be made in goods and services under the program. The fiscal measure. The people who buy these things from us, we do not want to buy them for our own use. Some of these goods and services may have to, for the time being, continue in order that others may have to be bought; or, in other words, we do not give up the dollars; instead we give up certain things that are produced in the United States in order that people remain at home and become wages, rents, and profits to the United States.

The third point is that on which the public should be clear—it is that the time comes for repayment. We know that the expenditure may be made in goods and services available abroad, in goods and metals, in tourist services, which may be shipped in the days to come the equivalent of the goods and services we now produce. These goods, services, and in kind we export. We will have to lend our ships, please, and in kind, under the long-term leases. Just as what we send abroad absorbs wages, rents, and profits, it is possible that when they return to the United States, they will be wages and rents and profits to the United States.

These three points should be understood by every citizen. The public should understand that the dollars which have been sent forward abroad do not leave this country but are sent home; that goods shipped abroad purchased with borrowed dollars, are taken from what could be consumed at home; and third, that repayment to the United States can be made in goods and services that will be used, not by the United States but by the people of the other countries, to whom we loaned the dollars, and that this will be a benefit to the United States.

The public understanding of these three points will be of the greatest interest that gives dignity to both borrower and lender. These transactions possible under the Marshall Plan proposals are advantages to us as well as other countries. We can receive, in exchange for some substantial proportion on current consumption, a share of the proceeds of others for years to come. What better measure could be taken to assure for our children and the future that we have been given access to raw materials that will be vitally needed to supplement our own resources?

I have pointed out the manner in which the Marshall Plan proposals are made for the world reconstruction and the Marshall Plan proposals or otherwise. But cannot solve the question of whether the loans will be repaid?" The answer to this question depends on whether the program proceeds in any respect. We must be made aware that the moral, cultural, and political foundation for reconstruction is adequate. It depends on forces of man and nature which are unalterable but that is a prediction of the future. It also depends on whether the amount of goods and services that are in fact adequate for the task of reconstruction is sufficient to pay for the unforeseen contingencies, such as sudden wars, with the means that the United States has to pay for the unforeseen contingencies, such as sudden wars, with the means that the United States has to pay for the unforeseen contingencies, such as sudden wars.

Need For Food. Since transactions that may occur under the Marshall Plan should be thought of as goods and services moving from us to them, we ask ourselves: "What kind of goods and in what amounts?" As far as the aggregate amounts are concerned, the general picture that has been shown is that some things seem too ambitious. Even when we include loans that are suitable for the International Bank, the annual totals seem modest enough. The amount of food alone that we can receive our raw materials in raw materials, in services, and in the form of products, in our own products, and in kind convenient to both parties, is not large. If the plans in the United States and therefore on industrial troubles arising from irreproducible production troubles.

In addition to food, there are other goods and services that will be in high demand for construction here, for reconstruction there. In these badly needed foods and materials, there will be widespread public job of the inconvenience. Businesses will be affected as well as individuals. A measure of these goods and services will be required, and an attitude of flexibility and financial adaptation will help relieve many strains.

Financing Reconstruction. Helpful public attitudes toward financing the Marshall Plan have been suggested from relief requirements for unforeseeable difficulties and the fact that the program is a financial one. In Europe and elsewhere that goes into plant and equipment, into industrial development, obviously different from a plan of tools and facilities, is productive. In the plans in the United States and therefore on industrial troubles arising from irreproducible production troubles.

THE FRUITS OF SOUND TRUSTEESHIP

Throughout the century-plus of this Company’s business life, the emphasis has always been on complete mutuality and security for the policyholder.

The confidence generated by this policy of mutuality and mutuality has been unbroken, even in an industry which itself has been making new records.

During the past 18 years, New England Mutual’s insurance in force has grown in excess of $20 billion, and assets have nearly quadrupled.

NEW ENGLAND MUTUAL LIFE INSURANCE CO. OF BOSTON

George Willard Smith, President

THE FIRST MUTUAL LIFE INSURANCE COMPANY CHARTERED IN AMERICA—1835
PROPERTY INSURANCE

...through its Agents and Brokers,
is America's leading Insurance Protector of American Homes
and the Homes of American Industry

THE HOME

Insurance Company
NEW YORK

FIRE • AUTOMOBILE • MARINE
International and Domestic Economic Problems

By HON. A. LEE M. WIGGINS* 
Under Secretary of the Treasury

Three years ago it was my pleasure to address the annual convention of the American Bankers Association as your re-

turning President. Today, after an inter-

val of three years, I return as an official of the government to continue the discussion of some of our national problems.

A L. M. Wiggins

Through the past eight months, I have been able to observe at first hand the operations of government and have participated in handling some of the problems of government.

That experience confirms, strengthens, and deepens the conviction that I have expressed to you on other occasions, namely, that democratic government, as conceived and wrought by the American people, is the best system of human relationships yet devised by man. It continues to be the last best hope of man.

Too much are we inclined to emphasize the weaknesses of democratic processes, the wastes in our system of checks and balances, the failures, the result from political influences, the unbalanced weights, and the minorities in the determination


of national policies, and the give-

and-take and compromise on legis-
lative programs, and to con-
sider these things as evidence of weakness in the basic structure of democratic government.

Some of them, no doubt, constitute a price for democracy. But, more important to me, they are the evidence of a flexibility which constitutes the strength of democracy. Democratic govern-

ment, as we understand it and as it has true value, must operate in an environment of freedom. When men are free to think as they please, to differ as they will, and to seek to translate their views into policies of government, there necessarily follows a flexibility that responds to the changing needs of national life. It is this flexibility that assures the strength and permanence of democratic government.

It is now more than two years since the end of our armed con-

flict. The readjustment from war to peace has ever been a difficult period. Much of the world has made little progress in that ad-

justment. In this country, we have moved further and more quickly

than any of us dared hope. The shift from wartime production to peacetime has been a marvel of industrial readjustment. There has been a minimum of disturb-

ance in the field of finance. In

spite of the necessity of vast op-

erations in financing government during the war, our financial machinery was adequate and has handled a government debt in an amazing way. This year the average of price has gone up in the war. And, in spite of continuing high costs of government, most of which is attributable to the war, we have achieved a balanced Fed-

eral budget within two years of the end of the conflict.

Furthermore, the flexibility of democratic government has made possible the restoration of many of the freedoms in our economic life that were taken away under war. Many government controls have been removed, some perhaps too quickly, but all through the operation of demo-

cratic processes. Throughout much of the world, this has not hap-

pened in this country we have needed the state have further x

increased and the freedoms of the individual have been further re-

stricted.

Our Post War Economy

If we examine our postwar economy in terms of prewar, we discover several important de-

velopments. The Federal Reserve Board's index of industrial pro-

duction is now 67% higher than the average for the year 1939. Although this has been only a portion of total production in the economy, we find it

available evidence that the total output of goods and services—includ-

ing agriculture and elsewhere in the economy, as well as in indus-

try—has risen nearly propor-

tionately.

But purchasing power has risen even more than production. Our national income has increased 172%; deposits in commercial banks have increased 162%; and the total liquid assets held by in-

dividuals have risen about 250% since 1939. Purchasing power has increased sixfold. Prices have gone up all along the line. The most fundamental prices of all—those paid by consumers—have gone up about 60% since 1939.

Today our major economic problem at home is to make sure the dollar size of the economy does not further outrun its physi-

cal size.

In solving this problem, we are confronted with major difficulties both on the side of supply and on the side of demand.

On the side of supply, we find that our economy is now almost fully employed and that the combination of both our labor force and our phys-

ical plant. This leaves but one way in which production can be substantially increased promptly, and that is through greater produ-

ction per individual employed.

On the side of domestic de-

mand, our major difficulty is im-

patience. Large backlogs still re-

main from the war period and there is the purchasing power to make them effective, while con-

sumers seem to be unwilling to wait for the regular course of pro-

duction to catch up with their orders.

The situation calls for restraint on the part of government, con-

sumers, business, and labor. Re-

straining in spending, restraint in pricing policies, restraint in wage demands, restraint in tax policies. If we will exercise this restraint, the forces and developments that have been set in motion under the "full-employment" program can result in a long con-

tinuous period of prosperity if we do not, it can result only in further inflation.

We accomplish little, if any-

thing, by merely writing up price tickets. They cannot create pros-

perity in this country merely by writing up high and higher price tickets, whether on wages, on commodities, or on profits. Al-

though our economy is now geared to a higher ratio of dol-

lars to the volume of production

Important 2-way trade

with

MIDDLE AMERICA

long served by the Great White Fleet

THE coffee, bananas, sugar, cocoa and other

nutritious tropical foods of Middle Amer-

ica—so popular on North American tables—

have been transported northward for almost 50

years by the Great White Fleet.

Southward these familiar white ships sailed
deep laden with the products of United States

farms and factories.

Today—after the necessary ship diversions of

the war years—this important 2-way trade with

Middle America is coming into its own again.

Regular freight schedules are being main-

tained over the Great White Fleet's long estab-

lished routes. The company is building fast,

new, fully refrigerated vessels to meet the

needs of expanding trade with Middle America.

And, in the months ahead, the Company will re-

establish its passenger service.

If you have a shipping problem involving any

of the countries listed above, please call us.

Great White Fleet

UNITED FRUIT COMPANY

General Offices: 1 Federal Street, Boston 10

Fier 3, North River, New York 6

321 St. Charles St., New Orleans 4

111 W. Washington St., Chicago 2

1001 Fourth St., San Francisco 7
An integrated textile company

HIGHLIGHTS OF THE YEAR'S OPERATIONS

The year was one of record accomplishments. Sales and earnings, as well as funds reinvested in plant extensions and additions, were the highest in our history. Total net sales including intercompany sales, amounted to $250,194,945 for the fiscal year ended June 30, 1947.

Continuous net profit was $21,122,258 equivalent to $5.36 per share on the 3,982,155 shares of common stock outstanding at June 30, 1947, this company's net profit of $9,098,705 for the previous year.

In addition to these earnings, the corporation's share of undistributed earnings in companies not consolidated amounted to $11,413,814.

The company entered the new year with the largest backlog of orders in its history. The increase in purchasing power and standard of living of many millions of Americans has added a great number of new customers. The requirements of a growing population employed at increased wage levels point to a generally sustained good outlook for business in this industry.

Net fixed assets have been increased by $7,611,003. This includes capital additions during the year for our newly constructed rayon finishing plant at Old Fort, N. C., and our mills at Maracay, Venezuela and Columbia, Uruguay and a large plant addition at Louisville, Canada. The new rayon finishing plant should be in operation this October. The new mills in Uruguay and Venezuela are scheduled for partial operation late this fall and full operation next spring.

Exports continue active and our organization has extended its field of foreign distribution. Although some markets are experiencing a shortage of dollar exchange, present monthly shipments are holding up very well in volume. Canadian and Argentine subsidiaries enjoy good business and operated success fully during the past year.

Retail store operations have shown substantial increases. With the opening of eight new units this fall and seven additional locations next Spring, the retail store subsidiaries of the company which operate under the names of Robert Hall Clothes, Inc. and Case Clothes, Inc., will have a combined total of fifty units.

FIVE YEARS AT A GLANCE

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<th>Year</th>
<th>Total Net Sales (Including Intercompany Sales) $230,194,945</th>
<th>Total Net Profit $21,122,258</th>
<th>Number of Common Shares Outstanding</th>
<th>Total Dividends Paid in Cents 5.36</th>
<th>Expenses and Salaries 26,464,419</th>
<th>Net Fixed Assets $7,611,003</th>
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United Merchants and Manufacturers, Inc.

1402 BROADWAY, NEW YORK 18, N. Y.

This summary of the annual report is not a representation, prospectus or invitation to invest any stock of this corporation and not to present in connection with any offer to sell or buy any stock or security save or as to be not viewed as such.
In considering the future earning power of banks, it is necessary to start from the circumstantial condition in which American banking operates today. Two years removed from an unusual period of prosperity, we are suffering the inevitable dislocation in a process which follows such a conflict. We are still confronted with profound uncertainties regarding the political and economic future, uncertainties which are bound to affect the operations of banking and the profits realized from them.

Consider the problem first in terms of the experience which followed the First World War. The analogy has been drawn often enough so that it is not necessary to repeat the process here. In both instances, we were involved in a worldwide conflict which resulted in distortions and untenable corrections, many of them costly and painful. However, in comparing the prospect today with the events of 1919, we may be pursuing an easier line of reasoning probably to false conclusions. What I mean to say is that there are many material differences between this period and that which followed the First World War. They are differences as substantial and so significant that it may be well for us to be on our guard, lest in accepting superficial similarity as proof of fundamental identity, we commit serious errors of judgment.

Consider the course of money.

"An address by Mr. Lawrence at meeting of the Savings Divisions at 73rd Annual Convention of the American Bankers Association, Atlantic City, N. J., Sept. 23, 1947."

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In another respect, the outlook today is less attractive than it was in 1920. Our major foe had been defeated, but our prosperity had arisen in the ranks of the victors to reconcile the necessaries to peace which Germany had presented before the war. The victorious nations, after some slight haggling, which by comparison with the greater claims of future conferences of today seemed like mild technical considerations, achieved a reasonably harmonious peace structure. So thoroughly were the victors freed from the other’s intentions at that time, that the history of the 20’s seemed like a good world, peaceful and prosperous. Western civilization was under no immediate threat of possible destruction. The stock market of the 20’s properly reflected this mood of optimism.

In the depression of 1933, we now have a scheme of bank deposit insurance which has so far proved effective. A smaller number of banks, operating in a larger economy and with greater total capital, is in a competitive position where it is possible to pursue safer banking practices than was the case in the 20’s. While the high percentage of government securities in our portfolios is properly discerned, it is possible to pursue safer banking practices than was the case in the 20’s. The vicissitudes of the past ten years will see anything like the losses and charges-offs in banking that were necessary in the 20’s and carried through into the decade of the 30’s.

Earning Power of Banks

BY JOSEPH STAGG LAWRENCE

Vice-President, Empire Trust Company of New York

Bank economist predicts no pronounced upward swing in money rates that would enlarge bank earnings. On dark side, sees no relief from high taxes and international discord, but points out sounder position of banks today than in 1920. Holds both Treasury and Federal Reserve will expand their powers of credit control, and lays down as essential to restore free money market: (1) prohibiting Federal Reserve Banks to acquire government securities; (2) limiting use of such bonds as Federal Reserve collateral; and (3) restoring gold standard.

Expect No Severe Depression

It is still doubtful that we shall have at the present time a business collapse, a depression as severe as that experienced in 1920-21. We know that our friends on the Left have predicted a depression for us, the severity of which seems to vary directly with the "dictatorship" of the prophet. We hope that business events in the future will confuse these forecasters as effectively as they have in the past. I do not mean to imply by this statement that the United States today is depression-proof or that we should assume the indefinite continuation of the period of business depression as capitalism has fatal flaws which spell the inevitable doom of our society.

This well advertised depression has not yet occurred. On the schedule of prognostication, it is long overdue. When those junctures occur which end the depression, we shall apparently be compelled to reconcile ourselves to a lower level of business activity, I am sure we possess the necessary material and spiritual resources to meet the test.

Outlook For Banks

Consider now in some greater detail some of the specific conditions which affect the general business outlook and particularly the outlook for banks.

The first looks to the third fiscal year after the war. The American economy is still bearing an unprecedented proportion of national income. The Federal government is collecting approximately 42.7% of the estimated national income for the year 1947-48. This aggregate of Federal taxes represents an increase of 1.9% over the total collected during the last year of the war. We are all able to confirm painfully the fact that our personal burden has in no way been lightened in spite of the heroic and persistent efforts of Congress to grant relief. Although it may not be readily apparent at present, such a vast preemption of buying power on the part of the state has a necessarily discouraging effect upon personal incentives. It is the hope which runs wild as a wet blanket upon American prosperity and progress.

Nor has the government made much headway in shrinking a swollen Federal budget. Current expenditures in the aggregate are running at a level four times higher than the Federal outlay in the year 1933-34. Some slight reductions have been made, against the most vigorous resistance, in the reduction of the huge personnel of the Federal government. In relation to the tax burden, our government today is indeed appallingly meager.

We may pause here and compare our fiscal position with that prevailing after the First World War. During the third fiscal year after the Armistice of 1918, Federal taxes had been cut from a wartime peak of $5,689,000,000 to a level of $3,554,000,000, a reduction of 38%. Personal income taxes had been cut from a total of $3,270,000,000 to a total of $798,000,000, a drop of 43.4%. The top rate of 65% prevailing in 1918-19 had been cut to 50% for the 1921-22 year. The budget itself had sustained vigorous paring and in the third year after the Armistice was off 82.5% from the wartime level. No corresponding progress has been made on the present occasion. This is a political phenomenon on which we are all perfectly safe in the banking structure. It is doubtful that the next ten years will see anything like the losses and charge-offs in banking that were necessary in the 20's and carried through into the decade of the 30's.
Future of Bank Earnings

In considering the future of bank earnings, we must recognize that the provision of credit is predominantly a function of gross asset value and rate. The volume of business depends primarily on government policies, particularly the size of the public debt. In spite of much wishful thinking on the part of some, it is now a trite and necessary truth that the rate which banks are able to realize on their assets depends primarily on government policy. The last fifteen years conclusively demonstrated the ability of the state to control money, and it is now a matter of bankers still doubt this. Very few would still believe that the evidence is overwhelming.

Access to the Markets of the World

Within the last fifteen years in this country, the average yield on government bonds at the end of 1923 was 2.34%. Suppose that we had summed that at the time the fifty millions, representing five million people, had been holding the dollar, to a congress would need to concern them this problem: "What will happen to the money rate and particularly the yield on government bonds under the following conditions—conditions which may develop during the course of the next decade? (1) the government repudiates its obligation to redeem its currency and securities in gold and as a corollary abandons the gold standard. (2) It resorts to deliberate inflation in order to help favored political groups. (3) It conducts a continuous and malicious campaign against wealth and business. (4) Throughout this period it never once balances its budget but on the contrary reports deficit year after year. (5) The public debt is doubled. (6) Towards the end of this period, a great world war breaks out which leaves this country with a public debt ten times the peak in 1914." In the face of all these conditions, we repeat, "What will happen to interest rates, and particularly the yield on government bonds?"

We are confident that these savings without exception in any way that rates would have to go up, that public credit would necessarily decline and that the yield on government bonds would inevitably skyrocket. We know how wrong such a conclusion would have been to the extent that it completely exaggerated the experience of the last 15 years which has challenged the teachings of classic economics. We know that rates today are actually at their lowest level in this 15-year period. We know that our government, in the face of a total debt of $258,000,000,000, can borrow money at a lower rate than it could at any time in the past.

Effect of Unfreezing Short-Term Rates

The recent unfreezing of short-term paper by the government, the refunding of $4,394,000,000 of 1% notes and 1 1/2% notes with a 1 1/2% month issue of 1% notes, representing a slight increase in the rate, plus some vague lip service by officials in favor of a free money market, may lead some of us to believe that a turn has taken place.

There are a number of reasons why we should regard this apparent turn with the utmost reservation. In the first place, the figures representing the rates at which money can be borrowed in the principal money centers of the country show, up to this time, no appreciable changes. Many institutions and qualified borrowers are still able to borrow at roughly the same rates which prevailed a year ago. I say this with full knowledge of the change in certain special categories of lending which have been announced by several of the leading New York banks. It is possible that an upward correction in certain rates may be taking place, as indeed they should take place. Accommodations in some instanaces have been made on a basis where it is difficult for the bank to realize adequate compensation for the service performed and the risk assumed.

However, the corrections which may seem so significant are corrections within a limited area, a limited range; and it remains to be seen whether they will stick.

For the forces operating against any broad return of a free money market are almost insuperable.

In the first place, it is extremely unlikely that the government, having demonstrated its ability to control the rate structure and having profited by that control, will freely relinquish it. Two important agencies of the government compete for the power to control the money market. These are the Treasury and the Federal Reserve Board. In this competition, the Treasury enjoys an unquestioned priority. National policy has resolved that the new to control the rate on government obligations and the rate of Fed voting will take precedence over any conceivable necessity on the part of the Federal Reserve Board to use the rate as an instrument of economic control.

The tolerant attitude which the Treasury now displays toward possible upward changes in the rate are the result of obvious self-interests. Due to the continuation of high wartime tax rates and an unprecedented level of domestic prosperity, the Treasury is accumulating a substantial portion of the money which has been able to pull down the total Federal debt from $279,000,000,000 to $235,000,000. It is definitely not in the market for fresh money at this time. Under the circumstances, it can take a detached attitude toward the money-rate and view with some indulgence a firming of that rate; that is, provided such a firming process does not get out of hand.

Federal Reserve's Power

If for any reason, not visible certainty at the present time, the Treasury should abandon its power over the money market, the Federal Reserve authorities are prepared to seize it. These authorities are not averse to the abandonment of the rate control. They think they have a mandate to control the business cycle. They have in recent years repeatedly complained of the inutility to control the quantity of credit due to the exclusive exercise of rate control by the Treasury. In lieu of rate control these authorities are now demanding an expanded qualitative control of member bank credit. By qualitative control, they refer to stock market margin and consumer credit regulation.

In addition, they have asked for completely flexible power over reserves, the right to require the maintenance of secondary reserves, the right to regulate the character of member bank long-term security portfolios. They have repeatedly suggested that they would be much happier if all the banks in the country were subject to the full authority of the Federal Reserve Board. The only comment presently needed on this program is that our current Congress is not hospitable to the questionable aspirations of the Federal Reserve authorities, that it regards such aspirations as

(Continued on page 41)
The FDIC and the Dual Banking System

By H. Earl Cook
Director, Federal Deposit Insurance Corporation

Assuring the strength of dual banking system lies in our organic political philosophy. Mr. Cook contends Federal Deposit Insurance Corporation has been a major factor in restoration of confidence in all banks, both state and national. Stresses standardizing function of FDIC and says it is only federal agency that has direct contacts with state banks not members of Federal Reserve System.

In point. Indeed, it is difficult to envision any other system of banking organization which might function as well as the dual banking system, and it is important reasons why alternative forms of organization could impose serious handicaps.

A study of banking in other nations emphasizes the uniqueness of our dual system. As a matter of fact, we should be well advised to call it the American system because it is really a counterpart of the Federal structure of government. Fundamentally, the strength of the dual banking system is nothing more nor less than the strength inherent in our organic political philosophy.

Dual System Competitive
Highly developed and integrative competition is an essential condition for our economic and social progress. The existence of a dual system of banking in the United States was necessary if the banking system was to function properly. It is interesting to note just their activities most efficiently in our community. As long as the dual system prevails, men in the exercise of their activities always have an alternative.

The students of political science observed long ago that the Federal system of government maximizes for testing policies while at the same time it minimizes the risks of law and order. Likewise, this same feature is an advantage already in the dual banking system. From time to time, the various states have established provisions for bank regulation which proved their worth. The Federal system has been widely adopted. Thus, sound banking can be practiced in the dual banking system; the others wither away with little or no harmful effects. One could argue with a considerable show of reason that the dual system is not only a sufficient one. We tend to forget, for example, that the early experiences of certain states in the field of insurance contributed importantly to our federal legislation. In the absence of that experience, I can confidently say that the Federal Deposit Insurance Corporation would have been quite a satisfactory alternative.

Cooperation between the Federal and state authorities is the unifying principle which makes the dual regulation of banking system. Just as cooperation is the most important function of the system, so cooperation is the most important function of the system, so cooperation is the most important function of the system, so cooperation

Coming of National Banking
Historically, the dual banking system began with the National Banking Act of 1863. Under this act, the state chartered banks had to obtain a license to do business. The number of such banks increased rapidly, and by 1865 the law was replaced by the Federal Act of 1864. This Act made it easier for the state banks to obtain a Federal charter, and thereby enter into the Federal banking system consisting solely of state institutions.

The National Banking Act of 1863 was a war financing occasioned the adoption of the National Banking Act of 1863. The Act made it easier for the state banks to obtain a Federal charter, and thereby enter into the Federal banking system consisting solely of state institutions.

Established 1856
H. HENTZ & CO.
NEW YORK COTTON EXCHANGE BUILDING
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Standardization

Broadly speaking, the Federal Deposit Insurance Corporation is a standardizing agency. Legislation up to its standards are eligible for insurance purposes. Under the Federal Reserve System, in cooperation with the Banking Act, the possession of a charter from a particular state which does not affect the failure of an insured bank is sustained in the state in which it was organized. It fully appreciates the evils represented by the chartering of banks as well as inadequate standards. Accordingly, from its inception, the Federal Deposit Insurance
Corporation has served as a con-
nection between Federal and state
supervisory authorities with the
purpose of enlisting their coopera-
tion in mitigating these evils. The
corpus of the Corporation to main-
tain high standards has received the
wholehearted cooperation of both
Federal and state authorities, and
many of the difficulties encountered
therefore beset the dual banking sys-
tem. The development of a uniform
examination report for banks is one
of the most striking illustrations of
closer cooperation between the two
divisions of supervisory authorities
which have been achieved under the
Federal Deposit Insurance Corpora-
tion. With slight modifica-
tions, the same form is used by all
of the Federal agencies and a ma-
jority of the states. Moreover, in
almost three-fourths of the states,
joint or concurrent examinations are
scheduled with state supervisi-
ary authorities. Not only does this
arrangement achieve important
savings for both the supervisory
authorities and the institution
under examination, but it facil-
itates cooperation among all of
the interested parties in bringing
about corrective measures when
necessary. Here again dual bank-
ing is buttressed against weak-
nesses which tend to call the ade-
quacy of the system into question.

Bank Reports

Comprehensive and timely infor-
mation is one of the necessary
conditions for intelligent policy
with respect to banking. In a very
real sense, the life of the dual
banking system depends upon the
availability of facts. Accordingly, the
Federal Deposit Insurance Corpora-
tion has been steadfast in its
efforts to bring about consis-
tency in statistical data through
the adoption of uniform condi-
tions and earnings report forms.
Furthermore, it cooperates with
the other supervisory agencies in
compiling the pertinent informa-
tion into a useful body of knowl-
dge.

The agreements reached in 1928
among the supervisory authori-
ties with respect to improved meth-
ods of asset appraisal and classi-
fication furnish still another illus-
tration of the Federal Deposit
Insurance Corporation in its role as
standardizing agency for the dual
banking system. Prior to that
time, practice varied quite widely
from state to state as to the
identification of the different
kinds of assets and to the termi-
lation of the word "good." Follow-
lieutive consolidation between
the various authorities, a new
system of classification was
adopted which definitely clas-
sified assets in terms of their
credit worthiness. In addition, a
better change was made in the appraisal
of bond investments. For issue of
investment merit, valuation at
market was abandoned and use
less appropriate amortization was
substituted therefor. Admittedly
these changes fall short of per-
fection, but it is well to remem-
ber that they are advances in su-
ervisory methods which help to
make the dual banking system
work in an era of economic
change.

The executive committee of the
National Association of State
Bank Supervisors was engaged
as the advisory council for Fed-
eral Deposit Insurance Corpora-
tion by Chairman Crowley in
1928. Thereby, the Corporation
has provided itself with an oppor-
tunity for exchanging information with
the various state bank supervi-
sory authorities. The exchange of
ideas between the segments of
the system is essential for the con-
tinued existence of dual banking,
and the arrangement has
proved its worth many times since
its inception.

Of major importance, although
more or less incidental to its
work as a standardizing agency,
has been the work of the Federal
Deposit Insurance Corporation in
articulating the problems of the

state banks that are not members
of the Federal Reserve System.
The Corporation is the only Fed-
eral agency whose contacts with
the state banks are direct and con-
stant. It is in this position to
appreciate their difficulties and
to view their aspirations sym-
pathetically. This portion of the
banking system is relatively small,
measured in terms of financial
resources, but large numerically;
and it is very responsive to the
needs of the best traditions of American free
enterprise.

Value of FDIC to State Banks

Owing to the fact that the other
major parts of the banking sys-
tem could turn to other and long
established Federal agencies when
they were confronted with a
problem requiring a solution at
a national level, it was to be ex-
pected that the state nonmember
banks would turn to Federal De-
posit Insurance Corporation in
similar circumstances. During
World War II, the corporation
operated actively with them in a
successful effort to secure by
means of legislation the right to
participate in so-called "V" loans.
Other instances of a similar char-
acter could be mentioned.

In a larger sense, it is fitting
and proper that the Federal De-
posit Insurance Corporation be the
agency to which the state nonmember
banks look to. The dual banking sys-
tem works only so long as the
separate parts are able to define
their problems and to reach ap-
propriate solutions. Many prob-
lems confronting the small state
nonmember banks are national in
scale. The Corporation has a
very real contribution to make to
the success of the dual banking
system in its cooperative efforts to
deal with these problems.

To sum up then, the practical
man knows intuitively that the
dual banking system is good,
despite its seeming contradictions.
This is the American system of
banking wherein the free play of
ingenuity is fettered only by the
necessity for cooperation when
the commonwealth is at stake. In
recognition of its obligations to
further the public interest by
strengthening banks generally,
the Federal Deposit Insurance
Corporation continues to stand
where it always stood—an ardent
supporter of the dual banking
system.

J. Hyman & W. Cahn
Now With Stern & Co.

Stern & Company, 25 Broad
Street, New York City, members
of the New York Stock Exchange,
have announced that Julius P.
Hyman has become associated
with them to handle trading, spe-
sializing in high-grade, preferred
stocks and bonds. Previously Mr.
H y m a n was associated with
Struthers & Dean.

Walter L. Cahn has also be-
come associated with the firm. For
the past several years Mr. Cahn
has been associated with E. F. Hutton
& Company as a specialist in re-
organization of railroads, and
previous to that, was in banking
and brokerage house business for him-
self in New York and Amsterdam.

RIVALRY

—That's "American" for Progress

When your service station attendant gives your windshield an
extra polish, that's rivalry at work.

When an oil company comes out with a new and better lubri-
cant, that also is rivalry at work.

And rivalry, spelled another way, says competition.

Few will dispute that rivalry and competition have been and are
the spark plugs of America's astounding industrial growth. In
the Petroleum Industry alone, there are over 34 thousand indi-
vidual producing, refining, transporting and marketing com-
panies, each vying daily to outperform competitors.

The result is that America is constantly getting improved fuels,
better lubricants, as well as over 5,000 other products from
petroleum.

Interpreted in human terms, this progress means more comfort,
better health and more happiness for all of us.

THE PURE OIL COMPANY

Be sure with Pure
Railroad Securities

One of the strongest spots in the rail market in recent weeks has been the Denver & Rio Grande 5% preferred stock. Just under 46 of the last week, the stock was only a small fraction from the year’s high and 14 points above the effective date was Jan. 1, 1943. A second accrual of $10 a share to $84,000, contrasted with a deficit a year earlier. The 1947 figure was only a small fraction of the original amounts of 1947, showing a strong comeback.

Net income for the first eight months of 1947 amounted to $200,000, or 80c, as compared with a deficit of $10,000 a share this year, therefore, it is generally expected that the stock will be sold 5% below its 1948.

Aside from the benefits of prop¬er rehabilitation, the character of the company has been considerably improved in the Provo-Geneva area of Utah, which has been purchased by a subsidiary of United States Steel Corp., and a large amount of steel has been added. Denver & Rio Grande Western, with its large volume of raw materials and a large volume of railroad products.

With the elimination of an effec¬tiveness and the increased traffic, the company is generally ex¬pected that the railroad will have a little difficulty in normal business continue, excepting the dividend requirement by a good margin.

New York Stock Exchange Weeklyl Firm Changes

The New York Stock Exchange has announced the following changes:

David L. Koenig, recently retired from the firm of Friedsam, Broekz & Leazer October 1.

Robert L. Late George E. Williams in Beer & Co., ceased business.

Interest of the late Alfred S. Klabur in Leiber & Brothers ceased business.

Interest of the late Harold P. Macdonald, an exchange member, in Blair, Williams & Co., ceased business.

To Be Brand, Grumett & Co.

Effective November 1, the firm name of Brand, Grumett & Ross, 55 Broadway, New York, members of the New York Stock Exchange, will be changed to Brand, Hockensmith & Ross, 187 Broadway, New York. Sidney Lyon, and Irving Ross will withdraw from partnership in the firm on October 31.

Guaranteed book stock

Bonds

Special Securities

The Debt, the Budget, and Taxes

(Continued from page 26)

Government savings bonds to the public. According to law, govern¬ment savings bonds should be held in savings banks and trust com¬panies associated with care and restraint and not be available for consumption. Thus, if it be that what we now have available, the annual requirements under the consolidated federal loan—that is, for goods and materials of national defense—seem to be in the order of $6 billion, then it is not too large to be handled annually by the sale of saving bonds.

Such a program of a sales of saving bonds would be a program of purchasing power that would be used otherwise available only through taxation. It has the great ad¬vantage over taxation in that it is selective and that it therefore does not impose on those who are already heavily taxed, and that the direct costs of recog¬nition of product output. The sale of saving bonds to the public should also afford an occasion for making personal association with the overall program of government con¬struction.

In principle, it can be said that we shall be on a sounder ground if all our international commitments are covered, and that the reconstruction of world pro¬ductivity, pre-war loans as well as those provided by expanding credits, are counted only for public purposes rather than by taxation. The tax burden is far too high, and it will be impossible to measure the loss of tax relief will be found of the public. If pre-war loans, and the bonds issued for development and small-scale industries instead of non-recurrent nature such as those which we are now discussing.

I have spoken at this length because I think it is a matter of importance to understanding the underlying prospective interna¬tional financial constitution. It is possible that the hope that I might persuade you as individual bankers to carry the world, in which you personal program of public edu¬cation for the public, or to look on the problem of public debt.

Taxes and Budget

Let us leave these two special items—national defense and public debt—and turn to more general consideration of the national financial constitution. Even through an appropriation is passed by Congress under proper conditions, we shall not have done only a job unless the leaders of opinion in our society be convinced that the true nature of the transaction and behavior.

Taxes, the budget, and the debt include the principal subject mat¬ter with which national fiscal policy must deal; and in many ways they are the key to our own con¬tinued prosperity and the pos¬sibilities of world reconstruction. But let us not overlook the powers of fiscal policy nor look to fiscal policy as a panacea. Fiscal policy is a tool of only limited effectiveness; bad fiscal policy can re¬strict a nation to undesirable considerations are sufficient to justify high council of economic and political development. It is up to the budget, with the taxes, and with the

First, the federal budget. We have today a budget of enormous size, amounting to $12.9 billion, a little over 20% of the national income. The more erratic estimates of the present depression days raise questions that demand a more detailed, study, which have now be¬come matters of vital concern. One question that we talk about THK federal budget is, which is the result of?

There are two federal budgets, both in good standing. One bud¬get, the consolidated federal bud¬get; the other is the conventional budget; the other is the conso¬lidated federal budget. When federal budgets were smaller, it

made little difference which budget was adhered to, but today it is necessary to distin¬guish between the two in order to use them correctly for the purpose to which they are applied.

The conventional budget is adapted to purposes of adminis¬tration. The government credit policy shows transactions between gov¬ernment and private enterprise. For these transactions other financial controls are more appropriate; it carries some items that are more or less convenient. The conventional budget has been improved as an instrument of ad¬ministration and is perhaps the most important purpose, and the conso¬lidated budget is an important budget.

The consolidated cash budget is also an important budget, and it serves a different but also an important purpose. That purpose, as President Truman points out in his first Economic Report, is to show the consolidation and integral account of federal government transac¬tions on the economy. The consolidated cash budget is, therefore, this first, was consolidated—that is, it includes all transactions of the govern¬ment and the people, and it ex¬cludes all the personnel of internal agencies of the federal government, and it is therefore more meaningful to say that something is necessary, because it is a cash budget—that is, it shows the income and outgo within a certain time, in which transactions take place.

In the recent past, the conventional budget and the conso¬lidated cash budget can be ap¬plied when the purpose of any time by definition, by inclusion or exclusion.

The consolidated cash budget becomes of special importance to tax on it should be understood, should be used in setting rates of taxa¬tion. So far this has never been done; but now, with budgets and taxes at their present levels, we can either, or the general, or the specific, of which many an invisible on the face of the conventional budget. The Tax Law of 1948 should break new ground, and should organize its rate structure according to the consolidated cash budget. By doing so, the federal budget debt reduction and tax reduction are possible.

Taxes

Next, with respect to taxes, I am going to ask you to give me a few minutes of your time to see how you views on tax structure and tax policy. I have been commis¬sioner for Economic Development will shortly issue a Policy State¬ment on tax policy. I have been working with others on this State¬ment. One of the major points which this report is released, is the conclusion that no tax cuts are possible.

This much, however, I can say because it is true that no tax cuts are possible, so, if the tax system is to be substantially reduced. Priority in tax reduction should be given to several measures of tax refund,
the aggregate of which will still leave some billions for general tax reduction.

There is some well informed opinion to the effect that no tax reduction should be attempted until after we have seen some absorption of the present inflationary pressures. However, it is apparent that if the attitude toward which we thus direct our efforts such prices, it is no time for a tax reduction that will cause us to be made several years later than would have been the case had we not delayed. The trend toward a higher level of prices and toward a smaller surplus has been so great that we should not delay. But we do not think that any old ideas by us. The only hope for the future lies in the recognition of the magnitude of the task that is upon any voluntary action. The only hope for the future lies in the recognition of the magnitude of the task that is upon the government and upon the society as a whole. The individual’s specific development may then be taken within a general frame of reference, a frame of reference established upon the public interest and not distorted by private greed nor destroyed by the blight of unrealistic economic collapse.

The instruments of fiscal policy give us our best hope, as all the other instruments, of preserving our economic freedom. It is to buy and to sell; to borrow and to invest; from move to place; to employ and to be employed; and to make a profit. It is a means of voluntary action in the application of our efforts in supplying what others need. To make sure these powerful tools of fiscal policy are managed in the public interest, we must find in the democratic processes of our government the organizational arrangements that will protect the economic freedoms we are committed to preserve.

Fisher Hawes Forms Own Investment Company

KNOXVILLE, TENN.—Fisher Hawes has formed Fisher Hawes & Co., Inc., with offices in the Hamilton Building to engage in the securities business. Mr. Hawes was formerly Manager of the municipal department in the Knoxville office of J. C. Bradford & Company.

J. C. White Co. Opens

WALLACE, IDAHO—J. C. White will engage in a securities business under the firm name of J. C. White Co. from offices on Cedar Street.
International and Domestic Economic Problems

(Continued from page 29) would engulf them. They still carry the torch of freedom from the face of tyranny and would extinguish the light forever. Their bodies were swept under the heels of tyrannical despotism, but their spirits do not yield. They lift their eyes to the hills from whence cometh help, if help is to be had. Throughout the world, America stands today not as a symbol of hope and the inspiration for freedom but as a land and people with the means that can make possible the translation of the dreams of millions of people into reality.

Threats to Our Economic Progress

In our own country there are some who prefer to see across the horizon indications of trouble ahead in our own economic progress. The best insurance against such trouble is to recognize these threats and to take timely action. The basic factors in our economy show that we can support a high level of production and consumption on a substantial scale for a substantial period ahead. There is a large backlog of accumulated individual savings and corporate surplus, an unsatisfied demand for goods that will require years to fill, and there continues a dynamic growth of our productive economy. We have discovered the secrets of industrial productivity during the war period through the intensive efforts of our workers and the wartime controls that enhanced the power that astonished us and seemed a miracle to the rest of the world. Our large purchasing power is widely distributed among the people. Demands for our products multiply throughout the world and the continued flow of trade is essential for them and most important for us.

If failure comes, it will be through our failure to properly harness and direct the forces that make it possible to stabilize a high national income for years to come. It may also come from the race of the various segments of our economy to secure a larger share of the fruits of our production through trying to put the highest possible price tickets on their share. In addressing a sound, continuing economy, the financial policies of government will play an important part. In particular, this means the management of the public debt, the size and character of the government budget, and the policy of taxation followed.

The policy of debt management has been specifically directed toward a reduction in money supply through the liquidation of bank-held government debt. There have been three phases of debt management since the beginning of the war. The first phase was the period in which vast sums were raised through the issuance of new securities to provide funds for war purposes. The second began with the end of the Victory Drive, which resulted in large Treasury balances in the banks. These balances were used largely to retire bank-held government debt. We are now in the third phase, in which government balances are kept at peacetime operating level, and, with the achievement of a balanced budget, there is no need for additional Treasury borrowing. The budget now consists of reducing the total debt, the use of budget surplus, and the transfer of the debt from the sale of securities to non-bank holders, including trust funds of government, and using public funds to retire the debt-held by the banks. During the period of the war, however, in which the gross outstanding debt was reduced 21 billion dollars, the bank-held debt, during the same period, was reduced $24 billion. The difference resulting from the shift of ownership.

I need not say to bankers that the policies pursued in debt management have an important effect upon the economic community, including the money markets, bank earnings, returns on long-term investments, as well as on the pockets of the taxpayers. All of these are important considerations and must be constantly weighed in the process of fully cooperative government in debt management programs that were in the public interest, including the sale of government securities to the public and even the use of the power that resulted in lower bank earnings. We must, at this time let up in our efforts to distribute more of the debt into the hands of the public. I am convinced that the Federal Reserve Board and the Federal Reserve System, with the cooperation of Congress, only have the essential powers but the machinery and the know-how to manage the sound management of the federal debt under any conditions that may arise. So long as the public debt remains at high levels, these powers should and must be exercised. They should be exercised to permit so far as possible, a degree of freedom in the money markets and in the investment market as is possible. However, the major consideration must be the effect of such management on the economy of the nation as a whole.

Budgetary Expenditures

Budgetary expenditures of the Federal Government have been reduced to less than $100 billion for the fiscal year ending June 30, 1945, to a current budget estimate of $77 billion for the year ending June 30, 1946. This is a far cry from the figures of the third total budget, which is now required for the three fiscal years of the peacetime period and particularly in times of inflation. Federal expenditures must be made on the debt. Under adverse conditions, little, if any, can be done.

Whatever government income there may be in the near future, its purposes related directly to war, the effects of war, or efforts to prevent a future war. This leaves 33% or more of the surpluses for government programs, of which the share of general government was reduced to 4%. The President had been most vigorous in his efforts to reduce budget expenditures in the current budget, he made a reduction of 12% in the current budget. The President not only recommended reduction of 20 billion dollars, and set limitations which reduced expenditures substantially below the appropriated made by Congress.

There are times and conditions under which government expenditures should be given to the particular needs of each segment of our economy and to the effect of every dollar of the public debt on every other dollar. If there is any way to achieve this objective, not only by varying the rate of taxation but by any means, we shall not only do it, but it will be done. The government wherever on any tax revision personnel. The general principles of taxation are largely an economic one and judgment must be applied in the determination of the effect of economic, not only of varying the rate of taxation, the objective of taxation will be in these fields of taxation. That it is in these fields of judgment that differences of opinion will arise.

The objective of tax revision is to remove or reduce taxation.

On the inflationary front, the banks have a potent instrument in the creation of loans and deposits that have increased from the pre-war period and will nearly increase to the increase in national income. Further increases through loans made for speculative purposes create no productivity and only increase the national debt. Consumer loans promptly enter the list of speculative loans. While the volume of consumer credit is highly important, the end result of credit activity is now what to the banks is a more rapid increase of such items adds to the debt, the nation, and particularly in times of inflation. These new requirements should be made on the debt. Under adverse conditions, little, if any, can be done.

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There are times and conditions under which government expenditures should be given to the particular needs of each segment of our economy and to the effect of every dollar of the public debt on every other dollar. If there is any way to achieve this objective, not only by varying the rate of taxation but by any means, we shall not only do it, but it will be done. The government wherever on any tax revision personnel. The general principles of taxation are largely an economic one and judgment must be applied in the determination of the effect of economic, not only of varying the rate of taxation, the objective of taxation will be in these fields of taxation. That it is in these fields of judgment that differences of opinion will arise.

The objective of tax revision is to remove or reduce taxation.

International Shoe Co.

ST. LOUIS, MO.
The government market after showing signs of strength seems to have pulled in its horns somewhat, as traders and investors assume a waiting attitude because of the conflicting feelings that appear to be coming in the picture. Certain followers of the money markets see a pretty bullish on the bank-eligible, while others believe the powers that be will continue their old role of market instruments. With the closing of the books on the new offerings.

"Generally the authorities are not too active in the open market when they are retaining an issue, yet some of the recent strength in Treasury securities... It is also being pointed out that the new issues and groups might get new developments in the situation which could have an influence upon prices of government securities..."

"For the present, market attention is being given to corporate bonds, and the upward trend in yields, because a few investors have been taking on the better-grade non-Treasury obligations in place of short-term low yielding government securities... Uncertainty caused in some degree by the foreign situation, the downward movement in corporate bonds coupled with "open mouth operations" has created a feeling of caution among the quick turn operations in Treasury issues..."

"On the other hand, it is indicated in some quarters that subscriptions to the non-marketable bond may not be as large as had been estimated, and this, along with the fact that outstanding issues are generally more attractive than the new issue will give a fillip to the market, especially the top bonds... Although the powers that be could sell marketable issues in order to keep prices in line, there does not seem to be the same fear of this liquidation as in the past, because it is believed that the bottom of the barrel is not too far away..."

"SCARITY FACTOR"

Bank-eligible issues appear to have plenty of friends despite the feeling that they are not likely to go against the market trend... Periods of price weakness will therefore be utilized to build up positions in the non-Treasury market, particularly the scarity factor, together with the refunding policy of the authorities, is the answer to the demand for bank bonds... Corporate bonds, despite the higher yields that are appearing are not likely to influence the eligible obligations very much, at least on the amount of the non-government issues, and the limited marketability... Likewise the protective position of Treasury securities together with the lack of risk assets in bank portfolios, makes it imperative that a substantial amount of funds be kept in the highest quality obligations, which are United States Government bonds..."

CORPORATE DIFFERENTIAL NARROW

The downward movement in corporate bond prices, which has been very pronounced recently, especially in new issues, will undoubtedly make for greater confusion in the non-Treasury market, because of the adjustments that must be made between the various ratings to bring these issues in line with each other... AAA's cannot long sell at yields that are just a few basis points under those for AA's, because this difference in risk must be compensated for... The widening of yield differentials between corporate bonds will tend to keep that market on the demand, until yields have reached which will reflect the investment grading of these obligations..."

While uncertain conditions in the corporate bond market will naturally cause some confusion in the market, it is quite possible to be psychological until yields have been reached that will allow the non-government obligations to compete more directly with Treasuries from the standpoint of real investment merit... It is held in well-informed money market circles that a AAA corporate yield of 3.66% will have to be reached before there will be serious competition with Treasury obligations..."

DRIVER'S SEAT

Although banks must go along in order to protect earnings, the upward trend in loans has been very helpful to many of the deposit institutions, some of which have shown a greater interest recently in selected near-term securities... During periods of uncertainty such as now, this is a natural development... While there is still need for higher income obligations, there is not the same desire to reach up and pay fancy prices as there was a short time ago..."

The feeling that government security prices will tend to move within trading ranges is responsible in some measure for the belief that it should be worth-while to wait and try to buy securities near the lower limits of the trading area... Volume, which has been light, is expected to pick up, as investors make more adjustments in holdings..."

Ray Clark: Dead

Ray Clark, partner in Rich & Clark, New York City, died at the age of 64. Mr. Clark had been a member of the New York Stock Exchange from 1922 to 1947... Young in Seattle

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SPECIALISTS IN

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By HENRY JUNT

"The Survival of the Biggest"

Of the 521 investment companies of all types registered under the Investment Company Act with the SEC in 1946 (or later), 156 have already "withdrawn" from registration either voluntarily or by order. Presumably the vast majority of this latter group has assets of less than $1,000,000 each and obviously none of the open-end mutual funds in this category enjoys active sponsorship any longer, since annual registration with the SEC is a prerequisite to offering mutual fund shares for sale.

Of the 122 mutual funds now in registration a recent study of

the writer indicates that only 33 have assets of $10,000,000 or more. As was pointed out in this column last week, mutual fund or group of funds under one sponsor with combined assets of less than $10,000,000 can be an economic stepchild that may be forced to shift its sales effort before attaining maturity.

While every mutual fund had to start from scratch at one time or another, in view of the increasing competition in the business and the growing number of franchises among which toponsor-distributors, this column suggests that mutual fund investors check on the net assets under the control of any sponsor as well as the relative merits of his offerings before deciding to buy.

The basic retainer d'etre of a mutual fund may be summed up as follows: "Through the pooling of funds of thousands of small investors, each can economically obtain the same type of investment management as the man of wealth." However, if the funds have only a few hundred small investors are pooled, it is virtually impossible to provide them with the investment management they expect and to which they are entitled. There are few businessmen in New York not prepared to assume permanent and able management. When the question of the purchase of shares in a small mutual fund comes up, there is a good reason to remember, "Affiliated" Borrow

Another Million

Lord, Abbott's Affiliated Fund took down another $1,000,000 under its loan agreement, bringing total bank loans up to $8,000,000. The money is being borrowed at 6% and will be invested in common stocks. Gross assets of Affiliated Fund including the $8,000,000 bank loan now approximate $25,000,000. On Oct. 31, 1946, Affiliated had gross assets of approximately $35,000,000 and net assets of $29,000,000. The ratio of its bank loan to gross assets now amounts to 29% as compared with 13% 11 months ago. Under the Investment Company Act the company is permitted to run down to 33% of gross assets.

"The Merchant's Warning"

Under the above caption, "The Prudent Investor" issued by the George Putnam Fund of Boston, which has this implication. "A merchant, so a tale of many years ago runs, while passing down a street in a curling dress, was met by a corpulent harper who raised his voice in a chant. Introducing themselves as Hard Times and Fear, they explained that they too, were journeying to the city. -It is our destiny to ruin 20,000 merchants," explained Hard Times. The merchant traveler was horrified, addressing Hard Times he queried, "Do you not feel guilt rest heavily upon you at this evil thing?" Hard Times smiled, "If it be not answered, 'Tis a matter of course, they will run their own affairs.

154 Years Later

Three "Lessons Seemed Important" published by Selected Reinvestments of Company of Chicago comments on how history re¬ peating itself with respect to the current price fixing of farm products in Germany as follows: "Farmers are compelled by law, carrying jail sentences, to deliver certain portions of their produce where prices are fixed, the prices, in many respects are undervalued. The true cost of production is not compensated and the farmers are not able to hold for their own tables more than the barest essentials. They are driven to the market just as they would to the market in the time of the Black Death."

"Affiliated\) Borrowed Fund, Inc., is expected to be sold at the New York Stock Exchange next week. The price was being set at $10 per share, with a $5 par value and a $5 capital stock.

The Lord, Abbot & Co., Incorporated

New York - Chicago - Los Angeles

Share of Capital Stock of

Incorporated Investors

Prospectus upon request

The George Putnam Fund

Boston, Massachusetts

Prospectus upon request

Pfundshare Distributors, Inc.

50 State St., Boston
rect appropriations by the American Congress. It would cover not only immediate relief needs but also any other matters that require attention. The general impression is that the total dollar assistance (at existing price levels) would exceed $14 billion. It could be expected that the use of the funds would be smaller to the extent that recovery was accelerated in Western Europe. Economic recovery will be more rapid if financial systems are closely integrated, if populations are willing to work and if the fiscal and monetary policies are sound and if credit and financial institutions continue to exist. The cost of American aid can be held to a minimum if the credits granted do not take the form of tied loans (i.e., if the borrowers are not required to spend the sums borrowed in the United States) and if the products shipped from this country do not have to be carried in American bottoms.

Impact on the American Economy

The precise effect on our own economy of the granting of additional aid and assistance to Western Europe, coming to a possible maximum total of $16 billion over the next four years, is now being studied by committees appointed by the President and will depend upon a variety of accompanying circumstances. The effect will depend upon the level of business activity in the United States, whether the economy is operating at full or less than full capacity. The effect will also depend upon the source of the funds used to assist Europe: whether, for example, they come within the scope of a balanced federal budget. In my judgment, the funds appropriated to assist Europe must be provided within the scope of a balanced budget even though this might postpone for a considerable period of time the over-all reduction of existing taxes.

If European demand is for goods in scarce supply, priorities between domestic and foreign needs may have to be established. If the credits are not granted in the form of tied loans, and if the loans are free to be spent in the cheapest markets wherever they may be, the effect on our domestic price level for scarce commodities will be diminished. If the effect is that European needs impinge heavily on our food staples, we may have to introduce voluntary forms of food conservancy in order to release a larger quantity for export. These effects on our economy will not be popular. But the question of granting additional assistance to Western Europe should not be decided solely upon the basis of its temporary effect on the American economy. General considerations of a political, strategic, economic and humanitarian character are of preeminent importance.

Possible Success of Marshall Program

The question is frequently asked: whether additional assistance to Western Europe will, in reality, promote further recovery there. No one can guarantee the success of any relief of human affairs. But all experience teaches us that we lose less in the end when we boldly attack such problems with comprehensive plan and the intention to succeed. It is conceivable that the United States cannot afford to help the ablest people in Europe to get on their feet in reasoning order if we are determined to do so. If our Government is committed to succeed in this enterprise it can succeed at the minimum cost, for its confidence will justify American private enterprise in adding its capacities to the task and give new life to the money and capacities in Europe that are now in hiding from the risks of inflation and economic uncertainty. The creation of confidence is the basis of production, of trade, well-being and political stability. We alone have the reserves to create that confidence.

Need for Constant Supervision

The prospect for a constructive role of the assistance to Western Europe is great, but it depends upon the conditions under which the assistance is granted by the United States. The Council for European Cooperation does give constant attention to the conditions for the proper use of the funds. Constant attention is also required so that the funds will be used in a way which is productive, create the right situation and, in the immediate future, a considerable amount must unavoidably be spent in essential areas. However, that the amount spent on agricultural as well as industrial rehabilitation increase rapidly in order that Western Europe may become self-supporting.

The Problem of Inflation

The corporation should endeavor as one of its primary objects to discourage inflationary trends in Western Europe. Otherwise the financial assistance extended by the United States will be dissipated in a futile effort to offset the inflationary effects of the budgetary deficits.

Inflationary pressures are very severe in France and Italy and are not absent in England, in France and Italy they result from huge budgetary deficits, and in England the quest for cheap money (wholly unrealistic in view of England's enormous capital needs) and from the payment of large subsidies for food and clothing. Such pressures must be brought to an end if complete recovery is to be attained in Western Europe.

Inflation promotes speculation as opposed to production, discourages savings, gives rise to the hoarding of foodstuffs and raw materials, causes manufacturers to withhold goods from the market, deters agricultural production, induces the farmer to feed his grain to livestock instead of sending it to the markets, disrupts trade channels and diverts activity to the black markets. Inflation, in the presence of fixed exchange rates, causes a progressive overvaluation of currencies and distorts the balance of payments--attracting imports, retarding exports, checking the inflow of foreign investment funds and leading, in accordance with Gresham's law, to a flight of capital and the decline of foreign exchange. In fact, the so-called balance-of-payments problem, which is but another name for the current-dollar shortage, is in part the result of distortions arising from internal inflation.

Experience has demonstrated, notably in the case of Belgium, that when inflation is checked, hoarded foreign currency and gold reappear, commodities come out of storage and internal savings build up. An immediate need, therefore, is to work out by cooperative effort a comprehensive plan for monetary reform, including the convertibility of currencies. Budgets should be balanced, central banks should cease issuing money upon the gold standard and interest rates on external investment programs should be limited to voluntary savings. Incentive rates should be made flexible, subsidies should be eliminated, and realistic rates of exchange in line with cost and price structures should be established.

The initial step in the checking of inflation demands not only that governmental budgets be balanced but that a surplus be realized equal in largest possible measure to the assistance received from the United States and other creditor nations. The surplus would be employed in internal debt reduction and, in being used in this fashion, would exert a constant downward pressure on the price level, thereby stimulating exports and retarding imports. The adoption of necessary fiscal policies should be accompanied by a devaluation of currencies to realistic levels. Currency stability will then be attained, for in the last analysis currency stability rests upon the adoption of appropriate internal measures. If appropriate internal measures are taken, the currency stabilization funds of $3 billion dollars proposed by the Paris Committee will not be required. If appropriate internal measures are not taken, this fund will become discredited.

Trade Restrictions

There will be little opportunity for economic recovery in Western Europe unless trade restrictions are removed. No single step could contribute so much to recovery as the elimination of all trade restrictions and import duties. If a great free trade area were to be established, the nations of Western Europe would be enabled to effect the best utilization of their natural resources and to achieve an optimum division of labor. The customs union established by Belgium, The Netherlands and Luxembourg, points the way for all nations which subscribe to the principles of freer trade and, in deed, of private competitive enterprise.

In recognition of the importance of this problem, the Paris Committee in its report announced that a customs union study group was being set up which would present its first report within three months of the time it was convened. The French and Italian Governments have announced that they stand ready to come to negotiations with all European governments who wish to enter a customs union and whose national economies are capable of being combined in such a way as to make a viable unit. Meanwhile, measures are to be taken by the nations represented at the Paris
Bank and Insurance Stocks

By E. A. Van Deen

This Week — Insurance Stocks

It is interesting and helpful to make comparative studies, from time to time, of the market action of stocks. The long-term and short-term periods of the comparative studies are therefore presented this week, to show the relative percent market gains or losses of a list of well-known fire and casualty stocks over various periods, as noted.

**TABLE I**

<table>
<thead>
<tr>
<th>Year</th>
<th>Stocks</th>
<th>Average Gain</th>
<th>Average Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>1942</td>
<td>Aetna</td>
<td>6.1%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>1943</td>
<td>Aetna</td>
<td>6.7%</td>
<td>1.2%</td>
</tr>
<tr>
<td>1944</td>
<td>Aetna</td>
<td>1.2%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>1945</td>
<td>Aetna</td>
<td>-1.2%</td>
<td>1.3%</td>
</tr>
<tr>
<td>1946</td>
<td>Aetna</td>
<td>-1.0%</td>
<td>0.7%</td>
</tr>
<tr>
<td>1947</td>
<td>Aetna</td>
<td>-1.7%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

This table discloses some rather surprising facts. For example, Fire & Casualty Insurance Corporation, 10 years ago, had an average of 22.0% gain over its low in 1940. By 1943, however, it dropped to 10.9% gain. Since 1944, the average gain has been 13.8% and, in 1947, it has increased to 17.5%.

On the other hand, Continental Insurance, 10 years ago, had an average of 11.8% gain. By 1943, it had dropped to 7.2% gain. Since 1944, the average gain has been 5.1% and, in 1947, it has increased to 7.4%.

These year by year comparisons, however, like all short-term comparisons, are not conclusive per se. They must be related to longer-term market performance. For this reason Table II is presented which shows the market performance of each of the 21 stocks from the low of April 1942 to Sept. 30, 1947, a period of approximately 5 years.

**TABLE II**

<table>
<thead>
<tr>
<th>Stock</th>
<th>Average Gain</th>
<th>Average Loss</th>
<th>Change</th>
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<tbody>
<tr>
<td>Aetna</td>
<td>6.1%</td>
<td>-1.9%</td>
<td>4.2%</td>
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<tr>
<td>Fire &amp; Casualty</td>
<td>10.9%</td>
<td>1.3%</td>
<td>9.6%</td>
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<tr>
<td>Fire</td>
<td>13.8%</td>
<td>1.0%</td>
<td>12.8%</td>
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<tr>
<td>Continental</td>
<td>7.2%</td>
<td>5.1%</td>
<td>2.1%</td>
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<td>Phoenix</td>
<td>7.4%</td>
<td>3.8%</td>
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<tr>
<td>New Haven</td>
<td>11.4%</td>
<td>3.7%</td>
<td>7.7%</td>
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<tr>
<td>North River</td>
<td>8.7%</td>
<td>4.5%</td>
<td>4.2%</td>
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<tr>
<td>Savoy</td>
<td>5.3%</td>
<td>3.0%</td>
<td>2.3%</td>
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<td>California</td>
<td>4.3%</td>
<td>2.1%</td>
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<td>Domestic</td>
<td>4.1%</td>
<td>2.8%</td>
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<td>Western</td>
<td>4.2%</td>
<td>2.7%</td>
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Abandon Savings Bond Issues!

(Continued from first page)

government. They are, rather, the money that the public invests in public works. It is not likely that either of these two agencies, the Treasury or the Federal Reserve, would voluntarily relinquish any material fraction of their present position, and it is not probable that they have learned—and this certainly applies to the Treasury—of the need for their own government—that they can avoid altogether the necessity of being a factor in the money market. The issue is a sovereign prerogative of the Treasury and statutory provisions have already been enacted to prevent the deprivation of power of issue. With the establishment of the Federal Reserve banks, the changes in central bank reserve requirements which any government might make, to all intents and purposes, is returned and that raises the rates will be, at least, to a re-establishment of the Federal Reserve System. This implies, of course, that any action of the government in this respect would be a raising of the cost of money. It also means that so far as the monetary rate is a factor in that earning rate, the possibilities for increase are severe. It is a mistake to anticipate that such a rate would be allowed to rise. It is bound to be of moderate levels, and the portfolio policy should be developed in the public interest. The fact that is forthcoming today by bank portfolios on short term securities should be measured as a premium against the kind of increase in rate which is probable during the next few years. It may well be that when this premium is measured against such a possible change it may be found in many instances to be excessive.

In words, portfolio policy in many instances is predicated upon a change in rates of a magnitude which, at the present time, can be realized. A building portfolio of short term securities can in no way avert the valuable hedge against great changes in the money market, which was one of its principal characteristics. Portfolio policy may be better than no policy, but it should be subject to a substantial change in rates, which is the only sure way to keep portfolio policy from being a dead weight upon the range of rate change which now seems so commingled and probable, the forfeit of income from income-producing portfolios may prove an excessive premium for a price that is not in sight.
Abandon Savings Bond Issues!

(Continued from page 41)

merical banks—that is, it is held in

Savings Bond no Longer Justified.

With the cessation of the war and the completion of reconsol-

ation in the preparation of the government no longer justified in

in its efforts to control the savings

out payments before the conclusion of the American

When war ends it is time to re-

the peacetime program should be to

the public and future generations

savings. Instead of trying to re-

consumers to ensure that their

savings. It is no longer necessary or de-

in the same manner as it has been

savings into institutions that do not

the government compete in the market on

with private savings institutions; that it does not

institutions into making loan and

borrowers and thrift institutions. The

of Congress in establishing the Postal

institutions. The intent of Congress in

pay a higher rate of interest on

the bonds and the better features of

their own savings plans.

the savings bonds, and to encourage

the Federal government.

Guaranty Trust Company of New York

FIFTH AVE. OFFICE
Fifth Ave. at 44th St.

MAIN OFFICE
Rockefeller Center Building
New York

MADISON AVE. OFFICE
Madison Ave. at 60th St.

LONDON • PARIS • BRUSSELS

Condensed Statement of Condition, September 30, 1947

RESOURCES

Cash on Hand, in Federal Reserve Bank, and Due from

Bankers and Bankers

$ 528,013,046.59

U. S. Government Obligations

1,407,618,355.96

Loans and Bills Purchased

789,333,139.34

Public Securities

100,483,506.01

Stock of the Federal Reserve Bank

9,000,000.00

Other Securities and Obligations

11,808,839.35

Credits Granted on Acceptances

6,898,833.59

Accrued Interest and Accounts

9,571,204.00

Real Estate Bonds and Mortgages.

1,351,385.46

Total Resources

$2,865,596,711.48

LIABILITIES

Capital

$ 100,000,000.00

Surplus Fund

200,000.00

Unpaid Profits

59,046,425.33

Total Capital Funds

$ 359,046,425.38

Deposits

$2,450,011,993.02

Treasurer's Checks Outstanding

25,089,414.19

Total Deposits

$2,475,101,407.21

Acceptances

$ 15,725,651.66

Less: Own Acceptances Held for

Investment

8,736,786.97

$ 6,988,853.59

Liability as Endorser on Acceptances and

Foreign Bills

232,533.00

Dividend Payable October 1, 1947

3,000,000.00

Items in Transit with Foreign Branches

$1,984,434.78

Accounts Payable, Reserve for

Expenses, Taxes, etc.

23,292,657.52

Total Liabilities

$35,448,878.89

Better Yield Should Be Given

Assuming, therefore, that the

U. S. Savings Bonds will go

forward, both equity and expedi-

the completion in

The current status of

is high on the

bonds issued by

and the Federal government

government only.

in their present form, it may be

the Treasury, the Postal Service,

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A. M. Kidder Branch
In Jacksonville, Fla.

JACKSONVILLE, Fla.—A. M. Kidder & Co., members of the New York Stock Exchange, announce the opening of an office in the Barnett National Bank Building, under the direction of John J. Morley. For the past five years, Mr. Morley has been connected with Merrill Lynch, Pierce, Fenner & Beane in Jacksonville, and it is said that he spent 15 years in Wall Street, where he was connected with Glore, Forgan & Co.

Morfeld, Moss Adds
ST. LOUIS, Mo.—Knight Wood
 has been added to the staff of Morfeld, Moss & Barnett, 811 Olive Street, members of the St. Louis Stock Exchange. Mr. Wood
 was previously with Slayton & Co., Inc.

Manufacturers
Trust Company

Corporate philosophy of action as at close of business September 30, 1947

RESOURCES

Cash and Due from Banks

$562,128,444.37

U. S. Government Securities

1,139,511,194.29

State and Municipal Bonds

34,735,039.15

Stocks of Federal Reserve Other

Bank

3,037,500.00

Other Securities

22,271,871.64

Loans, Bills Purchased and Bankers' Acceptances

478,137,309.22

Mortgages

14,606,478.62

Banking Houses

10,426,500.00

Other Real Estate Loans

262,100.73

Customers' Liability for Acceptances

4,965,850.49

Accrued Interest and Other Resources

6,356,783.00

$2,299,718,390.51

LIABILITIES

Capital

$41,250,000.00

Surplus

60,000,000.00

Undivided Profits

21,075,452.27

Reserve for Contingencies

122,325,452.27

Reserves for Taxes, Unearned Discount, Interest, etc.

9,839,672.85

Deposits at member banks

5,903,268.12

Outstanding Acceptances

1,237,500.00

Banking Houses

5,780,104.40

Liability as Endorser on Acceptances and Foreign Bills

197,337.19

$2,299,718,390.51

United States Government and other securities carried at $45,305,894.34 are pledged to secure U. S. Government Notes of $325,000,000 and other public funds and trust deposits, and for other purposes as required or permitted by law.

DIREC'TORS

EDWIN M. ALLEN, Chairman of the Board

EDWIN J. BERNICK, President

EGAR S. BOWMAN, Vice-President, Gulf and West South Block

C. L. ELLIOTT, Vice-President, Gulf and West South Block

LOU R. CHANDLIE, Vice-President, Gulf and West South Block

CHADWICK A. DAVIS, Vice-President, Gulf and West South Block

HAROLD W. DORF, Vice-President, Gulf and West South Block

JOHN M. FRANKLIN, Vice-President, Gulf and West South Block

PAULG. GERI, Vice-President, Chicago Branch

HARLEY B. GIBSON, Vice-President, New York Branch

FREDERICK C. RICHARDS, Vice-President, New York Branch

JOHN L. JOHNSON, Vice-President, London Branch

W. R. L. TAYLOR, Vice-President, London Branch

ROBERT T. BIDWELL, Vice-President, London Branch

SHERMAN THOMAS, Vice-President, London Branch

SHERMAN THOMAS, Vice-President, London Branch

JOHN T. MADDEN, Manager, London Branch

C. PALMER, Manager, London Branch

C. PALMER, Manager, London Branch

GEORGE J. PATTEN, Manager, London Branch

Henry C. Richard

New York City

James V. Smith

President, New York Co.

Eugene L. Hebb

President, New York Co.

H. V. THOMAS

President, Trust Committee

E. A. Van Buren

Treasurer

Robert W. Vasey

Treasurer

Henry C. Burns

Treasurer

Albert N. Williams

Treasurer

H. R. B. Wood

Treasurer

John F. Biddle

Treasurer

James Biddle

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NEWS ABOUT BANKS

The former chairman of the Bank of England, Sir Edward Chamberlain, died on Oct. 9. He was 73 years of age.

C. W. Green, who for over a year has been Director of Public Relations of the American Bankers Association, resigned to return to the Franklin Square National Bank, Franklin Square, L. I., on Oct. 7, as a Vice-President. Mr. Green was formerly Director of Public Relations for the Bank, which gave him a base of operations which he used in 1944 to assist the Committee on Economic Development in its postwar work in the field of small business. He has been associated with the ABA since February, 1943.

The Board of Directors on Oct. 7 elected Mr. Green, Deputy Manager of the ABA, to succeed Mr. Grey, its advertising manager for several years, as Director of the Public Relations Committee and in addition to his duties as Director of Public Relations.


All reserves, $1,524,913,030, $3,025,337,463, $1,530,246,867, $9,357,373,602.

Net earnings for the quarter, $28,123,673.

The Irwin Trust Company of New York.

All reserves, $1,326,015,959, $2,508,000,000, $1,345,000,000.

Net earnings for the quarter, $22,218,385.

The Irving Trust Company of New York.

All reserves, $1,425,146,182, $2,740,000,000, $1,460,000,000.

Net earnings for the quarter, $25,794,500.

The Lee Trust Company of New York.

All reserves, $1,375,306,030, $2,495,000,000, $1,410,000,000.

Net earnings for the quarter, $23,300,000.

The National City Bank.

All reserves, $1,698,945,892, $3,237,000,000, $1,730,000,000.

Net earnings for the quarter, $32,500.

The New York Bank.

All reserves, $1,399,647,982, $2,750,000,000, $1,425,000,000.

Net earnings for the quarter, $28,500.

The Surety Company of New York.

All reserves, $1,376,825,942, $2,540,000,000, $1,405,000,000.

Net earnings for the quarter, $22,500.

The Guaranty Trust Company of New York.

All reserves, $1,410,321,927, $2,750,000,000, $1,440,000,000.

Net earnings for the quarter, $23,500.

The Manufacturers Trust Company of New York.

All reserves, $1,403,687,042, $2,700,000,000, $1,430,000,000.

Net earnings for the quarter, $22,500.

The Manufacturers Trust Company of New York.

All reserves, $1,403,687,042, $2,700,000,000, $1,430,000,000.

Net earnings for the quarter, $22,500.

The First National Bank of the City of New York.

All reserves, $1,273,991,352, $2,446,000,000, $1,307,000,000.

Net earnings for the quarter, $22,500.

The First National Bank of the City of New York.

All reserves, $1,273,991,352, $2,446,000,000, $1,307,000,000.

Net earnings for the quarter, $22,500.

The Farmers Trust Company of New York.

All reserves, $1,380,341,832, $2,600,000,000, $1,414,000,000.

Net earnings for the quarter, $22,500.

The Guaranty Trust Company of New York.

All reserves, $1,410,321,927, $2,750,000,000, $1,440,000,000.

Net earnings for the quarter, $23,500.

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First Boston Group Underwrites Pfd. Issue of Amer. Brake Shoe

The American Brake Shoe Co. on Oct. 2, offered to its common shareholders a price of $102 per $100 par (4 cumulative preferred stock (par) at the rate of one share of preferred stock for each five shares of common held on record on Oct. 1, 1947. A group headed by The First Boston Corp. and Harris Hall & Co. (Inc.) are underwriting an aggregate of 100,000 shares from the shares of common purchased upon the exercise of subscription rights, expiring on Oct. 25, 1947. Each share of new preferred is to be converted into five shares of common stock, at a price of $44.44 per share.

Proceeds of the new preferred stock are, to the extent available, to be used for repayment of short-term bank loans totaling $12,250,000 incurred for the re-creation on Sept. 20, 1947, of the company's outstanding 12% cumulative preferred stock, $102 per $100 par, with any balance, used in part, to increase the cash dividends to common stock.</natual_text>
Sustaining Prosperity and General Stability

(Continued from page 6) employment and price stability are incompatible. The Administration, through the Wagner Act, has been able to do other things and administer rules that have built up a powerful monopolistic labor movement. Now this movement has a dynamism and momentum which through successive rounds of wage increases appears destined to continue to push up costs and pull prices up through the enlarged money income in pay envelopes until the wage-price spiral will burst in mass uncertainty and unemployment. Then the businessman will be blamed for "not finding jobs." The Administration in Washington, largely responsible for this impasse, is absolutely bankrupt of remedies; it has no medicine for the disease. The earthy brain-trusters who cooked this stew have fed back to the colleges and universities or the practice of law from whence they came.

Higher production may help to counteract inflation, but working alone against an inflationary cur- rency, it cannot solve the problem. Similarly, higher wage rates and prices that are justifiable will have no effect in the cost of living; but their gain is likely to come as the result of the ability of the wage earners, teachers, clergy, and others living on fixed incomes—by accelerating the social and political tensions.

**WAGES AND PRICES—1929-1947**

<table>
<thead>
<tr>
<th>Year</th>
<th>1929</th>
<th>1939</th>
<th>Increase Over 1929</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of living (1923-39=100)</td>
<td>125.2</td>
<td>248.8</td>
<td>30.6%</td>
</tr>
<tr>
<td>Food (1923-39=100)</td>
<td>125.2</td>
<td>441.9</td>
<td>250.7%</td>
</tr>
<tr>
<td>Total non-food (1923-39=100)</td>
<td>117.1</td>
<td>294.0</td>
<td>159.6%</td>
</tr>
<tr>
<td>Average hourly factory earnings</td>
<td>$5.0</td>
<td>$6.4</td>
<td>28.0%</td>
</tr>
<tr>
<td>Real average hourly factory earnings (1939 prices)</td>
<td>$4.9</td>
<td>$6.4</td>
<td>31.3%</td>
</tr>
</tbody>
</table>

*All data from U. S. Department of Labor and of Commerce.*

Inflation and Pension Requirements

By permitting wage and price level to rise ever higher, we are in effect breaking faith with the promises of letting and potential beneficiaries of the government's old age and survivors' insurance program. Others, saving for their retirement, will discover that their thrift has been illusory. The go- vernment, having failed to deal with the causes of inflation, will be asked to make good the dis- parities caused by the inflation. Some are falling down, and nothing gets better.

Can Business Control Prices?

Although businessmen have been held responsible in some circles for the rising prices and the substantial profits which the intense buying demand have made possible, the facts, as pointed out above, in concentrating upon recent months, it can be shown that the costs of living are and weekly wage income, and prices are above and above the proportion of their income upon which they were.

But for the great body of fact- or workers, wages are still not sufficient to cover the cost of food and clothing. But even this is not sufficient to cover the cost of food and clothing. But even if the food prices are raised, the workers will still be in a worse plight than in 1939. Our pig crop this year is expected to be 15% below last year, and we are feeding another step in the wage-price spiral as the consequence.

We are dealing here with inflation, depression and wartime shortages and the group of liquid assets and money incomes from the output of our methods of financing defen- sion and wage boosts since V-J Day, we are paying the price of long-time deficit spending—although not all of it would have been possible had other governmental questionable policies. (For an analysis of the causes in operation see: "Food Prices, Production and Consumption," by the Joint Committee on the Presi- dent's Economic Report, Govern- ment Printing Office, 1947.)

An Integrated Program

This analysis is recited with the hope that we may yet develop an integrated program which will include both inflation and deflation, a program which will deal with all the causes of the problem. This is a story which could not have a year ago in "Principles of Nervous De- control," a document which has opened the eyes of the public and sound in its presentation. A rounded technique for inflation, for the close cooperation of govern- ment, business, labor, and industry would have contributed to the coordinated program of government policy. The following steps might be considered:

1. Businesses should do everything possible to hold the price line and to reduce prices wherever possible by stimulating more production. Business ac- tivity in constantly adapting pro- duction to changing tastes and demand as to the type of products their quality and price, and prevent any general decline of economic activity. The anticipation of changing demand, described in the news, and the essence of sound production planning and price policies in terms of pre- venting the shrinkage of markets.

2. Management should increase total production by cooperating to increase ef- ficiency, both in labor and in management, and men should sit down and ask themselves these two questions:

(a) If the cost of living is pressing on the pay envelope and if there must be wage increase, how will this affect the total balance in the economy between purchasing power and the supply of goods?

(b) How do we get to have a pattern for upward wage increase and upward wage increase?

(c) If so, will a wage increase in our shop improve the real buying power of our pay envelope, or is it the first of another step in the wage-price spiral as the consequence?

(d) If we say: "Others are getting theirs, and while the getting is good," are we doing all we can to help the government and all the people to get through this post-war recovery?

In short, we must find new waves of production, and more important, our one's income is a cost to some- one else. Every wage increase must be followed by a corresponding decrease in others, unless offset by rising production. Otherwise, we shall be left with an inflationary spiral and with no place to turn into any new program.

3. The government should an- imate its activities, both adminis- tratively and legislatively, as to all three of its activities:

(a) The supply of money and its creation

(b) Its demand for goods and personnel

(c) The coordination and ordering of goods

A coordinated program should be an" attempt to reduce and control the supply of money, checks the government demand for and services and reduces its in- terference with production.

4. In so far as our exports are expanded because of necessary foreign purchases, the government should make clear to the foreign nations that foreign loans at this time may be treated with the same status as imports, stimulating im- ports.

5. All foreign loans and the expenditure of the funds from them should be treated as an inflationary forces at this time.

6. The government should generate a substantial budgetary sur- plus to meet its obligations and debt held by commercial banks and stabilize the inflationary pressures at this time.

7. The administration, the ap- propriations of Congress, the budgetary committees, and the Federal Reserve Board should be kept imme- diately to develop a coordinated program and credit pro- gram which will reduce or abolish inflationary trends and the result of the side from the side of money. Until this is done all other steps must fail, and our economy will end in collapse.

The government should es- tablish the rules of collective bargain- ing, but should not intervene in the re- lative bargaining merely to get the price cuts needed.

11. The disposal of surplus war commodities should be greatly ac- celerated, by reducing the in- months of shortages, when the dis- tinctive effects and do the most good in reducing the inflation.

Conclusion

Unfortunately, there is no short cut to good economic health. The form of Chase, Whiteside, Warren & Sears, Inc.

We do not claim to have been a success in our efforts to help the government and all the people to get through this post-war recovery.

The form of Chase, Whiteside, Warren & Sears, Inc., has been added to the list of doing all we can to help the government and all the people to get through this post-war recovery.

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As We See It
(Continued from first page)

ment, the Federal Reserve would be "obliged" to take up further substantial quantities to hold the market at present prices. The present situation is much the same as in 1945, although, of course, Mr. Eccles does not put the matter in precisely this language. Commercial banks would in this way be placed in possession of greatly increased reserves and thus be in a position to enlarge their loans and deposits in still greater measure.

One Wonders

One may be excused if at the very outset one wonders why Mr. Eccles dreads further expansion of bank credit, as if the increase might be like multiplying the employment of funds already in the hands of the public as a source of what he terms inflation. But it is less his conclusion as to such matters than the hypothesis that the present position and the logic which makes the Federal Reserve appear so helpless which are of chief interest at the moment. He begins by describing accurately and reasonably the process by which enormous increases in money supply and cash or the equivalent accumulated in the hands of the general public during the war. He is fully aware of the fact that the Federal Reserve, which has had a big part in the operation, made all this possible by absorbing some $20 billion in government obligations. But then—well, let the Chairman speak for himself:

"By the end of the war vast holdings of money and other liquid assets had been accumulated and large deferred demands had been built up. At the prevailing level of prices, there was far in excess of any supplies that could be made available within any short period of time.

"It should have been apparent that if these forces were permitted to operate, a sharp rise in prices would result. The people of the nation, however, not fully realizing the dangers in the situation, made clear their wishes that controls be removed. Business wanted release from allocations, price controls, building permits, rationing, and repeal of excess profits. Farmers wanted release of all controls affecting agricultural products. Labor wanted removal of restrictions on wages and prices. At the same time, these public pressures, wartime controls, such as allocation of raw materials, building permits, price and wage restrictions, as well as the repeal of the excess profit tax, were prematurely abandoned."

"We are currently witnessing the results of this national policy... The country is now suffering the consequences of having placed our reliance upon the restoration of a competitive price situation to balance our postwar readjustments in an abnormal period when effective demand far exceeds available supplies."

As a result, the economy is caught fast in a serious wage-cost-price spiral.

Helpless

Confronted with this situation the Federal Reserve, according to its Chairman, is helpless, since it must supply the market for government bonds to Federal Reserve authorities, whatever they may have thought of giving up wartime controls in general, have long been demanding authority in excess of any enjoyed by them during the war, and Mr. Eccles now complains that in the absence of such additional power he and his associates are largely helpless to do anything effective in the situation, and so are other bank supervisory agencies throughout the nation.

So much for the defeatist attitude of the head of our central banking mechanism—if such it can be termed. So much, also, for the new reiterated demand for further great bobs of power. It is certainly not an inspiring or even an encouraging position.

But there are several very important facts which Mr. Eccles does not seem to even think of, still of the policy of the institution he heads. From the end of February, 1946, to June 30, 1947, the Federal Reserve System increased its outstanding securities from $17,120 billion. Most of the reduction occurred in securities held by the banking system. A great deal of it was held by the Federal Reserve banks. Has there been anything like a corresponding decline in the government holdings of these institutions? Let us turn to the record. At the end of February, 1946, the 12 Federal Reserve banks held government obligations in the amount of $22.9 billion. On June 30, 1947 these same institutions owned some $21.9 billion government obligations. This is a decline of one billion. During this period, the money supply in the hands of the general public of which Mr. Eccles speaks so feelingly rose more than $12 billion. It seems to us that Mr. Eccles and his associates "stood idly by" while this inflationary situation was developing to a further point of danger.

U. S. Bonds in Danger?

And, was the government bond market in danger during these two years? Federal Reserve figures seem to supply the answer. In February, 1946, Treasury bonds with 15 years or more to run were yielding around 2.12%. They yielded 2.22% in June, 1947. Commercial banks during this period reduced their holdings of government securities from $24 billion. Evidently there is a market somewhere outside the commercial banking system even at the ridiculously high prices asked for obligations of the United States—a market strong enough for the Federal Reserve system to lighten its load considerably more than it did without precipitating any such situation as Mr. Eccles seems to fear would result from any reduction in the role of governments by the institutions over which he presides.

The fact of the matter is that the danger of inflationary price movements will not vanish so long as the Federal Reserve policy remains what it is. We shall at some time have to find a means of permitting Treasury obligations to seek their own level in an unregulated market. And there is no reason to suppose that this is an impossible task. For a good while past funds have been accumulating disproportionately in institutions whose investments are limited to relatively riskless forms. This may well be the time to make a bold beginning in putting the government market on its own feet.

United Merchants

Reports Record

Sales and Earnings

Record sales and earnings were reported by United Merchants and Manufacturers, Inc., in its annual report for the fiscal year ended June 30, 1947.

Total net sales, including intercompany sales, for the year amounted to $230,194,945 compared with $200,402,045 for the fiscal year ended June 30, 1946.

Consolidated net profit amounted to $21,132,358, equivalent to $3.36 per share on the 3,960,125 shares of common stock outstanding June 30, 1947, compared with $6,908,705 per share for the fiscal year ended June 30, 1946.

In addition to these earnings, the company received dividends on invested earnings in companies not consolidated amounted to $1,415,445.

"The company entered the new year with the largest backlog of orders in its history," according to J. W. Schuss, President.

Valuable Experience

What is more, a valuable experience was gained in the past year. According to Mr. Schuss, "cotton inventories were carried to $24,852,767, compared with $23,993,965 at the end of the previous year. The company's established "last in-first out" inventory system has resulted in inventory carrying at an approximate average of 17.12 cents per pound.

Northern Ohio Group of

L. B. A. Elects Officers

CLEVELAND, OHIO—Russell J. Olderman, Field Richards & Co., was elected Chairman of the Northern Ohio Group of the Independent Bankers Association of America, succeeding John A. Prange, E. H. Burge & associates.

Other new officers chosen were: Carl H. Magoon, Braun, Bosworth, Espey, Toledo, Vice-Chairman, and John R. Johnston, Mather & Co., Secretary-Treasurer. On the Executive Committee were: F. S. Clark & Co. and George W. Blauvelt of the National City Bank of Cleveland; V. A. Vasey, First National Bank, Mari¬ garid B. Murch & Co. and Ray L. Lush of Merrill Lynch, Pierce, Fenner & Beane.

THE PUBLIC NATIONAL BANK

AND TRUST COMPANY

OF NEW YORK

Main Office, 37 Broad Street

CONDENSED STATEMENT OF CONDITION

September 30, 1947

RESOURCES

Cash and Due from Banks $169,901,822.56
U. S. Government Securities 275,958,822.22
State and Municipal Securities 8,583,050.00
Other Securities 4,991,822.12
Loans and Discounts 142,562,973.28
Customers' Liability for Acceptances 1,590,590.13
Stock of the Federal Reserve Bank 669,000.00
Banking Houses 2,213,288.34
Accrued Interest Receivable 365,822.91
Other Assets 273,219.59

$550,707,489.09

LIABILITIES

Capital... $ 9,625,000.00
Surplus 12,375,000.00
Unrealized Gain. 22,000,000.00
Unallocated Profits 7,903,279.81 $29,503,279.81
Dividend Payable Oct. 15, 1947 275,000.00
Unearned Discount 638,994.72
Reserved for Interest, Taxes, Contingencies 4,158,102.82
Acceptances... $4,233,392.59
Less: Own in Portfolio 2,557,410.93 1,705,561.66
Other Liabilities 218,672.69
Deposits... 354,760,000.00

$550,707,489.09

Securities carried at $7,295,362.55 are pledged to secure U. S. Government War Loan Deposits of $4,621,561.85 and other public and trust deposits, and for other purposes as the Board of Directors shall determine.

MEMBER, N. Y. CLEARING HOUSE ASSOCIATION FEDERAL RESERVE SYSTEM FEDERAL DEPOSIT INSURANCE CORPORATION

26 Offices Located Throughout Greater New York
What's Ahead for Retailing?

(Continued from page 4) stores which report a large
able. Cash discounts showed a small decrease, which when taken together with the increase in markups, led to a decline in gross margins. The average

cise was from 2.5 to 3 percentage points. For department

ity stores with sales of over $1,000,000 the gross margin de-

rate from 38.0 to 32.5%. These figures lend no support to the

age that price cutting by retailers has led to higher prices.

Profits

Nineteen forty-six was the best year for retail department stores in 1947. Large increases in sales combined with the elimination of the excess profits tax gave retailers a level of profits never before attained. According to the National City

ation Bank tabulations, the return on sales for retail department stores was 20.8%. Nineteen forty-seven has witnessed a dramatic reversal of this high level profit. Under the impact of higher expenses, an increase in inventories, and the trend toward lower markups in markups, profits have fallen considerably below the 1946 level. Another significant factor in this reversal of profit trends is the heavy increase in total payroll expenses from 15.3% of the sales level in 1946 to 17.2% this year. Total payroll expenses as a percentage of sales have increased from 28.1% to 30.6%. These figures on profits and expenses point up the one major problem facing retailers in the months ahead. During the year, the Retail Controller's Reports have shown that department stores had an average inventory size of $1,601,375.78, which was 11.3% higher than the rate of 1946 which cut in half. They averaged 3.1% of sales in the first half of 1947 as compared with 6.4% in the previ-

ous year. Here, too, there is no sup-

power, and in turn, the\n
n the first the favorable factors and\n
and the other factors that appear\n
to create revenue.

Favorable Factors

1. Redemption of Armed Forces Loans. The first half of 1947 witnessed a major improvement in the in-

ventory and open order picture of department stores. Of particular

importance is the tremendous de-

currence of outstanding orders. In July, 1946, these orders reached a peak of $1,073,000 for the 296 department stores which the Federal Reserve Board compiled the figures. From that date until May 1947 a fairly steady decline took place in those orders. In May the total was $481 million or only\n
about one-third as large as in the

previous July. In June, open orders increased to $471 million. Stocks held by these stores aggregated $735 million last July, reached a peak of $919 million in November; by June, 1947 the total had declined to $769 million. In other words, there has been a considerable improvement in the inventory plus the use of open orders. Even the outstanding stores to sales was the same as in 1946 and 1947.

Thus, as we attempt to evaluate the present retail picture in retailing may be summarily as follows. Sales are

main near record levels, mark-

fueled by a continuing stimulus are contracting, are profits, and the inventory position has been substantially improved.

Conditions Ahead

In attempting to evaluate what's ahead for retailing, it is useful to distinguish between certain factors which will affect business activity, consumer purchasing

with the present labor force and hence act to relieve pressure on

prices.

6. Business Investments. New stores will be built in record volume. There is no evidence to date that any significant other types of expansion on commercial

and employment in the non-food sectors will take place.

2. Higher Rents. The liberalization of rent control means that some increases in rents will take place. To the extent that a large portion of retail income must be used to meet costs of housing, retailers will be less able to buy non-food goods and in turn, this will mean that labor income has contributed to the high level of sales has been the declining portion of labor income which had to be spent on housing, that is, rent. For this reason, rent control, to the extent that it raises rents, will be less available to buy other products.

3. Department Store Sales Relations. The volume of sales in department stores was higher than the same period a year ago. During that period exports were at a low level. The volume of sales was $7,577,247 in June, 1946 and $12,577,247 in June, 1947. Thus, the percentage of sales is,

than would be expected. Thus, the volume of export surplus must be substantially

4. Imports. One of the most important factors in the sharp increase in food prices is the high level of imports. During that period exports were at a low level. The volume of exports was $7,577,247 in June, 1946 and $12,577,247 in June, 1947. Thus, the percentage of sales is,

than would be expected. Thus, the volume of export surplus must be substantially

5. Productivity. During the first quarter of 1947 productivity failed to show any increase because of labor dis-

has increased. This increase in productivity will increase, addi-

tional output will become possible with the present labor force and hence act to relieve pressure on prices.
Am. Water Works Stock
Publicly Offered at $8

An offering of $5 par value stock by American Water Works Co., Inc. was made Oct. 8. The underwriting group headed by W. C. Langley & Co. and The First National Bank of Boston was privileged to the public at $8 per share. Of the 2,887,069 shares underwritten, approximately 29% of the total were purchased by holders of stock in American Water Works & Electric Co., Ohio Water Service Co. and Ohio Cities Water Corp., under subscription and exchange for 23,100,000 shares of Par American Water Works & Electric Co., Inc., substantially all of the latter's investments in its water company subsidiaries. This transaction will result in a complete segregation of the water properties of the American Water Works & Electric system (with minor exceptions) from the system's electric and miscellaneous properties.

Outstanding capitalization of the new company upon completion of this financing will consist of $135,000,000 ten year 3% collateral trust bonds to purchase from American Water Works & Electric Co., Inc., substantially all of the latter's investments in its water company subsidiaries. These trust bonds will be held by mortgage trust accounts and will be evidenced by trust certificates evidencing a like aggregate amount. The rate of interest on the trust bonds will be 3% and will be payable semi-annually. The first of the semi-annual interest payments will be due May 1, 1948. This is the first specific credit for the exchange of letters between Mr. William McChesney Martin, Jr., Chairman of the Bank and Dr. Arturo Espinosa de los Monteros, Ambassador of Mexico to the United States, announced May 14, in which the Bank indicated that it was prepared to approve credits up to $50,000,000 to finance projects approved by the Mexican Government and acceptable to the Bank, and the Mexican Am-

Haverty

David Bandler Opens
David B. Bandler, member New York Stock Exchange, announces the opening of his own office to transact a general investment business. He will maintain of¬

Bogota Bond Exchange
Offer Extended to
Oct. 1, 1948

Holders of City of Bogota 8% external sinking fund bonds maturing Nov. 1, 1948, of Bogota Bond Exchange Co., were extended the offer made Oct. 1, 1948, and Oct. 15, 1948, of the Commission to purchase the bonds in order to dispose of them in order to reduce its holdings in Bogota bonds. The offer to purchase will expire at 4 p.m. on Oct. 15, 1948.

Export-Import Credit to Mexico

Extension of $3,500,000 for hydroelectric development is first of series of loans to aggregate $50 million.

The Mexican Embassy in Washington and the Export-Import Bank announced on Oct. 3 the latter's approval of a credit of $3,500,000 to National Financiers, S. A., a financial agency of the Mexican Government. Proceeds of the credit are to be used for financing purchases in this country of materials, equipment and services required to complete a new 84,000 kilowatt hydroelectric installation and associated facilities. The installation is under construction by Nueva Compañía Electrica Chapala, a public utility company serving the state of Guadalajara and adjacent territory in the central part of Mexico.

This is the first specific credit the Export-Import Bank has extended to the Mexican Bank since the exchange of letters between Mr. William McChesney Martin, Jr., Chairman of the Bank and Dr. Arturo Espinosa de los Monteros, Ambassador of Mexico to the United States, announced May 14, in which the Bank indicated that it was prepared to approve credits up to $50,000,000 to finance projects approved by the Mexican Government and acceptable to the Bank, and the Mexican Am-

Moseley Group Offers
Assoc. Investment Stk.

An investment banking group under the co-management of F. S. Moseley & Co., Glorre, Forgan & Co., M. L. Lynch, Fierce, Fenner & Brace on Oct. 8 publicly offered 218,000 shares of Associate Investment Co. preferred stock at $30.25 a share. Of these shares, 20,000 are being sold for the account of certain principals of the group and 200,000 represent a new issue. Net proceeds from the sale of the new issue will be used by the company to increase its working capital.

With the completion of this financing, Associates Investment Co. will have approximately $24 of $10 par value common stock and $10,000,000 of 3% junior notes due June 15, 1965. The authorized common stock was recently increased to 2,500,000 shares, $10 par, from 750,000 shares, $10 par, and the outstanding stock was split two for one.

A dividend of 45 cents a share was paid Sept. 1, on the new $10 par common stock placing it on a $1.80 annual basis, equivalent to $3.60 a share before the split. Dividends have been paid quarterly without interruption since 1918, the prospectus points out.

For the months ended June 30, 1947, Associates Investment Co. earned $1,508,182, equal to $1.86 a common share. For the first nine months of this year totals $4,378,023, or $5.18 a share as compared with $1,411,368 or $1.65 a share for the corresponding period last year. These share earnings are adjusted to reflect the stock split.

With Buckley Brothers

(Bos. & Trust Co. 165 Broadway, New York City)

Condensed Statement of Condition
At the close of business, September 30, 1947

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Due from Banks</td>
<td>$ 310,334,308.47</td>
</tr>
<tr>
<td>U. S. Government Obligations</td>
<td>463,008,401.46</td>
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<tr>
<td>State and Municipal Bonds</td>
<td>76,851,751.38</td>
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<tr>
<td>Other Bonds and Investments</td>
<td>59,791,358.51</td>
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<tr>
<td>Loans and Discounts</td>
<td>398,194,912.15</td>
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<tr>
<td>Bank Loans</td>
<td>194,793.50</td>
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<tr>
<td>Other Real Estate</td>
<td>2,231,631.45</td>
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<tr>
<td>Mortgages</td>
<td>113,396.74</td>
</tr>
<tr>
<td>Credits Granted on Acceptances</td>
<td>7,335,856.27</td>
</tr>
<tr>
<td>Acceptances and Accounts Receivable</td>
<td>3,424,955.64</td>
</tr>
<tr>
<td>Other Assets</td>
<td>942,820.44</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$1,321,804,300.01</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Stock</td>
<td>$25,000,000.00</td>
</tr>
<tr>
<td>Surplus</td>
<td>75,000,000.00</td>
</tr>
<tr>
<td>Unpaid Profits</td>
<td>7,611,083.06</td>
</tr>
<tr>
<td>Reserve for Contingencies</td>
<td>107,811,083.06</td>
</tr>
<tr>
<td>Reserve for Taxes, Expenses, etc.</td>
<td>4,158,115.88</td>
</tr>
<tr>
<td>Dividend Payable October 1, 1947</td>
<td>1,150,200.00</td>
</tr>
<tr>
<td>Acceptances Outstanding</td>
<td>9,079,057.48</td>
</tr>
<tr>
<td>(Less unaccepted held in portfolio)</td>
<td>555,508.01</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>674,366.10</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$1,321,804,300.01</strong></td>
</tr>
</tbody>
</table>

Securities carried at $57,101,099.22 in the foregoing statement are deposited to secure loans and for other purposes required by law:

* Assumed Valuation $3,911,690.00

Chamber of Commerce New York Clearing House Association

Moseley Federal Deposit Insurance Corporation
Federal Reserve Policy and Inflationary Pressures

(Continued from page 7)

had access purchasing power in our civilian economy to exert upward price pressure or to be controlled. We force the government to borrow from the banks in order to pay its bills.

Increased Money From Bank Purchases

What happens when the government borrows from the banks? As in the case of any other borrower, when the government sells its bonds to the banks, in effect it gives the bank a prominent note in return for this note the banker agrees to use the proceeds of the loan for the purchase of the government's debt. This purchasing power, or government Securities, is transferred from the bank to the Federal Reserve Bank for credit to the Treasurer's account in that institution. The Treasurer pays the bank for this by devaluing checks against that account. These checks are written in favor of suppliers and others who deposit them in their own deposit accounts at the commercial banks. Obviously, the process builds up commercial bank deposits and is the first step in the credit operation. The Treasurer at the Bank of New York, the spending of the transferred funds merely builds commercial bank deposits back to the level they held before the transfer. With certain exceptions, in which one group of individuals, on the other hand, brings about a net injection to deposits.

This increase of commercial bank deposits cannot be avoided when the government makes a purchase. If it is an increase of the government or for the account of the private citizen or business organization. As we know these deposits are as good as any other form of money when it comes to purchasing goods and services. Because of this, the creation of purchasing power through bank borrowing adds to the upward pressure on prices, particularly when we are working under conditions of unemployment and idle resources, including manpower. To repeat, borrowing from individuals does not increase pressure on the price level because it merely transfers purchasing power to the individual from whom the credit is extended to that individual from whom it was taken.

During the last war we added $100 billion to our currency and bank deposits. An amount of money was created by the banks. It was necessary to the government. To be sure, the government had reduced its debt to the banks in some degree, but this has been largely offset by the growth of private borrowing at the banks since the end of the war. The rise in bank credit through debt repayment is a slow process. In the meantime, business depression financing and forced liquidation and the various means of volume reduction, we will have to live with most of that hundred billion for a long time. We have placed the burden of that matter how large in volume it may be, cannot wipe out this addition to our money supply. As we know, this amount has been used but not used up, unless it is returned to the banks, the bankers will try to show that production creates income as well as goods and services. Under such conditions, employment in current efforts are doing. We have placed the burden of employment of our productive resources on the capital equipment. The figures show that current income has already reached record heights. If, under these conditions, people try to spend this income away in the same time frame, $900,000,000,000.00. This is $7,403,691.96.

LIABILITIES

Capital Stock *$3,000,000.00 Surplus $5,000,000.00 Undivided Profits $3,000,000.00 Deposits $7,418,180.59 Certificated and Canceled's Outstanding $3,000,000.00 Less Own Acquisitions in Portfolio $1,292,219.41 Reserve for Contingencies, Interest, Expenses, etc. $785,697.27

* Includes U. S. Government Deposits aggregating 62,197,766.66

That being the case, the Federal Reserve System discovered that it could take the initiative by buying existing paper and letting the banks deposit the proceeds in the Federal Reserve Bank. This new knowledge of the Open Market Operation, Open market operations are essential means by which the System can control the money market and the banking situation is situation during the 1960's and during the recent war. It will be interesting briefly to trace through the mechanics of this operation. To begin with, the banks do not have enough money to pay applying to discount reserve changes and to all central bank or Reserve Bank member banks are plentiful. The effect of open market purchases is not, however, to reduce the amount of reserves available to the banking public but rather to reduce its access to them. It is not at all unusual for a bank to have worked better on the restrictive side of its reserve ratio, the considerable eases in reserves during the war did not appear to do all that had been hoped for it as a result of this action.

If the Federal Reserve System makes purchases in the hands of the banks it purchases government securities from banks. The proceeds of these sales are paid for with a check drawn against the clearing balances of the banks that had deposited in the Reserve Bank since the Federal Reserve is a member bank of its reserve account. The member banks then convert these accounts into Federal Reserve Bank money and normally, this makes it possible for the member bank to extend new credit.

The Functions of Federal Reserve

This brings us to the Federal Reserve System, the part it plays by the banks to extend credit and the role it can play by under existing conditions of unemployment and idle resources, including manpower. In general, because the Federal Reserve approaches to the money market in one way, it is an approach involving credit operations and changes in current bank reserves. In general, because the Federal Reserve is able to influence the way this case reserves are depleted and member bank operations made more difficult. The inflow and outflow of gold for the gold exchange, while changes the picture in some of its effects, does not alter the essential principles.

Originally, the Federal Reserve System was set up to pool bank reserves and to bring about greater flexibility in the nation's monetary and credit structure. The primary purposes were accomplished by acquiring government securities, holding them with the Reserve Banks certain periods against their customers' deposits.

The requirement that member banks carry on a reserve bank certain securities against their customers' deposits is designed to keep the Reserve Bank with its most important tools to deal with. In fact, the Federal Reserve Bank loans create bank deposits.

The law that the Federal Reserve Bank must carry on a reserve bank certain securities against their customers' deposits is designed to keep the member banks supplied with reserves, and the Reserve Bank will have available the necessary tools to deal with any downturns in the credit market. Whenever a member bank finds itself short of reserves, the Reserve Bank may supply it with reserves by buying government securities in the open market and paying for these purchases with Federal Reserve Bank notes. In this way, the Reserve Bank is able to supply reserves to any member bank that is short of reserves, and to keep the credit market operating smoothly.

Bankers' Responsibilities

I shall not comment on the inflationary pressures that these statements may result in, but I believe they could create if thrown into an
The State of Trade and Industry

(Continued from page 49)

...should be certain that the need is there for the specific commodity. This process of US private investors with firm conviction that the end use of the steel must be carefully checked and policed.

If European nations receive anything like the amount of steel they have demanded, any estimate as to when domestic steel production will come into balance with demand would only be wild guess. Until European requests as carefully screened there is not a chance in the world of adequately predicting the steel supply picture in 1948.

Steel leaders this week fully realize that the Marshall Plan will probably be compulsory allo-

cation of a certain percentage of American steel output, the above trade authority states. Once this is done, individual producers lose complete control over a large portion of their product, especially if it is expected that a large percentage of the contemplated Marshall Plan ship-
ments will be in the larger semi-finished form.

The total tonnages of steel exported to Europe under the Marshall Plan are estimated at 3,000,000 tons. This is a large and substantial volume of total output. But with the world market tightened up to any time since the war, the effects of such shipments will far outweigh the actual tonnage involved.

The Marshall Plan will be an added impediment to industry's replac-
ment plans. Contrary to the ef-
orts of steel leaders which appeared to indicate a nonessential attitude, actual expansion and ad-

dditions are going forward. Because of the actual cost in the basic steel mill equipment emphasis is more on making as little oxygen as possible toward increasing steel capacity.

While the industry worries about steel exports and the pos-
sibility of a long-term tightness in steel, one of the country's most

important industrial groups—oil and gas—agree.

The American Iron and Steel Institute announced on Monday that the quarterly report showed that steel companies have 94% of the steel capacity of the indus-
tory will be 96% of capacity for the week beginning Oct. 6, 1947, as compared with 94.9% three months ago and 94.6% a year ago.

Current operations were at the highest level since the week be-

inning July 9, when they touched 96.9%, and have been in the range of an increase of 1.7 points, or 1.8%.

The week's operating rate is equivalent to 1,651,700 tons of steel inputs and castings com-
pared to 1,651,900 tons one week ago, 1,675,200 tons one month ago, and 1,532,500 tons one year ago.

Electric Output 10.2% Higher Than a Year Ago

The amount of electrical energy delivered by electric utilities in September was 4,904,000,-
000 kwH, according to reports by 29 Electric Institute.

This compares with a 8,912,000 kwH produced in the corresponding week of last year, and 10,223,000 kwH in September 1946.

The week's output of 4,904,000 kwH was produced in the corresponding period last year.

Production in the United States the past week totaled 103,543,443 units, compared with a revised figure of 106,713,454 units in the comparable period last year, 1946, and 195,913,443 units in the comparable period last year, 1947.

On the week ended Sept. 13, 1948, the output was 75,889,400.

Last week's output comprised 97,459 vehicles made in this country and 5,905 in Canada. Of the 97,459 vehicles, 60,239 were cars and 28,218 trucks, while the Domestic sales totalled 38,899 cars and 2,163 trucks.

Business Failures Continue to Rise

In the week ending Oct. 2, com-

mmercial and industrial failures rose to 81, the highest number (Continued on page 52).
The State of Trade and Industry

(Continued from page 51)

The Dun & Bradstreet record for July 20 included 8,094 new failures, compared with 8,074 in the preceding week, an increase of 2 per cent. In the corresponding week of 1946 when 28,514 failures were recorded, the failures were down by 25 per cent from 37,298 failures in the preceding week of 1945. The trend, however, remained unchanged, with a sharp rise from last year's level, failures remaining far below the prerev level of 279 which was reported for the comparable week of 1939.

Three-fourths of the week's failures involved liabilities of $5,000 and over, as compared with about 60 per cent in the corresponding week of 1946. Of these failures, 14,051 or 75 per cent, were instances of failures of two weeks or less, which indicated the trend of failure activity is continuing to decline. In the preceding week, 80 per cent of the failures were for two weeks or less. The failures that were reported for the first time this week were numerous and included the failure of a wholesale house in the retail clothing business, a fertilizer house in the agricultural and related industries, and other failures of selected business concerns, which are reported in the Commercial and Financial Chronicle.

Week's Trend is Generally Upward

In contrast to the downward trend noted in the preceding week, the trend for the week of July 20 was generally upward. The total number of failures reported for the week of July 20 continued to be as high as the preceding week, with the number of failures reported in the retail trade remaining at a comparatively high level, with the number of failures reported in the wholesale trade business declining.

Total failures for the week were 8,094, compared with 8,074 in the preceding week, an increase of 2 per cent. In the corresponding week of 1946 when 28,514 failures were recorded, the failures were down by 25 per cent from 37,298 failures in the preceding week of 1945. The trend, however, remained unchanged, with a sharp rise from last year's level, failures remaining far below the prerev level of 279 which was reported for the comparable week of 1939.

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What's Happened to the Wolf?

(Continued from page 3) down? process or a rapid correction in the inflationary maladjustments?

This is the issue before the market today; if a favorable ans-
swer is given, the pressure to attempt to narrow the theoretical basis of the upswing will grow. If a negative answer is given, various yardsticks of value can be used to determine the present posi-
tion and outlook for the various developments in the economy's state of health.

(1) Inventories—Sore Spot or

Within the past year, there have been several alarms that indus-
try's inventory accumulation program—for an important oligopoly situation—has become un-
reasonably and eventually resulted in a massive release of capacity.

While with depleted pipeline stocks on the way up and the time was near at hand when in-
dustrial activity would have to decelerate and import foreign consumption. Thus far, these warnings have proven relatively unhealthy but not necessarily fatal to the late-1946 expansion's rate of growth. They have over-estim-
ated the significance of localized increases in production runs and un-
derestimated the importance of the problem of setting constructive consider-
ations.

But what of the outlook from here on? While the rate of manufacturers' inventory gains reported in recent months does describe the height of the boom and burst threat that the economy has been facing, the facts do not support a complete flow of inventory to the out of hand? On longer view, the fact remains that the economy is on an island of prosperity in a sea of financial and political and socialpresentings. This is the only significant inventory accumulation is being lost: the economy soon will have to stand on its feet, i.e., on

(2) Exports—Fading Boom?

If proof is needed that we are liv ing in an interrelated world—
that the financial and political and social present proceedings do have impacts on one another, it is to be found in the fact that: (1) While our exports to Europe from 1917 to 1940 were roughly a quarter of the value of our imports, European countries of significant size imports from the U.S. (primarily with buying and selling in the depressed years of the depression) are now said Latin America more than 50% of their import expenditures, the old South America countries border the border in turn had export an abundance surplus some five times as large with the rest of the world. In a like vein of thought, Japan has been one of the few countries that have export trade in this country this year, it can be found in the newspaper headlines of the day.

In light of the foregoing, it is perhaps understandable that accumulations which the public and the private sector and the government are looking to can be explained as follows: (1) The British dollar crisis which has been going through the Great Depression and the World War II—and the Iron Curtain—has been the major factor in the way in which the world desires to be met. (2) The new order of the world is not the same as the old order and it will not be 100% of the old order. There is a 15% change in the value of the raw materials of the world and this 15% change is not associated with a 25% change in exports and equipment expenditures.

More recently, a doubling of production of the 1929 collapse or

plant and equipment has helped off the business slack which had been been when government spend-
ing contracted after V-J Day. Of course, the new industries such as the public utility, the defense industries, the 1946 unprecedently large expenditures were the first to show indications that a contraction in the over-all total probability in is: But whereas in 1945 and 1946 quan-
tities were generally revised up-
ward, we may conclude that while we have reached the bottom in 1946 is showing a steady increase in the annual rate of spending.

Natally, there are still outstanding constructive considerations which are facing large problems and funds, and other manufacturing costs in-
naps, depreciation, the accumulation of cutting facilities, etc. But with corporate management today non-
compliance, the fact that the overall price level that it was six months ago, may not affect the overall picture or to the 1946 budgets. Bearing in mind the above considerations, the overall picture of the situation inventories reflects plans made a few years ago to manufacture and build up the economy appears to be weakening.

(4) The Building Enigma

Although in effect a "horse and buggy" industry—one which is de-
pendent on the seesaw nature of the construction field, the new developments have been accentuated by local and national growth in the construction business. Whereas most major projects are undertaken in the anticipation of a profit, the building industry is designed to produce the necessary employment in a situation where the government is the main client. The building industry is designed to produce the necessary employment in a situation where the government is the main client.

The major question is: What is the building boom? What is the present situation? What is the future outlook for the building industry? How far will the building boom last? Is it a continuation of the boom of the past or is it a new beginning? The answer to these questions will determine the future of the building industry.

What is the future outlook for the building industry? How far will the building boom last? Is it a continuation of the boom of the past or is it a new beginning? The answer to these questions will determine the future of the building industry.

Join's Merrill Lyon

(Told by The Financial Chronicle)

Alfred H. Jones, of New York, George G. Vodra has been added to the staff of the Chi-

With Lawson, Levy

And Williams

(Told by The Financial Chronicle)

Richard S. Lesser is with Lawson, Levy & Williams, 1 Montgomery Street,

With Sales and

Market Conclusions

Practical market application of the above considerations and the number of generalizations: (1) There is a definite warning of the stock price level around—and probably be-

join's Merrill Lyon

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With Sales and

News... where the short term outlook for the building industry is concerned, it is important to note that the building industry is not a new phenomenon. It has been a part of the economy for a long time, and it is not likely to disappear anytime soon. However, the current building boom is expected to remain for a while, and it is important to keep an eye on its future developments.
American Bankers Associations Holds 73rd Annual Convention

(Continued from first page) turning to the banking business as an assistant examiner, later becoming the senior examiner, in the Michigan State Banking Department. Subsequently he joined the Michigan National Bank Commission as a special examiner, and later became Secretary of the Commission.

In August of 1932, Mr. Dodge joined the first National Bank in Detroit and served as Vice-President and as chairman of the Board of that institution in 1932-1933. He was Vice-President of the National Bank of Detroit in 1935-1936 and president of the The Bank since 1937.

Mr. Dodge has been active in the affairs of organized banking for a number of years. He is past president of the Michigan bankers association and business affairs in Detroit, June, 1945, and Vice-President the previous year. Before that he served on the committees of the state bankers association from the middle nineteen-thirties. During several years he was Chairman of The Michigan National Bank association, and is now a member of its executive council.

In 1946, Mr. Dodge’s war services were recognized by the Government. On March 11, 1946, he was awarded the Distinguished Service Cross and the Silver Star of the United States for services rendered on behalf of the War Finance Program. On Sept. 14, 1946, Secretary of War Robert P. Patterson presented the Medal for Merit to Mr. Dodge on behalf of President Truman. The Medal for Merit is the highest civilian war award, ranking with the military Distinguished Service Medal, and is authorized only by the President. Mr. Dodge was given the Medal "for exceptionally meritorious conduct in the performance of outstanding services in the war."

Mr. Dodge is also a leader in civic affairs in Detroit. He is a director of the First National Bank of Detroit, a member of the Detroit Club of the American Red Cross and of Detroit of Clubs. He is also a member of the Board of Directors of the Detroit Board of Trade. In addition he is a mem-

American Bankers Associations Holds 73rd Annual Convention

member of the Committee on Service for War Veterans, Committee on Governmental and the Committee of the Executive Committee of the State Bankers of Michigan, The Graduate School of Bankers, American Bankers Association, class of 1947.

Retiring President Addresses Convention

At the first meeting of the Convention on Sept. 30, 1946, Mr. Walter D. Watts, who is President of First National Bank of Clarksville, Tenn., called attention to the responsibility of bankers in sharing in solving some of the problems facing the world today. He acknowledged and looked forward for other American bankers for professional, technical and leadership in the task.

Mr. Watts cited the example of the Bank of Montreal, where Mr. W. N. G. Bosc, who has been President of the Bank for over forty years, and who was President of the Bank for ten years, is still active in the business.

In his address, Mr. Watts emphasized the importance of the Bank of Montreal in the Bank’s philosophy, which he described as "the guiding principles of the Bank of Montreal, which are based on the principles of thrift, economy and efficiency."

Mr. Watts concluded his address by stating that the Bank of Montreal, like other American banks, is proud to be associated with the American Bankers Association, which has played a leading role in the development of the banking industry. He also expressed the hope that the members of the Association would continue to work together to promote the interests of the banking industry.

The association described the success factors for the banking industry. It was stated that the banking industry is one of the most important industries in the world, and that it plays a crucial role in the economy. The association also noted that the banking industry is a critical service to society, and that it provides financial services to individuals and businesses.

The association concluded by stating that the success of the banking industry is dependent on the hard work and dedication of its members. It also emphasized the importance of the role of government in regulating the banking industry, and the need for effective regulation to ensure the stability and efficiency of the industry.

The association also noted that the banking industry is undergoing significant changes, and that it is important for banks to adapt to these changes in order to remain competitive. The association concluded by stating that the banking industry is a dynamic and innovative industry, and that it is capable of adapting to the challenges of the future.
What to Do About Germany

(Continued from page 9)

in Germany, and the American public.

The View from Europe
I have had the opportunity to ad-
dress a number of English groups on this subject. In my talk, I stressed the importance of reviv¬
ing Germany's economy, not just the plight of Western Europe. And I stressed the importance of the industrial recovery of this nation.

Germany has been locked into obser¬
vations obtained during my trip to Europe last summer where at the behest of the President of the United States, D. Clay, I prepared a detailed 210-page study on Germany's economic position. The American taxpayer, this report was written on the General Clay on July 19. The results of this report have been authorized and published in form by Farrar, Straus and Company on Oct. 27.

In my report to General Clay, I stated that for the first time the recovery of Western Europe is key to Germany's recovery is food and coal. I also stated that unless Western Germany is trapped in a vicious coal-food cycle.

The production of coal is dependent on food, because the minerals of Germany cannot feed itself. Western Germany, therefore, must produce food for export in exchange for food. But her in¬
dustry is sagging because of lack of coal for power and other uses, and the production of coal in sufficient quantities is one of the key to lack of food. And it goes.

Somewhere a start must be made of ending this vicious cycle. Application of Morgenthau Plan
Had it not been for the falla¬
cs of policy of Henry Morgenthau, who wanted to make an agricul¬
tural recovery in Germany, this na¬
tion would not be bogged down in such difficult. Unfortunately, Henry Morgenthau, Jr., persuaded President Roosevelt to accept the plan despite all the other things, resulted in partitioning the German empire and the greedy German capitalists, the Soviet Union and Poland gained control of Germany's breadbasket in the East.

While Russia is still waiting for the opportunity to move into the West to further her oppor¬
tunities for control of the world, it seems doubtful that she will agree to unification of the Western powers in Europe with whom I have talked many a how. My own belief is that there is little chance of Russia agreeing to unification of Germany and the countries of Foreign Ministers in London.

Unification of Zones
Under the circumstances we choose the term "unification" to bring about an effective unifica¬
tion of Germany. Now the American and French zones. Currently this ap¬
pears to be the only basis for economic rehabilitation of West¬
ern Europe.

In the three Western Zones of Germany there are 48,000,000 peo¬
ples, of whom approximately 25,000,000 live in the German's breadbasket, these zones can produce all food necessary to meet their food requirements. The other half must be obtained by importation of food. For so many good things are exchanged for food.

Less than 10% of the German peo¬
ples are living on a diet of 1,200 calories per day. Nearly one-third of the diet of the people of the British and one-third the diet of the people of the United States. It is starvation diet. No one can do heavy work and produce on such a diet.

This fact was clearly brought

out the other day in a report from the chief German coal expert, who said the Ruhr coal output has again reached a record of 248,800 tons. Then the nations for the miners fell off to 248,800 tons. Because of an expected con¬
tinued increase in coal output is expected to drop further. And we have the coal for Germany has been recommended that the diet of the Germans, much like in the United States, be increased to 2,500 calories over a five-year period and guaranteed under the table; that the rate of production of coal amounts to roughly 2,500 calories a day for the miners would incre¬
se this to 200,000 tons a day.

The bulk of this food, of course, would have to come from the United States. We could not feed a heavy burden on the American workmen. For the food shortage and the demand for food for Western Europe in addition to Germany, our people would have to be wasteful with food and would have to export foodstuffs in order to make two food exports. But the coalition government is un¬
able to maintain a coalition government in the United States and the Western Europe would be as¬
erved. But this is possible only if Great Britain once again supplies coal to the coun¬
tries of Western Europe.

The leaders of all factions in Great Britain recognize that coal is the key to recovery. But they are not willing to present such a critical problem to the people of the world, because the leadership of the world have presented such a critical problem to the people of the world. They have been interested in the miners. They have been interested in the miners. They have been interested in the miners.

The vital importance of coal to the American and British economy is virtually explained to the miners. The Labor Government insists upon putting reform ahead of reform.

And the government cannot take the place of production. More and more people are being aware of the fact that coal is the key to recovery. But they are not willing to present such a critical problem to the people of the world. They have been interested in the miners. They have been interested in the miners.

Finance of Coal
The only factor retardiing Ruhr coal pro¬
duction, there are other factors such as the condition of equipment, inadequacy housing, squall work conditions, a mark that is almost worthlessness, an unwise al¬
location of Ruhr coal and the shortage of transportation.

Because of the acute shortage of transportation and to be able to haul all of the in¬
terest in Germany, from the Ruhr mines, even the miners

Canadian Securities

By WILLIAM J. McKAY

In view of the recognition of the real world, the free countries of the world is indeed remarkable. Among previously orthodox economists, it is being used to export from Ger¬

many 10,000,000 tons of coal to other European countries by an unnatural long rail haul. To ag¬

gage, each country obtaining coal from Germany in cars that have been repaired by the military governments, keep the coal and will only send cars that are in bad repair.

We went to Germany to study the problem of German re¬

covers. The answer would be found in Germany. But it was realized that the consumption of this country is becoming so high that the price of coal is higher. We went to study the problem of German re¬

covers. The answer would be found in Germany. But it was realized that the consumption of this country is becoming so high that the price of coal is higher.

Britain's Coal

Today Britain is not shipping coal to Western Europe. Before the war she did so. Her coal ex¬

ports were the basis of her power. Her failure to export coal is one of the factors contributing to her decline. And she is attempting to overcome this short¬

age of Ruhr coal, by nationalizing it.

Meanwhile German plants are not, for they have been inherited by the Marshall Plan countries in its suggested form is too limited to be effective even if it were possible to overcome the strong Brit¬

is opposition. However, if such a scheme were to cover European continent, it would be given the first glimpse of hope for a return to the economic life of Europe. In view of existing divergent in¬

terests, however, it is difficult for either this country or Britain to sponsor such a revolutionary ap¬

proach to the solution of the world's economic ills. There is hope that Britain may be able to convince Washington that it is not possible to formulate a plan of this kind.

Canada already is giving serious consideration to the idea of eco¬

nomic union with her great southern neighbor and no country has a greater interest in a free func¬

tioning of foreign trade. Both countries are for now united in a cause that has become at the crux of the world's economy. To arrive at a solution of the world's economic ills, there is hope that Britain may be able to convince Washington that it is not possible to formulate a plan of this kind.

Canada already is giving serious consideration to the idea of eco¬
nomic union with her great southern neighbor and no country has a greater interest in a free func¬
tioning of foreign trade. Both countries are for now united in a cause that has become at the crux of the world's economy.
What to Do About Germany

(Continued from page 5)

shrinking in profits in securities business

SHRINKING PROFITS IN SECURITIES BUSINESS
STEP TOWARD COMMUNISM

(Continued from page 3)

margins of dealers even below today's small mark-ups and place them in direct competition with a very few large firms whose whole business is so great that they can afford to work on the basis of straight stock exchange commission.

The Securities Exchange Acts which grant this excessive and unlimited power to the SEC, and the Maloney Act which does the same for the NASD, work right into the hands of the Marxists and Communists whether you know it or not. Those people who do not believe in our way of life and our free enterprise system want to see the securities industry in this country destroyed completely. They would destroy Wall Street first. They know that if the savings of the people do not go back into more and better tools and capital investment that the state will have to take over. That is what happens when bureaucrats have power to REGULATE MARK-UPS IN ANY BUSINESS.

The state has already taken over the securities business in this country, if you are a security dealer you may think you own your business. You do IN NAME ONLY. You pay the bills, take the risk and do the work but when it comes to the amount of profit you are allowed to make for your efforts THE NASD AND THE SEC TELL YOU HOW MUCH YOU CAN MAKE. The losses you can keep for yourself. As long as this condition exists in the securities business the production of risk capital in this country will remain at low levels, new men will not come into the business, and the MARXISTS WHO LIKE IT THIS WAY WILL CONTINUE TO WIN THE BATTLE OF AMERICA.

The next session of Congress should see two bills introduced: (1) An amendment to the Maloney Act repealing that section which denies the right of members of the NASD to trade with non-members except at the same price as with the public. Those who are now in this association and wish to remain in it can do so and those who do not can resign. (2) A complete revision of the Securities Exchange Acts of 1933 and 1934 wherein all ambiguous and discretionary powers of the Commission are removed from the statutes. The plans cannot be put into effective law and meanwhile square with the Constitution of the United States should be abolished. It's about time we stopped trying to run the securities business in the midst of a guessing game.

From Washington Ahead of the News

(Continued from page 9)

TWIN CITY BOND TRADERS ASSOCIATION

The Twin City Bond Traders held its annual meeting.

The Communists out of the CIO.

Sitting around and discussing their coming labor day, it is said, they have been talking about this, as a matter of fact, for some years. But it is said that rather than talk about it, the CIO is now ready to do something about it. The CIO is not the only union that is thinking about it. The AFL is making preparations to do something about it, too. And so is the A.F.L.-C.I.O.

It is said that the Communists might take advantage of this situation to bring about a split in the CIO. The Communists out of the CIO. The Communists out of the CIO. The Communists out of the CIO. The Communists out of the CIO.

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### Indications of Current Business Activity

**AMERICAN IRON AND STEEL INSTITUTE:**
- **Weekly prices of iron and steel products (cents per ton):**
  - Sept. 4th
- **Stoves and range prices (cents per unit):**
  - Sept. 1st

**AMERICAN PETROLEUM INSTITUTE:**
- **Crude oil statistics—daily average (barrels):**
  - Sept. 27th
- **Reservoirs (in billions):**
  - Sept. 30th

**CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:**
- **Total U. S. construction expenditures:**
  - Oct. 2nd
- **Private construction:**
  - Oct. 2nd

**MONEY AND CREDIT:**
- **Reserves in member banks:**
  - Sept. 27th
- **Total reserves:**
  - Sept. 27th

**CIVIL ENGINEERING CONSTRUCTION:**
- **Building construction expenditures:**
  - Oct. 2nd

**DEPARTMENT STORE SALES—FEDERAL RESERVE:**
- **Total retail sales:**
  - Sept. 27th

**ELETRIC RAILWAYS:**
- **Passenger receipts:**
  - Oct. 4th

**IRON AGE COMPOSITE PRICES:**
- **Selected commodities:**
  - Sept. 28th

**METAL PRICES (E. & M. J. QUOTATIONS):**
- **Prices:**
  - Oct. 1st

**MOODY'S BOND PRICES DAILY AVERAGES:**
- **U. S. Government:**
  - Oct. 7th
- **Corporate:**
  - Oct. 7th

**MOODY'S BOND YIELD DAILY AVERAGES:**
- **U. S. Government:**
  - Oct. 7th
- **Corporate:**
  - Oct. 7th

**MOODY'S COMMODITY INDEX:**
- **Oct. 7th

**NATIONAL FERTILIZER ASSOCIATION, WHOLESALE COMMON FERTILIZER INDEX BY GROUP—1929-1940:**
- **Index numbers:**
  - Sept. 27th

**OIL, PAINT AND DRUG REPORTER:**
- **Price Indexes—Weekly:**
  - Oct. 3rd

**WHOLESALE PRICES—U. S. DEP. LABOR—1929-1940:**
- **Index numbers—Monthly:**
  - Oct. 3rd

**BANKERS DOLLAR ACCEPTANCES OUTSTANDING:**
- **New York—As of Aug. 29th:
  - Oct. 4th

**CONSTRUCTION WORK IN URBAN AREAS OF THE U. S. DEP. LABOR:**
- **Aug. 27th:**

**DEPARTMENT OF COMMERCE—CONSUMPTION OF PRODUCTS OF COMMERCE IN THE UNITED STATES:**
- **Aug. 27th:**

**COMMERCIAL PAPER OUTSTANDING:**
- **Aug. 27th:**

**CONSUMERS' PRICE INDEXES OF COMMODITIES:**
- **Aug. 27th:**

**COTTON CINNINGS (DEPT. OF COMMERCE):**
- **Average cotton prices per boll:**
  - Oct. 4th

**EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR:**
- **Month of July:**
  - Aug. 27th

**FACTORY EARNINGS AND HOURS WEEDELY AVERAGE ESTIMATES—U. S. DEP. OF LABOR:**
- **Month of August:**

**FISHER-PRICE INDEX OF THE U. S. DEP. AGRICULTURE:**
- **May 1914—July 1919:**

**THE FEDERAL RESERVE BANK OF ST. LOUIS:**
- **Fertilizer, Paperboard, Bond prices (cents):**

### TABLES

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Iron Hand Over Securities Business
Oppresses Our Economy

(Continued from page 2) has not been able to stress the popular doctrine of "to earn is to need." As this needs, yet, fundamentally, this is the American dream. The American fallacy is that mankind, with his human errors, inevitably must continue to progress. One foot, then, as the other.

We have no choice but to continue our march forward. The work we are doing is just as easy as it can progress. As a fact, it did retrogress for hundreds of years after the fall of Rome, and its recent persistent progress only shows that it is the steam engine and the beginning.

Let's treat with the Russian fal- lacy first. I say it is Russian, but it is also Chinese, Indian, and in most of the other countries of Europe.

The Soviet rulers tell their people that capitalism contains in itself the seeds of destruction; and for that reason, it is their duty to destroy it. They tell them that it is the only way to make "improvements" on this earth and prevent the balance and destroy its effective- ness.

The out-and-out Communist is not political. In its original conception, it is not political at all, but is a social, a moral, and religious. It is a political change that has been made by the people who rule in Moscow.

Now, let us consider the other falacy, which, with its human errors, humanity does not auto
cated by turning spigots on and off. The world's be-social mechanics, who turner with the compensated and mechanic in the country to the amount of millions of men and women, lack the human touch of the self. A loose screw here, a broken gear there, and the social gear goes somewhere else can make the whole structure squeak and grind. In the same way, those engineers and reformers have not had the background for this complex machine. On the other hand, the women in Eng- land the machine actually has made them into a worker. It is that it almost cooses to operate. Here, at home, the dilutions of capitalism have been more in men in nature.

But capitalism can be destroyed, progressively, by so di-

The world is unlike the Socialism has watered down the standard of living in Britian and has produced a system tied perpetual poverty and hopeless suffering among millions of Russians who deserve a much better life.

Dangers of Unwise Planning

More and more, people are starting to see the world through the Socialism's glasses and destroy its effective- ness.

We are making changes that will affect the value of the dollar. The movement is being done to contain the dollar in the international market. The dollar is going to become a world currency.

We are not going to have a boom in the world. We are talking about a depression that will last for at least 5 years. The world is in a state of depression and will continue to be so for a long time.

The government is planning to do whatever it takes to contain the dollar. The dollar is going to become a world currency which will make it difficult for the government to control it.

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balance the export surplus has been inflationary. By the same token, contraction of the export surplus tends to reduce inflation. So much for the economic and commodity effects of the assumed dollar shortage, considered by itself. We must now broaden the discussion. In economic analysis we have a term "response," which means the effects of economic forces, when the time phase of their effects occurs. We say the outcome should be of the same nature as the cause and, generally, of equal magnitude. Actually, other things being equal, it is a very important consideration.

One major "response" is the Marshall plan and the possibility of further trade under the plan before the Marshall plan is implemented. The second "other" thing is the nature of the domestic situation, apart from the export situation.

Pessimistic interpretations have been formed and some exports may be overdone. I have already mentioned the $18 billion gold and dollar balances still held by foreign countries and the $4 billion in gold and dollars held by the International Monetary Fund, although it should be recognized that these funds are limited and specified. Countries which have dollars and gold above the $18 billion have been doing just that — accumulating dollars and gold. The dollar shortage has not been an issue for them. We have not been faced with the problem of deflationary pressure by other countries. However, we should certainly recognize that the situation is such that we will still have some tendency towards deflationary pressure. This is the basis for our concern.

The second point is that the business of this country is in position to withstand a decline in exports perhaps better than at any other time in our history. Shortages are still present and domestic needs cannot be met up at least part of any slack that appears to develop. In automobiles and steel, there is a continuing demand for everything that is now being sold abroad. If there were a drop in exports, it is possible that a drop in exports of those products might tend to contract our employment and purchasing power.

In the domestic situation the supporting influences in the way of accumulated assets and demands continue strong and are hardly conceivable that we shall have much slackening through the next nine months to a year in automobiles, steel, railroads, and utility equipment, or farm implementation. Even the essential construction. Even the softening in demand for these products is being more support for the existing demands rather than indications of a slackening for many people considered likely. With the present inventory position being in essence underwritten and prices of these products are not expected to fall at least until the next inventory position is available.

The reasonable probability — that the export decline will not be too severe — and the increase in inventory in relation to our total national production, and that some of the slack may be taken up in the next few months so as to modify the pessimistic conclusions that are sometimes expressed is a dollar shortage tends to generate.

Coffee and the Shortage of Labor

Since coffee is an internationally traded commodity, the outlook for coffee is influenced by worldwide shortage of accumulated assets and demands that may be influenced by the failure of food. The abandonment of Great Britain's attempt to make the pound sterl-

ing one more freely convertible currency, and as the result of current transactions with other countries, it is being equally, these two developments to have the following effects.

(1) Coffee producers who need purchasing power in order to enhance their gold while selling their gold or have funds to pay for coffee, or have funds to sell foreign exchange, will be able to sell their gold or have funds to purchase coffee. The coffee producers will be able to sell their gold or have funds to purchase coffee, and they will be able to sell their gold or have funds to purchase coffee.

(2) The British government will continue to make payments to foreign countries for the coffee, and it will continue to pay for foreign countries for the coffee, and it will continue to pay for foreign countries for the coffee. The British government will continue to pay for foreign countries for the coffee.

The dollar area countries have a dollar shortage problem of their own. Some of them, such as Mexico, are badly pressed for dollars. Costa Rica and Nicaragua have practically exhausted their war-time accumulations. But the situation is not at all bad in Guatemala and Argentina. However, in the Dominican Republic, the situation is much better. The gold and dollar reserves in those countries are approximately equal to one-third of their reserves. At the end of July, the coffee importers had $130 million in gold and were able to buy coffee and recoup some of the losses. None of the major coffee producing countries is in a position to advance to Europe to enable it to purchase coffee. The shortage of dollars is much more severe for the Dominicans than for the Guatemalans or Argentinians. But even in the Dominican Republic, coffee is scarce because of the anticipated increase in shipments.

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To stock of Harriman Sept. 1, 1945, amendment. Proceeds—the shares are being sold for the account of James Gerity, Jr., company president. Proceeds are the shares being sold for the price of $30 per share.

Florida Rami Products, Inc. (10/14/17) Aug. 1, 1945 (letter of notification) 100,000 shares ($1 par) common. Proceeds are the shares being sold for the price of $24.50 per share.

Florida Water Co., Harrisburg, Pa. Sept. 23, 1945 (letter of notification) 41% closed end subscription, refund, due Oct. 15, 1945. Proceeds are the shares being sold for the price of $30 per share.
sold through officers of the company. For development of business as air transportation company.

Interstate Power Co., Dubuque, Iowa
May 13, 1947
The company has $2,500,000 in bonds due 1972, and $2,522,535 ($350) par capital stock. Proceeds filed $1,050,000 for the construction of an additional generating station. No offering. Proceeds filed $1,050,000 for the construction of an additional generating station. No offering.

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E Circuit Breaker Co., Philadelphia
Sept. 27 (letter of notification) 250,000 cumulative, 5% preferred stock. Underwriting—No underwriting. Offering—The shares will be offered to $500 members of the company and to $500 members of the public. Proceeds filed $1,050,000 for the construction of an additional generating station. No offering.

South Carolina Electric & Gas Co.
July 23 (letter of notification) 45,000 shares ($1) par common of common stock of Georgia Public Service Corporation, consisting principally of common stocks.

American Airlines, Inc., New York
Sept. 27 (letter of notification) 45,000 shares ($1) par common of the stock of the Southern Railway System, of which Corporation, consisting principally of common stocks.

Natra-Lyn Corp., Camden, N. J.
Sept. 23 (letter of notification) 10,000 shares ($10) par common. Underwriting—No underwriting. Proceeds filed $1,050,000 for the construction of an additional generating station. No offering.

Liberty Loan Corp., Chicago
Sept. 25 filed 100,000 shares ($10) par common of the stock of the company, consisting of 100,000 shares of the common stock. Proceeds to be used for the construction of an additional generating station. No offering.

Manhattan Oil Corp., Atlanta, Ga.
May 26 (letter of notification) 55,000 shares ($5) par common of the stock of the company, consisting of 55,000 shares of the common stock. Proceeds to be used for the construction of an additional generating station. No offering.

 Morrow Industries, Inc., New York
Oct. 6 (letter of notification) 10,000 shares of common stock ($20 par). Proceeds filed $1,050,000 for the construction of an additional generating station. No offering.

Merrill Lynch & Co., New York
Oct. 4 (letter of notification) 30,000 shares ($10) par common of the stock of the company, consisting of 30,000 shares of the common stock. Proceeds to be used for the construction of an additional generating station. No offering.

Merrill Lynch & Co., New York
Oct. 4 (letter of notification) 30,000 shares ($10) par common of the stock of the company, consisting of 30,000 shares of the common stock. Proceeds to be used for the construction of an additional generating station. No offering.
Says Steel Companies Are Increasing Capacities

Walter S. Tower, President of American Steel and Iron Institute, points to record-breaking expansion and improvements totaling more than a billion dollars, with $2,500,000,000 in ingot capacity by 1948.

Steel companies are completing this year large-scale postwar programs of expansion and improvement which are breaking all previous peacetime expansion records. In fact, some of these projects are of a size never before seen in the steel industry.

The current expansion in the steel market is derived from several different sources. The most important of these is the present shortage of steel which, in turn, is due to the rapid increase in the demand for steel in both the United States and abroad.

The current expansion in the steel market is due to the present shortage of steel which, in turn, is due to the rapid increase in the demand for steel in both the United States and abroad.

Walter S. Tower

Prospective Offerings

- **Akron Canton & Youngstown RR. (10.22)**
  - Company will receive bids for the purchase of $800,000,000 of 30-year first mortgage bonds. Underwriting—To be determined by competitive bidding. Provisions.—To report short-term bank loans.

- **Central Maine Power Co.**
  - Oct. company applied to SEC for permission to issue $1,000,000 common stock and enough common stock (par $10) to raise $5,000,000. Common stock is engaged in a $1,000,000 bond. Probable bidders include The First Boston Corp.

- **Central Power & Light Co.**
  - Oct. reported company plans issuance of $30,000,000 preferred stock, the proceeds to be used for expansion. Probable bidders: Halsey, Stuart & Co., Inc. (bonds only); The First Boston Corp.

- **Consolidated Edison Co. of New York, Inc.**
  - Oct. 6, 1947, Com. granted to issue $30,000,000 first mortgage bonds; five classes of $6,000,000 each. Bids will be received by R. S. Stewart, Jr., President, 60 Exchange Square, New York, on or before Nov. 15 (est.) Oct. 15.

- **Erie RR. (10.15)**
  - The company has issued invitations for bids for the purchase of $50,000,000 of 10-year mortgage bonds due in 1957. Bids will be received by J. A. Ripley, Executive Vice-President, 111 East 42nd St., New York.

- **General American Transportation Corp.**
  - Nov. 3 stockholders will vote on authorizing 250,000 shares of preferred stock (no par) of which 150,000 would be purchased by the company. New stock would be not less than $3.75 and not more than $5.15 per share. Proceeds would be used to retire a bond issue and for finance plant expansion. Underwriting statements are being held with Ruhm, Loeb & Co.

- **Georgia Power Co.**
  - Oct. company applied to SEC for permission to issue $10,000,000 mortgage bonds, to bear interest not to exceed 6% with a maturity date of not less than 30 years. Probable bidders: Halsey, Stuart & Co., Inc.; Morgan, Spurlock & Co.; Kidder, Peabody & Co.; The First Boston Corp.

- **Indianapolis Power & Light Co.**
  - Oct. 3 a new series B preferred stock issue, planned by the company must be sold at competitive bidding, the Indiana Public Service Commission has ruled. The Commission held, however, that an issue of preferred stock may be sold by negotiation provided the price is approved by the Commission. Proceeds are proposed to sell 214,541 shares of common and 50,000 shares of preferred stock.

- **Springfield Fire & Marine Insurance Co.**
  - Oct. 6, 30 stockholders voted to authorize the number of for 600,000 shares (par $5) to be sold on a preferred stock issue. Expectations are present that the issue will not go well with the public, due to the uncertainty of the market. The issue will be underwritten by The First Boston Corp. and Kidder, Peabody & Co.

- **Waukesha Motor Co.**
  - Oct. 31 stockholders voted to authorize the number of for 600,000 shares (par $5). Additional shares may be issued on basis of one new share for each two shares held.

- **West Texas Utilities Co.**
  - Oct. 5 reported company plans issuance of 5,000,000 preferred. Probable bidders: The First Boston Corp.; Harriman Rippy & Co.
Food Imports Rise Along With Exports

Commerce Department reports an increase of $198 millions in 1947 over 1946 and 1946 over 1947, whereas food exports increased $30 millions over corresponding period of last year.

Exports of foods from the United States during the first half of 1947 amounted to $6,110,000, an increase of $30 millions over the corresponding period last year, the Commerce Department of Commerce, said. Imports of foods into the United States during the first half of 1947, totalled $6,240,000, with $633,000,000 in the first half of 1946, an increase of $108,000,000. 2

Foodstuffs recording the greatest gains over 1946 were eggs, $14,820; cheese, $14,400; potatoes, $14,000; and rice, $14,000. Food products which declined were fish, $14,000; fruit and nuts, $14,000; and sugar, $14,000.

Analysis of the effects of these technical market methods on the individual participant and on the economy, as well as general conclusions, will be presented at a later date.

Meanwhile it is hoped that the above has served to high-light at least the usually-unrelated presence of forecasting elements in technical approaches, and the common embodiment therein of the vital error of mistaking mere highlights for valid forecast.
Washington
Behind-the-Scenes Interpretations
from the Nation's Capital

When a prisoner of a few years standing is paroled, his one and only move is to go to jail again. He has to reconcile himself to a longer term of unpleasantness, what with the machinery of the Federal authorities. Something of the same kind of a mind of top Administration officials came forth with its version of the Marshall "plan." To understand the basic motivation of several things now occurring, one must understand how the thought processes of the Administration officials have been turned around by the Marshall "plan."

For some time—ever since the "adjustments" and "price" campaign began—the Truman Administration has been worried about the rising cost of living. It has been trying to figure out how to stop that up, and keep from being burned politically by it. For some time it has been studying the policies of the government's, and the political suffixes have stood to the people for "corrective recession."

Yet up till a couple of weeks ago, the Administration was not quite prepared to move in that direction. So in sight for the "spiral." Now the Marshall "plan" has changed all that. They have come to see what is going to be the price of European aid. That price is the indefinite continuation of the spiral of prices—costs of living.

And what is worse, there is danger that the spiral of prices of living may carry over into other things. The Administration has been worried about the continued rise in the cost of living, and about the political consequences of the administration policies of terms of politics, that is practically until eternity. The prospect for the future has been so terrific. The joke on them is that the end is near.

Yet the Administration feels imprisoned by the necessity of extending the Marshall "plan" on a large scale. They see no parole in sight. They have to take yes for no, inflation, or at least no predictable abatement of prices, of course. There is a probability of a billion dollars of additional bank credit in the Administration's future. Very little can be done about it.

So from now on the Administration will fight a shoot-and-try, make attempts against inflation. It will plead with banks to make "sound" loans. The breaking of goods, and as few loans as possible by no matter how sound, to increase the competition for buying goods will be of great help in the effort to keep the prices down. Those who are afraid of inflation will be asked to fight the good fight against inflation. The movement to the monied masses that are just as much as the political forces, or at least the political opinion, are to be fought. The Administration itself has to be fought by every means.

It is premature at present to form a judgment on what Congress will do with the Marshall "plan." But there are rumblings. Some of the people here who have been fighting the Administration's ideas on the ground, say that the "plan" is being slowly changed. The increasing skepticism, the skepticism not is not just political opposition. There are growing doubts, and they are sincere.

Congressmen are asking whether the Marshall "plan" was really limited to rehabilitation or if it was to work toward the Socialist Union. The Marshall "plan" will really protect the Canadian dollar while this program is under way.

All these steps will have a broad affect upon many U.S. industries. They will provide a new channel for investment funds. What the President said is to be shooting at is a long-range program that will work. Although the outlines of the plan will be put down on paper between now and November 15, when the Canadian Prime Minister leaves for England to watch Princess Elizabeth get married.

It's being kept under wraps, but the blue-print for industrial mobilization is just about ready to go. The former Army Munitions Board has drafted a plan for the next war. It is said to include a prospective Office of War Production, Office of Economic Stabilization, and Office of War Manpower.

What industry and business would like to know, however, is the changes which the A-N Munitions Board recommended in the latest set-ups of the WPB, OES, and WMC of the last war. The changes are what count. But you can take the March changes as an example, for that is what industry is interested in. The plan can be anti-business. Everybody is afraid it would be "disturbing" in the present international situation.

Figure that one out for your self.

There will be a little more room for industrial stockpiling of scarce materials, from now on. Until now the A-N Munitions Board has crawled on this. The Board did not want to compete for scarce materials against the re-converting American industry. And the Board was not recognized to high prices. Now it is recognized that high prices aren't going to hurt industry. And industry can stand a little competition from stockpiling Large volumes of purchases are not in store. The Board "will put a few packages on the shelf." It has just gone off dead center.

Under the new Department of National Defense, the A-N Munitions Board becomes, simply, the "Munitions Board."

There was something significant in the move to cut use of grain by distillers came about. The Distilled Spirits Institute, that controls the division within the industry which diminished its total capacity to help UNRRA, is back at it and have dropped the idea of voluntary cooperation with the Lockman committee. Then with Mr. Lomack at his side, Senator should also help feed European animals.

Anderson called up the industry's spokesmen. "Get somebody down there to discuss curtailment of grain use the day after tomorrow," he requested. And so it began—launched before the industry could catch its breath. What the significance of this action may be, is in the interpretation of the "waste less" committee's aggressiveness. Despite the effort to induce distillers to eat less, the main results must be obtained by inducing farmers to feed less or substitute cheaper feeds for grain.

If flour millers get a hand with their plea to send as much of the wheat as possible to Europe in the form of flour, then: Millers can produce 104 million cwt. over domestic needs. This would be equal to shipments of 245 million bushels of wheat. It would leave some 1,500,000 tons of mill feed as by-product. This could be fed to livestock. This is the equivalent of 20 million tons of meat—20 million tons of meat. And in 1936 the government fed that in the guise of feeding humans in Russia.