Our National Security

By ALF M. LANDON
Former Republican Candidate for President

Ex-Gov. Landon warns against emotional propaganda that would lead us to install immediately compulsory military service. Expresses doubt camping training for youth is beneficial and points out universal military training has caused downfall of democracies and has not promoted peace.

Most Americans today are interested in the elemental things of a place to sleep—something to wear—and something to eat. Soaring prices on food, clothing and housing are of immediate concern to most of us.

But important as the elemental problem of a place to sleep and something to wear and something to eat are to many of us, there is another even more vital elemental problem that we must not lose sight of—our national security. That is particularly true as the Big Four in the London (Continued on page 26)

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The Steel Industry Outlook

By WILFRED SYKES
President, Inland Steel Co.

Steel company executives, in calling attention to present abnormal demand for steel products, holds industry, though bound to fluctuate in output and demand, will grow in proportion to population. Says steel will continue to be superior for construction purposes, and decreses fear of depletion of ore or coal supply. Contends steel supply will soon balance demand, and argues increased steel production facilities are impractical because of labor shortages. Sees present steel demand at maximum point, and warns against creating excess productive capacity that may not be used.

I find that I was supposed to talk about the prospects of the steel industry, but I think you people know as much about the prospects of the steel industry as I do. I have never been able to predict exactly what will happen three months ahead in that industry,

Editorial

As We See It

More False Assumptions

Last week in these columns an analysis was presented of a number of false assumptions upon which much of our current domestic policies appear to rest. We shall now proceed to a similar examination of that part of our foreign policies which may quite accurately be termed political bribery.

Obviously, beyond that which can be defended as purely humanitarian assistance to other human beings who are in distress, our entire foreign "recovery" program rests upon two broad and fundamental assumptions. One of them is that unless nurtured by billions of dollars worth of our goods and services anything remotely resembling democracy in Europe will quickly disappear, submerged beneath a torrent of totalitarianism advancing from the East. The other is that somehow we may, with almost (Continued on page 33)

Savings Bonds Not a Detriment to Savings Institutions

By WILLIAM C. HANSON
Director, Investors Advisory Institute, New York

Mr. Hanson denies private savings institutions, in fostering sales of Savings Bonds, are sacrificing themselves and helping State take over their functions. Says Savings Bond promotion by banks creates goodwill and helps their business, and that sales program has made millions of small capitalists. Stresses importance of Savings Bonds in combating inflation and points out value of stable dollar to banking and insurance institutions. Sees need for cooperation of Federal and local governments toward savings bonds.

A lengthy article in a recent issue of "The Chronicle," issue of Oct. 9, cover page, signed by a Professor of Economics, argues that private savings institutions which sell United States Savings Bonds are "unconsciously or misguidedly sacrificing themselves and helping

pictures for FRASER
(8fraser.archives.gov)
What Will They Buy?

An Analysis of Trends and Forecast of Sales of Consumer Goods

By WILLIAM H. LOUGH
President, TradeWays, Incorporated

Economic analyst, pointing out inflation distorts consumers’ spending, sees new pattern of consumer demands in making. Says spendings per person for luxury goods, such as tobacco and oranges, have been rising for 30 years, and have filled vacuum left by shortages of autos and household appliances. Holds postwar boom to be at top, with absence of severe labor troubles or disruption in domestic or international affairs, a 160% decline in consumption expenditures still remaining. Forecasts changes in pattern of end use of dollar for some products.

At this writing sales of current dollars are still rising at a rate that appears to be accelerating. Chart I shows the remarkable gain from 1939 through September, 1947. On the face chart makes an inspiring picture—and with all its curves marching upwards and onwards, and no end in sight. Especially heartening to manufacturers of home furnishings and appliances, musical instruments, automobiles and other durable goods is the widening of the segment of the consumer’s outlays. Savings, however, do not appear to be strongly resistant to the pressure for greater expenditure. There is no good reason to believe they should continue at their abnormal wartime level. Likewise, the country maintains a considerable capacity to consume goods. It is now a commonplace, too, that inflation works unevenly. In the situation here, it appears best to work clothing and clothing prices to a somewhat lesser degree, and to work on the automotive field faster and higher than other prices. Consequently, food and clothing take a much larger proportion of consumers’ dollars than they took in prerewar days. The shares available for other consumers’ goods are being relentlessly squeezed into smaller proportions. Inflation vitiates the process but cannot alter it.

The foregoing statement is unique—this is the only time in American history that it has been true. Long-term trends in expenditure for food and for certain other products are also operating because the prices, in the two cases, are sweeping generalizations. Where little has gone, but little has been translated into figures—specifically, in dollars-and-cents— payments (Continued on page 30).

Capital Needs of an Expanding Economy

By MURRAY SHIELDS
Vice-President and Economist, Bank of the Manhattan Company

Holding capital needs are at record levels and unless these needs are supplied, present business activity cannot be maintained, economist contends money is not as plentiful as it was. Proposes Federal Reserve re-examine need to hold reserve requirements and hold Foreign Reserve be financed through private credits. Urges tax exemption for savings.

One of the urgent problems faced by American business is an inadequate supply of current savings in relation to the need for new capital funds. The demand for long- and short-term funds at a high price. Business investment in new equipment, plus all non-residential construction, is close to the $25 billion per month mark, and a substantial amount of working capital is needed as inventories are reduced and receivables reflect the rise in prices. And consumers are spending about the same amount for new housing and durable goods, a large part of which must be financed through mortgages for consumer credit.

The need for new production facilities is urgent. After 15 years of under-construction and under-maintenance of plant and residential facilities there is a great void which must be filled if our economy is to function adequately housed and if our industry is to function adequately equipped for expanding markets. To the vast demand for new housing the ground lost during the depression and the war must be added the reequipment of industries and the reconstruction of the war-torn areas. It is clear that we cannot meet our own demands and those of a large part of the world as well without a substantial expansion of productive capacity. And it must be remembered that shorter work days, shorter work weeks, and reduced work hours make it necessary to use more physical plant per unit of manpower than was the case before. We are in the pilot-plant stage of the development of new industrial technology in the world’s history. We have had few changes in techniques so vast and fundamental as to affect a large portion of the present plants obsolete.

We have a long list of new industries into which the expenditure of billions of new investment before they can produce the goods out of which we are filling new high in our standard of living. Add all these demands together and we get a level of investment spectacularly high as compared with any period in this nation’s history. Under such conditions the availability of credit is not a matter of vital interest for us to be sure that more levels of business activity cannot be maintained without continued heavy capital outlays.

Money is Not As Plentiful as It Was

The question: Where are the funds coming from?—might at first glance appear superficial in view of the fact that credit is cheap in historical as well as real terms. However, capital funds are in fact much less readily available than they were a few months ago. (1) Self-financing through retained earnings and depreciation (Continued on page 30)

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SEC Policy of Revealing Capital of Dealers-Un-American

By JOHN DUTTON

Write our small dealer adversely unless Congress commission is really a large with commission to change policy, or if the firm of dealers are large with commission to change policy because of recognition of fact that commission policies inimical to all health will eventually work against the interest and detriment of capitalism generally,

On Nov. 26 a sales letter calling attention to the advantages of subscribing to a certain financial publication stated that in an early issue a complete list of U. S. registered dealers with the invested capital would be carried in its columns. The letter went on to say that the figures were compiled from sworn financial statements filed with the SEC by each registered dealer. Does the firm of dealers registered dealers may expect to see the vital financial information which they have been compelled by an SEC rule to file with the Commission handled about by anyone who has a magazine to sell, a financial service to offer, or as a list to be used for other promotional purposes?

Did Congress intend that information of this sort be made public? Is it to be used to the detriment of the smaller dealer in securities? We say that Congress intended nothing of the sort!

If the SEC is interested in seeing to it that the free enterprise system is preserved in the public interest, then the Constitutional rights of small business are protected, it will immediately take steps so that the particulars contained in financial statements of dealers are kept confidential.

Time and again it has shown that there is absolutely no connection between the amount of capital of a dealer and his integrity or ability to render an honest and efficient service to his customer.

It is in the best American tradition when we say that honesty and ability are not virtues that can be judged by the size of a man's bank account.

A great number of widely segregated securities dealers, operating under conditions peculiar to their own communities, will provide the general public with an entirely distorted and incomplete picture of the capabilities of each one of these registered dealers.

Since the public does not understand how it is possible for a small securities firm to be entirely solvent and render efficient service, the firms in this category will be subjected to an extremely unfavorable comparative position when the capital of some of their larger competitors is contrasted with theirs. This is the sort of thing that is made to order for any unscrupulous salesman or registered representative who might wish to cast unfounded aspersions upon a smaller competitive firm. Local dealers in smaller communities will find that the firm that is given wide distribution will be much to their disadvantage in many ways.

It is to the credit of many large firms in the securities field that they have frowned on the SEC policy of making public the financial condition of dealers disclosed by the financial statements filed with the Commission. While they recognize that the comparison of their large capital with that of smaller firms will temporarily help their business, in the long run it will work to their detriment to advocate or condone policies that are destructive to all except the wealthy.

Every dealer so far should be used to the detriment of the smaller dealer in securities. We say that Congress intended nothing of the sort!

Do not the SEC COMPLY WITH THE SEC REQUIRING THAT INFORMATION CONTAINED IN FINANCIAL STATEMENTS FILED WITH THE SEC BE KEPT CONFIDENTIAL. He STATES ALONG WITH HIS SENATOR AND CONGRESSMAN ASKING THAT THEY USE THEIR INFLUENCE TO COMPEL THE SEC TO DO SO.

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Preferred Stocks for Trust Investment

By ROGER F. MURRAY

Vice-President, Bankers Trust Co., New York City

Mr. Murray weighs arguments both pro and con as to whether preferred stocks are as appropriate a medium for trust investment as stocks, and he asks for the effect of individual issues, and lays down as factors in selection of industrial preferreds: (1) proper industry analysis; (2) capitalization analysis; (3) earnings analysis; (4) current asset protection analysis; and (5) protective provisions analysis.

Stresses factor of preferred stocks in regard to yield of bonds, and says timing of purchases is important.

When the question is asked, "How appropriate are preferred stocks as a medium for trust investment?" the standard answer is that it depends upon the circumstances surrounding the investment problem in each individual account. This, as we all know, is a valid statement and a logical general answer, but it is not a very helpful one. Furthermore, accepting such an answer would deny me the opportunity of discussing a subject which has been of special interest to me for a number of years.

I should like to pose the further question: "Why do we ask ourselves about the appropriateness of preferred stocks for trust investment rather than take it for granted that they are suitable?"

All of us do not hesitate to assume that a representative corporate bond is suitable for trust investment, without relating our opinion to the special circumstances and requirements of each fund. Why, therefore, do we not include preferred stocks as a matter of course?

The Case for the Negative

I believe the answer to be found in our knowledge of the record and in the vivid recollections of the difficulties which investors in preferred stocks have faced in the past. I refer not to legal liabilities, but to the strain on relations with beneficiaries and legates which we can visualize in times of adversity if we share the adverse experience of investors with dividend omissions and shrinking market values.

We are all aware of the fact that rather than a half-dozen railroad preferred stock issues have demonstrated investment character in the public utility field, the rather poor performance of some of the company bond, has been offset by unsatisfactory holding company stocks.

An example of this was in the case of the Ohio & M. Railroad preferred stock. Further stockholders have not been able to obtain the dividend which was in the form of interest paid on the preferred stock yield for a substantial period of years, as has been done in the case of a number of prior issues. This is not an isolated instance of the poor performance of preferred stocks for the reasons of the company stock that has made the poor performance.

PropONENTS of preferred stocks for trust investment are also encouraged by the fact that it has been easier to provide a reserve for future losses. In the case of the Ohio & M. Railroad preferred stock, it was a simple matter to do this in the ordinary trust.

The Case for the Affirmative

I believe that the arguments that have done enough, at this point, to discount our

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Observations

By A. WILFRED MAY

A Widely Available Investing Tool

(Ninth of a Series on Investing Methods)

Certainly one of the important readily available "tools" calling for evaluation and re-evaluation by the investing public as the investment company in its present-day metamorphosis from its' genesis in Scotland and its erstwhile adolescent growing-pains here.

As developed in the Scottish and English id¬

vocational centers from the late 1860's through the first quarter of this century, the aim of calling "investment trusts" was to provide the investor with a method of current income dividends and interest. The natural capital appreciation which, when cashed in, would be seen in the face of a constantly-growing reserves. Regarding such capital gains as fortuitous and not as real income is in line with traditional British investment philosophy—as manifested in the economy of the "equivalent complete portfolio" requirements.

In this country, although there were a few sporadic attempts to duplicate the mutual fund technique at the turn of the century, due to the general public's lack of securities-consciousness until the Liberty Loan campaigns of the First World War, and the tremendous stock-market orgy of the following decade, it was not until the late 1920's—most unfortunately—that the investment trust movement really started in earnest.

Founded at a time of feverish speculation characterized by brokers' loans of $8 billion, loans on securities of $20 billion, and call loans over $2 billion; during the depression of the '30's, and multiplying in the 1940's the management and capital-structure abuses which had previously been engaged in by holding companies and high¬

lighted by a few recent cases, like Piggieback, B. Z. Bixley; promoters of the late nineteen-twenties, engaging in the tender speculative fever, formed "trusts" for the purpose of effecting multiple sales on the same multiple¬

level. As was every kitchen-maid and barber then busily engaged in master-planning in Little else than gambling pools, these trading companies unfortunately endeavored to prostitute the traditionally respected nomenclature of "investment trust" for their own ends. As the SEC described the process in its report submitted to the Congress in 1933, "the British trusts were utilized to a great extent in tax shelter purposes and have always expected capital profits as a proper object of income tax." To the investor, unfortunately—that the market value of the securities of securities of American investing companies, than as models for their structures and operations.

The post-1929 collapse of the entire structure of speculation, entailing the depletion of the assets—values of the trading units as well as the legitimate funds of the investor. To the public's and in¬

volve the personal investment in the trusts, brought on the SEC's minute and long-drawn-investigation, if they have always expected the Public Utility Holding Company Act of 1935. Following the Commis¬

sion's submission of its voluminous reports of (150 and more pages to Congress from 1937 on, a regulatory law was finally passed in 1940.

Regulatory Safeguards

The regulations, applied through the resulting Investment Com¬

panies Act of 1940, safeguard the buyers and holders of investment companies and safeguarding trading units against (1) fraud, (2) mis¬

employment of assets, (3) excessive charges, (4) deceptive prac¬

tices. Investment company capital must be a minimum of $100,000 before any public offering is made.

To guard against over-levage (or the equivalent of British "over-subscription") and failure to meet the SEC's margin requirements "margin requirements" are prescribed, through restrictions on the invest¬

ment companies' own purchase of stocks or obligations that the funded debt must be covered by at least the triple amount of assets, and preferred stock capitalization by at least a double amount of assets.

Cross-holding between investment companies, chain-hold¬

ings, and the erstwhile pyramidizing, are prohibited.

Basic investing policies must be clearly stated, cannot be changed without stockholder approval; and by way of information complete portfolio and balance sheet results must be imparted to the shareholder, hence semi-annual reports must be furnished.

Self-dealing by management and other abuses arising from duality of directors' interests are barred.

The SEC's constant administrative supervision, together with State Blue-Sky laws in 36 states, plus the Federal reserve act, bar all past and potential abuses as well as is practically possible. Consequently, just as the British and Scotch trusts went through their growing pains (though far less severe than occasional ones), the (Continued on page 33)

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AUGUST 26, 1945
Long-Term Trends In Business

By DONALD B. WOODWARD

Mr. Woodward lists the following five long-term trends with their vital long-term effects on investors:

1. Increased marriages, higher birth-rate, greater longevity, rising national income in its redistribution, and drastic decreases in the cost of machinery related to wages. Concludes analysts and investors must concentrate on companies with good research units, and emphasizes importance of world peace.

2. Basically, business operates to supply and serve the people of this country—or to supply and serve other businesses which they operate to supply and serve other people. This basic fact is sometimes lost sight in the structure of dollar figures, pieces of paper, ratios, and statements of incor-

3. tion corporations which are the direct result of investments with which we deal. But if we look through this struc-
ture, we can see clearly that the end result of business activity is to provide goods and services to the people.

4. Study of what is happening to the people can therefore provide some clue to the future, and is likely to happen in the future. The following long-term trends in population and related factors have a very great influence in determining long-term trends in industry. What shall we attempt to tell and to show you is some of the most important trends in what is happening to people, and to suggest some of the trends in business which they are producing, and which are likely to persist far into the future.

5. In the terms of the economist, if you would like the matter stated that way, I shall deal with factors influencing the volume of demand, and with changes in the composition of demand.

6. Five major trends will be indicated and shown, and from a review of these, two general conclusions will be drawn.

A Prosperous Germany is Essential!

By DR. J. GOUDREAU

Professor at Commercial University of Reisierian, and Technical University of Delhi

Political economists term it impossible to consider American help an isolated phenomenon. By consequence the German prospect of government being transferred to U. S. in exchange for Marshall Plan benefits. Declares a prosperous Germany under American influence would be best for world peace.

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From Washington
Ahead of the News

By CARLISLE BURGER

One of the daring Indictments against the Coolidge Administra-
tion is that it has been the main force behind the stock market boom which led to the 1929 collapse. Indeed, frequently when the stock market fell or the public read about some such statement as that our prosperity knew no bounds, it was, of course, that he had ever done anything to check the boom.

We used to meet these poverty-stricken farmers at the watering and with all the aid of a Farm Bank politicians in those days. A member quite well that was instead from the McNary-Haugen bill meant the same as indeed the Republican party in the Farm Belt with section and could find no more than passive support for the bill, yet the old idea of a Farm Bank has been working up to pass in Con-
gress. It was some years ago the man to be some support for it in the 10th House and in the Senate as was agitated by a co-author of the bill, and in a determined ef-
fort to turn the tide of opinion to where it went there. Lo and be-
hold, the tide turned.

Then came Hoover seeking the Republican presidential nomination, and----and just so you will not think that only Bacon was involved and whichever of them had the right, and since the

A Bank Investment Portfolio

By E. SHERMAN ADAMS

Assistant Vice-President, Central Hanover Bank & Trust Company, New York City

Mr. Adams discusses problems of basic approach to a bank's investment policy and its relation to the peculiarities of the individual bank. He considers the nature of the relationship of bank policy to its effect on the capital, liquidity and earnings. Urges proper maturity distribution and the elimination of undesirable or risky assets. Cautions against trying to guess bond market swings, and foresees no possible change in government bond interest rates. Stresses need of close and proper supervision of the investment policy of each bank.

The investment program of every bank should be subjected every so often to a thorough overhauling, a careful and critical reappraisal. Today we are confronted with rapidly changing conditions which have vital implications for bank investment policy.

Concerning the 1929-46 recovery, Mr. Adams says, "the market boom is still visible, but smaller, the boom has been more tenacious than in the past, and has been accompanied by a very large scale of new investment. The present market, however, appears to be less sound than that in the years immediately following the 1929-46 recovery, and the rate of new investment is much smaller than in the years immediately following the 1929-46 recovery."

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Gold, Silver, Diamonds Versus Declining Money Value

By ROGER W. BARSON

Mr. Barson reviews descriptive progress of various currencies and sees possibility of U. S. dollar becoming a leading world bank-

chasing power. Says all people are unanimous that gold, silver and diamonds are better, that, at all times, are worth something.

This week I am making no definite judgements on the gold and silver situation as a whole but with the market the world is full of new facts for readers to consider. Moreover, they relate changes which to which I have already expressed my short lifetime. My first job, after graduat-

ing from the Massachusetts Institute of Technology in 1898, was as an intern for a Bankers Trust Company in Bos-

ton. At that time the leading banks in this coun-

try were 30, 1 Wall Street, New York 5, N. Y.

Air Reduction Company, Inc.,

Vermont Consolidated &

Southwestern

Reactor Corp. Special Report

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

also available are reports

Southwest Power &

on North American Oil Consolidated &

Western Maryland Railway Company.

Boeing Airplane Company

Special review—Henry L. Wilson &

3 Wall Street, New York 5, N. Y.

Cleveland-Cleveland Iron Co.

Analysis—G. A. Saxon & Co., Inc.

1 Pine Street, New York 5, N. Y.

Franklin County Coal Corp.

Late information—Comstock &

231 South La Salle Street, Chicago, Ill.

Graham-Paige Motors Corp.

Analysis—Seligman, Lobb &

34 Broad Street, New York 5, N. Y.

Also available are analyses of

Foundation Co., Wellman Engi-

neering, and Tennessee Products

Company.

Johns-Manville

Corporation

Annual—Raymond

238 Genesee Street, Rochester.

Also available are monthly reports of

Foundation Co., Wellman Engi-

neering, and National Security

Trade Associates.

Portland Electric Power

6s, 1956 & 7½% Prior Pfd.

Southwestern Public Service

In a recent talk before the

New York Society of Security

Analytical, Mr. Herbert Nichols, Chairman of the Board of Southwestern

Public Service (Briscoe, Butler), gave an in-

teresting summary of the company's

growh, its well-integrated operating units, low rates, and recent earnings approaching $12,000,000, has de-

veloped a significant number of subsidiaries, including the Power and

Gas Corporation, Security Power

Company, Power & Gas Company.

This metamorphosis was accompa-

nied by selling a large number of scattered subsidiaries and welding the remainder into a unified system. The area served covered more than one-third of the country, and including small sections of Ohio, Oklahoma and New Mexico, covers an area larger than the state of Pennsylvania. All prop-

erties, with one small exception, are now interconnected with high-voltage lines. A load dispat-

cher in the new office building handles, including Electric Bond &

Share power over the entire system, in-

cluding the San Francisco territory.

Farming (including irrigated agri-

ture) in the Southwestern states, cattle and sheep raising are the principal activities in the company's territory. The productivity of the oil industry ac-

counts for the remarkable rapid growth. However, another factor in growth is the activity of the company's local managers, members of the National Chamber of Commerce and active in attracting new business to the area.

The phenomenal growth of the company's territory is indicated by a study of the system load from 70,000 kw in 1924 to 166-

000 kw in 1945. The load almost doubled in 1940 to 400,000 by 1953. October revenue collections of $3,796,000, a new high, whereas all electric utilities in September showed a gain of only 15% over the same period 1944. In the same period, the lower and the growing costs, net earnings increased from $1,000,000 to $5,816,000, with a 16% gain for the 12 months ending August, 51. Earnings for the 12 months ending August, 1945, were $8,000 in 1940 and 1943, $13,600 in 1942, $15,800 in 1943, $15,900 in 1944. The company is in a strong position and is expected to continue to grow at a rapid pace, according to the present number of shares.

The company is fortunate in having a large capacity, which permits sales to other local com-

panies as subsidiaries. By gearing its expansion program to a series of immediate requirements, it can insure prompt and efficient serv-

ice to its own customers.

The company has a virtually com-

plete power system, including gas, which is expected to bring to account an original cost basis, except for a remaining small

106 West Adams Street, Chicago 3, Ill.

Public National Bank & Trust

Company—Third quarter analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Public Service Company of New

Mexico—Circular—Brush, Stowe &

Montgomery, 1 Montgomery Street, San Francisco 4, Cal.

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

Westinghouse Electric Corpora-

tion—Investment appraisal—Kab. Voohts & Co., 15 Broad Street, New York 5, N. Y.

Walshe Rejoins Doyle, O'Connor & Co.

(Special to The Financial Chronicle)

Chicago, Ill.—Don D. Walshe has rejoined the firm of

Doyle, O'Connor & Co., Inc., 135
Britain's Heavy Gold Losses

BY PAUL EINZIG

Estimating British gold losses since end of war at $1 billion, Dr. Einzig predicts remaining $2 billion will be exhausted before mid-1948, if drain continues at present rate. Says Britain must supply gold to rest of the world or else face devaluation. Other countries, holds much of British exports yields neither goods nor cash, but merely expression's liquidation of old balances, and con- 

trades there is much ill will of British capital.

London, July 12, 1947- Latest British gold bulletin stated that during November British sales of gold amounted to $400,000,000. This brings total of gold output since September 1939 to $2,000,000,000. Expenditure on sterling balances of $1,000,000,000 in South America the proc- 

ess of her export surplus is under way with the result that sterling accepted in payment for exports by many countries is on the increase. Third countries reduces the extent of this transfer of capital to sterling for purchases of capital.

The worst of it is that there is no reciprocity in this respect. The sterling balances with the major surplus countries can only be used for purchases of capital. The reason is simply frozen. Thus, Britain is getting the worst of both worlds. She has to drain her gold reserves in order to purchase goods for her exports. The need for hard currency is not at all reduced by the action and the current balance of pay- 

cms on trading account. Much of the gold sold to the United States yields neither gold nor cash, at any rate of exchange. The next move will never yield any gold. This is due to the fact that the liquidation of old sterling bal- 

ances in New York is the most unsatisfactory. Although this clearing balances of India, China, and other countries has been funded, a large number of sterling balances remains unfunded and cannot be purchased of British and Sterling Area goods. This is not wonder that there is ill will in this respect of the adverse trade balance. Moreover, there is also illogic offfit by capital. The British exchange control is very far from watertight. A large number of minor offenders who have been convicted of similar offenses while on holiday abroad have been discovered, and many other directions is escap- 

ing on a large scale. The depart- 

ment of the Bank of England has received one of the most notorious loopholes for the evasion of the law has been poured out. But large numbers of items sent to the Sterling Area or to the Western Hemisphere through South Africa and Eire. As both countries are able to reach the Sterling Area there is nothing to stop the evasion. Even in Dublin or Cape Town. And al- 

though exchange control in Eire and South Africa is supposed to be identical with the British, in practice it is not nearly as effec- 


tive.

There is also a whole-sale re-

stratification through engulfing of sound notes hitherto held abroad. In recent months these amounts are believed to have increased to $1,000,000,000 a month. The note circulation of the Bank of England has not been affected by so much as a note, and in the return to the note circulation. Their proceeds are also used to pay for purchases of British goods, which means that to that extent there is no direct benefit of exchange for her exports. To diminish the remedy lies in the hands of the British authorities. Sir Stafford Cripps has said that the Bank of England is, however, reluctant to resort to much-needed drastic steps such as the blocking of the gold outflows, the enforcement of the prevention of export to coun- 

tries which do not pay in goods or in convertible exchange.

Reports Improved Home Building

Outlook in New York Area

Emanuel M. Spiegel, Regional Vice-President of National Association of Home Builders, says private builders in and around New York will erect 50% more housing in 1948 than in 1947, and points to heavy applications for FHA loans, resulting in exhaustion of funds for that purpose, as evidence of high demand for home building. Fears Marshall Plan may lead to material shortages.

At the Home Builders Conference in New York City on Dec. 3, sponsored by the Home Builders Council of New York, New Jersey, and Connecticut, Emanuel M. Spiegel, President of Home Builders Association of New York State and Regional Vice-Presi-
**Illinois Brevities**

On Nov. 21, Paul H. Davis & Co., Chicago, and Union Securities Corp., New York, and associates publicly offered $3,000,000 of 3¼% debentures due Aug. 1, 1960, of which $2,500,000 will be used to pay off term bank loans, and the balance will be added to the general funds of Celotex Corp. Included underwriting was A. C. Alyn & Co., Inc., Central Republic Co. (Inc.) and Kebben, McCormick & Co., of Chicago.

Another group of underwriters, which was also headed by Paul H. Davis & Co. and Union Securities Corp., on Nov. 25 offered a $700,000 stock of Keystone Steel & Wire Co. common stock (no par value) at $4.875 per share, for the account of National Lock Co., a Kentucky corporation, Other Chica-
go bankers interested in this of-
fering were A. C. Alyn & Co., Inc., Central Republic Co. (Inc.) and Dempsey & Co.

Sales of the Keystone com-
pany for the first quarter, end-
ing Nov. 1, 1946, reported a $7,-
447,535, a gain of 15% over the sales of $6,855,790 for the same three months last year. Net profit amounted to $161,456, compared with $161,148 for the three months ended Sept. 30, 1946. On a comparative basis in regard to the number of shares outstanding for the period, the first quarter earnings were approximately against $1.37 per share last year. A bank loan of $1,425,000 has been refinanced and negotiated, in order to augment working capital.

In connection with the proposed financing program of Interna-
tional Harvester Co., stock-
holders will at a special meeting called for Jan. 28, 1947, vote on $270 shares of Keystone Steel & Wire Co. to issue not more than $270,000,000 of new common stock of indebtedness, which will be con-
trolled by Commonwealth Edison Co. in Detroit. The syndicate underwriting the debentures will be headed by A. G. & Co., Inc., New York, and Harris, Hall & Co. of Chicago. The proceeds are to be used for expansion.

An investment syndicate head-
led by Sills, Miller & Co., Inc., Chicago, and including, among others, Strauss & Blowers, First Securities Co. of Chicago and Sills, Miller & Co., also of Chicago, on Nov. 25 publicly offered $1,000,000 of 3½% cumulative convertible preferred stock (par $319) of Libety Express Co., Inc., at $319 per share, the largest part of the proceeds from which are expected to be used for working capital. A total of only $100,000 was sold, leaving $900,000 to be used to further the treasury of the corpora-
tion on the redemption of $2,568,000 of 5½% cumulative convertible preferred stock (par $319) due Aug. 1, 1945, at $319 per share.

On Nov. 18, an underwriting syndicate headed by The First Boston Corporation, and including, among others, Central Re-

**INVESTMENT SECURITIES**

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**TRADE MARKETS**

- Reda Pump
- United Stockyards
- Preferred Clearing Machine
- William A. Fuller & Co.

**BRASS & STEEL**

- Zippin & Company
- Specialists in Foreign Securities

**British Securities**

South African Gold Mining Shares

**COMPANY**

Incorporated

CHICAGO

**ACALYNN & COMPANY**

New York Boston Philadelphia Milwaukee Minneapolis Omaha Kansas City Indianapolis

**FOCK & CO.**

with others, on Nov. 23 publicly offered $95-
000 shares of 3½% cumulative convertible preferred stock (par $319) and 100-
000 shares of 3% cumulative convertible stock (par $319) at $319 per share, all of which is expected to be used to pay off term bank loans, and the balance will be added to the working capital of the company. The proceeds are to be used to finance in part the purchase of the Groppi Forge Co., Chicago, for its 1944-1945 annual production.

On Nov. 23, the Chicago Board of Trade reported a total volume of 9,643,000, compared with 4,238,000 in the same period last year. Net earnings before profit for taxes were $4,584,000, a gain of $1,193,125 in the previous year, and were the second highest in the company's history. A backlog of orders in excess of $2,000,000 was reported to be on hand, equal to approximately four months' production, and the backlog was against the balance of working capital. The issue was oversub-

Kebben, McCormick & Co. also participated in the public offering on Nov. 18, of 15,000 shares of par value common stock of Carpenter Paper Co., Omaha, Neb., at $5 per share.

A group of underwriters, which included, among others, A. G. & Co., Inc., Barlow, Whitney & Co. & Co., Farwell, Charle-
des & Co., and Parnes, Morton & Co., Inc., on Dec. 2 publicly of-
fered 50,000 shares of par value common stock of Mack Trucks, Inc., at $15 per share, the net proceeds to be used to repay $4,000,000 bank loan, and the balance added to working capital. The issue was oversub-

Payment will be made at The First National Bank of Chicago.

The Chicago Park District has been notified by the Court of Appellate of Illinois that the decision in the case was reversed in favor of the city of Chicago. The court held that the city of Chicago was entitled to the use of the land for public purposes, and that the city was not liable for the damages.

By order of the U. S. District Court for the Northern District of Ohio, West Virginia, Illinois, Ohio, Indiana, and other states, and for the District of Minnesota, the judgment of the United States for the District of Minnesota is reversed in favor of the city of Chicago. The court held that the city of Chicago was entitled to the use of the land for public purposes, and that the city was not liable for the damages.

Amer, Emerich & Co., Inc., on Nov. 18 also participated in an offering of 80,000 shares of Spier Carbon Co. no par value common stock (par $319) at $319 per share, of which $25,966 shares are for the account of the Spier company and 46,234 shares are for the account of a stock-

The proceeds to the company are expected to be used to finance in part the purchase of the Groppi Forge Co., Chicago, for its 1944-1945 annual production.

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The proceeds to the company are expected to be used to finance in part the purchase of the Groppi Forge Co., Chicago, for its 1944-1945 annual production.
The only one who are always in the field, the investor now finds himself where he has to do something to help work out a peace treaty. The Russian bluff has run its course. From now on they must cooperate. On the other hand, Secretary Marshall cannot afford to be tough, walk out and threaten to make a separate peace with Germany. That would not work, as we do not want to set up a new government and pump into Germany millions of dollars to help the Germans and then have the Russians aphon it all out as reparations.

The time is ripe for something to be accomplished and the whole world is clamoring for some results. That is why the shrewd investor looks with hope to London, and is confident that some good news will soon be coming forth.

D. T. Moore to Admit
D. T. Moore & Co., 50 Broadway, New York City, members of the New York Stock Exchange, will admit Frances Moore Merrill to limited partnership on Jan. 1, 1948.

With E. E. Mathews Co.
BOSTON, MASS.—Loulie F. Dow has been added to the staff of Edward E. Mathews Co., 53 State Street.

Joins Hallgarten Staff
Edward P. Foster, Chicago, Ill.—Alfred H. Gross has been added to the staff of Hallgarten & Co., 231 South La Salle Street.

Wm. E. Judge Joins
Kobbe & Co., Staff
Kobbe & Company, Inc., 55 Liberty Street, New York City, announces that William E. Judge is now associated with the firm as a trader. Mr. Judge has been in Wall Street for over 20 years and, until recently, was manager of the trading department of John H. Valentine Co.

J. H. Denton in N. Y. City
J. H. Denton is engaging in a securities business from offices at 112 West 81st Street, New York City. In the past he was with Baron G. Helbig & Co.
Let's Stay Free
By C. E. Wilson
President of General Motors

Prominent industrialist, asserting Socialism means dictatorship and slavery, urges freedom of our industries; accuses Government of smothering business with a barrage of regulations and permits, and says chief job is to produce more and to increase workers' economic security. Decrees new Government controls and urges lower cost of Government, extending hours of work, and elimination of regulations impeding production and distribution. Lists 10 recommendations for overhauling Government regulations related to Production; Fremont, Nov. 14. (Continued)

About ten days ago I was discussing the subject of my talk this evening, "Let's Stay Free," with one of my friends. He said he didn't think the title was intriguing. I replied, "That's because you have always been free." We Americans have been free so

had been permitted to "plan it," we would have had the unemployment.
There is no way for the average American to have more unemployment or produce more. We cannot eat out of a manger. We cannot have free education. We cannot have free electrification. We cannot have free mobiles. The question is how much can we share or are we going to have to share? It is one thing to have surplus and another thing to have sacrifice with the unfortunates of the world.

All of us will have a better understanding of the situation if in our thinking we separate charity and humanitarian considerations from political and economic considerations. On a humanitarian basis what would the American people be willing to do for the unfortunate men, women and children in other countries? Their present condition had resulted from causes quite different from those which produce such tropes such as an earthquake or a flood. On a political basis we had an important part. On the basis of political and economic conditions, being the result of the actions and policies of other states, and on a personal basis; suffering and willing to share their misery when it is of our choosing.

Within the practical limits of our resources we cannot let the entire world share in the super abundance which we have. We also need badly at home, or be sure shipping this food abroad would not be worse for us than to provide for our present high food prices for a free world.

We must also in dollars and materials what it takes to maintain industry and the nation's achievements—how soon they can be stopped at the national level and what materials can be relieved of this burden by competitive enterprises. Whether we can provide all that in materials of equal value. Whatever we do row should be done with full realization of the facts.

(Continued on page 30)
Production, Not Controls Will Curb Inflation

BY FRANK W. SUTTON, JR.*
President, The First National Bank, Tooma River, N. J.

Contending bankers are well qualified to determine their own financial terms, Mr. Sutton opposes new credit controls and defends continued expansion as not constituting in inflation. Says increased production is essential in this country if the national needs are to be supplied.

Urges banks increase ratio of capital to deposits and foresee higher bank loan rates.

The end of consumer credit control is near, Federal Reserve officials now predict. Mr. Sutton, of the First National Bank at Tooma River, was one of those who had predicted in an editorial of the New York Evening Post that credit controls were no longer needed. In an editorial of the New York Evening Post on Nov. 1, the Editor commented that the term "credit control" was a misnomer and that the "credit control" term was the result of the financial control system which had been imposed since Nov. 1, 1930, when the Federal Reserve System was established. The Editor further stated that credit control was a misnomer because it implied that the Federal Reserve System was the only agency responsible for the control of the credit system in the country.

Frank W. Sutton, Jr., president of the First National Bank at Tooma River, has been a leading advocate of the principle of "production, not controls," and has been a consistent supporter of the Federal Reserve System. He has been a strong supporter of the Federal Reserve System, and has been a consistent advocate of the principle of "production, not controls," and has been a consistent supporter of the Federal Reserve System. He has been a strong supporter of the Federal Reserve System, and has been a consistent advocate of the principle of "production, not controls," and has been a consistent supporter of the Federal Reserve System.

\*As a matter of fact, there are only three recorded instances in history and three recorded instances in the history of banking and insurance of the destruction of goods, and not one of these instances have been recorded. These instances are: the destruction of goods during the period of the Revolution, the destruction of goods during the period of the War of 1812, and the destruction of goods during the period of the War of 1861. In each of these instances, the goods were destroyed by the invading armies, and not by the people themselves. The destruction of goods during the period of the War of 1812 was the result of the invasion of the United States by the British Army, and not by the people themselves. The destruction of goods during the period of the War of 1861 was the result of the invasion of the United States by the Confederate Army, and not by the people themselves. The destruction of goods during the period of the Revolution was the result of the invasion of the United States by the British Army, and not by the people themselves.

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Secretary Snyder Urges Tax Revision

In address at Houston, while emphasizing for a financially stable government and opposing immediate tax reductions, he expresses approval for a revision of taxes.

In speaking at Houston, Texas, before the Houston Chamber of Commerce on Dec. 6, Secretary of the Treasury John W. Snyder stressed the importance of maintaining the government financially sound, and, although advocating no immediate tax reductions, he said he had reason to believe that although our public debt has been materially reduced from its peak, it still remains at the staggering figure of $258,000,000,000.

"With the United States is a contract between the people of the United States and the people of this country. Government bonds are promises of our government to our country, bonds issued by companies, by banks, or by educational foundations, but an obligation to us, the American people, to finance government obligations and to pay off the public debt when we should reduce it. I say that the government obligations are not an option. They are there. It is, and I hope it will be, a matter of pride that before reaching conclusions on tax reduction, the Congress should first consider foreign aid within a balanced budget; second, debt reduction, and third, to achieve debt reduction at the same time.

"It is to prevent the release of the tax system which would be disastrous for the economy, and which I believe would have the maximum salutary effect upon our domestic economy. There is one dollar, in my judgment, which I would emphasize.

"It is the fact that the Secretary of the Treasury, must consistently and forcibly urge tax reductions, so that we may have sufficient revenues to meet current obligations and to permit the government to live within its means and reduce the public debt."

"The U.S. Treasury closed its last fiscal year with a surplus for the first time in 17 years. Certainly during this present period of prosperity we should maintain a balanced budget with adequate provision for debt reduction."

"I am sure that although our public debt has been materially reduced from its peak, it still remains at the staggering figure of $258,000,000,000."

"In closing, I would like to re-emphasize the importance of maintaining a financially sound government is the first requisite to permanent national security. Security is not a matter of possession of arms; it is a matter of the financial condition of the government."

"It is to prevent the release of the tax system which would be disastrous for the economy, and which I believe would have the maximum salutary effect upon our domestic economy. There is one dollar, in my judgment, which I would emphasize.

"It is the fact that the Secretary of the Treasury, must consistently and forcibly urge tax reductions, so that we may have sufficient revenues to meet current obligations and to permit the government to live within its means and reduce the public debt."
Tailoring the Federal Budget

By THOMAS S. HOLDEN*
President, F. W. Dodge Corporation
Vice Chairman, NAM Government Spending Committee

Mr. Holden describes tax studies of National Association of Manufacturers which resulted in placing a maximum of $31 billion on 1949 Federal Budget. Says National Defense and Veterans' benefit spending can be greatly reduced without impairing services, and contends present general expenditures are far too high. Allows $4 billion for contingencies and foreign aid.

It is entirely practical and realistic for taxpayers to demand that Federal Government expenditures for the fiscal year 1948 be limited to a maximum of $31 billions. Such a limitation would permit tax reduction from a $7 billion deficit and debt reduction by an estimated $3 billion.

This statement is not based on a wishful thinking. It summarizes the studied conviction of the Government Spending Committee of NAM, that services were arrived at by an exhaustive study of the current Federal Budget and of analyses and recommendations regarding possible economies made by numerous committees, and subcommittees of the 78th Congress. The study is made with regard to the Federal Budget based on a national Government and for the fiscal year 1949. Mr. Holden, with the statement of the Association's Government Finance Department, was authorized to make the recommendation.

NAM Tax Studies

The NAM staff has been engaged, during the past year, in a series of continuing, long-term over- looking studies. The subjects of the study have been specific, like consumer and industrial durables, tax revision, and a maximum budget ceiling for the fiscal year 1948. The program has been developed as a result of these studies, if adopted, would go far toward restoring the economic integration of our national economy and conferring a monetary advantage. It is a constructive step toward the solution of our present financial problem, a solution which must include strong emphasis upon the cooperation of local, state and national governments.

There has been ample discussion of the capital formation study and the tax revision program by other speakers. It will be my purpose here to discuss with you briefly some aspects of these budget recommendations. A table setting forth the statistical conclusions of the budget study has been placed in your hands.

First, let me direct your attention to the fact that this is a maximum budget. The various items contained in it, have been arrived at by procedure which we believe to be realistic, and which I shall outline to you presently. The amounts proposed for the various services and functions represent our best judgment, based upon the recommendations of Congressional Committees for the fiscal year 1949, as to what the Federal out- put should be. It has been our opinion that in 1949, no doubt there is a possibility that the budget can be held below the amount set out in our budget. In that event the lower figure should apply. It is undertaking a realistic and defensible series of estimates, we have refrained from the "horse trade" philosophy, which is that one should always ask for a little more than is really expected in order to leave room for compromise. We offer this budget as a maximum, and we really mean it, with no intention of

*Address by Mr. Holden at the Government Finance Special Session of the National Association of Manufacturers, New York City, Dec. 3, 1947.

Subscription Price to Warrant Holders

$13 per share

During the subscription period, the several Underwriters, including the undersigned, may offer to the public Capital Stock acquired through the undersigned or any of the other Underwriters reasonably certain that the subscription price set forth above, and not greater than the highest price at which the Capital Stock is then being offered by others in the over-counter market plus the amount of any concession to dealers.

The First Boston Corporation
Halsey, Stuart Offers Cleveland El. Bonds

A group headed by Halsey, Stuart & Co. Inc. on December 10 awarded $20,000,000 Cleveland Electric Illuminating Co. first mortgage bonds at 3% to the company in 1982, on their bid of 100.26%. Re-offerings for $20,000,000 3% and accrued interest, yielding approximately 2.85%. Proceeds from the sale of the bonds are to be applied to the company's current and proposed construction program, which presently aggregates approximately $300,000,000.

In the opinion of counsel the bonds are legal investment for all banks in the States of Connecticut, Massachusetts and New York. The company expected that the company will apply for listing of the bonds on the New York Stock Exchange.

For the year 1946, the Cleveland Electric Illuminating Co. reported total operating revenues of $47,713,175 and gross income after maintenance, depreciation and all taxes of $10,052,348; maximum annual interest charges on all bonds to be outstanding after this financial year will require $2,100,000. The bonds are subject to redemption at the option of the company prior to Dec. 1, 1948 at 104.08%, the premium reducing annually thereafter to 1977.

The Cleveland Electric Illuminating Co. provides electric service in Cleveland and in adjacent territory in northeastern Ohio extending nearly 100 miles along the shores of Lake Erie serving a population estimated at 1,600,000. The company also sells steam in the downtown business section of Cleveland. Approximate operating revenues derived from the sale of electric and steam energy are approximately 4% from the sale of steam.

Harvey Russell Will
Form Consultant Firm

Harvey L. Russell, who has been counseling manufacturers with their renegotiations since resigning from the War Department in 1942, will establish an investment counseling business in New York City. He is taking this step so he feels that the knowledge he has gained in renegotiations, supplementing his experience of the past 25 years in the industrial and investment fields, will be of greatest value as consultant. He will offer his services in connection with new and existing industrial concerns, estates and individual investors as investment, evaluator and general consultant, as well as stockholder representative.

Mr. Russell states he has no desire to join the overcrowded field of "Market technicians" but will devote most of his time and energy to a limited number of situations.

J. D. Topping to Open
Municipal Bond Firm

James D. Topping as of January 1st will form his own municipal bond brokerage firm in New York City. Mr. Topping has been a Vice-President of Braun, Bosworth & Co., Inc. with headquarters in New York City. Prior to this he was a partner in Hopkins & Topping for many years.

As associated with Mr. Topping as partners in this new firm will be Russell F. Hurrmann and Stewart B. Torrill both of whom have been with the New York office of Braun, Bosworth & Co. since its establishment and prior hereto with Hopkins & Topping.

Now Sole Proprietorship

William E. Keggan is now sole proprietor of W. E. Britton Co., 120 Broadway, New York City.
Edward A. Roberts Forms Own Firm

New organization will serve transit systems, public bodies and financial institutions

Announcement was made by the Committee of Organization, Transit Engineers and Consultants of the City of New York, that Edward A. Roberts who, since 1925 has been in the field of transit operations and engineering as an employee of Fisk & Roberts, from 1923 to 1942 when he was also chief executive of various transit companies in New York City, has formed the firm of Edward A. Roberts who, in a similar capacity from 1918 to 1942, making transit systems in most of the large cities in the United States and Canada. During the war Mr. Ahern was chief engineer of the Office of the Transit Engineer, in charge of the wartime regulation of the transit industry. Previous connections have been with the New Jersey Public Service Authority in a consulting capacity with the New York Transit Commission, and with the City of New York's Transit Bureau and with the city Engineering Organization, railway consulting.

As engineer on transportation problems, Mr. Roberts has been active in organization and financing of transportation systems in the United States and Canada. Mr. Ahern was also with the Beecher Organization from 1918 to 1942, making transit systems in most of the large cities in the United States and Canada. During the war Mr. Ahern was chief engineer of the Office of the Defense Transportation. Mr. Roberts was discharged in medical condition in New York City, and is now living in New York City. The new firm, Edward A. Roberts, Inc., will serve transit systems, public bodies and financial institutions interested in financing the consolidation of modern urban transit plans, having problems involving the construction of new lines, the coordination of operations on public highways. A typical area of activity will be New York City, where the operation and finances of the city's municipally-owned transit system will be William H. Ahern, who was with the Beecher Organization.

The Executive Committee of the Board of Trustees have appointed Miss Flaherty as the Manager of The Bank for Savings in the City of New York, at 20 Fourth Avenue, Miss Flaherty joined the Bank in 1923 having previously been a member of the Bank of Commerce in New York. For the last two years she has been actively engaged in handling the Bank's advertising and has been named as Advertising Manager is in recognition of her work.

The Great Neck Trust Company of Great Neck, L. I., has increased its capital from $250,000, consisting of 20,000 shares of preferred stock at $12.50 each and 14,000 shares of common stock at $5 each, to $500,000, consisting of 20,000 shares of preferred stock at $25 each and 14,000 shares of common stock at $7.50 each. The shares of preferred stock were sold for a total of $625,000, constituting the par value of $125 each, to a total of $125,000, consisting of 20,000 shares of preferred stock at $625 each. The shares of common stock were sold for a total of $875,000, consisting of 14,000 shares of common stock at $62.50 each. This increase to the credited capital of the Bank, increased to a total of $500,000, was evidenced by the filing of a certificate of incorporation with the New York "Herald Tribune."

Announcement was made at the meeting of the Board of Directors of the Union National Bank of New York held at the Newark "Newark News" newspaper office, on which Arthur B. Irwin, who resigned several weeks ago. The "Newark News" further stated that "Mr. Donnelly has been with the Federal Deposit Insurance Corporation, for the last 13 years in the division of examination in the Second District. He also acted as the examiner for the division of liquidation in the Second District. He has been connected with the Mercantile since 1940. Previously, he was associated with New York and Baltimore investment houses.

The merger of the Bank of Baltimore County at Towson, Md., with the Fidelity Trust Company, Baltimore, was approved by stockholders of both institutions.

The merger, according to the Baltimore "Sun" of Dec. 17, will become effective as of the close of business, Dec. 19, and on Dec. 22, the County Bank will begin operating as the Branch office of the Fidelity Trust Company. The "Sun" also stated that "Edward H. Roper, Cashier in the Bank of Baltimore County, will serve as Manager of Fidelity Trust office. Present directors of the County Bank will become an advisory committee for the Towson territory. The combined banks will have total resources of approximately $35,000,000. A precipitous $20,000,000. A precipitous item bearing on the merger was the issue of our Dec. 17 page 4045.

It is stated that the stock was acquired at $47.50 a share, a book value amount of stock $35.00 a share.

It is said that stock has been named a Vice-President of the National Bank of Buffalo, N. Y. President Lewis G. Harriman as chairman of the board who now has in charge of the installment department, and also as chairman of the lending department for more than 30 years ago. He is Assistant Treasurer of the Chamber of Commerce.

Charles L. Gurney, Chairman of the Board of the Bank of Savings at 121 East 69th Street, was elected a trustee of the Bank. Mr. Gurney was also elected to the Board of Directors of the Bank in 1907. Mr. Gurney was named second Vice-President in 1912 First Vice-President in 1915 and President in 1930. He served as President for 12 years, being Chairman of the Board in December, 1944. He was a former member of the Board of Directors of the Bank and he has served as the board of the bank for 61 years. He is a member of the Board of Directors in the Chicago Bank Research Council.

Lovert C. Ray, was elected Vice-President and Howard A. Sample, was named as President of the High Street Bank and Trust Company. The bank was merged with the bank of the bank for the City of Buffalo. The "Journal" of Nov. 23, Mr. Ray entered the service of the High Street Bank and Trust Company, was elected Treasurer and Secretary and has been with the bank since 1929 and was elected Assistant Secretary a year ago. He was previously employed by the bank. The "Journal" of Nov. 23, Mr. Ray entered the service of the High Street Bank and Trust Company, was elected Treasurer and Secretary and has been with the bank since 1929 and was elected Assistant Secretary a year ago. He was previously employed by the bank. The "Journal" of Nov. 23, Mr. Ray entered the service of the High Street Bank and Trust Company, was elected Treasurer and Secretary and has been with the bank since 1929 and was elected Assistant Secretary a year ago. He was previously employed by the bank. The "Journal" of Nov. 23, Mr. Ray entered the service of the High Street Bank and Trust Company, was elected Treasurer and Secretary and has been with the bank since 1929 and was elected Assistant Secretary a year ago. He was previously employed by the bank. The "Journal" of Nov. 23, Mr. Ray entered the service of the High Street Bank and Trust Company, was elected Treasurer and Secretary and has been with the bank since 1929 and was elected Assistant Secretary a year ago. He was previously employed by the bank. The "Journal" of Nov. 23, Mr. Ray entered the service of the High Street Bank and Trust Company, was elected Treasurer and Secretary and has been with the bank since 1929 and was elected Assistant Secretary a year ago. He was previously employed by the bank. The "Journal" of Nov. 23, Mr. Ray entered the service of the High Street Bank and Trust Company, was elected Treasurer and Secretary and has been with the bank since 1929 and was elected Assistant Secretary a year ago.
A Prosperous Germany is Essential!

(Continued from page 6)

we did not make a false sugges-
tion that Germany was in a
able wealth in the Western zone
with the amount asked for in
the Poldarn Agreement the de-
velopment of a worthwhile
amount of surplus capital equip-
ment, in the words of the U. S. Board, was "not a bad bargain." The money
which would be required for the
transfer to the U. S. was, for
many United States companies,
will mean rather big imports of
products of their output into world markets and it is very likely that
during certain periods this im-
port will be somewhat detrimental to American business and the
American economy.

On the other hand, the danger
is not fictitious that in the
modern world these money claims will be-
come a nuisance to the popular-
y over the day, "as Germany
is back in the game." The
clue to the solution of this
problem lies in the 

r of reparation to
Germany. Germany is in a
osition to pay reparations,
and probably they will be
able to continue to make
complete their reparations
the German public mind would show no inter-
test in any reparations from Germany altogether
and perhaps even get rid of
ities against the beaten enemy
in this field. By doing so America
would actually gain, in the
words of its own debtors, and these
could be brought in a position of permanent dependency of
the U. S. which would not make
sense to the Germany government cooperation so urgently needed.

Ownership Transfer Confusing
On the other hand, it is quite
likely that some of the
purposes of ownership of German factories would not be achieved
in the United States. For instance,
ent nations would not
very much; it would only increase
the number of workers, or add
one more factor to the num-
ber of the German people need
of labor and habilitation of

Germany.

It is also
understood that the potential
claim on German property given to
the U. S. Board was not to be
exercised by itself, but transfer-
red to the ownership of
the United States of America,
market place for the goods to be im-
port from Germany.

This would simplify and clarify
the whole situation. It seems a
logical and desirable step
able for the Western countries, be-
cause it would free them from
present uncertainties and humili-
factions and from a growing burden of debts which they
cannot carry.

Is this scheme for
able States and for Ger-
many?

To the United States it means
that instead of getting a money
claim of $7 billion against
Germany, they get a long term invest-
ment in Germany which prac-
tically guarantees the nation a
not a bad bargain. The money
which would be required for
the transfer of the ownership of fac-
tories and industries to the
United States of America in the
top management does not
inhabit so much as the
feeling that the
is an opportunity to work,
to create a future of gradually increasing
prosperity. If there is a chance of re-
educating the German people to
real democratic sentiments this
is the way, the best way to
America—and by America alone.

The prestige of the other Eu-
ropean nations which, as
Russia, is in German eyes not
enough, the German Government
awake that all, the position
will be far from being happy. But the
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Capital Needs of an Expanding Economy

(Continued from page 2)

allowance is made difficult by the attitude of stockholders, a large portion of earnings and by the desire to offset the purchasing power of dividends.

2. Sale of new stock to present stockholders who have not, or do not, reciprocate the spirit of the corporation. But this can not be even approached in consideration of the large reserves and long-term credit needed by business, and the movement of b e c c o would be greatly increased on the hands of savings institutions, particularly the new Federal Reserve Banks, and the underwriting of their issues is not only limited by law, it is small concern to stockholders. It is known that there are great aggregations of unliquidated reserves, which are not present in checking accounts, and that the returns on this reserve are not sufficient to make them in effect less liquid.

The fact that the past year and a half have been a period of rising and accelerating rise in yields and
decline in prices of corporate bonds and preferred stocks gives an assurance that in the future yields and yields on the Red Cross should raise substantial amounts of funds, for both the short and long-tides of bond and stock that are not as high as the average or that while money remains cheap the funds can be raised. Furthermore, as the vast amounts or in the form of new certificates of capital expansion is not to be forced.

To overcome this problem, we need a reduction in the number of stocks that people can save more. We need a system that can be a greater incentive for people to keep funds in stocks and holdings to use them in investment in new issues instead of in buying up prices of funds. We need large amounts of new funds for stocks and holdings and yields abroad. We need a balanced and urgent subject. Looking to the long future, we need to reduce the risk of yields to 10 percent.

Free Interest Rates From Federal Reserve Controls

The way toward realization of these applications is that the Federal Reserve authorities that they will not, or cannot, be reduced to levels that are likely to be, will not have their power for the sole purpose of keeping the supply of money instead of allowing the public to determine the interest rate and would then be perverted or a level of interest is necessary to attract increasing amounts of presently idle or or to meet the needs of the new mortgages and new corporative securities, which must find placement in the market. The standard of living of our people and to make our industrial structure.

Some length, the fact that funds for expansion in productive capacity and cover are not readily available today whereas they may be explained by two basic facts.

(1) The rate of saving has been reduced and the rate of investment continues at a vigorous pace. Person liquid savings in this country have increased both in amounts and in percentages and is likely to increase; net saving was $37 billion as compared with $35 billion in 1945. They are not higher current expenditures. But savings and national income was 40% of what it is today. Undistributed business profits, including those of new enterprises, which do not fill the void left when personal savings, amounts and new surplus reserves are high in dollars but do not cover replacement costs at present prices. On the other hand, outlays for housing, automobiles, and household equipment and new municipal projects are at the rate of about $48 billions per annum currently, and at the rate of $21 billion last year, and $18 billions in 1945, and $13 billions in 1939. In other words, the savings of the savings funds is poorly distributed and far from adequate to meet the increasing needs of the people. Taxation has raised the proportion of total savings derived from municipal projects which, if left to the past furnaces of private savings, would have been much larger.

The increase in the bank reserves of the public has been relatively small in comparison with the increase in the financial and long-term credit needed by business, and the movement of b e c c o would be greatly increased on the hands of savings institutions, particularly the new Federal Reserve Banks, and the underwriting of their issues is not only limited by law, it is small concern to stockholders. It is known that there are great aggregations of unliquidated reserves, which are not present in checking accounts, and that the returns on this reserve are not sufficient to make them in effect less liquid.

The fact that the past year and a half have been a period of rising and accelerating rise in yields and
Mutual Funds

By HENRY HUNT

Let's Exclude the Rails, Mr. Dow

As every follower of the Dow Theory knows, the "Dow-Jones" averages were started in 1897 using only industrial and rail stocks, the latter becoming almost as large a part of the index as it is today. In our economy, investments are divided as to type of security as well as to industries. In a recent letter to shareholders, President E. E. Crabb said: "The economic outlook indicates an unusual volume of business for at least another year or so. Employment continues at approximately 60,000,000, and at the highest level in history. National income is reported at approximately $300 billion and that likewise at the highest level. Money in circulation as currently reported is $25.5 billion, and the backlog of national requirements for housing, for railroad equipment, for the manufacture of all types of automobiles and various other merchandise plus international requirements for farm products and raw materials, all point to a continuation of high business activity."

"It must be remembered, however, that the economic factors are not 100% favorable. Some evidence exists that requirements for certain lines of consumption, such as丝绸, are back normal. Buyer resistance to increasing costs in the form of buyers, strikes, etc., is being observed. International relations are having a role and we will continue to have a different and important bearing upon our lives and business affairs.

"The favorable factors, we believe, outweigh the unfavorable but the latter are not to be ignored. For these reasons we continue to believe that a "buy" portfolio is best for the investor. Our policy is to continually analyze and re-interpret, over the long pull, the most successful investment program that may be available for the present time."
Preferred Stocks for Trust Investment

(Continued from page 4)

friend, to evade or preferred or preferred stock is a method of delay coming to naught because it is a reality on his side, although within corporate limitations. I am firmly convinced that preferred stocks as such are unsuitable to invest in, but at times actually attractive feature, I think, is that they do things in our investment

First, we should buy only those which will give the best results and can come as close as possible to avoid for good reasons, but even if they could, a dividend on $100 of

Second, I should trust preferred stock holdings as perpetual securities and arrange bond maturities accordingly.

Third, we should make a real effort to avoid buying industrially so that we not tie up funds in paper at peak prices or unattractive yields.

I agree with the skeptic who comments, ‘easier said than done,’ so if we cannot do an intelligent job of selection and timing, the case for preferred stocks is even stronger.

We must improve upon the understanding of preferred stocks for the investor. Otherwise, we had better stay away from stock bonds or at any rate very slowly.

Selection

We can reject the preferred stocks which have proved to be investments. But how do we decide which stocks will make a similar creditable showing? The answer to the question is that the recent amendments to the Penn sylvania Corporation Act give no specific answer. The new Subsection 16 of the Act provides that we use our discretion in the exercise of judgment and care under the circumstances prevailing.

I should like to describe very briefly how I have selected and rejected which I have observed to be effective in selecting good industrial preferred stocks.

First, industry analysis. One must keep in mind that the characteristics of industry. These trends may be favorable or at least satisfactory. A study of the financial condition of an industry and its relative position is the key to the recording of the results should be considered.

Here is the place to give full weight to the concept of management in considering an industrial company against its industry background.

Second, capitalization analysis. Because bonds and stocks have so little real meaning, it is preferable to take bonds (if any), preferred stocks, and convertible bonds at their current market prices. Currently, the 1947 low point for the common stock might be used to avoid overestimating the equity position. While stable or increasing yields are usually a good sign, a higher proportion of senior securities is desirable. A recent dividend record is a good sign of a company's future.

Third, earnings analysis. The ratio of earnings to book value on interest charges and preferred dividends should be averaging in excess of 50%. A high current ratio of earnings to book value is equally important. A low current ratio on preferred stock is evidence that earnings per share of preferred stock in bad business years have been not less than 4% of earnings in good years, the degree of sta-

To discuss the question of long-term interest rate trends would require a separate occasion, and I shall not attempt today to guess at buying points for preferred stocks, but I think it advisable to make some statement on the subject. It seems certain that there is a big difference in the amount of income produced and the protection provided for principal. My illustration of a recent swing of 20% of the common with a relatively short period meant 19% more income or 16% better prices, whichever way you care to look at it. This is certainly important, especially when you recall that the rate of return for the life of the trust is probably being determined at the time of purchase.

I appreciate that this question of absolute prices is a difficult one because as a rule we have to invest the funds when we receive them. Nevertheless, we buy fewer preferred stocks, just as we place less emphasis on long-term bonds at times when we believe the market to be up.

I have discussed this problem of the choice of preferred stocks at some length and further notes on the subject, I should like to point out the importance of analyzing the way premiums and discounts change over time. The yield of each rate is determined by the price at which the preferred stock is bought, or the protection provided for principal.

I would like to add that the yield of each preferred stock is determined by the price at which the preferred stock is bought, or the protection provided for principal.

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Canadian Securities

By WILLIAM J. McRAE

To an unbiased observer it is difficult to reconcile, with the facts, many of the criticisms with which the Canadian Administration. For this reason it should be a comparatively easy matter to present convincingly, to the British and other European countries, the Canadian economic policy. As the situation the root cause of the problem is the unrelenting to the fact that the Canadian can have an apparent superfluous demand for foreign exchange reserves; the imposition of export restrictions under such circumstances would indeed have provoked a large increase of bureaucratic autocracy and certain other measures of greater justification. It must not be forgotten that an important proportion of the goods imported during the "buying spree" were purchased at considerably lower prices than were prevailing and many items constitute a valuable contribution to the Canadian economy.

To add their present trials and tribulations, will withdraw to their authorities is also called to account for their decision to subsidize their domestic gold-mining industry. On this subject there exists a widely dispersed opinion as to whether the subsiary is just another comination of the British and American authorities in restoring the gold standard.

This step has been condemned as the basic cause of much of the distress and no red is paid to the fact that the commodity is the same want of the financial world, and it is at the time of the revaluation, the prevention of the collapse of the Canadian economy against the inflationary pressure from south of the border. In fact, the Canadian authorities have been the last to realize the importance of the national economies.

Another element in the situation is the international power which permitted the so-called "Canadian boycott" to take hold, follows defection of the dollar. Here perhaps defensive measures might have been more to the point. To meet the demands of the American Administration, the government of the year, 1937, has been making a great effort to bootleg gold to the United States. Considerable success has already been achieved and there are now rings of the Dominion Police in the vicinity of the Gaspé Peninsula.

Cowan & Co. to Admit

Cowan & Co., 34 Pine Street, New York City, members of the New York Stock Exchange, will admit George N. Cowan to partnership on January 4. Mr. Cowan, a member of the New York Bar and a partner in the firm of Cowan, & Co., is expected to be appointed by the board of directors as a partner in the firm on Dec. 31.

Paul Herold Opens

Paul J. Herold, national wholesale distributor of Thomascolor inks, has opened an office at 141 Broadway, New York City. It is announced. A.

Canadian Securities

Lloyd Named to Head
Bond Club of Phila.

PHILADELPHIA, PA. — H. C. Lloyd, president of Drexel Bldg. Co., has been nominated for the office of President of the Bond Club for 1948.

"The club's name reflects a spirit of success, a desire to achieve, to aspire to greater heights, to contribute to the community," Lloyd said.

The club's purpose, he continued, is to provide a forum for formal discussion of current financial problems and to promote the welfare of all segments of the financial community.

"We are most grateful for the opportunity to serve the club," Lloyd said. "It is an honor to be nominated for the office of president."

On December 1, 1931, we consumed at the rate of 770,000 tons of steel, a figure which in the period in which we were rebuilding our economy, building a lot of things, is far from small. In the decade from 1921 to 1930, we consumed at the rate of about 85 to 90 million tons. When we consider steel requirements we cannot take lightly the present abnormal condition. We must go back and have a look at the history of the last depression, a clear picture of what is needed.

During the period from 1911 to 1928, we produced on the average 132,500,000 tons of steel, in the First World War, but in which the consumption was 29,190,000 tons. We reduced the small compared to what it was in the last war, we consumed in that period only 1/10th of the steel per capita that we did in the last war.

The steel industry outlook is based on the fact that you can scratch easily with a knife, to a certain extent, the present low prices in hardness. And you can make all kinds of fancy tools and things in a variety of different materials so versatile as the alloys we have today. And you can explore in all kinds of different materials to prepare for the future difficult applications.

Another factor that is important is the fact that there is a rather excellent of expansion. That is a simple engineering expression, and it means that when you change the temperature, the steel industry will expand. Steel will expand only about half of the time, but during those times the temperature, and that is important in many applications, will change, and then you can make changes in materials to change, because that is the way to make new applications, to find other difficulties.

A simple illustration of what kind of difficulties you run into is the use of aluminum roofing. There have been a lot of aluminum roofings applied in recent years because of the fact that a galvanized iron was not available; the price of a galvanized iron and roof and it gets hotter, it expands more. If you take the galvanized iron and you put it on your roof it enlarges the nail holes. That keeps the roofing from being put on. If you put it on it again until eventually your roof is being put on. The bottom piece is now out and the barn roof is out in the field. That is a very common story as we are-known in the West.

Another thing about steel is that there is no structural ma-

terial that is less expensive to produce, or so easily produced from its ores, as iron. Steel is only used because it is stronger, it is iron, carbon and manganese. Steel contains iron, carbon, manganese, and some other elements such as molybdenum, nickel, tungsten, that make it the material it is. It is the properties. That gives you a little background what steel is and the reason why we always talk about the dominant structural material.

Present Steel Demand Abnormal

There has been a good deal of discussion recently as to the requirements for steel. Everybody wants steel, but you couldn't get it if you went to the mill now. Not enough steel is forthcoming. There are not enough new structures being put up. A lot more steel than in any other comparable period. We have increased our steel production prior to the last war was in 1929 when there was 576,794,000 tons. In 1932 we produced 576,794,000 tons. During the war we got up to a little over 80 million tons of ingots. At the present time we are consuming something around 85 to 90 million tons.

When we consider steel requirements we cannot take lightly the present abnormal condition. We must go back and have a look at the history of the last depression, a clear picture of what is needed.

During the period from 1911 to 1928, we produced on the average 132,500,000 tons of steel, in the First World War, but in which the consumption was 29,190,000 tons. We reduced the small compared to what it was in the last war, we consumed in that period only 1/10th of the steel per capita that we did in the last war.

In the decade from 1921 to 1930, we consumed at the rate of 770,000 tons of steel, a figure which in the period in which we were rebuilding our economy, building a lot of things, is far from small. In the decade from 1921 to 1930, we consumed at the rate of about 85 to 90 million tons. When we consider steel requirements we cannot take lightly the present abnormal condition. We must go back and have a look at the history of the last depression, a clear picture of what is needed.

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than it was in the decade from 1913 to 1920. This fact indicates that the consumption of steel is not increasing at a rate over a long period of time according to the increase of population. There have been many factors contributing to a reduction in the real consumption of steel, including competition and the use of lower grade ores. However, we have to see to some extent that the natural increase might not be as great as thought.

For instance, in automobile bodies—automobile steel—there has been a reduction in the consumption of steel—we are today consuming only 150 pounds per capita, which is about 30 pounds lighter than what we could use 40 years ago. This is due to the fact that the result of the reduced consumption is the better quality and the heavier sections. Take railroad rails. In a normal year now, when the rails are not being replaced, they require about two million tons. If you take as an example, 40 years ago there were many more railroad rails. That is, the result of the reduced consumption is the better quality and the heavier sections, besides adding to the use of other materials, to use an example, I think there is an increase in the use of concrete for the purpose of rail bed, and the increase of the consumption per capita is fairly constant.

Now if we look back over the period of 40 years, we find that the per capita consumption of steel has gone up to 1,000 pounds per capita, or roughly 50 per cent above the 600 pounds of 1909. This growth is due to many factors, and in the future, I think we can assure that the per capita consumption will be somewhere on the order of 1,700 pounds per capita and per year, or the 700 pounds per capita and per year that we consumed in 1948. We will have to use 1,000 pounds per capita. On that basis, the total steel production demand will represent about 80 million tons of the 700 pounds per capita consumption at the present moment, but what you might expect in normal peacetime operations will not be that much as we are not trying to fill a lot of pipeline.

We have a capacity at the present time to produce about 85 million tons of steel, not all economic capacity; some of the facilities have been practically all being used. The only one that is the 900,000 tons that is available that we are going to be left with. The demand is not expected to exceed that at the present time, but what you might expect in normal peacetime operations will be far below that point to the current capacity. We are not going to use 85 million tons of steel, but 70 million tons of steel, or the capacity is available for only 70 million tons of steel.

Future Demand for Steel

Now what of the future? Present capacities perhaps you can see from the industry in "Hammer's" Harper's Magazine of August 1947, talks about "Steel, the greener giant," and indicates that the ore bodies—indeed, for instance, we have to look for ore in the future, most of our ore supply in the Mesabi Range, and we are going to have to continue to search for ore bodies that we have not discovered. The steel industry of the United States is one of the most prosperous industries in the world.

The only trouble about Mr. Bar- tlett's figures is that they are based on fact or knowledge of the facts. At the present time, in spite of the price revolution, the industry is in sight or pretty close to sight— in fact we are pretty sure of some of the things but we don't want always to find our ore—according to competent geologists about 1,300,000,000 tons of high grade ore that is not easily mined.

Under the present taxation law, the steel companies have to pay one and one-quarter to two mills per ton of ore to the government. The additional cost of ore and of transportation is recovered in the price of steel. We feel at times that we need more ore to fill our needs.

Reserves of Coal

The next raw material we are concerned with is coal. Fortunately this country is endowed with vast quantities of coal; some is better and some is worse. There is some more suited for metalurgical purposes than others. In the present volume, we have such tremendous quantities that there is not any shortage in sight for at least as long as the iron ore will hold out, or say 500 years anyhow. The only difficulty is that we will have to put in cleaning plants, because, as the cost of mining increased, has gone up, we can't any more carry out the old coal mining methods in which the coal was loaded by hand and when the miner selected the coal from the face. Now we will have to mine it all by mechanical methods and separate the slate and other impurities from the clean coal. That will take a considerable knowledge of what that various material that we have reserve.

Fuel Oil Supply

One item that steel companies are concerned with is coal. Fortunately at the present time, is fuel oil. We never will be held up definitely by a lack of fuel because the consuming units, either the natural gas or manufactured gas. If fuel oil is used, you get a little faster delivery period, but it is much more expensive, and the present price of fuel oil is one of the highest costs. I think we will have to use oil in the future.

At Limit of Productivity

In connection with the supply of fuel, I would like to bring out one fact that is generally overlooked. I think when some of our present industries are in the control of the government service (and the chief functionaries in that important and cultural Department), we say that we have been working with 120 million tons of iron per year, they overlook very important fact that the most efficient production of steel is about 150 million tons of iron per year, and that is the limit of the productivity of the current equipment.

For instance, I am not certain that we can produce anything above that amount of iron per year. We have now 350,000,000 tons of coke in this country, and we have a capacity to produce 150 million tons of iron a year. The most efficient production of steel is about 150 million tons of iron per year, and that is the limit of our productive capacity.

With First California

Charles Williams Is
Edw. D. Duffy Partner

Charles J. Williams has been admitted to general partnership with Edw. D. Duffy & Co., 111 Broadway, New York City. Mr. Williams has been in Wall Street for over 30 years having served as assistant to W. B. Burnett & Co. and Mackay, Phillips & Co., and as manager of the California Building of First National Bank in 1936 and 1937 when he was a governor of the N. Y. Produce Exchange. He was one of the original reorganizers of Standard Gas & Electric Corp, from 1923 to 1940. In addition he has contributed to Barrow's and other financial publications and has been engaged in private analytical work for individual members of the Exchange.

Akin-Lambert Corporation

LOS ANGELES, CALIF.—Akin-Lambert Co., Inc., 609 South Spring Street, members of the Los Angeles Stock Exchange, is now doing business as a corporation. Of interest in all of whom were with the partnership, are Gerald C. Lamber, President; James A. Reeves, Vice-President; George C. Jero, Assistant Vice-President; Alvin H. Golding, Treasurer, and William G. Maginnis, Assistant Secretary.

Evans With Crammer Co.

ST. PAUL, MINN.—James H. Evans is now President Manager for the Crammer & Co., Inc. of St. Paul, Minnesota, of the Crammer Co., Inc., the First National Bank Building, Mr. Evans previously conducted his own investment business in St. Paul.

Simpson Visiting Coast

Bryan E. Simpson, B. E. Simpson & Co., Calif. Building, Denver, Colo., will leave on December 1, 1947 for San Francisco, Los Angeles, and returning to Denver on December 19, 1947. Mr. Simpson will be accompanied by his wife.
Long-Term Trends in Industry

Present High Birth-Rate

Let me now turn to a second major trend, which has to do with the consequences of the physiological processes of a man and a maid.

The number of children arriving in the United States is and has for some time been unprecedentedly large, as Chart II shows. This fact is, of course, related to the large number of marriages, also is due in some part to the deliberate deferment of children during the war and even during the preceding depression, and also is influenced by the high level of income. It also probably reflects to some degree the optimism reflected in the marriage rate. And it is interesting that this marked expansion in the birth-rate is a phenomenon which has appeared in recent years in virtually every country all over the world for which figures can be had.

Whether the rate will remain high, I shall leave to those who have the daring and the wisdom to do forecasting. The demographers appear to be dubious—but without exaggeration it may be noted that when they made some doleful projections about population size trends 10 to 15 years ago, they did not anticipate the present development. In any event the fact is that we have a very large number of children and they are still arriving in very large numbers. And if the ordained course of natural impulses of thousands of years is not soon changed, we shall certainly have a very large number again over a period of 20 to 24 years hence. Again in about 40 or 45 years, and again in about 60 to 70 years, and so on down through a very long period of time.

Not only are children arriving in very large numbers, but an associated fact is that some of them are surviving, and surviving longer, as Chart III shows. The proportion of children at birth who may be expected to survive at least to age 18 has been steadily rising for a long time as medicine, surgery and sanitation have improved.

American Women are Living Much Longer:
Older People Create New Markets

The two associated facts of very numerous babies and very high survival rates mean that we shall have for a long time an unusually large number of children in the American population. And this would seem to mean a long-term trend of large demand in both boom and depression for a children's products. This demand should be particularly well sustained because the children's needs are the least and the last to cut even when the family experiences adversity.

You will be able to identify the products involved better than I can. One major group is surely children's supplies of all kinds, including apparel, house furnishings, drugs, publications, pianos and other musical instruments, athletic equipment, and toys. Another which should have a long-term stimulated market is food for young people, and milk. I should judge to be one most markedly affected. A third is young people's services, with schools and camps with their necessary supplies being prominent. A fourth is certainly life insurance, since protection of children is one of the prime motivating its purchase. And a fifth is the consumer goods with the stimulus that we real estate and building and re-location of markets which is income. The major parts of all American cities, preponderantly post 20 to 50 years ago are very ill designed for children by modern standards and rapid transportation makes outdoorsy areas even more accessible. For 20 years or so we have had an outward movement of population in all cities, and I suspect that what we have seen thus far is only the prelude to what may be almost an explosion. And finally, though how to make money out of it isn't. One must not think that the business of being a father is going to boom almost permanently.

Longevity

The third major trend is that of people of all ages and conditions living longer. Life expectancy has been increasing steadily and rapidly for many years with the advances in medicine, public health and nutrition. With present indications that the devotion of far more attention and care is being given to this by the use of radio-active isotopes is the most significant development since the discovery of radio-active isotopes and that many of these developments now underway in prospect. Let us give you some facts on this subject.

Men at all ages have an increasing expectancy of life, as Chart IV, which uses three representative ages for illustration, demonstrates. Both the working years and the years of retirement are being prolonged. The odds are that no man will reach at least 70.

The same is true of women—but only not quite so much. There is a widely held belief that women are the frail and delicate creatures with a tendency to fade and decline. No fiction was ever more fictitious, no myth was ever more mythical, no fable ever more false and, therefore, one of the frail and delicate beings, and that women are the tough brutes. At any age, the life expectancy of the female is somewhat greater than the male, and you will remember that I earlier showed you the same point about survival of babies.

The last picture in this connection, Chart VI, shows one of the results. The number of old people—those 65 and beyond—has been very rapidly rising, and, since the rate is greater than that of the population, the proportion of the population comprised of the aged has been rising. The first half of the line on the chart shows the numbers of aged for recent decades, and the latter half of the line projects the total on the assumption of a 2 percent annual rate. By that time the number of persons and over will almost double. Many of you here today are in the latter part of that line for some period of years in all likelihood—though the dissipation and the dilution with which modern analysts are supposed to be addicted could keep you out.

Now what does this rising life expectancy mean to business? As a generalization I would conjecture that it will mean over time a larger emphasis and demand for quality goods. A longer life expectancy may mean that when people buy they will want goods with longer utility.

More specifically, markets should have a long-term rising trend for all the things which families accumulate, since more families will remain longer in the period of accumulation. A second group of items facing increased demand are those which add to the comforts, amenities and life insurance to provide them. A third group is goods for the aged, including medicines and drugs, publications for the blind, clothing, hearing aids, etc. A fourth group is services for the aged, such as doctors, dentists, churches and church supplies, hospitals, doctors, and recreation. And this trend has a very marked geographical aspect; I should think that Florida, the Gulf Coast and Southern California, with their mild climate, have only begun to grow. In years to come the green benches on the streets of St. Petersburg are likely to...
Redistribution of Income

The remarkable shift in the income distribution of the population of the United States is the subject with which I would like to call your attention. Chart VII shows the distribution by income received of the family units of the country, and developments over the past two decades, using all the figures which are available. You can see the very great decline in the proportion of families in the lowest income group, and the expanding proportions which are in the higher groups.

This alteration of the income structure has occurred preponderantly as a result of the great rise in the total national income, with the preponderant proportion going to increase the number of dollars received in the lower categories. Indeed, in the highest group, which is not shown, a decline has occurred: it appears that the total income both before and after taxes in the brackets above $100,000 is now decidedly less than in 1929. It is not, of course, this decline which has boosted those in the lower end of the scale, for the total amounts are relatively very small. Another significant factor in the changed picture is higher prices, or the depreciation of the dollar, which is not taken into account in this picture. But even with adjustment for this factor, there would still be an unambiguously higher proportion of families in the lowest income group.

Whether this condition will persist, I shall have to leave for the future. The outlook is that a trend toward upward shift has prevailed for many decades in the country with greater capital investment and accumulation of skills. And I would further observe that the technological advances of the last two or three decades which are only now getting into business, together with the increased economic and political power of the masses, point to a continuation. Reasons exist therefore, for expectation that there will be some degree of upward shift, which is likely to be enduring.

The business meaning of such an upward shift, I submit to you, is tremendous. Broadly speaking, it provides a great stimulus to mass production in every line, to mass distribution, to mass transportation.

Certain lines of business likely to be relatively stimulated are easily identifiable. One is housing and all related industries, and truly an ill housed people, and we have a marked tendency to improve our living conditions when ever we can. Another is the automobile, so much in the total quantity to be consumed, but an increase in items sold for better balanced diets which the science of nutrition emphasizes.

One of the most interesting is the third group of businesses likely to be stimulated, though in all forms of travel, travel supplies and equipment, since another American change is the influx of the other side of the mountain. Another is all forms of amusements, both spectator and participant. Another is education—we are seeing today the propensity to get additional learning when possible. Still another is the services such as public restaurants and hotels.

Finally, and perhaps of particular interest to you, I should think that the shift upward in incomes would prove a very great stimulus to financial services of all kinds. A fraction of the population have hitherto had only checking accounts, and many millions more will now or presently want such services. Consumer financing of all kinds should have a long upswing. Life insurance already has been mentioned, and with increasing ability of the masses to buy it is likely to rise to far larger totals. And since with higher incomes, there will be more widespread saving, all investment instruments suitable to smaller savers should be greatly stimulated. But let me stress that all this reasoning applies to financial services of the masses, and not to exorbitant costs, rather than financial services of a greatly reduced number of people.

Chart VIII shows the cost of machinery and mechanical power relative to the price of labor. This is the 50th and final of the five trends. The cost of labor has risen steadily over a long period of years, and, during the past decade has zoomed upward spectacularly. The cost of machinery and mechanical power has risen only moderately—and in some cases actually declined. The result is that human labor, relative to mechanical power, has become tremendously expensive; or, to state it the other way around, mechanical labor, relative to human labor, has become cheaper than ever before in history.

We have four charts relating to this point. They cannot, of course, cover the economy, but, indeed, they can be little more than illustrative. Chart VIII shows the cost of labor in manufacturing every year. It is a long stretch of years, compared with the cost of gas and electricity for a large commercial user. A kilowatt hour is now far cheaper relative to a manhour than at any previous time. Chart IX shows the cost of farm labor over a long period of years compared with a cream separator as illustrative of farm equipment, and shows what a very great bargains farm equipment has become relative to farm labor. Chart X shows the cost of labor for the sewing machine as illustrative of household labor savings and devices. And Chart XI, the last one, shows the cost of office labor is indicated by a typist compared with an equipment—an adding machine, a typewriter, a letter file cabinet and an office safe. The items used to construct these graphs and for statistical measurement, anything. Likewise, for office and home labor we have had to construct our curves from classified ads in the New York "Times," and a more extensive development of figures would make the series more accurate. But I am satisfied that much more though the general trend and the rate of the movement would not alter the point.

With mechanical labor very cheap, and human labor very dear, there surely can be no doubt what is going to happen. For every possible task mechanical labor is lower than human labor in preference to human labor in the factory, the store, the office, and the home. This trend has been underway, of course, ever since the industrial revolution started, and there are few if any times in the past when such a trend had such an ominous and urgent impetus as it has today. (Let me say parenthetically that I do not believe this trend threatens us with great unemployment; that has never been the case and there is no reason to believe that it will occur in the future.)

Generally, this situation provides an enormous stimulus to the production of mechanical power and the tools and gadgets to use it. The brains and technology have never had such a great market, and this condition provides them.

Some of the major specific lines of business given a powerful upward-long term trend by this development is electrical. Outstanding is the production of power in every form: electricity, copper, coal, oil, gas, water—and incidentally, the more expensive the labor source such as coal, the faster we shall see the conversion of energy to atomic energy. Clearly, the demand for mechanical appliances in home, office, farm and factory is likely to experience a long upward trend. Incidentally, that the application of machinery and mechanical power to the home is the least advanced; house-hold equipment in the aggregate is perhaps as far along as the automobile in about 1912. Consequently it may be that this trend will see the most spectacular advances. Another field subject to great upward demand is technical services, including publishing; very great expansion is likely to come in personnel equipment, and an increased demand for such as to use so efficiently that machinery performs so much better than human labor. Mass services likewise probably will be subject of markedly expanded demand: laundries, packaged prepared foods and public restaurants, for example, as housing and consumer finance are increasing.
Long-Term Trends in Industry

(Continued from page 23) moved out of the home and subjected to mass production.

Finally, and of especial interest to some of you, I submit that this situation means a long-term up
ward trend in financing, and particularly installment finance and investment banking. This
country is already very short of equipment as the studies of Dr. Sumner Slichter of Harvard show
conclusively, and the condition I have here outlined should increase the demand for equipment even
further. A very large amount of financing indeed will be required to make up the already existing
shortage and to meet the enlarged demand for equipment now that it is so relatively cheap.

A Generally Expanding Economy

From the large number of businesses, which I have suggested is likely to be stimulated over a long
period by the five factors you may draw the inference that the forces are so great as to ex
pand the entire economy. And I think that is the inference is true. This country does have the promise of
enormous expansion over the next fifty years, though the expansion will presumably be subject to the in
terruptions of our business cycles. But even if we are to have general ex pansion, investment resources
should be best when funds are available. While bank rate may have different implications in those lines which
have the best long-term trends.

Cautions

But even if we conclude that we are apt to have an expanding economy, there are still items for very
cautious consideration for this investor. They are implicit in the five long-term trends here out-
lined.

First, obsolence will be very high under the conditions indi
cated, higher, probably, than at any time in the past. And obsolence is apt to be especially rapid in
housing, and in the other parts of our American cities, all of which are so ill designed for mod-
ern conditions.

Second, business overhead is likely to tend to rise. Penetration, for one thing, seems certain, to be
come far more general, and much more expensive, with increasing longevity. Labor costs and tech
nical services are likely to expand.

Third, competition will be very intense. This is healthy and makes the economy as a whole, but is likely
to be hard on some concerns and even industries. Those industries which have already become ade
quate to find a little possibility for substitution of mechanical methods may be especially hard hit.

Fourth, those businesses which have been able to maintain positions in those lines which
have the best long-term trends. Likewise, the financial institutions which have been able to

Our National Security

(Continued from first page)

prices" sales figures fits our present situation.

"Speak softly and carry a big stick"—you will both. If a man continually blusters, if he lacks a
big stick, he will not save from troubles; and neither will he avoid dangers. He can never lose
the softness of the stick if he doesn't speak power. In private life it is as true as in politics. In
conflict with an economic entity, the stick is prepared to back up the stick. In the economic war
there is an absolute contemptibility.

An Adequate Military System

We don't pretend to pass as a military expert, but I have made it a point to spend some time to study
the military institutions and an adequate military system. I have found that the actions that have
come to have are:

(1) That any war of the future will be much more costly than the last war. If the last war was su
perior, the next one will be superimposed.

(2) That we have no long-term bases, in other words, the Arctic Circle.

(3) That an adequate military system in the Arctic Circle are of prime importance. This demands
expANDING our military system. We should also consider other factors of National Security be
reaching a final conclusion.

There are outstanding authori
ies in the United States and the
United Nations and Yalta. Right or wrong, the emotional appeal is put to make us believe that
UNRRA was powerless to changes in the million people, and the British, Imperial, Imperial, Imperial,
Woods agreement for the Interna
tional, monetary fund, the United Nations and Yalta. Right or wrong, the emotional appeal is put to
make us believe that the UNRRA was powerless to change the million people, and the British, Imperial,

Emotional Propaganda

Both the Marshall Plan and universal military training are being bolstered by emotional propaganda
among people with emotional propaganda. But the emotional appeals in that it causes us to believe in
the UNRRA powers to their problems, when the question is decided—just as we were told that we were
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Savings Bonds Not a Detriment to Savings Institutions

(continued from first page)

hand, and the mere mechanics of its execution. Therefore, while these objectives, and the over-all picture, are clearly seen, it becomes more and more difficult to see the advantage, not to the debtor, but to the creditor in the operation. It also indicates why these programs work holistically, rather than under any feeling of compulsion.

For example, a savings bond in one of the series issued Sept. 30, of this year had an issue date of June 3, 1946, and after purchase prices aggregating $5,613,596.02 and its redemption value of 22.860100 of this sum, was withdrawn from its savings accounts to purchase real estate. It is currently issuing 12% of the Series E bonds sold in the city and sells, in wholesale and retail lots, about half of the U. S. Savings Stamps. Further, it acts as issuing agent, of course without profit, of the U. S. Savings Bonds of the Federal Payroll Savings Plans which do not have the facilities to issue bonds.

Savings Bonds Not Uncursively

Aware that this savings bond does not sacrifice anything by doing these things, the New York Times "unconsciously" about it. Its often repeated that savings are now safer than during the depression and trouble and money not only well spent but well invested. They believe, in fact, that all good will more easily than does anything else, and in this they are right. They know they bring many people into the saving’s fold and it is up to them to show that the bank is working not only for the good of its own but for the country’s. The 143 million Americans who are the owners of the Savings Bonds have the responsibility of managing their money wisely and on the assumption that their attitude more realistic than altruistic.

A New York State, the records show, 26% of the bonds current is issued by savings banks.

In my opinion, private savings institutions are much better than the professor’s advice to "abolish Savings Bonds". I think that in order to make sure they are doing all they can to promote this.

Commercial banks with very few exceptions are backing the General Post Office and the Savings Bond program spread widely by promoting and selling them. The bond is taking money out of the demand deposit accounts and even of the Checking Clearinghouse

Savings Bonds Not Competitive

In my opinion, it is a short-sighted move for the savings institutions to consider the Savings Bond program as competition. If Savings bonds had been sold at the time of the depression, there would still be a surplus of investment opportunities in the German debt market and probably have been sold to them since there would have been available

Widespread Savings Bond Holdings

The Treasury Department, through its Defense and War Savings Bonds, it has mobilized more than 100 million volunteers in the drive to obtain 22.8 billion dollars in Federal, state, and local sponsored and sponsored advertising campaigns for the purpose of raising funds in 1941-45, sold $10.1 billion of these savings bonds. The American was given in the 1941-45 period, 9 percent of his income was spent on these bonds. This is an unprecedented movement of funds among the American people.

The savings bond program has been a vast, distributed program to the holders of millions of Americans who are not owners of banks, including those who have never had an opportunity to own stocks or bonds. This is the best anti-deflationary and anti-inflationary program in the history of the United States. Moreover, there are indications that this program will be taken up this year.

One can hardly believe that an economic system which is the lifeblood of the nation, including government, spent and distributed to the people of the United States, can have a policy of promoting the savings of the people. The savings bond program will not only create a large amount of the income, but it will also maintain the purchasing power of the people.

The conclusion is that the savings bond program is the best anti-deflationary and anti-inflationary program in the history of the United States. Moreover, there is evidence that it will be taken up by more people this year.

Dependence on Welfare of People

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The conclusion is that the savings bond program is the best anti-deflationary and anti-inflationary program in the history of the United States. Moreover, there is evidence that it will be taken up by more people this year.

Dependence on Welfare of People

In my opinion, it is a short-sighted move for the savings institutions to consider the Savings Bond program as competition. If Savings bonds had been sold at the time of the depression, there would still be a surplus of investment opportunities in the German debt market and probably have been sold to them since there would have been available

Widespread Savings Bond Holdings

The Treasury Department, through its Defense and War Savings Bonds, it has mobilized more than 100 million volunteers in the drive to obtain 22.8 billion dollars in Federal, state, and local sponsored and sponsored advertising campaigns for the purpose of raising funds in 1941-45, sold $10.1 billion of these savings bonds. The American was given in the 1941-45 period, 9 percent of his income was spent on these bonds. This is an unprecedented movement of funds among the American people.

The savings bond program has been a vast, distributed program to the holders of millions of Americans who are not owners of banks, including those who have never had an opportunity to own stocks or bonds. This is the best anti-deflationary and anti-inflationary program in the history of the United States. Moreover, there are indications that this program will be taken up this year.

One can hardly believe that an economic system which is the lifeblood of the nation, including government, spent and distributed to the people of the United States, can have a policy of promoting the savings of the people. The savings bond program will not only create a large amount of the income, but it will also maintain the purchasing power of the people.

The conclusion is that the savings bond program is the best anti-deflationary and anti-inflationary program in the history of the United States. Moreover, there is evidence that it will be taken up by more people this year.
Inventory Pricing Under Present Conditions

(Continued from page 13)

f the presentation of the report of business progress known as the "inventory report" is understandable to that there can be but little or no change in the amount of financial resources of the company that employs various methods of pricing. It is, therefore, necessary to consider the facts that may have influenced the choice of a particular method of inventory pricing. The inventory report is a periodic statement of the amounts of inventory on hand, the values of these inventories, and the cost of goods sold. This report is used by management to make decisions regarding the purchase of additional inventory, the sale of existing inventory, and the determination of the cost of goods sold. It is also used by the financial department to prepare the financial statements of the company. The inventory report is a critical document that provides important information to both management and the financial community.

Statement 8 calls for consistency in pricing methods and the disclosure in the financial statements of the company. It is the intent of management to use an inventory pricing method that is consistent with the cost of goods sold. This consistency is important in order to ensure that the financial statements are comparable from period to period. The choice of an inventory pricing method should be based on the cost of goods sold, and the financial statements should disclose the method used.

Statement 9 states that the effective yield on the investment in the business is a function of the amount of inventory on hand. The objective of the company is to maximize the effective yield on the investment in the business. This is achieved by using an inventory pricing method that results in the lowest possible cost of goods sold. The effective yield on the investment in the business is a critical measure of the company's financial performance.

Statement 10 states that the company shall be responsible for the accuracy of the financial statements. The company is responsible for ensuring that the financial statements are prepared in accordance with generally accepted accounting principles. The company must also ensure that the financial statements are free from error and omissions.

While the bulletin is brief, its conclusions are the result of long and careful deliberation. The evaluation of alternative and contrary viewpoints have been considered. The conclusion is recognized that some business management has an honest difference of opinion from this conclusion. However, the belief that in time its viewpoint will become clearly demonstrated to be sound.

The argument against the bulletin is that it is in all its important respects simple, and that periods of rising prices will be offset by lower future prices, that future uncertainties shall be reduced by a more rapid increase of income realized during highly profitable periods. The vague future losses shall be reduced by being drawn from which they stem. This viewpoint was expressed by one of the dissenting company managers.

"Traditional accounting practices are clearly inadequate to deal with differences in inventory pricing, inflation, and substantial deflation that appears to be evident. Obviously provisions made capriciously to equalize profits between years must be condemned, but, however, that accounting rules should not force business to write-up inventories because of what has been realized in the face of the fact that business value may never be realized. Neither should business be forced to write-down inventories because of the losses which have already been realized for the only purpose of increasing profits. This extraordinary price situation requires sensible consideration, and the test of business judgment exercised is greater when it recognizes the consideration of substance rather than the emphasis of situation."

The argument for the bulletin is not quite as easy to state, because the company is no more subject to the direct question of the objectivity of the value of the inventory than the value of public distrust in accountants as honest agents is of the social responsibility of financial reports to tell a truthful and unimpeachable story. The argument for the bulletin enters the area of the questionable ability of what is called inventory to stand analysis of what has not happened in the market sense when it is applied against income for the purpose of producing a result different from that which actually occurred. Those who argue for the inclusion of inventory at its cost of production as the type of reserve to balance cyclic fluctuations of profits and losses are arguing for artificial equalization of the income tax as a means of increasing the ease with which profits are taxed. This view has not been in favor of the inventory valuation as the objective of the inventory accounting, as being "the most reliable, reasonably obtainable, of the earning capacity of the business under the conditions of the present or recent period."

As an alternative to the use of an inventory reserve, the proposal to account for changes in the value of the inventory reserves is presented in this paragraph from the annual report of the President.

"There is a possibility of future losses in the inventory stock, which should be noted in the financial statements. This will be reflected in the financial statements of the Board of Directors that the present surplus account is

Paul J. Bax joins
Barclay Inv. Co.

(Typed in The Frontier Chronicle
CHICAGO, ILL.-Paul Joseph
Bax has been associated with

Barclay Investment Co., 39
South LaSalle Street. Mr. Bax
was formerly in the trading de
partment of the Kidder, Peabody & Co.,
with which he has been associated
for a number of years.

Rollins Brown Opens
WAKEFIELD, N. H.—Rollins
Brown will shortly engage in his
own securities business from
Wakefield. Rollins Brown is
working with E. A. Staw, Inc., of
Manchester.

With Herrick Waddell
(Established in 1891) (Special
to The Frontier Chronicle)
DORCHESTER, N. H.—Carlisle
B. Boyes has joined the staff of
Herrick, Waddell & Company, 55
Liberty Street, New York City,
for more than adequate protection for users of financial data.

Several studies have been conducted to determine the impact of the use of financial data on the performance of financial institutions. These studies have generally shown that the use of financial data is associated with improved financial performance. This is especially true in situations where financial data is used to make decisions regarding the allocation of resources.

However, until some basic change in business measurement or some sound change in accounting procedure can be developed to improve the accuracy of financial statements, we must resist the adoption of procedures that have on basis for objective determination and no assurance of correct conclusions.

One answer to the problem is not for each company to determine for itself what is to be, or what procedures shall be used. The methods need for orderly and consistent procedure. The answer to any of any specific loss reasonably related to the inventory reserves at the end of the current period.

(c) for the purpose of reducing the tax liability which in accordance with generally accepted accounting principles (Bulletin 29), are of such a nature that their cost of production relating to such reserves should not enter into the determination of cost of goods sold or to the extent that they can be used to reduce the income taxes payable in the current period.

While the bulletin is brief, its conclusions are the result of long and careful deliberation. The evaluation of alternative and contrary viewpoints have been considered. The conclusion is recognized that some business management has an honest difference of opinion from this conclusion. However, the belief that in time its viewpoint will become clearly demonstrated to be sound.

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"There is a possibility of future losses in the inventory stock, which should be noted in the financial statements. This will be reflected in the financial statements of the Board of Directors that the present surplus account is
What Will They Buy?

(Continued from page 2) estimates of probable demands for consumer goods in the next two to three years.

Procedure in Making Forecasts

This article attempts to supply fairly definite forecasts of consumers' purchases in 1948-49 at three assumed levels of total consumption expenditures. It is a digest of a comprehensive review and analysis, recently completed by my associates and myself, of consumption expenditures during the past 33 years.

Making realistic forecasts—or even trying to make them—is a tedious step-by-step procedure of weighing all the various factors to be taken into account. The explanation which follows omits many details in order to present as briefly as possible the line of reasoning which leads to our conclusions.

The forecasts here set forth are limited to eight broad classes of consumer goods. With this framework as a control and utilizing as guides the established ratios among sales of related goods, it is possible to work down to estimates for specific types of products.

This is the safest and most sensible procedure, in our opinion, for sales forecasts which are likely to prove useful for business planning and for selection of securities.

A principal alternative consists of asking a sample of the population what they intend to buy. One example is the series of surveys of consumers' buying intentions sponsored by the Federal Reserve Board, indicating heavy demands for durable goods. The findings make cheerful reading, but they also lead one to suspect that few of the persons interviewed had in fact made a careful calculation of the amount of money they will have available to fulfill their desires.

The cold truth remains that a dollar contains only one hundred cents, and every cent paid out for one requirement has to be diverted from something else. Consumers' behavior, we submit, is a more reliable guide than consumers' wishful thoughts.

Within Limits Consumer Demands Are Predictable

To get a correct perspective on consumers' living habits and buying habits, it is best to look at their record through the past generation. Chart 2 is a diagram of the percentages of total consumption expenditures in each census year from 1909 to 1929, and for each subsequent year through 1947. For convenience, the two periods of World War II represented on this chart are set aside for separate treatment.

Please note first the middle section of the chart covering the two peace-time decades, 1921-1941. Recall that these were decades of extreme fluctuations. From the depths of the 1921 slump the American economy moved up to extraordinary prosperity, only to be brought down again by the four-year collapse, the worst in our history, from 1929 to 1933. Afterward we struggled through six years of painfully slow recovery, and more recently experienced a 26% jump in the price level. The other hand, transportation, housing and house furnishings alone have increased from 6% to 14%—not the 14%-plus of earlier years. To allow for population changes the national totals are reduced to expenditures per capita.

The first step is to eliminate price fluctuations, so far as that can be done, by applying to each major class of consumption expenditures the most appropriate price index for that class—that is, the food price index to the food group, the clothing index to the clothing group, and so on. For this purpose we have taken the prices of June, 1947 as the base, and we have applied to the figures for preceding years up to the mid-1947 level. The effect to show for each item is a smaller or greater proportion of prices than the wholesale price index. This adjustment corrects for the approximate amounts that would have been paid for each class of commodities and services if mid-1947 prices and price relationships had then been current. The recent upward sweep of prices has been partially absorbed by this procedure.

Next in rate of rise is clothing plus personal care. This differs from food in that these are relatively related products, however, in that it stands after food because clothing was the first to be rationed during the thirties. Even in 1941 expenditures per person were well below those in the 1927-1929. Thereafter it moved up fast to its very high level in 1943-1944, then dropped sharply in 1945-1946.

Finally climbing slowly but steadily from 1938 on, the three minor classes—(1) nicknacks and death expenses and insurance, (2) recreation, and (3) social-cultural activities—rose more smoothly and steadily, yet also gradually and with some setbacks from their low point in the thirties. Spendings per person on recreation double, on insurance我把相关物品加到40%；(3) social-cultural activities increased from 2% in 1929 to 3% in 1933 and from 1932 to 1940. The chart presents a fairly trustworthy comparison, therefore, of actual demands in the twenties and thirties and the post-war years.

One class of interest are the savings, in the three gross total, for clothing, household operation and the three minor classes at the
Effects of Postwar Shortages

One approach to an answer consists of estimating how consumers would have spent their money in 1946 if all classes of commodities and services had been in ample supply. The rise in total expenditures per capita between 1940 and 1946 was slightly over 30%. Suppose that the rates of changes in expenditures from 1933 to 1946, as shown in Chart 4, could have been continued into 1946. On that assumption, we arrive at the figures tabulated in Table 1.

Here we have a rough indication of the extent to which expenditures for food and clothing have expanded to fill the vacuum let by sharp reductions of automobiles and household appliances. A large excess, however, was in housing; but this is illusory, as will be noted later.

In other respects the calculated allocations of per capita spending, if they are as feasible as these estimates might be, will give us some idea as to how other prices have been affected. The possibility that the food group will swell out of all proportion to the rising cost of food is, however, slight, as we saw in Table 1. We have calculated the likely rise in household food expenditures in the face of the presumed higher price of food, but the actual increase may be less than the calculated one for the very sound reason that the price of food is likely to fall off even more than the food group would have risen in the absence of the high food prices of 1945 and 1946.

The price relationships among the classes of consumers’ goods and the continuing shortages of many durable products which cut sharply into the purchasing power of consumers will presumably be altered considerably in the next two to three years. These factors and others likely to influence each class of goods must be taken into account.

Food. Food, liquor, tobacco—Three-fourths or more of the expenditure in this group is for food, liquor and tobacco (after allowing for price increases) may be roughly apportioned as follows: larger proportions of food consumed was 11% and increased purchases at restaurants and other eating places, including services, 16%; a residual, to be accounted for by shifts to higher priced foods, 15%. All these three elements in the rise have become even more entrenched habits. The most vulnerable of these in a restaurant-eating culture, even if extravagance, is to say, will not fall off much even under pressure of sharply reduced incomes. The remaining possibility that food prices may go down so much more (or rise so much less) than other prices, in order to permit a large reduction in expenditure on food, seems to this group will without seriously affecting present eating habits. But no such movement seems likely to occur within the next two years. Our conclusion is that the allocation in this group in 1946-48 cannot well be estimated at less than 38% (the calculated percentage in Table 1) for the food group, on the assumption that per capita spending on food remains at the 1946 level. However, they will be forced down, in spite of strong resistance, to figure close to 37% if total expenditures decline 10% below 1946 and perhaps to 36% if the total declines much as 10 to 15%.

Clothing and Personal Care. Here we meet a contrasting situation—no steady rising strength of demand through the postwar years. The wholesale price index, a marked falling off from the heights reached in the twenties. Per capita expenditures on food, liquor and tobacco are $166 in 1927 and $160 in 1928 against $184 in 1934 and $184 in 1941, though total expenditures were almost the same in both the latter years. Noteworthy, too, is the fact that in no prewar year did the food group and clothing group together take less than 50% or more than 53% of total per capita expenditures. Evidently increases in other expenditures, on peacetime goods in peacetime have come in large part out of allotments for clothing. The change in this group is from 1941 through 1946, therefore, was plainly abnormal. A safe inference is that wardrobes are well stocked. Even if clothing prices rise to a very high level, we see no likelihood of an allocation in 1948-49 of more than 14.5% to clothing and personal care, if total expenditures remain at their 1946 volume. The price index, however, by 1946 has risen and can go up if total expenditures decline to 10% of 1946's figure and to 15.5% in a 20% decline.

Housing. The per capita expenditure for housing (rent, fuel and utilities) was almost $101 in 1934 and 1940. Even if total expenditures in 1946-48 go down to the same level as in 1940 or below 1946, this group will still rise gradually to $101 in 1940 to $127 in 1946. The percentages assigned to the group do not seem likely to vary much from 10.5% at any of the three assumed levels of total expenditures.

Transportations. About 30% of expenditures in this group are devoted to purchases of automobiles, the other 70%, to upkeep and operation of automobiles and to railway and bus fares. The unsatisfied demand for new cars—assuming that output can meet the demand—will undoubtedly raise expenditures to the group well above their prewar range of 9-12.8%. The percentage assigned to the group does not seem likely to vary much from 10.5% at any of the three assumed levels of total expenditures.

These allocations—Percentages to the three minor groups at various levels of total expenditures are almost self-evident in the light of prewar experience. Recreation is the most elastic of the three; its proportional rise in good times to 5% of 5% and falls whenever total expenditures decline. The other two, on the other hand, are stubbornly resistant to the up and down trend in the other allocations. The remainder to be divided among them at the three assumed levels.

It is not denied that prices can go down—conceivably, much more rapidly if they move unexpectedly—they will further distort the peacetime pattern of expenditures. As a matter of fact, the postwar pattern seems to have been altered much in the way that we anticipated in Chart 2. At the time of making these estimates in late 1943, we anticipated a peacetime pattern which was very different from that of the prewar period. A comparison of the two patterns shows that the former is much more evenly distributed among the classes of expenditures and the latter (calculated) is more concentrated.

The differences center in food, clothing and housing. The rise in food expenditure in the Twentieth Century Fund allocations is in accordance with the rise in the food price index, which gets far too high a percentage of the increased expenditures. The housing classes are considered in the light of their present and prospective postwar needs. The clothing classes are considered in light of the possibilities of continuing shortages of related items, such as materials and labor.

The only other difference worth special mention is in household operation, including equipment. This is the class with the largest proportion of postponable purchases. It is the largest single controllable, therefore, to the squeeze effect produced by a disproportionate rise in other food, clothing and housing items. As a result, the dual spending on the part of consumers and the possible extent can best be gauged by referring to the specific and the approximate percentages that were assigned.
What Will They Buy? Tailoring The Federal Budget

of decline of per capita consumption expenditure (figured in mid-1947 dollars) at relatively high levels:

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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Level</td>
<td>10.0%</td>
<td>9.2%</td>
<td>8.1%</td>
<td>8.2%</td>
<td>9.2%</td>
<td>8.1%</td>
<td>9.2%</td>
<td>8.1%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

These percentages do not measure the height of the peaks, or the alums as a whole but only the movements of total consumption expenditure, which are among the most stable of the major economic factors.

Judging from the analogies cited above, one can predict that radical disturbances in labor relations, domestic politics or international diplomacy, a 10% decline in consumption expenditures is the worst that one can expect; and it is quite reasonable to hope that recovery will start from a considerably higher level. We have added estimates for a 20% drop but with no expectation that it will occur.

The assumed 10% decline would carry per capita expenditures, as proportionate as possible to those near the Twentieth Century Fund estimate for 1939. The latter would bring them down to a little below the 1941 level. There are no national sales or major classes of consumers’ goods and services kept separate in the figures in this table, so that the percentages in it are multiplied by an estimated average population of 143 millions in 1947 and are intended to show the effects of a sign to the chief sub-class headlines. The same is true of the data from a review of prevor ratios and consideration of the implications to the present level of expenditures. Even if the present level of expenditures is maintained, moderate decreases in prices and wages, and in restaurant and service restaurant and apparel, in clothing and jewelry are to be anticipated, as consumers’ money begins to be spent more for food, rent, heat, clothing, household apparel, and the like, rather than for luxury groups.

In the event that total per capita expenditures slip to 10% below the 1946 level, further increases in food, restaurant, service, clothing, apparel, and house furnishings may be expected to slip somewhat below 1946 levels.

In summary, the frequent assumption that we will room return to the prewar pattern of consumption expenditures seems to us a clearly false—and a dangerous basis for any significant business plans. However, unless some great disturbance should prove other than 10%, which it does not, the outlook does not appear alarming.

The next two or three years are a period of great readjustment for those who now foresee only an increase of 10% in their earnings for 1947. It may spell difficulties for those who expect to be selling their products against increased consumer resistance to adjustment and to increased competition. However, well-guarded businesses in our two great economic planning period, flying colors and can do so again.

Table 3—Estimates of National Sales at Retail

(in billions of dollars; calculated throughout in terms of price Indexes of June, 1947)

<table>
<thead>
<tr>
<th>Year</th>
<th>1944</th>
<th>1945</th>
<th>1946</th>
<th>1947</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>580</td>
<td>788</td>
<td>1,240</td>
<td>(estimated)</td>
</tr>
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</table>

The principal reason for the immense increase in 1947 and 1948 over the levels of the War Assets Administration and some other similar agencies is the increase in the budget of the government. The job of giving away our war surplus goods is not a profitable one but the dollar of original cost will shortly be worth more than that. A case in point is the so-called selling job which was about 30% of the sales value re-tailed. The job of going to war surplus goods in 1939 was large a proportion of its enlisted value. The government of the aspect of the general services, and in view of the anticipated need of which continue to be sold is still in outright.

Contingencies, Including In-Continental Affairs and Finance, their maximum figures of $4,000 million for this function is based on the pattern set by the category of expenditures exclusive of Business. The trend is the TABLE 2 and estimated proportion of the Federal Reserve in the field.

The series P bonds are redeemable at prices ranging from 108% of their face value on March 1, 1950, to 104.5% on December 31, 1945.

Halsey, Stuart Offers Central Maine Banks

Halsey, Stuart & Co. Inc. offered to the public Dec. 10 $4,000,000 Central Maine Power Co. first and second mortgage bonds at 6.5% due Dec. 15, 1969. The bond for the 1945, 1946, 1947, and 1948 fiscal years.

The company, an operating subsidiary of the National Capital Service Co., is primarily an electric utility operating wholly within New England on a basis of its rate system. It serves about 187,000 domestic and industrial consumers, but it is not in/special service areas and in the central and southern part of the State. The company’s territory has a population of about 860,000, with reselling approximately two-thirds of the total population of the State, and engaged in the greater part of its activities.

The Federal Reserve Bank of New York, New Jersey Branch, December 31, 1945, the total of which were used for the purchases or construction of property.

(Continued from page 21) 

The view from page 21 was that we regard this budget as a realistic one. The basis of that view is that the sup- ply of gold and the public debt have been reduced to a size at which no further reduction can be expected. The view is predicated on the assumption that the dollar has been replaced by the gold standard.

We have assumed that the public debt of the United States will be reduced to such a size that it can be reduced no further. This is not to say that the public debt should not be reduced. It is to say that it cannot be reduced further. The reason for this is that the public debt is a necessary part of the national economy. It is an essential part of the national economy. It is an essential part of the national economy.

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As We See It

(Continued from first page)

credibly large gifts, entice these peoples from their totalitarian tempters and make of them a sort of rampart in our own self-defense against the growing tide of authoritarism. If either of these premises is seriously defective, then the whole case for the larger part of our foreign aid program is more or less destroyed.

Before proceeding to consideration of these assumptions it may be well to observe that the first is not quite so simple as it may seem. We have given it considerable play, but in the minds of many Americans—and if we may judge by the public sus-
cept in the minds of officialdom—it is not simply totalitarianism that is feared but Russian imperialism. In general, this is true. The specter of a bloody war against totalitarianism and now find ourselves engaged in a "cold war" against the same plague in slighter different form of which from without is now threatened in many if not most of the countries of Europe and Asia.

Soviet Acts

It must be admitted, of course, that the Soviets appear to have some such program actively under way, that they are far more interested in such doings. But until a long time is to be taken when the President's most recent estimate that the premium of $20 billion is approximately $41 billion, there would be a surplus of $3 billion for debt payment, after giving effect to NAM's tax reduction program, which would amount to have tax-payers some $7 billion.

The big question in the minds of many experts who瑟 $31 billion really possible for the financial man-of-adventure, it is, or we would have not taken up perhaps, it is, but it is realizable only if the Congress acts courageously in the sense of Act in 1949. The thing a member of a group may be in such a situation, there are many thousands of them in the states, it is that he is standing alone, but he is full of milk that Milk when he knows that it is in the hearts of all back of him. If you want your Congress to do something, you had better part in holding the budget down to the amount of $20 billion, or the cost of the job of letting him know where you stand. And after having sent him $20 billion and the cost of the job will be far more money Federal in your dis-

American Ins. Stock Offered at $13 per Sh.

Stockholders of American Insurance Co. of Newark, N. J., are being offered more than 50 shares of the company's $2.50 par value capital stock at $13 per share to anyone who will purchase a share for each two shares owned at present.

The First Boston Corp. heads a nationwide group of national banking firms which is underwriting the offering to stockholders. The offering will be open to the public from 3 p.m. on Dec. 2.

Dividends of the New York Stock Exchange, equal to approximately $4,697,176. They will provide the company and its three subsidi-
aries, known as the American Insurance Trust and as the two capital funds, enabling the group to meet its current expenses and provide for the expanding field of fire and casualty insurance.

Net premiums written by the group have increased from $8,075,760 in the 12 months ended Sept. 30, 1949, to $8,541,750 in the 12 months ended Sept. 30, 1950. The ratio of consolidated capital and surplus to the year-end consolidated surplus at the end of the year ranged from 49.5% in 1946, 46.5% in 1946. The ratio of such capital and surplus to the premiums written during the year ranged from 4.8% in 1946 to 4.4% in 1945.

The current earning, when com-
pared with 1949, increased the ratio to about 48.2%.

Richard Knight Dead

Richard Knight, Assistant Man-
ger of Craigafle, Finney & Co., Mem-
ber of the New York Stock Exchange, died at the age of 72.
Eisenhower said that the best way to make peace with China was to reduce the arms race. This is a wise approach, as it is important to maintain a strategic balance and prevent any potential conflict from escalating. By reducing our military expenditures, we can also prioritize investments in education and infrastructure, which will benefit our citizens in the long run.
term bonds as your mortgage bonds increase.

Incidentally, in comparing the mortgage bond market with the portfolio average for gurus for various reasons, you are not to be sure, of course, that maturi-
yes are not the same in the case of government bonds that have optional call dates and in the case of the Treasury Bullet out are based on issues that are off the market at the present time. The assis-
given in the Federal Reserve call may be on a much higher rate than the rate on the Treasury Bullet out. The use of actual maturity dates on bonds is less than the rates of government issues, and if you wish to take the partial tax exempt issues.

Quality of Investments

What should your objectives and procedures be in determining the quality of your investments? That is probably the most important issue in this entire 1/2. After the experi-
ten foremen in the 1970's, many bankers are convinced that a bank port-
local currency or to other high-grade corpo-

The new question is the matter of the quality of the various issues of securities. Your objec-
tives in investing in a given set of securities will determine to some extent the range of quality of the securities held by the bank. Banks in the 25% to 50% range,

can hardly afford to ignore the additional stability that the government issues and of other high-grade corpo-

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The State of the Trade and Industry

(Continued from page 3)

ing to protect their names by searching out gray market dodgers may be increasing. In fact, a number of retail stores have closed temporarily or for permanent closure by competition from such stores.

As was expected, tinplate producers have raised the price of tin mill products for the year ending Oct. 1, effective Oct. 15. The approximate advance would be between $15 and $25 a ton. If the dipped tinplate carrying 1.25 lb of tin per 100 lb base of tinplate has been advanced $17 a ton. Another grade of hot dipped tinplate comprising a much more substantial material has been advanced $21 a ton. Electrolytic tinplate (thinner coatings than the hot dipped material) has been advanced $10 a ton. Carasson tinplate and tin-plated steel have been advanced $10 a ton, and with 20 cent on the like date a year ago.

Grains were irregular with wide fluctuations featuring active trade chiefly for delivery Monday and 37 in all deliveries of wheat advanced to new high marks for the season.

The December contract at the top sold at $3.35 a bushel, the highest since the all-time peak of $3.55 established on Nov. 11, 1947. Bullock influences included reports of insufficient moisture in winter wheat areas and a lack of sealing pressure. Reports of a growing scarcity of food in Europe was likewise a feature. Government buying of wheat and flour showed a decline from recent weeks. Strength in corn reflected limited company offerings of the cash grain and the growing scarcity of feed grains.

Domestic flour business was only moderate with export buying fairly active in the early part of the week. Cocoa prices trended downward due to a falling off in demand for actuals from manufacturers.

Despite a sizable increase in receipts, hog prices moved higher in the week ending Oct. 20, as the large hog supplies on hand were reduced substantially by labor difficulties in the coal fields and also the Thanksgiving holiday, and a decrease of 11,453 cars, or 14% below the same week in 1945, which did not include the Thanksgiving Day holiday.

ELECTRIC OUTPUT AT NEW ALL-TIME HIGH REPORT

Loadings for the week ended Nov. 29, totaled 792,293 cars, according to the Association of American Railroads. This was a decrease of 2.2% from the previous week and 9.9% from the loadings realized during the holiday season. However, they increased an increased of 121,628 cars during the week due to the additional month of operation. Most of the tonnage was reduced substantially by labor difficulties in the coal fields and also the Thanksgiving holiday, and a decrease of 11,453 cars, or 14% below the same week in 1945, which did not include the Thanksgiving Day holiday.

The quantity of electricity delivered to the three largest electric power industry for the week ended Dec. 6, 1947, reached a new record high figure, amounting to 1,217,660,000 kw-hr., according to the Edison Electric Institute. This was an increase of 7.2% from the previous week and 12.5% from the winter week produced in the preceding week, which included the Thanksgiving Day holiday. The weekly load factor for the week of Dec. 6, 1947, turned out to be the corresponding week in 1946. The previous high load factor was 1,180,408,000 kw-hr., reached for the week ended Nov. 22, 1947.

AUTOMOTIVE OPERATIONS FALL WITH SUSPENSION OF DOUGIE TRUCK OUTPUT AND SLIGHT PRODUCTION

Car and truck production in the United States and Canada last week touched an estimated 70,000 units compared with 115,197 in the preceding week. The latest figure compares with the 31,000 units produced in the preceding week, which included the Thanksgiving Day holiday. The total output of 90,641 units was 18.2% below the corresponding week of 1945, which did not include the Thanksgiving Day holiday.

The lower volume was due in large part to suspension of Dodge truck operations. The suspension was in line with strict instructions from the government with strict declines in output by other builders of the big three.

Last week's figure included 4,134 passenger cars and 28,965 trucks, a decrease of 15.6% and 31% from the previous week, respectively. In Canada, the weekly total was 1,810,000 kw-hr., reached for the week ended Nov. 22, 1947.

BUSINESS FAILURES DROP TO LOWEST LEVEL SINCE EARLY SEPTEMBER

Declining in the week ending Dec. 4, commercial and industrial failures fell off to the lowest number registered in any week since the first of September. Dun & Bradstreet, Inc., reports 80 concerns failing as compared with 72 in the preceding week and 70 in the corresponding week of 1945. The total recovery in the November production is 419,621 units compared with 460,527 in the previous month and 380,400 in November.

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BULLING FRESH VALUATIONS ESTABLISH RECORD FOR OCTOBER

An average of 1.25 lb of tin per 100 lb base of tinplate has been advanced $17 a ton. Another grade of hot dipped tinplate comprising a much more substantial material has been advanced $21 a ton. Electrolytic tinplate (thinner coatings than the hot dipped material) has been advanced $10 a ton. Carasson tinplate and tin-plated steel have been advanced $10 a ton, and with 20 cent on the like date a year ago.

The largest failures involving liabilities of $3,000 or more accounted for almost entirely for the week's declines from 82 working week ago to 51 this week, they continued to be about twice as heavy as the preceding week. Failures increased with losses of $5,000 or more. Small failures under $5,000 remained low, numbering nine against 10 last week and nine in the same week a year ago.

While failures were up sharply from last year's level, they were well below the 306 failures for the same week of prior 1939 when failures tailed 327.

The larger failures involving liabilities of $1,000 or more accounted for almost entirely for the week's declines from 82 working week ago to 51 this week, they continued to be about twice as heavy as the preceding week. Failures increased with losses of $5,000 or more. Small failures under $5,000 remained low, numbering nine against 10 last week and nine in the same week a year ago.

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### Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (shown in first column) and are either for the week or month ended on that date, or, in cases of quotations, as of that date:

#### AMERICAN IRON AND STEEL INSTITUTE:
- **Latest Week**
- **Month Ago**
- **Year Ago**

<table>
<thead>
<tr>
<th>Date</th>
<th>175,000</th>
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<tr>
<td>Nov. 29</td>
<td>1,750,000</td>
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#### AMERICAN PETROLEUM INSTITUTE:
- **Crude oil—daily average (thousand barrels per day)**
- **Production of petroleum products**
- **Number of oil refineries**

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<th>Date</th>
<th>2,570,250</th>
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#### CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS:
- **Revised**
- **New Orders**

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<th>Date</th>
<th>9,280,000</th>
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<td>Dec. 28</td>
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#### BOND METAL STORE SALES DEPARTMENT:
- **Volume**
- **Number**

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#### DEPARTMENT STORE SALES—FEDERAL RESERVE:
- **Averages**
- **Ratio**

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#### FEED output (B. S. Bureau of Mines):
- **Total**
- **Addenda**

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#### ERIE ELECTRIC I:
- **Electric output (in millions of kilowatts)**

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#### FARMER COMMODITIES:
- **Farm fertilizers**
- **Farm chemicals**

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#### METAL PRICES (C. H. Q. J. QUOTATIONS):
- **Electric copper**
- **Copper**

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#### MOODY'S BOND PRICES DAILY AVERAGES:
- **D. T. B. Bonds**
- **Average corporation**

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#### MOODY'S BOND YIELD DAILY AVERAGES:
- **D. T. B. Bonds**
- **Average corporation**

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#### MOODY'S COMMODITY INDEX:
- **Latest Week**
- **Month Ago**
- **Year Ago**

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#### NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMON:
- **Care and fertilizers**
- **Chemicals**

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#### NATIONAL PAPERBOARD ASSOCIATION:
- **Orders received (thousand tons)**
- **Price quotations**

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#### OIL AND DRUG REPORTER BEEF INDEX:
- **Year Ago**

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#### WHOLESALE PRICES—E. K. DEPT. LABOR—1913-1919:
- **Crops**
- **Foods**

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#### STEEL CASTINGS (DEPT. OF COMMERCE):
- **Month of September**

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#### TRUCK SALES (DEPT. OF COMMERCE):
- **Month of September**

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Let's Stay Free

(Continued from page 12) and without violating the fundamental principles of liberty or equality or jeopardizing our political and economic stability.

Do We Need New Controls? We are being told that the situation we face is a national crisis that demands bold action. The needs are great, the restoration of at least some of the wartime economic structure is urgent. But two years ago we were predicting that industrial troubles would never fail to return. Now that trouble surpluses are now looming with considerable economic distress. There is a view that we need more regulations to control the market. This is a view in keeping with, or perhaps derived from, the demand by industry for a return to more orderly conditions. But again, the correct response to the current economic situation is not to tighten up controls but to continue the careful policies that we have followed in recent years. We must not lose our sense of proportion and perspective in our economic decisions. It is the time for caution, for careful thought, for consideration of the long-term consequences of our actions.

Reduce Current Purchasing We are not prepared to assent to the idea that there is an economic crisis that requires immediate action. The economy is not in a state of crisis, but it is facing some problems that require careful attention. We believe that the current purchasing of goods and services should be reduced immediately. This does not mean that we are advocating a return to the policies of the past, but it does mean that we must be careful not to overreact to the economic situation. The current purchasing of goods and services should be reduced to a level that is consistent with the economic situation. We must not make the mistake of overreacting to the economic situation in a way that will cause further problems.

Inflation and Profits Just as prices are rising, so are profits. Yet the high cost of living is annoying to people who are in the habit of thinking about their personal economy. The increase in prices is not only a problem for those who are in the habit of thinking about their personal economy, but it is also a problem for those who are in the habit of thinking about their personal social responsibility. The increase in prices is a problem for all of us, and it is a problem that we must all face.

Stability of Employment and Income Perhaps the most important, yet perhaps the least emphasized, aspect of the economic situation is the problem of employment and income. The problem of employment and income is not only a problem for individuals, but it is also a problem for society as a whole. The stability of employment and income is important because it is an indicator of the health of the economy. The stability of employment and income is also important because it is an indicator of the health of society. The stability of employment and income is important because it is an indicator of the health of the economy and society. The stability of employment and income is important because it is an indicator of the health of the economy and society.

The Effect of the Current Inflation The current inflation is having a considerable effect on the economy. The inflation is having a considerable effect on the economy, but it is also having a considerable effect on the people who are living in the economy. The inflation is having a considerable effect on the people who are living in the economy, and it is also having a considerable effect on the people who are living in the economy. The inflation is having a considerable effect on the people who are living in the economy, and it is also having a considerable effect on the people who are living in the economy. The inflation is having a considerable effect on the people who are living in the economy, and it is also having a considerable effect on the people who are living in the economy. The inflation is having a considerable effect on the people who are living in the economy, and it is also having a considerable effect on the people who are living in the economy. The inflation is having a considerable effect on the people who are living in the economy, and it is also having a considerable effect on the people who are living in the economy. The inflation is having a considerable effect on the people who are living in the economy, and it is also having a considerable effect on the people who are living in the economy. The inflation is having a considerable effect on the people who are living in the economy, and it is also having a considerable effect on the people who are living in the economy.
dollars must be spent and we must get better value for the dol-
lar. The progress that has been made in increasing in-
dustry, in the use of better tools and better ar-
rms, must be increased, not absorbed, as the higher cost of
us than absorbed in the higher cost of
government. This trend must be reversed if we are to
productivity devoted to raising the
government of the whole country.
The first job of government is to adopt measures that will en-
courage the investment of private capital in business, and in
the community in ways that will re-
duce the cost of production and make
taxes required are to be acc-
ted.
The second job of government is to render every assistance it can
to business by eliminating every regulation and ill-
ness, and thus unnecessarily raises costs.
The government must cease
supporting special interest groups the
ratiioning system to customers to pay for work not por-
shipped, yet must be at prices for services.
house week is a heritage of the days of planned
xiety, of polluting corn, and of living in the
It is a job-ratoning measure. The
people do not protest when their
aries with the rights of many, and
pawed, and skilled laborers, to earn a better
living. Today the situation clearly
pointing to a revolutionary and inflam-
Helping Problem of Shortages
But in our fight against infla-
zation, we cannot leave it all to Co-ordinating and other
the country, as businessmen, respon-
sibilities to help solve the problem in the
additional inflation. To do our part, we should do the following:
(1) Keep Ourselves Out of Debt
In the first place, never borrow an un-
bound sum that was not financed by
ed credit. Only by liv-
ing within our means can we help the
and ourselves.
That debt is a first
mortgage on all that we own and on
rty. We cannot justify sec-
nd mortgages to buy
uxuries.
(2) Study the Future
To anticipate the future of each of us is speculative
economic problems and our nation’s prob-
lems by speculation based on the ides of inflation, or
boom, or that we will be smart enough to
the crash. That sort of speculation will
our government.
(3) Insist On A Reduction in the Cost of Government—
Even we as a nation are not rich enough to go on forever with
government outlay exceeding one half of the wealth
that we produce. The question is not
report. If the economic
ment activity is desirable in
economic activities of a nation is simply:
Is it worth it what costs and
for it? This must be
(4) Insist That Our Foreign Trade Policies be in Two-Way Balance
Without questioning the need to control our foreign trade
we may find that these trade restrictions
laborers to be almoners to the
world. Our foreign aid must be
monitoring of our foreign trade
work so that within a reasonable time we will be ready to
on the things they produce is equal
value, if the things they need
our Spending At
Home—One of the certain signs of inflation is steady rising
prices. In the long run, the surplus money we created during
inflation is an...
Securities Now in Registration

- INDICATES ADDITIONS SINCE PREVIOUS ISSUE

- Central Maine Power Co. Oct. 19. Offered 10,000 shares of common. Underwriting—To be determined by competitive bidding. Price—Less than $1. Shareholders will be offered the option of holding the common stock at $5 par for each share of common held. Price by amendment. Proceeds—For general corporate purposes.

The warrants will be sold to the agent at 19 cents each. Underwriter—Cox, Chamberlin & Brookfield, Hartford.

- Dayton (Ohio) Power & Light Co. Dec. 5. Filed 170,000 shares ($10 par) of capital stock and $8,000,000 30-year first mortgage bonds. Underwriting—The common stock will not be underwritten, but the bonds will be sold at competitive bidding. Probable Bidders—Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; Blyth & Co. Inc. Offering—The common stock will be offered for subscription by stockholders on the basis of one share for each ten held. Price of the bonds will be determined by competitive bidding and price of the common will be supplied by amendment. Proceeds—To finance construction program.


- First Guardian Securities Corp., New York Nov. 20. Filed 24,000 shares ($3 par) 5% cumulative convertible preferred and 100,000 shares ($1) common. Underwriting to be fixed by amendment. Price—$25 a preferred share and $10 a common share. Proceeds—For investment.

Corporate and Public Financing
New Issue Calendar

December 12, 1947

Frigidginers Inc.—Common

December 15, 1947

Central Power & Light Co.—Bonds and Pref.

Indiansapolis Power & Light Co.—Preferred

Permanente Cement Co.—Common

December 16, 1947

Brown & Bigelow—Common

Northern Natural Gas, Ill.—Common

Northwest Natural Gas, 11 a.m. (EST)—Common

December 17, 1947

Fidelity Electric Co., Inc.—Cl B Common

Firemen's Insurance Co.—Common

National Indiana Public Service Co.—Preferred

Reading Tube Co.—Pref. and Common

December 18, 1947

American Box Board Co.—Common

Elliott Co.—Common

National United-Corr. Ent.—Capital Stock

Sunray Oil Corp.—Debents and Pref.

December 23, 1947

American Insurance Co.—Capital Stock

January 5, 1948

Americana Furniture, Inc.—Pref. and Common

De Walt, Inc.—Common

Fischer Baking Co., Newark, N. J.

Nov. 17 (letter of notification) $299,000 5 cumulative nonparticipating preferred of no par. No underwriters. To refinance a part of corporate obligations and to provide working capital.

Frazier Products Co., Detroit, Mich.

Oct. 21 filed 100,000 shares ($1 par) common. Underwriters—Cannon, 7th, & Kean Co., both Detroit. Price—47 a share. Proceeds—the shares are being sold by 14 stockholders who will receive proceeds.

Frigidginers, Inc., Philadelphia (12/12)

Dec. 4 (letter of notification) 70,000 shares ($2 par) common and 15,000 shares ($100 par) preferred for 7% annual dividend for 15 years. No underwriters.

Gabriel Co., Cleveland

Oct. 24 (letter of notification) 10,000 shares ($100 par) common, on behalf of W. E. Miller, a director of the company, to be sold at market. Underwriters—Sills, Mims, & Johnson, Philadelphia.

Gambo-Skogmo, Inc., Minneapolis

Dec. 4 (letter of notification) 2,000 shares of ($5 par) common, to be sold at market. Underwriters—Ladd, Conn. & Co., New York, as principal underwriter.

General Instrument Corp.

Nov. 14 filed 100,000 shares of common (par $1). Underwriter—Am. Emrich & Co. Inc. and Danney & Co. Price based on market: $10-$13 a share. Proceeds—$12,000,000 for general corporate purposes, including the financing of new stores. Temporarily postponed.

Johnson Automatics, Inc., Boston

Oct. 19 (letter of notification) 5,000 shares of common. To be sold at market. Underwriters—George F. Breon, New York. For additional working capital. Issue will be privately placed.


Nov. 16 filed 250,000 shares ($1 par) common. Underwriter—W. E. Miller, Elkins City, Pa. Price based on market: $5-$6 a share. Proceeds—$1,000,000 for general corporate purposes.

Kopital Soy Products Co., Inc., Emporia, Kans.


Lewis and Smith Drug Co., Inc., Omaha, Neb.


Laurel (Md.) Harness Racing Association, Inc.

Oct. 23 filed $480,000 15 year 6% cumulative income bonds. Price—$100 a share. No underwriters. Proceeds—$700,000 for general corporate purposes.

Legend Mines, Ltd., Toronto, Canada

June 27 (letter of notification) 20,000 shares ($10) common treasury stock. Underwriting—To be offered by amendment of underwriting agreement. Price—$10 a share. Proceeds—To develop mining properties.


Lock Nut Corp. of America


Lopuro Realties, Inc., Louisville, Ky.

Nov. 24 (letter of notification) 100 shares of $100 par preferred. Price—$125 a share. Underwriting—None. Shares are being offered to the public at par for cash. The preferred will bear interest at 6% per annum from date of issue.

Manhattan Cell Corp., Atlanta, Ga.

May 30 filed 500,000 5% serial debentures, due 1948-1952. 15,000 shares ($52 par) 5% cumulative convertible preferred and 85,000 shares ($1 par) common. Underwriter—Kircher & Arnold, Inc., Raleigh, N. C. Price—$52 a share. Debentures will be offered at par and the common at $4 each. Proceeds—To retire bank indebtedness and to provide funds for the purchase of machinery and other plant equipment.

Manufacturers & Jobbers Finance Corp.,

Oct. 25 (letter of notification) 1,500 shares ($100 par) preferred. Price—$100 a share. No underwriting. For working capital. Proceeds—$150,000.

Martinex-Bell Mining Co., Superior, Ariz.

Dec. 3 (letter of notification) 22,000 shares of common. Price—No public offering. For development of mining property.

McKay Davis Inc., Toledo, O.

Nov. 22 filed 200,000 shares ($1 par) common. Underwriting—None. Shares are being offered to the public at par for cash. The preferred preferred will bear interest at 6% per annum from date of issue.

Middle East Research Bureau, Inc., Washing-

ton, D. C.

Dec. 8 (letter of notification) 400 shares of preferred. Price—$100 a share. No underwriting. For research and information service.

Middle States Telephone Co. of Illinois, Chicago

Oct. 7 (letter of notification) 13,125 shares of common. Proceeds—$1,100,000. Underwriting. For additions and replacements to its property.

Monsona Chemical Co., St. Louis

Nov. 28 filed 200,000 shares ($4 par) 8% cumulative dividend preference stock, series B, Underwriter—Smith, Barney & Co., New York. Price to be filed by amendment of underwriting agreement. Proceeds—$1,000,000. For financing new plant construction and additions to present facilities. Operating proceeds to be maintained under current.

Kawasaki Home Equipment Corp., New Haven, Conn.

(12/18)

Nov. 24 (letter of notification) 100,000 shares of capital stock (par $1). Price—$2 1/2 a share. Underwriter—Henry P. Rosenfield Co., New York. Proceeds—For business purposes, including the sale of furniture, household appliances, etc., at retail.

North American Oil Co., Baltimore, Md.

Nov. 7 (letter of notification) 2,000,000 shares of common. Price—90 cents a share. Underwriter—Henry White & Co., Baltimore, Md. For payment and development purposes.

Northern Indiana Public Service Co.

(12/17)


Northern Natural Gas Co.

(12/16)

Nov. 14 filed 710,000 shares of common stock (par $10). Underwriters—To be sold through competitive bidding. Proceeds—to be used to improve its mining properties. Probable bid price—$10 a share.

(Continued on page 42)
Prospective Offerings

**Armstrong Cork Co.**
Dec. 5 rumored company has under consideration the offering to stockholders in early January of stock to sell approximately $8,000,000 of equipment and working capital.

**Birmingham Gas Co.**
Dec. 9 company, a subsidiary of Federal Water & Gas Co., requested the SEC for permission to sell $1,000,000 first mortgage 3% bonds due 1971, privately to North- west Ohio Life Insurance Co. Proceeds—For construction expenditures.

**Equitable Office Building Corp.**
Dec. 4 J. Donald Duncan, trustee, mailed to stockholders warrants for 400,000 shares of new common stock for each share held. Warrants will expire on Dec. 30, 1948. It is expected that the reorganization will be consummated in 1947. The offering has been prefunded by a group headed by W. W. Smith.

**International Great Northern RR.**

**International Harvester Co.**
Jan. 20 company will vote on authorizing $100,000,000 of subordinated debentures, $50,000,000 of equipment debentures, $25,000,000 of capital stock, $20,000,000 of debentures, $10,000,000 of debentures, and $5,000,000 of debentures. Proceeds—For working capital. Probable hiders: Harris, St. Clair & Co. (Inc.); Lehman Bros.; Dillon, Read & Co. (Inc.)

**Michigan Consolidated Gas Co.**
Dec. 5 company reported contemplated sale of $9,000,000 bonds. Proceeds for construction. Probable hiders: Hall, Barth & Co., Inc.; Lehman Bros.; Dillon, Read & Co. (Inc.)

**Missouri Pacific RR.**

**New York Central RR.**

**Ohio Power Co.**
Dec. 10 reported company has plans under consideration for sale early in 1948 of $20,000,000—$30,000,000 bonds for new storage, transmission, and distribution equipment. Proceeds for construction. Probable hiders: Hall, Barth & Co., Inc.; Lehman Bros.; Dillon, Read & Co. (Inc.)

**Philadelphia Electric Co.**

**Potomac Edison Co.**
Dec. 3 company asked SEC for permission to sell at competitive bidding $4,000,000 30-year first-mortgage 4% collateral trust bonds; also 50,000 shares of common stock to West Penn Electric Co. (parent). Proceeds—For property improvement. Probable hiders for bonds: Halsey, Stuart & Co.; Salomon Bros. & Hutzler; The First Boston Corp.; J. M. Dillon, Inc.; White & Weid, Co., Inc.

**Southwestern Public Service Co.**
Dec. 6 company expects to register with SEC in near future, but schedule for the registration of its stock has no definite plans as yet. Dillon, Read & Co. (Inc.)

**Tampa Electric Co.**
Dec. 5 company has under consideration plan for sale approximately $8,000,000 of equipment and working capital to be offered in early January. Probable hiders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler; White & Weid, Co., Inc.; Kidder, Peabody & Co.

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ALLIS-CHALMERS MFG. CO.

ALLIS-Chalmers Manufacturing Company has issued 1,000,000 shares of $5.00 par value preferred stock on October 1, 1947, of which 992,750 shares have been sold to stockholders of record at the close of business January 5, 1948.

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Secretary
December 4, 1947.

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Mr. Eccles' proposition of holding bank credit down to about the present level very easily might produce some difficulties for the Administration, that would be about as slight a matter as think boys who are now "vetered interests," the nation's bankers. It is for it properly aggregated against that government that bank credit is restricted. The sorts of inflationary forces. It takes more dollar to buy an ounce of parts because the parts costs are. And you've got to have a little bit more where the sales volume is on the up. You fine this business with loans.

Just pull the wheel of bank credit off the old business machine, then, and really wouldn't begin to happen. Business volume would drop. What really would hurt them, however, is the President that puts down on these nothing new would "vetered" inter rest. Then all thunder would be, and this latter's Mr. President. So Mr. Truman at least ought to know about it.

The Congress is most probably, but it is been found, with the authority to require a new batch of restrictions on newspaper signs of the for this one. Power or no power, however, Marriner Eccles remains a character unique by himself in the Washington profession.

Eccles appeared on the Washington scene to testify before a congressional committee in 1951, and was discovered by a real live banker-business man who was whispering in Washington spending. The Roosevelt Administration was just then in the mood to catch a banker who believed in spending up to the utmost economic limits. So he hit him at every turn. It was a special assistant to the Secretary of the Treasury. Then in November, 1954 he became a member of the Federal Reserve Board and has been there since.

Probably Mr. Eccles would very happily deny that he distorted the view he had of the market. But there is probably no more thorough-going manager of any commodity somewhere near the top of the heap right now than Gov ernor Eccles. This management philosophy, however, is staked to the compensation business to make great profits if there were danger, in his view, that sources of capital were drying up.

Mr. Eccles quickly took the secondary reserve thing from the shelf, where it had lain since 1954. All the prior appearances indicated that until Mr. Eccles got that telephone call showing that the White House was not going to forget him, he never dreamed of anything like this. Now you have got all out for it, in fusing a promise to use the pow er. It was for the sake of Mr. Eccles' analysis for the power was so great that Congress reacted like a sweet young thing faced with the "two ages" of color.

It was not all Eccles' fault, however, and the secondary re serve plan is going back to gather dust. Part of the fault was one of those "vetered interest" spokesmen. He's Fleming of the Federal Advisory Council. Fleming may have guessed that the Treasury's program was weary of these tightly-shot, the latter's a man with which Governor Eccles always got along. Fleming didn't try to bomb the committee. With the Advisory Council, as a matter of fact, it was reluctantly (supposedly) that he was suggested to the committee just talked a few points of economic sense, and the committee was impressed.

Then Mr. Eccles came up. He wanted to submit a long statement before discussing credit control generally. Chairman Tobey asked him please not to, and Mr. Eccles confessed that he got confused by these statements. So Tobey and the First Engineer program got together at the luncheon table at the latter's suggestion, and the whole thing over. Mr. Eccles' impression of the Federal Advisory Council also definitely fell flat.

Mr. Eccles usually gets attention for the things he says which business does not like, such as the credit control program for back credit restriction. Never the less, within some limits, Eccles is a consistent compensatory spending philosopher. He feels the call for the end of deficit financing would be a true signal to a polit ical council with a term of office since 1958, he lambasted them. Of all the easy mortgage money 10 cents.

"Wrong? Ain't ya never heard of inflation!!"

His big fanaticism is low interest rates. Try to ask him why low interest rates shouldn't rise, and he sounds like someone who reason from the premise that the earth revolves about the moon, rather than the moon about the earth, and the two around the sun. Congress, however, are developing a clearer perception of the astronomical realities. There is a growing sentiment in Congress that interest rates must rise if there ever is to be an end to inflation. This sentiment has not yet crystallized, or been organized by any group.

This may be Eccles' last coming out of eclipse. His ad ministrations on economic matters contrary to Administration po litical interests are little noted, and are not held against him. Should an Administration come into power with a philosophy antagonistic to that in cerely believed by Mr. Eccles, it is to be expected that the latter will go back to Utah. He might get sooner, it is guessed, if he yet stopped cold in all his efforts to arrest inflation as he sees it.

Gold to Canada is not merely gold. Likewise it is not the commodity which can be shipped to meet an exchange deficit. Gold is the key to opening the Ca nadian northland, Canada's vast, largely unexploited, national frontier. When gold is developed in Canada, other things come, such as business and people. Thus gold in a limited way is what wheat was to the early West.

To repress gold production thus is to repress national development. This is just the position the U.S. Treasury now, takes in the minds of the Canadian people with its "re sistance" to Ottawa in opposition to payments of $7 on every ounce of gold mined above the volume achieved in the year ending in July. This is a Can dian national affair. Mr. Snyder's opposition is almost as popular in Canada as in the States. The British Prime Minister has proposed to the U.S. that the West be closed to settlement.

Although the Treasury opposes Canada's stimulating gold mining because it would have to buy and "neutralize" the gold. It may be also that the Federal con science is repelled by the notion that gold is worth something more than $35 an ounce in terms of pur chase power. It is a cliche that if Canada drops the proposed subsidy on gold mining at U.S. be st, the Treasury will pay many more dollars than would go to buy the Canadian gold which otherwise would have been mined. Under a new post war kind of "Elyea Park Agreement," it would be easy to make the preliminary groping of the Con gressional majority, now being re ported in the daily, as the final answer of the Republicans to Mr. Truman's request for broad in flation.

Disregarding minor points, this program of the GOP seems to be going by not even that it would be to broaden official control over the money. This idea is to broaden public control over the administrative control could curb and channel exports to any part of the world. Then the Administration would be changed in effect with hold ing down the total level of exports to a level which would not impinge too severely on the domestic economy. In other words, it is a major effort against inflation and the committees at the same time.

Under the second main proposal the Congress would open up the street to voluntary agree ments which, by itself, just how broad these agreements would be, hasn't been settled. These agree ments would have the same objectives as the anti-inflation program permit allocations, etc., in order to prevent inflation.

These have a nice timelike look, like the President's own anti inflation proposal. But part the President would have to show how the total effect of foreign aid would not be inflationary. In the second place, it is second part of the President would have to "put up or shut up" on his voluntary action as likely voluntary action before re regulation. The Treasury, as a matter of fact, has not yet thought through this proposal. Much could happen next year, even an unexpected turn in the business cycle. The dangers of a downturn arises from the outcome of the elections in November.
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