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BUSINESS and

FINANCE SPEAKS

After the Turn of

The Year

As is customary in its ANNUAL REVIEW NUMBER, the CHRONICLE presents in

this issue, starting on page 18,

the opinions of many of the nation's leading industrialists and financiers regarding the outlook for business during the present year. As in pre-

vious years, the contributors

to this significant survey in-

clude the heads of practically

every major company in all

lines of business. (A number

of statements were received

too late for inclusion in this

issue. These will be published

in our issue of Jan. 29.)

What About Interest Rates?

By AUBREY G. LANSTON*

Executive Vice-President, The First Boston Corporation

Mr. Lanston, assuming interest rates on marketable U. S. securities are basic, presents as major considerations on future trend: (1) government's policy with regard to Treasury interest rates; (2) Treasury's policy on debt retirement; (3) tax philosophy and tax policies of government; and (4) levels and trend of business and resultant need of funds. Accuses Federal Reserve of inconsistancy and concludes, though short-term and long-term Treasury rates may increase in near future, a renewed decline is not unlikely.

It was suggested that I endeavor to answer certain questions which were presented to me. I should admit, in the beginning, that I cannot recall a time during my business career when I felt less confident of being able to give you a competent answer. The questions were: "Are vere: "Are present indications of a rise in interest.

EDITORIAL

EDITORIAL

**To many writings and prophets of doom—as well as many more serious-minded—to decide whether deflation or inflation was the prospective peril; the latter now seems generally writings and pronounce-est rates.

Risks in Anti-Inflation

By L. SCUDDER MOTT

Analyst, contending inherent risks of anti-inflation measures are being disregarded, points out dangers of enforcing artificial deflation. Holds present economic maladjustments are susceptible to orderly correction without specific governmental interference, and notes potential purchasing power is already declining. Says prob-lem is not entirely a dollar matter and criticizes efforts to return to price and other anti-inflationary controls. Warns disruptive controls and restrictions may intensify existing maladjustments and result in bringing on hard times.

writings and pronouncements one would gather that all that is necessary is to pin inflation's ears back—by means of various controls ous controls restrictions or other proposed meas-



posed measures and everything L. Scudder Mott will be all right. The inherent risks appear to be disregarded. Any specific program undertaken about inflation must do just enough — not too much nor too little. Obviously to do too little would not solve the problem. But to do too much problem. But to do too much, or to take wrong action, might prematurely pinch off the "boom" prematurely pinch off the "boom" (that otherwise might last in reasonably healthy fashion for some years and work out a relatively mild solution for itself) bringing on the other peril of deflation. And deflation, to any marked degree, means unemployment and financial distress.

Another question that is often (Continued on page 57)

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> State and Municipal Bonds

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est rates merely temporary phe-nomena or do they mark the beginning of a long - term trend?

"If the latter

is true, how-ever, how far may the rise be expected to

If we speak of interest rates, all lumped to-gether in one basket, I am in-clined to answer as follows: The general increase in interest rates which has occurred is a natural, desirable and expected event. Whether this marks the first stage of a long-term trend toward higher levels, or is a reasonably (Continued on page 33)

*An address by Mr. Lanston at the Finance Conference of the American Management Associa-tion, New York City, Jan. 16, 1948.

As We See It

The Year Ahead

Election years are always uncertain years. They are likely to be particularly so when the political contests appear close, or, at all events, when the outcome is difficult for the politicians to forecast or foresee. It is in such years that campaign managers go to all sorts of unpredictable extremes. The traditional difficulties of this sort have been multiplied several fold during the past decade by the increasing degree in which the national government interferes with and undertakes to manage or guide the private economy.

The President, last year apparently inclined at least to appear to "back away" from the more extreme New Dealishness of the day, has in his messages to Congress during the past month or two and in other ways made it clear enough that he now has selected a different course. He would reinstate many of the control and other devices which not even Franklin Roosevelt found it wise to undertake in peacetime. While the course of the "opposition" in Congress is not quite so clear, it has become increasingly evident of late that one can only with very substantial hesitation and distrust rely upon it for consistent, forthright and constructive (Continued on page 17)

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The Long-Range Demand for Capital

By SUMNER H. SLICHTER* Lamont University Professor, Harvard University

Asserting future rate of U. S. capital growth is likely to be as high as in past, Dr. Slichter gives estimate of growth of reproducible wealth in next half century. Lists as limits to capital growth: (1) drop in population growth; (2) stiff progressive income taxes; (3) slower development of natural resources; (4) decline in technological discovery; (5) a powerful and aggressive labor movement, and (6) shift in demand for goods and services. Concludes demand for capital will be well sustained because of: (1) rapid technological change; (2) labor saving inventions; (3) inflationary methods of financing, and (4) upward pressure on prices.

Between 1879 and 1939 reproducible wealth outside of households in the United States increased nearly eight-fold. This figure eliminates the effect of the change in the price level. The next 60 years will probably not see an eight-fold increase in the



amount of

amount of capital. Nevertheless, unless the country bursues polipursues polipursues polipursues polipursues possible to the accumulation of capital or unless it becomes in properties whether the influences which the accumulation of capital or unless it becomes in properties and the propose of judging whether the influences which govern its growth in the past will be substantially the same in the wery hostile to the accumulation of capital or unless it becomes in-volved in a disastrous war, the growth in the amount of capital will be very large. It making a detailed analysis of the determinants of the growth of in-dustry for the purpose of judging whether the influences which govern its growth in the past will be substantially the same in the future and which of those influences will be stronger and which of them will be weaker in the future than in the past.

Prof. S. H. Slichter very large. It is even possible that the rate of growth will be as high as it has been in the past.

The process of estimating the The process of estimating the Slichter Slichter Slichter Slichter The process of estimating the The process of estimating the Slichter Slic *An address by Prof. Slichter growth in the United States is generally believed to be slowing up. Population is expected to reach a maximum about 1990. I

The proport on of people in the workforce has remained fairly constant during the last 50 years and I assume that this proportion will not change. This is a con-servative assumption because the proportion of the population in the labor force is more likely to increase than to drop. It is true that the age of starting work will about 13% of the population will be 65 years or more of age as compared with only about 7% now. Nevertheless, the tendency

(Continued on page 41)

The Short-Range Economic Outlook By MARCUS NADLER*

Professor of Finance, New York University

Although holding serious maladjustments have crept into our economy which may lay foundation for serious depression, Dr. Nadler points out forces exist for continued prosperity in 1948. Warns, however, readjustment may come before year ends, and if spiral of inflation continues, it may be serious. Concludes the earlier readjustment comes the less painful it will be, and urges strong fight against inflationary forces as only hope of maintaining private enterprise throughout world.

The economy of the United States is in the midst of a serious inflation, with prices racing wages. Under these circumstances, the prime question involved in the short-range outlook for business is: How far will the inflationary forces go and when will they come to an@



more serious will be the setback and the more difficult will be the period of readjustment. Although everyone realizes that inflation cannot continue forever and that

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sooner or later it is bound to end in disaster, and in spite of the ravages that inflation has already made on the savings of the peo-ple, no economic group is willing to submerge its own immediate interests for the benefit of the

*An address by Dr. Nadler before the American Management Association, New York City, Jan. 15, 1948.

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country as a whole. The farmers people gainfully employed and and their leaders, in and out of the Congress, have asked for floors ever before. Profits of corporations are at record levels and farm wages go, the ceilings. Only if the constant increase in prices of farm products could bring about an increase in output would such a policy be justified. Organized labor has asked for higher wages without being willing to make efforts to increase productivity. productivity. Don't labor leaders realize that, since wage increases do not bring about an increase in the supply of commodities, increased purchasing power merely leads to increased competition among workers and that in the long run labor does not benefit from the increase in money wages? Industry raised prices and profits mounted. At the same time, the break-event point is constantly rising and business is becoming more risky.

The process of intlation has brought great prosperity to the country. National income during 1947 is estimated at around \$200 billion. There are about 60 million

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income is at a new peak. This prosperity, however, has brought about a drastic shrinkage in the purchasing power of the dollar. At the retail food price level the purchasing power of the dollar to day is less than 50% of the 102purchasing power of the dollar to-day is less than 50% of the 1923-25 average. At the level at which farmers sell their products, the purchasing power of the dollar today is about one-third of what it was during 1923-25. The decline in the purchasing power of the dollar has caused a great contraction in the value of our savings, be they life insurance policies, bonds or pensions, and thereby also undermined the future also undermined the future economic security of many groups of people. The white collar people, the professional groups and those living on pensions or fixed incomes have seen their standards of living sharply reduced.

What is worse, many serious

(Continued on page 65)

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*See article by John E. Loshar on page 5.

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Sources of Funds for **Business Expansion**

By J. H. RIDDLE*

Vice-President, Bankers Trust Company of New York

Mr. Riddle estimates 1948 plant and equipment expenditure around \$23 billion, of which up to \$15 billion may be financed out of earnings. Holds \$2 billion of bank credit will be used and about \$3 to \$4 billion will be sought in investment market. Holds current rate of savings and investment institutions can meet demand for capital and adds Treasury can supplement it from available cash. Says major problem is not sufficiency of investment funds, but lack of necessary equity capital.

Most of the funds for business expansion in the future, as in the past, will be provided by business itself through retained earnings and depreciation allowances, unless the earnings are drained off by new taxes. In 1947 all business corporations required about \$24 or \$25 billion for

the expansion of plant and equipment and working capital. Of this amount they financed about \$15 billion, or 60%, out of retained earnings plus depreciation allowances.
That left
roughly \$9 or
\$10 billion to
be obtained



from other sources. They financed that \$9 or sources. They financed that \$9 or \$10 billion by selling about \$2 to \$3 billion of U. S. Government securities which they owned, borrowing \$3 billion from the banks and increasing their own outstanding securities (stocks and bonds) in the amount of \$3 to \$4 billion. The market not only absorbed the increase in corporate issues and the Government securities sold by the Government securities sold by corporations, but also took a net increase of about \$1.3 billion of state and municipal securities and financed some \$4 or \$5 billion of residential building construction. Furthermore, the Government securities sold by corporations and other investors did not result in an increase in bank holdings. Bank holdings (commercial and Federal Reserve banks) of Government securities declined over \$6½ billion during the year.

1948 Plant and Equipment Expenditures

It now looks as though business corporations will spend for plant and equipment and working capital in 1948 a little less than in 1947, perhaps around \$22 or \$23 billion. This estimate is based on the assumption that business activity continues at around present levels and that commodity prices do not rise very much further. A runaway price movement or a substantial business depression would, of course, change this spending program. Some \$14 or \$15 billion of these expenditures will probably be financed by corporations out of retained earnings and depreciation charges, leaving some \$8 or \$9 billion to be raised It now looks as though business some \$8 or \$9 billion to be raised from other sources, slightly less than in 1947.

*An address by Mr. Riddle be-fore the Finance Conference of the American Management Asso-ciation, New York City, Jan. 15, 1948.

While non-financial business corporations have sold some of the securities accumulated during the war, they still have about \$12 billion of Government securities, including savings notes, and may dispose of some \$2 to \$3 billion of these during 1948 to help finance their expansion programs.

Bank credit will continue to be

Bank credit will continue to be available to business for essential working capital purposes and I anticipate that corporations will further increase their borrowing from banks in 1948, perhaps to the extent of \$2 billion. I do not believe that credit controls will be severe enough to stop the flow of bank credit for essential working capital purposes, although rates will be firmer and banks will be much more cautious in their lending policies.

This will leave something in

will be much more cautious in their lending policies.

This will leave something ir the neighborhood of \$3 to \$4 billion of new money for corporations to secure from the investment market. In addition, the market will be called upon to absorb perhaps as much as a \$2 billion net increase in state and municipal securities and to finance some \$5 or \$6 billion of residential building construction. This makes a total of \$10 or \$12 billion of corporate and municipal securities and residential construction in addition to the Government securities which may be sold by corporations. Thus, the aggregate amount of securities and mortgages likely to be offered to the investment market in 1948 may be only slightly larger than in 1947. (Because of statistical difficulties I have not attempted to include unincorporated businesses Neither have I attempted to include estimates of international lending through private channels. The figures given, however, while rough and rounded estimates, are The figures given, however, while rough and rounded estimates, are sufficiently comprehensive to illustrate the magnitude of the problem.)

Will Savings Be Adequate?

Will Savings Be Adequate?
Whether the country's savings will be adequate to absorb this volume of securities is, of course, a much debated question. Because of the firming of money rates and bond yields in recent months the conclusion is being drawn by some that the volume of savings is inadequate to meet the demands. These developments should not be given undue weight in appraising the situation, however, being the situation, however, be-cause they resulted in part from the deliberate efforts of the mone-(Continued on page 69)

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Your Stockholders-And You

By E. C. POTTER, JR.* Partner, Georgeson & Co., New York City

Mr. Potter stresses importance of building up stockholder relations and says sound program for that purpose should be based on continuing effort to encourage stockholder's interest in the company by aiding their understanding of its problems. Scores propaganda in annual reports, but points out progress made in furnishing stockholders more frequent and detailed information. Discusses methods for improving stockholder's relations by better proxy solicitation.

About 10 years ago I was called upon to solicit a proxy from a lady who, according to the company's records, had never signed a proxy in all the years she had owned the stock. As I presented myself at the door of her apartment, she opened it cautiously

and asked what I wanted. I said I had called to talk to her about the X-Y-Z Company. She looked at me scornfully and, in a withering tone, replied. "If you can tell me anything good about that company, come in.

much more to the story—how her husband had bought the stock in the boom days of the 'twenties on the representation of a friend who promised a 10 or 20-point rise in a few weeks
—how, after her husband died,
she had watched the price go from
30 to 10 and later to 3 or 4 dollars
a share. Of course, her investment
advisor was at fault for letting advisor was at fault for letting her stay in the stock through such a serious decline. But she had no word of blame for him. To her mind, the company was respon-sible. If only, during all those years, it had given her something

more informative that a sketchy annual report and a yearly request for her proxy. No wonder she hated X-Y-Z and all it stood Since that time great progress has been made by many of our leading corporations in supplying their stockholders with information of value and interest. But even today there are far too many who give the impression their stockholders are a pressent will

who give the impression then stockholders are a necessary evil. "The public be damned," as a slogan, may be out of date, but in some cases it has been replaced by "The stockholder is a nui-

This sort of thinking is a heritage of the days when business was conducted as an individual was conducted as an individual enterprise. As these small entities developed into larger units or combined with other groups to form a large corporation, addi-

tional capital was needed and the shares representing ownership were sold to the public. After these corporations became publicly owned, markets for their stock were found on the national exchanges where the listing requirements demanded at least a minimum of information for stockholders. The final development has been regulated by the Securities and Exchange Commission with its manifold rules.

fortunately, this does not seem to be the case and unless something is done to build up an informed to these erroneous ideas, there is great danger that our American profit system may not be able to survive.

Although labor, consumers and management are all represented by organizations which can make the weight of their opinion and their voting strength felt in the

with its manifold rules.

Persons with money to invest must weigh the advantages of one must weigh the advantages of one stock against another. To form a sound judgment on individual investments, information about the company is essential. So annual and interim reports are issued in greater or less detail. To some extent this has been compelled by Stock Exchange or SEC regulation, but many companies have gone far beyond these requirements and supplement these periodic reports with a wide variety odic reports with a wide variety of other information, with the objective of building and holding stockholder good-will.

In spite of such reports as that of the National Industrial Conference Board pointing out that average profits are less than 5c on a dollar of sales, it is evident from other news items, as well as from independent surveys, that most people have a completely false idea about corporate profits. By and large, it seems to be believed that the transport of the same o and large, it seems to be believed that higher wages or lower prices or both can come out of corporate profits without danger to our economy. To overcome this misconception, a number of individual companies such as General Electric and Union Oil of California, to name but two, are doing an excellent job of public education through advertisements or otherthrough advertisements or otherwise. Whether this individual effort is sufficient or whether our corporations should join together in a combined effort to tell the public the truth about profits is a treatient which goes beyond the question which goes beyond the scope of our subject. It is how-ever, an urgent matter and one

form a large corporation, addi
*An address by Mr. Potter before the Finance Conference of
American Management Association, New York City, Jan. 16, 1948. ters than their neighbors. Un-

by organizations which can make the weight of their opinion and their voting strength felt in the shaping of Federal and State leg-islation, the voice of the stock-holder, as such, is rarely heard. It has become a byword to say that the stockholder is the for-gotten man. From time to time efforts have been made to band stockholders together for the pro-tection or advancement of their tection or advancement of their interests, but these organizations have never been in a position to act with the solid backing of tockholders as a group and usually represent only the voice of heir leaders.

Indeed, it is impossible to find a common meeting ground for all stockholders as they represent so many different interests. There are institutions, such as insurance companies, charitable or educacompanies, charitable or educational funds, trust accounts—both individual and corporate, investors, speculators, even employees and consumers. There is also among every corporation's stockholders a large group which cannot be reached directly, the customers of brokers and dealers owning stock in their names for the account of the beneficial owner. Stockholders are people and their feeling about the stock they own is motivated largely by they own is motivated largely by the same reason which guides them in their choice of a newspaper, a movie, or a radio program—their personal interest.

While stockholders as a whole may have divergent views, stockholders in each individual company have a common interest in the affairs of the corporation whose stock they own. But, again,

(Continued on page 45)

Looking Into the Crystal Ball

Of Jacques Coe & Co.

Mr. Coe maintains domestic political outlook will govern stock market's course and that anticipation of Republican victory, combined with cyclical pattern, will start a bull market lasting one to two years. Believes meanwhile advances will be kept narrow by corporations' capital needs. Expects resumption of major downswing in 1950

First I shall venture my opinion regarding the probable direction of the broad composite stock market trend for this year 1948, and then attempt to support the opinion by reasons, and finally solidify it with some very interesting and conveniently adaptable cyclical data. Between now and June, the stock market (using any or all of

should not decline or ad-vance more than between 5% and 10%. If certain po-litical trends develop, and dovetail as they may, the stock market sometime during the summer months of 1948 could begin an ad-vance of sub-



stantial proportions running through the remainder of 1948 and most of 1949.

From the above it is evident that the writer regards politics at this stage as being more impor-tant that economics. The justification for this opinion is apparent on all sides, for the possibility of a change in administration could mean a complete change in the country's fiscal, economic and administrative policies cies.

Why Limit Possible Decline?

Why limit any decline in the stock market for the next five months to 5% to 10%? It is well known that the amount of money borrowed on securities through-out the country is negligible. There are no danger spots in over-extended margin accounts... and they are not likely to de-velop. The overall trend of business continues satisfactory, and to have the possibility of a deep business recession we should first have another inflationary spurt. The danger of this spurt getting under way has not been eliminated. nated by any means, because the next few months hold forth possibilities of coal, railroad, steel, automobile and other industrial strikes. Sparks in Palestine, Greece, China and other danger zones could burst into flames . .

France and Italy are not yet out of the Communistic woods nor has the bond market finally readjusted itself to the revised government interest yield.

It is because of these numerous imponderables that securities continue obtainable on such an at-tractive "times earnings" ratio. It is because of these many scare-It is because of these many scare-crows following each other in vaudeville succession, that all bursts of market strength dissolve almost before they start. The real big and important money is not and has not been in the stock market for many years. A lack of confidence in government fiscal policies, plus the almost confiscatory taxation has made the odds too one sided... But should the stock market have a 5% to 10% decline from this level ... and with a most interesting if not decisive political situation develdecisive political situation developing from June on, it is my firm opinion and conviction that on any scare selling, securities will any scare sellinot go begging!

Overhanging Equity Financing

Overhanging Equity Financing

Now let us take the other side. Why will the market advance not more than 5% to 10% between now and June? In the preceding paragraphs we have already named a number of important drawbacks, but even if most of the scarecrows disappeared and the stock market in its exuberance developed strength to the point where Dow theorists and other chart disciples proclaimed the beginning of a genuine bull market . . . the leading corporations of the country would in no time flat utilize the buoyancy to expedite equity financing by the issuance of millions of additional shares. The crying need among the largest corporations throughout the country for additional working conital to take even of the largest corporations through-out the country for additional working capital to take care of swelling inventories and higher operating costs is so strong that we see every day the increasing bank loans and bond issues which better would be handled by equity financing in a favorable stock

(Continued on page 77)

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The State of Trade and Industry

Steel Production Steel Production
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Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial output rose moderately last week and compared favorably with that of a year ago. Over-all employment held at a high and steady rate but demand for skilled labor, which has been a problem to some manufacturers for a long time, continued to be considerable.

Deliveries of raw materials were generally prompt in most regions, but the delivery strike in the Boston area the past week adversely affected deliveries to and operations in some factories in

Manufacturers of textiles maintained a substantial volume of output with worsted mills showing a slight increase in production. Clothing production, too, held at a steady and high level. On the other hand, a moderate decrease in shoe output occurred and new orders for footwear continued to decline.

orders for footwear continued to decline.

The automotive industry has at last found its stride and is presently geared for high production, but this contemplated high output in the months ahead may suffer a sharp revision as a consequence of the announced stand the United Automobile Workers CIO will take at the close of February in pressing their demand for a third postwar wage increase amounting to 30 cents an hour plus fringe benefits.

Model changeovers in the automotive industry the next the second string to the contemplate industry.

plus fringe benefits.

Model changeovers in the automotive industry the past week cut total General Motors passenger car production in this country nearly 3,000 units, "Ward's Automotive Reports" reveal. The Cadillac division completed its 1947 model run early in the week and began altering plant facilities for work on new models. Pontiac operations were slowed down by a transfer to new models embodying relatively minor changes. Buick continued production of 1947 models during the week but output of the Series 70 Roadmaster type was slowed by preparations for new models.

Retail volume in the week rose moderately above that of the preceding week and the corresponding week a year ago. Seasonal clearances and January white sales continued to attract favorable attention. Consumer resistance to high prices increased and basement departments attracted a large proportion of the shoppers. Requests for credit were reported to have increased in some areas.

Retailers continued eager to obtain practically all types of merchandise and wholesale volume in the week was well above that of the preceding week. Order volume compared very favorably with that of the similar period a year ago. Some buyers were very cautious in purchasing high-priced goods and deliveries generally continued to be prompt.

to be prompt

Hardware Wholesalers' Sales Gain 9% in November
Sales gains averaging 9% were reported by wholesale hardware distributors in all parts of the country, comparing November, 1947, (Continued on page 73)

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Loshar's Slate for 1948

By JOHN E. LOSHAR

(Pinch-hitting for A. Wilfred May's "Observations")

Market observer offers random comments, some tongue-in-cheek
. . . some provocative . . . for the New Year.

Do or Dow!

Since any criticism of Dow's theory, lately, seems to be answered by insinuations that the critic has no understanding of the basic philosophical implications of the theory, etc., I wish to state categorically that I have no understanding of the basic philosophical implications. plications of

the Theory, etc. Neverthe-less, if my technical understanding, is correct, which I think it is, a bull market was was market was, confirmed on the second of January when the rail average closed at 53.85. The senior average nior average (in the words of the phi-



(in the words of the philosophers) gave its half of the bull signal back in July of 1947, at 186.85. Thus the highs of Feb. 8 1947, have been jointly penetrated, and I maintain that under the theory of the late Charles H. Dow a reversal of primary trend from bear to bull has been confirmed!

I don't mean to infer that if we do not now have a rampant bull market Dow's theory has failed; indeed one of the hypotheses of the Theory (the only one with which I am in complete agreement) is that is it not infallible. But isn't it strange how few (if any) Dow Services have followed through to the extent of forecasting a bull market? To me that indicates, to say the least, a certain lack of confidence on the part of these Services in the basic philosophies they are supposed to be interpreting. Could it be that individual judgment concerning the lapse of time between the two penetrations has been placed before cold factual technical application of the Theory? If this is true, and I think it must be, then one of A. Wilfred May's "extrin-I don't mean to infer that if we one of A. Wilfred May's "extrinsic" factors has been introduced. The lapse, in this case, was slight-

ty over five months. Next time it might be three months, or three weeks. Surely it must remain a matter of individual opinion as to what lapse of time between penetrations is necessary to nullify an otherwise clear Dow signal. But if this is admitted, then it's every man for himself: Do or Dow!

Loshar for Secretary of the

Loshar for Secretary of the Treasury!

Let's face it: the new commission rates which went into effect on the third of November last are higher; all Wall Street double-talk (about the principal difference being that the new rates are based on the number of dollars rather than on the number of shares) to the contrary notwithstanding, most commissions for similar purchases are larger than similar purchases are larger than the old ones.

The need for these increases has The need for these increases has been written in the red ink of too many readers of this publication to require either explanation or justification. The inescapable net result, however, is to make it harder than ever to trade both acceptable and predictably and since tively and profitably. And since the active trader is the steak and salad, if not the bread and butter, of Wall Street, this might de-velop into a serious situation.

welop into a serious situation.

While the Congress is in a taxcutting mood, therefore, I have
one sugestion that may alleviate
this problem slightly. Brokerage
commissions now, for tax purposes, are added to the cost and
subtracted from the proceeds in
security transactions. Thus the
taxpayer obtains, in effect, a "capital gain deduction." Unfortunately, however, this does not help
active traders in high income-tax
brackets as much as a deduction
from income would. Although it is
generally known that New York generally known that New York

(Continued on page 77)

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Condensed Balance Sheet at December 31, 1947

ASSETS	
Cash in Banks and on Hand\$ 30,721.04 Securities owned at cost (lower than	
market) 155,332.73	
Customers Debit Balances 1,998.50	
Securities Sold-Undelivered (Note 1) 100,325.14	
Miscellaneous Assets 654.96	10 M. 1
Total Assets	\$289.032.3
TEADY INTES CAPITAL STOCK AND SUPPL	LIS

LIABILITIES, CAPITAL STOCK AND SURPI
Bank Lean (Note 1) \$ 97,000.00
Customers Credit Balances 4,747.73
Securities Purchased—not received 6,189.50
Accrued Taxes 13,251.21
Accrued Expenses and Miscellaneous 15,626 32 _____ 15,626 32 \$136,814.76

Total Liabilities, Capital Stock & Surplus \$289,032.37 Note 1—Securities aggregating \$101.031.25 at cost are pledged to secure Bank Loan of \$97,000.00

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(Special to The Financial Chronicle)

LOS ANGELES, CAL.—Robert T. Cass has become associated with Gross, Rogers & Co., 458



South Spring Street, members of the Los Angeles Stock Exchange. Mr. Cass was formerly in the trading department of Morton Seidel & Co. and prior thereto was with Quincy Cass Associates.

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Robert T. Cass Joins | Administration's Swollen Budget

By HON. ROBERT A. TAFT* U. S. Senator from Ohio

Scoring Federal bureaucracy built up under New Deal, Republican Party leader says taxes and Federal activities must be reduced. Holds Administration's program chokes production, kills incentive and hampers new enterprise. Wants budget cut by \$3 billions, and says ERP can be cut by more than \$1 billion. Favors increased air force but reduced outlays for navy and ground forces. Opposes proposed plan for universal military training, and says proper military reserve system can be established on voluntary basis. Concludes national debt can be reduced \$2½ billions this year and substantial tax cuts made.

Today we are at the opening of a momentous session of Congress here the issues between the two parties are clearly defined. The Republicans were elected in 1946 because the people realized that the New Deal had extended Federal regulation, Federal spending,

Federal taxes, and the domination of labor leaders, to a point where the freedom of the people was seriously threat e n e d. The Republi-can Party promised progress under American principles of freedom, and they carried out that prompromise. Their



promise. Their program at the last session was based on four jobs. They reduced the spending of the Federal Government. They did all that they could to reduce taxes, but they could not get the number of Dem ocratic votes necessary to over-ride the President's veto which

*An address by Senator Taft to the Rhode Island Republican Club, Providence, R. I., Jan. 15, 1948.

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takes two-thirds of both Houses They declared the end of hostil-ities and brought most of the war regulatory powers to an end. They restored equality in labor relations so that the heads of the labor unions could not impose an unreasonable or arbitrary will either on the public or on their own members. The Party showed that it could declarate the could decla own members. The Party showed that it could develop a program and put it through and keep its promises in spite of a very narrow majority and the difficulty of crystallizing legislative opinion on any subject any subject.

For 15 years the New Deal has been steadily building up the extent and power of the Federal Government. In spite of the conservatism of its Southern members, the Party has been dominated by the thinking of the Political Action Committee of the cal Action Committee of the C. I. O. In the last analysis, it cannot afford to loose the support cannot afford to loose the support of the left-wing in the Northern cities. Even the defection of Wallace is likely to be fatal to its success, but it would have no chance whatever of retaining control if the C. I. O. unions had swung behind the Wallace movement. The natural inclination of the President is somewhat more conservative as appeared in 1946 conservative as appeared in 1946 when he canceled price controls and housing controls. But his political advisers soon saw the danger of that course for any Demo-cratic President. He surrendered to the labor leaders by vetoing the Taft-Hartley law. He has now returned to an enthusiastic en-dorsement of the New Deal, to its global spending policies, and its determination to direct the lives of all the people.

Federal Bureaucracy

We have had the New Deal now for 15 years. Few people realize the tremendous organization it has built up in Washington. I don't think there is anyone alive who knows all the things which the Federal Government is doing today. It is a tremendous machine which rolls on under its own mo-mentum almost without direction from any conscious intelligent thinking or planning, but in ac-

(Continued on page 83)

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Holds Taxation Is Undermining **Capital Formation**

R. W. Valentine, Economist of Halsey, Stuart & Co. Inc., contends, if present large demand for capital funds is to continue, a much broader market for equity securities is needed. Says yields to investors will have to be increased and taxation of profits and dividends reduced, if sufficient capital funds are to be made available.

Asserting that low income yields and high taxes were undermining saving and preventing needed capital formation, thus putting a break on economic progress, Dr. R. W. Valentine, Economist, of Halsey, Stuart & Co. Inc., told the Financial Conference of the American Management Association in New York on Jan. 15 that aggregate capital outlays, including new housing, in 1947 reached a peak of \$30 billions.

"Unfortunately, however, there exist at the present time some

"Several factors have contrib-"Several factors have contributed to this very large outlay of new capital investment during the last two years," Dr. Valentine stated. "The high level of demand for consumer goods has encouraged the enlargement and extension of production facilities. Technological progress has made possible an increased mechanical possible an increased mechaniza possible an increased mechanization of production and rising labor costs have stimulated the introduction and utilization of new processes and improved equipment. The general rise in prices has increased the need for working capital. Population growth and a more rapid increase in the number of family units in recent years has intensified the need for additional housing facilities. additional housing facilities. A world-wide shortage of both capiworld-wide shortage of both capi-tal goods and consumer goods has added to the demand for the prod-ucts of American industry. Under the impact of these and other forces, business activity and em-ployment have been at a high level

Continuing Dr. Valentine remarked:

"An appraisal of these factors "An appraisal of these factors shows that they have not as yet spent their force and that the potential demands for new capital funds are still very large. There is good reason to believe that we are on the threshold today of a new era of industrial expansion and development with tremendous opportunities for the employment of new capital if it can be made available in the needed amounts at the proper time.

"If the present demand for capi-

"If the present demand for capi-tal funds continues, a much broader market for equity securities will be needed than that which has existed in recent years.

"This need for a broader equity market is particularly significant from the standpoint of being able adequately to finance the rise and development of new industries which are in the process of coming into being at this time. Risk taking or venture capital for this purpose is relatively scarce today and will be needed urgently in large amounts if the desired equilibrium in our economic life at high levels of production and em-

ing the next several years.

"Unfortunately, however, there exist at the present time some very serious obstacles to capital accumulation and its employment in this manner and to them can be attributed very largely the relative scarcity of venture capital which prevails today. Particularly important in this connection are (1) an overemphasis today on personal consumption as a means personal consumption as a means of maintaining a high level of economic activity, (2) the theory that our economy has matured and affords little opportunity for obtaining more than an average rate of return on invested capital, and (3) a tax structure which limits the capacity to save and destroys the incentives to capital accumulation and investment.

"The possibilities for the most immediate, and perhaps the most significant, results in the matter of tax revision are to be found in the field of Federal income tax legislation. Suggested revisions to the Federal Income Tax law designed to make a larger supply of signed to make a larger supply of capital funds available for business development and which merit serious consideration in-

- (1) Liberalization of the law with respect to losses in order to equalize the tax burden on risk taking capital.
- (2) A more realistic application of depreciation and obsolescence accounting.
- (3) Lower corporation and individual surtax rates, at least in so far as they apply to savings and the return on venture capital.
- (4) Elimination of double taxation of corporate income.
- (5) Liberalization in application of the penalty provisions of the income tax law relating to undistributed profits.

(6) Revision of the treatment

of capital gains and losses.

"Accomplishing these objectives will not be an easy task at the present time. The nature and character of the future development of our economy, however, will be determined very much by whether or not they are attained."

whether or not they are attained.
"The tremendous decline in interest rates during the last several years also was a significant factor in removing the individual investor as a direct source of supply

(Continued on page 63)

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Sees Present Government Bond Rate Maintained

Professor Raymond Rodgers doubts present volume of business borrowing will expand owing to increasing business risks and restrictive Federal Reserve policies.

Unless inflation gets out of hand the present rates of government bonds will be maintained and long-term government bonds will not be permitted to break par in the near future, Raymond Rodgers, Pro-fessor of Banking at New York University's School of Commerce, Accounts and

Accounts, and Finance pre-dicted at a gathering of the Savings Bank Bond Men of the State of New York in New York in New York City on Jan. 14. Pro-fessor Rod-gers declared that the recent Federal Reserve pol-icy seems designed to re-the inflation-



Raymond Rodgers

ary pressure from capital expend-itures by reducing the volume of new security offerings.

Dr. Rodgers further contended that lenders are becoming more cautious in view of the higher break-even point in most industries, the fantastically high prices, and the top heavy debt structure, taken in conjunction with the increasing uncertainties in the economic outlook.

means to keep the price of governments on any level they wish."

In reply to the second question Professor Rodgers commented. "Many people are relying too heavily on the Marshall Plan. Even if it gets through the Congress without sizable reduction, exports will drop. In the first 10 months alone of 1947, exports exceeded imports by \$7.5 billion. It would take a great deal more than the Marshall Plan to

continue through 1948 at that

Although higher prices and higher wages sharply increased the borrowings of business and industry in 1947 the tightening policies of the Federal Reserve authorities and the increasing risk in business make it highly doubtful that the volume of borrowing will be as high this year, Dr. Rodgers added.

In his talk, Professor Rodgers ited two big questions concerning government bonds today. The irst is can the monetary authorities keep government bonds peg-ged at present levels? The second, will they keep them at the present levels?

In answer to the first question Professor Rodgers replied, "With a managed debt, a managed money, and large segments of our economy on a government managed basis, the monetatry authorities, with the great and unprecedented powers at their disposal, have both the power and the means to keep the price of governments on any level they wish."

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Eccles are categorically on record to the effect that the 2½% rate will be maintained. For them to abandon their public position on this would amount to bad faith, unless they are confronted with the alternative of inflationary catastrophe."

But weighing the consequence of an alternative policy, it seems reasonable to expect the monetary authorities and the Treasury to "hold the line" at par on the longterm 21/2's, Professor Rodgers said. If, however, there are widespread wage increases and the cost of living mounts another 10 to 20%, he concluded, there may be a de-security."

mand from voters from all over the country that a real anti-inflation bill with drastic powers be put through Congress and such a bill would probably have credit restriction features and consequences which would temporarily drive obligations down. "In such an event," he said, "all you can do is grin and bear it, in the knowledge that once the inflation has passed, interest rates will drop and the governments will bounce back quicker, higher, and better than any other type of

Union Securities Corp. Adds Ogden Edwards

Union Securities Corporation, 65 Broadway, New York City, an-nounced that Ogden Edwards has become associated with them in the sales department of their New York office. Prior to joining Union Securities Corporation, Mr. Edwards had been with Barr Brothers & Co., Inc., since 1929.

Daniel F. Rice & Co. Adds
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2½% Bonds \$1,000,000 due 1949 \$400,000 due 1950 \$300,000 due ea. yr. 1951-72		21/2% Bonds \$830,000 due 1949 \$350,000 due 1950 -72 \$310,000 due ea. yr. 1951-72 PRICES TO YIELD		Bonds ue 1949 ue 1950 . yr. 1951-72	21/2% Bonds \$80,000 due 1950		ds 50
1949	.95%	1955	1.60%	1961	2.15%	1967	2.40%
1950	1.05	1956	1.70	1962	2.20	1968	2.45
1951	1.15	1957	1.80	1963	2.25	1969	2.45
1952	1.25	1958	1.90	1964	2.30	1970	2.50
1953	1.35	1959	2.00	1965	2.35	1971	2.50
1954	1.50	1960	2.10	1966	2.40	1972	2.50
		(A	ccrued interest	to be added)		

The above Bonds are offered when, as and if issued and received by us and subject to approval of legality by Messrs. O'Melveny & Myers, Attorneys, Los Angeles, Calif.

The Chase National Bank

J. P. Morgan & Co.

Lazard Frères & Co.

Drexel & Co.

The First National Bank Portland, Ore.

Stone & Webster Securities Corp.

Mercantile-Commerce Bank & Trust Co.

Schoelkopf, Hutton & Pomeroy, Inc.

Merrill Lynch, Pierce, Fenner & Beane

Lee Higginson Corp.

L. F. Rothschild & Co.

Laurence M. Marks & Co.

Coffin & Burr

Hornblower & Weeks

R. S. Dickson & Company

The Illinois Company

Commerce Union Bank

Hill, Richards & Co.

Hirsch & Co.

Nashville Detmer & Co.

W. H. Morton & Co.

Pacific Company of California R. D. White & Co. Wm. E. Pollock & Co., Inc.

Chicago

Martin, Burns & Corbett, Inc. Barcus, Kindred & Co.

Kobbe & Company

Tripp & Co. Tilney and Co.

National City Bank McDonald-Moore & Co.

New York, January 21, 1948.

Joseph F. Hammel Joins Kneeland & Co.

Special to THE FINANCIAL CHRONICLE) CHICAGO, ILL.—Joseph F. Hammel has become associated with Kneeland & Co., Board of



Trade Building, members of the Chicago Stock Exchange. Mr. Hammel was formerly with Mason, Moran & Co. and J. J. O'Connor & Co.

Investors League To Discuss Venture Capital

Announcement was made by the Investors League, Inc., that it will hold an all-day Forum at the Bellevue-Stratford Hotel in Philadelphia, Jan. 29, 1948, on the sub-ject, "How Can We Resume the Flow of Venture Capital?"

Among the principal speakers will be Senator Eugene D. Milli-kin, (R-Colo.) Chairman of the Senate Finance Committee. He will take as his topic, "How Can We Resume the Flow of Venture Capital?" The Senator will be in-Duff. (R-Pa.).

The Forum will be divided into

three sessions; morning, luncheon

three sessions; morning, luncheon and afternoon.

Other speakers will include:
Lammot DuPont, retired executive E. I. DuPont de Nemours & Company; Francis Adams Truslow, President New York Curb Exchange; Colonel Allen M. Pope, Director and former President of the First Boston Corporation; and the First Boston Corporation; and Chairman Finance Committee, N. Y. U.; Nathaniel S. Chadwick, Vice-President National Securities Finance Vice-President National Securities Research Corporation; Mrs. Mary G. Roebling, Chairman Trenton Trust Co.; Mrs. M. C. Walther, Investor, Textile Consultant; B. C. Forbes, President Investors League; N. R. Caine, Tax Consultant and Chairman Investors League Tax Committee; John A. Murphy, Partner, Reynolds and Company. Company.

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The \$5 Preferred stock of an 85-year-old New England pany, which has a dividend accumulation of \$77 a share. Earnings over the previous ten years have averaged \$21.30 a

While no dividends have been paid for a number of years, earnings in nine of the past ten years covered annual divi-dend requirements by a wide margin.

Recent price 37

Ten-year average earnings in the Common \$4.07 a share.

Recent price 7

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Securities Salesman's Corner

By JOHN DUTTON

FOURTH ARTICLE (Training of Salesmen)

The largest percentage of present day security buyers comprise a group of individuals who are primarily interested in obtaining appreciation of principal. As we pointed out in a previous article in this series, this class of investors can also be divided into two general classifications: (1) Those interested in speculation for profit, quick turns, and obtaining "something for nothing"; (2) Those who strive for appreciation of principal, but are also interested in the investment approach to the problem. They will try and select "growth situations" or other mediums for obtaining profit. They will listen to a reasonable analysis of "WHY" certain developments should take place pertaining to a security.

Group (1), those security buyers who are primarily speculators, should not be neglected by a new man going into the security business. However, he should be cautioned that this type of business, although it can be profitable, must be handled in a manner that will not cause future difficulties for his firm or for himself. He must also understand that the securities business provides an opportunity for people to invest their savings—that the price appreciation angle is a secondary consideration—and that if he desires to build a substantial clientele he will develop all three classes of accounts...in-

stantial clientele he will develop all three classes of accounts . . . investors for income, investors for income and price appreciation and speculators.

The average speculator as we have said before "wants something for nothing." There has been too much hypocrisy among the public, for nothing." There has been too much hypocrisy among the public, the security industry, and the various government agencies, such as the SEC and the NASD, regarding this growing group of security buyers who want someone to tell them where they can make a "turn," or put them next to something good. These people are not investors. They are plain gamblers, and their motivation is nothing more than human cupidity. Some of them will be only too glad to admit it, even if those in the government agencies, and some of the holier than thou people in the investment business, hold up their hands in horror at the word "gambler." But that is what these people are doing—gambling. Your new man had better know this when he goes out to sell securities, because he should know how to handle this type of buyer when he meets him. Incidentally, he will meet plenty of them. Their numbers are increasing daily because higher taxes are killing the incentive to invest for income.

There is only one sales talk you need to sell a person who wants to gamble. YOU MAKE HIM KNOW IT IS HARD TO GET INTER-ESTING OPPORTUNITIES. Your new man should know that once

There is only one sales talk you heed to self a person who wants to gamble. YOU MAKE HIM KNOW IT IS HARD TO GET INTERESTING OPPORTUNITIES. Your new man should know that once in a while you do uncover certain bargains in your search for attractive securities. You should tell him that when these situations arise he will get an opportunity to see to it that his prospects are not forgotten. Then tell him to use the following basic approach to this type of business: After he has determined that his prospect is definitely in the speculating group, he should mention that once in a while the partners of his firm obtain information on something that looks like an opportunity to make some substantial profit. During the past year his firm has uncovered special situations that have been very profitable and that he might be able to let the prospect know if something like this came up in the future. That is all there is to it. Of course, you can say it in your own way. Call it what you will—this is the approach that brings in business from those who are interested in making a speculation for profit. It is the same approach that is used at the racetrack too—but millions of people go there every year. every year.

After the new salesman has lined up some prospects who fall

into the category which we are discussing, he then waits for a situation to come along. Sometimes a telephone call will do the trick; other times a visit by appointment, or a luncheon date. Make it important, make it hard to get. As they say in show business, USE THE BUILDUP. People who "want something for nothing" like it

One word of caution. Don't allow your new man to think that all there is to the securities business is this sort of thing. This has been a very frank column. There may be some who do not agree that calling a spade a spade is good policy regarding such matters. But after all we are in a business. We have all sorts of customers. The new man in the securities business had better see the whole picture right from the beginning. Unfortunately today, too many people are becoming nothing more than plain gamblers in the securities markets. Government policy, inflation, high taxes, and the prevailing atmosphere of the public in general, tends in this direction. The recent revelations of high government officials, and many little ones too, knee deep in commodity speculation all bears out this fact. Every salesman should have "more than one string to his bow." So when your new man goes out for business, and he meets one of these security buyers who wants to take a "flyer," he should know how to recognize him (no lessons needed there), and he should know how to make it hard to get, and IMPORTANT.

Next week we will discuss the approach to the investor who is interested in "growth situations."

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San Francisco

Public Utility Securities

Middle West Corp. and "CIPS"

Last June Middle West Corp. distributed one share of Central & South West Corp. for each share of its own stock, thus disposing of nearly half of its system assets. Last August stockholders approved nearly hair of its grant and a resolution to dissolve the company, and that within a year or a year and a half the company would have completed the distribution of its Utilities. This litigation has now been settled before the SEC and the approximately an approximately approximatel

that stockholders or other interested parties had until Jan. 22 to request a hearing or submit their request a hearing or submit their views on the company's proposal to distribute one share of Central Illinois Public Service common stock (par \$10) for each two shares of Middle West of record Jan. 26. It appears very unlikely that any opposition will develop and Feb. 26 has been named payment date ment date.

Central Illinois Public Service ("CIPS") is quoted over-counter about 11½-12; Middle West is currently selling on the Curb at 14%, and on a "when distributed" basis is quoted over-counter Central Illinois Public 9-91/4. Service is currently selling 430,-000 additional shares of common west Corp. which holds about 74% and Halsey, Stuart & Co., of Chicago, who hold the remainder—at \$10 a share. Thus the company will receive \$4,300,000 cash to help finance construction work and the number of shares will be increased to 2,230,000 will be increased to 2,20,300 shares, which will make Middle West's holding large enough to permit convenient distribution permit permit convenient distribution (on a 1-for-2 basis) to its stockholders.

Central Illinois Public Service in the 12 months ended Sept. 30, earned \$1.95 a share on the 1,800,000 shares then outstanding, but on a pro forma basis the amount is reduced to approximately \$1.57. The stock is therefore currently selling at only about 7.3 times earnings (without any allowance for the increased earnings which may eventually be expected from the investment of the additional \$4.300,000. of the additional \$4,300,000) Based on the anticipated dividence rate of \$1, the yield would be about 8½% Halsey, Stuart will eventually dispose of their substantial holdings, but have gained "holding company" exemption and will probably be in no special hurry to dispose of this stock until the return of better utility markets.

Remaining items in the Middle West portfolio, which will probably be distributed during 1948, include Kentucky Utilities, Wisconsin Power & Light, Public Service of Indiana, Middle West Canada and miscellaneous of Canada and inscentaneous assets and cash. Distribution of Wisconsin Power & Light has been delayed by protracted litigation over the dissolution of the intermediate holding company, North West Utilities. There were inter-corporte holdings among the three companies and the result was a disagreement over the division of Wisconsin Power & Light Street. Both were formerly partstock between Middle West and ners in Coons, Milton & Co.

before Judge Leahy at Wilming-ton Feb. 10. It seems probable that there will be no further opposition to the plan, and after Judge Leahy has issued his ruling and the appeal period has elapsed, the stock will reach the treasury of Middle West and become available for distribution.

A detailed investigation would be necessary to make any car determination of the remaining values in the Middle West port-folio. The following figures are highly approximate estimates:

	villions
Kentucky Utilities	\$13
Wisconsin Power & Light	10
Public Service of Indiana	8
Middle West of Canada	4
Miscellaneous and cash	3
Total	\$38
Amount per share	\$11,50

On the basis of this estimate (which assumes a moderate amount of market seasoning for the Kentucky and Wisconsin the Kentucky and Wisconsin stocks after distribution) there would appear to be about 25% potential appreciation for Middle West (ex-CIPS).

Chase Bank Syndicate Offers Los Angeles **School District Bonds**

Offering of new issues of \$18,-500,000 Los Angeles City School Districts, California, 21/2 % bonds maturing from Jan. 1, 1949 to 1972 was made Jan. 21 by a banking group headed by The Chase National Bank. The bonds are priced to yield from .95% to 2.50%, according to maturity and are interest exempt from present Federal income taxes and tax exempt in the State of California. They are legal investment for savings banks and trust funds in New York, California, and certain other

Kirkland, Nelson With Harris, Upham & Co.

SAN FRANCISCO, CAL-Joseph A. Nelson and Stanley H. Kirkland have become associated with Harris, Upham & Co., as managers of their new San Francisco office at 232 Montgomery

Portland Electric Power % Prior Pfd.

Portland Electric Power 6s, 1950

Portland General Electric

Common

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Dealer-Broker Investment Recommendations and Literature

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

Annual Review and Forecast— H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Common Stock Portfolios cular on portfolios selected to fit the requirements of three differ-ent types of investors—Mallory, Adee & Co., 120 Broadway, New York 5, N. Y.

-Analysis of "A New Chapter"-Berkshire Fine Spinning Associates—Scherck, Richter Company, Landreth Bldg., St. Louis 2, Mo.

The New Look"-Circular on a diversified group of Texas Municipal Bonds—Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Texas.

New Proxy Rules-Booklet connew Proxy Rules—Booklet containing new proxy rules of the Securities and Exchange Commission (rules permissible for current solicitations and obligatory for all solicitations commencing on and after Feb. 15)—ask for Booklet R—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

New York City Bank Stocks Operating Earnings and Ratios of 20 Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Public Utility Stocksmiscellaneous public utility and industrial stocks in which firm has an interest—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

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

Special Situation-Analysis of 85-year-old New England com-pany with large dividend accumu-lation—Raymond & Co., 148 State -Raymond & Co., 148 State Street, Boston 9, Mass.

Steel, The Master Metal-Circular on the industry and stocks of several low-priced speculative steel companies—Mercer Hicks & 150 Broadway, New York 7

Amalgamated Sugar — New Analysis—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah.

American Water Works & Electric—Analysis—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Artkraft Manufacturing Corp.
—Full details—Comstock & Co.,
231 South La Salle Street, Chicago 4, Ill.

Associated Electric Co.—Memo-andum — New York Hanseation randum—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Atlanta Gas Light Co.—Descriptive circular—Blair & Co., Inc., 44 Wall Street, New York 5, N.Y.

B. V. D. Corporation-Analysis —C. E. Unterberg & Co., Broadway, New York 6, N. Y.

Central Illinois Public Service Co.—Memorandum—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

Chase Investment Service—Booklet describing the services of the Investment Service Department of the Chase National Bank, 11 Broad Street, New York 15,

Clinton Machine Co.—Memorandum—A. H. Vogel & Co., Penobscot Building, Detroit 26, Mich.

Disticraft, Inc. — Descriptive brochure on new distilling proc-ess—Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chi-

Dorset Fabrics, Inc.—Memorandum—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Allen B. DuMont Laboratories

— Circular — Ward & Co., 120

Broadway, New York 5, N. Y.

Electrol, Inc.—Analysis of manufacturer of hydraulic control equipment for aviation and industrial uses—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Graham-Paige Motors Corp.—
Analysis—Seligman, Lubetkin &
Co., 41 Broad Street, New York 4
New York.
Also available are analyses of
Foundation Co., Wellman Engineering, and Tennessee Products
& Chemical.

Hudson Motor Car Co.—Circular—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

International Nickel Co. of Canada, Ltd.—Analysis and investment appraisal—Kalb, Voorvestment appraisal—Kalb, Voor-his & Co., 15 Broad Street, New York 5, N. Y.

Also available is a reappraisal f McIntyre Porcupine Mines,

Kingwood Oil Co.—Special survey—Peter Morgan & Co., 31 Nassau Street, New York 5, N.Y.

Lehman Corporation—Changes in portfolio—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Northwest Utilities Analysis Ira Haupt & Co., 111 Broadway New York 6, N. Y.

Portsmouth Steel Corp.—Data— Buckley Brothers, 1240 Walnu Street, Philadelphia 2, Pa. Also available is late informa-tion on Du Mont Laboratories and

Buffalo Bolt Co.

Shepard Niles Crane & Hoist—Report—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Time, Inc.—Memorandum—Bond & Goodwin, Inc., 63 Wall Street, New York 5, N.Y.

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

West Penn Electric Co.—Memorandum—Newburger, Loeb & Co., 15 Broad Street, New York 5,

World Bank Bonds-Detailed memorandum—First Boston Corp., 100 Broadway, New York 5, N. Y.

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Buffett Urges Restoration of Gold Standard

Representative Howard Buffett (R.-Neb.), on Jan. 20 introduced in the House of Representatives a bill to reestablish the old gold standard in the United States, to take effect on Jan. 20, 1949, the date the next Administration takes over. In an address, which accompanied

the introduc-tion of the bill, Repre-sentative Buf-fett remarked: "The impor-

tance of re-storing the circulation of gold and end-ing the de-terioration of our money is of direct and portance: to

every bond-holder, insur-ance policy owner, and every pensioner in

"However, restoring the right of the American citizen to own gold may be of much greater signifi-cance. There is impressive evi-dence indicating that the right to own gold is the human freedom on which all other freedoms ultimately depend.

"It appears that only by the right to own gold can the people control the public purse and thus effectively restrain their political rulers. Because of that fact the modern tyrants of Europe, Lenin, Hitler and Mussolini, all quickly prohibited individual ownership of gold. Then there remained in the hands of the people no effective barrier against inflation and ive barrier against inflation and war.

"If Congress will move con-structively to restore to Ameri-cans the freedom to own gold, the drive here toward the chaos of national bankruptcy and perpetual war can most surely be ended."

The text of Representative Buffet's measure follows:

A BILL

To restore the right of American citizens to freely own gold and gold coins; to return control over the public purse to the people; to restrain further deterioration of Specifically, the following shall fect Jan. 20, 1949.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled:

gress assembled:

Sec. 1. This act may be cited as the Gold Standard Act of 1948.

Sec. 2. The standard monetary unit of the United States of America shall be the gold dollar of 155/21 grains 9/10 fine. Gold coins of not less than \$10 denominations and such larger denominations as the Secretary of the Treasury finds desirable shall be minted and issued upon demand.

Sec. 3. Nothing in this Act shall be construed to change the size, weight or fineness of the present lawful silver coins.

Sec. 4. Standard gold coin and

Sec. 4. Standard gold coin and gold certificates shall be full legal tender.

Sec. 5. All other money of the United States shall be maintained on a parity with the standard gold dollar by freedom of exchanges at par with standard gold.

Sec. 6. Standard gold.

Sec. 6. Standard gold bullion and coin as well as gold certificates shall be lawful money for reserves against deposits in Federal Reserve Banks and in the 5% redemption fund against Federal Reserve notes. eral Reserve notes.

Sec. 7. Standard gold bullion and coin as well as gold certificates shall count as part of the minimum reserve of 25% to be held by Federal Reserve banks against their Federal Reserve notes in actual circulation.

Sec. 8. All legally-issued Treasury currency, except (a) fractional silver and minor coins as pro-

our currency; to enable holders of have the quality of full legal tenpaper money to redeem it in gold der: gold coin and gold certif-coin on demand; to establish and maintain a domestic gold coin standard; and for other purposes. notes.

Sec. 9. Fractional silver coins shall be legal tender only up to \$10. Five-cent pieces and one-cent pieces shall be legal tender only up to 25 cents.

Sec. 10. Federal Reserve notes shall be receivable for all debts, public and private, but they may not be counted as reserves against other notes or deposits of issuing

Sec. 11. All provisions of law authorizing the President to alter the size, weight or fineness of gold and silver coins are hereby repealed. The mint charges for assaying and coining gold and silver, limits of tolerance, and the alloys in gold and silver coins shall be those in effect in 1932.

Sec. 12. That part of Sec. 43

Sec. 12. That part of Sec. 43 of the Act of May 12, 1933, as amended by Public Resolution No. 10, approved June 5, 1933, providing that all coins and currencies of the United States shall be full legal tender, is hereby repealed.

sec. 13. The Act of June 12, 1945 (59 Stat. 237), is hereby amended to provide that all Treasury currency, except that in process of retirement, shall be counted along with gold and gold certificates, as part of the lawful money for reserves against deposits in Federal Reserve banks. Specifically, all silver and minor posits in Federal Reserve banks. Specifically, all silver and minor coins, silver certificates, and United States notes shall be added to gold and gold certificates as part of the money that is lawful for reserves in Federal Reserve banks against their density. banks against their deposits.

Sec. 14. The Gold Reserve Act of 1934 (48 Stat. 337) is hereby repealed. Sec. 15. This Act shall take ef-

This announcement is not an offer to sell or a solicitation of an offer to buy these securities.

The offering is made only by the Prospectus.

\$40,000,000

Southern California Edison Company

First and Refunding Mortgage Bonds, Series A, Due 1973 $(3\frac{1}{8}\%)$

Dated January 15, 1948

Due January 15, 1973

Price 102.187% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

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WM. E. POLLOCK & CO., INC.

PUTNAM & CO.

January 21, 1948

Missouri Brevities

Southwestern Bell Telephone Co. plans to increase its funded debt in an amount "not to exceed \$100,000,000" by an issue of debentures to be sold at competitive bidding. Proceeds are to be used to repay advances received from its parent, American Telephone & Telegraph Co., and to meet expansion costs in the first half of the ton Corporation in the public of the competition of the second to th

current year.

G. H. Walker & Co., St. Louis, is included among the group of 19 underwriters headed by Mc-Donald & Co., Cleveland, Ohio, which will purchase any unsub-scribed portion of the offering of 58,612 shares of common stock, par \$10, of The Harshaw Chemical Co., which are being offered to the common stockholders of the latter company at \$32.50 per share on the basis of one share for each four shares held as of record Jan. 14, 1948. Subscription warrants 14, 1948. Subscription warrants will expire at 2:30 p.m. Jan. 27, 1948. The net proceeds will be used for repayment of \$2,000,000 of short term bank loans, and for working capital purposes.

Among the investment bank-ers of this State who partici-pated on Dec. 17 in the public offering at \$27 per share of 710,500 shares of \$10 par value common stock of Northern Nacommon stock of Northern Natural Gas Co., which had been owned by North American Light & Power Co. were the following: Stifel, Nicolaus & Co., Inc., Reinholdt & Gardner, A. G. Edwards & Sons, I. M. Simon & Co., and Stix & Co., all of St. Louis, and Barret, Fitch & Co., Inc. and H. O. Peet & Co. both of Kansas City. The & Co. both of Kansas City. The was oversubscribed.

Stifel, Nicolaus & Co., Inc. also participated in the public offering of \$10,000,000 Central Illinois Public Service Co. first mortgage bonds, series B, 3%%, due Sept. 1, 1977, at 102.365% and interest.

Associated with the First Bos-

ton Corporation in the public offering of 450,000 shares of capital stock (par \$20) of The Deetroit Edison Co. at \$20.50 per share were Stifel, Nicolaus & Co., Inc., Newhard, Cook & Co. and Stix & Co. of St. Louis, and Stern Brothers & Co. of Kansas City. The offering, which was for the account of the American Light & Traction Co. was oversubscribed. Co., was oversubscribed.

George K. Baum & Co. and Prescott-Wright-Snider Co., both of Kansas City, Mo., and Kenneth Van Sickle, Inc., of Emporia, Kan., in December publicly offered 2,700 shares of 5% cumulative preferred stock, 1947 series, of The Palace Clothing Co. of Kansas City at par (\$100 per share) and dividends. The net proceeds, together with other funds, will be used to redeem the outstanding 6% preferred stock. 6% preferred stock.

Hill Brothers of St. Louis has underwritten 5,600 shares of common stock of the Southern Acid & Sulphur Co., Inc. (Va.) at \$47.50 per share, the net proceeds to be used for additional working capital. These shares were first offered to Southern's common and preferred stock-holders of record Dec. 15, 1947 on the basis of one new share for each 12 shares of preferred or common stock held. The 5,600 additional common shares were to be sold solely within the State of Missouri.

O. H. Wibbing & Co., of St. Louis, and Stix & Co. and H. O. Peet & Co. on Jan. 16 participated in the public offering of 50,000 shares of Old Poindexter Distil-

lery, Inc. 5% convertible cumula-tive preferred stock at par (\$20 per share), the net proceeds of which will be used to reduce bank loans and for other corporate pur-

A block of 30,000 shares of capital stock of Anheuser-Busch, Inc. was sold at 2734 in a secondary distribution on Jan. a secondary distribution on Jan.
16 by a syndicate headed by
Reinhold & Gardner, and including Stifel, Nicolaus & Co.,
Edward D. Jones & Co., Newhard, Cook & Co. and I. M.
Simon & Co.

On Jan. 19, an issue of \$8,280,-Oh Jan. 19, an issue of \$8,280,-000 St. Louis-San Francisco Ry. 234% equipment trust certificates, series A, due annually \$552,000 on each Jan. 15, 1949 to 1963, inclusive, were reoffered and quickly sold by a group of investment bankers headed by Halsey, Stuart & Co., Inc., subject to the approval of the Interstate Commerce Commission. They were priced to yield 1.50% They were priced to yield 1.50% to 3.00%, according to maturity

The Monsanto Chemical Co. on Jan. 13 announced that it has arranged through a group of banks for a line of credit up to \$25,000,000, extending for three years, upon which it may draw when funds are needed for additional working capital. The offering of 250,000 shares of \$100 par 4% preference stock. \$100 par 4% preference stock, series B, was postponed on Dec. 9, last, because of unsatisfactory market conditions.

Empire District Electric Co. of Joplin has filed an application with the Missouri Public Service Commission for authority to issue \$4,000,000 of 3½% 30-year first mortgage bonds of 1978 in order to finance part of its \$10,-000,000 construction program. A 30,000-kilowatt generator and sub-station, costing approximately \$4,650.000, is planned at this time for the company's Riverton, Kansas, plant. Empire District Electric Co. of

Certificates for the additional shares of common stock, which were issuable as a 100% stock dividend to common stockholders of Falstaff Brewing Corp. of record Jan. 9, 1948 are being mailed today (Jan. 22) from St. Louis. The common stock will be quoted "ex" the stock distribution on the New York Curb Exchange on Jan. 26.

Oscar D. Nelson, President of the Butler Manufacturing Co. of Kansas City, announces that the stockholders on Jan. 8 approved an increase in the authorized com mon stock from 100,000 shares to 300,000 shares.

The stockholders of Clinton Industries, Inc. on Dec. 23 ap-

UNDERWRITERS

proved a proposal to acquire a material stock interest (at least 80%) of Obear-Nester Glass Co. seven-tenths of a share of Clinton Industries stock to be issued in exchange for each of the 300,000 shares of Obear-Nester stock outstanding.

Missouri Pacific RR. in Nov. Missouri Pacific RR. in Nov., 1947 had operating revenues amounting to \$17,197,241, compared with \$14,915,468 in Nov. 1946. This included freight revenues of \$14,699,021 and \$12,074,968, respectively. Net income totaled \$547,903 in Nov., 1947 and \$1,005,887 in the same month in 1946. For the eleven months ended Nov. 30, 1947. Missouri Pacific ed Nov. 30, 1947, Missouri Pacific ed Nov. 39, 1947, Missouri Pacific reported operating revenues of \$180,727,928, compared with \$158,-797,336 in the corresponding period in 1946. Net income was \$6,579,969 in the 1947 period and \$3,808,891 in the first eleven months of the previous year. months of the previous year.

Donald V. Fraser, President of the Missouri-Kansas-Texas kR Co., announces that during RR Co., announces that during 1947 the value of new equipment ordered and capital improvements incurred totalled more than 25% of its estimated gross income. An order for 44 new Diesel locomotive units placed at the close of the year brought the Katv's total equipment purthe close of the year brought the Katy's total equipment pur-chases and capital improvement costs to over \$18,000,000, while the road's estimated gross in-come for the year will total about \$68,000,000, Mr. Fraser said. The new order for Diesel units will cost an estimated \$7 units will cost an estimated \$7,-000,000, and is a part of the rail-road's long-range plan begun two years ago to switch over to complete Diesel operation.

Western Auto Supply western Auto supply reports
December total sales of \$12,518,000, an increase of 4.4% over the
same month in 1946, while sales
for the full year of 1947 were
\$121,415,000, a gain of 12.8% over
the preceding 12 months, At the close of the year, the company had 257 units in operation, against 243 at Dec. 31, 1946. Wholesale ac-counts were 1,904 compared with 1,696 a year before.

Net income of the International Shoe Co., St. Louis, for the fiscal year ended Nov. 30, 1947 amounted to \$14,002,017, equal to \$4.11 per share, as against \$5,448,781, or \$1.62 per share in the preceding year. The 1946 figure included \$2,152,414 carry-back tax credit. Shipments to customers in the 1947 fiscal period amounted to \$212,-118,192, the greatest annual dollar volume in the company's history, and represented an increase of \$77,886,705 over net sales in the previous year. A total of 54,000,000 pairs of shoes were produced, or 14% more

DISTRIBUTORS

than in the 1946 twelve months' period. Seven new shoe fac-tories were completed during the Nov. 30, 1947 year, and construction of three more are expected to be completed early in 1948. It is estimated that the capacity of the company's plants will be increased to about 70,-000,000 pairs annually when the new plants are placed in opera-

Anderson & Strudwick **Opens in Richmond**

RICHMOND, VA.—Anderson & Strudwick has been formed with offices at 807 East Main Street to



an investment business specializing in railroad, public utility, industrial municipal, bank and insurance stocks. Partners of the new firm are Edward Clifford Anderson and Edmund Strudwick, Jr. Both were formerly with Scott Jr. Both were formerly with Beeck & Stringfellow, of which Mr. Anderson was a partner.

Halsey Stuart Offers Frisco Equipments

A group headed by Halsey, Stuart & Co. Inc. won the award Jan. 19 of \$8,280,000 St. Louis-San Francisco Ry. Equipment Trust Series A, 2¾% equipment trust certificates, maturing \$552,000 annually Jan. 15, 1949 to Jan. 15, 1963, inclusive. The certificates, which are issued under the Philadelphia plan, were immediately re-offered by the group, at prices to yield from 1.50% to 3.00%, according to maturity.

Proceeds of the issue will be

Proceeds of the issue will be used to provide for not exceeding 75% of the cost, estimated at \$11,-051,550, of the following new standard-gauge railroad equipment: eight 6,000 h.p. Diesel Electric Freight Locomotives; two 4,-500 h.p. Diesel Electric Freight Locomotives; two 4,-100 h.p. Diesel Electric Freight Locomotives; two Locomotives: 18, 1,000 h.p. Diesel Electric Switching Locomotives; 160 70-ton Covered Hopper Cars; 500 55-ton Open Top Hopper Cars; and 300 50-ton Box Cars.

Stone & Youngberg Adds

SAN FRANCISCO, CALIF.— Frank W. Enos has been added to the staff of Stone & Youngberg, Russ Building, members of the San Francisco Stock Exchange.

With Herrick, Waddell

WINTER HAVEN, FLA. - William L. Wilbur, Sr. has become connected with Herrick, Waddell

STIX & Co.

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a en terroration

New Methods for Getting Results in Stockholder Relations

By NICHOLAS E. CRANE Dean, Witter & Co.

Mr. Crane states forward-looking managements must channelize contacts with their stockholders on a continuing, day-to-day basis. States steps toward becoming better known to financial houses and investors can be helpful in current needs for raising capital.

A number or progressive industrial executives have discovered and are using a new technique for improving stockholder relations with striking results. They have changed from the former standardized methods which depend principally upon general publicity,

various forms
of direct company literature, including elaborate annual reports and bro-chures, letters from company officials, in-stitutional advertising, etc. Instead of us-ing their es-tablished public relations departments to handle this



highly spe-cialized job of bringing stockhold-ers closer to the management they have branched out along new lines which are based on a careful study of the trends and the mistakes made in this field during the past five years. These industrialists recognize that they have a clearly defined and continuing obligation to give their shareholders—who after all are the owners of the business—the information necesbusiness—the information necessary to follow and intelligently appraise the progress of their company. They also know what many others have learned by painful experience, that management may at any time need the active support and votes of a large number of their stockholders in order to effectuate some plan or step which management considers step which management considers essential to the successful devel-opment and progress of their company. A continuing and effective stockholder relations program is the best insurance that management can have for obtaining the backing of shareholders when a real need arrives.

The New Methods

This article is written for the express purpose of reporting some of the new methods and techniques which have proven most successful to the corporate executives who have initiated and established a sound stockholder relations procedure.

lations procedure.

One fundamental factor has been their realization, that the most direct and efficient way of reaching and influencing stock-holders on a continuing basis is through the investment fraternity. Stockholders of virtually every publicly-owned company are in close touch with the men who close touch with the men who handle their security transactions. In most cases the shareholders have had dealings with these investment men or their firms for a considerable period of time. Stockholders know them well, have confidence in them and reconstitutions. fidence in them, and are greatly influenced by their suggestions and recommendations. These investment men and women by the nature of their business work most closely with security holders. They closely with security holders. They may be associated with a member firm of the New York Stock Exchange or of other Exchanges throughout the country, a nonmember firm, an investment counsel organization or the investment department of a bank, a trust company, or other financial institutions.

Although this fundamental

Although this fundamental premise is readily demonstrable apparently many industrial company presidents and their public relations heads have not had the time or opportunity to take cogtime or opportunity to take cog-nizance of it and act accordingly. Where corporate managements through the medium of agents

This is due no doubt to the pressure of other postwar problems or to a natural reluctance to change an existing system.

The industrial companies who have learned to use and work through financial firms with such excellent results now know that it is only necessary to keep four factors clearly in mind:

Necessary Factors

(1) The person or persons selected by the industrial company to call on and talk with investment firms should have some spement firms should have some special training in security dealings. They should not push their company aggressively by giving a colored or a one-sided picture to statistically-minded or security-trained individuals. As far as possible a two-sided picture should trained individuals. As far as possible a two-sided picture should be given and the first objective should be to get questions about the company on points about which the financial man is not clear. It is an important mistake to try to prejudge a company in this type of work. Men in the securities business trained and paid to make their own appraisal and decisions on industrial companies are very apt to resent subconsciously or consciously an outsider doing this for them.

(2) It is constructive when prop-

(2) It is constructive when properly handled to arrange small informal meetings of about four to six persons from financial houses with top-executives. This can be done to advantage at least four or five times a year. If feasible, this should be combined with visits to company plants.

company plants.

(3) Managements can gain and hold the confidence of substantial financial people most readily by being as candid and forthright as possible. It is trite to say this but there is still much to be done in this respect. When an industrial company retains a capable consultant on stockholder relations, a greater measure of control is possible over the manner in which information is handled after being given to various types of investment firms and financial houses. houses.

(4) The procedure set up to develop stockholder relations through financial houses must be on a day-to-day continuing basis to be successful. Continuity and an intelligent follow-up are just an intelligent follow-up are just as essential in improving stock-holder relations as they are in developing and maintaining a successful sales department for selling the company's products. Too often the end of a fiscal period gives the first inkling to many stockholders that the affairs of their company have undergone a decided change, either for better or worse, and a drastic rise or decline in their securities is the result. While there is seldom a complaint where the news is favorable, the opposite is the general reaction where the change has been for the worse and a decline in earnings is accompanied by a sharp sell-off in the price of its securities. As a result, the company's standing in the financial community and with their stockholders is impaired and the coil community and with their stockholders is impaired and the belated explanation for the poor showing is met with irritation and the fear that perhaps all the story may not have been told.

qualified to disseminate information have undertaken to keep their stockholders informed on current happenings the above is not likely to be the case.

A great deal has been said and A great deal has been said and written about preserving and strengthening our free enterprise system. We all know that we have a vital stake in this and that we must not only do our job as well as we can but we must help the other fellow to understand what we are doing and why. Industrial we are doing and why. Industrial management particularly has this responsibility and so far has been unsuccessful in its accomplishment and up to the present has not taken full advantage of available opportunities. A natural and

ment to sell its record and its story to the stockholders and potential stockholders of the company it heads.

G. H. Walker Co. Opens

Branch in Hartford

HARTFORD CONN G. H.

John Shillestad With Spencer Trask & Co.

CHICAGO, ILL.—John N. Shil-CHICAGO, ILL.—John N. Shillestad has become associated with Spencer Trask & Co., 135 South La Salle Street. Mr. Shillestad was formerly Chicago manager for Lazard Freres & Co. Donald C. Malmquist, also formerly with Lazard Freres & Co., has joined the firm's staff.

With David A. Noyes & Co.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — Elden G CHICAGO, ILL.—Elden G. Gieske has joined the staff of David A. Noyes & Co., 208 South La Salle Street, members of the New York and Chicago Stock Exchanges. In the past he was an officer of the Mid States Securities Co.

With Smith, Polian Co.

HARTFORD, CONN. - G. H. Walker & Co., members of the New York and St. Louis Stock Exchanges, have opened a branch at 252 Asylum Street under the management of Harry L. Perkins. Mr. Perkins was formerly with Tiff? Borthers and Coburn & Middlebrook.

Slayton & Co. Adds to Staff

(Special to THE FINANCIAL CHRONICLE) ST. LOUIS, MO. — Meta L. Thielker is with Slayton & Co., Inc., 408 Olive Street.

With Herrick, Waddell Staff

KANSAS CITY, MO.—William J. Kevan is with Herrick, Waddell & Co., Inc., 1012 Baltimore Avenue.

Joins Wm. Beeken Co. Staff

WEST PALM BEACH, FLA. Henry E. Thamm is now connected with William S. Beeken Co., Guaranty Building.

\$8,280,000

St. Louis-San Francisco Railway Equipment Trust, Series A

23/4% Equipment Trust Certificates (Philadelphia Plan)

To be due annually \$552,000 on each January 15, 1949 to 1963, inclusive.

To be unconditionally guaranteed as to payment of principal and dividends by endorsement by St. Louis-San Francisco Railway Company

These Certificates are to be issued under an Agreement to be dated as of January 15, 1948, which will provide for the issuance of \$8,280,000 principal amount of Certificates to be secured by new railroad equipment estimated to cost \$11,051,550.

MATURITIES AND YIELDS

1949	1.50%	1954	2.50%	1959	2.90%
1950	1.80	1955	2.60	1960	2.925
1951	2.05	1956	2.70	1961	2.95
1952	2.20	1957	2.80	1962	2.975
1953	2.35	1958	2.85	1963	3.00

Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfulty offer these securities in such State.

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ALFRED O'GARA & CO. F. S. YANTIS & CO.

To be dated January 15, 1948. Principal and semi-annual dividends (January 15 and July 15) payable in New York City. Definitive Certificates, with dividend warrants attached, in the denomination of \$1,000, registerable as to principal. Not redeemable prior to maturity. These Certificates are offered when, as and if received by us, It is expected that certificates in temporary or definitive form will be ready for delivery at the office of Halsey, Stuart & Co. Inc., 35 Wall St., New York 5, N. Y. on or about February 5, 1948. The information contained herein has been carefully compiled from sources considered reliable and, while not guaranteed as to completeness or accuracy, we believe it to be correct as of this date.

rlerical work in administering and

in complying with them, would tend toward proper price structures. Such an action would be directed at an important one of the 14 causes listed by the economists as underlying inflation.

"Their program in the opinion of the International Section," Mr.

of the International Section," Mr. Bauer concluded, "merits support of those anxious to have private commerce permitted to fight off inflation and restore world trade to a status where it will put numans on a basis of respectable self-help."

Northern Indiana Stock

Northern Indiana Public Service Co. has mailed to common stockholders of record at 2 p.m. on Jan. 19, 1948, transferable warrants evidencing the right to subscribe at \$18 a share to 272,694 shares of 4½%, \$20 par value cumulative preference stock, junior to the preferred stock at the

ior to the preferred stock, at the

rate of one share of cumulative preference stock for each eight shares of common stock held.

Subscription rights expire on Feb. 2, 1948. The offering is being underwritten by an investment bank-

ing group headed by Central Republic Co. (Inc.), Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane.

The preference stock is convertible into common stock of the company to and including Dec. 1, 1957 on a share-for-share basis. It will have the benefit of an an-

nual sinking fund sufficient to redeem 2% of the original issue.

Proceeds from the sale will be

Publicly Offered

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week - Bank Stocks

This week's column is devoted principally to the presentation of statistical tables pertaining to 1947 earnings and year-end figures of 17 leading New York City banks vs. their 1946 figures.

	T2	ABLE I	The traffic of the	TOWN DESIGNATION OF THE	
	Annual	-Net Oper	r. Earnings-		1947 Div.
	Dividend	1946	1947	% Change	Coverage
Bank of Manhattan	\$1.20	\$2.56	\$2.06	19.5	1.72
Bank of New York	14.00	25.97	21.88	-15.7	1.56
Bankers Trust	1.80	3.10	3.00	- 3.2	1.67
Central Hanover	4.00	3.04	6.68	16.9	1.67
Chase National	1.60	2.59	2.51	- 3.1	1.57
Chemical Bank & Trust	1.80	2.87	2.61	- 9.1	1.45
*Commercial National	2.00	4.03	3.66	- 9.2	1.83
*Continental Bank & Trust_	0.80	1.88	1.61	-14.4	2.01
Corn Exchange	2.80	5.50	5.03	8.5	1.80
First National	80.00	92.54	85.82	7.3	1.07
Guaranty Trust	12.00	118.69	17.42	6.8	1.45
Irving Trust	0.20	1.35	1.26	- 6.7	1.58
Manufacturers Trust	2.40	5.26	4.72	-10.3	1.97
†National City	1.60	3.03	3.25	+ 7.3	2.03
New York Trust	4.00	7.40	6.54	11.6	1.64
*Public	2.00	4.85	4.25	-12.4	2.13
U. S. Trust	35.00	44.07	36.56	-17.0	1.04
Average	11 11			9.7	1.66

- 9.7 1.66 †Adjusted to present capital. *Indicated earnings. ‡Includes City Bank Farmers Trust.

Except as noted, net operating earnings as reported by the banks, exclusive of security profits, are shown. Average decline of the 17 banks from 1943 earnings is 9.7%; however, National City actually reported an increase of 7.3%. Bankers Trust and Chase report earnings approximately only 3% below 1946 results, while the other banks vary all the way from the —6.7% of Irving Trust to the —19.5% of Bank of Manhattan. Average dividend coverage is 1.68 times, and ranges from the 2.13 ratio of Public to the 1.04 of U. S. Trust.

Table II shows the changes in deposits and total earning assets of the banks between Dec. 31, 1946 and Dec. 31, 1947.

		TABLE 1	π			
	de trans	-Deposits-	1 1 1 1 1 1	Total Earning Assets		
그렇게 걸어 하는 얼마를 걸었다.	12/31/46	12/31/47	%	12/31/46	12/31/47	%
	(\$000,000)	(\$000,000)	Change	(\$000,000)	(\$000,000)	
Bank of Manhattan	1.007	1,089	+ 8.1	807	841	+4.2
Bank of New York	326	341	+ 4.6	249	243	2.4
Bankers Trust	1.391	1,484	+ 6.7	1,212	1,176	3.0
Central Hanover	1,500	1,492	- 0.5	1,254	1,217	-3.0
Chase	4.495	4,478	- 0.4	3,697	3,604	-2.5
Chemical	1,227	1,284	+ 4.6	1,096	1,008	8.0
Commercial National	204	214	+ 4.9	183	166	9.3
Continental B. & Tr	182	188	+ 3.3	143	. 150	+4.9
Corn Exchange	798	782	- 2.0	636	611	-3.9
· First National	654	592	— 9.5	642	628	-2.2
Guaranty Trust	2,502	2,452	- 2.0	2,307	2,215	-4.0
Irving Trust	1,021	1,073	+ 5.1	892	878	-1.6
Manufacturers Trust	2.287	2,320	+ 1.4	1,788	1,738	-2.8
*National City	4,786	4,993	+ 4.3	3,760	3,957	+5.2
New York Trust	655	729	+11.3	545	552	+1.3
Public National	552	545	- 1.3	464	451	2.8
U. S. Trust	132	127	3:8	136	128	5.9
Totals	\$23,719	\$24,183	+ 2.0%		19,563	-1.3 % -2.1 %
*Including City Ban	k Farmers	Trust	4.0 70			

Total deposits of the 17 banks gained 2% over the year, with New York Trust showing the maximum gain of 11.3%. Ten banks reported higher deposits and seven banks lower, with First National showing the maximum decline of 9.5%.

Total earning assets were 1.3% lower, while the average decline was 2.1%. Four banks reported moderately higher earnings assets, viz. Bank of Manhattan, Continental Bank & Trust, National City and New York Trust.

In Table III, holdings of government securities and total loans and discounts are recorded.

Governments declined around 10.0%; but total loans and discounts increased 13.4%, with an average increase of 10.8%. Thus,

	-Total U. S. Governments-			-Total Loans and Discounts-		
	12/31/46	12/31/47	%	12/31/46	12/31/47	%.
· · · · · · · · · · · · · · · · · · ·	\$000,000)	(\$000,000)	Change	(\$000,000)	(\$000,000)	Change
ank of Manhattan	378	361	- 4.5	386	427	+10.6
ank of New York	147	128	-12.9	85	94	+10.6
Bankers Trust	643	485	-24.6	500	623	+24,6
entral Hanover	799	719	10.0	401	411	+ 2.5
hase National	2,221	1,998	-10.0	1,126	1,324	+17.6
hemical Bk. & Tr	628	421	-33.0	357	449	+25.8
commercial National	131	109	-16.8	48	52	+ 8.3
ontinental Bk. & Tr	72	76	+ 5.6	52	55	+ 5.8
orn Exchange	538	509	- 5.4	77	80	+ 3.9
irst National	468	434	- 7.3	88	91	+ 3.4
uaranty Trust	1,451	1,255	-13.5	747	851	+13.9
rving Trust		475	-17.2	291	378	+ 29.9
fanufacturers Trust	1.237	1,174	- 5.1	475	484	+ 1.9
ational City	2,289	2,269	- 0.9	1.095	1.217	+ 11.1
ew York Trust		296	- 2.3	218	242	+ 11.0
ublic National	312	311	- 0.3	139	124	-10.8
J. S. Trust	90	77	-14.4	28	32	+14.3
Totals	\$12,281	\$11,097	- 9.6 % -10.2 %	\$6,113	\$6,934	-13.49 +10.89

it is plain that the drop in earning assets during 1947 was in holdings the respective percentages were of government securities.

Only one bank shows an increase in governments, viz: Continenal Bank & Trust, and only one bank shows a decline in loans and discounts, viz: Public National. Chemical reports the greatest percent decline in governments and the next-to-highest gain in loans and discounts of 25.8%, compared

50.7% and 35.4

On Dec. 31. 1946 Bankers Trust was the only bank in the list whose loans and discounts exwhose loans and discounts exceeded government holdings; on Dec. 31, 1947 three banks were in this class, viz: Bank of Manhattan, Bankers Trust and Chemical. Corn Exchange and First National continue, characteristically, to be with Irving's maximum of 29.9%.
On Dec. 31, 1946, total governments constituted 62.0% of total earning assets, and loans and discounts, 30.9%; on Dec. 31, 1947 of the lowest ratios of loans and counts to total assets, and highest ratios of governments. the two banks in the group with the lowest ratios of loans and discounts to total assets, and the

Endorses Anti-Inflation Program of Economists National Committee

George F. Bauer, Chairman of the International Section of the New York Board of Trade endorses return to gold standard, reasonable tariffs and removals of government controls as vital to world-wide reconstruction.

Return to gold standard, reasonable attitude of tariffs, removal of controls and emphasis on causes rather than effects of inflation, as recommended by the 53 members of the Economists' National Committee recently, were endorsed as most vital to reconstruction and a healthy conduct of "The gold standard would def-commerce on initaly discourage inflationary."

commerce on a world-wide basis, by the International Section of the New York Board of Trade. "These rec-

ommended ommended policies, if promptly put into effect," said George F. Bauer as Chairman of

the Section's Committee on Governmental Relations, "would permit full bene-fit of free enterprise by encourag-ing production and distribution of more and more goods among more and more people everywhere.

"The gold standard would definitely discourage inflationary trends as well as allow sound calculations on values of goods entering international trade, regardless of countries of origin. Long-range business or industrial programs would be encouraged, once means are again provided through the gold standard to determine the exact units of values in which repayments are to be made for advances in goods and services.

trols, would stimulate normal competition and, by making unnecessary the expenditures for

Proceeds from the sale will be applied by the company, which is engaged in the production and distribution of electrical energy, gas and water, to the cost of new construction to meet increased demands for service and for improvements and betterments. provements and betterments. Upon completion of the financing outstanding capitalization will consist of \$45,000,000 first mortagage 3½% bonds due 1973; \$5,250 000 serial notes; 211,380 shares of 5% preferred stock with a par value of \$100 a share; the 272,694 shares of cumulative preference stock, and 2,181,550 shares of com-

NEW JERSEY

mon stock, without par value.

\$5,509,931.

Operating revenues in the 12

months ended Nov. 30, 1947, to-

taled \$37,349,860 and net income

J. S. Rippel & Co.

Established 1891 18 Clinton St., Newark 2, N. J. MArket 3-3430 N. Y. Phone—REctor 2-4383

"The removal of excessive con-Our Year-End Comparison of

SECURITIES

SF-573

Operating Earnings and Ratios

20 New York City **Bank Stocks**

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This announcement appears as a matter of record only, and is neither an offer to sell, nor a solicitation of offers to buy, any of these securities. The offering is made only by the Prospectus.

110,000 Shares

DeWalt, Inc.

Common Stock (Par Value \$2.50 per Share)

Price \$15 per Share

Copies of the Prospectus may be obtained from the undersigned only in States in of the undersigned are legally authorized to act as dealers and in which such Prospectus may legally be distributed.

Reynolds & Co.

January 20, 1948

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NSTA Notes

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders' Association will hold its 24th Annual Winter Dinner at the Hotel Somerset on Friday, Feb. 13, 1948.

The Committee consists of: Henry E. Tabb, Jr., Townsend Dabney & Tyson, Chairman; Curtis S. Bates, Draper, Sears & Co.; Fred R. Carr, Tucker Anthony & Co.; Harry O. Baker, Boston Safe Deposit & Trust Co.; James J. Galvin, F. L. Putnam & Co., Inc.; Carl V. Well, Paine, Webber, Jackson & Curtis (who will handle the ticket reservations); Rodney N. Darling, duPont, Homsey & Co. (who will handle the room reservations).

BOND TRADERS CLUB OF KANSAS CITY

At the annual meeting of the Bond Traders Club of Kansas City on Jan. 6, the following were elected officers for the year 1948:







President: John Latshaw, Harris, Upham & Co. Vice-President: Jasper F, Stephens, Herrick, Waddell & Co. Treasurer: Earl Combest, Prugh, Combest & Land. Secretary: Donald Belcher, Martin-Holloway-Purcell.

The next Bond Traders Club function at which the new officers will officiate will be held in conjunction with the Bond Traders Club of Chicago and the Security Traders Club of St. Louis. The Kansas City portion of this Tri-City Party will be held at the Muehlebach Hotel on Thursday, Feb. 5.

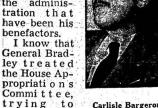
From Washington Ahead of the News

■ By CARLISLE BARGERON ≡

More than two years after the war, we have General Eisenhower who only a few years ago was a lieutenant-colonel playing golf with Steve Early at the Burning Tree Country Club in Washington, advocating that business men should do without profits until inflation is

stemmed; this and his utter audacity in running for the Presidency against the man and the adminis-tration that have been his

ley treated the House Ap-propriations Committee, trying to cut down on governmental



cut down on governmental expenditures last summer, with utter contempt. And now he is lecturing us on racial tolerance.

The two most powerful men in this country are Admiral Leahy, chief of staff to Truman, and General Marshall. Truman practically grovels before them. Members of Congress do it to Marshall. They figuratively seek his autograph to show to their constituents as evidence of why they should be reelected. This was their attitude, amazingly enough, long before the war.

It has long been recognized that the Chief of Staff of the Army is the lobbyist for the Army and is selected for his ability in that field. Marshall was the greatest ever to hold the office. Years before Pearl Harbor, I have been at cocktail parties and marvelled at the way Senators and members of the House rushed to shake his hand when he appeared. Cer-

tainly he was not the great mil-itary tactician in these days. I can't think of anything except that it was his austere or patrician gra-ciousness of the Virginia gentle-

There are military men in important ambassadorial posts, in other important posts of government. Under the continued spell of the military we are supporting a \$11 billion annual military establishment and told that it must be more unless we appropriate \$18 billion for the ERP.

Only a few days ago we were blandly told that on top of this we must spend \$15 billion the next three years for the Air Force. Furthermore, we must have conscription costing some \$2 billion a year. It is time somebody called a halt on the high-riding of the Big Brass.

Firestone With Hutton

SAN FRANCISCO, CALIF.— Charles V. Firestone has become affiliated with E. F. Hutton & Company, 160 Montgomery Street. He was formerly with Coons, Milton & Co.

De Walt Common Stock Offered

Reynolds & Co, and associates offered Jan. 20 110,000 shares of \$2.50 par value common stock of De Walt, Inc. The stock was priced to the public at \$15 per

Proceeds from the sale of 20, 000 shares by the company will be applied to the construction of plant additions and improvements and storage facilities, the pur-chase of machinery and equip-ment for additions and replace the purments, and the balance will be added to general corporate funds. The remaining 90,000 shares are being sold for the account of selling stockholders.

Sole outstanding capitalization of the company upon completion of this financing will consist of 230,000 shares of \$2.50 par value common stock.

The company was incorporated The company was incorporated in 1928, succeeding a partnership which had previously conducted the business. Through its predecessors, De Walt, Inc., is a pioneer in the manufacture and sale of radial saws for high speed cutting of wood, in which business the company intends to continue to engage. The company's machines also are adaptable to cutting of light metals, plastics and ting of light metals, plastics and other composition materials.

Net income of the company for the year ended Sept. 30, 1947 was \$973,027, equal to \$4.23 per share of common stock.

With Thomas Darst & Co.

(Special to THE FINANCIAL CHRONICLE)
GREENSBORO, N. C.—Archie B. Joyner has been added to the staff of Thomas Darst & Company, Southeastern Building.

Joins McDaniel Lewis Staff

(Special to THE FINANCIAL CHRONICLE)
GREENSBORO, N. C.—Darrell
W. Swope is now connected with
McDaniel Lewis & Co., Jefferson

Market Discounts Business Decline

Charles A. Taggart & Co., Inc.

Holding securities are only "deflated commodity" in U. S., Mr. Taggart contends if business recession comes it will not affect securities market, since it already has been discounted. Says crying need is more production.

About a year ago, all we heard from so-called informed sources was of a pending recession for 1947 and resulting unemployment. How far wrong these "Prophets of Doom" were is not very difficult to ascertain. We have had no recession and employment is at a record high level.

Dividends billion dollars during the next

and disburse-ments have far exceeded the year 1946 and Stock Market Indus-Market Industrial Averages are now about fifteen points ahead of 1946 lows. Despite this, in my opinion, the only deflated commodity we have in the United



we have in the United States is securities and if we were to have a decline in business activity immediately, I am of the opinion the securities market has discounted it.

During the middle and late 20's our private investors bought bil-lions of dollars worth of European securities, a great many of which were later paid in full. Others, including German, Austrian, Italian, Polish, Yugoslavian and Greek securities went into default. All of these foreign securities were not a total loss and whatever

money was lost was by private investors. The policy of loaning this money-by private interests-was criticized considerably by the New Deal Administration and the 'Johnson Act" was passed to prevent a repetition of it. Now without delving into the merits or defects of the Marshall Plan, it is proposed that we actually give Europe approximately seventeen

four years.

The cost of this gift, of course will be borne by all the U. S Taxpayers—both large and small and not as formerly by those who took this risk voluntarily. Then too, the bulk of this money can only be spent in the United States and will tend to make goods even more scarce unless we increase production.

Within the past few months we within the past few months we have witnessed a considerable tapering off of market values of high grade bonds and preferred stocks. This is due to the fact that we have had firming tendencies in the money market and I think this will continue and there will be a further decline in the value. this will continue and there will be a further decline in the value of these securities. On the other hand, I feel that common stocks in well situated companies—those showing good earning—should be purchased for appreciation and vield yield.

An income tax reduction would certainly act as an incentive for business men to expand and ob-tain venture capital for new business.

I firmly believe the crying need of our country today is for more production of goods of all kinds. The only way prices can be lowered is by bringing more goods into markets. This can only be accomplished by Labor and Management working longer hours, expending greater effort and uniting for a common goal-increased production.

This is not an offer of these Shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such Shares. The offer is made only by the Prospectus.

272,694 Shares

Northern Indiana Public Service Company

41/2% Cumulative Preference Stock, Junior to the Preferred Stock

Par value \$20 per share

(Convertible into Common Stock through December 1, 1957 unless called for previous redemption)

Rights, evidenced by Subscription Warrants, to subscribe for these shares have been issued by the Company to holders of its Common Stock, which rights will expire at two o'clock P.M., C.S.T., February 2, 1948, as more fully set forth in the Prospectus.

> Subscription Price to Warrant Holders \$18 per share

Copies of the Prospectus may be obtained from the undersigned only by persons to whom the undersigned may legally offer these Shares under applicable securities laws.

Central Republic Company

Blyth & Co., Inc.

Merrill Lynch, Pierce, Fenner & Beane

A. C. Allyn and Company

Paine, Webber, Jackson & Curtis

Hornblower & Weeks

A. G. Becker & Co. Harris, Hall & Company F. S. Moseley & Co. The Wisconsin Company

January 21, 1948



NATIONAL SECURITIES & RESEARCH CORPORATION 120 BROADWAY, NEW YORK 5, N. Y.

The George **PUTNAM** FUND Prospectus upon request itnam Fund Distributors, Inc. 50 State St., Boston



Keystone Custodian Funds Certificates of Participation in

INVESTMENT FUNDS

investing their capital

BONDS (Series B1-B2-B3-B4)

PREFERRED STOCKS (Series K1-K2)

COMMON STOCKS (Series S1-S2-S3-S4)

Prospectus from your local investment dealer or

The Keystone Company of Boston

50 Congress Street Boston 9, Massachusetts

Mutual Funds

By HENRY HUNT

Insurance Against "Bad Luck"

We were talking to a woman investor not so long ago and she said, "I must be unlucky. Every time I buy a stock, it goes down—even if the market goes up. It's gotten so I don't dare buy stocks any more. What do you think I should do?" We pointed out that any more. What do you think I swith seasoned common stocks sellwith seasoned common stocks selling for less than 10 times earnings today, affording dividend returns of 5 to 6%, we felt that at least part of any portfolio should consist of equities. We also pointed out that one way to insure herself against "bad luck" would be to buy a common stock mutual fund, since mutual funds don't go down in price when the market goes up.

To Address Investors' League
Nathaniel S. Chadwick, V President of National Securiti Research Corporation, is speaking a to the Investors' League Forum to be held at the Bellevue Strafford Ho-

market goes up.

market goes up.

Unlike some common stocks, mutual funds also never "fall out of bed." If the market declines 10%, mutual funds will sell off in price, possibly a little more than 10%, possibly a little less—depending on the individual portfolios. However, you don't have to worry about a mutual fund passing a dividend and finding your investment has depreciated 50% in a matter of days or weeks. Mutual funds are middle-of-theroad investments. You can't make a fortune buying mutual funds on a fortune buying mutual funds on a shoe string but you won't die broke either. For investors who like to sleep better, mutual funds have much to recommend them.

Recommended Reading

Henry Hazlitt's new book, "Will Dollars Save the World?" condensed in the January issue of the "Readers Dieset"

"Readers Digest."
Also "A Russian Journal" by
John Steinbeck with photographs by Robert Capa currently appear-ing daily in the New York "Her-ald Tribune."

"D. G." Sees High Activity in 1948

Another year of generally high profits is seen in the Monthly Report to Directors of Group Secur-ties, Inc. "Business activity," the port to Directors of Group Securities, Inc. "Business activity," the report states, "as measured by the Federal Reserve Board Index of Industrial Production, is expected to average around 180, as compared with 187 for 1947 and only 171 for 1946; national income should exceed \$200 billion, which would be higher than the approximate 1947 national income of \$195 billion. So far as prices are concerned, it must be borne in mind that an adjustment of our economy to a permanently higher price level is to be fully expected. Hence, we do not anticipate any collapse in prices in 1948, but rather a healthy readjustment, with some prices declining and others firm to rising, which will bring about a more balanced condition."

Nathaniel S. Chadwick, Vice-President of National Securities &

League Forum to be held at the Bellevue Stratford Hotel in Philadelphia on Jan. 29. The Jan. 29. The subject of his talk is "The Need to Encourage Venture Capital in the Defense Program." Other speak.



Program." N. S. Chadwick
Other speakers include: Lammot DuPont, recently retired President, DuPont
Corporation; Colonel Allan M.
Pope, formerly President, First
Boston Corp.; Francis Adams
Truslow, President New York
Curb Exchange, and Mrs. Mary G.
Roebling, Chairman Trenton
Trust Co. Trust Co.

Eaton & Howard Balanced Fund reported net assets of \$31,480,000 at the year-end as compared with \$25,816,000 a year previous. As of Dec. 31, 1947, 10.4% of the fund was invested in governments; 8.7% in corporate bonds; 23.1% in preferred stocks; 56.4% in common stocks, and 1.4% uninvested.

Selected American Shares reported net assets as of Dec. 31, of \$15,597,000 invested as follows: 84.2% in common stocks; 2.8% in preferred stocks; 8.2% in bonds; 4.8% cash.

Robert C. James Opens

THE FINANCIAL CHR AMERICUS, GA.—Robert C. James has opened offices in the Citizens Bank Building to engage in a securities business. He was formerly with the Bank of Commerce in Americus.

Forbis With White, Weld

ecial to The Financial Chic CHICAGO, ILL.—Hardd N.
Forbis has become associated with
White, Weld & Co., 231 South La
Salle Street. He was formerly for
many years connected with A. G.
Becker & Co.

INVESTORS MUTUAL, INC. INVESTORS SELECTIVE FUND, INC. INVESTORS STOCK FUND, INC.

Prospectuses on request from Principal Underwriter

INVESTORS SYNDICATE

E. E. Crabb, President Minneapolis, Minnesota

REPRESENTATIVES IN THE PRINCIPAL CITIES OF THE UNITED STATES

Canadian Securities -

■ By WILLIAM J. McKAY

The current spate of currency devaluation reports brings once more to the fore conjectures concerning the future course of the Canadian dellar. The adoption of a more realistic rate for the French franc has long been a foregone conclusion. This first breach of the artificial Bretton Woods system brings pressure to bear on the other currencies continues to be over-valued level of the curren-firmly maintained as a result of

cies of other European countries. British concern was clearly dem-onstrated by the opposition voiced

onstrated by the opposition voiced at the recent London currency parleys against an outright devaluation of the franc.

With the gradual disappearance of a sellers' market in the export field, Britain will be obliged to devote increasing attention to the necessity of meeting foreign competition especially where foreign prices are arbitrarily lowered by currency devaluation. In the event of a devaluation of the pound brought about by the external pressures of this kind, what would be the position of the Canadian the position of the Canadian

In the first place the Canadian dollar is definitely undervalued in relation to the European curren-cies that are likely to be adjusted, and it is only vis-a-vis the U.S. dollar that the Dominion currency unit temporarily displays a certain weakness. This weakness moreover is of a technical nature and is the direct result of the failure of the Bratton Woods system. and is the direct result of the failure of the Bretton Woods system to provide multilateral convertibility of the currencies of the world. Under normal conditions therefore the Canadian dollar, in view of the Dominion's overall favorable exchange balance, would also hold its own in relation to the U. S. dollar. With regard to the British economic relationship with Canada in the lationship with Canada in the event of a devaluation of the pound the following factors demonstrate that such a development would not detrimentally disturb the existing situation:

(1) The various British Cana-an trade agreements provide dian trade agreements province for Canadian exports to Britain for long periods ahead at prices fixed well below the world level and consequently the exchange value of the pound has little or no bearing on the cost to Britain.

(2) A cheaper pound would enable Britain to increase exports

to Canada and would thereby permit Canada to utilize Sterling balances for essential requirements previously obtained from hard currency areas.

Thus any adjustments that might be made in certain European currencies are not likely to have any adverse effect on the Canadian dollar. On the contrary the Dominion's exchange position should benefit in view of Can-ada's important stake in world trade that would be stimulated as a result of a removal of exchange artificialities.

Looking further into the future, the Canadian exchange prospects are even brighter as the following facts clearly imply:

(1) The purchasing power of the Canadian dollar in relation to



INVESTORS STOCK FUND, INC.

Dividend Notice

The Board of Directors of Investors Stock Fund, Inc., has declared a quarterly dividend of 14 cents per share payable February 20, 1948 to shareholders on record on January 31, 1948.

E. E. Crabb, President

Principal Underwrifer and Investment Manager

INVESTORS SYNDICATE

firmly maintained as a result of greater success than has been achieved elsewhere of measures devised to combat inflation.

(2) Canada is now at a stage of dynamic economic expansion whereas elsewhere certain vital industrial resources are rapidly approaching the depletion point. In the not too distant future, current Canadian imports will be rent Canadian imports will be-come important exports, which development alone will revolu-tionize the Dominion exchange position

(3) In the period immediately ahead U. S. capital will increas-

ahead U. S. capital will increasingly move northwards attracted by new discoveries in the vast mineral-rich Laurentian Shield and the known oil resources of western and northern Canada.

(4) As a result of a more vigorous immigration policy and the growing realization of the future potentialities of Canada's Northern empire the population of the Dominion is capable of immense expansion and such a development would accelerate to an incalculable degree the exploitacalculable degree the exploita-tion of Canada's virgin resources.

Thus as a result of the impact of the foregoing factors it is con-

ceivable that, in place of the cur-rent doubts concerning the ability the Canadian dollar to maintain its present level in relation to the U. S. dollar, there will be pressure exerted in the free exchange market that will lead to the establishment of a premium instead of a discount on the Canadian unit of exchange.

During the week the external section of the bond market was dull and inactive but following the surprising display of strength of free funds the internals developed a stronger tone. Stocks were generally lower and despite the recent spectacular oil discovries the oil issues also lost ground.

With Kirchofer & Arnold Associates

RALEIGH, N. C. - William E. Miller, Jr., has joined the staff of Kirchofer & Arnold Associates, Inc., Insurance Building.

CANADIAN BONDS

GOVERNMENT PROVINCIAL MUNICIPAL CORPORATION

CANADIAN STOCKS

A. E. AMES & CO.

INCORPORATED

TWO WALL STREET NEW YORK 5, N. Y.

RECTOR 2-7231 NY-1-1045

Very at 73th and 77

ninga sangeng Propinsi menjaki di terdinah dan Mere

Urges a Free Gold Market as Anti-Inflation Move

Francis H. Brownell, Chairman of Finance Committee of American Smelting and Refining Co., in open letter to Senator Tobey and Representative Wolcott explains inflationary effects of increase of \$21/4 billion in U. S. gold reserve, and urges, as remedy, free market and free ownership of gold bullion.

Francis H. Brownell, Chairman of the Finance Committee of the American Smelting and Refining Co., has written an open letter, dated Jan. 19, to Senator Charles W. Tobey and to Representative Jesse P. Wolcott, both Chairmen, respectively, of the Senate and

House Banking and Cur-rency Comrency Committees, pointing out the inflationary effect of the recent increase in the U.S. m on etary gold reserve which, in 1947, advanced



A little known but highly important event of 1947 was the increase in gold stocks of the United States of over \$2 billion. United States of over \$2 billion.

Although the United States stood ready to buy all gold offered at \$35 per ounce, United States gold holdings for some years had remained fairly stationary, as is shown by the accompanying "Daily Statement of the United States Treasury"

The text of the letter follows:

advanced to a p p r o x i - mately \$2234 billion, an increase in francis H. Brownell of a l m o s t \$214 billion for year. He recommends a change in the Federal monetary laws to permit the free holding and the free marketing of gold bullion.

The cause of the United States Treasury."

Cause

The cause of the increase in 1947 was the greater demand for ollars plus the new and potent factor of compliance with the request early in 1947 of the International Monetary Fund that member nations should prevent as far as possible the sale of gold

U. S. GOLD HOLDINGS

As of—	Ounces
Jan. 1, 1944	626,785,964.7
Jan. 1, 1945	589,106,766.0
Jan. 2, 1946	573,281,235.4
Jan. 2, 1947	586,538,499.1
Dec. 31, 1947	650,107,101.4
ncrease in 1947	63,568,602.3

Dollars

\$21,937,508,765.15 20,618,736,810.04 20,064,843,237.30 20.528.847.466.97 2,753,748,547.47 2,224,901,080.50

NEWS ABOUT BANKS CONSOLIDATIONS NEW BRANCHES NEW OFFICERS, ETC. AND BANKERS

Richard S. Perkins, a partner of Richard S. Perkins, a partner of Harris, Upham & Co., was elected a director of City Bank Farmers Trust Co. of New York at a meeting held on Jan. 14. He is the son of the late James H. Perkins, who was Chairman of the Board of City Bank Farmers Trust Co. and also Chairman of The National City Bank of New York. Prior to his connection with Harris, Upham & Co., Mr. Perkins was associated with Wood, Struthers & Co.

EVISED CAPITALIZATIONS

N. Baxter Jackson, Chairman of the Chemical Bank & Trust Co. of New York, at the annual orof New York, at the annual organization meeting of the Board of Directors on Jan. 15, announced the appointment as Vice-President of William H. French, formerly Assistant Vice-Presidents were James E. Hellier and Reginald H. Johnson, Jr., formerly Assistant Secretaries; Frederick H. Rommel, formerly Assistant Treas-Assistant Secretaries; Frederick H.
Rommel, formerly Assistant Treasurer; Malcolm H. Foulk, formerly
Manager of the Foreign Department, and Charles E. Rance, Arthur S. Sherwin and Alfred E.
Tree, formerly Assistant Managers of the Foreign Department. At the same meeting, Raymond W. Moore, formerly Assistant Trust Officer; was appointed Trust Officer; W. Clayton Black, Jr., formerly Assistant Manager of the Madison Avenue at 74th Street office, was appointed Assistant Secretary; and Frederick C. Farnsworth, formerly Assistant Manager, was appointed Manager of the Government Bond Department. Other appointments were: Edward M. Cummings, Assistant Vice-President; John T. Mott sistant Vice-President; John T. Mott, Assistant Treasurer; C. E. Robert Clukies, Assistant Manager, Foreign Department; Adolph T. Rasmussen, Assistant Manager of the Eighth Avenue at 57th of the Lighth Avenue at 57th Street office; James J. Brady, As-sistant Manager of the Madison Avenue at 74th Street office, and Frederic E. Mar and William E.

Sattler, Assistant Managers of the Credit Department.

E. Chester Gersten, President of The Public National Bank and Trust Co. of New York, announced on Jan. 16 that Irving S. Mandel and Theodore I. Salamon of the Credit Department, Delancey Street, office, and of the Broadway office, respectively, were advanced from Assistant Cashiers to Assistant Vice-Presidents.

George L. Butler has been elected Secretary of the Empire City Savings Bank of New York, it was announced by Charles Diehl, President, on Jan. 13. Mr. Butler was formerly an Assistant Treasurer and has been associated with the bank since 1923. with the bank since 1923.

At the annual meeting on Jan. 13 of stockholders of Lafayette National Bank of Brooklyn in New York, two additional directors were elected. One of these, as noted in our Jan. 15 issue, page 221, is Major Benjamin H. Namm, while the other is William E. Yates

Formation of the "Brooklyn (N. Y.) Trust Co. 25-Year Club," composed of all present active employees, officers and trustees who have completed 25 years or more of service with the company, was announced on Jan. 15. The club was organized at a dinner meeting that night at the Towers Hotel in Brooklyn, at which the following officers were elected: President, Sherwood C. Conner, Manager of the company's Bedford office; Vice - President, Eugene Britton, Trust Department, main office; and Secretary, Miss Mollie C. Rowley, Jamaica office. Members of the Executive Committee Formation of the "Brooklyn bers of the Executive Committee elected to serve for the first year were: Thomas J. Parker, Edward

(Continued on page 90)

at above the \$35 level. This due to the purchase of \$2 billion automatically diverted to the Of gold in 1947 may thus be said United States Treasury, gold to be a total of \$12 billion. Which otherwise would have been

sold elsewhere.

Previously, the demand for gold outside the United States was so outside the United States was so great as to absorb, at prices well above \$35, all gold offered and very little came to the United States Treasury, except United States production which, by law, must be sold to the Mint. The outside demand still remains.

Inflationary Effect

All purchases of gold are ulti-mately cleared through the Federal Reserve Bank which receives payment from the Treasury in the form of a gold certificate. This gold certificate is not placed in circulation. It is more of the nature of a warehouse receipt than money. But it is counted as money in the sense that the Federal Reserve Eank credits the Treasury with the amount as if it were a deposit. The physical gold is stored by the Treasury, but its value is turned into bank credit money.

The seller of gold deposits the check he receives in payment in his own commercial bank which, in turn, forwards it to the Federal Reserve. In payment of that check, the Federal Reserve simply gives the forwarding commercial bank a deposit credit on its books of the appropriate amount which increases accordingly the reserve of the commercial bank. In central reserve cities, a \$2 billion increase in reserves permits an increase of bank credit through loans or discounts to the extent of five times such reserve, or \$10 billion. Some of this amount has been used. The potential increase of money of a gold standard unless the United States Treasury not only the equivalent of all newly mined gold, but also even greater quantities of gold previously mined.

In his statement to Congress of Nov. 25, 1947, Mr. Eccles, Chairman of the Federal Reserve Board, said:

"Over the next year, the gold inflow is estimated at from \$2 to \$3 billion. Multiplied by six, this would permit an expansion of bank credit of from \$12 to \$18 billion."

United States Gold Holdings

The United States now owns about 60%, or three-fifths, of the world's monetary gold.

The world mine production, excluding Russia's (which is unknown), of gold in 1946 was about known), of gold in 1946 was about 21½ million ounces, worth at \$35 per ounce, over \$750 million. The \$2 billion gold bought in 1947 was roughly equivalent to over 2½ years world mine production of gold, excluding that of Russia. Total world monetary stocks (excluding Russian) are about \$35 billion, of which the rest of the world owns about \$13 billion and the United States over \$22 billion. lion.

In 1947, the United States purchased (in addition to the equivalent of all current mine production) approximately 10% of the \$13 billion of previously mined gold in the outside world, If it should continue to buy at the rate of \$2 billion per year and new mine production remains as in 1946, the United States would purchase all the monetary gold in the world, outside Russia, in approximately 10 years.

Even present holdings of 60% In 1947, the United States pur-

Even present holdings of 60%

distribute its holdings to some extent. Certainly, it is important that further accumulation by the United States be lessened as much as possible, both for this reason and because of its inflationary effect. tionary effect.

One Remedy

Amend the United States laws so as to-

- (1) Rescind the prohibition of ownership of gold by United States citizens.
- (2) Permit a free market, both in the United States and elsewhere, for all gold, including United States mine production, and
- (3) Leave the present gold policy otherwise unchanged, continuing the obligation of the Treasury to buy gold offered at \$35 per ounce.

The demand for gold is such that much, if not all, newly mined or other gold offered for sale would be absorbed by others than the United States Treasury, just as it was between 1944 and 1947. as it was between 1944 and 1947. This automatically cures the inflationary effects of purchasing and will result in more gold being placed in other countries and among the citizens of the United States

The International Monetary The International Monetary Fund may oppose such a program, but after the experience of 1947 it may reasonably be expected not to do so. However that may be, lessening further accumula-tion of gold by the United States and stopping present inflationary effects of purchases is much more important ultimately than follow-

This advertisement is neither an offer to sell, nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

\$10,000,000

Northeastern Water Company

5% Sinking Fund Collateral Trust Bonds

Dated January 1, 1948

Due January 1, 1968

Price 100% and accrued interest

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

W. C. Langley & Co.

The First Boston Corporation

Glore, Forgan & Co. Goldman, Sachs & Co. Harriman Ripley & Co.

Stone & Webster Securities Corporation Union Securities Corporation

E. H. Rollins & Sons

Bond & Goodwin

Estabrook & Co.

A. C. Allyn and Company

Blair & Co., Inc.

Hornblower & Weeks

W. E. Hutton & Co.

Metropolitan St. Louis Company

Maynard H. Murch & Co. Starkweather & Co. Whiting, Weeks & Stubbs

January 22, 1948

Railroad Securities

There are quite a large number of speculators in railroad securities who follow monthly earnings reports closely, measuring the progress of the individual road by the year-to-year improvement or decline in net. Such speculators should prepare now for a severe shock when the December results of a number of the major carriers of a number of the major carriers of a number of the major carriers of a perating income of \$26,358,-are released. There is a tendency of the expect that just because recent monthly reports have compared favorably with those of a year earlier. In the month of Nomenthly reports have compared favorably with those of a year operating income was \$1,257,000, earlier the same performance will to \$2,081,000. Any speculators in railroad securities. earlier the same performance will be carried through to December and that the cumulative-per formance for the year will be in line with the first 11 months' experience. To a great extent this is probably true but there will be some notable exceptions.

There are naturally always year-end adjustments to distort December reports. For the most part these adjustments are of a minor nature and do not change the year's earnings picture greatly from the pattern set in the first eleven months. In December 1946, leven months. In December 1946, however, there were a number of adjustments of a major character. Some roads took large Federal income taxes in the final month of the year. With no such credits available for the final month of 1947, the year-to-year earnings comparisons will suffer. On the other side of the picture, a number of roads in the west in Dec. 1946 made substantial charges for possible liability for overcharges to the Government for transportation in earlier years. With no such extraordinary charges in Dec. 1947 the year-to-year earnings comparisons of these roads will benefit.

One of the widest discrepancies

net operating income of \$26,358,-000, a gain of \$21,337,000 over a year earlier. In the month of November alone the increase in net operating income was \$1,257,000, to \$2,081,000. Any speculator who goes on the theory that this wide gain in reported earnings for the 11 months presages a wide improvement in reported net income for the full year over 1946 is faced with quite a shock. A large part of the 11 months' improvement will be eliminated in December.

From an operating standpoint

From an operating standpoint Baltimore & Ohio improved its earnings performance in 1947 compared with 1946. Because of tax factors, however, this improvement will not be apparent in provement will not be apparent in net operating income or net income figures. For the first 11 months of 1946 Federal income taxes amounted to \$95,000 and for the like period last year they amounted to \$1,771,808. In Dec. 1946 the road took an income tax credit of more than \$20,000,000. There will certainly be no such credit for the final 1947 month. As a matter of fact, there will probably be at least a modest Federal income tax debit for December. A year-to-year decline of cember. A year-to-year decline of at least \$20,000,000 in net operat-ing income for December is indicated.

Even with the substantial tax these roads will benefit.

One of the widest discrepancies likely to appear in December reports is that of Baltimore & Ohio. For the 11 months through Nov. 1947 the company reported Level with the substantial tax credit the company took in 1946, the junior contingent interest was not covered in full under the terms of the readjustment plan. There were no earnings available for the stocks. During 1947 the

road was still encountering difficulty in getting costs under control, particularly transportation expenses. Gross revenues for the 11 months through November were up more than 17%. Maintenance costs were held under strict control, with the ratio off about five points. The transportation ratio, at 43%, however, was still unduly high and only about one point below that of a year earlier. The November ratio was actually above that of the like 1946 month.

It looks now as if there will be little in the way of earnings available for the stocks in 1947. Certainly it is not likely that even the preferred dividend was earned in full. The prospects for the current year are naturally somewhat brighter because of the higher freight rates recently instituted. tuted. Nevertheless, effective earnings on the stock are obviously a long way off at best, and it is difficult for most rail analysts to justify any speculative enthusiasm for these shares..

Joins J. Barth Staff

SAN FRANCISCO, CALIF.—
Andre E. Jahan has been added to
the staff of J. Barth & Co., 482
California Street, members of the
New York and San Francisco
Stock Exchanges.

With Merrill Lynch Firm LOS ANGELES, CALIF.—William U. Follansbee, III is with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

With J. A. Hogle & Co.

LOS ANGELES, CALIF.—Kenneth C. Horrall is with J. A. Hogle & Co., 507 West Sixth Street.

Our Reporter on Governments

≣ By JOHN T. CHIPPENDALE, JR. ≡

The government securities markets continue on the uncertain side, with prices at or just slightly above the "pegged" levels. . . . Activity and volume have increased in a minor way, without having any appreciable effect upon quotations, since the trend is still downward, with Federal the only important buyer of the middle- and long-term obligations. . . Portfolio changes are being made, but the direction of these switches is the same as it has been in the past two months from longs into shorts or into cash. Banks are seeking greater liquidity through the sale of intermediate- and longer-term obligations to the Central Banks, with the proceeds going mainly into bills and certificates, or being held as reserve balances in order to meet the expected tightening of the money markets. to meet the expected tightening of the money markets. . . .

LIQUIDATION CONTINUES

Savings banks and insurance companies are sellers of the tap issues, and selected eligible obligations, in order to meet demands for mortgages and other non-government loans that are being brought into these institutions. . . . There appears to be no lessening yet in the demand for loans from non-bank lenders which indicates continued liquidation of Treasury obligations in order to meet the needs for funds by private borrowers. . . . Also, earnings of the lending institutions are benefited by the switch from governments, because the rates obtained on private loans are higher than those available in Treasury obligations. . . .

Confusion reigns supreme in the money markets, as is always the case during periods of inflation such as we are in now... Some experts are looking for slightly higher short-term rates particularly in future offering of certificates and point to the increase in the rediscount rate and the advancing bill rate to back up their contentions... They also feel that higher short-term rates might be a deterrent to loans by commercial banks.... The latter idea probably emanates from proposals recently made by the research department of the Federal Reserve Board that interest be paid on higher primary reserves of member banks....

On the other hand, there are those who believe that short On the other hand, there are those who believe that short-term rates and long-term rates as well, have made a top and will not rise from these levels. . . This opinion is based largely upon the forecast that the inflationary movement will run its course in the not distant future, and business will turn in the opposite direction. . . . It is also being noted that with changed economic conditions interest rates would be likely to ease, . . .

Others feel that short-term rates will tend to decline before others reef that short-term rates will tend to decline before long, irrespective of what takes place in the business picture, because of the large demand for these securities on the part of commercial banks. . . . The desire for liquidity and the fear of greater power over reserves for Federal will result in lower yields for short governments....

CONTROLS

The monetary authorities will be exercising greater power over the money markets from here on.... The transfer of deposits from individuals and corporations to the Treasury for income tax payments put the powers that be in the driver's seat in no uncertain way.

... Whether these funds will come back into the banking system will depend upon the trend of loans and other inflationary forces.

If the spiral continues upward the money markets will be tightened further by the money managers.

Reserve balances of member banks will most likely be the target for impending developments...

WILL PRICES HOLD?

"Can the authorities hold government bond prices at present pegged levels?" and "are they likely to do it?" are the burning questions in the money markets at this time. . . . There seems to be considerable agreement that the money managers have the power and resources to keep prices at currently "pegged" levels. . . . The all important question is will they do it? . . . The political factor must be taken into account here because there are divergent views on this point. . . . The Administration is seeking new controls because it is claimed they do not have sufficient power to stop the inflationary developments in the money markets. . . In their program government bond prices will be supported, supposedly at the 100 level. . . .

The other major political party contends that the authorities have sufficient powers to break the inflationary monetary spiral, but they are not using them to full advantage. . . . They contend that a curtailing of credit in order to curb the inflationary loan trend should be brought about by higher interest. . . . This probably means that government security prices would be allowed to seek their own levels. . . . Supports might be withdrawn entirely or lowered in order to cushion the decline. . . .

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While arguments wax hot politically as to how the inflation problem should be attacked and what should be done about the money markets and government bond prices, the authorities are faced, with realities and the pattern for the time being seems to be shaping

the time being seems to be shaping up like this. . . Curtail credit by tightening the money markets and maintain present "pegs" on government securities. . . As for the eligible issues, current support levels will most likely be held as long as the banks shift from longs into shorts, and holdings of one offset the other. . . If there should be a movement out of longs in order to build up reserve balances that would be used to increase loans, then it is believed that the "pegs" would be lowered on the eligible obligalowered on the eligible obligastorki.

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any such securities. The offering is made only by the Prospectus.

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January 22, 1948

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As We See It

(Continued from first page)

action to protect the country from the statism now threatening it.

Political Factors

It would well repay the reader to review some of the situations which depend upon the behavior of individuals who seek office in this year of Our Lord, 1948, or others responsible to them. One of the first of these is formed in the money market and the securities market. What was termed the "open mouth" policy in Washington some weeks ago imparted a distinct shock to much of the business community. Since that time steps taken by the Federal Reserve in the government bond market have further added to the uncertainty.

Of course, much more is involved here than the government bond market, as important as that is in its own right. It might not require a great deal more to undermine the confidence of investors in the intentions or the abilities of the Federal authorities as respects the price of government bonds. It may well be that events have already seriously impaired the ability of industry to obtain needed capital either in the securities markets or from the banks. It may also very well have definitely taken the edge off the keenness of many businessmen to seek and invest new capital in their enterprises.

Whether or not the time had come when industry needed to review and, perhaps, revise its plans for capital expansion may be open to some difference of opinion among qualified observers. Certainly, there is no reason to suppose that too much money had been obtained or is being sought from the usual sources of outside capital. The exceptionally large capital outlays of the past year were financed largely from accumulated unspent depreciation reserves and from "retained earnings"—which incidentally may presently turn out to be something other than earnings. Current operations have not as a general rule been charged with the reproduction costs of increased inventories or with replacement costs of consumed depreciable assets.

Capital Investment and Business

But whether or not a slowing up of the rate of capital investment at this time is wise—a question about which the judgment of the business community itself is worth a dozen official opinions-it is little less than certain that a marked decline in capital outlays would make a sharp difference in the state of business, and would most certainly not conform to the official notion that some \$50 billion must be invested in American industry in order to enable it to meet "modern requirements." It apparently has been this unexpectedly large capital investment by business which so confounded the forecasters during the latter part of last year, many of whom had had their eyes closely fixed on exports and were certain that with an unavoidable decline in foreign shipments business in this country could not maintain itself at so high a rate.

The rate of business activity in this country during the year ahead may, therefore, depend in very substantial measure upon the rate of capital investment, which, in turn, will, we feel certain, depend in a degree much greater than often understood or realized, upon the course of political events. And who, in existing circumstances, has the hardihood at this moment to predict what the political situation will be on June 30, 1948, to say nothing of mid-November next?

In a number of other respects also the course of economic events during the coming year will be very markedly affected by political policies, which this year will as in all election years be formulated with an eye to the returns next November. The most common subject of discussion among prognosticators at present is "inflation," by which is meant merely a rise in prices. "Inflation," according to the politician, is already with us, and is threatening further inroads upon the "purchasing power" of the dollar.

Still Cry "Inflation"!

Of course, this situation was with us a year ago. Many goods were at that time, according to the political wiseacres, being "priced out of the market" or likely soon to be. Thus as we entered 1947, we were being warned that "inflation" had already wrought havoc with the poor wage earner and was likely very shortly to induce a general recession or depression—unless either prices were reduced or wages increased without further increases in prices. It hardly need be added that it did not prove possible to grant further extensive increases in wages (as business was virtually obliged to do under pressure from Washington) without extensive further rise in prices. But, obviously, not very many goods or services have as yet been "priced out of the market."

Now we hear a good deal of the same old cry of "Wolf!

Wolf!" And if the cry is continued long enough, the predatory animal will put in its appearance. Whether that time will come during the current year, will in considerable measure depend upon public policy. The extent to which business is again bludgeoned into raising wages will inevitably in substantial part determine the degree in which it is obliged by now declining profit margins further to increase its asking prices.

A number of other points exist at which the year ahead must be deeply affected by public policy and political maneuvering. The amount of expenditures to be made in connection with the so-called Marshall Plan, and the way in which these gifts (or bribes) are to be financed will obviously affect the course of business. Return to extensive controls and price fixing as desired by the Administration would without doubt result in playing hob with business during the next 12 months. And so we might extent the list almost indefintely.

There is, however, one fact which the rank and file must never for a moment lose to sight. It is this: In this, an election year, not only officials now in office but all those aspiring to public office will be most studiously (and on the whole astutely) studying the trend of thought among the vast masses of the population. Their course will conform to what they believe the rank and file want.

This is another way of saying that the year ahead will be largely what we, the people, make it-provided we proceed with vigor and clarity of purpose to render our wants and wishes known.

Fewel & Co. Adds to Staff

LOS ANGELES, CALIF.—Cline M. Koon has been added to the staff of Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

With Leo Schoenbrun

LOS ANGELES, CALIF.ter Aufhauser is now with Leo Schoenbrun, 1373 Westwood Boulevard. He was formerly with Van Denburgh & Bruch, Inc.

Scott Heads N. Orleans Offiice of Lord, Abbett

NEW ORLEANS, LA.—Walter R. Scott, Vice-President of Lord, Abbett & Co.,

Inc., sponsors of American Business Shares, Inc.,
Affiliated Fund,
Inc., and
Union trusteed Funds, Inc., will be in charge of the firm's new regional of-fice 348 Barrone Street. This new branch



new branch will serve securities firms in Southern States who distribute shares of the investment companies under Lord, Abbett sponsorship.

Cook With Edgerton, Wykoff

LOS ANGELES, CALIF.-William S. Cook has become associated with Edgerton, Wykoff & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Cook was formerly with R. F. Ruth & Co. and Hope & Co.

1947 CORPORATE UNDERWRITINGS

Issues in which KIDDER, PEABODY & Co. acted as manager or joint manager

PUBLIC OFFERINGS

\$8,000,000	Food Machinery Corporation	21/2% Debentures
\$10,000,000	Georgia Power Company	3 1/8 1st Mtge. Bonds
\$4,500,000		3% 1st Mtge. Bonds
\$10,000,000	Minnesota Mining & Mfg. Co	
\$19,000,000	Northern States Power Company	
100,000 Shares	Container Corporation of America	
70,000 Shares	Food Machinery Corporation	31/4% Cum. Conv. Pfd.
100,000 Shares	Minnesota Mining & Mfg. Co	4% Preferred
100,000 Shares	Florida Power Corporation	
150,000 Shares	Maine Public Service Company	Capital Stock
200,000 Shares	Springfield Fire and Marine Insurance Co	Capital Stock

PR	VATE PLACEMENTS AND SECONDARY OFFERINGS
\$1,840,000 \$1,000,000	American Yarn & Processing Company 3½% Serial Notes Burger Brewing Co
\$3,000,000	Carolina Telephone and Telegraph Company 23/4 % Debentures
\$1,300,000	Chefford Master Manufacturing Co., Inc 334% 1st Mtge. Bonds
\$1,650,000	Creameries of America, Inc 3% Debentures
\$4,000,000	Dallas Railway & Terminal Company 33/4% Mtge. Bonds
\$1,000,000	Dejay Stores, Inc
\$2,000,000	Houston Oil Field Material Company, Inc 33/4% Debentures
\$3,500,000	International Milling Company 23/8% Notes
\$2,000,000	Rich's, Inc
\$1,250,000	Telluride Power Co
\$1,500,000	Thalhimer Bros., Incorporated 23/4% Notes
\$1,000,000	Thalhimer Bros., Incorporated 21/4% Serial Notes
\$1,500,000	United Wallpaper, Inc
100,000 Shares	Carnation Company 33/4% 1st Preferred
15,000 Shares	Walter Kidde & Company, Inc 4½% Cum. Pfd.
50,000 Shares	Lone Star Gas Company Common Stock
125,000 Shares	F. W. Woolworth Company Common Stock

Our experienced Corporate Underwriting Department is equipped to handle all types of securities issues.

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HERBERT ABRAHAM

President, The Ruberoid Company

President, The Ruberoid Company

The demand for building materials throughout the country continues to be at high levels, and the immediate outlook is for sustained demand. Present emphasis in the industry, therefore, continues to be placed on increased production to meet the unprecedented demand caused by the huge backlog of new construction, repairs and modernization accumulated during the war.

Rapid progress has been made in this direction over the past two years as a result of extensive plant expansions and intensified efforts on the part of industrial research and engineering departments.

During the past 18 months, for example, appropriations totaling in excess of \$6,000,000 have been made by The Ruberoid Co. for the acquisition or construction of additional plant facilities, some of which are

Herbert Abraham

Herbert Abraham

Herbert Abraham

The increase in total production

resulting both from the added plant facilities and the

resulting both from the added plant facilities and the general introduction of more efficient equipment has served to offset in some degree the greatly increased wages of employees and the sharply increased costs of raw materials, fuel and various necessary services. The effect of the combined plant construction and research activities has been to increase the total output of all Ruberoid products almost 50% during the past two years.

Under the existing highly unsettled conditions two things are urgently needed. One is a wider and more accurate public understanding of the essential interdependence of the three major elements of the building industry—manufacturers, dealers and contractors. The other is an intensified effort on the part of each of these groups to distribute the existing supply of materials equiably among their customers and to do everything possible toward holding prices to the consumer at reasonable levels. sonable levels.

HORACE M. ALBRIGHT

President, United States Potash Company

President, United States Potash Company

The American potash industry has successfully completed the greatest year in its brief but active history. The unprecedented demands placed upon the industry by American agriculture and the chemical industry were met in large part by production increases by all the major companies. The fact that the demand was not fully met was not the result of a shortage of potash but of the tremendous nature of the demand. While final statistics are not available at this writing for 1947, it is safe to state that total American potash production exceeded that of the previous year by around 10%. More impressive still is the record which shows that this new American industry has developed from an available at the state of the previous year by around 10%. which shows that this new American industry has developed from an avverage annual prewar tonnage of less than 200,000 tons of potassium oxide to a tonnage which in 1948 may well reach the 1,000,000-ton mark.



Horace M. Albright

Despite the extremely large outlays for new plant and equipment made during the past decade, and increased labor and production costs there has been no increase in potash prices since 1937. In fact early in 1947 potash was reduced in price by five cents a unit F.O.B. Carlsbad, New Mexico. For high grade muriate of potash, which constitutes the major part of all potash produced and sold, this was a reduction of \$3.00 per ton at the

plants.

Prospects for the year 1948 are excellent. Most potash consumed in this country is used in mixed fertilizers and it is an historic fact that the demand for fertilizer (and potash) varies directly with the prosperity of the farmer. The world dependence upon the United States for food supplies added to the very high domestic consumption apparently assures a prosperous 1948 for the American farmer. Even were this not the case the demand for fertilizer would probably continue at close to its record-breaking level. Education and experience have taught the nation the value of chemical fertilizers in the production of crops and conservation of the soil. The farmer has learned the value of fertilizer as an investment; one which he himself estimates will yield him anywhere from \$2 to \$10 for every dollar invested.

Large sections of the country which before the war

from \$2 to \$10 for every dollar invested.

Large sections of the country which before the war used little or no fertilizer are now using large quantities of high potash fertilizer, and pleading for more. The Midwestern States, where percentage increases have ranged as high as 1,000%, present a good example. In other sections of the country where the original base was higher, percentage increases have not been as great, but tonnage increases have in some cases been greater. It is expected that chemical demand for the products of the potash industry will remain at a high level during 1948 as it did during 1947.

The American notash industry will continue to indi-

The American potash industry will continue to indicate its confidence in the future by further expansion during the coming year in a sincere effort to completely meet the domestic demand. This expansion is designed The state of the s

as the industry's response to the Government's appeal for an increased food production and for the fertilizer wherewith to produce it. We have had our biggest year. We look forward to a still bigger and better one.

WILLIAM M. ALLEN

President, Boeing Airplane Company

To say that 1947 has been a difficult year for the aircraft manufacturing industry is to state the obvious. Instead of recounting our troubles, and without engaging



nautical achievements.

Perhaps the most encouraging development in 1947 was the action taken to establish a sound air policy for our nation. The President's Air Policy Commission and the Congressional Air Policy Board have proceeded dilithe Congressional Air Policy Board have proceeded diligently and intelligently to examine the many problems confronting the industry. It is hoped that from their reports will come Congressional action establishing a program which will permit the industry to plan intelligently and to build for the future. There is a growing realization that from the standpoint of national defense alone it is essential that this country have an aircraft industry capable of producing the military requirements. We must have not merely an industrial mobilization plan to be put into effect on some future signal, but a continuing program of development, perfection, and proving of new experimental models, and continuing production of the required quantity of the latest accepted and operating types.

If during the coming year we do witness the establish-

If during the coming year we do witness the establishment of a sound air policy for our country, perhaps we will take a more charitable view of the past year. The troubles that we are having have focused public attention on the essential relationship between air power and difficulties have been, if they contribute to the establishment of a sound future policy of security in the air, we shall agree that they have been worth the price that we have paid.

EDWIN J. ANDERSON

President, Goebel Brewing Company

The brewing industry has just completed the most successful year in its history with production and sales reaching all time highs.

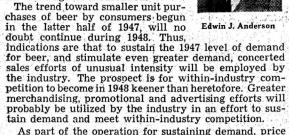
In this writer's opinion, the outlook for the industry in

In this writer's opinion, the outlook 1948 is equally as good. There is even a possibility that 1948 industry production and sales may exceed the records established last year, subject, of course, to such vagaries as grain supply, Federal restrictions and general business conditions.

This year will probably see the industry's plans for expansion of production well underway. New plant

duction well underway. New plant construction and modernization of existing brewing and storage facilities should enable the industry to more than met the 1948 demand for the beverage of moderation.

The trend toward smaller unit purchases of been by consumers to the property of the pr



As part of the operation for sustaining demand, price increases, if any, can be expected to be held to a minimum. Rather than pass increases on to the consumer, the industry will probably absorb as much of them as it can for fear of pricing some consumers out of the market.

Higher overall production and distribution costs and possible further tax and freight increases may result in smaller profits for the brewing industry in 1948.

If operating costs continue to rise, some failures are not unlikely among the smaller breweries. The larger national brewers can be expected to exert all possible pressure to continue to open up new markets in the race to sustain and possibly exceed previous volume.

Brewery officials faced with higher costs, within-in-

dustry competition and constricting efforts by dry groups (who can be expected to intensify their campaign during this election year); are in for a particularly difficult

Nevertheless, the problems confronting brewery officials and the industry should prove to be the driving force which will result in the industry maintaining and possibly exceeding the sales and production records set

G. F. ASHBY

President, Union Pacific Railroad Company

I was mistaken in my statement a year ago in which I expressed the belief that 1947 would see the completion of adjustment from wartime to peacetime conditions, but correct in the view that demands for staple and durable goods would remain strong

and thus maintain business generally and thus maintain business generally at a high level. Also, I was correct in the statement that the railroads would continue to be the primary means of transportation for the distribution of goods, and that will, in my opinion, continue through the current year current year.

The increases in freight and other rates, including postal rates, recently awarded and under consideration by the Interstate Commerce Commis-sion will be most helpful to the railroads in maintaining their strong position, and are necessary to insure that result; otherwise, in view of advancing wage rates and material prices they would deteriorate to the detriment of the security of the nation.



G. F. Ashby

The most serious situation otherwise confronting the railroads of the country are the suits now pending against them for violation of anti-trust laws in rate making and other respects in the interest of economical operation, and for war material reparations, which latter, if the Department of Justice should prevail, would destroy the solvency of many railroads and prevent much needed improvements in our railroad system.

The industry of the country should take note of the possibilities of these pending cases because of the implications which they contain, and from which there would be no escape, of the necessity for further applications for increased rates and fares if, as above indicated, the Government should prevail.

ARTHUR K. ATKINSON President, Wabash Railroad Company

The year 1948 opens auspiciously for our railroad transportation industry. In saying as we do that the auspicious beginning will project itself forward throughout the year we do not feel that we are attempting to predict the unpredictable but are merely stating the conclusion which is the inevitable one from a definite factual appraisal. There are but few uncertainties that alter the course now being taken by the economic chart.

The recent action of the Interstate Commerce Commission in granting the second emergency rate increase the second emergency rate increase is both heartening and encouraging. It eliminates a factor of uncertainty which in 1946 brought many of our strong carriers through the largest volume in history of peacetime traffic with but little, if any, actual profit therefrom. The Interstate Commerce Commission now recognizes that a broad elevation of the wage level which superadds new and greatly increased operating costs to what it has held to be a fair and just rate structure without interim protection is in and of itself confiscation.

So we enter upon 1948 with the costly hazard suffered



So we enter upon 1948 with the costly hazard suffered in 1946 at least minimized if not eliminated. We may reasonably expect the final rate adjustment to be at a substantially higher level than the emergency rate expiring June 30, 1948,

piring June 30, 1948.

Traffic volume—always the vital factor in any preview of transportation economics for a future period—is hardly a factor at all in a preview of 1948. While great nations of the world are standing at the cross roads of destiny, it is difficult to visualize any evntuality that will curtail the widespread demand for vastly increased production in almost every section of our national economy. On the other hand, the European recovery program, which in some form or other is certain to be adopted, will result in an enhancement of world trade in almost unprecedented volume. All of this should result in a high measure of prosperity for all forms of transportation, particularly the transcontinental rail-roads.

Our program for the Wabash Railroad Company for 1948 is being formulated on a constructive basis to the extent of going forward in confidence with capital expenditures and maintenance appropriations adequate for service demands greater than any to which its plant has heretofore been subjected. There is no doubt in the minds of our management that a fair and reasonable return will be accorded all the newly invested capital.

(Continued on page 20)

Our half-billion-dollar construction program will help make the steel America needs

New plants and improvements will cost one-half billion dollars...

We've been spending 20 million dollars a month to improve production facilities . . .

Our peacetime steel production has reached a new high...

Last year United States Steel produced 61% more steel than it did in 1939, the last peacetime year before the war. Our operations approach full capacity. Production at that high level is most important today, when demands for steel are extraordinary.

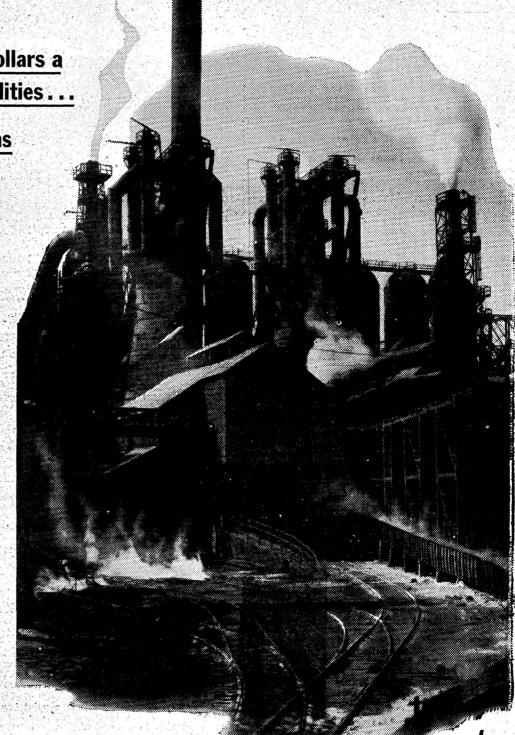
Even with an increase of nearly 2,000,000 tons in steel capacity since 1940, our mills have been strained to supply steel to so many industries for so many things...veterans' emergency housing...emergency freight cars...automobiles...refrigerators...stoves...wire...pipe...machinery of all sorts, and countless other needs.

An added difficulty in meeting present demands was the industry loss of 18 million tons of steel production resulting from the steel and coal strikes since V-J Day.

The demand for many steel products is temporarily in excess of current supply. But although steel inventories throughout the country are gradually being filled, we are taking still further important steps to increase our capacity to produce the most needed steel products.

Until November last year, U. S. Steel was spending 20 million dollars a month for construction of new production facilities. During the coming months, we shall continue to spend more than 15 million dollars a month on this expansion program. We have scheduled improvements and additions costing one-half billion dollars . . . new blast furnaces . . . new coke ovens . . . new sheet mills . . . new wire mills . . . new facilities for increased production of steel ingots, tin plate and tubular products.

United States Steel has never failed to increase its facilities to help meet the steel needs of the country. Our steel production is keeping pace with America.



UNITED STATES STEEL

SUBSIDIARY COMPANIES.... AMERICAN BRIDGE COMPANY
FEDERAL SHIPBUILDING & DRY DOCK COMPANY

UNITED STATES STEEL EXPORT COMPANY

UNITED STATES STEEL EXPORT COMPANY

UNITED STATES STEEL EXPORT COMPANY

RICAN BRIDGE COMPANY • AMERICAN STEEL & WIRE COMPANY
• GERRARD STEEL STRAPPING COMPANY • NATIONA
UNITED STATES STEEL PRODUCTS COMPANY • UNITED STAT

RE COMPANY • CARNEGIE ILLINOIS ST NATIONAL TUBE COMPANY • UNITED STATES STEEL SUPPLY COMPANY

IS STEEL CORPORATION - COLUMBIA STEEL COMPANY
OIL WELL SUPPLY COMPANY - TENNESSEE C
ANY - UNIVERSAL ATLAS CEMENT COMPANY

EEL COMPANY • CYCLONE FENCE DIVISION Tennessee coal, Iron & Railroad Company

(Continued from page 18)

G. T. BAKER

President, National Airlines Inc.

Past events cast shadows into 1948 which those in all phases of air transportation well might study carefully. The cost in dollars of past errors in judgment is incomputable, and as we in the air transport industry embark upon a new year of operations, we must prepare to meet and overcome in a practical manner the critical situations which will be encountered

countered.

Increased fares will not cure our troubles. They might, and probably will price air transportation out of the reach of the masses except for short periods on heavily traveled seasonal routes.

Labor must depose its obstructionist against and convents with man-

ist czars and cooperate with man-agement in the promotion of projects from which all obtain a living. Both

G. T. Baker

Manaagement and labor must work toward the goal of mass air transportation, or watch air travel become a luxury for the few—with few—with all other parterned in the policy with a company and the goal of mass air transportation, or watch air travel become a luxury for the few—with few—wit

There is nothing consistent or sound in the policy which virtually overnight permits foreign air carriers the right to operate non-stop between major cities in the United States and foreign points and yet refuses to allow a United States line the same privilege between the same points.

While the scheduled air carriers await action on appliin some cases—the unfathomable policy which controls the fate of all air carriers freely dispenses thousands of miles of additional routes to "paper companies" which have not yet started operating their original route grants.

Topping all this is the fact that the same policy will probably pay these so-called feeder routes 50 cents per mile mail pay, as compared to the few cents per mile still paid some of the scheduled carriers.

While lavishly handing out whole new systems of routes to new "paper companies" at great cost and questionable value to the taxpayer, an occasional short extension of one of the old, proven scheduled carriers and denial of its competitors for the same route will be justified by explaining that the favored application involved a minimum of additional mileage.

If practical, conservative businessmen in government, labor, and the air transportation industry are permitted to direct its destinies in 1948, air transportation can and will survive the serious setbacks of 1947, provided labor really coorerates, and government adopts an intelligent and consistent air policy.

FRANK A. BACH

President, Fidelity and Deposit Company of Maryland



Berthe Mherebed ich

President, Fidelity and Deposit Company of Maryland
June 30, 1948, marks the expiration of the so-called moratorium, or adjustment period, and insurance must assume its rew status as interstate commerce. Regulatory laws have been passed by a majority of the states and it follows that the fidelity and surety industry, along with other branches of insurance, will be subject to more thorough state regulation than heretofore. This will present many rew problems, but we feel confident that through whole-hearted cooperation on the part of both state supervisory officials and company managements, solutions to these problems will be found.

In the fidelity I'nes we anticipate that losses will increase both in frequency and amount. This is a natural consequence of the unprecedented business activity which prevailed during wartime and which has continued through the postwar period. High living costs have thrown greater temptations in the way of those employees who handle large sums of money or valuable merchandise, and it must be remembered that even with the closest supervision, dishonesty losses often go undiscovered for many years. Fidelity premium writings should increase during the year. There has been a very noticeable tendency on the part of assureds to purchase larger amounts of fidelity coverage and we attribute this, in part at least, to the fact that several very large and spectacular defalcations, which received nationwide publicity in the press, brought home most forcefully to businessmen the dangers of under insurance in this particular line. Another reason for anticipated increased fidelity writings for 1948 is the fact that a large number of such risks which were written at a large number of such risks which were written at a large number of such risks which were written at a large number of such risks which were written at a large number of such risks which were written at a large number of such risks which were written at a large number of such risks which were written at a large number of such risks wh fidelity writings for 1948 is the fact that a large number. This program involved the construction of two large of such risks, which were written on a three-year pre-new plants, the complete re-building of two others and

mium basis for the first time in 1945, will come up for

mum passs for the first time in 1949, will come up for renewal this year.

Despite continued high labor and material costs we anticipate that building activity, particularly public construction, will increase during the year which should produce a correspondingly larger volume of contract bond promiums.

produce a correspondingly larger volume of contract bond premiums.

Premium income on the other lines in which we specialize should equal, or perhaps exceed, by a slight margin our 1947 writings.

In brief our 1948 outlook is encouraging from the viewpoint of greater production, but on the other hand, we visualize an increase in losses, higher operating expenses, together with the uncertainties and difficulties which may be expected at the beginning of a new period of state regulation.

penses, together with the uncertainties and diff culties which may be expected at the beginning of a new period of state regulation.

Steadily rising prices have become a problem of such serious and nationwide importance that governmental authorities, business leaders and others are bending every effort to bring about price reduction and reverse the dangerous inflationary spiral. It therefore, seems both appropriate and timely to mention in this report that the fidelity and surety industry occupies an unusual and I might say, a unique position in that it has made substantial reductions in the cost of its principal products, while the prices of practically all other commodities and services were increasing.

Since 1940 our premium rates on bankers' blanket bonds have been reduced approximately 57%. During the same period rate reductions on commercial blanket bonds have averaged approximately 65%. These classifications represent approximately 60% of our total fidelity premium volume.

During the same period the basic rate on construction Class B contract bonds was reduced 33½% and rate reductions on several other important contract classifications averaged about 25%. The classifications affected by these reductions represent approximately 77% of our total contract bond premiums. Certain of our public official and judicial rates have likewise been reduced below prewar levels.

Bearing in mind that these very material premium reductions were made available to our principals and assureds at a time when practically every item of our own operating cost was increasing, it is evident that your company and the industry, of which it is an important part, have already made a truly outstanding contribution toward the fight against inflation.

MELVIN H. BAKER

MELVIN H. BAKER

President, National Gypsum Company

A record peak in home building and a total construction volume exceeding fifteen billion dollars, are in prospect for 1948.

More than twenty years of under-building have left

a huge backlog of construction requirements yet to be satisfied. In addition, there is the current need for housing which arises each year as the normal result of marriages, family increases and other factors. Industry and government forecasters agree that about 1,200,000 dwelling units must be built yearly until at least 1956 to supply the country's housing needs.

housing needs.

In 1946 about 437,000 dwelling units were completed. In 1947 there were about 765,000 units added, although construction soared to a rate of 1,000,000 units per year during the last half. It is expected that this rate will be maintained during 1948 and that the following year will see attainment of the 1,200,000 figure.

The number of dwelling units required is the yard-stick against which the total construction market volume is estimated. By total construction we mean not only housing, but the new schools, churches, hospitals, industrial buildings, stores and public buildings required by an expanding population.

Contrary to popular opinion there has been only a

by an expanding population.

Contrary to popular opinion there has been only a modest increase in the price of the materials we manufacture. As a matter of fact, while building products as a whole have advanced 95% since 1939, our present prices are up, on an average, less than 30%, and are actually under those of the peak building year—1925. This has been achieved in spite of wage increases of 110% and raw material costs which in some cases have exceeded 200%. We are doing, and will continue to do everything in our power to keep construction costs down as a stimulant to building.

Obviously, however, there is a point beyond which

as a stimulant to building.

Obviously, however, there is a point beyond which cost increases cannot be absorbed. Any further boost in wages or rises in the cost of raw materials will necessarily have to be reflected in our selling prices. If home building costs are to be lowered in 1948—and there is a strong possibility they will—the reduction will be the result of improved materials that save time in application; quicker deliveries, which will eliminate long, costly delays in construction; such techniques as on-site fabrication; and a more abundant labor supply.

So far as my own organization is concerned, our ef-

So far as my own organization is concerned, our efforts this year will be directed toward the production of more building materials than we have ever turned out in a single year. Our \$27,000,000 expansion program is practically completed and this enabled us to increase our volume last year by 25%, with another 20% projected for 1948.

Art Floor Service State

general expansion at our remaining 19 plants. It included the purchase of a fleet of ocean going vessels to transport raw gypsum rock from our mines in Nova Scotia to our seaboard plants. It meant the purchase of paper mills to insure a supply of paper used in the manufacture of gypsum lath, wallboard and sheathing. Any appraisal of the future of the building industry must be made on a long-term basis. There is general agreement on the country's housing needs, and the objective requires full production from all factors involved. We are geared to do our part.

ROBERT A. BARNET

President, Irving Savings Bank, New York Since September, 1947 there has been a major change in the investment market affecting all financial institu-tions including mutual savings banks. This great change has occurred in money rates and more recently culmi-

nated in the lowering of prices on government bonds protected by the Federal Reserve banks and the Treasury Department.

The uncertainties in the investment market have been further emphasized by this important change in

phasized by this important change in money rates and have led bankers to adopt policies of greater caution than heretofore. They have caused savings bankers to review again with much greater discretion the field of mortgage. Lending since mortgage.



ings bankers to review again with much greater discretion the field of mortgage lending since mortgage loans represent practically the only form of risk asset which savings banks hold today. This change in the attitude of savings bank management toward mortgage lending, I believe, will have considerable bearing on the savings bank business for the year 1948. Another influence that will bear on the policy toward mortgage lending is the new price level of government bonds and the question whether or not the Federal Reserve banks and the Treasury Department will sustain the price level at its present pegged prices. If the Federal Reserve banks should further lower the price that they will pay for long-term government bonds, in my opinion, it may cause a situation in 1948, which would likely "freeze" government bond investments in savings banks. If this situation should develop, it will undoubtedly have direct effect on mortgage lending policies, since there will be insufficient funds accumulated from new savings deposits to meet the demands for mortgage money which will be made upon savings banks. This demand will cause higher interest rates for mortgage loans.

I believe that savings deposits will increase for 1948

demand will cause higher interest rates for mortgage loans.

I believe that savings deposits will increase for 1948 but the trend now makes it seem likely that the increase will be less than 50% of the increase in 1947. It is estimated that the gain in savings deposits of the mutual savings banks of the five beroughs of the City of New York for 1947 was approximately \$410,000,000. Accordingly, the most optimistic view that we can entertain of the increase in savings funds in New York City during 1948 is approximately \$200 000,000. If, for any reason, mutual savings banks are unable to convert government bonds for the purpose of lending funds in the mortgage market, the most that can be loaned would appear to be about \$200,000,000. According to the figures compiled by the Savings Banks Trust Company on mortgage lending in New York City, mutual savings banks loaned \$168,000,000 for the first nine months of 1947, and it is estimated that they loaned about \$50,000,000 for the fast three months of 1947 which is a total of \$218,000,000 for the entire year.

The prospects for 1948, in my opinion are that less

three months of 1947 which is a total of \$218,000,000 for the entire year.

The prospects for 1948, in my opinion are that less funds will be loaned on mortgages in 1948 than in 1947 due to the fact that the trend in savings deposits is declining; mutual savings banks are unlikely to dispose of government bonds at lower prices in order to provide funds and savings banks are more reductant to increase their risk assets because of the uncertainties arising from changes in money rates and Treasury Department policy affecting government bond prices. affecting government bond prices.

E. R. BARTLETT

President, Hooker Electrochemical Company



E. R. Bartlett

President, Hooker Electrochemical Company

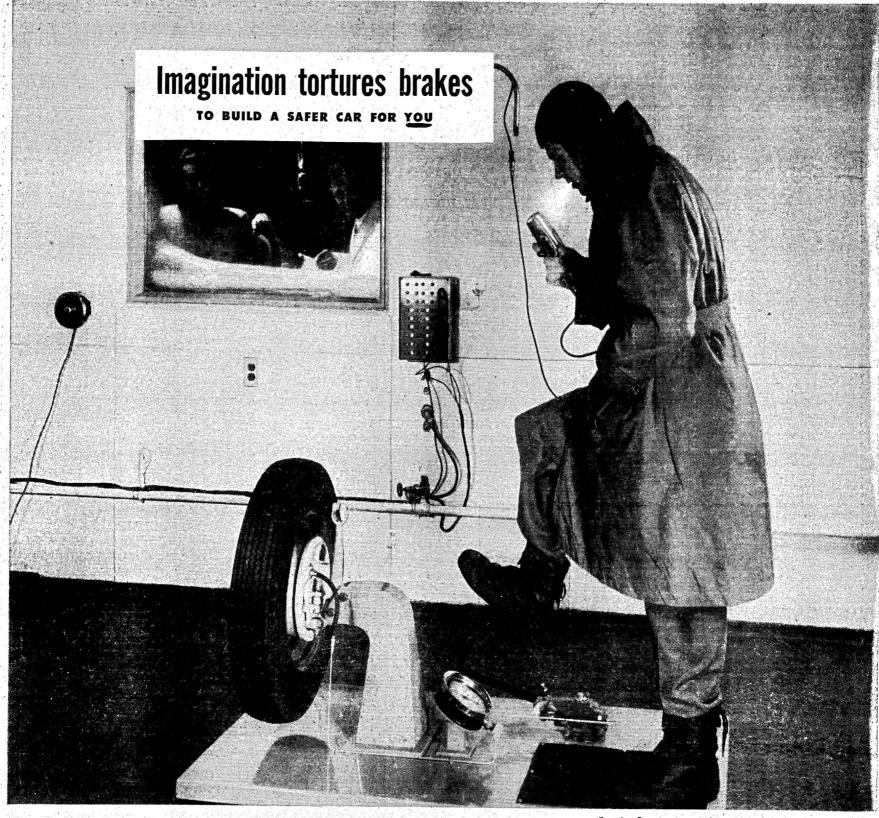
These remarks relate to that portion of the chemical industry often described as the Chlor Alkali Group who have a common basic process usually involving the production of caustic soda and chlorine by the electrolytic decomposition of salt solutions. A number of different types of electrolytic cells are used but in all cases the same problem has to be met, namely the marketing in balance of the coproducts, since for every ton of chlorine produced there is also made about one and one tenth tons of caustic soda and conversely for every ton of caustic there is about nine tenths of a ton of chlorine to be taken care of.

The industry is made up of a rel-

taken care of.

The industry is made up of a relatively small number of companies and although the production and sale of chlorine has increased tremendously in the last twenty years, there has been no tendency for newly organized companies to enter antial way but on the contrary it has

this field in a substantial way but on the contrary it has been concerns already interested in the alkali or chlor (Continued on page 22)



Creative Imagination working for you at Chrysler Corporation

They borrowed winter to help you stop!

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

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

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

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

Other tests checked them in extreme heat,

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

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

CHRYSLER CORPORATION

PLYMOUTH DODGE DE SOTO CHRYSLER

Airtemp Heating, Cooling, Refrigeration

Chrysler Marine & Industrial Engines

Dodge Job-Rated Trucks

Oilite Powdered Metal Products

Mopar Parts & Accessories

(Continued from page 20)

few airplanes in some rather spectacular crashes which in some cases were grouped in a very short total period of time. The adverse effect of these unfortunate events on the traveling public was very pronounced.

on the traveling public was very pronounced.

It is our opinion that the airlines are now past their difficult readjustment period and that with the assistance of the CAA, CAB, and other Governmental agencies concerned, they will enter a period of growth and prosperity. The new postwar equipment, with the exception of certain very large airplanes which were mainly developed during the war, is just becoming available to the airlines and will enable them to offer better service and increased safety to the public and will enable them to reduce their operating costs.

In this field, the completely new and radically differ-

In this field, the completely new and radically differ-nt BEECHCRAFT 20-passenger, four-engine two-

will enable them to reduce their operating costs.

In this field, the completely new and radically different BEECHCRAFT 20-passenger, four-engine, two-propeller Twin-Quad transport is expected to make a major contribution to reduced operating costs and improved service to the public. It is especially designed to operate from small fields in order to eliminate the necessity of the expenditure of millions of dollars by municipalities whose airports are becoming inadequate for the older types of equipment under modern operating conditions. This new BEECHCRAFT will be available for delivery in the latter part of 1948, as it has been undergoing flight testing since Oct. 1, 1947.

The postwar readjustment period has profoundly affected the procurement of military aircraft. At the end of the war all the military aircraft in production were obsolete and it would have been sheer folly to have purchased additional quantities of airplanes of the same types as those which were decomposing by the thousands on the surplus disposal fields. Here again the time factor required to design and test new military aircraft entered deeply into the situation. From three to five years is required to design, construct, test, service test, and procure initial production quantities of military aircraft. The time since the end of hostilities has simply not been long enough to achieve this result. Beginning in 1948 the procurement of new military types will become important. The international situation has deteriorated to a point where even "the man on the street" can readily appreciate the necessity for a strong military establishpoint where even "the man on the street" can readily appreciate the necessity for a strong military establishment, and especially a strong air force. For that reason we do not believe that much difficulty will be encounthe do not believe that much difficulty will be encoun-lered by the military services in securing future appro-priations to purchase adequate quantities of new mili-tary aircraft of advanced design. As a result, we believe that the manufacturers of military aircraft will, from this time forward, secure increased business and that they need not fear that their establishments will wither and disappear. and disappear.

Our company is actively interested in this market and Our company is actively interested in this market and will attempt to secure its fair share of military business. In conclusion, it is our opinion that the postwar readjustment period is just beginning to come to a close, and that all of the various phases of aircraft manufacturing will progress and develop favorably, although gradually, from this point onward. Perhaps the disappointment expressed by so many people in the aircraft manufacturing industry is due to their failure to take into account the basic problem of the extended time required to design, construct and test any type of new airplane, and that they did not realize that this factor has been the predominant one in all of the various aspects of the postwar aircraft manufacturing business.

LAWRENCE D. BELL President, Bell Aircraft Corporation

On January 10, Bell Aircraft Corp. officially announced a new product, the Prime Mover, which will broaden the base of the company's non-aviation activities. Essen-

the base of the company's non-aviation activities. Essentially a strongly built, high-capacity, mechanically dumping barrow, the Prime Mover is mounted over a power-driven, three-wheel chassis, with 3½ h.p. engine, steered by means of a rear caster wheel. It will carry wet or dry material, and is equipped with either bucket or platform body. With a thousand pound load, it negotiates a 20% grade with ease. One Prime Mover replaces four men with wheelbarrows. When equipped with a snow plow blade, the Prime Mover becomes a baby bulldozer.

We have already placed more than 40 of these machines in the hands of carefully selected customers and reports we have received from these machines in use are most encourag-

machines in use are most encourag-ing. Present plans call for accelerating production schedules through this year, and already

As we move into the new year, our commercial helicopters continue to provide spectacular proof that this rotary aircraft is a valuable tool for industry, agriculture and commerce. Operators of our machines have flown more than 10,000 hours in the first year of commercial use, treating all sorts of crops with sprays and dusts, fighting forest fires, seeding timber land, patroling power and nine lines, conducting geophysical surveys, carrying and pipe lines, conducting geophysical surveys, carrying mail and performing a host of other revenue jobs.

We are, of course, continuing our development of

rotary wing aircraft, and are presently building helicopters ranging in size from the two-place YR-13 to the five-place XR-12, for the military. During 1947, the helicopter made rapid strides forward. We look forward to equally impressive progress during 1948.

In the military field not counting helicopters, we are concentrating on research and development of new types of weapons, including guided missiles, apparatus pertaining thereto, and piloted supersonic airplanes. In the last category may be mentioned the XS-1 and XS-2.

We expect our dollar volume this year will be well divided among these three principal categories of activi-

divided among these three principal categories of activities: Non-aviation manufacture, headed by the Prime Mover; helicopters, and other aviation work. Forecasts are difficult to make as yet, but we look to the future

NEAL DOW BECKER President, Intertype Corporation

Companies engaged in the manufacture of machinery for newspapers and printers have had a prosperous year, and the present backlog of orders appears to insure a reasonably prosperous 1948.

In the background, however, ent profits are being made because of an abnormally high volume of business. Costs have risen much more than prices, with the result that the break-even point is now so high that when the volume of sales rethat when the volume of sales re-turns to normal some companies will go into the red at the present level of costs and prices.



Neal Dow Becker

JOHN D. BIGGERS

President, Libbey-Owens-Ford Glass Company

With the automotive manufacturers preparing to make and sell more than five million units and the construction industry planning to build about a million homes in 1948, the outlook for continued high level of sales of

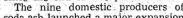
plate, window and safety glass is favorable.

There are more specific reasons why we look ahead with confidence in this industry.

We believe that we will have the benefit of an increased supply of

benefit of an increased supply of soda ash in the second half of 1948. Ever since the war this essential in-Ever since the war this essential ingredient for making glass has been in short supply. Almost half of the nation's output of soda ash goes to the glass industry normally. Newer industries, some expanded during the war, have placed continued heavy orders for soda ash since the end of war production.

The nine domestic producers of soda ash launched a major expansion in January. 1946, and they assure us



soda ash launched a major expansion program beginning in January, 1946, and they assure us these facilities will be producing by the middle of 1948. Thus our supplies of this most critical item should be good in the third quarter of the new year, and adequate in the fourth. Assured of a sufficient supply of soda ashes the makers of polished plate window, and safety glass should be able to meet heavy demands of the automobile and construction industries. mobile and construction industries.

John D. Biggers

Manufacturers and distributors of flat glass still do not have normal inventories. Most products move rapidly from factory shipping docks to installations in new buildings and motor cars.

In both major fields of home construction and automobiles there is a trend towards larger window areas.

This is especially noticeable in the market for Thermo-This is especially noticeable in the market for Thermopane which has solved the age-old problem of reducing heat losses through windows. The Libbey-Owens-Ford insulating window unit combines two panes of glass separated by a de-hydrated air space completely sealed at the edges by metal-to-glass bond. Thermopane is fabricated in the factory ready to place in the sash on the job. Picture windows and solar houses with window walls pioneered this trend but in the last year whole office buildings, hospitals, schools, laboratories and textile mills have been equipped with these insulating windows. A special railroad Thermopane, combining safety glass and heat-tempered glass in the window units, has stimulated railroad passenger car rehabilitation work and the improvement of many of the new streamlined trains.

Libbey-Owers-Ford will show net sales of approximately \$100,000,000 for 1947 as compared with \$68.350. 000 in the preceding year—a new high total of business for the company.

Approximately 11,000 employes of the company have been paid more than \$34,000,000 in wages and salaries, the company's tax bill exceeded \$11,000,000, and the more than 17,300 shareholders received \$7,600,000 in dividends while a moderate proportion of earnings was retained in the business.

During 1947 a special charge of \$2,000,000 was made by Libbey-Owens-Ford against current earnings to a reserve for possible depreciation adjustment. The improvement program, engineered and planned as early as 1945, to provide needed modern facilities to meet

post-war market demands, has gone forward in a period of rapidly rising costs. If this level of construction costs should continue into the future, our normal depreciation allowances for replacement of existing pre-war plants would be inadequate. On the other hand, if future costs should prove to be substantially lower, our new construction costs would be out of line with normal values. We assume one of the other of these two possibilities must be faced in the future. must be faced in the future.

In our plants we have had cooperation of employes' unions and management towards increasing production, so have been able to hold down prices. The present average level of Libbey-Owens-Ford prices is only 18% above what it was 10 years ago while wages have almost doubled and material costs have greatly advanced in that period that period.

Plaskon Division of Libbey-Owens-Ford now complet-Plaskon Division of Libbey-Owens-Ford now completing its new plastics material plant, as one of the units in its Toledo plant expansion, looks forward to a considerable upturn in production of coating compounds, resin glues and plastics molding compounds in 1948. This unit reflects the outlook in furniture, plywood, cosmetic, small radio, electrical equipment, clothing, paper, paint, varnish, lacquer and other industries.

S. DUNCAN BLACK President, The Black & Decker Mfg. Company

We think that the portable electric tool industry will have a good year in 1948. Business is not coming in at quite the same rate as one year ago, but in our case we have quite a large backlog of unfilled orders, which will make up for this deficiency.

Our distributors that have been operating during the past year with practically no stock are gradually beginning to accumulate a little, which is as it should be. Undoubtedly business is s'owing down some-what, but in our opinion not seriously

Foreign business is quite good in spite of the many restrictions to which it is subject.



A. L. BLAKESLEE

President, Kalamazoo Store and Furnace Co.



It is our belief that the present demand for cooking and heating appliances will remain strong throughout the year if the shortage of sheet steel continues and with the possibility of the Marshall plan being passed by Congress there is every reason to be-

Congress there is every reason to be-lieve that the steel shortage will re-main with us throughout 1948. We are very much concerned over the price trend and if there is an overall third wave of wage increases, prices on manufactured products are bound to go still higher.

There are only two classes of people who are reasonably well off at the present time and those are the farmers, and most of those who are unionized. The great bulk of the purchasing power are using up their incomes to buy food.

GEORGE W. BOVENIZER Partner, Kuhn, Loeb & Company

Business predictions in a presidential election year are always hazardous to make. This year, with the uncertain toreign outlook and with our own confused picture as a result of the controversy over inflation and taxes the problem is even more acute. Nevertheless, it is my judgment that general business will continue to operate at full capacity during 1948. To

theless, it is my judgment that general business will continue to operate at full capacity during 1948. To take care of the still unsatisfied needs of our own country, as well as those from abroad, its facilities must be expanded and production extended even further. This muchneeded expansion program calls for large amounts of new capital funds. To avoid fanning the inflationary flame through the issuance of additional debt much of the new capital should come from equity financing.

tional debt much of the new capital should come from equity financing. Unfortunately, however, the Administration does not seem to realize that those who should be in a position to furnish the needed funds have, because of the impact of our continuing high tax rates not been able to build up surplus capital. Until, therefore, tax relief is granted all along the line, from the highest brackets to the lowest, these surplus funds cannot be accumulated. It is my hope that the Congress will promptly give effective tax reductions. Relief in this direction will go far to restore investors' waning confidence to the end that our markets can absorb the new securities which must be offered if the needed expansion is to be financed. If this relief is forthcoming, and it is my belief it will be, I look for our investment banking industry to become very active during 1948.



the Prime Mover has demonstrated its effectiveness in coal yards, railroad shops, foundries, shipyards and chemical plants. It is particularly useful in the construction industry.

alkali business who have met the increasing demands. This may in part be due to the fact that a large investment is required per sales dollar and the margins of profit have been held at rather low figures. The required increased tonnages have come from two sources; first, all of the companies who were originally electrolytic producers only have greatly enlarged their plants and second, practically ait of the companies who originally manufactured caustic soda by the ammonia soda process have added electrolytic installations.

Most of the original electrolytic concerns relied upon the sale of the basic products, caustic soda and chlorine in liquid form, the latter of which became generally commercial around the time of World War I; but from their early history some companies utilized all or a large part of their chlorine for the manufacture of diversified chemicals. Today practically all the group have developed, or are in the process of developing, chemicals which require chlorine and which cover a wide range of uses, involving huge tonnages of the material. It is in this field of diversified chemicals that the large growth of consumption has taken place.

Speaking in terms of chlorine, the annual installed

in this field of diversified chemicals that the large growth of consumption has taken place.

Speaking in terms of chlorine, the annual installed capacity of all plants was about 200,000 tons in 1917, 325,000 tons in 1927, \$550,000 tons in 1937 and 1,600,000 tons in 1947. Several large plants or additions are now under construction with operation expected during 1948 or early 1949 and it is believed that the installed capacity then will be in the neighborhood of 1,800,000 tons, which is nearly six times the capacity only twenty years ago.

ago.

It has now been clearly demonstrated in the two and one-half years since V-J Day that the wartime growth in chlorine production capacity has quickly been adapted to continuing peacetime uses. Furthermore, the investment of large sums for additional tonnage has been made or authorized by many of the Chlor Alkali Group.

The potential opportunities ahead for the growth of

made or authorized by many of the Chlor Alkali Group. The potential opportunities ahead for the growth of the production and sale of chlorine and its products seem to be almost unlimited but the industry will doubtless some time reach a point where the output has caught up with the then available outlets, a situation which certainly did not exist in 1947 but which may conceivably be coming toward the close of 1948. It is of course unreasonable to expect that all producers of caustic soda and of chlorine can operate constantly at full loads or overloads, but the industry certainly is justified in looking forward to the future with great optimism as long as it keeps moving steadily ahead in the development of new products by continued or expanded research activities.

President, Pennsylvania Salt Manufacturing Company



Leonard T. Beale

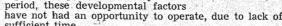
It is expected that sales of this company will have reached the highest level in the company's history during 1947. We believe that this will also be true in the case of profits even after certain year-end financial adjustments which may be taken in accordance with the comtaken in accordance with the company's usual conservative financial policy. Indications are that 1948 sales and profits will exceed those made in 1947. Of particular interest to the company in 1948 and succeeding years is the large number of new products for which raw materials are available, manufacturing techniques have been developed and for which attractive markets exist.

WALTER H. BEECH

President, Beech Aircraft Corporation

There are three main categories of activity in the aircraft manufacturing business; namely, the design and construction of aircraft for business use, aircraft for air-

construction of aircraft for business us line use, and aircraft for military use. Many writers and so-called experts have expressed great disappointment with the apparent failure of the market for business aircraft to live up to the most optimistic predictions which have been made in the past. Why anyone should complain about the failure of such prophecies to come true is beyond our understanding. In almost every other business large, volume production understanding. In almost every other business large. volume production was attained by an extended period of slow growth during which the product not only was developed to fully satisfy the needs of its consumers but also during which the public was educated to the advantages of the product. In the postwar period, these developmental factors have not had an opportunity to operate, due to lack of sufficient time.



The design, construction, and testing of a new airplane require such a lengthy period that it was only at the beginning of 1947 that the first postwar business airplanes were offered to the public. These airplanes are characterized by greater efficiency and economy and higher performance than was available from prewar models. Businessmen are just beginning to learn that these new airplanes constitute a valuable business tool for the increase of operating efficiency and the reduction of operating costs of their businesses. These businessmen are just beginning to prove to themselves and to each other that the new postwar business airplanes offer new economies in transportation which never before have been achieved by any other vehicle. For instance, one businessman wrote to us about his four-place BEECHCRAFT Bonanza, "It is the greatest time-saving invention since the telephone." Another stated, "If the salesman had told me about all of the advantages that I have discovered for myself I would not have bought the airplane as I would have considered it a gross exaggeration."

The total potential market for business airplanes is totally unknown. We do know that most of our BEECH-CRAFT Bonanza airplanes are being sold to owners of small businesses and that they operate them an average distance of approximately 100,000 miles per year, or something less than two hours per day. We do know also that a recent survey of their readership by a prominent aeronautical publication indicated that about 6600 readers planned to eventually buy BEECHCRAFT Bonanzas. This figure compares with deliveries of approximately 1200 Bonanzas during the calendar year of 1947. How much of this desire for the product will be converted to definite orders cannot be foretold.

The air transport industry still seems to be suffering from reconversion from the war period. The airlines, The design, construction, and testing of a new airplane

to definite orders cannot be foretoid.

The air transport industry still seems to be suffering from reconversion from the war period. The airlines, like the personal aircraft manufacturing business, have no lengthy stabilized period of experience during peacetime by which to measure their business potential. Prior to the war their activity was relatively small by comparison with postwar standards. On the other hand, their present traffic is considerably reduced by comparison with the level established during the period of the relocation of people just following the cessation of hostilities. The airlines were forced to build up their organizations to take care of the tremendous traffic potentials which existed at that time, and as a result, they not only developed an enormous overhead burden, but also alienated a considerable portion of their old customers due to their inability to furnish their old-time standard of service. In addition, they suffered a loss of quite a (Continued on page 24)

(Continued on page 24)

Envoys of Mutual Enterprise

BRITISH HONDURAS · COLOMBIA · COSTA RICA · CUBA DOMINICAN REPUBLIC • EL SALVADOR • GUATEMALA • HONDURAS JAMAICA, B.W.I. · NICARAGUA · PANAMA · PANAMA CANAL ZONE

One of the 24 American Flag vessels which will spearhead the United Fruit Company's Great White Fleet in the Middle American Trade. 18 are fast, fully refrigerated cargo vessels, new as tomorrow's mail. 6 are handsomely reconditioned cargo-passenger liners of established Caribbean cruise distinction.

These 24 vessels are envoys of mutual enterprise between the Americas — expression of one Company's interpretation of the Good Neighbor Policy.

GREAT WHITE FLEET UNITED FRUIT COMPANY

(Continued from page 23)

L. G. BLUMENSCHINE

President, The Best Foods, Inc.



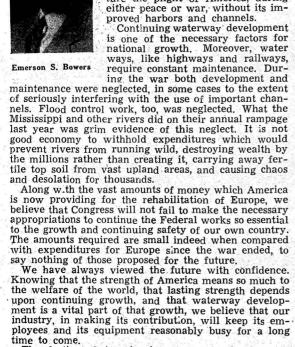
E. S. BOWERS Treasurer, Atlantic, Gulf & Pacific Company

We hear much today about Federal economy, and rightly so. Of course, every thoughtful American wants his government to operate economically, but he does not want unreasonable curtailment of expenditures necessary for maintaining national sirength and continuing national

growth. growth.

Few Americans realize the indispensability of harbor and waterway improvements, both to commerce and to national defense, nor do they appreciate the importance of keeping such improvements abreast of general national development. Picture the slight of America during

ture the plight of America, during either peace or war, without its improved harbors and channels.



ployees and its equipment reasonably busy for a long time to come.

time to come.

The destiny of America is growth and development far into the future. Our outlook is linked with that of the nation; therefore, we believe that it is good.

ELBERT S. BRIGHAM President, National Life Insurance Company

President, National Life Insurance Company
In the year just passed life insurance sales reached record heights. Assuming a continued high level of business activity, this volume of insurance sales should be maintained without great change in 1948. It is true that premium rates upon investment type policies have been advanced rather generally, and it is quite possible that life insurance will experience even greater competition for

sible that life insurance will experience even greater competition for the jublic's dollar as a larger volume of consumer's goods become available. As a result of the wartime financing and interruption of production in civilian goods, we are experiencing the postwar inflation which has characteristically followed our previous wars. Nevertheless, in these days of high prices, life insurance remains not only a sound investment, but one that offers a bargain opportunity to exchange this year's dollars for future dollars likely to have greater purchasing power. to have greater purchasing power.

Despite unprecedented sales of life insurance in recent—



years, the American people have not increased their investment in life insurance as rapidly as their income has expanded. The national income in 1947 had increased approximately 170% over 1940. During the same period, l.fe insurance sales increased by 102%, and total insurance in force by 62%. These figures indicate that the public is less fully protected relative to income than was true before the war.

An important factor in the outlook for insurance and the ultimate net cost to the policyholder is the recent upturn in interest rates. The easy money policy of the Government which has resulted in generally low interest rates and, as a corollary, in an abundance of money and widespread inflation, appears to be giving way to a more realistic attitude toward credit and money rates. The current rates are substantially higher than at the beginning of 1947. This fact, coupled with a great demand for resident all mortgage money and demand from industries for funds for modernization, working capital, and other purposes, has brightened the outlook for insurance investments and promises a more favorable return upon the savings of more than 75,000,000 policyholders invested with the life insurance companies.

CAXTON BROWN

Chairman of Executive Committee, Weston Electrical Instrument Corporation

The year 1948 is a difficult one to read as a prospect. Presidential elections, foreign aid, tax bills, additional labor demands, etc., all inject unknowns as regards their precise effects on industrial activities.

At the moment incoming orders and backlogs would ordinarily seem

to assure operations for the first half of 1948 comparable to those of the last six months of 1947; but never-theless we cannot help but believe that some significant readjustment is that some significant readjustment is due during the last six months of the year. Reports from many of our national industrial companies indicate that a 10% reduction in sales volume could easily cut net profits by more than 50% and I think this is true in our own case. If we are to be without substantial government economy and tax benefits encouraging venture capital and if banking credits are still so restricted, with recompanying additional wage demands, there seems little prospect that industrial output can be sustained at existing high levels.

We are not inclined to view this prospect with undue alarm because it is our opinion that a modest readjustment of ideas and values at this time to be salutary and much less serious than a drastic readjustment that must come in the not too distant future unless we are willing and able to improvise controls that will cushion the

and able to improvise controls that will cushion the inevitable decline.

HENRY BRUERE

President, The Bowery Savings Bank

President, The Bowery Savings Bank

The firm position taken by the Secretary of the Treasury in his statement of Jan. 5, 1948, regarding the importance of savings as a means of checking inflation offers an exceptional opportunity to all savings institutions to help stabilize prices. With currency in circulation and demand deposits combined up to \$111.8 billion and bank credit expanding, some of it for speculative purposes, only by prudent action can the general public protect itself from the continued dilution of its savings which results from the advancing price level.

The rate of increase in liquid savings slowed down in 1947 compared with 1946 by about 50%. The public has been spending its money more freely with expanding markets and because of the compulsion of higher living costs. The whole economy will suffer unless exceptional common sense and prudence are exercised by the public. Therefore the time is opportune, under Treasury leadership, for a nation-wide campaign to promote savings. In no other way can the public so easily protect itself against the inflationary cancer.

The savings banks of New York State and Massachusett.

The savings banks of New York State and Massachusetts have joint programs from savings promotion. Individual institutions such as the Bowery Savings Bank are carrying on extensive advertising campaigns for thrift education and encouragement. The Bowery is calling attention to the many thousands of its depositors who have accumulated a balance of \$1,000 or more. These accounts are owned by working people, clerks, stenographers, mechanics and by small business people. It is setting a goal of \$1,000 for each young person to save against all the obvious normal contingencies quite apart from the goals of acquisition or recreation such as home buying or travel. The savings banks of New York State and Massachu-

Total deposits in the mutual savings banks of America have increased from \$15.3 billion in 1945 to \$17.7 billion in 1947. It should be possible to add another \$500 million in 1949. lion in 1948

To reward these savers it is important to secure satisfactory investment outlets for savings funds. The present most attractive field is the field of home loans insured by

the Federal Housing Administration. The Bowery Savings Bank has made commitments of about \$100 million to finance such housing in 1948. These home-providing developments are located in Metropolitan New York, Northern New Jersey and in the Philadelphia area of Pennsylvania. A large percentage of them are destined for Veterans' occupancy.

The prospect of financing in the corporate field is

good. In the railway field, equipment trust certificates are an attractive outlet because of their serial maturity and short maximum term. Public utilities, the telephone system and industrial corporations are expected to con-

system and industrial corporations are expected to continue to be large borrowers.

Sayings, invested in Treasury bonds, will help stabilize the management of the national debt. But without progressive investment in capital goods production will be lost to the consumer. In the end savings invested in enterprise will help avert the disaster of a crucial revolt of consumers against high prices with resulting business collapse.

EDWARD G. BUDD, JR. President, The Budd Company

The year just closed shows progress and achievement.

The year just closed shows progress and achievement. The year ahead looks good.

Total sales of The Budd Company for the first nine months were \$139,894,633, compared with \$83,952,383, for a similar period of 1946. Net profit was \$7,342,101 before income taxes and \$4,658,501 after provisions for income taxes. Audited fourth quarter figures are not yet available, but they will also show a profit.

The company paid regular quarterly dividends of \$1.25 each on its \$5 preferred shares. It also resumed common stock dividends with the payment of \$0.10 per share, payable Dec. 30. It is the expectation of our board of directors that this action initiates the payment of regular quarterly dividends on the common stock. stock.
In all the 35 years of the company's

Edward G. Budd, Jr.

Edward G. Budd, Jr. history, we have never equaled the 1947 production of our automotive division, although the fourth quarter output was lowered

seasonally because of model changes made by some of

seasonally because of model changes made by some of our customers.

During 1947, Budd introduced its new Vista-Dome cars and its new type CF disc brake which can stop a railway car without discomfort to passengers in a shorter distance than ever before. We delivered more new cars to our railroad customers than in any previous

shorter distance than ever before. We delivered more new cars to our railroad customers than in any previous year of the company's history. Several new name trains were inaugurated. We also delivered to Pressed Steel Co., Ltd. of Oxford, England, a prototype car especially designed for British railroads.

During 1947 we made available to any car builder, railroad, or member of the railroad industry, our full research and development facilities on a non-profit basis.

The Agricultural Division of the company began production of plows in February, 1945. The first year's shipments totaled \$2,081,261. Production for the first three quarters of 1947 was \$4,384,933, and compares with \$2,861,495, for the first nine months of 1946.

The company's relations with its 21,396 employees have continued good. We had no strikes nor other interruptions in our own shops, although our production felt the impact of strikes in the plants of our suppliers and customers. During 1947 Budd negotiated satisfactory contracts with its several unions, all of which reflect the national trend for higher wages.

The past indicates largely what lies ahead. The year 1948 will witness the introduction of our new sleeping cars, brought to the public for safer, more comfortable and enjoyable travel.

C. H. BUFORD

President, Chicago, Milwaukee, St. Paul and Pacific Railroad Company

I look forward with a good deal of confidence to a continued high level of rail freight traffic during the

that service must be improved. We must have more freight cars and there is now an improvement in the output of new cars. I expect that new car construction this year will exceed by a comfortable margin the retirement of old and obsolete equipment. We are continually studying our problems, particularly



our large yard facilities, and during the year we will make improvements which we have every confidence will materially expedite the movement and delivery of

freight to our customers.

We are still handicapped by a shortage of skilled mechanics for making repairs to our equipment,

We expect to complete this year in our shops at Milwaukee, Wisconsin, 125 new passenger train cars, which will completely re-equip such named trains as the Pioneer Limited and the Morning, Afternoon and Midwest Hiawathas.

Our freight car program calls for the construction during the year of 7,600 units, involving an expenditure of about \$24,000,000.

We have on order 38 Diesel-electric locomotives, a part of which will be delivered during the year 1948 and the remainder in 1949.

The large expenditures which we are making for new equipment and for improvements to our property will contribute substantially to industry and employment in our territory.

HARRY A. BULLIS Chairman of the Board, General Mills, Inc.

Chairman of the Board, General Mills, Inc.

The year of 1947 will be remembered in the flour milling industry for its record-breaking wheat crop and for the continued upward trend in prices of grain and grain products, resulting from the combination of a tremendous export demand and a relatively short corn crop.

In the coming year we may expect some readjustment, though at least until the new crop is harvested next summer wheat prices and prices of other agricultural products may be expected to remain at relatively high levels.

While the 1947 wheat crop was the largest on record, corn production was at least 25% less than it was in 1946. In fact, the total grain production of the United States in 1947 was approximately 800 million bushels less than was consumed in th's country and exported in the crop year of 1946-47. Because of our commitments to ship as much grain as possible overseas, it is necessary to curtail domestic consumption. We cannot reduce the amount

of grain used for seed, nor should we reduce to any sig-nificant degree the amount used for human food. Hence any curtailment must come in the grain used for feed. The present high price of wheat serves as a rost effec-tive preventive of the excessive use of wheat for feeding

The present high price of wheat serves as a rest effective preventive of the excessive use of wheat for feeding animals.

Unfavorable weather, particularly in the Southwest, has made it un'ikely that the wheat crop of 1948 will approach the record-breaking proportions of the 1947 crop, but there is reason to expect that the 1948 corn crop will be equal to or greater than the corresponding total for 1947. Of course a late spring, excessive or celection moisture, or early frost might greatly reduce the prospects. No crop is sure until it is harvested.

Even more unknown factors are involved when it comes to predicting the probable level of grain prices. Much will depend on the extent of European recovery and on Europe's production of grain and other foods. Assuming total United States grain production in 1948 as equal to or somewhat greater than in 1947, and assuming a considerable increase in European production, we may reasonably expect some decline in grain prices. However, as long as our own national income remains near its present level, the demands for the more expensive foods—meat, poultry, and dairy products—will continue high, and any downward trend in grain prices will probably be followed by an increase in the use of grain for animal feed, and this in turn will tend to prevent the further decline of grain prices.

Of course, if there should be a sharp falling off in industrial activity, with resultant unemployment, there would be an immediate decrease in demand for meats, poultry, eggs, and dairy products, which would be followed by a decreased demand for grain for animal feeding and a decline in grain prices.

Eventually we may expect Europe to produce more of its own food, so that it will be less dependent on this country for farm products. Whether or not the verous European countries strive for individual self-sufficiency in the matter of food depends to a considerable degree on the prospects for peace, as well as on the extent to which tariff harriers are lowered. Of acures extents to the prospect

European countries strive for individual self-sufficiency in the matter of food depends to a considerable degree on the prospects for peace, as well as on the extent to which tariff barriers are lowered. Of course, any great falling off in the export demand for U. S. food products will necessitate considerable readjustment in the entire field of agr.culture.

On the international front this country's biggest job at present (aside from the relief of famine) is to convince the rest of the world that our system of free enterprise, based on adequate incentives, is superior to any system of controlled economy, and that the democratic form of government is preferable to any kind of dicta-

torship, however benevolent. This it seems to me is essential to the achievement of lasting peace. Once this is accomplished, the people of Europe may have sufficient confidence in themselves and sufficient hope for the future so that they will go to work to produce the food and the manufactured goods they need for their own consumption and for export.

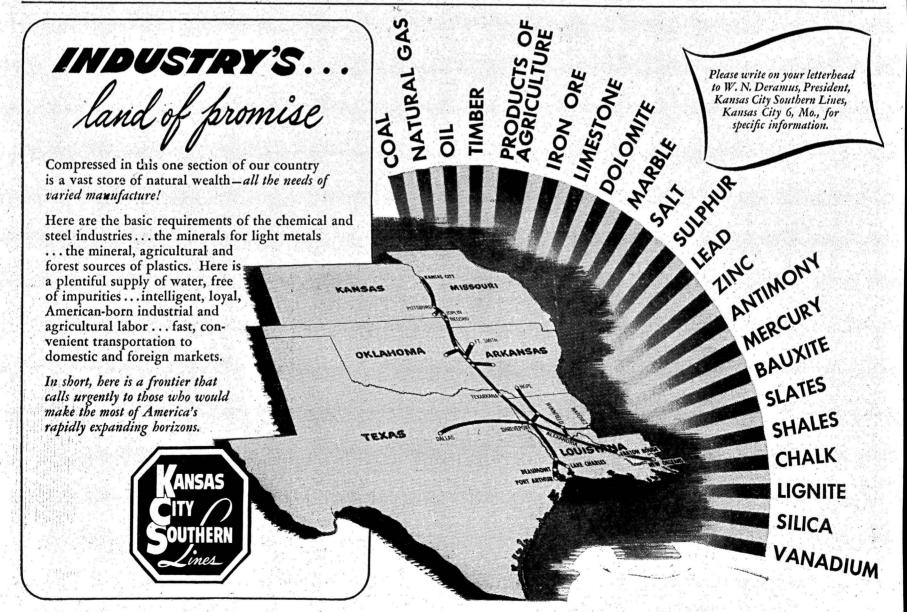
Here at home our chief problem now is to effect the readjustment that we all know is necessary and inevitable without suffering a serious recession. The country's huge credit balance and the great purchasing power represented by the large savings of individuals comprise a major safeguard. With that, and with the high productivity of our American system, it should be possible to make a successful readjustment to a peacetime economy. make a successful readjustment to a peacetime economy.

IRVING T. BUSH President, Bush Terminal Company

In this uncertain world there is one certainty. It is that the people of the United States have developed much more mentally than have the people of most of the countries of Europe. There are, of course, exceptions, like Switzerland, the Scandinavian countries, and Belgium and Holland. It is unnecessary to discuss the mental changes in the larger countries of Europe, but the fact remains that the people of the United States have developed a mentality much greater than ary they have had in the past, and that this development promises reasonable prosperity in this country for 1948. for 1948.

There are narrow and prejudiced leaders, both of industry and labor. That is to be expected, for it is so in human nature wherever it exists. The recent tendency, however, has been for a better understanding between those who direct industry and those who direct labor. This means that during 1948 the prosperity we have enjoyed in 1947 will continue. This is an election year, and I am assured by an important member of the Bush Terminal organization that an election year is always a problem child. People in Washington will think of votes, until the election is past, but after that important day they will begin to be governed by their basic intelligence.

I am thinking in terms of 1948 alone, and I believe (Continued on page 26)



(Continued from page 25)

that our prosperity will carry on until the end of the year. So far as the special field in which this company operates, we are fortunate. The bulk of our income comes from fixed leases. We carry no inventory except a moderate amount for repairs and maintenance, and our

a moderate amount for repairs and maintenance, and our business is upon a cash basis.

The people of the country as a whole cannot escape their share of the responsibility for the troubles of the world, largely due to the aftermath of the war. It is very easy to be critical, but unless we can find some way to be certain that our help is really helpful, and does not take the place of money which the countries of Europe spend for standing armies, it is difficult for us to avoid being disliked by those whom we are endeavoring to help. The old adage of "You lend your money to your friend—you lose your money and your friend" is true internationally, as well as between individuals. I think we may also expect those who ask us for help to work more than five days a week—at least until their economic problems are nearer solution.

TOM C. CAMPBELL

News-Market Editor, "The Iron Age"

The public squabble between steel leaders and government bureaus over steel capacity has led many people to believe: (1) That the industry is lying down on the

to believe: (1) That the industry is lying down on the job; (2) that the gray market includes most steel sales; and (3) that a big increase in steel capacity would solve everything. There is no real basis for any of these impressions. But part of the responsibility for these widespread beliefs belongs to steel management.

responsibility for these widespread beliefs belongs to steel management.

At no time in history has the steel industry lain down less on the job than during 1947. The medal of merit goes to production men, engineers, and the sales force. The brass has not done as well as it could have in its official and public pronouncements.

brass has not done as well as it could have in its official and public pronouncements.

Last May it appeared from newspaper reports of steel leaders' statements that the steel industry was against expanding. The old studies were brought out, refurbished and presented. The past was cited, the future was looked at through smoked glasses and the industry was pegged, after its May annual meeting, as being opposed to expansion. The industry was accused of trying to keep supplies short in order to make more money; and of contributing to another depression.

Some of the industry's best friends began to feel that the steel leaders were old stick-in-the-muds; that if left alone they would have this country in the same plight as England. This was unnecessary because industry spokesmen did not mean what they said.

Too late to prevent harm, the industry heads came to the country via a Congressional hearing route with a story that the industry was expanding. It looked as though this was a yarn thought up to offset the unfortunate one booted about last May. It wasn't anything of the sort. Expansion, as usual, had been taking place long before capacity became a national issue.

Steel has always done things to bring more money into the coffers, more customers and better customer relationships (which might mean slicing off a particu-

steel has always done things to bring more money into the coffers, more customers and better customer relationships (which might mean slicing off a particularly nice portion of its competitors' business). It has always expanded year after year. The record proves it. It is expanding now. It will expand next year. But it won't take any advice as to how much or how little from people who it thinks do not know an ingot from a brassic. But even that is beside the question. But even that is beside the question.

There is no evidence that there is any deterrent to continual expansion in steel except possibly the high cost of buying new equipment. But even that will be overcome when it looks as if some other steel company will take the bell. will take the ball.

Along with the paradox of seeing steel leaders try to slug their way out of the May maze is the mistaken notion that all steel men think alike. It isn't so. Privately they hold the same ideas about each other as you have about your neighbor—either the one across from you or the one next door.

An aroused public, an election-conscious administration and steel consumers who have gotten the short end of the stick have plenty of ammunition to fire away at the industry—regardless of the truth or falsity of the charges. But what are the facts about steel capacity, steel production and the gray market?

steel production and the gray market?

(1) Steel capacity is being expanded now. Part of it will be by actual increase in openhearths, part by use of more blown metal from the bessemer, part by use of oxygen, cutting down melting time, and part by superior performance of existing equipment. Most of the remarks made by steel and government officials have little to do with the actual question of capacity. The engineers and workmen are taking care of it. Competitive conditions will add more zest soon to the capacity question. The drop in steel capacity after the war was tive conditions will add more zest soon to the capacity question. The drop in steel capacity after the war was a realistic elimination of equipment which was held in operation because of the war. It was obsolete with no valid reason to keep it going during peacetime. New capacity from now on will be the kind that will mean more production, faster output and better quality. There is no more reason to take the word of government experts on capacity than there is to believe some of the statements by steel die hards. Somewhere in between

is the answer—and that is the direction in which expansion is now heading.

(2) Steel production this year, at about 85 million tons, is the highest in any peacetime year. It is below the all-time high in 1944 but it should not be compared with that year. In wartime there is only one customer—the government. The number of orders, the type, the size and the destinations are far different in peacetime. They are more numerous and varied. On that basis this year's performance is tops in steel mill history. Who did it? Men who 10 years ago would have raised their hands in holy horror if the same job had been handed them. That is why 10 years from now the same thing will be true. Steelworkers, management included, are the most loyal, hardest working bunch of fellows in any industry. Generations stick to it, beef about it, make eyes at other jobs, go on strike, cuss the boss and warn their kids away from it—but they stick to steelmaking.

(3) Steel leaders harmed themselves by, at first, closing their eyes to the existence of a gray market in steel.

their kids away from it—but they stick to steelmaking.

(3) Steel leaders harmed themselves by, at first, closing their eyes to the existence of a gray market in steel. They knew little if anything about it a few years agobecause they were not involved in it. But it existed long before OPA went out and it broadened out as steel became tighter. Rumors had it much larger than it was. It was this fallacious view that steel officials were attacking. But it looked to the public and to steel customers as if they denied that there was a high premium market. Later most steel officials in Washington did agree that a gray market existed and said they were doing everything they could to stamp it out. What they could do was a drop in the bucket.

In peacetime it is no crime to sell what you have for more than you paid. That is what customers did in 1947. It is what many will do next year or until the steel demand picture lets up. A survey by "The Iron Age" showed that about 4.3% of the steel being used by consumers was bought in the gray market. Circulating inquiries received by many steel users gave rise to rumors of tonnages far out of line with what actually was bought and paid for at premium prices. But the gray market was serious because its existence furnished the ammunition that the industry was bungling the job of steel distribution.

First denying that the gray market was a factor, leter.

the ammunition that the industry was bungling the job of steel distribution.

First denying that the gray market was a factor, later admitting before Congress that it was a factor, steel leaders finally attempted to stamp it out as far as their products were concerned. Again the lag in clear-cut acknowledgment meant a lot of twiddle and twaddle that was unnecessary. "Iron Age" men searching diligently for more than a year have found no evidence that steel producers were involved in or countenanced gray market activity. There are a few companies well known, for their premium priced ingots but this is no mystery.

known for their premium priced ingots and mystery.

One would think that with capacity troubles, irate customers, gray market charges, tight steel, high prices and the administration on its neck, the steel industry would be thoroughly hated by most of its customers. But it isn't. The great majority of steel customers think the steel industry is doing a good job. They said so—more than 84% of them—according to an "Iron Age" survey.

When it came to asking consumers whether their relations with steel companies were "bad," only 5% agreed that they were. And about 10.6% said that

relations with steel companies were bad, only 5% agreed that they were. And about 10.6% said that their relations with steel companies were "indifferent," which certainly isn't bad when they had a chance to check off the worst they could. This is one of the best criteria in the world to tell what kind of an impression the steel industry is making. If its customers don't know, then a consider then no one does.

ASA V. CALL

President, Pacific Mutual Life Insurance Company

Since life insurance is representative of such a substantial cross-section of the entire population—averaging more than one policy per capita for the nation as a whole — it is apparent that whatever affects the people in t

rent that whatever affects the beofie in general will be reflected in the life insurance business.

In a year such as 1948 promises to be, with a Presidential election in the offing, the likelihood of some decision being reached with respect to our course in international affairs, to our course in international artairs, and major legislative proposals under consideration, it is probably more conservative to look at the coming year as two separate areas, each comprising six months.

For the first six months, it is rea-

For the first six months, it is reasonable to expect only minor deviations from the present levels of operation. Business will move along about as it did during the same period in 1947. Sales of new life insurance will approximately parallel those of the fore part of last year and little difference will be noted in the complexity in investment problems. There will be a continuing struggle to hold

problems. There will be a continuing struggle to hold the line against the rising cost of doing business, and the difficulties which have beset management will in no degree be ameliorated in these coming months of

the new year.

We are adapting to the business of life insurance the we are adapting to the business of the instraint and sound practice of the farmer who finds himself confronted with the problem of plowing a hilly piece of ground. To make certain that he keeps a straight line across the field, when he is unable to see the point where the furrow will end on the other side, he drives a half-way stake. We are doing just that in our business. We

feel that it is impracticabe to make judgments today which can be sure to hold good much beyond the horizon of the next six months. So we are driving "half-way stakes" today, and later on will take a second look.

What we may be able to see when we reach our midpoint mark is at the moment speculation. Certainly we will have some revisions of existing tax legislation. There will be a better picture of what is involved in our aid to Europe when the Congress has concluded its present session, and we will know more about the nature and probable effectiveness of controls on inflation. A few of the uncertainties will have been replaced by certainties, and it is likely that a few new question marks will have been written into the script.

In a general sense, the outlook for business activity in 1948 appears good. People still have unsatisfied wants, and while the rising tide of costs has cut down the margin of spendable surplus after paying for essentials of living, there is still some room in which to exercise individual purchase preference. With this prospect seemingly well founded, I anticipate that life insurance, as an integral part of the whole national economy, will share measurably in whatever good results from the high velocity of general business.

D. L. CHAMBERLAIN

President, The National Bank & Trust Company of New Haven



D. L. Chamberlain

The outlook in this district for 1948 it seems to me will remain the same as last year, except for the price situation. We are particularly fortunate in having a wide diversification of manufacturing and other lines of business which produce and distribute a large variety of products, and in practically every line there still appears to be a high rate of production and distribution, which insures full employment, and with maybe an occasional setback here and there, I believe this condition will prevail for the most of 1948.

There are few if any reconversion problems unsolved here, and finance

There are few if any reconversion problems unsolved here, and financing for legitimate and sound productive purposes has been easily obtainable, although the banks are fully cognizant of the dangers of speculative activities and excessive inventories, but for the most part I believe by and large those have not been out of line, and loans are reful consideration as to their effect

made only after careful consideration as to their effect

made only after careful consideration as to their effect upon the inflationary trend.

Retailers are looking forward to another fine year, although handicapped to quite an extent by lack of quality merchandise, and this also holds true in the instance of wholesalers.

In connection with the real estate situation, there is still a great demand for industrial properties but there

In connection with the real estate situation, there is still a great demand for industrial properties, but there is a tendency toward cost stabilization in those types. The demand for dwellings is still most pressing, although a tendency to resist rising prices, especially in the instance of older houses, is now apparent.

If labor and industry will cooperate in stemming rising costs, and if the old principles of supply and demand, without political or other interferences, are allowed to prevail, there appears to be no reason why the future cannot be regarded with reasonable optimism.

CHAMP CARRY

President, Pullman-Standard Car Manufacturing Co.

Production of freight cars by Pullman-Standard Car Manufacturing Co. during 1947 was practically double the 1946 volume, and given the necessary carbuilding raterials and new orders, the company has the capacity for a substantial increase in output of new cars in 1948.

of new cars in 1948.

Our production of more than 16,000

of new cars in 1948.

Our production of more than 16,000 domestic freight cars of all types during 1947 compares with 8,382 such cars delivered in 1946. In addition, we delivered 6,460 cars to the French railways during the early part of this year.

An improved flow of steel into our freight car plants paved the way for sharply increased production during the second half of 1947. Deliveries reached a new postwar peak in November, and we expect the upward trend to continue in 1948.

Deliveries of new passenger equipment by Pullman-Standard during 1947, although far below the company's plant capacity, also bettered the 1943 output, with approximately 340 units completed. This brings to more than 630 the number of new passenger cars delivered by Pullman-Standard during the postwar period. Passenger car deliveries during 1947 were restricted by a combination of factors, including a shortage of skilled labor and the multiplicity of postwar car designs. It has been necessary for us to develop 197 different floor plans for the 2,000 passenger cars ordered by the railroads from our company since the end of the war. While companies in various other industries turn out thousands of finished products from the same blueprint, the Pullman-Standard order book since carbuilding was resumed in 1945 has averaged only about ten cars per (Continued on page 28)

resumed in 1945 has averaged only about ten cars per

(Continued on page 28)

Detroit Stock Exch. **Elects New Officers**

DETROIT, MICH.—The Detroit Stock Exchange announces the election of the following officers

or 1948:
President, Armin H. Vogel of A.
H. Vogel & Company; Vice-President, Paul I. Moreland of Moreland & Company; Treasurer, Samuel Hague of Smith, Hague &





Announcement was also made of the reappointment of John O. MacFarlane as Executive Vice-President, and Fred J. Oppat as

President, and Fred J. Oppat as Secretary.

New Governors elected to the Board for a three-year term are: Clarence A. Horn of First of Michigan Corporation, William Moore of McDonald, Moore & Company, Frank J. Shader of Shader-Winckler Company.

Other Governors making up the Board are Samuel Hague of Smita, Hague & Company, George A. McDowell of Mercier, McDowell & Dolphyn, Paul I. Moreland of Moreland & Company, whose terms expire in 1949, and Dan Byrne of Paine, Webber, Jackson & Curtis, Max Stringer of Watling, Lerchen & Company, and Armin H. Vogel of A. H. Vogel & Company, whose terms expire in 1950.

Edward C. P. Davis of Dicking.

Edward C. P. Davis of Dickinson, Wright, Davis, McKean & Cudlip will continue as Counsel, and Edwin Bower of White, Bower & Prevo will continue as Auditor.

& Prevo will continue as Auditor.
Elected to the Nominating Committee for 1948 are: Milton A.
Manley, M. A. Manley & Co.;
George A. M'ller, Ferriss, Wagner & Miller; Charles A. Parcells Chas. A. Parcells & Co.; Andrew C. Reid, Andrew C. Reid & Co., and Wynn F. Wakeman, Baker, Simonds & Co.

R. de La Ghapelle Lee Higginson V.-P.

Lee Higginson Corporation, 40 Wall Street, New York City, an-nounces the election of

Richard de La Chapelle as Vice-President. Mr. de La Chapelle has been a partner of Shields & Co. since 1937 and for many years has been years has been well'known in investment banking circles. He has served as President of the Bond Club of New York and



as a Governor of the Investment Bankers Association of America.

Theron Conrad Adds Staff

SUNBURY, PA.—The investment firm of Theron D. Conrad & Co., Inc., 416 Market Street, members of the Philadelphia Stock Exchange, announces that William J. Kelly, Jr. has joined their organization as a registered representative in their Sunbury

Santa Fe

through the colorful Southwest



That's right, chico.

And "all the way" in the finest, modern style-and now on new and faster schedules.

For Santa Fe feels a great debt to nature for the colorful, romantic land through which it runs—and a real responsibility to our patrons, to take them through it in the finest way.

Come in and let us help you in the planning of an interesting trip through Santa Fe land.



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R. S. HIRSCH, Eastern Freight Traffic Manager 225 Broadway, New York 7, N. Y. Phone: Barclay 7-4700

(Continued from page 26)

basic specification. Orders have ranged from only one car each of a certain type to a requisition calling for 153 cars of the same design.

car each of a certain type to a requisition calling for .53 cars of the same design.

Passenger car construction was resumed by the company at its Worcester, Mass., plant earlier this year. This shop, besides adding approximately 60 completed passenger cars to Pullman-Standard's 1947 total, also delivered 180 street cars and 323 trolley coaches.

Pullman-Standard's current backlog of unfilled orders is placed at 23,000 freight cars, 1,400 passenger train cars, and 700 transit vehicles.

Pullman-Standard's accomplishments during 1947—in addition to the overall gains in freight and passenger car production—included:

Development of America's first all-welded "package box car," known famil arly as the P-S-1, and delivery of thousands of these cars to the railroads.

Delivery of the "Train of Tomorrow," first all-dome train, to General Motors Corp.

Delivery of the first postwar-built transcontinental streaml ners—the Empire Builders—to the Great Northern and the Burlington railroads.

Delivery of New England's first postwar streamliners—two trans for the Boston & Maine and Maine Central railroads.

Delivery of the first postwar-designed subway cars—

Delivery of the first postwar-designed subway cars—two experimental trains for the Chicago Rapid Transit Co.
Introduction of a newly designed power track ballaster machine, capable of tamping the ballast under railroad ties at a substantially faster rate than heretofore pos-

F. H. CHAPIN

President, The National Acme Company

Regarding a forecast on the Machine Tool Industry for 1948, I am afraid I do not possess the courage to go all the way on the year 1948, for there are so many conditions that by a very slight influence would turn

a very slight influence would turn everything to sour milk.

I am quite well assured that the first half of the year will be satisfactory, although somewhat less in value than 1947. Perhaps by that time some arrangements for credits will be made with respect to foreign countries. We have positive schedules for mouthing tools from our forcountries. We have positive schedules for machine tools from our foreign agents in an amount over \$3,000,000 that will be released as soon as arrangements for payment can be

It would seem reasonable to hope that whatever is done to help these people, with the Marshall Plan or any other method, there should be an application for funds for the purpose of procuring tools with which to manufacture, and thus more speedily get them on a celf-supporting basis

self-supporting basis.

DUNLAP C. CLARK

President, Central Bank, Oakland, Calif.

The banks of the United States have a vital responsibility with respect to financial and economic trends during the current year. As essential segments in the mechanism of private enterprise, it is imperative that they should not be handicapped in their efforts to render the greatest possible service to the nation. Mispuided attempts to apply arbitrary

guided attempts to apply arbitrary controls by law in restricting po-tential bank credit could deal a seritential bank credit could deal a serious blow to the economy. Banks generally will meet their obligation to restrain inflationary tendencies, particularly of speculative nature, through voluntary means.

Both inflation and deflation can be serious evils, both more easily started than stopped. Control of war-created inflation should not be sought through a sudden and vigorous jamming on of brakes. A great

sought through a sudden and vigorous jamming on of brakes. A great many students of economic problems feel that we can make the transition from our present level of feverish activity to one somewhat lower, but more healthy, without an intervening shock of very severe recession or depression, if we are cautious and sane in our approach.

As I view the outlook for 1948, the banks will go forward hand in hand with the various branches of production and distribution in industry and agriculture to assure continuance of a high level of employment and a gradual elimination of adverse factors. While dangers ahead—taking account of our domestic problems and new responsibilities in world affairs—must not be minimized, there is no reason to believe that they cannot be imized, there is no reason to believe that they cannot be

The large bank holdings of government securities, recognized as having inflationary potentialities, are an unavoidable result of the tremendous expenditures for war purposes. The war could not have been fought to a successful conclusion without resorting to the use of bank credit in this manner. There is no short-cut to a sound solution of the problems resulting from it.

I am wholeheartedly in accord with the plan for voluntary action by the banks to avoid excessive or inflation-

ary increases in the use of credit which has been announced by the American Bankers Association, in which the banks will assume leadership in their communities to create a consciousness of the problem of inflation and the proper course to be pursued by borrowers and lend-

The stand of the Federal Advisory Council of the Fedreserve System against the proposal for a special reserve to freeze a large part of the bank holdings of government securities is eminently sound. Such plan could not be enforced without acting as a curb upon production through which the ultimate cure of inflation must be found. It would be an entering wedge toward socialization of banking and complete government control over credit. It would be inconsistent with our system of free enterprise.

Here on the Pacific Coast, employment developments in 1947 were somewhat mixed. In the extractive industries, including mining, logging and lumbering, employment expanded. In manufacturing, it remained relatively static with a recent drift downward. The Coast, of course, had two industries which used manpower in great volume during the war, shipbuilding and aircraft production, and which, to put it mildly, are still in the throes of reconversion. On an overall basis, employment out here may be said to be holding up, with the future prospects bright.

prospects bright.

The Metropolitan Oakland area enters 1948 with financial indices at all-time record highs. Bank debits for last month, for instance, were 10.4% above those of the previous December, and bank clearings, 16% ahead. Postal receipts advanced 17.5% between the same dates, and dollar sales of department and independent retail stores showed comfortable increases. The tremendous influx of industry and population into the Bay Area, which received so great a stimulus during World War II, continues since the cessation of hostilities. Despite large scale housing developments, residential shortage remains acute. The Coast banks are able and ready to meet the resultant corporate and individual financial needs on proper bases, building toward a 10- to 20-year program of sound progress in California.

SAUL COHN

President, City Stores Company

Volume in 1948 will be as good as in 1947, which was

Volume in 1948 will be as good as in 1947, which was a very satisfactory year. The year will require an intensified promotion and a turnover greater than ever before in order that merchants will avoid abnormal losses due to any decline in prices during the year. The immediate outlook is for higher prices, less unit sales and the corresponding increase. In the amount of the average sale. Prices are the main discussion of the great American public today. Prices are made up of many complex elements, not only the yard of cloth with a given amount of raw material and human skill. Price is the reflection of the acts of governthe reflection of the acts of government, production and retailing. W



ment, production and retailing. We have reached a point where we have to ask ourselves—what are the elements that make up the price structure and how far can business do those things on a long-term basis which will bring commodities and necessities within reach of the American pocketbook?

Every phase of our national activity is involved: the government, which in an inflationary period must act promptly to check waste, eliminate extravagance and abstain from policies abnormally affecting competition for consumer or capital goods; the manufacturer who must see this period as a time when the market needs freedom in order to increase competition and, therefore, freedom in order to increase competition and, therefore, who will refrain from any act of monopoly, price raising or price fixing affecting production; the retailer who will "hold the line" if he can prevail upon producers to do likewise and if the producer can prevail upon mills and suppliers to do the same job.

and suppliers to do the same job.

1948 is a period which calls for increased efficiency. The retailer is faced with the need of simplifying every procedure and of seeking the help of the personnel to do a more effective and economic job. It is timely to reverse the former policy of doing this only from the top down. In this period we have to join with men and women of good will who work with us in retailing, to work from the bottom up towards better production. Thereby, the status of our personnel will be raised. They will have an opportunity and a responsibility to bring more goods to the market for more people at more reasonable prices.

It is not a period for crimination and recrimination

the market for more people at more reasonable prices.

It is not a period for crimination and recrimination in which manufacturers blame all on wages, and labor leaders acrimoniously point to profits of production and distribution. It is a time when every retailer must review his situation as to costs and every producer must find ways of restoring a more even level with groupings of family income. The low income groups are being priced out of the market. There is a great deal of room for bold business statesmanship in retailing. There are ways and means by which the retailer can express courageously the position of the consumer.

We have every facility to create confidence in our

We have every facility to create confidence in our enterprise system, now being torn down because of a lack of faith. It is to be hoped that 1948 will begin to lift itself out of what has been thus far a Century of Fear, and that retailers will be in the forefront of those who want to see this result achieved.

JOHN S. COLEMAN

President, Burroughs Adding Machine Company

Fresident, Burroughs Adding Machine Company
For the business machine industry, as for business as a whole, 1947 was one of the biggest years in history. The pent-up demand for office machinery, accumulated during the war period, placed a tremendous burden upon the production facilities of the industry. In addition, management in all areas of business was becoming more and more convinced of the need for mechanized office procedures. These two factors indicate that the outlook for 1948 is probably more encouraging than ever before. before.

before.

Just as World War I demonstrated the value of the typewriter and established it firmly as standard equipment for all offices, so experience in the last war has demonstrated that accounting and figuring machinery is indispensable to the operations of modern business. Rising clerical costs have emphasized the need for took to reduce office expenses and



tools to reduce office expenses, and the increasing complexity of business accounting has rendered pen and ink methods obsolete.

rendered pen and ink methods obsolete.

Another factor creating a demand for business machines is the growing need of current and complete information for management. Although business in general is enjoying the highest profits in many years, due largely to record-breaking production, there is a narrower margin for management error. Thus, in order that decisions may be based on up-to-date information, accounting procedures have been called upon to produce accurate data quickly, and mechanization has become the only answer. The volume production techniques that have become commonplace in the factory are now being applied to the vast amount of paper work which mod-

have become commonplace in the factory are now being applied to the vast amount of paper work which modern conditions have made necessary.

An important phase of the outlook for the business machine industry is the demand in foreign countries. Since the United States is now the only important source for accounting and figuring equipment, business and government throughout the world are turning to this country to satisfy their needs. Export markets are, of course, affected by the depletion of dollar resources of many countries, and some import restrictions have been imposed in recent months. But on the whole the picture is encouraging, since there is an urgent need, even in those countries restricting imports, and business machines are frequently placed in essential categories.

For Borroughs, despite the fact that 1947 was a record year in production and sales volume, the outlook for

For Borroughs, despite the fact that 1947 was a record year in production and sales volume, the outlook for 1948 has meant extensive expansion in all phases of its operations. One new plant facility was purchased during the year and two spbstantial additions are now under construction. In addition, products have been standardized and the use of volume production techniques has been expanded to meet the growing demand

niques has been expanded to meet the growing demand and to fill the large backlog of orders produced by the war period. By the end of 1947, production had increased 50% over prewar levels, and an even greater increase is scheduled for 1948.

Plans are being made in the Marketing Division to keep pace with increased production and the growing demand. In addition to substantial expansion of personnel and facilities, intensive studies are being made of business needs in the field of mechanized accounting, and Burroughs engineers are working on new products which will provide even greater speed and efficiency for business operations. business operations.

business operations.

Since there is no evidence that business procedures will grow less complicated, or that there will be any decrease in the need for reduced office costs and accurate, current data for management decisions, the outcurate, current data for management decisions, the out-look for the immediate future seems bright, and with the introduction of new and improved machines already on the way, there is every reason to look for a con-tinuation of the upward trend.

JOHN S. COLEMAN

President, Birmingham Trust National Bank

The year 1947 was a good one for business generally in this district. The steel, iron and coal industries, the



The year 1947 was a good one to business generally in this district. The steel, iron and coal industries, the cement manufacturers, the lumber producers, the farmers, the wholesalers and the retailers have all fared well.

Bank deposits and loans are up substantially over a year ago. There has been a strengthening in interest rates and bankers are scanning their loans more closely. Higher cost of inventories and the expansion of accounts receivable have made many concerns conscious of the increased hazard of their position as they realize they are facing the possibility of a recession and consequent decline in prices and in the demand for goods. There is a feeling that at some period there must be a downward readjustment in prices which ward readjustment in prices which will mean at that time that salaries and wages will also be affected.

The outlook for the immediate future appears good with production in iron and steel far behind the needs of the nation and of the world. The steel mills and furnaces will be kept busy for some time to come. Birming-

ham is the largest center for the production of cast iron pipe and the five plants here have bookings of orders for a year or more in advance. The foundries, stove plants and other manufacturers of iron and steel products here advise that the demand for their products still continues high and that they expect it to remain this way for some time. The shortage of pig iron is curtailing production in these lines.

Building is still on a high level. Many small family unit apartments and many small houses have been completed here and a number of others are in process of

pleted here and a number of others are in process of erection. The demand for housing still exceeds the supply but it is believed that not as many residences and apartments will be started this year as in 1947. The cement, lumber and building supply companies report that they see no decline in the heavy demand for building materials in the near future.

Production of cotton in 1947 in Alabama was approximately one million bales, or an increase of 10% over the preceding year. Most of the farmers have sold their crops and are in much better circumstances than formerly. There is quite a noticeable increase in the use of mechanized equipment on farms. More cattle are grown in the state each year and higher prices have re-

of mechanized equipment on farms. More cattle are grown in the state each year and higher prices have resulted in handsome profits to the producer.

Alabama has been fortunate in attracting additional industries. The B. F. Goodrich Company has acquired and placed in operation a new tire plant in Tuscaloosa started by the government during the war. The Allis-Chalmers Company has purchased a war facility plant at Gadsden at which certain types of farm machinery will be manufactured. The Wolverine Tube Division of the Calument & Hecla Consolidated Copper Company has purchased a site and is now in process of constructing a plant at Decatur for the manufacture of copper tubing. It is expected that the plant will be expanded into a large operation and that initial manufacture will get under way this spring. The American Rock Wool Company of Chicago has recently purchased the old detinning plant in Birmingham and is converting it into a factory for the manufacture of insulation materials. The J. I. Case Company several weeks ago purchased the Kilby Steel Company properties in Anniston and will continue to manufacture certain types of agricultural implements there.

One of the largest operations started in Alabama is

cultural implements there.

One of the largest operations started in Alabama is the newsprint mill of Coosa River Newsprint Company located at Childersburg, 40 miles south of Birmingham. The company obtained the site of the government powder plant operated there during the last war and certain of the facilities will be used in connection with the new operation. Kimberly-Clark Corporation has acquired an

interest in the company and has also entered into an agreement to supervise the running of the plant. It is estimated that around \$40 million will be invested in the undertaking.

There is a firm belief that there will be a much better balance in the South between manufacturing and agriculture which will result in an increase in per capita wealth, better markets, better educational facilities and generally a better way of life.

JULIEN H. COLLINS

President, Investment Bankers Association of America President, Julien Collins & Company, Chicago

Like some of the other parts which make up our eco-

Like some of the other parts which make up our economic machine, the investment banking business faces a year of potential heavy volume during which the capacity of our industry will be tested.

We enter 1948 hollowing an abrupt decline in the prices for fixed income securities which gained momentum in the closing four months of 1947. So marked was this change that nothing resembling stability was apparent until the first two weeks of 1948. Nor were common stocks immune from the presmon stocks immune from the pressures brought about by these changes in the rate structure.

In the rate structure.

The more generous yields which are now available to investors will eventually broaden the market for securities of all types. While a few borrowers may be discouraged because of the new rate levels, it is expected that the volume of new financing in 1948 will exceed that of last year.

Whether corporations will continue to go into debt to carry out programs of capital expenditure in the face of increased capital costs remains to be seen. Another question is whether capital and credit will be forthcoming in sufficient quantities to finance the various public and private needs which have been extinated to exceed

and private needs which have been estimated to exceed \$7.5 billion in 1948.

We are all aware of the unprecedented capital needs in the industrial field, and of public utilities and railroads as well, if proposed expansion and rehabilitation programs are carried forward.

A recent estimate reveals that a total of \$6.5 billion of new municipal issues have been authorized or proposed. More than \$2.5 billion of this financing will likely be

offered during 1948, of which nearly \$1 billion will be sold to provide veterans' benefits. Among the largest of these veteran issues already authorized by the voters is the \$400 million soldiers' bonus to be issued by the State of New York and the \$300 million approved for the State of Ohio.

Although capital could not be raised with ease during 1947, corporations obtained more new money last year through public offerings to private and institutional investors than in any year since 1930.

The financing of the apparent capital needs in 1948 will be a challenge to the investment banking industry. Effective distribution to institutional and individual investors is a process which does not take place automatically. We no longer face a situation of short supply and declining rates, but instead we find an abundance of income-producing securities and a more deliberate customer attitude. The supply of money and credit will be tested in our efforts to supply capital to meet inbe tested in our efforts to supply capital to meet in-

The quantity of dollars and other liquid assets in the hands of individuals in this country in the form of currency, bank deposits and U. S. Government securities is estimated today at around \$165 billion. This figure compares with an average of \$50 billion in the years preserved.

estimated today at around \$165 billion. This figure compares with an average of \$50 billion in the years preceding World War II.

These dol ars are known to have less purchasing power in commodities than at any time in recent years, but many believe that the one place where accumulated dollars may be used advantageously is in the purchase of income securities which have not registered the advances common to commodities. This we believe is a hopeful sign for the investment banker and the investing public as we enter the new year.

public as we enter the new year.

The various members of our industry will continue to encourage individual investors to provide themselves with the added security made possible by the wise placement of their own accumulations, and in performing these services we will also assist in meeting the capital needs of industry. needs of industry.



Julien H. Collins

W. H. COLVIN, JR.

President, Crucible Steel Company of America

The great current demand for many forms of steel has hidden the sharp contractions which have occurred from time to time in demands for some other forms. Contractions have occurred and suggest the interesting possibility that some of the readjustments in relative values as between commodities, liquidation of war inventories and similar developments, which are inevit-

(Continued on page 30)

The established leadership of the American Woolen Company acknowledges two prime considerations:

> "rightness" of style and quality in the woolen and worsted fabrics produced

superlative facilities for producing them



THE GREATEST NAME IN WOOLENS

225 FOURTH AVENUE, NEW YORK 3, N. Y.

Men's wear • Women's wear • Blankets • Uniform fabrics Motor car upholstery fabrics . Machine and hand knitting yarns

Business and Finance Speaks After the Turn of the Year With the apparent demand continuing well into the future for the diversified food products for which the Eastern Shore area is noted, and with the great developments in the distribution of processed and frozen foods, there is little likelihood that there will be any slackening in that business during the coming year. The poultry industry, which was greatly developed in lower Delaware and the Eastern Shore area during the war years and subsequently expanded and improved, will be called upon again to supplement shortages of other meat prod-

(Continued from page 29)

able in all or at least most lines of business, may be proceeding independently from time to time in selective tines and thus getting them individually into a more liquidated position which can ease the overall severity at the time in which such readjustments become general. If this possibility has merit, there is a foundation for a more optimistic view of the latter half of 1948 than would otherwise seem justified. If carried far enough, it could warrant an optimistic outlook for a considerable period. able period.

JOHN L. COLLYER President, The B. F. Goodrich Company

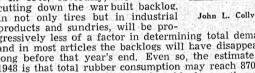
President, The B. F. Goodrich Company

During 1947 the American rubber industry, thanks to its outstanding record of sustained high production, all but erased entirely the large war-born tire shortage, and in doing so set what probably will prove to be a new all-time record in total rubber consumption. The estimated total for 1947 is 1,080,000 tons, topping the actual 1,039,000 tons of 1946.

Because the industry drove ahead and maintained its high postwar production level, tire supply and demand had reached nearly normal balance before mid-year. Tires were one of the very first of major articles to "come back" to anything like normality, and by the end of 1947 there were only a relatively few thin spots in inventories as reminders of the wartime drought.

In 1948, obviously, the work of cutting down the war built backlog, in not only tires but in industrial products and sundries, will be progressively less of a factor in determining total demand, and in most articles the backlogs will have disappeared iong before that year's end. Even so, the estimate for 1948 is that total rubber consumption may reach 870,000 tons. This would still be considerably larger than any prewar year (33% higher than 1940)—larger, in fact, than any years except 1946 and 1947.

The rubber industry was able to play an important role in 1947 in one of postwar America's most important



than any years except 1946 and 1947.

The rubber industry was able to play an important role in 1947 in one of postwar America's most important battles, that for food production. Farm vehicle tire sales set a new all-time record, at more than \$100,000,000, as American farmers continued to turn to the speed and economy of rubber-tired tractors and other implements in their intensified efforts to boost production to meet domestic and aid-to-Europe needs.

in their intensified efforts to boost production to meet domestic and aid-to-Europe needs.

The year marked the start of official congressional action on deciding policy as to disposition of the plants and facilities created to produce American rubber as a war measure. Meanwhile, as physical need for this rubber declined with the increasing availability of crude rubber from the Far East, activity in those plants was steadily cut back until, at the year's end, roughly half the original designed capacity had been closed down.

About 350,000 tons of American rubber will probably be used in 1948. This would be 40% of the anticipated total national rubber consumption of 870,000 tons. In 1945, the partly wartime year, dependence upon American rubber reached a peak of 86.9% of total use; for 1946 it was 73.3%, and for 1947, approximately 50%.

There seemed to be little disagreement as to the basic processity of seeing to it that the nation's rubber insur-

There seemed to be little disagreement as to the basic necessity of seeing to it that the nation's rubber insurance policy which these rubber-making facilities represent be kept in effect, as a vital national-security measure. It is only in the working out of "ways and means" of retaining this rubber insurance most effectively, from the standpoint of the nation's economy as well as its before that any differences rice.

the standpoint of the nation's economy as well as its defense, that any differences arise.

Our company's position, consistent with that which it has held ever since the creation of the American rubber plants, is that (1) government participation in rubber making, as well as in allocating and other regulation, should be confined strictly to that area necessary to assure military security; (2) the facilities should be continually offered for sale or lease to industry, subject to conditions to be prescribed by the National Security Resources Board, and (3) wartime agreements for exchange of technical information pertaining to man-made rubber should be terminated, in the interest of stimulating renewed private research and development.

Significant developments during 1947 included a trend toward extra-low-pressure tires, mainly as original equipment on new model automobiles, and the introduc-

toward extra-low-pressure tires, mainly as original equipment on new model automobiles, and the introduction by The B. F. Goodrich Company of a tubeless, selfpuncture-sealing tire, goal of tire designers from the beginning of the automobile age. This tire, representing the biggest single change in tire conception since the change from square-woven fabric to cords, is expected to be available for regular commercial sale in a few areas within the next two months.

In the field where rubber and the chemicals industry have growing muture interests, 1947 saw considerable development and marketing of materials, called by B. F. Goodrich Chemical Company "polyblends," in which crude or American rubbers are blended with plastic materials to achieve end products having the better features of both rubber and plastics. This company also introduced several new agricultural chemicals that are expected to contribute greatly to the war on insects, molds, and grasses and weeds.

FRANK L. CONRAD

President, The United Light and Railways Company

The 1948 forecast for the public utilities is encouraging from various standpoints. A general acceleration of business will be keenly felt but it will be an arduous task to keep abreast of the growth as necessary equipment will be hard to obtain and the

ment will be hard to obtain and the companies will be somewhat handi-capped by the lack of assurance that capped by the lack of assurance that construction schedules can be met. However, these same obstacles were encountered the latter part of 1946 and yet the electric industry was able to handle its 1947 peak demands with a fair margin of safety.

In the electric utility field abnormal increases in sales will consistently be experienced. Peak demands are now greater than during the war. The high level of industrial activity and the tremendous expan-

the war. The high level of industrial activity and the tremendous expansion in the residential, rural and commercial phases have more than offset the loss of large war loads. The availability of adequate appliances and electrical equipment, together with the present advanced purchasing power, is responsible for the substantial gain in these three categories.

The year 1947 saw construction on a scale comparable with the present years but limited materials and equip-

The year 1947 saw construction on a scale comparable with the prewar years but limited materials and equipment prevented maximum achievement. Although to some extent the same conditions will prevail in 1948, the amount of construction work will exceed that of 1947, particularly in the electric generating department. Orders placed two or three years in advance are now required by manufacturers of generating apparatus but, to compensate for this, deliveries on orders initiated in the next are currently being made.

compensate for this, deliveries on orders initiated in the past are currently being made.

Continued inflation is creating a threat to stability. Operating expenses of the electric companies are multiplied by the rising costs of materials, fuel and labor, but these have been previously absorbed by the revenue accruing from the enlarged volume of sales. However, the trend of spiraling costs of new plant facilities with their higher unit fixed charges and operating expenses may render the maintenance of present rates difficult. Managements are not alone in surveying the rate situation, however. Evidence is increasing that state regulatory commissions also are alive to the problem and that they recognize their own two primary functions: To see that the electric utilities provide the public with efficient service and at a reasonable cost. Unless the utility companies are permitted to earn an ample rate of return, they will not be able to provide such efficient service or finance plant expansion. or finance plant expansion.

Sales by some gas utilities will be slightly retarded because of inability to secure a sufficient supply of gas. Most companies distributing natural gas are faced with Most comparies distributing natural gas are faced with a persistert shortage of that product and it will be several years before additional gas transmission line capacity can be completed to remedy the situation. It has accordingly been imperative to impose embargoes on new househeating installations. The overwhelming desire for natural gas is accounted for in large measure by the fact that its cost has remained unchanged while that of other fuels has greatly increased.

Agriculture will be a predominant factor in sustaining prosperity. The corn crop was small last year due to unfavorable weather but, as other crops were satisfactory and brought high prices, farm income was enhanced. Barring inclement weather, 1948 should be another excellent year for farmers. Steady progress was made last year in extending electric service to rural customers and an even greater number will be added to the lines of utilities this year. This latter development will, supplied utilities this year. This latter development will supple ment farm labor, of which there is a momentary dearth and cannot help but benefit the industry as a whole.



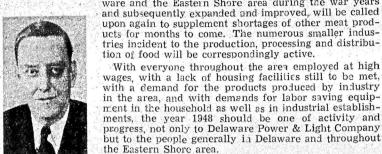
President, Delaware Power & Light Company

The outlook for the year 1948 for Delaware Power & Light Company, which together with its subsidiaries serves Delaware and the Eastern Shore areas of Maryland and Virginia, is entirely favorable. Except for the possibility in the third and fourth quarter of business adjustments having their origin in national political unrest, there is no reason why the business throughout the company's

business throughout the company's service area should not substantially exceed that in any year heretofore. We believe such a possibility to be

remote.

The economy in the service area of Delaware Power & Light Company is widely varied from one of indus-trial manufacturing in the Wilmingtrial manufacturing in the Wilmington area to the intensive production and processing of food in the southern part of the company's territory. The industrial activities include the manufacture of steel, paints, floor coverings, rubber products, textiles, dustries supplying markets where the demands will not be fully met for many months. Consequently, there is good evidence that these industries will be operating throughout the year at high productive capacities.



GEORGE H. COPPERS President, National Biscuit Company

With everyone throughout the area employed at high wages, with a lack of housing facilities still to be met, with a demand for the products produced by industry

I believe that the outlook for the producers of baked

merchandise is decidedly favorable.

Such manufacturers are favored by two major factors:
The desire of the housewife to spend as little time as possible over a hot stove in the kitchen; and a sufficiently high expend-

able nat onal income to permit her to realize that desire.

The trend toward smaller homes,

the Eastern Shore area.

tion of food will be correspondingly active.

smaller kitchens and the problem of domestic help have had a tendency to discourage the home as a processing unit for food and to make it merely a serving unit. Furthermore, after every war, women have become more and more reluctant to return to kitchen drudgery.

Furthermore, the baking industry has improved its products in quality and variety. The packages are attractions and variety and variety and variety and variety.

tive and eye appealing, and careful distribution methods insure their reaching the consumer in palatable condition. When the expended effort and possible waste of material, are considered, it is cheaper to buy baked merchandise than to bake at home.

The future seems to indicate a continuing high level of expendable income; consequently, volume should continue at a high level.

tinue at a high level.

The immediate major problem is the continuing rise in agricultural commodity prices. Baked goods, of course, consist entirely of agricultural products. Therefore, costs are increasing, and narrowing profit margin; or price increases are the alternatives. While baked goods have shown a much smaller price increase since 1941 than practically any other food, there is the danger nevertheless that the consumer dollar, stretched to the limit, will cause a decline in tonnage volume of all foods.

Much depends on good world crops in 1948 to keep

Much depends on good world crops in 1948 to keep commodity prices at a fair level.

We are optimistic, do not see any depression dangers immediately ahead, and we think the baking industry as a whole and National Biscuit Company in particular have a good future.

GUY W. COX

Chairman of the Board, John Hancock Mutual Life Insurance Company

One's opinion upon the outlook for the Life Insurance Field for 1948 depends upon a variety of facts and information available to the person who states his opinion.



Personally I am interested in each of the three departments of life insurance—Ordinary, Industrial and Group. There seems to be no doubt that Group insurance increased in 1947 substantian

surance increased in 1947 substantially in a greater percentage than Ordinary and Industrial.

Is it true that rising living costs have seriously restricted the margin of incomes available for life insurance purchases by individuals? Many if not most companies are now using a lower interest factor for reserves and just now interest rates on investments are increasing. What is the condition of the selling force—the Agent? Will inflation and unemployment curtail sales?

On the whole, it appears that the new policies offered are better based than the old ones, and it may be assumed that dividends will not be decreased in the coming years. The need for

will not be decreased in the coming years. The need for larger amounts of insurance is apparent and admitted. Free private industry will thrive in America for many years to come, and generally the Life Insurance Field will improve. 1948 may not show the greatest increases known, but it will be a good year for the sale of life insurance policies.

(Continued on page 32)



Porter & Reuter With Baker, Simonds & Co.

DETROIT, MICH. — Claude Porter and George Reuter, for many years associated with the investment banking fraternity here in Detroit, have recently





Claude G. Porter

George A. Reuter

joined the firm of Baker, Simonds & Co., Buhl Building. Both men will augment the trading department staff where they will continue to serve and cooperate with dealers throughout the country. Mr. Porter was previously with Mercier, McDowell & Dolobyn Mr. Reuter was with Merrill Lynch, Pierce, Fenner & Beane. Baker, Simonds & Co. are members of the Detroit Stock Exchange and are prominently iden-tified as underwriters and dis-tributors of growth securities.

Chicago Stock Exch. Inaugurales Method Of Clearing by Mail

CHICAGO, ILL.—The Chicago Stock Exchange has announced the inauguration of a new method for the handling of exchange transactions by out-of-town members. A plan known as "Clearing by Mail," which was originated and developed by Raymond M. Day, Vice-President of the Exchange, was adopted and will be put into action within the next 30 days.

Uncer this new plan, out-oftown members of The Chicago Stock Exchange will be able to clear their own transactions in the same way as in-town members. Use of teletype in placing orders and mail for the delivery of securities will bring out-oftown members into direct contact with the Exchange.

Heretofore, it has been necessary for all stock exchange member firms to place orders through correspondent member firms and to give up a portion of the commission for the service of executing orders and clearing the transaction. Splitting of commissions in this manner has always reduced profits to out-of-town members on exchange transactions. They will now be able to receive the full benefits of their memberships.

The Exchange has 50 member firms located in the midwest which have no Chicago offices. Many other brokers and dealers located throughout the Middle West will more than likely become interested in an exchange membership now that more profitable business is available.

Thus the plan will tend to unite the midwestern securities brokers and dealers and should go far toward the building of securities markets in the Middle West.

SO GUARS AGO a great contribution was made to America's future

IN COOPERATION WITH MANAGEMENT AND LABOR, THE EQUITABLE LIFE ASSURANCE SOCIETY ESTABLISHED GROUP LIFE INSURANCE IN THIS COUNTRY.

Today 32 billion dollars worth of Group Life Insurance is in force in the United States. Fourteen million American employees and their families are safeguarded through it. Thirty-six thousand corporations and other organizations protect their workers in this way.

WORKING together under the American system, management and labor are extending this protection or employees at an unprecedented pace. They have created 10 billion dollars of t since the end of the War alone.

The Equitable Society is understandably proud of its pioneer role-and its continuing leadership-in the evolution of this tremendous modern social force.

First Group Plan

In 1912 — just 36 years ago — The Equitable established the first Group Insurance Department in this country. The first major group policy ever writen was set up by The Equitable to protect 2,900 employees of Montgomery Ward & Company with \$5,900,000 of ife insurance. That plan today covers 55,480 employees with \$100,961,000 of insurance.

This pioneering by The Equitable

was based on a progressive concept of the function of life insurance ing new ways to provide more and wider benefits to an ever-increasing number of people.

One of the most important features of Group Insurance is its extremely low cost.

In Group Insurance, remarkable economies are made possible by the employer's willingness to use his wholesale purchasing power for the benefit of his employees. Life insurance companies, dealing with groups of people as a single unit, are able to eliminate many medical and underwriting expenses, make bulk collection of premiums, reduce other costs.

Social Benefits

Other social advantages accrue from Group Insurance. Because no medical examination is necessary, protection is

made available to those who for physical reasons cannot buy individual life



insurance. Because Group Insurance is based on the average age of the employee-group, it brings protection to older workers who cannot afford the premiums their age requires for individual policies.

Since it was established 36 years ago, Group Insurance has had a phenomenal growth. Together with The Equitable, other insurance companies have participated actively in its development.

The success of Group Life Insurance has led to extension of the same principle to meet other needs of workers and their families. Today the protection of Group Insurance is available against all the major risks of the employee's daily living.

When accident blinds or maims an employee, on or off the job, Group Insurance will pay a lump sum benefit. In case of accidental death, it will normally double the proceeds to the family. Policies now in force in this country provide for \$9,500,000,000 of such protec-

When an employee is disabled by accident or sickness, Group Insurance will pay weekly benefits to cover family living expenses. Present policies provide for



weekly payments of \$140,000,000.

When an employee or his family needs hospital treatment, Group Insurance will pay the bills, including those for maternity care. Present policies provide for \$55,000,000 in daily benefits.

Medical Care

When an operation is required by an employee or some member of his family, Group Insurance will pay the surgeon's fee. Present policies provide for \$1,250,-000,000 yearly in surgical benefits.

When an employee or a member of his family needs medical care, Group Insurance will pay the doctor's bills for calls at home, at the hospital, or at



the physician's office. More than 700,-000 employees and their families are covered by this new and rapidly growing form of Group Insurance.

When an employee reaches retirement age, Group Annuities, combined with Social Security benefits, will provide him with a comfortable, life-time retirement income. Present Group Annuity plans cover 1,550,000 employees.

Four Great Hazards

So that today, Group Insurance in its various forms provides all-embracing security against the four great hazards of serious illness, disabling accident, dependent old age and premature death.

Last year more than 300 million dollars were paid in benefits, under all forms of group protection, in large measure to employees and their families who had no other form of protection.

The creation and growth of Group Insurance within the framework of the free American business system is one of the finest examples of what cooperation between management and labor can achieve.

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

393 Seventh Avenue, New York 1. New York

(Continued from page 30)

WILLIAM W. CROCKER

President, Crocker First National Bank of San Francisco

The year 1948, in my opinion, presents a satisfactory outlook in the banking field. The Federal Government will continue its policy of debt reduction, thus reducing the income to banks from government investments. This, however, will be offset by the increased demands for commercial and real extate loans with gradually



Wm. W. Crocker

cressed demands for commercial and real estate loans, with gradually higher interest rates, resulting in profits for the year comparing favorably with those of 1947. This, I think, is possible even with the anticipated increased costs of operation.

In recent years banks have been liberal in the extension of long-term credits to industry, and a considerable amount of these commitments is still usused. It is likely, and to be hoped, that this type of financing will be diverted to the capital market and to other forms of long-term ket and to other forms of long-term finar cing.

An active expansion of home build-

but I think the public will develop a more cautious atti-utde in the appraisal of properties and that there will a certain degree of buyer resistance to the prevailing inflated prices.

Future commercial loan applications will be more ruture commercial loan applications will be more carefully scrutinized, with some resulting curb on speculation. Also with the existing high prices for all types of merchandise, a more cautious attitude will be taken before granting loans for the purpose of expanding inventories, which in turn will tend to repress excess instalment buying.

POWEL CROSLEY, JR. President, Crosley Motors, Inc.

Aiming for its second straight 4,500,000-car year since 1941, the nation's automotive industry in 1948 will be striving to erase another substantial portion of the vehicle transportation deficit piled up during the war years

Continuation of this pace for at least three years should help restore a semblance of prewar efficiency to a semblance of prewar efficiency to America's automotive transportation system. Barring material shortages and other factors, the industry should produce well over four mil-lion cars in 1948.

The trend of consumer demand is proving our contention that a light-

proving our contention that a light-weight, low-cost, easy-to-handle car is needed to put the average American family, with its \$200-a-month income, back on the highways. Meeting the transportation needs of

these forgotten lower-income groups is a "must" not only in 1948 but also in the years ahead. Recent surveys show that from 45 to 60% of today's prospective car buy ers have deferred purchasing new standard automobiles because of present prices. The requirements and budget limitations of this mass market must be met as part of over-all job of solving the nation's transportation

deficit.

These buyers want and heed efficient and economical automobiles with first costs and operating expenses geared to fit today's limited family and individual budgets. There is no point in hauling around an extra thousand pounds or more of steel and frills just to transport a few hundred pounds of people. Eliminate the port a few hundred pounds of people. Eliminate the dead weight and you have a car weighing just over 1,000 pounds. Power this car with a lightweight, high-compression engine and the result is efficient, low-cost performance in a vehicle capable of doing 35 miles or more on a gallon.

The new Crosley is a fulfillment of my lifelong dream to build a really fine light car within the means of every family able to afford any car.

Consistent and growing consumer demand for Crosley cars embodying these basic principles is demonstrating that a rebirth of the idea of less costly mass transportation is in the practical interest of many Americans. They need and are buying cars they can afford to pay for and operate. There is more than ever today a definite place in our geography for smaller geographical cars. inite place in our economy for smaller, economical cars.
For America's original conception of mass transportation
was not based upon luxury vehicles, but rather upon economical vehicles.

Under wartime rationing, most Americans would gladly have traded superfluous trim for extra mileage per A coupon and extra mileage between tire retreads. Peacetime, too, has brought a comparable situation, with cetter than 30,000,000 cars on the road averaging nine years of age and burning up gas as only old cars can. This drain on the nation's currently short fuel supply, builds even stronger acceptance for the lightweight car.

Between 1927 and 1941, Americans scrapped about 2,-200,000 vehicles every year, when the common conception of an "over-age" car was a vehicle that had seen eight or more years' service and used up its efficiency and economy in thousands of miles of travel. Millions of over-age vehicles now in service are a year or two past the "scrapping age" and they have contributed to

postwar gasoline shortages. Current gasoline use in the United States alons is up 18.9% over 1941, a year when more than 34,000,000 vehicles were in service in this country. The production and use of more economical cars, then, is a service to the nation, as well as a necessity in every day living.

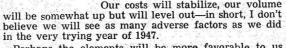
VINCENT CULLEN

President National Surety Corporation

The year 1947 was perhaps one of the most difficult years in the insurance industry for a long while. We experienced nearly every adverse factor. In other words, we were in a four-way squeeze—a sharp increase in volume, an increase in cost ratio, in-

crease in loss ratio and a falling

The present year, in my opinion, will be a better year. While we do not look for great profits in the industry in 1948, we believe it will be a year of consolidation. The large volume of fire premiums in 1946 and 1947 was caused mostly by inflation-ary values. I believe this will stabilize in 1948 and there will not be such a sharp increase in fire volume. The Casualty and Surety companies will, I believe, experience some increase in volume, and while the loss ratio will be high, I don't believe it will rise as sharply as it did in 1947. Our costs will stabilize, our volume up but will level out—in short, I don't as many adverse factors as we did



Vincent Cullen

Perhaps the elements will be more favorable to us in 1948. Last year brought more catastrophes in the insurance industry than for a long while back. We had several floods, the Texas City disaster, the North Florida hurricane, the New England fire and many other disasters that piled up the losses for the insurance industry.

In brief, I believe that while 1948 will not be one of our best years, it will be far better in every way than 1947 for the reasons mentioned above.

J. RUSSEL COULTER

President, Toledo, Peoria & Western Railroad

Here, in the great Central Illinois region, it is expected that industry and agriculture for the forthcoming year will approximate 1947 levels.

will approximate 1947 levels.

Illinois in its early years had begun to flex its muscles as an agricultural giant of the Middle West. Its exceptional soils make possible a diversified agricultural program. The state possesses natural advantages suitable to the growing of various crops. Illinoisans miss no opportunity to capitalize on these natural advantages, coupling them with progressive farming practices. The state's fertile soil and level topography are well adapted to the use of power machinery. The people of Illinois have been leaders in the development of such machinery, which, combined with the natural advantages, makes possible a lightly productive agriculture in Illinois.

Illinois farmers have been unwilling to rest on the

Illinois farmers have been unwilling to rest on the products on any single crop for their income, but have turned heavily to the production of livestock, poultry and dairy products and now rank among the leaders of the nation in these fields.

Any mention of Illinois' resources would be incomplete without due recognition to the coal and mineral industry. Illinois ranks fifth among the states of the Union in the value of mineral output, first in the upper Mississippi Valley. These are resources which bring many industries to the state.

Manufacturing, regarded by many as a ready index of development in this modern age, distinguishes Illinois as a great industrial state, the third in the nation, the first in the Middle West. Only New York and Pennsylvania lead Illinois in the value of manufactured goods.

Manufacturing in Illinois has made a generation of progress in the past four or five years. Given real impetus by the war, the mass production facilities of Illinois have maintained their trend of development since the cessation of hostilities. The manufacturing leaders, assuming the long-range viewpoint, are taking advantage of the industrial training and skill the workers developed during the war to expand their operations. This is evidenced by the number of plants which have so rapidly converted to peacetime operations with but little retraction in their output. The number of strictly wartime plants which have also been taken over by private capital since the war give further testimony to the efficacy of the workers and leaders of Illinois to key manufacturing development to the tempo of the development of its agricultural and other natural resources.

Illinois railroad mileage is 11,777, being exceeded only by Texas with 16,356, but Illinois far exceeds Texas and all other states in miles per unit of area.

Railroads in Illinois are vitally interested in the further development of manufacturing potentialities. Each of the railroads in Illinois maintains well-staffed industrial development departments to assist in expanding this opportunity. The railroads' record of attracting new

industries reveals concretely how one form of transportation is contributing to the progress of the state in ways other than through the movement of freight and passen-

gers.

We feel, from an agricultural, manufacturing and mining standpoint, that these industries are on solid ground, ing standpoint, that these industries are on solid ground. that they are in good hands from a managerial aspect, and that they will in the future, as they have in the past, make a great contribution to the economic aspect of the Middle West.

The Toledo, Peoria & Western Railroad—its 239 miles

The Toledo, Peoria & Western Railroad—its 239 miles of track unfolding across rich Illinois farm lands from the Indiana border to the Mississippi River, serving 56 communities—provides a vital link between East and West railroads.

The railroad industry will progress to greater heights. It will give the citizens of this country the most modern, up-to-date transportation service the world has ever known, and will be able to meet any emergency, if the people of the country will take a more active interest in the relation between railroad income and railroad expenses so that this great railroad system of ours will

in the relation between railroad intoline and railroad expenses so that this great railroad system of ours will ever remain healthy.

With sustained high levels of traffic, with the better service which the future will bring, and with rates adjusted to present-day costs, the railroads will continue to furnish the basic transportation of the nation.

C. DONALD DALLAS

Chairman of the Board, Revere Copper and Brass Inc.

The outlook for 1948 is promising in the copper and brass fabricating industry largely because three fortunate economic circumstances prevails First, we are now able to purchase raw materials on a firm price basis, and we are now selling our products on that basis. Second, the principal industries on which we depend—the electrical, housing and automobile—are operating at full capacity with

electrical, nousing and automobile— are operating at full capacity with heavy backlogs. Third, there are no excess inventories of copper, zinc or lead held by the government, the producers, the fabricators or the consumers. consumers.

While at present writing it appears this year will be a good one for Revere and for the non-ferrous fabricating industry as a whole, we must keep in mind that continuing success depends on uninterrupted world production and free flow of copper because world production and world consumption are just about in balance. Current domestic consumption is running about



40,000 tons a month ahead of domestic production, so it immediately becomes apparent how much of a determining factor is an uninterrupted flow from American

mining factor is an uninterrupted flow from American mines and the availability of imported copper to American fabricators.

If we are going to continue to import 40,000 tons of copper a month, principally from South America and perhaps Africa, we will, of course, have to be willing to pay the world price. The world price will probably be determined by uninterrupted production and in the amount of dollars made available to Europe under the Marshall Plan.

During the war, domestic consumption of copper was

amount of dollars made available to Europe under the Marshall Plan.

During the war, domestic consumption of copper was far ahead of domestic production, and the government had made up the deficit by bringing in copper from South America and itself absorbing the 4c a pound excise tax. Early in 1947, the government had ceased to import copper and absorb the tax, and as the government stockpiles of copper accumulated during the war were practically exhausted, consumers became seriously alarmed. We were domestically consuming copper at a rate of about 50,000 tons per month more than domestic production, and it was becoming apparent that we had changed from being an export nation to being an import nation as far as the red metal was concerned. Soon there were two prices for copper—21½c and 24c.

Sponsored by a group of consumers, actual bills were introduced in both houses of Congress to abolish the 4c a pound excise tax on copper. As in most democratic processes, a compromise was worked out, and bills were finally presented suspending the 4c excise tax until. April 1, 1949. These bills were put through both Houses of Congress and signed by the Presdient within 78 days after their introduction. Lifting of this inequitable tariff has had the two-fold effect of making world copper available and leveling the price at 21½c.

The reciprocal agreement now in effect has reduced the 4c import duty on copper by 50%, but this 2c tax will not become effective until April 1, 1949, at which time it will probably be necessary to have the excise tax either cancelled or again suspended if the situation is to continue to be healthy.

Historically, as we all know, postwar booms have not lasted more than about 18 months, and this one

Historically, as we all know, postwar booms have not lasted more than about 18 months, and this one not lasted more than about 18 months, and this one has run more than two years. Another round of wage increases might well be the straw that breaks the camel's back, as it would increase prices generally and tend to decrease the large volume of business and employment presently being enjoyed in this country.

In conclusion, I should like to make this observation for what it is worth. Although the earnings of the American manufacturing industry average about 5% on sales, corporations are being compelled to go to the banks for money to finance premanent expansion. High

banks for money to finance premanent expansion. High cost of new plants and equipment, large dollar value of

(Continued on page 34)



What About Interest Rates?

(Continued from first page)

permanent and only slightly prescribed by the Federal Reserve higher plateau, or simply a temporary condition, will depend upon a number of important things, among which are future business conditions, Government debt management, credit, tax, and other policies.

(Continued from first page)

prescribed by the Federal Reserve Board.

This plan was not as broadly developed by Mr. Eccles this year, as were similar recommendations of a wider scope which were made by the Board in the annual reports of 1945 and 1946. The latter other policies.

Lumping together in one basket all of the different rates appli-cable to prime credits, and label-ing this basket "interest rates," I believe that the major portion of the rise in interest rates has taken place. I would not attempt to guess the peak for the current move, but I believe that the presmove, but I believe that the present levels are about what we may expect, on the average, for the next few years. If I had to be more specific, I would guess that, if anything, the average of interest rates for the next few years may be something lower than those presently prevailing.

Various Classes of Rates

First, however, I would like to differentiate among rates of interest as to types of credit. The basic rate is that which prevails on U. S. Treasury securities. This, in turn, breaks down into the rate on short-term Treasury securities of one year term or less, and the rates on intermediate or longer-term Treasury obligations. Yet, because of the Treasury's policy of "tailoring" its securities to meet investors' presumed "needs" we investors' presumed "needs," we have two rates for longer term securities; namely, the rate on those which are **not** eligible, in general, for purchase by commer-cial banks, and those which are. Securities eligible for commercial banks naturally have commanded a lower, interest rate than those which are not.

The second group of rates might be those which prevail for other short-term securities, such as prime commercial paper, bankers' acceptances, and prime commer-cial loans of about one-year term.

The third group might be those on prime business loans which are longer than one year, and either of a term or serial character. We might include in this group serial bond issues, such as railroad equipment trust certificates.

The fourth group might be loans (and bonds) which are of a longer term, and which find placement primarily with insurance compa-nies, savings banks, pension funds and the like.

The fifth might be real estate loans which, while tied into basic and other interest rates, are affected materially by the policies of the FHA and the Veterans' Administration.

The sixth might be a miscellany The sixth might be a miscellary of all other loans, or of loans such as I have mentioned where the credit involved is of a less prime character, so that the interest rates thereon reflect a larger insurance premium against loss of principal.

The Eccles Plan

When I speak of the basic interest rate as that prevailing on U. S. Treasury securities, I refer to the yield of marketable obligations. It has been claimed in some quarters that Treasury debt, and the interest rates thereon, may be segregated from other debt and other interest rates. The Federal Reserve Board seems to have maintained that this is not only possible but should be effected. Mr. Eccles, in presenting the recommendations of the Board to the present Congress, followed that tions. It has been claimed in some present Congress, followed that line of thought. He recommended, as an anti-inflationary move in the field of credit, that commercial banks be required to carry a larger percentage of reserves. Actually, however, this plan amounts to a redefinition of the reserves of member banks to provide that the banks be compelled to hold Government securities, as

Board.

This plan was not as broadly developed by Mr. Eccles this year, as were similar recommendations of a wider scope which were made by the Board in the annual reports of 1945 and 1946. The latter were received by bankers and students of the subject with extreme coolness, and the latest recommendations do not seem to have ommendations do not seem to have met with any greater approbation. Any steps, such as these, which would be effective in segregating the public debt, would exact a price for this segregation requireavoid the repercussions of natural

forces on the distribution of public debt and on the interest rates which it has imposed on such bor-rowings. The demand for private capital and credit has become the tail which is wagging the dog. It should be kept in mind that at-tempts which have the relatively narrow objective of obstructing natural forces, exact a penalty. The penalty so far has been to increase the amount of postwar inflation.

Effective segregation of public debt from private debt has not yet been achieved. The influences which affect one, therefore, have met with any greater approbation. Which affect one, therefore, have any steps, such as these, which would be effective in segregating the public debt, would exact a price for this segregation requirement. The Government has met with difficulty in its attempts to the premise that basic interest that basic interest in the premise that basic interest that basic interest in the premise that basic interest one, therefore, have an interest of the public credit indefinitely. Consequently, my discussion bases on the premise that basic interest of the public credit indefinitely. securities) and other interest rate

will remain interrelated, although the relationships will be variable. business, and the resultant need of funds.

Let us dwell first on the Gov-

Major Considerations on Interest Rates

There are at least four major considerations which bear on the interest rates of Treasury securities, and, therefore, on the interest rates for highest grade private credits.

First, the Government's policy with regard to Treasury interest rates. By "the Government," I specifically mean the Treasury and the Federal Reserve System.

Second, the Treasury's policy on debt retirements during periods when the Treasury has a cash or budgetary surplus.

Third, the tax philosophy and ax policies of the Government.

Fourth, the levels and trend of

Let us dwell first on the Government's policies with regard to Treasury interest rates. I have been consistently critical of the Treasury's interest rate policies. During the war, I criticized privately the disparity which the Treasury maintained between its short-term and long-term borrowing rates. The effect of this disparity was to increase unnecessarily the war-created money supply. As commercial banks needed or desired earnings, they actually were encouraged to use needed or desired earnings, they actually were encouraged to use the wartime financing set-up as a means by which to transfer the low-rate short-term Treasury securities, designed for them by the Treasury, into other intermediate longer - term, higher - yielding Treasury securities which were (Continued on page 35)

STILL GOING STRONG! In 18 months Kaiser-Frazer has become the world's fourth largest producer of automobiles. The public acclaim that has greeted the KAISER and the FRAZER is a tribute to the beautiful styling and



(Continued from page 32)

inventories, large payrolls, and a tax structure that prevents the formation of venture capital from which expansion should be financed, dictate this course. This is not healthy because companies should finance permanent expansion out of earnings or sale of equities and not through temporary bank borrowings, preventing the formation of venture capital. This process puts an artificial limitation on the expansion of our economy just as it has already done in Europe.

CLIVE C. DAY

President, Peter, Cailler Kohler Swiss Chocolate Co., Inc. President, Association of Cocoa & Chocolate Manu-facturers of the United States

When the price of an article doubles or triples, it's news, but when it goes up eight or nine times; then it's front page news—and so it is with cocoa beans. The world supply of cocoa beans is at least 10% under prewar consumption, whereas the demand would appear to be substan-

demand would appear to be substantially higher than prewar.

It takes five to seven years to bring a cocoa tree into production, but it should not be assumed that we will experience a world shortage of cocoa for that long a period because at some point price will act as a deterrent on consumption. Prewar the United States consumed an average of 270 000 tons, and if our war the United States consumed an average of 270,000 tons, and if our current usage remains at this figure, this amount of cocoa at 40 cents per pound would cost the grinders \$240,000,000 more than the same amount of cocoa prewar. This in effect means that the American consumer will have to pay \$240,000,000



Clive E. Day

Clive E. Day effect means that the American consumer will have to pay \$240,000,000 more for the same amount of finished chocolate products. While this is a relatively small sum in a country that thinks in terms of billions, it is a fantastic figure when you realize that the total prewar sales of the finished output of the chocolate industry were only \$100,000,000. In other words, the cocoa component alone of the industry's output will now cost almost two and one-half times the total prewar sales value of the industry. One can't help asking the question — where is this money coming from?

coming from?

The crux of the price situation, not only in this country. The crux of the price situation, not only in this country but in Europe, is consumer resistance. It is very difficult to evaluate this intangible because to date a large part of the industry has not been selling finished goods on the basis of replacement costs. By and large the industry has been giving consumers the benefit of an inventory accumulated at lower prices. Therefore, we do not know how long the consumer will continue to buy the same number of pounds of chocolate products when priced on market

The Association of Cocoa and Chocolate Manufacturers The Association of Cocoa and Chocolate Manufacturers has been taking steps to alleviate this situation. Immediately after V-J Day they formed the American Cocoa Research Committee, and engaged the services of Mr. Leonard J. Schwarz as Director. The chief objective of the Research Committee is to stimulate production of the Research Committee is to stimulate production of cocoa in existing growing areas, and to explore and encourage the growth of cocoa in new areas. The Committee has made very substantial progress, but because it takes so many years to bring a tree to bearing, the results of its efforts will not be tangible for some years. Among other projects, the Committee has made a scholarship grant of \$50,000 to the Inter-American Institute of Agricultural Sciences at Turriabla, Costa Rica. It has also been instrumental in bringing about the greation of a Cocoa Committee as an agency of the reation of a Cocoa Committee as an agency of the Pan American Union whose purpose is to interest itself in the production and cultivation of cocoa in the Western Hemisphere. In addition, it is working clearly with the production and cultivation of cocoa in the Western Hemisphere. Hemisphere. In addition, it is working closely with the newly formed Liberia Company, whose objective is an exportable annual crop of 50,000 tons of cocoa beans by

exportable annual crop of 50,000 tons of cocoa beans by 1960.

While the apparent world shortage of cocoa beans is the primary cause of current prices, the prices are probably higher than they would be if cocoa beans could flow to market through the normal channels of free enterprise. The monopolistic methods of selling raw cocoa in the two principal producing areas, namely British West Africa and Brazil, tend to maintain high prices. Furthermore, maintenance of high prices is facilitated by the fact that cocoa beans are still under world allocation through the I.E.F.C. The Association of Cocoa and Chocolate Manufacturers feels very strongly that cocoa should be removed from the purviews of the I.E.F.C. Prior to the expiration of OPA, when cocoa was selling at around 15 cents, our European allies felt that unless some allocation were maintained, the United States, having the most dollars, would buy substantially more than its share. In order to perform an equitable distribution, our Government agreed to continuation of allocations. However, with cocoa at present prices, there seems little likelihood of any nation buying large quantities of cocoa to the detriment of continuation of allocations. However, with cocoa at present prices, there seems little likelihood of any nation buying large quantities of cocoa to the detriment of others. Therefore, it is the feeling of the American manufacturers that continued world allocation does not serve any good purpose, and that furthermore it blocks the free action of the law of supply and demand. The Chocolate Association has gone on record to this effect with the State Department.

The \$64 question still remains as to what prices we may expect on cocoa in the future. Basically the indi-

vidual consumer, both in this country and throughout the world, by his resistance to high prices of finished goods, will determine the price which the manufacturer can and will pay for cocoa. This in turn will determine the price which the producer can obtain at the source.

RALPH S. DAMON

President, American Airlines



months of 1947.

The mail trend was toward increasing loads. Soldier mail in the first half of 1946 swelled that year's figures disproportionately. Starting in June, 1947, every month through September—the last for which indus-try figures are available—showed an increase over the same month of the

previous year.

Air express climbed 26.2% above 1946, and domestic revenue passenger miles increased 5.6%. This increase in passenger traffic compares significantly with a drop in revenue passenger miles for other forms of transportation, notably for railroad Pullman and coach service. Improvements initiated during 1947 will affect the industry favorably during 1948. American Airlines and several others took delivery of the first postwar transportations and will receive more this year. Offering passenger and will receive more this year. previous year.

Ralph S. Dan

industry favorably during 1946. American Antimes and several others took delivery of the first postwar transport planes and will receive more this year. Offering passengers higher speeds at greater comfort, they also afford some operating economies over prewar and wartime aircraft still in widspread use.

Although all-weather flying is still some years in the future, important steps were taken toward that objective in 1947, and I am confident that continued improvements this year will be reflected in the industry's operating record. Instrument Landing Systems (ILS) were approved for use at 41 major airports and will come into more widespread service this year. This system permits airline planes to land and take off under somewhat lowered ceiling and visibility standards with increased safety.

The airline extended service to new cities in every part of the United States, bringing high speed transportation to business and pleasure travelers who formerly had to depend upon surface means. New cities provide new sources of passenger, cargo and mail traffic which will undoubtedly aid in the growth of the industry this year and sizable expenditures for route expansive.

which will undoubtedly aid in the growth of the industry this year and in the future.

Rising costs and sizable expenditures for route expansion and modernization of equipment prevented the industry as a whole from showing a profit during 1947. The net loss will probably exceed that of 1946, when the airlines went \$7,000,000 into the red. However, I believe the airlines' performance during 1948 will be brighter financially, provided business conditions generally remain good.

brighter financially, provided business conditions generally remain good.

In the realm of safety, the domestic airlines suffered only five accidents fatal to passengers, compared with nine in 1946. The revenue plane miles flown per fatal accident totaled 65,971,228 as compared with 34,397,826 the previous year. The industry as a whole and the airlines individually will continue this year, as in the past, to consider safety their number one objective.

Improved aircraft; modernization of airways equipment and traffic techniques; the prospect for continued growth of traffic; the construction of new airports and passenger handling facilities—these and other considerations motivate my belief that 1948 will be a good year for the airlines.

for the airlines

W. LAIRD DEAN

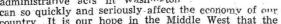
President, The Merchants National Bank, Topeka, Kan.

President, The Merchants National Bank, Topeka, Kan.

I believe the banking business can anticipate experiences in 1948 very nearly paralleling those of the year just closed. The slight increase of interest rates and the continuing demand for loans should result in a very satisfactory year from an earning standpoint. I see no serious storm clouds on the horizon that would cause any serious difficulties in the financial field. Bankers are well aware of the dangers of further inflation and I believe they are screening their loans with unusual care to eliminate advances of the speculative character, but to fulfill their obligation to assist in stimulating production and assuring adequate transportation and proper distribution of the products of the farms and factories of our country. and factories of our country.

and factories of our country.

Bankers must always have their tongues in their cheeks when making estimates of the future since administrative acts in Washington can so quickly and seriously affect the economy of our country. It is our hope in the Middle West that the



Administration and Congress may recognize the fact that Administration and Congress may recognize the fact that all economic ills can not be cured by using the financial system of our country as a whipping post but rather that economic stability will come with lightening the heavy hand of taxing authorities and instituting practices of economy in all departments of government. We recognize America's obligation to lead the World back to economic stability, but we believe that the maintenance of America's leadership depends upon our ability to keep our own country strong.

our own country strong.

If we have the will to do so we can substantially reduce the tax burden to permit the expansion of industry from earnings, and we can increase production to bring prices within the purchasing power of more of our people and at the same time we can fulfill all of our World obligations and continue the retirement of our public debt.

C. E. DENNEY

President, Northern Pacific Railway Company

The Northern Pacific country, from the head of the Great Lakes to the North Pacific Coast, has experienced another prosperous year, due primarily to the eighth successive season of high agricultural production in the

triffing agricultural production in the territory and high prices which have have prevailed for farm products.

If the growing and harvesting weather is favorable in 1948, Northern Pacific territory should produce another big crop because moisture another productions are excellent. conditions are excellent, except for an area in eastern Montana and ex-treme western North Dakota, where

theme western North Dakota, where they are fair,
Increased winter wheat and sugar bect acreage is indicated for 1948, while the livestock population will be down, because of heavy liquidation due to high cost and scarcity of food and scarci feed, and record meat prices. How-ever, livestock remaining on the ranges entered the winter in good flesh and winter ranges are in ex-



C. E. Denney

cellent shape.
Continued heavy domestic and foreign relief require

ments for food assure a ready market for grains and livestock, and for fruits and vegetables produced in the Pacific Northwest, and accelerated construction main-

Pacific Northwest, and accelerated construction maintains heavy demand for western forest products.

Several important new industries located along the "Main Street of the Northwest" in 1947 and demand for industrial sites continues brisk.

Northern Pacific's continuing program of improvement of track and roadbed and additions to equipment and the physical plant put this railroad in better shape than ever to handle expeditiously an anticipated heavy volume of traffic in 1948.

Offsetting the outlook for a satisfactory volume of traffic in 1948 is the steadily increasing cost of providing transportation. Rising wages and advances in the cost of everything the railroads buy makes it imperative that the industry be permitted to increase its rates sufficiently to meet these additional costs.

Only such a policy will enable America's basic transportation to continue to serve the nation satisfactorily in peace — and be prepared for any eventuality.

WILLIAM L. DeBOST

Chairman, Union Dime Savings Bank, New York

The 131 Mutual Savings Banks in the State of New York have not only held their position admirably during 1947 but have made much progress in the encouragement of thrift during the year. Accounts and deposits

ment of thrift during the year. Accessive increased substantially.

The services which they are rendering to depositors are constantly improving and it would be difficult to imagine how it would be possible for the great number of depositors to do without our Mutual Savings Banks.

There has been a growing competion, due to the Federal Savings and tion, due to the Federal Savings and Loan Associations, which by the way are not Savings Banks, and the many Commercial Banks which are again running the so-called thrift accounts. I have no brief against this competition because these Federal Savings and Loan Associations and Commercial Banks are also preaching thrift and spending much money, as our Mutual Savings Banks are, in educating the general public that it is the safe and wise thing to save for the future.



the future

Our Mutual Savings Banks have given outstanding support to our Government, both in the purchase of bonds for their own portfolios and for their superb accomplishment in the sale of E, F, and G bonds to their depositors and others.

In looking ahead it would seem that during the com-

ing year there will be more favorable opportunity for investment of surplus funds in desirable securities at higher yields than at present, and that the banks will reduce somewhat their holdings of low yield Government bonds.

The ratio of the Savings Banks in the holdings of their Bonds and Mortgages to resources has decreased during the past few years, largely due to payments on account

(Continued on page 36)

What About Interest Rates?

(Continued from page 33)

the proceeds in the unlimited of-ferings of long-term Treasury bonds. Apparently, there was nothing that could be said or done to dissuade the authorities from this hocus-pocus. Then-Secretary Morgenthau widely applauded and hailed from the housetops the pro-digious totals of the War Loan sales achieved under these meth-ods, methods which unnecessarily increased the money supply of inincreased the money supply of in-dividuals and businesses. Since the war this money supply has been thrown against an insuffi-cient volume of food, goods and services.
With the war's close, I publicly

criticized the Treasury's interest rate policies, but for slightly different reasons. It seemed desirable then that banks and other lenders be encouraged to command higher rates on loans to businessmen such as yourselves, in order that the interest rate received might include a bigher in ceived might include a higher in-crement of insurance against principal risked. It also seemed important to decrease the aggres-siveness with which banks were using the proceeds from the sale of short-term Treasury securities to the Federal Reserve System for the purchase of longer-term higher-yielding bonds. Indirectly, this created a demand from insurance companies, savings banks and other investors for long-term bank-ineligible Treasury securities with a cumulative reduction in the general level of all inter-est rates. Under the attendant circumstances, reductions in interest rates held further inflation While the Treasury and the

Federal Reserve were attempting to resolve their attitude toward Treasury short-term interest rates the Treasury sold about \$1.8 bil-lions of long-term securities from trust funds or other accounts. These sales began in April, 1947, and continued throughout Sep-

By the middle of 1947 the com-By the middle of 1947 the commercial banks, for a combination of reasons, held such a reduced volume of short-term Treasury securities that it was becoming increasingly difficult to manufacture the reserves needed for the extension of private credit, by the sale of these securities to the Federal Reserve System. Simultaneously, commercial banks began to withdraw from the market for inwithdraw from the market for intermediate and longer-term Treas-ury securities, and an increasing number of commercial banks, and some insurance companies, were being forced to resort to the sale of intermediate and longer-term Treasury securities. In July, 1947 the Treasury and the Federal Reserve permitted short-term interest rates to commence their move toward somewhat higher levels. In the third quarter of 1947, the consistent large demand for new money had eaten into the cumulated uninvested funds of insurance companies and the like; commercial 10 ans of member banks began to increase at a new, number of commercial banks, and

banks began to increase at a new, higher, annual rate; commodity prices (which had been easier in the second quarter of 1947) began to move sharply upward, and the scope of the new interest rate policy was a matter of guesswork.

Nothing, however, moves with greater speed or abandon than a Government policy which has just been reversed. In addition to selling \$1.8 billions of bonds from April through September, permitting the rates on Treasury bills and certificates to increase in July, and creating a desirable

offered to others. The latter, in turn, were encouraged to accept a middleman's profit in such transactions, and then to reinvest the proceeds in the unlimited offerings of long-term Treasury bonds. Apparently, there was nothing that could be said or done to dissuade the authorities from the could be seen to taken until late September, and by that time the schedule. ber, and by that time the schedule of new corporate issues and pri-vate placements was reaching a new peak. Prospective demand seemed even higher. The effect on the markets for all fixed income obligations was quite sharp In fact, during the Fall some capital needs had to be deferred because of market conditions.

The accompanying market psy-nology accelerated the down-

creases in interest rates. The President, Cabinet Officers, Treasury, and Federal Reserve launched forth against the dan-gers of further price inflation, and gers of further price inflation, and the heed for restraints on credit. Would, and should the Government support the prices of Treasury securities? Would, and should the long-term financing rate of 2½% be protected? As anticipated by close observers, large scale support of Treasury security prices was ultimately rendered. The important impact, however, on the credit objectives of the Federal Reserve System was this: commercial banks, instead of becommercial banks, instead of being limited to the sale of a reduced volume of short-term Treasury security holdings, now could sell (against support bids) from their

Also, other investors such as in-surance companies could sell surance companies could sell Government bonds in reasonable volume for the purpose of pur-chasing corporate securities.

Just recently, and apparently in response to some clamor for a restatement of Federal Reserve policy, the President of the Federal Reserve Bank of New York announced publicly that the Federal Reserve System was now a "willing" buyer of Treasury securities. This represented a decided change from the attitude of the Federal Reserve in its earlier purchases.

The net over-all result has been that, whereas interest rates have advanced, the Federal Reserve and the Government are engaged in opposing the extension of credit chology accelerated the down- far larger holdings of intermediate with the right hand, while "will-ward trends of prices and the in- and long-term Treasury securities. "ngly" extending it virtually

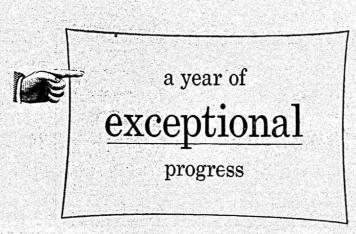
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It has been stated, on various occasions, that one of the objectives of the Government's new interest rate policies was to narrow the spread between the Treasury's short-term and lang-term horrows. short-term and long-term borrow-ing rates. But, the yield spread between Treasury short-term interest rates and those of longerterm bank eligible securities and of longer-term corporate securities is at a new high for some vears.

Government Price Support

In the summary of the President's Economic Report we find the following paragraph:

"Debt management policies should be so conducted that ap-(Continued on page 37)



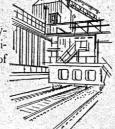
N 1947, the steel industry's production was by far the greatest in any peacetime year. Industry as a whole made solid gains in cutting into the mountainous demand for goods and services of all kinds that accumulated throughout the war. Like the steel industry, many others set new peactime records . and, while doing so, prepared themselves for even greater future production.

National Steel Corporation has expanded and improved its operations in each year since its beginning. But 1947 was a year of exceptional progress, and 1948 will equal it. Here are some of the facilities we have added and are adding:

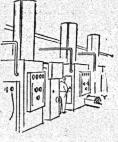


A new 93-inch cold mill which rolls highly finished wide sheets required by the automobile and other industries.

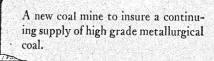
One hundred and six new byproduct ovens to provide additional coke for the making of iron and steel.

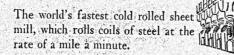


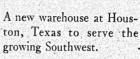
The steel industry's largest oxygenproducing installation to provide 400 tons of oxygen per day for use in furnace operations.

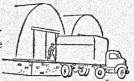


New Bessemer converters and other facilities to increase the production of steel ingots.











These and other additions to plant and facilities are part of National Steel Corporation's current program—an important part of the aggregate program in the steel industry to provide an addition of 3,000,000 tons to ingot capacity, much of which will be brought into operation in 1948.

By its production record and its heavy investment in improvement and growth, the steel industry gives tangible evidence of its continuing faith in the future of America and the American way of life.

NATIONAL STEEL CORPORATION

Owning and operating WEIRTON STEEL COMPANY, WEIRTON, WEST VIRGINIA GREAT LAKES STEEL CORPORATION. DETROIT, MICHIGAN—HANNA IRON ORE COMPANY, CLEVELAND, OHIO—THE HANNA FURNACE CORPORATION, BUFFALO, NEW YORK, AND DETROIT, MICHIGAN.

(Continued from page 34)

of principal and to increased deposits. I do not think that during the coming year there will be a great improvement in the opportunity to invest substantial amounts in safe Bonds and Mortgages, in view of the fact that during and since the war, and at present, there is very little new building creating new mortgage loans, and until prices and wages have been trimmed, I cannot foresee any extensive building operations.

The Banks had a fine opportunity to set up safe reserves against another rainy day and soon, I believe and hope, that the Banks may be able to pay the depositors a higher rate of interest, but of course they should not consider doing so until there is definitely a more favorable opportunity for the safe investment of funds at higher yields than at present.

A few of the outstanding optimistic thoughts for 1948 which come to my mind are:

at higher yields than at present.

A few of the outstanding optimistic thoughts for 1948 which come to my mind are:

That our whole Savings Bank structure is well and intelligently managed has been fully demonstrated during the past years and will continue to be so managed.

The Presidential Campaign and election will be over in 1948 and then we can again settle down and try to do what is best for this great country of ours, instead of all thoughts and actions of those in political power being concentrated on how to attract votes, regardless of what the cost is to the country.

Labor, I believe will again deliver a fair day's work at good wages, and will realize how fortunate they are to live and work in the finest country in the world where they are under no restrictions for life, liberty and the pursuit of happiness, and in the only country which is able and willing to help the whole world.

The present confiscatory income taxes will surely be somewhat lowered across the board by whatever party is elected next November, if not before. This must be done to permit our industries to progress.

The Taft-Hartley bill which has done so much for labor, will undoubtedly be improved and strengthened so that employers will have a reasonable chance for peace and labor will not be so much dominated by a few radical leaders.

Much economy in Government operations will be de-

Much economy in Government operations will be demanded by the public from both major parties.

Altogether it seems as though 1948 opens up with brighter prospects than did 1947.

GEORGE W. DOLAN

President, The Mathieson Alkali Works (Inc.)

Regarding the outlook for the alkali industry in general and The Mathieson Alkali Works in particular, I can point out that the demend for caustic soda, soda ash, chlorine and related chemicals continues to outrun supply despite efforts of the industry to

expand production to the necessary levels.

Increased consumption of alkali is Increased consumption of alkali is easily understood when it is realized that the chief market for alkali is the chemical industry itself. One-third of the combined caustic soda and soda ash production goes into the manufacture of other chemicals. Similarly, the major chlorine consumer is also the chemical industry. Rapid growth of alkali-consuming industries since the war is the bas'c reason for the current "tight" alkali situation.

industries since the war is the bas'c reason for the current "tight" alkali situation.

With respect to demand, the outlook for the coming period shows little signs of change. Large scale consumers of chemicals include plastics, textiles, rubber, fertilizer, coal products and industrial explosives. In these fielos, caoacity production is expected to continue. Other major users of alkali also indicate continuing demand. The largest single consumer of caustic soda is the rayon and transparent film industry, and this industry's need for caustic is increasing. The production of soap, which requires a considerable amount of both caustic soda and soda ash is continuing at high levels. Moreover, the rapidly growing synthetic detergent industry also consumes important quantities of alkali.

Glass, the largest single consumer of soda ash, can also be expected to maintain or increase its requirements, due to the greatly increased use of glass containers and to the diversification of glass applications in construction, fiber glass insulation, and various other fields. Other traditionally important markets for alkali, such as pulp and paper production and textile finishing, also show an ever-growing need for these basic chemicals. Chlorine demand also exceeds the industry's present production capacity. Important uses which probably will consume most of the chlorine in the next period include: bleaches, sanitizing agents, insecticides and weed killers such as DDT and 2-4D; pharmaceuticals; anti-freeze; chlorinated styrene and polyvinyl chlorides for plastics and rubber; chlorinated hydrocarbons for dry cleaning, degreasing and refrigerants; and synthetic detergents.

With respect to supply of alkali products, the industry is expanding in an effort to reach adequate levels in the near future. To take Mathieson as an example, the capacity of our Lake Charles, La., soda ash plant will have been doubled by the fall of 1948. Production of caustic soda at our Saltville, Va., plant, particularly rayon-grade caustic, is being incre

alkali products constitute the basic tools for the production of chemicals and a great variety of other essential products. In addition, Mathieson is placing increas ng emphasis on diversification of products, and is discovering new uses for its established products. Sodium chlorite may be cited as an important example. Both in itself and as a source of chlorine dioxide, this chemical is regularly finding new applications. Its value as a bleach in textile, pulp, and fat processing, as well as in the destruction of unpleasant tastes and odors in water supples is well known. In the light of recent developments, its ability to bleach and age flour is of particular interest. Another recent development, announced by the Bureau of Standards, is the use of sodium chlorite in sugar production as a bleach and as an inhibitor of fermentation, ordinarily a source of important loss in the storage and transportation of raw sugar.

B. W. DRUCKENMILLER

President, Pennsylvania-Dixie Cement Corp.

The 1948 outlook for the Cement Industry in the United States seems rather bright from a volume of business point of view. It looks as though the actual construction volume in 1947 aggregated about \$12,665,000,000. If the construction volume in 1948 should increase to a figure anywhere between the low and high predictions by various agencies—that is to say a figure between \$13,500,000,000 and \$15,200,000,000—then the content volume should increase somewhat. Of course cement volume should increase somewhat. Of course this means heavier wear and tear, in other words, heavier depreciation in the value of plant, machinery, and couipment not provided for by the present rules and regulations of the Internal Revenue Bureau.

Whether or not the Cement Industry will benefit from the increased volume predicted will depend upon this depreciation problem and upon whether or not other costs of manufacture will continue to rise.

The selling prices of cement have been kept below those of any other major building commodity. The figures of the Bureau of Labor Statistics of the U. S. Department of Labor show that cement prices have increased 31.5% between August, 1939 and October, 1947 and that prices for all building materials as a group have advanced 107.4% during the same period. Whether or not prices for cement can be kept at their present relatively low levels depends entirely on costs and volume.

HAL S. DUMAS

President, Southern Bell Telephone & Telegraph Co.

The war years with their restrictions on materials and limitations on manpower left us with a great deficit of telephone plant and facilities and a tremendous backed-up demand for service. In 1947, the telephone industry in the South made substantial progress towards its goals of providing the public with the class of service it desires, of furnishing service to those on the waiting list, and of extending service into rural areas. The increase in telephones was greater than in service into rural areas. The increase in telephones was greater than in the best two prewar years combined. Additions to telephone plant (new buildings, switchboards, wire, cable, poles, etc.) surpassed by 60% the previous record year. Yet, so great was the current and backed-up demand, that we were able to reduce only slightly our large waiting list for telephone service.

A fuller realization of the extent

A fuller realization of the extent of our recent accomplishments and of the magnitude of the iob remaining for 1948 and the years beyond can be gained by comparisons with the country at large. The rate of increase in telephones in the South in 1947 led by a wide margin all other major sections of the country. Nevertheless, we are entering 1948 with by far the heaviest backlog of unfilled orders. Also, we have a greater need for additional telephone plant to furnish existing customers the class of service they desire.

With a backlog of such proportions and with new demand currently at levels far above anything ever experienced before the war, the telephone industry in the South looks forward to 1948 as another year of intense activity.

activity.

The progress of the telephone industry reflects the economic progress of the area it serves. Ever since the early 1930's the South has been developing, economically and industrially, at a faster rate than the nation at large. New industries by the thousands are being added; large cities and small towns are showing remarkable development; and a better balance is being achieved between agriculture and industry. While per capita income here is still low by nationwide standards, the area is moving steadily forward in its efforts to narrow this disparity. Between 1930 and 1946, consumer income rose 230% in the South, compared with 130% in the entire country.

We are justly proud of the progress made by the South

in the South, compared with 130% in the entire country. We are justly proud of the progress made by the South and our part in it, but the situation is clouded as far as the telephone industry is concerned by the sharp decrease in earnings. The "cost of living" of the telephone business (wage rates, material prices, etc.) has risen sharply along with the general price level, but the rates paid for its service have not kept pace. All our expansion since the war ended and all our plans for the future are predicated upon faith that our rates will be adjusted in line with current costs so that we can continue to move forward with our Southland.

RODNEY S. DURKEE President, Lane-Wells Company

In the oil field service industry we are counting on a 1948 bus ness of about 5 to 10% above the 1947 volume. The demand for oil is at record levels, and we feel that new drilling and the work-over of old wells will be limited only by the materials avail-

There has been a serious shortage of oil well casing and difficulty in securing certain other materials, and while we hope for some relief in 1948, I do not believe that there will be more than a 5 to 10% increase in the amount of casing available.

We look for increased pressure wage adjustments with a probability that some increases will have to be granted, and that these may be reflected in slightly increased prices for service work. In our own case we intend to try to hold our prices at existing levels. at existing levels.



M. C. EATON President, The Norwich Pharmacal Company

The pharmaceutical field is divided into what is known



M. C. Eaton

The pharmaceutical field is divided into what is known as the ethical and the proprietary business. The ethical business in general was very good in 1947 and from all indications 1948 looks like an extremely good year also.

The proprietary business in a good many cases had quite a set back in 1947, primarily due to the fact that retail druggists, chain stores and jobbers were liquidating their inventories. The natural result in the proprietary field was considerable loss of business for the manufacturer for the first half of the year. However, after business for the manufacturer for the first half of the year. However, after the druggists' stocks began to stabilize, the proprietary volume immediately began to pick up so that the last four months of 1947 were, in most cases, back to normal if not improved. I personally feel that the fact that the druggists did reduce their inventories is a sound practice, not only for them, but for the manufacturers as well.

facturers as well.

Now that this readjustment has been made I am firmly convinced that 1948 is bound to be a good year for the proprietary industry. There, of course are a great many factors which can and will affect business, both In the proprietary and the ethical lines. The break-even point in all business has reached a new high largely due to taxes, demands from labor and increased freight rates as well as material and supply increases. For these reasons I am firmly convinced that industry must have some relief in its taxes.

reasons I am firmly convinced that industry must have some relief in its taxes.

I could readily appreciate the necessity of the high taxes during the war period but the war is over now and government must give industry a fair break. We do not have the tremendous army and navy to support, although we will have to do a certain amount of financing for Europe, but I think that we should proceed cautiously along these lines and not write a blank check at this or any other time.

I believe if the government would eliminate a great many of its unnecessary bureaus and reduce its expenses

many of its unnecessary bureaus and reduce its expenses thereby, that it would not be necessary for such tremendous taxes and it then would give industry a breathing spell and an opportunity to expand.

With the expansion of industry, it would mean millions of additional jobs which in turn would assist in preventing unerpolyment.

of additional jobs which is the turn would assist in proventing unemployment.

I am fully cognizant that this is a Presidential year and that politics will have its place in the picture, but properly directed I can not help but believe that the future is not only bright for 1948 but for a number of years to come. If these factors which I have mentioned are materialized, I am sure we will be satisfied with the results of 1948.

GEORGE A. EASTWOOD

Chairman of the Board, Armour & Company

The outlook for the livestock and meat industry in 1948 is good. Though there was a reduction in the 1947 corn crop due to last summer's drought and though there

corn crop due to last summer's drought and though there are plans to export great quantities of grain to hungry nations, government authorities estimate available feed supplies will enable the production of 21.5 billion pounds of meat in the year ahead of us. The average feeding period for livestock will have to be somewhat shorter than in recent years and anilivestock will have to be somewhat shorter than in recent years and animals will come to market at lower weights and with less quality, but the outlook is for per capita supply of 146 pound—ten pounds under the 1947 supply but 13 pounds above the average for the five years immediately preceding the war. The production, processing, and distributing of 21.5 billion pounds of meat will keep the industry busily employed. Price levels are expected to continue in line with consumer purchas-

tinue in line with consumer purchas-ing power and with what appears to be an ever-increas-(Continued on page 38)



What About Interest Rates?

(Continued from page 35)

Before the Treasury and the Before the Treasury and the Federal Reserve commenced support operations in November, many of us were guessing as to whether the support for 2½% long-term ineligible bonds would be at 100½, 101, or 101½. This support was first rendered at a price of 101. Support to other issues, such as those eligible for price of 101. Support to other issues, such as those eligible for purchase by commercial banks, seemed to reflect a less decisive point of view on the part of Treasury and Federal Reserve officials. After purchases had totaled about \$1.8 billions, the point of support for Treasury ineligible 2½s was reduced to 100½ and the support prices for other eligible 2½s was reduced to 100¼ and the support prices for other issues were reduced more substantially, in most cases. Not many people have been able to make a great deal of sense of this reduction in support prices. If the Treasury and the Federal reduced their support prices, after buying approximately \$2 billions of bonds—will they be inclined (for similar rather unknown reasons) to reduce their new support prices, if they buy several billions more? if they buy several billions more?

if they buy several billions more?

The second consideration I mentioned was the Treasury's policy on the retirement of public debt. Until recent months Treasury debt retirements have been effected largely by redeeming the Treasury security holdings of commercial banks. This reduced the volume of short-term Treasury securities which the commercial banks could sell to the Federal Reserve to obtain reserves with which to extend credit. Actually, the mechanics by which the Treasury increased its balances with the Federal Reserve Banks for the purpose of retiring debt, precipitated and facilitated the extension of credit by the commercial banks. Contrary to the accepted belief the by the commercial banks. Contrary to the accepted belief that the retirement of debt held by commercial banks is deflationary, the mechanics of this operation had some inflationary results.

More recently, the Treasury has switched its retirements of debt to Treasury securities held solely by the Federal Reserve System. This places a greater restraining pres-sure on commercial banks which are desirous of maintaining or of sure on commercial banks which are desirous of maintaining or of increasing their reserve position in order to extend credit. However, just at the time when the Government emphasizes its desire to restrain credit by retiring only securities held by the Federal Reserve System, it becomes a "willing" buyer for ALL Treasury securities. This means that the commercial banks now can sell longer-term Treasury securities with as much facility as they could formerly sell short-term securities. The net result seems simply to make bank reserves readily available but more expensive. As is true in nearly every instance where there is a large demand for a commodity, the higher costs of bank reserves are passed on to the borrowers. In other words, while the structure of basic interest rates (i.e., marketable Treasury securities) ture of basic interest rates (i.e., marketable Treasury securities) has shown some small fractional increase, the loaning rates to prime private borrowers have swung upward more sharply, and chances favor that these rates will continue to increase as long as a strong demand for capital and credit exists.

Beginning in April, 1948, the debt retirement of the Treasury

(Continued from page 35)
propriate restraints on bank credit can be applied without abandoning or impairing the sound principle of Government price support of bonds which the people have bought as an expression of their faith in the Government's diebt retirement from there on is in the lap of the Gods, and Congress

The Effect of Taxes

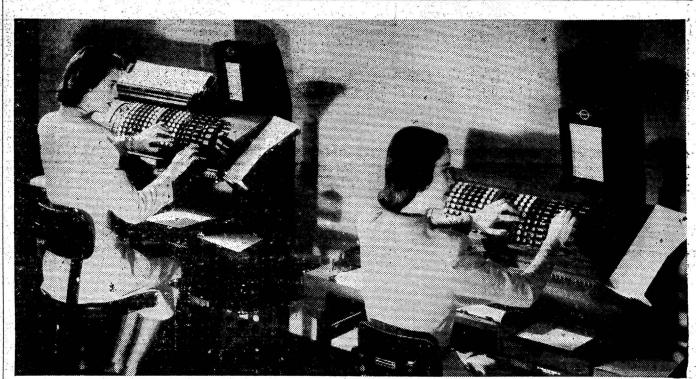
The next consideration concerns the tax philosophy, and the tax policies of the Government, and

recent message. We all know that taxes are a powerful force in determining the volume, and the character, of the savings of individuals and businesses. Capital needs of an equity character must be met largely from the savings of individuals who earn \$5,000 to \$10,000 per annum or more, or they must be met from the depreciation reserves, and the net earnings of businesses (after taxes and dividends). With respect to business corporations, you gentlemen know about the adequacy or inadequacy of depreciation allowinadequacy of depreciation allowances for tax purposes. I don't tion necessary to the present level of the Congress. Perhaps I should Certainly the 38% corporate tax of business prodomit much reference to the tax is a substantial one. Section 102, Certainly the 38% corporate tax of business production has had to philosophy of the Administration, which, in general, requires the as evidenced by the President's disbursement of 70% of earnings cerns the level and trend of busi-

percentage of the capital forma-

ness, and the resulting need for funds. Perhaps the more immediate problem confronting business is the prospect of renewed wage demands — a third increment in the national spiral of wage increases. If labor costs move to higher levels, then, certainly in some lines, these will be translated into higher prices, while, at the same time, intlating the demands for goods and services. This would mean that the vices. This would mean that the volume of capital and credit needs of business would be increased, or that the current volume of production would decline.

It seems reasonable to guess that The fourth and final point con- if the present trend continues (Continued on page 39)



National Mechanized Accounting

cuts costs up to

Hotels ... department stores ... banks ... businesses of every type—all report savings in this range after mechanizing their accounting with National Accounting Machines. These savings often paid for the whole installation the first year—and then ran on indefinitely! Some of these concerns were large—some employed only 50. Could you cut costs correspondingly? Ask your local National representative to check your present set-up, and report to you fully and specifically. There is no cost or obligation of any kind.



THE NATIONAL CASH REGISTER COMPANY . DAYTON 9, OHIO

(Continued from page 36)

ing consumer preference for meat. Personal incomes currently are at the rate of about 200 billion dollars annually and they appear destined to remain high. Historically, consumers spend a fairly definite portion of their incomes for meat and this fact assures high price levels because the increase in incomes, as compared to prewar, is far above the increase in meat supply. Furthermore, the desire for meat is so insistent that American families are spending a greater portion of their incomes for meat than they spent in prewar days.

The price and profit situation would doubtless be

The price and profit situation would doubtless be affected if politics should dictate a resumption of efforts affected if politics should dictate a resumption of efforts to circumvent the law of supply and demand. Price controls and rationing would probably again create black markets and reduce the amount of meat available in legitimate channels with harmful effects upon the industry, and without benefit to the public. However, there is reason to hope that our previous experience with black markets and meat shortages will discourage political tinkering with economic law.

cal tinkering with economic law.

The earnings which the industry obtains from the service it renders—and incidentally earnings have never been large enough to be a factor of consequence in price levels—need to be substantially higher than they were prewar. In times of high prices business concerns, like individuals, require increased sums to maintain their properties and their operations on an efficient basis. Earnings of the producers, processors and distributors of livestock and meat, while substantially larger than prewar, have only kept pace with increased costs of production and maintenance.

Currently the outlook of the meat packing industry is

Currently the outlook of the meat packing industry is favorable, with prospects for a large volume and a strong demand. By-product lines are also in a favorable position and provide a diversification of activity and of opportunity which constitutes an element of great strength.

HARRY EDISON

President, Edison Brothers Stores, Inc.

Edison Brothers Stores. Inc., operating a nation-wide system of ladies' shoe stores, will close the year of 1947 with the highest sales volume in its entire 25 years of operations. Sales will have mounted to approximately \$71 million for 1947. The company's

program of expansion is geared to an anticipated volume of \$75 million an anticipated volume of \$75 million annually and construction plans have already been approved for 13 new units to be completed during 1943. I feel that business will either go forward or backward in 1943, and that it will not be a case of simply maintaining the "status quo."

Our country enters upon the New York richly endowed with worldly blessings. Full employment exists for most of our people and at good



York richly endowed with worldly blessings. Full employment exists for most of our people and at good wages. They possess a high degree of purchasing power eager to acquire consumer merchandise of honest quality at fair prices. Our farmers are blessed with substantial means, and will continue to receive high prices for their commodities. Our nation's natural resources are unlimited. Billions of dollars are pent up awaiting the "green light" for industrial and many phases of commercial expansion. The building of homes and the replacement of general obsolescence will create a further flow of billions of dollars into our economy. lars into our economy.

All of the foregoing adds up to real prosperity, if we can wisely put to use these fundamentals in 1948. However, the impact upon our present existing economy by what actually does occur at home and abroad will either push us forward to new horizons of prosperity, or push us backward. We can move towards these new horizons of prosperity provided we can break the backbone of existing high prices and the present high cost of living.

The present serious impact of consumer resistance to high prices will continue to expand, and a greater consumer consciousness as to proper quality for the prices they want to pay will also become far more evident in 1948 than existed in 1947.

The shoe and leather industry also finds itself beginning 1948 treading on a dangerous plateau of high prices. The shoe retailer is already in a "tight squeeze" being burdened with continued mounting costs in every branch of its retail operation. He cannot further narrow his present mark-up neither can he price himself out of business. The remedy rests, therefore, with the tanner and the shoe manufacturer, and those actually entrusted with the job of finishing the product. In the shoe industry today it is no longer a matter of greater production, but proper production—production as it relates to proper but proper production—production as it relates to proper quality, style, and workmanship, and at prices that will justify consumer acceptance. Manufacturers in all lines of consumer goods, who cannot meet these needs of the hour, more than likely will be by-passed during the year 1948 cut of dire necessity.

Realizing that our country's two major problems to overcome this year are political and economic, I am confident that our democratic system of government, which is government for the people and by the people, and that our free enterprise system in our democratic government will certainly solve both our political problem and our economic problem.

JOSEPH L. EGAN

President, The Western Union Telegraph Company

In 1948 Western Union will proceed with all possible speed in carrying out its nationwide mechanization program on which s.eady progress was made last year. This program will result in materially improved speed and capacity and greater efficiency of telegraph service.

Two ultra-modern nush-button switching centers were installed at Philadelphia and Cincinnation 1941, and deliber to the high-speed switching to the high

in addition to the high-speed switching systems already in use at Richmond, Atlanta, St. Louis, Dallas and

When the mechanization program is completed, switching centers in 16 major cities will comprise the na-tional network, with each center serving an area of several states.

Through the push-button switching system, telegrams will flash to all parts of the country with vastly

Joseph L. Egan greater speed and efficiency. This system speeds telegrams to their cestinations by the mere pushing of a button, where under the old method each message had to be retransmitted manually at central offices. With the new system each message will be typed only once, at the point of origin.

The telegraph company also is expanding its fre-The telegraph company also is expanding its frequency-modulation carrier systems to increase the capacity of its network in all parts of the country. In the first nine months of 1947 Western Union added a capacity of 275,000 channel miles to the 200 000 channels miles in operation at the beginning of the year. The installation of carrier systems is proceeding in 1948.

During 1947, a 150-kilocycle carrier system was developed specifically for use on the radio beam telegraph system. The 150 kc band is subdivided into voice-frequency bands which will accommodate telegraph, telephone or facsimile transmission. Each of these 150 kc systems is capable of providing 576 teleprinter channels operating in each direction.

operating in each direction.

Radio towers spaced 30 to 50 miles apart have been

erected and associated equipment has been installed in the New York-Philadelphia-Washington-Pittsburgh tri-angular radio beam network. At present the New York-Philadelphia section is in experimental traffic operation and will be followed by tests of the New York-Washington, New York-Pittsburgh and Washington-Pittsburgh

The Telecar, the nation's first radio-telegraph car, has had a successful tryout in the Baltimore suburbs. The Telecar cruises in an assigned residential area, receiving Telecar cruises in an assigned residential area, receiving telegrams over a radio system from a Telefax sending machine in the main Western Union office in Baltimore. Messages are received automatically on the Telefax recorder located under the instrument panel of the Telecar. As each message is received the Telecar is on its way to effect delivery to the addressee. Telegrams picked up by the messenger in the Telecar are immediately transmitted by radio to the Western Union main office where they are flashed to their destinations.

A small, simplified Telefax machine developed in 1947 is known as the "Teletape." A single line message up to 16 inches in length is written in longhand on tape in the machine and a button pressed to start transmission. The sent message is reproduced in facsimile in a matter of seconds by a similar "Teletape" machine at the receiving end. Some idea of the future usefulness of this machine is given by the fact that a large bank uses it for the rapid exchange of information between points in its

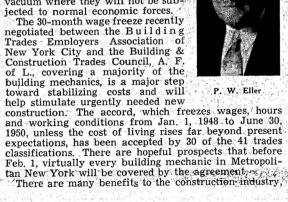
PETER W. ELLER

Vice-Chairman, Board of Directors, Thompson-Starrett Company, Inc.

The \$15 billion a year building and construction industry is an integral part of American industry and as the general economic structure of the nation governs all industry's costs, so too does it directly control building costs

ing costs.

There is no indication at this time There is no indication at this time that construction costs will be reduced in the foreseeable future. It is inevitable that our cost must parallel, to a degree, the present inflationary trends. It is impossible to isolate construction costs in a vacuum where they will not be subjected to normal economic forces. jected to normal economic forces.



labor, the investor and the public generally to be derived from the agreeemnt. It is significant that this unprecedented accord, the first of its kind in any major unprecedented accord, the first of its kind in any major industry, was negotiated between labor and management in construction at a time when living costs are rising and unpredictable. It could well set a pattern for other industries as an effective stabilizing influence and a potent check on inflation.

Already there are indications that leaders in the construction industry in other cities may follow the example of New York and negotiate similar stabilization pacts with labor.

pacts with labor.

The New York wage-freeze agreement should reassure prospective investors in building, as a basis for calculating labor costs is afforded over a long period. Potentially, perhaps the outstanding features are the joint pledges of labor and management to provide an joint pleages of labor and management to provide an adequate supply of building mechanics through apprentice training; to lower costs where possible through increased man-hour productivity, and to encourage the use of all machinery, tools, appliances, or methods which

use of all machinery, tools, appliances, or methods which may be practical.

There have been many cost problems to confront the industry in the postwar era that have been vigorously dealt with by consruction men. Through our efforts we are bringing about stabilization. Unfortunately, government restrictions have hampered postwar building. Slowly these dilatory legislative acts have been lifted and the industry is breaking forth into a new era wherein the volume of business is steadily increasing. Therefore, any further thoughts of shackling legislation, which only breeds black market activities and increases which only breeds black market activities and increases construction costs, should be abandoned for the good of the country.

There has been a critical shortage of building materials until only recently. This condition has been greatly alleviated. In a great majority of cases, materials are

rials until only recently. This condition has been greatly alleviated. In a great majority of cases, materials are reaching projects as needed.

It has been a popular pastime to blast the construction industry with repeated charges of low productivity of labor: There have been isolated cases of production falling below prewar levels, but in my experience, labor is giving a good day's work and in many instances new production records have been set with today's improved construction methods. There is no fair basis of comparing today's man-hour production with prewar standards when you consider the greatly advanced age of the average mechanic, and construction design.

Labor costs have risen, but the percentage increase has been less than in many other major industries. A comprehensive study made by the Building Trades Employers Association revealed that in 21 selected industries wage scales have increased 69% since 1941; that labor for a man's suit is up 83%, for shoes 98.4%, and labor for automobiles is up 65.7%, yet the total rise in hourly wages for the building trades in New York City from 1941 to 1947 was only 40%.

Yes, the building industry has a proud record and continues to improve its methods to achieve even greater accomplishments. This steady progress is evidenced not only in speed of construction, but also by architects and engineers who are developing new procedures and designs for homes; commercial and industrial buildings. There are still a few matters to be ironed out in our industry as there are in every other progressive field, but we have many factors at work to overcome these hindrances.

It is to be hoped that the estimated \$2.250,000,000

hindrances.

It is to be hoped that the estimated \$2,250,000,000 worth of essential construction needed in Metropolitan New York will be booming before long.

CRAWFORD H. ELLIS

President, Pan-American Life Insurance Company

I look upon the year 1948 with considerable misgiving

I look upon the year 1948 with considerable misgiving. I have been through several panics and they are usually preceded by an unreasonable boom. Aside from this, the politicians and labor union leaders of this country are dragging it to a point where it will be impossible for business and living to ever return to normal conditions. We have no statesmen any more—we have politicians; and the labor union leaders of the country have lost their equilibrium and are demanding an increase in wages from time to time which, of course, is the fundamental cause of the rise in the cost of living. cost of living.

The average salaried man, no mat-

ter who he might be, is at the mercy of the politicians and labor union leaders, and I do not know where we shall land. I do not know of any

we shall land. I do not know of any salaried man today who does not have to use some of his capital in order to make ends meet because of the high cost of living due to the labor union leaders and politicians, as well as the excessive income taxes which we all have to pay.

This unreasonable to believe that we should continue

which we all have to pay.

It is unreasonable to believe that we should continue to pay such high taxes nearly three years after the war is ended. We should let posterity pay for the war through which we have lost so many of our fine young men, and not require the present generation to pay for it. Taxes are simply outrageous and there is no excuse whatever for this. Expenditures in Washington are also out of all reason, and unless we elect some strong man as President who will be a real executive and reduce the expenses of the operation of our government, I do not know what will became of us. This is a wonderful (Continued on page 40)



sumption stood at about 89 of personal income after taxes. By the second quarter of 1947, personal consumption had increased to 95%. If personal consumption were to increase in 1948 to practically 100% of personal income after taxes, and if Federal income after taxes, and if Federal income after taxes, and if Federal income taxes were to be reduced by 20% effective retroactively to Jan. 1, then the present volume of business production could be maintained with a total expenditure by business for plant, equipment, and inventories at a rate equal to that for the third quarter of 1947—\$26 billions per armum. Incidentally, it was the volume of capital demand resulting from this level of expenditures that was a major influence in bringing about furinfluence in bringing about further increases in interest rates last

On the other hand, it is unlikely that personal consumption will advance to 100% of personal income after taxes, and it is more unlikely that we will meet with any such tax reduction. If, however, personal consumption is maintained at 95% of personal income after taxes, and if Federal individual income taxes are reduced by 10% effective July 1st, then it would be necessary for business expenditures to be at an annual rate of \$35 to \$40 billions. On the other hand, it is unlikely annual rate of \$35 to \$40 billions.

In short it seems to me that the conditions for continuing the boom are becoming more and more dif-ficult to maintain. This is because a continuance of the boom seems to require a sequence of events as

Individuals must be willing to spend a higher proportion of their

spend a higher proportion of their income after taxes.

Business must be willing to expand plant, equipment, and inventory at a substantially higher rate.

Individuals and business must go deeper into debt.

Banks, and other investors, must be willing and able to extend more credit in the face of increas-ing risks, and at a higher cost of bank reserves.

The Government must be willing to continue to support the whole structure of Treasury securities' prices.

OR

If the boom is to change in an developments seem necessary:

The Government must bring its house in order quickly, by reducing a host of luxury expenditures, instead of endeavoring to find ways and means to maintain or add to such expenditures.

The Government must radically change its parity support program for the unnecessary support of high farm and other commodity

Commodity prices, in general, must retreat without disturbing the boom psychology of businessmen and individuals.

Labor must be willing to increase its unit productivity in order that more goods may be produced for the same labor cost.

AND

by the Congress must increase the rease than will those of most

In closing, it is possibly perti-nent to add the following observa-ions: If the Government mainains an annual rate of expendi-ures of from \$35 to \$40 billions; f it narrows the tax base by emoving millions of people from he tax rolls; if it reduces taxes where there are votes instead of savings; then the impact on Treasury receipts from a moderate down-turn in business will be more charm they heretafore. It more sharp than heretofore. would not take a major recession to turn a budget surplus into a substantial deficit.

substantial deficit.

But, while most of us will agree that it is proper to give to ERP and to the retirement of public debt a chief priority relative to tax reduction, the investment requirements of trust funds and agency accounts effectively provide for the retirement of publicly-held debt. The budgeted figures of the investment requirements of these accounts total \$3 billions per annum. This will provide for the reduction of several billions in the reduction of several billions in the several billions eral billions in publicly-held debt, even in the circumstance that the Government budget shows a small deficit.

In the beginning, I differenti-ated among interest rates with respect to types of credit. My con-clusions are as follows: One, the rate on short-term and

onle, the rate on short-term and long-term Treasury securities may increase, over the near term future, by small fractions, but the higher rates are likely to prevail only as the capital and credit demand remains at its current or a higher level. When these demands diminish, then chances favor that these interest rates will again de-cline, and that this decline will

be led by the short-term rate.
Two, other short-term interest rates, such as those on prime comnercial paper, commercial loans of one year or less, and bankers' acceptances, should move somewhat higher and should be somewhat slower to follow any reversal of trend on the part of Treasury securities

Three, the rates for longer-term or serial business loans are apt orderly manner to a period of actor follow the pattern set by short-tive business with stable prices, it seems to me that the following celebrated increases in the rates celebrated increases in the rates for longer-term obligations. Some businesses will find that long-term bank credit has become unavailable. As a group, these rates may be somewhat more responsive to any reversal on the part of Treasury securities than would be true of business loans of one-year term or less.

Four, interest rates on longerterm loans or securities, such as find placement with insurance companies and savings banks, may increase over the near term, but will be quickly responsive to any reversal of trend in the yields of Treasury securities.

Five, while real estate loans will continue to be dominated by the policies of certain governmental bureaus, I would guess that these The reduction in taxes enacted rates will be more likely to in-

commodity prices and living costs may increase by 10% over the volume of production may increase from 3% to 5%. Should prices advance by 10%, and the volume of production increase by 5%, then an overall analysis of our conomic budget requires some corresponding increase in the expenditures of business and of individuals for personal consumption.

Early in 1946 personal consumption had increased to 95%. If personal consumption were to increase to the consumption had increased to 95%. If personal consumption had increased to 95% had the following the resulting savings may be more resistant to a reversal of trend in the yields of Treasury securities.

Finally, if we lump together, in one basket, all of the different rates applicable to prime credits, income after taxes in those bracks where the resulting savings consumption to measure the probability of these various happened to prime credits, and that these rates may be more resistant to a reversal of trend in the yields of Treasury securities.

Finally, if we lump together, in one basket, all of the different rates applicable to prime credits, the increase in

is a Corporation

COLUMBUS, OHIO — A new corporation, W. M. Zuber & Co. Inc., has been formed with offices at 16 East Broad Street. Officers are Walter M. Zuber, President and Treasurer; Edwin P. Schneider and James F. Crum, Vice-Presidents, and William J. Eschleman, Secretary. Mr. Zuber was associated as manager of the trad- York City.

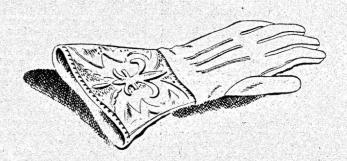
W. M. Zuber & Co. Now ing department. Mr. Crum was a stock trader for Vercoe & Co.

Caswell Co. Admits

CHICAGO, ILL. — Caswell & Co., 120 South La Salle Street, has admitted Robert C. Caswell to partnership in the firm. CHICAGO, ILL. - Caswell &

Kruge Sole Proprietor Walter C. Kruge is now sole formerly proprietor of the firm, proprietor of the firm of James D. with which Mr. Schneider was Cleland Co., 50 Broadway, New

ACCEPTS THE CHALLENGE



The American people are demanding more of the petroleum industry than ever before. More people are driving more. More oil-heated homes, more conversions of big industries to oil, more farm machinery, more Diesel locomotives and giant airliners. More products now come from oil-plastics and paints and insect sprays and chemicals.

The oil companies of America are setting new all-time records in production and refining, finding new ways to bring you more and better oil products, at world's fairest prices.

But while expanding as fast as possible, transportation facilities are currently so sorely pressed that the demand for products is running ahead of record supply in some places.

The oil industry is investing 4 billion dollars in new equipment for production, refining and distribution. How soon all this new equipment can be put to work depends on how fast other industries are able to provide the necessary materials.

The oil industry made a magnificent record in 1947 in spite of great handicaps, and now it gladly accepts the challenge to achieve even greater accomplishments in 1948.

THE PURE OIL COMPANY



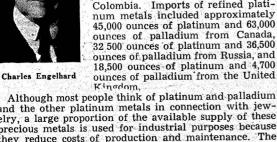
(Continued from page 38) country and, if properly run, there is no reason why the merchant, farmer and every one cannot enjoy a good living at a reasonable cost; but every thing is entirely out of line and it will take many years of good guidance to bring us back to a normal condition.

CHARLES ENGELHARD President, Baker & Co., Inc.

World demand for platinum metals has been maintained at a high level this year, with United States consumption estimated at 375,000 ounces including approximately 200,000 ounces platinum and 150,000 ounces palladium.

Although the United States is the largest consumer of platinum metals, industrial reconstruction in Europe requires large quantities of these

United States imports during the United States imports during the first 10 months of 1947 approximated 260,000 ounces of platinum metals in all forms including 44,500 ounces in unrefined materials, mostly from Colombia. Imports of refined platinum metals included approximately 5,000 ounces of platinum and 63,000



Although most people think of platinum and palladium and the other platinum metals in connection with jewelry, a large proportion of the available supply of these precious metals is used for industrial purposes because they reduce costs of production and maintenance. The economic advantage of using platinum metals for critical parts of equipment is well recognized by producers of rayon, glass and electrical instruments, and manufacturers in other fields are giving increasing attention to the money-saving possibilities of platinum metals. The development and perfection of bi-metallic products comprising a base metal faced with platinum has enabled users to employ these previous metals to a better advantage.

vantage.

The rayon industry continues to be one of platinum's most enthusiastic users. The economy of this metal alloyed with rhodium is demonstrated by its constant use as spinnerets which are utilized in generating rayon fibers used in the manufacture of clothing fabrics, tire "cord" and many other items. These spinnerets are fine examples of the excellent fabricating qualities of the platinum metals as over 15,000 holes of about 2½ thousands of an inch in diameter are not uncommon in a spinneret of 2½ inches in diameter. Fireproof fabrics such as the new covers for ironing boards are made from glass fiber produced from orifices of platinum metals. In the mass production of electric light bulbs molten glass is fed continuously by feeder dies of platinum metals. num metals.

num metals.

We are constantly learning more about the vital role that vitamins and hormones play in our daily existence. Few people realize, however, that their production at low cost through chemistry depends upon use of the platinum metals as catalysts in a complicated process requiring utmost care to obtain quality and high purity in the finished product. Lower operating temperatures and pressures are possible with catalysts of platinum metals, and this contributes importantly to safe operation.

All the platinum metals are used in production of jewelry and other adornments. Alloys of platinum hardened with iridium have been used for a long time hardened with Iridium have been used for a long time in the most expensive type of diamond-set jewelry. During recent years an increasing quantity of jewelry has employed an alloy of 95% palladium and 5% ruthenium. Wedding and engagement rings made of this material have the strength and whiteness desirable for this type of jewelry and palladium also has lightness to save weight in earrings, brooches and other large pieces. The versatility of palladium has been further demonstrated by the recent development of palladium-filled jewelry. Palladium-filled is 1/20th precious palladium on a base metal such as nickel. This new product is in regular production for use in compacts, cigarette cases, watch cases and many other specialties.

The jewelers have found rhodium plate increasingly oppular for costume jewelry. In spite of rhodium's high cost, a very thin layer of it may be plated on most any base metal, furnishing a very bright and rich looking finish, yet relatively inexpensive. Many items such as lighters, razors, and countless pieces of costume jewelry, have a finish of rhodium plate. Rhodium plating is being used in production of a front-surface mirror. This new type of construction eliminates the error of refrac-tion and secondary image found in conventional mirrors. Rhodium has the highest reflectivity of the platinum group metals and its hardness and abrasion resistance make it ideal for optical instruments.

The immediate demand for platinum and other platinum metals shows no signs of slackening. Research and development continue to find new applications for these development continue to find new applications for these metals which are assuming an important role in modern industry. I do not believe there is a research laboratory of any importance anywhere which does not consider the employment of the platinum metals, particularly in their purest state, to reach that perfection in quality which eventually will lead to, and form the basis of, remarkable developments in industry.

BENJAMIN F. FAIRLESS

President, United States Steel Corporation

As of Jan. 1, 1948, United States Steel had a rated annual capacity for the production of steel ingots and casting amounting to 31,226,200 net tons. This capacity represents a net increase of 3,431,200 tons, or 12.3%, since Jan. 1, 1940. The Corporation's rated annual blast furnace capacity at Jan. 1, 1948, amounted to 24,860.

at Jan. 1, 1948, amounted to 24,860,-500 net tons of pig iron and other ferrous products, a net increase in the past eight years of 2,494,700 tons, or more than 11%.

The foregoing figures do not include 300,000 net tons of additional

clude 300,000 net tons of additional steel producing capacity and 1,000,000 tons of additional blast furnace capacity which are now in course of installation by United States Steel.

United States Steel actually had added 7,537,600 net tons to its steel producing capacity during this eight year period, an increase of 27.1%. The corresponding increase in blast furnace capacity during this period tons, or 26.5%. Thus United States Steel has increased its basic productive capacity by more

was 5,932,500 net tons, or 26.5%. Thus United States Steel has increased its basic productive capacity by more than one-fourth during the war and postwar years.

The foregoing net increases in capacity represent smaller tonnages than these actual additions largely because obsolete facilities were taken out of production following their intensive use during World War II, and also because further facilities were sold by United States Steel to other steel companies. These last mentioned facilities, having an annual capacity of 1,292,000 net tons of steel and 1,841,100 net tons of pig iron, have not been lost to the country, as they now are being operated

tons of steel and 1,841,100 net tons of pig iron, have not been lost to the country, as they now are being operated under their new ownership.

The increase in the rated annual steel ingot and castings capacity of United States Steel since Jan. 1, 1947, amounts to 1,679,000 net tons. This increase reflects additions to facilities, as well as restoring to active status certain marginal steel producing facilities which have been kept in operation, although previously authorized to be dismantled, and also includes the full capacity of the steel mill at Geneva, Utah, purchased by United States Steel from the Government in 1946.

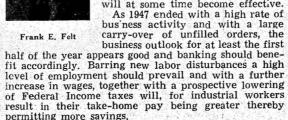


Vice-President, The First Nat'l Bank, Jamestown, N. Y.

Due to uncertainties which loom ahead, bankers are in somewhat of a quandary as to the accuracy in establishing this year's budget. With recollections of how prognostications a year ago were far wide of the mark 1s small wonder that one is not inclined to venture an outright prediction for the future and possibly the only course is to hazard a guess and enterto; the hope that it will

and entertain the hope that it will eventually prove fairly accurate. In endeavoring to evaluate this year's earnings, due consideration

must be given to such action as governmental authorities may take to restrict banks' loaning practices. We have recently been aware of a dras-tic suggestion in that respect and undoubtedly less severe regulations will at some time become effective.



result in their take-nome pay some germitting more savings.

With favorable weather conditions and high prices due to the demand for food products both here and abroad, farmers should enjoy prosperity to the advantage

banks in rural districts.

The demand for loans should continue The demand for loans should continue (unless restrictions are imposed) and with a big building year indicated there will be a large demand for mortgages.

The long decline in interest rates has been arrested and some hardening has occurred with prospects of further increases.

ther increases

The sharp decline in prices of government, municipal and corporate bonds now affords new purchases at a greater yield. A source of additional income may be found in the government bond portfolio. Because of the price decline it may be possible to discover situations where the sale of one issue and purchase of another would result in an increased yield providing a slight extension of maturity or call date did not prove a determent. Smaller banks who are in the high income tax bracket could profitably explore the possibility of higher earnings by an exchange of taxable corporate bonds for tax-exempt issues which now appear to be selling at attractive prices. True earnings are what remains after payment of taxes and due consideration should be given thereto in this period of high income taxes.

Adverse factors in bank earnings are the increased The sharp decline in prices of government, municipal

Adverse factors in bank earnings are the increased costs of operations as high prices for equipment and supplies, together with an increased salary and wage scale will have an impact thereon. Also profits derived from the sale of securities will be a far cry from the past few

years and recoveries on previously charged-off assets will be at a dwindling rate.

As the year progresses, situations will undoubtedly arise that will tend to make bankers cautious in their loaning and investment policies but upon striking a balance between the now seen favorable and unfavorable factors it would seem that banking can take a reasonably optimistic attitude for 1948.

WILLIAM J. FIELD

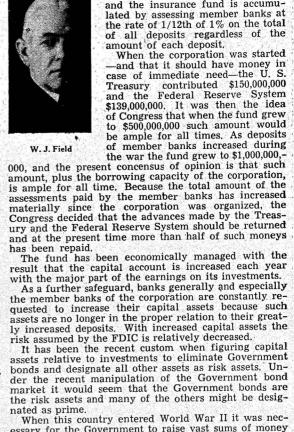
President, Commercial Trust Company of New Jersey

Are country banks entirely forgotten? Some reasons

The Federal Deposit Insurance Corporation was organized to insure the safety of small depositors doing business with the banks of the

country

Deposits are insured up to \$5,000 and the insurance fund is accumulated by assessing member banks at the rate of 1/12th of 1% on the total



market it would seem that the Government bonds are the risk assets and many of the others might be designated as prime.

When this country entered World War II it was necessary for the Government to raise vast sums of money to finance the war and while a large portion was received from taxation it, was necessary to issue, and sell bonds for the balance. Bonds were issued at various times as necessity dictated and were offered for public subscription. In every case the amounts offered were oversubscribed and consequently bonds were allotted for a percentage of each subscription. Banks purchased these bonds at par and the Government left the money in the banks until such time as it was needed. As the Government was always in funds the banks enjoyed a reasonable use of these Government deposits which were free of reserve requirements and FDIC assessment, but were secured with bonds deposited with the Federal Reserve Bank.

As practically all business was conducted for war purposes the banks had little commercial use for these Government deposits. Consequently the banks would purchase additional Government obligations but always in the open market and at a premium. As there was a good demand for these obligations by the banks and as many other subscribers immediately sold their bonds at a premium the banks bought additional amounts.

As the interest rates were higher on the longer term bonds, and as banks needed income which was not available otherwise, they purchased a goodly proportion of their portfolio in long-term maturities. These purchases had the tendency of sustaining the bond market and increased the desire of the public to oversubscribe additional issues.

In recent times, when the banks were buying, the

creased the desire of the public to oversubscribe additional issues.

In recent times, when the banks were buying, the Government sold at high premiums large quantities of bonds held in their trust funds such as the insurance fund, social security fund and the FDIC fund. The bonds sold represented the investment of idle moneys in such funds. The assumption was that as these moneys were held in trust for a particular purpose, the investments being safe and legal for such funds, such investments would be retained until such time as money might be needed. Insofar as the FDIC moneys are concerned such time has not arrived and the possibility of its arrival is quite remote. quite remote

quite remote.

In early 1947 the Treasury and the Federal Reserve System believed Government obligations were selling too high and withdrew support in order to depress bond prices, but before getting this movement well under way the Treasury sold all Government bond investments held by the trust funds thereby reaping a considerable profit. The selling by the Treasury caused others to sell, with the result of depressing market prices to a point where

(Continued on page 42)







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Long-Range Demand for Capital

(Continued from page 2)

will undoubtedly be to postpone the age of retirement. Furthermore, the proportion of women in the workforce is more likely to increase rather than to dron. Finally, the reduction in hours of work and the spread of the Saturday holiday increases the proportion of the population which is willing to be in the workforce. If reproducible wealth per worker continues to increase at the rate of 2% per year, it will

worker continues to increase at the rate of 2% per year, it will rise from a present level of around \$390 billion to approximately \$913 billion in 1990. This is a somewhat slower rate of increase than in the past, but it reflects the slower rate of population growth which may be anticipated. According to this estimate reproduc ble wealth would increase only 2.34 times in the next 43 years. During the 40 years between 1889 and 1929, it increased well over six-fold.

There is another way of projecting the past trends for the purpose of making a tentative estimate of the future volume of reproducible wealth. It is based upon the relationship between the national income and reproducible wealth. There are two ways of viewing this relationship. Reproducible wealth may be looked at as a way of producing income or as the result of a demand which is created by income. At the present time the national income is about \$200 billion a year. If it continues to increase at the rate of 2% per capita per year as it

ent time the national income is about \$200 b.llion a year. If it continues to increase at the rate of 2% per capita per year, as it did during much of the 19th century, the national income in 1990 in terms of 1947 dollars will be slightly more than \$541 billion, or roughly \$3,250 per capita. During the decade before the war however, output per manhour has increased nearly 4% per year. If income should increase only 3% per capita per year, the national income in 1990 in terms of 1947 dollars would be approximately \$824 billion, or \$5,000 per capita. In the past about 25% of the national income has been spent to compensate property. This return on property has been sufficient to maintain the volume of reproducible wealth outside of households at 1.5 to over 2 times the size of the annual product. There seems to be a slow tendency for the ratio of reproducible wealth to the annual product to decline. If the national income in 1990 is \$541 billion, a ratio of 1.5 times this amount would indicate reproducible wealth outside of households of \$811 billion. If the national income were to increase at the rate of 3% per capita a year, the same ratio would give reproducible wealth of \$1,236 billion. On the basis of these two methods of projecting past trends I reach three ten'ative estimates of reproducible wealth outside of households in the year 1990:

I reach three tentative estimates of reproducible wealth outside of households in the year 1990: \$913 billion based upon a projection of past increases of reproducible wealth per worker; \$811 billion based upon a ratio of 1½ times the national income with the national income increasing at the rate of 2% per capita per year;

\$1,236 billion based upon a 1.5 ratio to the national income with the national income increasing at the rate of 3% per capita per year.

the rate of 3% per capita per year.

The lowest of these figures would give a rise of only \$421 billion in reproducible wealth outside of house of demand for investment seeking funds. The industrial revolution has now been side of house of demand for investment seeking funds. The industrial revolution has now been side of house of demand for investment seeking funds. The industrial revolution has now been side of house of demand for investment seeking funds. The industrial revolution has now been side of house of demand for investment seeking funds. The industrial revolution has now been side of house of demand for investment seeking funds. The industrial revolution has now been side of investment opport unities in the discoveries which open up the greatest investment opportunities have been made and that from now on technological progress will produce a smaller and smaller volume of investment opportunities.

(5) The powerful and aggressive labor movement. The United States has the most powerful and most aggressive labor movement the world has ever seen, and trade

found the correct figure for re-producible wealth in the year

Let us look at some of the influences which may impede the accumulation of reproducible wealth and let us attempt to appraise their importance. Then let us look at some of the influences which are likely to sustain the increase in capital. I include in the list of influences which may limit the growth of capital some conditions which competent and responsible thinkers believe will limit the growth regardless of whether or not I am in agreement with these thinkers. I include also some conditions which, even if not suggested by everyone else, appear to me to be worthy of consideration. The following conditions may limit the growth of capital:

(1) The drop in the rate of population growth. The increase in population affects the demand for capital because each worker requires a certain amount of plant, equipment, and inventory to enable him to produce. The more

for capital because each worker requires a certain amount of plant, equipment, and inventory to enable him to produce. The more abundant is capital in relation to workers, the greater is the marginal productivity of workers. Likewise, the more abundant workers in relation to capital, the higher is the marginal productivity of capital. The tendency for capital to increase has always been limited by the fact that population has not been growing as rapidly as capital. In the future the increase in population will be even slower than in the past.

The rate of population growth has important indirect effects upon the increase in capital. The fact that the growth of population has been rapid has tremendously stimulated risky ventures because businessmen could count upon a large growth in population to protect them against mistakes in expanding plant or in introducing new articles. In this way population growth has made for business confidence and has encouraged managements to pioneer and to take chances. This protection against mistakes is diminishing in importance. As it diminishes, business will lose an important spur to expansion.

(2) The stiff progressive income

spur to expansion.

(2) The stiff progressive income tax. Some reduction in the tax tax. Some reduction in the tax may come during the next decade, but the tax will still be very stiff by prewar standards. Furthermore, it will probably continue to discriminate drastically against risky ventures. The rights of taxpayers to charge losses against profits are not likely to be sufficiently generous to prevent the

payers to charge losses against profits are not likely to be sufficiently generous to prevent the income tax from discouraging risk taking. Since new enterprises are particularly risky, the income tax will make it particularly hard for new concerns to raise capital. Thus it will make the economy less dynamic and less progressive.

(3) Slower development of natural resources. The best of the country's natural resources have already been developed. From now on additional raw materials will be obtained only at greatly increased costs. Scarcity of raw materials and high costs of extraction will limit the volume of investment opportunities within the United States.

(4) A decline in technological

(4) A decline in technological discovery as a source of demand for investment seeking funds. The

unions are the most powerful economic organizations which the country has ever possessed. They may be counted upon to reduce the lag between the rise of wages and the rise in the demand for labor, thus reducing the volume of investment opportunities and the demand for capital. Put in another way, unions may be expected to reduce the share of the national income going to property unions are the most powerful economic organizations which the country has ever possessed. They may be counted upon to reduce the lag between the rise of wages and the rise in the demand for labor, thus reducing the volume of investment opportunities and the demand for capital. Put in another way, unions may be expected to reduce the share of the national income going to property thereby reducing the amount of the capital which will be supported in relation to the national income. This means an increase in business risks and a further restriction on the growth of industry and the demand for capital.

(6) The shift in demand from comes rise, the demand for goods will be more and more a demand for services of various sorts. The service industries do not as a general rule use as much plant and equipment per dollar of output as do manufacturing, mining, transportation, and agriculture, at which the national income grows and this in turn will reduce the protection against mistakes

which business concerns receive from the growth of the national income. This means an increase in business risks and a further restriction on the growth of industry and the demand for capital.

(6) The shift in demand from commodities to services. As incomes rise, the demand for goods will be more and more a demand for services of various sorts. The service industries do not as a general rule use as much plant and the protection against mistakes crease in the demand for capital.

United States near to their source (Continued on page 43)

Capitalism on trial?

...CHEPUKHA!

Every now and then someone mounts the platform and tells us that the American capitalistic system is antiquated, out of step with world progress, on trial.

There is one plain answer to this kind of statement and the Russians have a word for it — "Chepukha." Its definition is everything that Al Smith used to wrap up in the expression, "Baloney."

What country has virtually all other countries knocking at its lunch boxes and safety deposit boxes?

What country is expected to help feed most of Europe and still maintain the world's highest standard of living at

What country outproduced all other economic systems in World War II, not to mention World War I?

What country's monetary system is recognized throughout the globe as the only real yardstick of value today?

What economic system has provided for its every-day citizens more automobiles, more bathtubs, more telephones, more hospitals, more schools - more proteins, more fats, more starches — than almost the rest of the world combined?

What economic system provides freedom of speech, freedom of the press, freedom of assembly, freedom from undue search and seizure, freedom to travel, freedom to vote, freedom to worship?

Capitalism on trial? Chepukha!

Cities Service is proud of its part in the American capitalistic system, the most self-reliant that the world has ever known, where the growth of business and of the individual is in direct proportion to service rendered in a free competitive market.



Cities Service Company

(Continued from page 40)

it was necessary for the Federal to again lend support to prevent the bonds breaking par. To aid the Federal, the Treasury began buying at the depressed prices, using the trust funds, to replace bonds sold at much higher prices. This speculation by the Treasury with trust funds, while showing a profit for such trusts, resulted in a considerable cost to the banks as their bonds purchased in good faith at a premium were so depressed

funds, while showing a profit for such trusts, resulted in a considerable cost to the banks as their bonds purchased in good faith at a premium were so depressed in the market as to wipe out most of such premiums and undoubtedly leave many bank Government bond portfolios in the red. These actions certainly increased the potential risk of the FDIC by undermining the safety of member banks relative to the loss on the market value of their Government bond holdings.

From this situation and the recent drop in the support price by the Federal Reserve System, it is obvious that should Government bonds be permitted to sell below par value it is questionable as to whether there would be a solvent bank in the country. It is true that the Federal Reserve System permits banks to hold bonds at the purchase price as long as there is proper amortization of premiums, but after all a bond is only worth what it will bring in the market. Much has been said in Washington regarding individuals subscribing for bonds when offered by the Treasury, carrying such bonds with a small margin and reaping a considerable profit on such bonds when sold. While such action might be questioned from a patriotic standpoint, it surely does not compare with the Federal Reserve System holding the bag for sales of bonds from trust funds and the relative increase in the inflation base when the Federal Reserve bag for sales of bonds from trust funds and the relative increase in the inflation base when the Federal Reserve issues additional funds for such purpose.

Banks have requested aid from the FDIC through the

Banks have requested aid from the FDIC through the reduction of deposit assessments, but without result. The net earnings of all banks have been considerably reduced because of high taxes, largely increased salaries and the greatly increased cost of all supplies, and the further increase of these costs is beyond contemplation. Should the FDIC cut present payments by the banks in half at this time, such cut would enable banks to meet the high costs of doing business and also enable banks to increase surplus and reserves, thus adding to capital assets, a condition much desired by the FDIC. As more than half of the advances made by the Treasury and the Federal Reserve System to the FDIC have been returned it might seem that there is no undue haste in returning the balance. At the same time it would take but a short extension of time to accomplish the desired result as half of the present assessment plus surplus earnings would only extend the time for the the desired result as half of the present assessment plus surplus earnings would only extend the time for the total amount now due to not more than one year. This time could be considerably shortened by requiring banks which were not members at the start of the FDIC, but have joined since, to pay full assessments for a certain number of years to somewhat balance the contributions made by the original members.

There seems to be no reason why your members should.

There seems to be no reason why new members should have a free ride by being insured with funds contributed by those banks which joined the fund at its inception. The Treasury now asks all banks to use every endeavor

to sell savings bonds, and the general idea advanced is that the proceeds of such sales will be used to redeem other more pressing government issues, although the idea has been advanced that such proceeds are used to refinance the Treasury for the purchase of gold imports which they desire to sterilize.

The selling of savings bonds by books is a labor of

which they desire to sterilize.

The selling of savings bonds by banks is a labor of love, because the banks receive no compensation for such selling. They are permitted to deposit the proceeds of such sales in a War Loan Account subject to withdrawal by the Treasury. During the war banks were not required to maintain reserves against such balances and the moneys were free of FDIC assessments. This cituation because it is a labor of love to provide the process. were not required to maintain reserves against such balances and the moneys were free of FDIC assessments. This situation, however, has now been changed. Reserves are now required and FDIC assessments are collected regardless of the fact that a bank having a War Loan Account must maintain with its Federal Reserve Bank high grade securities to insure to the Treasury the safety of such deposits. Reason would seem to dictate the elimination of FDIC charges for deposits secured with the best grade of bank assets.

Banks must be maintained in such a condition that there is no question of their being safe depositories for the funds of our people and business, and unless banks can be maintained on a profitable basis their safety is immediately jeopardized. After all reasonable costs of operation the stockholders whose money is the bank are entitled to some reasonable returns on their investments. Surplus and reserves must be increased regularly from operations as a guard against losses and depressions.

depressions.

From an economic standpoint, a constructive attitude to these several matters would add to the safety of our banking system and should have the immediate attention of Congress.

The bankers of the country must support the indepedent banking system which is the lifeblood of our free enterprise economy. To that end, they should educate their representatives in the Congress. Members of Congress are busy men and handle a multitude of different matters. They cannot be expected to know the details of banking economy and would undoubtedly the details of banking economy and would undoubtedly welcome advice from the home bank. What is everyday knowledge to the average banker is sometimes a complicated study to the average citizen. Therefore, to safeguard the probably 12 thousand or more small banks of the country, which seem to be forgotten under the present financial manipulations, it would seem necessary for the small banker to arise and shout for his future existence.

RAYMOND L. FITZGERALD Editor, "Boot and Shoe Recorder'

Indications point to a good shoe year in 1948, despite the fact that some observers look for a further decline in production from the 1947 total figure, which has been estimated at approximately 461,000,000 pairs. The alltime peak in snoe production in the United States was reached in 1946, when more than 525,000,000 pairs were manufactured. In that year the retail branch of the trade was rebuilding its inventories which had been depleted during the war and early postwar period due to the fact that manufacturers were devoting a large part of their productive capacity to the making of shoes for the armed forces.

The fact that piplines were beginning to be filled and retail stocks restored to a more normal basis was

The fact that piplines were beginning to be filled and retail stocks restored to a more normal basis was one of the reasons for the decline in 1947 and will also continue to be a factor affecting production in 1948. Another important factor is the increase in shoe prices that has followed increased hide, leather and labor costs, caused a considerable decline in consumption and

The decline in shoe production and consumption that The decline in shoe production and consumption that is expected to continue in 1948 is really less serious than might be inferred from the actual statistics because a large part of it has been in certain footwear classifications that enjoyed a very rapid growth in the war period, due to restrictions on normal shoe production. These included some of the so-called casual types manufactured by new processes and utilizing to a considerable extent materials other than leather. The 1947 decline inconventional types of leather shoes was relatively insignificant. significant.

Another compensating factor is to be found in the fact that while overall production in '47 showed a considerable decline, the figure was nevertheless third from the highest annual total production in the industry's history. The present outlook does not indicate any considerable further decline from 1947 figures, at least for the first half of 1048 the first half of 1948.

Prices of shoes are expected to remain at their present Prices of snoes are expected to remain at their present high levels or show some further advance at retail in the Spring season. There have been noteworthy declines in prices of certain hide classifications in the last few weeks of 1947 and these are beginning to be reflected in prices of heavier and medium weight leathers, but not in calfskins which are scarce and high-priced. The lower prices reflect seasonal conditions to some extent and indications point to a diminished cattle kill in 1948, which would tend to hold hide and leather prices up.

which would tend to hold inde and leather prices up. On the other hand, there are some indications pointing in the direction of increased imports of hides and skins. The trend of shoe prices will undoubtedly be determined by the net results of these various demand and supply factors, but no great change in the picture appears probable during the early months of 1948.

JOSEPH W. FRAZER

President, Kaiser-Frazer Corporation

The year 1948 should see the nation's automotive in

The year 1948 should see the nation's automotive industry produce approximately 5,000,000 passenger cars to break a record which has stood for eighteen years.

In 1929 the industry made 4,587,400 passenger cars, an all-time high. Now we are faced with the challenge of topping this figure. The key factor in achieving the necessary production will be steel. Mills all over America must produce sufficient sheet steel for the industry's needs if goals are to be

Passenger car production in 1947 will be over 3,500,000. In 1946 the total was negligible, only slightly over 2,000,000. We have made little

over 2,000,000. We have made little more than a dent in the demand that was built up during the war years. The foreign market has been affected by a shortage of dollars, but at home the public is hungry for cars. A "sellers' market" for the industry in 1948 is assured.

The full realization of the industry's potential could not be attained if the nation were hampered by government controls and rationing. Our entire economy would suffer under such conditions. A look at present-day Europe should teach us this lesson. During a visit to that continent last summer, I saw business and production crippled in a number of nations by government controls. But Switzerland, Belgium, Sweden and some other countries presented a striking contrast. There the economies were relatively free and the people were getting things done.

All-out, unfettered production as a means of achiev All-out, unfettered production as a means of achieving manufacturing economies is a fundamental tenet that cannot be stressed too often. It is the only way the industry can make cars available to the public at lower prices. Present automobile prices are largely the result of labor and material costs. Should these costs go higher, their effect might force automobile prices up.

Our nation is now enjoying a healthy postwar economy. The 60,000,000 job level is holding and industrial activity in 1948 will be high, government sources indicate. Steel industry spokesmen place ingot production at a new postwar peak, about 98 per cent of capacity. Consequently, the outlook for the automotive industry

on the whole is optimistic. The industry, working and producing under this nation's traditional free enterprise system, must take imaginative and determined action to meet its schedules.

Kaiser-Frazer Corporation enters 1948 with confidence that it can be a banner year. In 1947 we became the fourth largest automobile producer in the world, making about 145,000 cars. It is our intention to more than double that figure in 1948. January production schedules call for 1,000 cars a day. By mid-summer we plan to increase this output to 1,500 daily and 2,000 a day later in the year. in the year.

Our climb to leading position among the automobile company independents is illustrated by the fact that in January, 1947, we produced 7,141 cars as compared to 18,701 in October.

's employee relations have been good, and we expect them to continue good. Safe, clean work conditions have been provided for our nearly 200,000 employees. Hundreds of workers have been promoted from the ranks. Our 1947 employees' security trust fund, into which we pay \$5 for every car made, amounted to \$650,889. It was distributed before Christmas to members of the United Automobile Workers, CIO.

Amid every indication of continued business prosperity, the automotive industry will buckle down and do its job if it is given a free hand by the government and enough steel from the mills. The challenge to our initiative is a great one. Now let's roll up our sleeves and get to work.

HARVEY C. FRUEHAUF

President, Fruehauf Trailer Company

The trailer industry is still; a comparatively young



The trailer industry is still a comparatively young industry and in my opinion still has plenty of room in which to grow—and my feeling is that it will continue to grow throughout 1948 and the years that follow:

For the truck-trailer itself has become a very necessary business tool. Virtually all long distance highway hauling is done with the trailer, as is a good percentage of intra-state and other shorter hauling. And new markets, applications of the trailer to rew uses, are constantly proving to rew uses, are constantly proving themselves.

Trailer Advantages

The reasons why trailers have come to occupy such a permanent, important place in the business life of America are very fundamental. First of all, the trailer is an eco-nomical tool. It enables a power unit

Harvey C. Fruehauf —by pulling rather than carrying—to move greater loads. Gasoline is saved, maintenance is lower, and the trailer outlives several tractor-trucks, thus cutting depreciation.

eral tractor-trucks, thus cutting depreciation.

In addition the truck-trailer is more flexible than a straight truck of anywhere the same capacity. It can be turned around in tight spots, can get to and from congested shipping terminals faster. Another valuable feature is the opportunity for one power unit to operate two or three trailers, due to the easy detachability.

In other words, while one trailer is being loaded at terminal "A" and a second is being unloaded at terminal "B," the tractor-truck can be enroute between "A" and "B." This is called the shuttle system and is in use in a good many trucking operations.

a good many trucking operations.

Keeping Pace With Modern Requirements

Meanwhile, trailer manufacturers have constantly endeavored to improve their units—increasing payload capacities by reducing the weight of the vehicle, adding new safety features, streamlining and refining appearance, increasing its overall efficiency.

Just as motor transport itself is an indispensable public service, so the truck-trailer is vital to the successful role which over-the-highway haulage is performing and will continue to perform.

One Fly in the Ointment

One Fly in the Ointment

There is only one fly in the ointment, so far as the trailer manufacturer is concerned, and this is the problem of mounting manufacturing costs. These costs have gone up, and are continuing to go up, in the mail, of course, because of labor's steadily increasing wages, for, after all, labor is the fundamental basis, the largest part, of all costs.

In 1936 the average hourly wage in the automotive industry was around 60 cents. Today it's around \$1.60—an increase of over 150% in approximately ten years. If labor is allowed to force wage increases on employers on the same scale during the next ten years, we can expect to be paying an average rate of \$4.\$4.50 in the automotive industry by 1958 or so! Think what that would do to our economy! Already we're suffering from a serious inflation brought about largely by the labor monopoly's unending demands for higher wages! Higher costs must be reflected in higher prices—which means that the customer, the public, must pay.

Got to Give in Order to Receive

I know that businessmen are going to continue to do everything in their power to improve efficiency and manufacturing methods in order to give customers the best dollar value they can. But considerable cooperation along this same line is needed from labor if the public is going to get any relief.

You've got to give in order to receive; you've got to

(Continued on page 44) apite!

Long-Range Demand for Capital

(Continued from page 41)

of raw materials. Others will be compelled to make greater use of transportation. The inaccessibility of some resources (o.l, for exam-ple) will increase the investment of some resources (oil, for example) will increase the investment per unit of product. No one knows whether the industrial revolution has made such progress that the discoveries which creates demand for investment-seeking funds have already been made. It seems likely that the industrial revolution is still in its infancy. The development of atomic power would seem to be quite as revolutionary as the development of power from steam, electricity, or internal combustion. That is a change which is still in the future. Although it is reasonable to assume that the rise in per capita income will produce a faster growth in the demand for services than in the demand for commodities, it is not clear that the kind of services demanded will not require a large amount of plant. One of the most insatiable of all demands seems to be the demand for transportation and travel. This appears to be the kind of demand, however, which can be met only by large additions to plant.

There are several important

additions to plant,
There are several important trends which will tend to sustain the demand for capital. The following seem to be the principal

lowing seem to be the principal ones:

(1) Technological change will be more rapid than ever. Expenditures on industrial research have been growing rapidly for some time. They increased ninefold between 1920 and 1940. In 1943, expenditures on industrial research were approximately double 1940. Some industrial research begets more research because if enterprise a spends money in this way its competitors must do the same thing or be left behind. Consequently, expenditures on research will continue to mount rapidly.

The growth of research will doubtless be accentuated by the rapidly increasing outlays of the government upon research. The government is engaged in keen military competition with Russia. It will be compelled to sponsor research in many different directions. Some of the discoveries will remain military secrets, but much of the work snonsored by the government work snon

tions. Some of the discoveries will remain military secrets, but much of the work sponsored by the government will have industrial application. Consequently, the military competition between the United States and Russia will stimulate the development of technology.

technology.

(2) The predominant type of invention has always been the labor-saving invention—that is, the type of invention which raises the marginal productivity of capital relative to the marginal productivity of labor. The reason for this is that the development of signals, controls, automatic stops and the like enable one worker to control more and more apparaand the like enable one worker to control more and more apparatus. Labor-saving inventions cause the ratio of capital to labor to increase. Consequently, the greater the proportion of inventions which are labor-saving rather than capital-saving, the greater is the demand for investment-seeking funds ment-seeking funds

In the future the pressure to make labor-saving inventions will be greater than in the past. Until recent years the upward pressure on wages from unions has been rather limited because union members were only a small part of the labor force. From now on the upward pressure of unions on wages will be strong. Consequently, the incentive to make labor-saving inventions will be greater than ever, The incentive to make labor-saving inventions will be increased also by the fact that machines are in large measure the product of other machines.

(3) The demand for capital will recent years the upward pressure

(3) The demand for capital will be sustained by greater and greater use of inflationary methods of financing the demand for capital.

Before the rise of the modern accurately to balance the influ-

materials. Others will be credit system, the production of led to make greater use of capital goods had to be financed by the voluntary savings of indi-viduals and the savings of busi-ness concerns. The industrial ness concerns. The industrial revolution created a chronic shortage of investment-seeking funds and led to the development of arrangements by which voluntary individual and business savings were supplemented by the expansion of credit. As a result, the quantity of money has increased several times faster than the volume of production ume of production.

ume of production.

Today the economy is better prepared than ever before to finance its capital needs by credit. Particularly if income tax rates remain high, as they are likely to do, voluntary savings will have increasing difficulty in competing with credit as a source of investment-seeking funds. Substantial sums will be available for term loans from commercial banks at rates which are too low to be acceptable to individual savers. This will facilitate the financing of capital needs by plowing back This will facilitate the financing of capital needs by plowing back earnings because enterprises will be able to expand their plant and equipment out of proceeds of term loans and then to pay off the loans from resulting earnings. Even more than in the past, the expansion of plant and production will increase the money supply and will put upward pressure on prices. The tendency for prices to rise will help sustain the return on capital and the demand for investment-seeking funds. It will help prevent trade unions, powerful as they are, from encroaching upon profits sufficiently to produce serious unemployment.

(4) The upward pressure on

duce serious unemployment.

(4) The upward pressure on prices is likely to be accentuated by government fiscal policy. From now on the United States will have a large military es'ablishment and the capital used by this cstablishment will have a high rate of obsolescence. The cost of the military establishment will be financed in considerable measure out of current revenue. Nevertheless, expenses of government will be so large that the government in the future will typically run in the red. During the 156 years from 1792 to 1947, the United States had 95 years of surplus in the Federal budget and 61 years of deficit. Taxes are now higher relative to incomes than at any time deficit. Taxes are now higher relative to incomes than at any time in the past. As incomes rise, the yield of taxes will, of course, also rise. Nevertheless, there is a strong probability that the voters will refuse to permit the government to meet its expenses out of current revenues except in very prosperous years. Hence, deficits are likely to be more frequent in are likely to be more frequent in the future than in the past. Since the propensity to save will remain low, the frequent deficits will probably lead to a creeping increase in the bank-held part of the national debt.

It is paradoxical, but true, that government surpluses can be in-flationary no less than govern-ment deficits. As the community becomes more and more aware the becomes more and more aware the strong upward pressures on prices, individuals will gradually become more reluctant to own fixed income securities. This will tend to concentrate the government debt in the hands of the banks, Repayments of bank-held debt will increase bank reserves and thus stimulate the expansion of bank credit and the growth of the money supply. If the money supply increases at a dangerously rapid rate, the inflationary effects of repaying bank debt can be avoided by paying off debt held by the Reserve Banks.

ences which are tending to limit demand and thus which are tending to increase it. Nor can one pretend to be able to see all of will be a much smaller creator of be able to see all of the long-run influences which will be important. Ten or twenty years from now (or perhaps sooner) the important gaps which this analysis contains will be evident. Some of the major assumptions will undoubtedly turn out to be will undoubtedly turn out to be correct. Nevertheless, I have no apologies for offering the analysis. All that one can do is to define as clearly as possible the principal conditions which are likely to determine the basic industrial trends.

(1) The growth of population will be a much smaller creator of demand for capital in the future than in the past. This will be true even though population increases during the next generation far faster than recent estimates indicate. cate.

(2) Technological discoveries will be a far more important in-Technological discoveries fluence in the future than in the past.

onditions which are likely to (3) Inflationary methods of tetrmine the basic industrial meeting the need for capital will be more important in the future. Three conclusions seem to me

pressure upon prices will be stronger than in the past.

If these were the only important influences affecting the demand for capital, one would feel fairly safe in predicting a very large demand and a very rapid increase in capital. There are, however, many important unpredictables. One, of course, is dictables. One, of course, is whether or not the world will have peace. A second is the policy of the government toward industry. Most people are not yet aware of the fact that the United States is a laboristic community. By this I mean a community in (Continued on page 45)

NEW JERSEY MEANS TO PROGRESS IN 1948

Progress is an acknowledged fact today in New Jersey.

Small in size, but large in residential, commercial and industrial growth, this manysided state offers unusual opportunities to its citizens, its businessmen and its manufacturers—and to you who wish to locate here.

During 1948, Public Service Corporation of New Jersey and its subsidiary companies will continue to participate actively in the steady growth of "The Garden State".



PUBLIC SERVICE CORPORATION OF NEW JERSEY

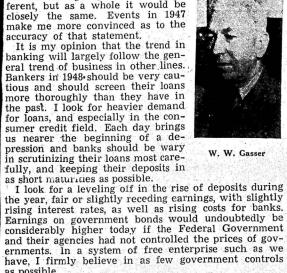
AND SUBSIDIARY COMPANIES

(Continued from page 42)

practice the Golden Rule in everyday business life in order to have things run properly. Too many people today are interested only in receiving and not in giving. That attitude has to change before we can expect to see proper values return in this country.

W. W. GASSER President, Gary National Bank

About a year ago I made a statement for the columns of the "Commercial and Financial Chronicle" on the outlook for 1947. At that time I thought the economic curve after World War II would follow largely the same pattern as that after World War I; that the timing might be a little different, but as a whole it would be closely the same. Events in 1947 make me more convinced as to the



ernments. In a system of free enterprise such as we have, I firmly believe in as few government controls as possible.

as possible.

In summary, I look for a continuation of rising prices and continued high business activity for the first few months of 1948, with slightly rising interest rates and higher costs. The latter part of the year could see the beginning of the first postwar depression. Banks generally are in the best financial position they have been in years and they should do everything within their power to keep as sound and as liquid as possible.

E. CHESTER GERSTEN

President, The Public National Bank & Trust Company of New York

As we in The Public National Bank & Trust Company of New York look forward in 1948, our broadly diversified clientele faces continued activity and good prospects for generally profitable trade. In capital goods, there are known shortages in the face of large demands. The replacement of production equipment, worn by years of war-stimulated over-activity, has not been adequately accomplished.

Our public utility companies are struggling to meet demands of thousands of homes already occupied. The housing of many more families, now doubled up or in emergency facilities, is pressing.

There is no over abundance of raw materials. In several agricultural and mineral lines, demand continues to exceed supply, and not in any foreseeable time can the situation be reversed.

foreseeable time can the situation be reversed.

E. Chester Gersten

The output of our industries is at a raoid pace, but at high cost and resulting high prices. Wages and prices must have a period of stability during which some basis of equilibrium can be attained. Responsibility on labor and business leadership, therefore, is of major importance now. Further wage increases and resulting unsettled price and labor conditions can interfere with our orderly progress.

No less important are the acts of Government in Washington. We need conscientious application to legislative

ington. We need conscientious application to legislative and executive requirements of honest economic government. This is no time for political tampering with the monetary, banking, and credit machinery of this complex and vast economy.

A most vital factor is within our own control. Each one of us, without relying upon action by others or by Government, must refrain from buying other than that strictly essential to increase production. We must restrain those desires that compete for available supplies, until production has time to catch up with demand, and thus increase the purchasing power of our income.

The banks will do their part, undoubtedly, by granting credit for only productive purposes which will not stimulate influences fostering the inflationary trend.

This is a crucial year in many ways, but it is not a time for discouragement if our people will have regard for and act in their own and the public welfare.

The outlook, over all, seems good to us, providing the vital factors mentioned above are not permitted to cause an upset. It is a time for conservative, but aggressive planning and action. Hard work will continue to pay out in sounder and greater prosperity.

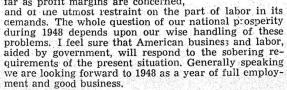
BERNARD F. GIMBEL President, Gimbel Brothers, Inc.

The inflationary tendencies evident in our national economy continue unabated. The government departments concerned estimate that personal consumption expenditures during 1948 will be at an even higher rate then during 1947.

ments concerned estimate that per expenditures during 1948 will be at a than during 1947.

Under these circumstances retail trade volume would normally be expected during 1948 to continue at levels at least as high as those experienced during the year now ending. However, every experienced merchant believes, I think, that sales are meeting consumer price resistance. No one has found a satisfactory solution to the problems created by the wage price spiral, which is reflected in the end not only in increased cost of living for the individual but in largely increased business operating expenses.

The situation calls for the utmost restraint on the part of business so far as profit margins are concerned, and or the utmost restraint on the p



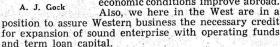


Chairman, Board of Directors, Bank of America National Trust and Savings Association

The task for those of us in the banking field during the coming year will most likely be much the same as it was during 1947. We shall continue to be called upon to furnish necessary sound credit for providing homes, employment, and business enterprise opportunity, and for the raising of

foods not only for America but also as much as possible for relief abroad.

Neither of these economic mands is likely to be eliminated in the year ahead. We have plenty to do in the performance of these immediate tasks; and, particularly here in the West, in planning for the years to come we can look Westward across the Pacific and lay our founacross the Pacific and lay our foundations for the flow of commerce with the Far East, which will increase slowly perhaps at first but expand to a tremendous volume as economic conditions improve abroad. Also, we here in the West are in a Nestern business the pressure gradity



We should do all in our power to encourage individual citizens to contribute to the common prosperity by looking to their own economic health, conserving their re-

ong to their own economic health, conserving their resources wisely, and regularly appropriating a part of their incomes for future security.

We must continue to be vigilant; and intelligence, faith, and patience will be even more important during the coming year if we are to accept our responsibilities and protect our opportunities in the American way.

CHARLES J. GRAHAM

President, The Pittsburgh & West Virginia Railway Co.

We enter 1948 with a feeling of greater confidence from a business standpoint than in any year since the end of the war. There is every indication of a better relationship be-

tween labor and management, brought about not only by a better understanding of their various problems but also by a full realization, on the part of both, of the importance of high productivity and continuous employment. Our entire economy is employment. Our entire economy is

dependent to a very large degree on the maintenance of both, and the present attitude indicates a deeper feeling of responsibility to the nation as a whole than ever before. Should this condition continue and we have

this condition continue and we have no serious labor disturbances, 1948 should be a very satisfactory year from every standpoint.

Of paramount importance to a continuance of such a condition, however, is a leveling off of prices in all commodities and of the cost of labor. The upward spiral of both must cease, if we are to have any degree of permanent stability.

We, in the railroad field, are striving for proper rates to give us a fair return. The increase so far authorized assures us of a better situation than we experienced in 1947. If the ICC finally decides to approve the increases requested, the railroads should then be on a par, from a profit standpoint, with industry generally and be in a position to improve and maintain their properties so es-

sential to the future development of the entire country. If labor and management work together as a team and reach a stabilization point in costs, we could then look forward to a long period of prosperity and the greatest development ever experienced in our history.

WILLIAM GREEN

President. American Federation of Labor

Labor's chief task in 1948 will be to oust the present stand-pat Congress and elect a new one which will be more responsive to the needs of the American people.

If we want lasting peace and real prosperity, must elect a government which is willing to face the realities of the domestic and international problems domestic and international problems facing our country and act constructively. No longer can we afford a policy of too little, too late at home or abroad. Our hope is that the American people next November will register an overwhelming mandate against isolationism in foreign affairs and reaction in domestic af-

fairs.

It appears likely, from present conditions, that employment will continue at a high level next year. This will be the best insurance against any possible recession setting in. With a peak demand for the products of farm and factory certain, and with shortages of many company with shortages of many company company.



William Green

and with shortages of many commodities unslaked, labor, industry, and the farmers will be faced with responsibility for reaching new production records. The needs of the American people and our commitments for foreign relief, make increased production an inescapable

Inflation constitutes the chief threat to the progress

Inflation constitutes the chief threat to the progress of the American people in 1948. The price situation is rapidly getting out of hand. Wages, as usual, are losing ground in the race against runaway inflation.

It seems inevitable that some form of government regulation of the price of items which enter into the cost of living—especially food, clothing, and rent—will have to be instituted in 1948 to keep inflation within bounds. The American Federation of Labor does not relish the return of price controls, selective or otherwise. We would prefer a free economy in which competition would keep prices down to reasonable levels. But unless the present economic crisis takes an immediate turn for the better it will be necessary for the protection of the consuming public and for the preservation of the free enterprise system itself, to clamp Government brakes on the uncontrolled price spiral.

Labor is ready to undertake its responsibility toward increasing production. To attain this goal we are more

increasing production. To attain this goal we are more than willing to meet management half-way. But we fear that any attempt to bring about intelligent, constructive, and decent labor-management cooperation, will be han-dicapped by the Taft-Hartley Act.

That infamous law serves to encourage only those who wish to fight labor instead of cooperating with it. It serves to promote industrial warfare rather than labor peace. Already its provisions have contributed to a breakdown of long-standing peaceful labor-management relations in important industries. I fear even worse consequences in 1048 consequences in 1948.

I know that many casual observers are beginning to think that maybe the Taft-Hartley Act has been a success because there are fewer strikes in progress at this time than at similar periods in past years. However, they do not realize that a large number of unions signed new contracts just before the Taft-Hartley Act went into effect and these contracts are exempt from the law's provisions. The test will come at the expiration of these contracts in 1018. contracts in 1948.

At that time many unions and employers who have been getting along well together will discover that they cannot continue their long-standing contractual relationships on the same basis because of the Taft-Hartley law. The results may be chaotic unless industry as a whole resolves not to take advantage of the special benefits conferred upon it by the Taft-Hartley Act and proceeds to accord fair treatment to the nation's workers and the unions which represent them.

Organized labor does not relish the prospect of having to depend upon the largesse of big business to protect economic and working standards which were won after hard years of struggle. We cannot tolerate the oppressive conditions imposed upon us by the Taft-Hartley Act indefinitely.

That is why we are now organizing to get out the vote for the national elections of 1948. The American Federa-tion of Labor has formed Labor's Political Education League for this purpose.

It is our hope and determination that the members of organized labor and their families and friends will respond to our pleas and go to the polls next November in full force. If we can succeed in this endeavor we are certain of electing a new Congress which will repeal the Taft-Hartley Act and which will enact a program of progressive economic and social legislation necessary for the nation's welfare.

In this category the American Federation of Labor includes an effective housing law, improvement and expansion of the Social Security system, lifting of the minimum wage standard to at least 75c an hour, and the



Long-Range Demand for Capital have dividends than pretty pictures." Two examples of this false emergence depressions might be more clearly stated. So far, these efforts have not been approved by

(Continued from page 43)

One of the most important new features of modern civilization is the tremendous vigor of technology and the tremendous capacity at an of the community to make tech-

which the employees are the prin- nological discoveries. So long as cipal determiners of public policy. this capacity to make technological cipal determiners of public policy. It is a new type of community in the history of the world. Probably it is fortunate that the United States has become a laboristic community because this type of community has a far better chance of surviving in competition with police states, such as Russia, than a community controlled from above No one knows, however, whether this nation of employees will feel a strong stake in the prosperity of business enterprise and hence will be willing and able to use public policy skillfully in order to encourage industrial expansion. political conflict, regardless of political uncertainty, technological discovery will go forward rapidly. It will be used by individual business enterprises to adjust themselves to a changing and uncertain world. It means that today political conditions have much less capacity to interfere with economic progress than at any period in the world's his-

phasis come to mind. In one case, a company published a 24-page report consisting of a onepage report consisting of a one-page letter from the President: 18 pages of pictures of products in full color and five pages of finan-cial statements in 8-point type. The next to last paragraph of the President's letter read, "The loss for the year was reduced by \$4,-800,000 due to the refund of Fed-eral taxes on income of prior years 800,000 due to the refund of Federal taxes on income of prior years based upon carry-back of operating losses and unused excess profits credits, resulting in a net loss of \$1,401,325.64." Not a word about why the actual loss of \$6,200,000 occurred. Another report states that consolidated net port states that consolidated net earnings, including extraordinary profits on sale of securities, amounted to \$14,235,339, equal after preferred dividends to \$2.06 per share on the common stock. The profit on the sale of securities given as \$12,721,245 and there Ine profit on the sale of securities is given as \$12,721,245 and there was also a tax carry-back credit of \$1,550,000 so that the actual operating result was a loss of \$35,-906, but this figure is not stated

Clarifying Accounts

Attempts have been made to clarify and simplify accounting techniques so that the usual form there are two essential factors the chiniques so that the usual form of balance sheet and profit and loss statement would not only be easier for the layman to understand, but so that actual compara-

the Securities Commission of the interstate Commerce Commission which govern accounting practices for the corporations under their respective jurisdiction. Nevertheless, there is no reason why any company should not publish in its annual report, in addition to the standard form, a simplified comparative statement of income and outgo. Many companies, in fact, do so and all could profit by their example. One advantage of such a simplified statement is that it sets forth, in high relief, two of the principal items which govern the net return available for dividends to the stockholders—that is, for the corporations under their dends to the stockholders—that is, the salaries and wages paid, and the sum of all Federal and State taxes. These basic figures are also often shown in the form of a piechart or other visual presentation. It should be recognized that the appeals meeting and the appeals.

annual meeting and the annual report are simply the very minimum of what a company can do to mum of what a company can do to arouse and maintain the interest of its stockholders. But when it is-planned to go beyond this, the type and extent of the stockholder relations program will differ in the case of each individual corpo-ration

There are two essential factors

ond—it must be a continuing long-range effort and not merely a spasmodic attempt to keep up with the Joneses.

Before any program can be laid out there should be a survey of the stockholders' list. This goes out there should be a survey of the stockholders' list. This goes beyond a mere breakdown into its various components, men and women, geographical distribution or other factors. Information must be developed as to why stockholders' purchased their stock; their ownership in other companies; whether they are also employees or users of the company's product, and many other items of essential information. In some cases such a survey can be conducted through the use of written questionnaires but a far more comprehensive and useful background can be obtained through personal interviews with a representative cross-section of the stockholders. In addition to such a survey, accross-section of the stockholders. In addition to such a survey, account must also be taken of the nature of the company's business; whether or not its products can be used directly by stockholders as consumers; its position in industry in comparison with competitors: profits and dividends; the standing of its securities in the market both with relation to other stocks as a whole and particularly to those of competitors; the amount of stock held in the names of brokers and other fiduciaries and how many individual beneficial owners such holdings represent. When all of these factors have (Continued on page 47)

(Continued on page 47)

Your Stockholders and You

the fullest degree knowledge of the company's affairs and loyalty to its management. This is what is known as stockholder relations.

is known as stockholder relations.

A concise definition of a stockholder relations program is "A long-range, continuing effort to encourage the interest of stockholders in the company of which they are the owners and to increase their understanding of its problems." Such a program is designed to:

Enhance the prestige of the com-

Enhance the prestige of the com-

pany among its stockholders.

Keep the financial community informed of the company's prog-

Arouse greater interest in the market for the company's securi-

Create in the stockholder an appreciation for the soundness of his investment.

Cause the stockholder to retain his investment in the company rather than in stock of other companies, if necessity forces him to

Strengthen the stockholder's lov-

alty at times when earnings or dividends decline.

Eliminate latent dissatisfaction which might handicap the com-pany in seeking new capital.

Increase confidence of stock-holders in management's policies and rave the way for better understanding of management's

Result in greater support for management's proposals.

Deter possible opposition which might seek to upset management. Whether a corporation is interested in stockholder relations or ested in stockholder relations or not, there are invariably two points of contact. One is the an-nual meeting; the other, the an-nual report. In the old days when the ownership of a company was limited to a few stockholders, it was a simple matter to get them all together at an annual meeting. Today, with the widespread dis-tribution of ownership, this is no tribution of ownership, this is no Injution of ownership, this is no longer possible and attendance at annual meetings is largely by proxy rather than in person. While some companies go to great lengths to encourage attendance at annual meetings, the number of stockholders present even in such annual meetings, the number of stockholders present even in such cases is a very small percentage of the whole and usually includes those who have some axe to grind or set themselves up as crusaders for one or several reforms in corporate practice. It must not be supposed that the ideals of those

their liking for that company is management to accept progressive increased or lessened largely by what they know about it. Every used to advantage. On the other company, if it wishes to have a body of satisfied stockholders, must therefore develop in them to the fullest degree knowledge of should be undertaken unless the

The foundation of communication with stockholders is the annual report, and recently much thought and effort has been devoted to making the annual report a more informative and interest-compelling document. In contrast to a bare summary of the high-lights of the year accompanied by a balance sheet and profit and loss total manual translation. a balance sheet and profit and loss statement in technical accounting terms, some annual reports are now so filled with pictures, charts and color that their essential pur-pose of giving factual information has almost been lost sight of.

The thought has sometimes been advanced that the annual report should be an effective means of propaganda not only for the stock-holder but for the employees, the consumers and the general public as well. Theoretically, this may be true, but in practice the interbe true, but in practice the interests of these various groups are so divergent that in attempting to satisfy them by means of a single document the result is merely one of compromise. United States Steel, Eastman Kodak, and others have learned by experience that only about 3% of employees ask for copies of the annual report though it is available to all. They have solved the problem by prethough it is available to all. They have solved the problem by presenting the salient information in informal style in employees publications, many of which are edited by the employees themselves. After all, the annual report is a report to the stockholder. It should contain information of value to him and only to him. If this same information can usefully be given to employes or this same information can usefully be given to employes or others and if the report to stockholders is not suitable for that purpose, it is better to prepare some special form of report rather than to attempt to adapt the stockholders' report to uses for which it was never intended. This is also true of charts, pictures and other forms of dressing up the anis also true of charts, pictures and other forms of dressing uo the annual report. If these things are needed for the more complete information of the stockholder, they should be included. If they are in any way extraneous to the single purpose of the report they can be harmful rather than helpful. Many a stockholder receiving an elaborately gotten-up annual report, which by the use of color or illustrations to distract his attention from the unpalatable facts of corporate life is likely to say, "Why spend so much money trytention from the unpalatable facts crusaders are always visionary. Often they arise out of the unwillingness of a backward-looking ing to kid me? I would rather

TIRED of CONGESTION?

---Here's a Remedy

BUSINESS has discovered that it doesn't always have to locate in the drab, congested surroundings of a big city. In fact, in many cases it is found that production is higher where employees and executives alike enjoy the many benefits of suburban plant location near where they live.

Perhaps you have been considering a new site for your concern. If so, and especially if it is one of the light or precision type, or perhaps of a research nature, we suggest that you look into the Nassau-Suffolk County area of Long Island as a possible site for your expanded activities.

Full details of what Long Island has to offer in the way of available property, labor supply, public utility services, etc., will be gladly furnished by our Business Development Department without any cost or obligation on your part.

Just write us outlining the nature of your business and your requirements.

Address: Business Development Department

LONG ISLAND LIGHTING COMPANY

250 OLD COUNTRY ROAD

MINEOLA

NEW YORK

(Continued from page 44)

inauguration of Federal insurance against the costs of medical care

medical care.

In our opinion the people of the United States have not yet begun to realize the full advantages that modern production miracles and the free American way of life can confer upon them. They will never enjoy these advantages under a repressive government which looks only to the past. We can achieve the promise of the future only through leadership which looks to the future and sees that promise as a boon not only for those who possess great wealth but for all people of our country.

FRED. GRETSCH

President. The Lincoln Savings Bank of Brooklyn

The year ahead, 1948, looks like another boom year for industry generally. In a few instances there will be a readjustment of prices due to ample production, but to my mind this will only be in rare instances. As long as we keep sending money to Europe with the resultant demand for our products.



products, prices will remain high. For that reason, I do not see any re-adjustment in prices coming for the next year. Everything that we are doing has helped the inflationary spiral. To my mind, funds that we loan in Europe should be loaned directly to industry that will provide work and necessities for their population, and not to government.

work and necessities for their population, and not to governments. Other help should be in the nature of gifts for food and clothing, with no idea of ever being repaid.

In the building line, the demand is most likely to continue with increasing prices. Our Federal Government and our Municipalities should not go in for any improvements, unless they are absolutely necessary such as hospitals, etc. All other public works should be held in abeyance until such a time that the work would be necessary to stimulate our economy.

I believe that commercial and savings bank deposits will increase, but at a lower ratio than the past year.

CHARLES P. GULICK

Chairman of the Board and President, Nopco Chemical Co.

Chairman of the Board and President, Nopco Chemical Co.

The chemical industry is probably the most dynamic of all business pursuits. It continued in 1947 its almost uninterrupted growth of the past quarter-century, and there is every reason to view the future with unalloyed confidence. The 1947 chapter of the industry's trend is a chapter featured by new plants, new products and new records of production and sales.

No other industry touches more intimately the lives of people in all walks of life. The standard of living has been and will continue to be raised by the contributions of the chemical industry. It touches all of us in such phases of our living as housing, clothing, food, medicine, transportation, communication, and in many other unseen places. Practically no other industry can operate or progress without the contributions of the chemical industry. Products yet unthought of in other industries will owe their origin and development to chemistry.

No segment of our domestic economy has so well avoided the maladjustments of recent years, and none is in sounder condition at the present time. Plant construction and manufacturing costs have advanced sharply. Notwithstanding these increases, together with wide gy-



in sounder condition at the present time. Plant construction and manufacturing costs have advanced sharply. Notwithstanding these increases, together with wide gyrations in prices of raw materials, the price structure of the chemical industry as a whole is closer to prewar levels than is the case of domestic prices, generally. This minimizes the industry's vulnerability to any temporary slackening of the industrial momentum.

The outlook for demand for chemical products is bright. Despite the new records attained in 1947, the industry has not yet filled the vacuum created by World War II. Many of the domestic chemical processing plants built for war uses cannot be adapted to peacetime production. Although construction costs are high, huge sums must be invested in new facilities to bring total plant capacity in line with present day demand. Millions of dollars will be spent during 1948 to achieve this end. this end

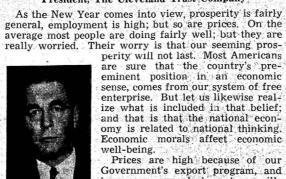
In addition to interrupting the normal expansion of peacetime facilities, World War II stimulated the development of new chemical products. And the virtual destruction of the German chemical industry has placed American producers in a position of world leadership. Foreign demand accentuates the need for additional plant capacity.

Foreign demand accentuates the need for additional plant capacity.

But research is the key to the chemical industry's spectacular growth to date, and continued investment in organized research is the best assurance of its further growth. Nopco Chemical Company in 1947 made the largest commitment in research in its history. As a result, existing products have been vastly improved, and important new products have been developed. The new products include drugs, pharmaceuticals, vitamin concentrates hormones detergents, synthetic resin emulcentrates, hormones, detergents, synthetic resin emulsions, and quartenary ammonium bactericides valuable as pharmaceutical antiseptics and for industrial application. Other products have emerged from the laboratories and are in pilot plant production. Countless new products evolved through research portend new heights for the entire chemical industry, and for the industries which it serves which it serves.

GEORGE GUND

President, The Cleveland Trust Company



George Gund

Government's export program, and because our people have been willing to spend freely. They compete with one another for goods in short supply. Not so very long ago, peop-would save their money when prices were high so that it would go fur-when prices dropped. That supply. Not so very long ago, people

ther when prices dropped. That would be a wise procedure today. To put in the bank, or in safe investments, sums not really needed, would be at once a road to security, a check of inflation, and a spur to confidence.

Expensive living and expensive ways of doing business are big clouds on the economic horizon.

There is nothing basically wrong with America. What needs mending is the national habit of indulgence all the way from the little fellow to the top, and particularly in the political field.

The public ought to understand, if it does not, that this country has been drifting toward a socialized economy for the past 15 years. The Federal Government has a hand in a great many things which affect the daily lives of the people. The structure of the Government has become not only complex but sprawling. It requires some 700 pages in the "U. S. Government Manual" to describe the activities of all the various Departments, Agencies, Bureaus, Offices, Administrations, Corporations, and so forth. The operation of such a complicated structure requires in numerable Commissioners Departments. quires innumerable Commissioners, Deputy Commissioners, Executive Officers, Directors, Deputy Directors, Associate Directors, Assistant Directors, Chiefs, Assistant Chiefs, Coordinators, Assistants, Special Assistants, and so on down the line to the 1,900,000-odd Government workers who grind out the daily mountain of paper work.

This vast bureaucracy is engaged in all sorts of activities involving regulation or control, many of which have come into existence since 1932. To mention only a few, the Government fixes minimum wages, controls certain materials through allocations, decides crop acreage, influences agricultural prices, makes subsidy payments, initiates large public-works expenditures, establishes required margins for trading in securities, controls security-issue financing guarantees housing loans. trols security-issue financing, guarantees housing loans, and regulates rental rates.

To accomplish all this, there has been a pronounced increase in Government personnel. True, the war caused a great bulge in the number of Government employees which was probably unavoidable, and the number has been declining steadily since the war. Even so, the number is now nearly 14 per thousand population, compared with 7 per thousand in 1939, and 4.7 per thousand in 1932. Part of this gain is due to the larger number of civilian employees needed in the administration of the part of the second of the se our greater military establishment, the greatly increased veterans' activities, and the cleaning-up of functions related to the war, such as the disposal of surplus property. But in spite of these activities, it is an open question as to why the Government has to have almost twice as many employees as in 1939.

Government departments and agencies can be held responsible only up to a certain point—namely, maxiresponsible only up to a certain point—namely, maximum efficiency of operation in each case. Beyond that, the responsibility for consolidating or reducing the functions of government rests with the people themselves through their elected representatives in Congress. As long as Congress passes laws adding new functions, Government agencies have no choice but to carry them out. If the people really desire a less costly form of Government, with a resultant lowering of taxes, they can accomplish it through Congress in two ways: (1) give the present sprawling structure of the Federal Government a thorough over-hauling so as to do away with the duplication of functions and put the operations of Government on a sound basis, as in a well-managed private business; (2) eliminate entirely all unnecessary powers and functions. powers and functions.

It requires careful analysis to determine which functons of government have proved desirable to correct abuses of the free enterprise system, and which are in the direction of socialism and thus opposed to the maximum effectiveness of free enterprise. In any event, the adoption of legislation looking to a permanent planned economy should be opposed with vigiliance.

The year 1948 will be as good a year as we deserve. But we all will be the gainers if a national tendency toward old-fashioned thrift, self reliance and individual initiative can be reasserted.

W. A. HARLAN

President, Western Bank, Long Beach, Calif.



W. A. Harlan

The outlook in the banking field eems to me to promise much for the future. Slowly, and at times imperceptibly, the strains and stresses caused by the great destruction of capital during the war years is being overcome by the physical efforts of people all over the world. To all of these efforts our business is related to make them more effective.

Guesses as to the immediate steps are extremely hazardous but that the road leads upward as well as onward there can be no doubt.

H. FREDERICK HAGEMANN, JR. President, The National Rockland Bank of Boston

As we move forward into the year 1948, it seems more necessary than ever to keep in mind the fact that a business reaction is inevitable at some time in the future. Just when it will occur no one knows. Men who do the business of the world can-

not cease to carry on their businesses merely because they may in the fu-ture encounter trouble. To be prudent, to become as strong as possible, to save, to accumulate, reduce liabilities and large inventories, and pree for falling prices sometime is that a business man can accomplish.

Up to the year 1948, practically all the Government's receipts have been used to meet its various expenses. In the first half of 1948, however, the Government expects to have a surplus of from \$5 to \$7 billion. lion, much of which is scheduled



H. F. Hagemann, Jr.

be used to retire Government debt H. F. Hagemann, Jr. held in the banking system. From the standpoint of economics, this proposed debt reduction, if carried out, will be quite deflationary and the strongest measure so far used in the battle against inflation.

flation.

Stopping inflation and controlling a credit situation such as we now have, is very difficult and requires skillful handling. There is no middle ground—we are either inflating or deflating, and once deflation is started it is extremely hazardous to guess as to how mild or how strong the reaction will be. Unless we want to go on inflating and run into eventual bankruptcy and repudiation, it is necessary that we turn back to a sound and sober national fiscal policy. We must be realistic in turning back, however, and realize we shall face many economic discomforts. Nevertheless, it is absolutely essential for the long-range welfare of the country, and particularly the wage earner and white-collar class, that inflation be stopped as soon as possible.

Since the close of the war we have witnessed a tre-

Since the close of the war we have witnessed a tre-mendous increase in the demand for loans for both long term and short term purposes, from corporations, states, and municipalities. Their needs for additional capital are still far from being satisfied which provides a basis for believing that 1948 will see a further increase in

The government debt reduction scheduled for the first The government debt reduction scheduled for the first half of this year will tend to contract commercial bank deposits and offset to some extent the increase which may occur with the anticipated larger loan demand mentioned above. On balance, therefore, it seems reasonable to expect that deposit totals for the commercial banking system as a whole will decline in the first half of 1948 if the administration is really serious about controlling inflation.

In the light of an anticipated larger loan demand and a shrinkage in deposit total it seems highly probable that the trend toward higher interest rates which has been increasingly evident during the past months will continue. One of the most significant recent developments in the interest rate situation has been the action by the Federal Reserve Board in lowering the support prices on Government bonds; also the Board's action in raising the rediscount rate from 1% to 1¼% is very significant from a psychological standpoint. The full effect of these changes, not only on bond prices—corporate and municipal as well as Government—but also on the over-all economic situation will probably not be known for some months. Suffice it to say that these moves are of a deflationary nature. The immediate effect of these moves has been to cause a further slight tightening in credit conditions, with a resulting further slight increase in interest rates. As a result many banks have seen a comfortable appreciation in their bond accounts In the light of an anticipated larger loan demand and seen a comfortable appreciation in their bond accounts

(Continued on page 48)

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Your Stockholders and You

(Continued from page 45)

Methods in Stockholder Relations

Some companies have embarked on a stockholder relations program without sufficient thought and preparation and the result has been merely an imitation of other successful programs. As a result they have failed of their objective and have been abandoned after a half-hearted trial. So, in describing some of the methods used by companies which have developed well-rounded and effective programs, it is not to be understood that any or all, of these methods can or should be used in any specific case.

One of the items most generally in use is a welcome letter to new stockholders. It is essentially a form letter and few stockholders. would take it otherwise. Never-theless, so far as possible it should attempt to convey a personal mes-sage of welcome from the head of the corporation to the new stock-holder. It should in most cases be report or interim statement so that the stockholder immediately becomes a member of the corporate family. It may also include a paragraph about the company's business, particularly if the stockholder may also be business, particularly if the stock-holder may also be a consumer. It should invite inquiry as to any phase of the company's business. But no welcome letter should be static. Its form should be constantly under review, depending on the time of year, the state of the company's business and other factors, and its details should be changed from time to time to conform to the existing situation. Its tone should always be warm to the existing situation. Its tone should always be warm but never patronizing and even though it may evidently be a form letter, the stockholder should be made to feel that it is actually a personal message to him.

As a complement to the wel-come letter some companies write come letter some companies write stockholders who have closed out their investment. This is a very difficult letter to write because no matter how tactfully it is worded, you cannot help but question the stockholder's judgment in disposing of his stock. Another difficuty arises from the fact that the disappearance of a stockholder's name from the company's records does not invariably mean that he has disposed of his stock. It may have been transferred to a brokerage account or the stockholder may have died and his estate been may have died and his estate been distributed. A letter of regret under such circumstances is not only inappropriate but may be harmful. In the case of either welcome or regret letters, it is essen-

been coordinated, a stockholder relations program tailored to fit the utmost care and that the the company's individual needs can be confidently planned.

Methods in Stockholder Relations

Some companies have one worse than useless worse than useless.

worse than useless.

Probably the happiest days in a stockholder's life are those when he finds a dividend check in his mail. Yet it is surprising how of this timing and use it to increase the holder's interest in his company or its products. After all, the postage costs nothing but if there is an enclosure it is more often than not merely an interim report of earnings, sometimes with not even the company's tade-mark printed on it. Those companies which are alive to the advantages of this mailing use a variety of enclosures. Sometimes companies which are alive to the advantages of this mailing use a variety of enclosures. Sometimes at is a leaflet describing a new product or a short stockholder's magazine. One of the most interesting of these is that put out by Borden. Elsie is featured, the birth of her son announced, prizes offered for a name for the new arrival. Other products, too, receive notice and the quarterly earnings figures are included. That this procedure need not be confined to companies making consumer products is proved by the latest addition to the rapidly growing list of stockholder magazines—the United States Steel Quarterly. This is an eight-page leaflet in letter-size, attractively orinted, and gives information of the Company's expansion program, its dealings with labor, and other matters of interest to the stockholder. stockholder.

Regional Stockholders Meetings

We have already mentioned that, even with the most carefully thought-out effort, it has proved mpossible to get a large stockholder attendance at annual meetnolder attendance at annual meetings. Some years ago, General Mills hit on a plan to bring the meeting to the stockholders. This is done by holding regional meetings in various cities around the country where a concentration of tockholders exists. Several other companies are following the same practice and more are planning to do so. While the pattern differs in each case, that followed by General Mills is typical of the advantages to be gained. In the first place, there is careful preparation. Letters signed by Mr. Bell, Chairplace, there is careful preparation. Letters signed by Mr. Bell, Chairman of the Board, are sent well in advance to all stockholders residing within a short distance of the selected city. The services of local district agents are enlisted to round up brokers, bankers and ther financial people. Releases are distributed to the press, and every detail of the meeting is carefully arranged. Mr. B'ell

greets the arriving stockholders at the door and instead of sitting on a dais, strolls around among them a dais, strolls around among them talking in a conversational tone about the company and its problems. Questions are answered freely, or if a question is asked which Mr. Bell does not feel free to answer in public, the stockholder's name is taken and a letter is sent to him. At the close of the meeting, refreshments consisting partly of General Mills products are served, sometimes with

Oil of New Jersey and R. H. Macy & Co., are in effect a transcript of the entire proceedings.

General Mills and other companies which hold regional meet-

General Mills and other companies which hold regional meetings use these reports as part of a stockholder magazine. This is not only a means of informing the entire body of stockholders of what took place but also encourages attendance at other regional meetings. In addition to the report of the meeting, General Mills prints questions asked from the floor and the replies and this leads other holders to write the Company. Thus a whole train of correspondence is engendered, leading in many cases to the discussion of even broader subjects than company affairs. Here is an opportunity, if wisely developed, for management to foster among its stockholders a greater interest in what some call "free enterprise" or the "American way." This, naturally, cannot be done bluntly or tactlessly but, if correspondence on subjects of economic importance is encouraged, a more outspoken and effective body of public opinion can be built up on the side of management and our economic system.

It must be admitted that the process of public education or even of stockholder education is a

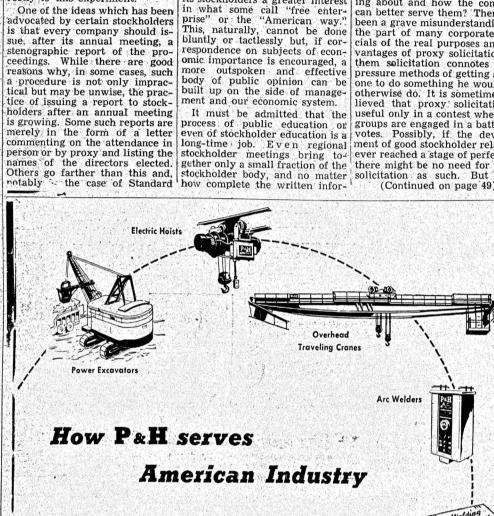
mation given to stockholders is, much of it is not read or fully understood. It all gets back to the understood. It all gets back to the truism that stockholders are people and no matter in what form the information is given, it will touch only those who are willing to give it their attention and to act on it. There is no substitute for personal contact. The question is, how can personal contact be made? made?

is, how can personal contact be made?

One answer is by proxy solicitation. Year after year, at annual meeting time, the occasion arises to talk to a large group of stockholders even if only to ask them to send in their proxy. What better opportunity could be found to encourage them to ask questions about their company, to listen to and rectify their complaints, to get to know what they are thinking about and how the company can better serve them? There has been a grave misunderstanding on the part of many corporate officials of the real purposes and advantages of proxy solicitation. To them solicitation connotes high-pressure methods of getting someone to do something he would not otherwise do. It is sometimes believed that proxy solicitation is useful only in a contest when two groups are engaged in a battle for votes. Possibly, if the development of good stockholder relations ever reached a stage of perfection, there might be no need for proxy solicitation as such. But there (Continued on page 49)

Welding

Soil Stabilizers



It would be difficult to find the industry where P&H products do not facilitate manufacture or make some contribution to the final lowering of cost.

It may be as far removed as the digging of copper ore that will be used to build an electric motor, or saving time and manpower by thru-the-air handling of materials and parts. Or in faster, lower cost production through welded fabrication.

But the result is inescapable, even though the final purchaser is prone to think in terms of the value of the finished product — rather than that of the equipment which helped to build it.

That, in brief, is the role which P&H equipment plays in helping American industry produce more goods for more people at lower cost.

DREDGING Filling, Land Reclamation, Canals and Port Works River and Harbor Improvements, Deep Waterways and Ship Channels

We are equipped to execute all kinds of dredging, reclama tion and port work anywhere in the United States

Contractors to the Federal Government

Correspondence invited from Corporate and Private Interests Everywhere

Longest Experience

Atlantic, Gulf and Pacific Co.

New York 7

Citizens State Bank Bldg.



(Continued from page 46)

cut down materially within the space of only a few

It seems reasonable to expect that banks will have some further increase in operating costs this coming year and also that they will experience more losses from loans and securities than has been the case during the past several years. On balance, however, it would seem that the income from a probable larger volume of loans, together with a bigher expense interest rate on both together with a higher average interest rate on both loans and investments, should more than offset the above factors, with the result that 1948 bank earnings should be somewhat higher generally than in 1947.

JOHN A. HARTFORD

President, Great Atlantic & Pacific Tea Company

The food industry will place major emphasis on economy and service during the coming year.

While it is safe to predict that overall U. S. food supplies will be ample for national needs, the lack of a definite picture on our foreign food commitments makes any specific prediction as to either domestic supplies.

diction as to either domestic supplies or prices so speculative as to be worthless. But we can be sure that food distribution will be more efficient and service to customers vastly improved.

As every housewife knows, the food business has always been the most highly competitive in the nation. The impact of rising living costs during the past year has served

costs during the past year has served to heighten that competition, with all food merchants striving to so streamline their operations that they can offer their customers every possible saving and at the same time give the consuming public the improved services that current prices merit.

While food prices rose in 1947, grocers generally have slepped up the efficiency of their operations in their efforts to restrain the upward trend.

Nobody has worked harder than your grocer to keep costs and prices down. Fifteen years ago, when you spent a dollar in a food store, 25 to 30 cents went to cover the grocer's cost of doing business, including his profit. Today these functions in many cases are performed for as little as 15 cents. Without the efficiency which brought this about, you would be paying 10 or 15 cents more for every dollar's worth of food you buy.

Such efficiency, now reaching its peak, is not limited to A & P or the chain stores but is true of most food merchants. It has been achieved despite progressively rising costs and wages.

I attribute the food industry's increased efficiency to a variety of factors including larger stores with a

rising costs and wages.

I attribute the food industry's increased efficiency to a variety of factors, including: larger stores with a greater volume of business done under one roof: improved techniques in food production; direct delivery from farm and factory to store; greater emphasis on self-service through development of prepackaging methods; and improved personnel training.

One of the major improvements in the food picture has been the straightening out of the retailer's inventory problem. The end of the war, with the return of many hitherto unavailable items, resulted in heavy stocks of goods for which there was no longer any public demand. This created a dual problem in that it tied up merchants' funds and at the same time required an intensive, longrange program to liquidate these supplies, usually at a loss.

Grocers generally are now back on a prewar inventory basis, with no heavy supplies of slow-moving commodi-ties. Now a retailer can use his funds most efficiently

ties. Now a retailer can use his funds most efficiently for procuring items in demand. Thus, the inventory picture is the healthiest it has been in many years.

Profit rates in the retail food business have always been among the lowest in the country, netting only about 1.5% on sales in the case of A & P. Although net profits of food merchants generally rose slightly last year, there was an even greater increase in the financial demands on food merchants stemming from the current price situation.

rice situation.

Higher commodity prices mean that a grocer has to

Higher commodity prices mean that a grocer has to have over twice as much money tied up in a normal inventory as he did before the war. In an uncertain market such as exists today, it is necessary for every food merchant to build up and maintain reserves in anti-ipation of a possible break resulting from a reversal of the current upward trend in the commodity market. Furthermore, it costs four to five times more to equip a modern food store than it did in the prewar years. The ccs j of fixtures and equipment in our own stores had almost tripled from 1943 to 1947. Actually, therefore, all of a grocer's equipment is being charged off at a ridiculously low rate in view of present high replacement costs. We are all faced with the problem of pouring greater sums of money into our business to keep the machinery of distribution modern, efficient and economical. nemical.

From the consumer's viewpoint, perhaps the most noticeable change in food distribution in 1947 was the improved service in stores. This can be attributed to the return of favorite brands of merchandise, and to the fact that after five years supplies at last became available for the building of new stores and modernization of old ones. of old ones.

But the major factor making for better service was the marked improvement in store personnel. This resulted from the extensive application of modern, ap-

proved training programs to food retailing. Our own company, for example, instituted such a system in 1947 and the results have already been most impressive, both in terms of improved service to customers and efficiency of operation. From the viewpoint of store layout, equipment and personnel, grocers are expending great effort to make shopping a satisfactory experience.

In 1948 record emphasis will be placed on consumption of fresh fruits and vegetables. Wartime promotion by governmental agencies called attention to the nutritional qualities of these products in the average family's diet.

qualities of these products in the average family's diet. Furthermore, these are commodities which are scheduled to be in full supply during the coming year and readily available to fill gaps created by possible short supplies of other foods. of other foods.

It is in this field that the most intensive experimentation in pre-packaging is now under way. Several years ago we pioneered the pre-packaging of produce in our Columbus, Ohio, stores. Under this plan, produce was washed, trimmed of waste, packed in cellophane at the warehouse and sold from open, refrigerated self-service cases in the stores. Now we are carrying this experiment. warehouse and sold from open, refrigerated self-service cases in the stores. Now we are carrying this experiment to its logical conclusion with the opening of packing houses on the west coast, where produce will be prepackaged at the point of origin before its shipment east. This program promises substantial reduction of freight costs, a cut in waste and spoilage and better produce at better prices for our customers.

These efforts to reduce waste and spoilage, not only in fresh produce but in the case of baked goods and other perishables, have assumed great importance in view of the urgent need for conservation of food.

The food industry is now entering a new competitive

view of the urgent need for conservation of food.

The food industry is now entering a new competitive era. In recent years competition between food merchants has been concerned principally with price. Today, however, customers are indicating they realize that price and quantity alone do not determine value. Naturally grocers must give every customer the maximum amount of food for her dollar. But the grocer who will best satisfy today's shopper is the one that will place even greater emphasis upon quality and service. greater emphasis upon quality and service.



President, Louisville & Nashville Railroad Company

With respect to my opinion as to the 1948 outlook for



With respect to my opinion as to the 1948 outlook for business on this railroad. I. of course, can only indicate that the volume of our traffic will depend generally on prevailing business conditions beyond our control. We have just finished the year 1947, during which period tonnage was greater than in 1944; the peak of the war years. During 1947 we orened several hew coal fields which will have higher production in 1948 than in 1947. Another extension is well under way. It is my judgment the demand for coal will continue through 1948 and, since that constitutes about 50% of the tonnage of this ra Iroad. I am sanguine that our overall freight operations will continue on a high level. Passenger business continues to shrink from the war level, but is something ahead. the war level, but is something ahead of the prewar level. Untl we are able to get new trains and cars which are on order, it may be that we cannot successfully stop the present lower trend in passenger business.

business.

ger business.

This railroad faces large commitments for improvements in both roadway and equipment for the years ahead. The recent action of the Interstate Commerce Commission in freight rate matters is encouraging. If we could but have a surcease of the demands of labor for further increases, the general outlook for railroads would follow the lines of general business, whatever that may

H. HITER HARRIS President, First and Merchants National Bank, Richmond, Va.

As we enter a new year, business in most lines is booming. National income is probably being produced now at the rate of \$200 billion or more per year com-pared with \$73 billion in 1939 and \$104 billion in 1941.

pared with \$73 billion in 1939 and \$1 Corporate profits before taxes for the year just ended were about \$28 billion compared with \$6.5 billion in 1939. Prices are high; employment is high; wages are high; profits are large. There exists a huge supply of dollars and therefore a big demand for goods. These facts and figures are well known but are mentioned here in order to point out that forces are now working for a continuation are now working for a continuation of a good volume of business in the near future. In addition, this is an election year and certainly we can expect Administration efforts to avert any semblance of a depression before November if possible. They also should seek to prevent price in-flation from getting further out of hand.



H. Hiter Harris

Congressional action relating to the following matters will have significant bearing on the measure of prosper-ity in 1948:

(1) Taxes—lower individual and/or higher corporate

(2) Foreign aid—coupled with self-help or bountiful outlays for political purposes.

(3) Price controls and rationing of scarce goods.

(4) Money and credit policies

(4) Money and credit policies.
You and I can recall the 1929 boom. Four months before the crash, statisticians claimed and proved on paper that everything was all right for the near term. History can and does sometimes repeat. We bankers cannot pull aside the veil of the future and therefore have to base many decisions on probabilities. We must consider possibilities, too. It would seem to me to be probable that, on balance, 1948 will be a good business year. However, white-collar workers and those persons living on fixed incomes are being priced out of the market for many things and are being forced to use up savings for absolute necessities. Because of the historically high level of current prices and industrial production, the possibilities dictate caution and conservatism. Bankers are going to examine loan applications very carefully this year, particularly on non-productive loans. Term loans are going to be harder to obtain. Money is going to cost a little more.

I am not pessimistic at this time. I am definitely in-

I am not pessimistic at this time. I am definitely inclined to be hopeful but careful.

I. J. HARVEY, JR.

President, The Flintkote Company Inc.

President, The Flintkote Company Inc.

Tight supply conditions in a few construction materials are expected to prevent construction activity from going "much above 15 billion" in 1948, in contrast to 1947 estimated construction of \$12,878 million, according to Department of Commerce estimates, with lumber, nails and certain iron and steel items the chief bottleneck products.

Building activity, most authorities agree, should continue at boom levels until at least mid-1948 despite the probable slight decline anticipated in industrial construction. The unprecedented backlog of demand for building materials for repair and modernization of existing structures, modernization of existing structures, accentuated by the enforced obsolescence of the war years, is a vital factor keeping demand at high

levels.

After mid-1948 the outlook is more difficult to assay. Possible adjustments may occur with a leveling out near present heights.

Construction cests, particularly in the industrial field, have in general been somewhat more stable during the latter part of 1947 than was the case a year ago. If anticipated demands for increased wages materialize during the early months of 1948, they will undoubtedly be reflected in higher material costs and on-the-site labor costs.

The slight buyers' resistance to prices of new residential construction, noted during October and November, 1947, has disappeared and the public has apparently concluded no appreciable reductions in building costs are likely in the immediate future. Funds are available to long of each work of the property are set as the projection. for loans at easy rates for residential construction.

Production for the industry generally is expected to continue at high levels during 1948. However, little change in the overall supply-demand relationship is anticipated since only small improvement in the raw materials shortages faced by the individual producers is likely in the foreseeable future.

During 1948, barring unforeseen contingencies, increasing shortages of freight cars or greater difficulties in obtaining raw materials, The Flintkote Co. expects to be able to supply increasing quantities of its products. Our enlarged productive capacity, improved equipment and more efficient manufacturing processes, due to our nationwide expansion and modernization program, should enable us to do so.

WILLIAM A. HEBERT

President, Springfield Fire and Marine Insurance Co., Springfield, Mass.

Springfield, Mass.

From a conservative point of view the fire insurance premium volume for 1948 should not be less than that of 1947 unless we have a serious depression during the first part of the year, which, however, some of our best economists are not prophesying. If we have no depression and inflation continues to mount, it goes without saying that the premium volume should be higher, and by the same token the cost of replacing property destroyed by fire or other perils insured against will be more costly than ever before.

During 1947 there were many major catastrophies caused by the

major catastrophies caused by the elements that cost the fire insurance companies large sums of money, and it is hoped that during 1948 we will not be visited with similar catastro-phies—or at least in not such large

numbers. The new rating laws brought about



by the Supreme Court decision and Public Law No. 15 have now been adopted by most states. They become effective and in full force during

1948. The enforcement of these rating laws should not have in any way a detrimental effect on the operations of the insurance companies.

It is extremely difficult to prophesy what may happen to investments during the coming year. Because of the fact that high grade bonds are carried on an amortized basis the decline in market values will have very little effect on year-end statements. However, it would seem that higher interest rates will benefit the insurance companies on future purchases.

Economic events have a profound influence on all industry and the insurance business is no exception. As these conditions change, so must insurance. Serving the constantly growing number of policyholders and the public at large is a challenge that has been met in the past and will be in the future.

W. T. HOLLIDAY

President, The Standard Oil Company (Ohio)

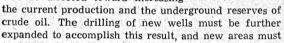
President, The Standard Oil Company (Ohio)

The volume of petroleum products which will be produced and distributed by the oil industry in 1948 will be dependent primarily on the capacity of the available facilities of the industry rather than on any limitation imposed by consumer demands.

While consumption of petroleum products in 1947 reached new high records, the industry's inability to supply in full all of the demands of consumers necessitated the allocation of some products in certain areas. The prospects for 1948 indicate that the already large demands for pertoleum products will continue to increase.

To provide the facilities to keep

To provide the facilities to keep ahead of the constantly increasing consumption, the industry has undertaken a major expansion program which will require normous capital expenditures. Approximately half of the expenditures contemplated will be directed toward increasing



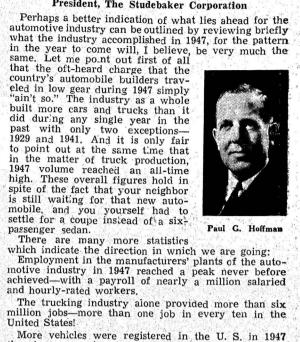
be explored to discover additional underground reserves. Transportation facilities, which were an important bottle-neck in supplying the demands of 1947, will be increased by the construction of new pipe line facilities for the movement of crude oil from the producing areas of the country to the refining centers. New refinery facilities must be built to provide manufacturing capacity for a larger volume of products and also to make use of new technological improvements which will permit a more efficient utilization of the crude oil processed.

more efficient utilization of the crude oil processed.

Two essentials for carrying out this program of expansion are construction materials and capital funds. Shortages of construction materials, particularly steel, are an important problem for the industry. The drilling of new wells, the laying of new pipe lines and the building of new refineries all require large quantities of steel for which the industry must compete with all other users of this essential material. The oil industry holds such a basic position in our national economy that its reads for steel for expansion are deserving of high needs for steel for expansion are deserving of high recognition in any allocation of this product which may become necessary.

The oil industry has traditionally generated from its own operations most of the capital funds needed for its growth. It will continue to do so by plowing back the major portion of its earnings into the construction of new and better facilities. The continuation of a favorable earnings level is, therefore, of particular importance to provide a major portion of the capital funds for new expenditures and also to assure the ability of the industry to attract such additional capital funds as will be required from the investment markets.

Apart from the increasing demands on the industry for domestic consumption requirements, the growth of world-wide demand presents an additional problem. The pressing needs of Europe and the outlook for increased petroleum consumption throughout the world have a direct bearing on the 1948 prospects for the domestic industry. With such huge demands from all sources, there appears little reason to anticipate much easing of the overall supply problem during the coming year.



PAUL G. HOFFMAN President, The Studebaker Corporation

Perhaps a better indication of what lies ahead for the

More vehicles were registered in the U. S. in 1947 than in any previous year. While final tabulations are still to be computed, it was estimated at year's end that registrations for 1947 would reach a total of 37,164,000, an increase of more than 2½ million over the former all-time record in 1941.

Travel miles by automotive vehicles reached new proportions. It is estimated that approximately 370 billion vehicle miles were recorded, an 11% increase over our highest former total recorded in 1941.

If it is true that coming events cast their shadows before, then these accomplishments during 1947, far (Continued on page 50)

Your Stockholders And You: Potter

(Continued from page 47) would still continue to be a need for personal contact—probably more than once a year, and pref-erably not when proxies are being solicited.

Proxy solicitation has two basic functions: to overcome stockholder inertia and to explain in simple language a complicated financial proposal. Take the case of an annual meeting requiring a majority vote for the election of directors. If the company's stock is listed and active market-wise, probably 30 to 40% of it is held in the name of brokers or nominees, representing some thousands of beneficial owners. Under the rules of the New York Stock Exchange, when there is no contest nor any material proposal to be voted upon, brokers are permitted to vote stock standing in their name owned by their customers if the proxy material has been distributed to these beneficial owners and if no contrary instructions Proxy solicitation has two basic ers and if no contrary instructions have been received by the broker up to ten days before the meeting. Thus, in most cases coming under the so-called ten-day rule, a company will receive a vote of 90% or more of this brokerage-held stocki. There at once you have

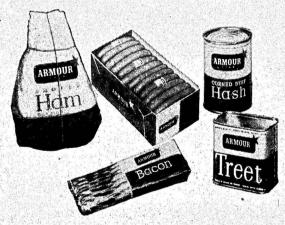
pany will receive a vote of 90% or more of this brokerage-held stock! There, at once, you have a vote of 25 to 30% and the holdings of directors and large stock-holders can usually be counted on to make up the required majority. The case is quite different when something material is to be voted upon. According to the Stock Exchange rules, brokers may not vote stock standing in their names without authorization from the beneficial owner on any proposal which alters materially the rights and privileges of the stock. This restriction will certainly include new financing, waiver of rights, mergers and recapitalization and may include such matters as pension plans, stock options or other proposals likely to be controversial. Under the necessity of receiving authorization, all the broker is obligated to do is to

send out the material and await the customer's reply. Broker cus-tomers are no different from any other stockholders-there is exactly the same percentage of indifferent ones or put-it-off-tilltomorrow ones or plain to-hell-

W. T. Holliday

with-it ones as those whose names are of record. Consequently, as these persons, whose names are unknown to the company, cannot be reached directly, the broker vote shrinks to a shadow of itself, (Continued on page 55)

Keeping up with America



This year, Armour and Company celebrates 81 years in the meat packing business. Through the years, Armour has grown with America-kept step with our nation's progress. Today, the Armour label is known everywhere as a sign of the best in meats, shortenings and dairy products. And so it will continue to be known-as Armour goes on producing always finer foods for American tables.

The best and nothing but the best is labeled ARMOUR

IT'S THE AMERICAN WAY



What does it mean when a woman steps up to a grocery counter and asks for a cake of Ivory Soap—by

It indicates her faith in the efficient performance of the product and the honest value it represents. She has cast a vote of confidence in the integrity of the Company which produced the brand of her choice.

The preference millions of women show for our brands—their "votes of confidence" places a big responsibility on our shoulders. A re-

sponsibility we are glad indeed to accept.

Because of this confidence we are encouraged to maintain the high quality of every product we make . . . and to offer our customers whenever possible products which will serve them still better, It stimulates the present and future activities of our research laboratories and factories.

Buying by brand name is a typical expression of our democratic way of life. It is the American way.

Procter & Gamble

Makers of:















(Continued from page 49)

more than prophecy, will serve as the weathervanes

more than prophecy, will serve as the weathervanes for 1948.

It is my opinion that, barring unforeseen circumstances, the automotive industry will reach new heights in the year just begun. Employment, payrolls, production—all should establish new all-time records.

I look for the sellers' market to continue for some time. Nevertheless, my own firm, and I suspect other automobile manufacturers as well, is making thorough preparations for the eventual return of a buyers' market. Unless all economic signs are grossly misleading, 1948 should be a year of unparalleled accomplishments for the nation's automobile industry.

the nation's automobile industry.

JOHN HOLMES President, Swift & Company

Meat supplies in 1948 are expected to be well above prewar levels, but somewhat below the peak war production year of 1944. Supplies will be about 7% under 1947, according to U. S. Department of Agriculture estimates. Reduced supplies of all classes of meat—beef, veal, pork and lamb—are expected to result from two causes: a general decrease in livestock production, and smaller suplies of feed grains during the current feeding season.

Demand for meat has continued strong, and it is likely to remain so

strong, and it is likely to remain so as long as employment, pay rolls, and income remain at high levels. As more consumer goods become available, however, there will be more competition for the consumer dollar. This probably will leave less of the consumer dollar to compete for most.

The supply of meat available for

domestic consumption per capita will probably decline by about the same percentage as production. Domestic consumption for 1948 is expected to be to about 145 pounds per capita which is well above the prewar average. Military purchases and exports amount to only a small proportion to total production and are expected to decline somewhat in 1948.

John Holmes

The outlook for production of other commodities is for somewhat smaller production of lard, poultry and eggs, but a slightly larger output of butter and vegetable

Continued strong demand for meat in relation to the supply has prompted some government sources to advocate a return of consumer rationing.

Rationing will not alter the fundamental fact that the number of dollars on one side of the meat dealer's counter has risen much faster than the number of pounds of meat on the other side. Rationing would only be an attempt to treat the symptoms, without touching the

causes.

In considering the various proposals for rationing, it must be kept in mind that rationing will not increase the total supply available. We have learned from experience that with rationing will come a return of black markets with all of their evils, including disregard of the law by unscrupulous operators, waste of meat and valuable by-products, and unequal distribution. We also know from experience that controls tend to discourage production. Instead of controls, our objective at this time should be to encourage production by every means at our command. means at our command.

DAN W. HOGAN

President, City National Bank & Trust Company, Oklahoma City

The solving of the unsolved reconstruction problems, both in the United States and in the world at large, will likely make this year the most important one in all history. The setting of the international financial and

g of the international financial and pol.tical stage by the swift-moving diplomatic maneuvers of various nations has placed our Government in the leading role. We should accept that challenge and play our part with courage and determination. No greater task than this has ever confronted the diplomats of the United States and it is now up to the people to find another Abraham Lincoln to pilot the Ship of State through this impending crisis.

At no time in the history of the United States has the position of Bankers been as strong as it is today. New York City has succeeded Lon-

New York City has succeeded London as the banking center.

The modern bank is no more like it was 50 years ago than Columbus' sail boats were like modern trans-Atlantic liners. The pen and pencil formerly used by bankers have given way to modern machines that do everything but name the return of interest which the borrower more offen than not rate of interest which the borrower, more often than not, fixes himself. The so-called "ThriftiCheck," or one of its cousins, makes it possible for the smallest depositor to have a bank account. A machine gives the small depositor instant credit on his savings account or on his installment loan for any household appliance he may wish to purchase wish to purchase.

Under the private enterprise system, our farmers produced in 1947 one of the greatest crops of food and fiber

ever recorded. In spite of the raids made on this production for export, we still have abundance for home consumption. Our manufacturers are fast catching up

consumption. Our manufacturers are fast catching up with the heavy demands on their plants. The housing shortage should be fully covered within a few months. During the many years that I have been in the banking business, I have never seen a time when everybody was so nearly out of debt and where there was so much cash in the hands of the people. Yet, with all the facts so apparent to all of us, we find certain ideologists running at large shouting to high heaven for the overthrow of cur private enterprise system of free government.

In 1932 the government was worrying about the banking situation; today bankers are worrying about the government. In 1932 the people were in debt to a dangerous limit. Now, the people are on easy street and the government is on the refinancing end. The crying need, as seen by bankers at this time, is a shift from extravagant spending to economy in government management. as seen by bankers at this time, is a shift from extravagant spending to economy in government management. A substantial part of the government's tremendous income should be used in paying off the government debt. Such a procedure would reverse the inflationary trend of today and immediately deflation would begin in an orderly way, which, like an airplane landing, would scarcely be noticed.

We shall not have a depression in 1949. Prices on

shall not have a depression in 1948. Prices on many things may go down, but the cash cushion held by the people will break the fall. After all, the American people have a lot of common sense, One cannot afford to sell them short.

LESTER HUTCHINGS

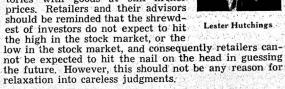
Chairman of the Board, Western Auto Supply Company

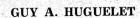
Chairman of the Board, Western Auto Supply Company

(1) We expect retail volume to be a little better in 1948 than in 1947; (2) we expect expenses to be under better control and therefore slightly better profits in 1948 than were earned in 1947; (3) we see signs that supply now equals demand on a great many things. There are still some shortages of supply, and farm income, full employment and other factors would indicate that business will be good in 1948. It must also be remembered that 1948 is election year.

year.

Taking a look back over the year 1947, retailers have acted very badly. They were poorly advised and as a result they sold merchandise at low prices and turned right around and replenished their inventories with goods at still higher prices. Retailers and their advisors haveld be reminded that the shrewd-





President, Southeastern Greyhound Lines

Gross dollar revenues will continue at a high level, but will run from 5% to 12% under 1947, unless the industry is successful in its present effort to increase pasdustry is successful in its present effort to increase passenger fares. Passenger miles traveled will be less by 10% to 15%, which will be offset to some extent by a decrease in the number of bus miles operated. Load factors will continue gradually down to normal from the wartime high. By reducing bus miles operated revenue in cents per mile should remain constant with or slightly less than last year. Net income will be slightly less because of higher operating costs.

Charter coach business which almost disappeared

Charter coach business, which almost disappeared during the war because of shortage of equipment and ODT restrictions, will be substantially increased.

Gasoline shortages, the further elimination of unprofitable local passenger trains and general curtailment of air schedules, with low bus fares and wider differentials compared with other forms of transportation, will take up some slack and offset the loss of certain war business tailment of air schedules, with low bus fares and wider differentials compared with other forms of transportation, will take up some slack and offset the loss of certain war business. tain war business.

New equipment, improved service, better on-time per-formance, more seats, improved depot, meal and rest stops, will attract new business.

The inauguration by progressive lines of additional and new de luxe service with coaches equipped with toilets, buffets, all seats reserved, and manned by stewards, will increase long haul business.

Express runs between major cities, on faster schedules with few stops and reserved seats, will attract new

Local service will be improved with better equipment and more frequent headways.

Courtesy and salesmanship of employees dealing with the public should show substantial improvement.

Because of the high cost and the difficulty involved there will be little construction of major bus depots. Present facilities will be improved and brightened up.

The old established and well managed bus lines should have a good year, although net may be slightly lower than 1947. Many newcomers and over-expanded "war

babies" will find the going tough and as a result there will be a number of failures from this class.

Expenses will continue to increase, due to higher labor costs and lower efficiency, higher prices for oil,

gas, tires, parts and material.

High maintenance costs will be offset by the reccipt of much needed new equipment and the disposal of old

obsolete equipment. Improved highways will decrease costs and help busi-

The continued development of two-way radio will pro-

The continued development of two-way radio will provide better service and economies in the use of equipment. Fewer buses will handle more people.

The productivity of labor should increase.

There will be little expansion of existing lines or the establishment of new lines during the year. Good management will devote their efforts to improving their present routes, service and facilities and bringing costs down.

Many bus lines improved and extended their garage facilities during the war. This should improve mainte-nance methods and lower these costs. New major garage construction will be postponed and only that absolutely essential will be undertaken. major garage

CROIL HUNTER

President, Northwest Airlines, Inc.

Northwest Airlines, on this threshold of 1948, accepts it as a year when the company will realize, in a substantial way, the henefits accruing from a forward-looking postwar program.

It will prove, I believe, the wisdom of policies already adopted and the coundness of steps already takes.

dom or policies aready adopted and the soundness of steps already taken; and the proof will be in a record volume of traffic. It may be North-west Airlines' first million-paswest Airlines first million-pas-senger year.

In recent months, this airline has

added certain major developments to its overall program of accomplishments:

It has entered the global field with scheduled service to the Orient by way of Anchorage, Alaska.

It has acquired a fleet of Martin

202 airplanes as replacements for its Douglas DC-3s, and is getting still more of them.

It has ordered 10 double-deck, 75 passenger Boeing Stratocruisers, ex of the first of these by next summer expecting delivery of

It has rounded out its domestic structure with extensions to various mid-west cities.

It has been certificated to fly to Washington, D. C., by way of Cleveland and Pittsburgh and will soon start

Northwest Airlines' service to the Orient began last July 15. It has been carried along far enough to show present value and its future possibilities. Both are

I recently completed a trip to Japan, China, Korea and the Fhilippines, during which I conferred with Far Eastern government officials, industrial leaders, and our representatives, while making my own personal observa-tions. The experience convinced me that the Orient offers a vast field for business and for sight-seeing. The industrial needs of these countries are almost limitless, and the r rate of recovery from the setbacks of war has

and the r rate of recovery from the setbacks of war has been much greater than is popularly understood. They will be in the world markets in the not too distant future. Even before that they will attract thousands of tourists, many of them from the United States. So certain is the Orient of playing host to these visitors that it is already bustling with preparations to entertain them. They figure it this way: The Orient, once a matter of weeks or even months from the United States, can be reached by air, over Northwest Airlines' "overland" route—with a mainland or island a rport never more than an hour's flight away—in 30 hours. The scenery, on the trip through Alaska, along the Aleutian Islands and thence into Japan, China, Korea and the Philippines, is unmatched anywhere else for grandeur and variety. The war turned many places, like Hiroshima—target of the first atom bomb—into historic sites. The long-suppressed desire to travel will lure many persons to distant places.

distant places.

Japanese, Chinese, and Filipinos are making everyeffort to modernize their hotels and to provide modern,
even de luxe, accommodations. In Japan more than 100
tourist hotels are planned.

The trade and travel influx, it seems certain, will
begin shortly after the peace treaty is signed with Japan.
The vanguard of business executives, salesmen, buyers,
engineers, missionaries, educators and government officials already are flying back and forth in increasing
numbers.

Northwest Airlines, because of its shortent route to

Northwest Airlines, because of its shortcut route to the Orient, expects to get a substantial share of this international traffic to and from the Orient. The year 1948 should set the pattern for this trend.

Domestic prospects should keep pace with international.

Extension of Northwest Airlines' routes into Washington will link the nation's capital directly with capitals and metropolitan centers of many northern states.

Meanwhile, as its network spreads and its fleets grow Meanwrite, as its network spreads and its neets grow, this airline is moving to increase the dependability of its service by installing the instrument landing system (ILS) on its airplanes. This will enable crews to complete about 75% of flights now canceled because of un-



favorable weather, and will assure completion of more than 99% of all scheduled flights.

At the end of the war, aviation was confronted with some of its most weighty problems—many of which could not be solved merely on the basis of past experience. Northwest Airlines laid out its program boldly, in the belief that the air age was no longer any vague abstraction, but an era already upon the commercial carriers.

I believe that 1948 will demostrate the wisdom of this course

A. S. IGLEHEART

President, General Foods Corporation

By present indications, 1948 will see no overall shortage of food in the United States although some consumers may get less than they want of certain types of



Aiready we have seen a leveling-off in domestic purchases of food by the case or pound, although not by dollar volume. During the war years per capita consumption of food rose steadily in response to increased pur-chasing power with growing steadily in response to increased purchasing power, with growing emphasis on quality foods, fruits, vegetables meat poultry, and dairy products. Today, I believe, housewives not only are buying more carefully—they are using food more carefully—they are using food more carefully and with less waste.

This is one of the first and one of the healthiest signs of the consumer resistance to prices. In the coming year, we may assume that domestic food consumption will be affected further either by (a) price itself, if left free of government controls, or (b) allocation of certain food supplies by Congress. Nature herself will of course also have an important voice in setting consumption levels.

In any case, per capita consumption of certain foods will probably decline. Meats, poultry, and a smal fats are largely the end products of grain. Even if continued feavy exports draw down the supply of the grains, we can still compensate by reverting to more direct uses of basic grain foods, and by diverting them from live-stock.

At the start of 1947 it was widely predicted that food would soon have to compete more with durable goods, to hold its increased share of the consumer dollar. I believe that this kind of competition is already visible to some extent, although the signs are a trifle hard to read in view of the general advance in prices of goods of all sorts.

It does seem to me, however, that the very fact that It does seem to me, rowever, that the very fact that food prices are high will mean that fewer dollars will be available for other goods and services. Hence I am one of those—and perh ps one of the few—who believe that the production of durable goods may be much closer to meeting demand in 1948 than is commonly supposed.

The ready to meet all the presibilities of the coming.

To be ready to meet all the presibilities of the coming.

To be ready to meet all the possibilities of the coming year, management must watch inventories closely, make capital investments with great care, and give special heed to improved production methods during 1948. These are simple principles of good management which apply at any time, of course, but they will reward special emphasis given them at a time when the outlook contains so many uncertainties and when the prospect of sharper competition may be closer at hand than has commonly been supposed. been supposed.

EDWARD F. HUTTON Special Partner, E. F. Hutton & Company

Special Partner, E. F. Hutton & Company

If you or the president of any business, want to know what the ideologists within our Administration plan for all of us, it's in print. And every one of the following statements has been made by men appointed to high office who have sworn to defend the Constitution! All of these statements have been made by men in high appointed positions — appointed by men the nation has elected as custodians — not changers — of our Constitution and our Bill of Rights.

Just listen to these:

"Having once captured the Gov-

Just listen to these:

"Having once captured the Goverment and shelved the Supreme Court, we Socialists would nationalize as many large industries as we could chew. We would do it peacefully, if possible, and otherwise, if necessary."—Blanchard—State Dept.

"The whole capitalistic shell game can sink and be damned. Tell them we've got a war on—a war to establish a workers' government."—Sifton,—Interior Dept.

"Ownership will become more and the state of th



Edward F. Hutton

Ownership will become more and more divorced from any active part in the business of society. The owners will cease to be necessary."—Olds—Federal Power Commission.

"People are too damned dumb to understand."—Harry

"To take control of industry and government, abolish the present capitalistic system, and build a workers' republic."—Trippett—OPA.

"Congress will surrender to the Administration the power to tax and to direct when and how the money will be spent."—Hansen—National Resources Planning Board.

"It has already been suggested that business will logically be required to disappear. This is not an overstatement for the sake of emphasis; it is literally meant."—
Tugwell—Governor of Puerto Rico.

"The government will gradually come to own most of the production plants of the United States."—Berie—Asst. Secretary of State.

"All owners of stocks, bonds, mortgages, land, buildings, or equipment shall be required to surrender them in return for common wealth bonds."—Porter—War Labor Board.

"The government will provide the market and say what and how much is to be produced."—Durr—Federal Trade Commission.

"Society will have to devise methods that would refuse individuals the right to make what use they wish of their own labor and property."—Evelyn Burns—National Resources Planning Board.

sources Planning Board.

"The U. S. has 6% of the world's area and 7% of its people. It has 60% of the telephones, 80% of the motor cars, 35% of the world's railroads. It produces 70% of the world's oil, 60% of wheat and cotton, 50% of copper and pig iron, 40% of coal and lead. It has \$22,614,410,582 in gold. It has two-thirds of the world's banking resources. The purchasing power of its people is greater than that of all the people of Europe or all the people of Asia. Responsible leadership which cannot translate such a bulging economy into an assured prosperity is such a bulging economy into an assured prosperity is destitute of capacity. But pompous statesmen looking over the estate solemnly declare that the methods by which it was created are all wrong, ought to be abandoned, must be discarded, and that the time has come to substitute political management for individual initiative and supervision. There is only one way to characterize that proposal and that is as just damn foolishness." London "Sphere."

We in America believe in the spiritual as well as the material side of life. They must go hand-in-hand. No country—no government—can abolish nature—the handmaiden of God. Nor can they control the flood-and ebb tides-the changes of seasons-nor did any country or government place in the earth-minerals-oils-fish in the waters-fowl in the air. No scientist can make the seed which creates the harvest to feed the people. ONLY GOD CAN DO THAT. Nature insists that man be free in order that he may reach his highest possible position and be of service to his fellowman-not to any state.

AUGUST IHLEFELD

President, Savings Banks Trust Co., New York City

The savings banks are in an excellent position to help satisfy the increased demand for capital that has developed as a result of business prosperity.

This year, capital demands both for home building and

for industrial expansion will assume record proportions. It is in the pub-lic interest that these demands be satisfied. Additions to the supply of housing and to industrial plant ca-pacity, in meeting prevailing short-ages, help to relieve inflationary

pressures.

Loans and investments by savings banks finance the acquisition of durable goods. They are all productive in character. In no case do they finance the hoarding of commodities or speculation.

or speculation.

Savings banks accumulate new funds for investment from three main sources. First, deposits are still increasing, although at a slower rate than during the war years. Secondly, substantial sums are being received each year as instalment payments on mortgages owned and in redemption of maturing bond investments and as cash income collected by the banks exceeds their operating expenses. Thirdly, large sums can be secured for other investments through sale of some of the United States Government obligations that presently constitute by far the most important asset of mutual savings banks.

Today, about two-thirds of the investments of mutual savings banks consists of Government obligations. In common with other investing institutions savings banks

Today, about two-thirds of the investments of mutual savings banks consists of Government obligations. In common with other investing institutions savings banks bought Treasury securities to the limit of their ability during the war to help finance the war effort, and because the demand for capital from other sources was at a low ebb. It was contemplated all along that a part of the funds placed in Government obligations during the war would be shifted into other investments whenever the demand for capital from private sources would revive. Such a shift began late in 1947, and it may continue during 1948 and in subsequent years.

Government trust funds and agencies provide a logical market for the Treasury bonds that savings banks and other investing institutions will sell to secure funds for making new private investments. These trust funds and agencies are collecting a large proportion of current individual savings, and they are not permitted by law to buy corporate obligations or mortgages for their own account. They can shift the funds they receive to where they are needed by purchasing Government securities from savings banks and other investing institutions.

Savings banks will continue their efforts to attract additional deposits this year. Through such efforts, they can make an important contribution to the battle against inflation. When people deposit part of their incomes in savings banks, these funds are withdrawn from the stream of current spending which is pressing upward the (Continued on page 52)

(Continued on page 52)

1 9 4 2 9 4 3 9 4 4

From all indications, 1948 should be the biggest YEAR yet in the industrial development of the SOUTHEAST.

With confidence that the natural advantages of the resource-rich Southeast can fulfill your most exacting requirements for new plant location, the COAST LINE is in position to furnish complete information regarding available industrial sites. Inquiries are invited.

R. P. JOBB

Manager Development Service

ATLANTIC COAST LINE RAILROAD COMPANY

WILMINGTON, NORTH CAROLINA

(Continued from page 51)

prices of consumer goods, and are added to the volume of savings which go to finance expansion of the nation's productive capacity and the supply of housing.

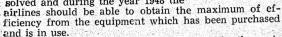
SIGMUND JANAS

President, Colonial Airlines, Inc.

American Aviation has an opportunity during the year 1948 to benefit from the immediate postwar period of expansion and reorganization. However, in order to take advantage of its opportunities it is my opinion that the management of the airlines in the United States must recognize that air transportation is not now universally recognized and used by a sufficient number of the traveling public.

public.

Since the close of the war the airlines have been trying to train new personnel and obtain equipment suitable to the needs of the various routes. During this period there have been some unfortunate accidents and there have also been unpleasant experiences with certain types of equipment which many of the larger airlines had in use. It is reasonable to
believe that the worst of these problems have been met and are being
solved and during the year 1948 the
airlines should be able to obtain the maximum of eflines from the equipment which has been purchased



and is in use.

Great emphasis has been placed on speed by the various airlines and I think in laying the stress on this point that the airlines have overlooked the real fundamental need of air transportation. In my opinion this need is safety. It is my experience that people are interested in getting to their destination safely, and if they can do that rapidly that is to be desired, but above all they want safety and demand it.

Unless the airlines concentrate on safety they will be

safety and demand it.

Unless the airlines concentrate on safety they will be unable to encourage thousands of Americans who want to fly, to adopt air transportation.

Federal regulations of air transportation in the United States has reached a point where it has the opportunity of making the future a great one or delaying it for many years to come. The delays in obtaining decisions from the Civil Aeronautics Board are most costly and disastrous. I am sure that it is the fervent hope of airline operators that in 1948 the Civil Aeronautics Board will become so organized that it can give speedy consideration and decisions on the matters which so seriously affect our business.

tion and decisions on the matters which so seriously affect our business.

If the airlines of the United States will, as I have said above, concentrate on safety and safety always, 1948 will be the biggest year in the history of air transportation and will place the industry on a solid footing able to face the future with optimism. If this is done there must be among the operators a universal decision not, under any circumstances, to compromise with safety.

GEORGE C. JOHNSON

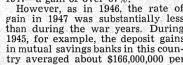
President, The Dime Savings Bank of Brooklyn

Deposits-In spite of the fact that the cost of living continued to rise during 1947, and even though competition for depositors' funds in the form of an increasing supply of consumer and consumers' durable goods made

supply of consumer and consumers' durable goods made itself felt, deposits in mutual savings banks again reached an all-time high during the year. This made the sixth consecutive year in which the mutual savings banks surpassed their previous peak. During these six years a truly impressive growth was shown in both deposits and assets. The former have risen from about \$10,500,000,000 at the end of 1941 to \$17,600,000,000 on Nov. 30, 1947—a gain of over 67%.

However, as in 1946, the rate of gain in 1947 was substantially less than during the war years. During 1945, for example, the deposit gains in mutual savings banks in this country averaged about \$166,000,000 per month. In 1946 this figure had receded to approximately \$122,000,000, and indications for 1947 are that the monthly average was about \$70,000,000.

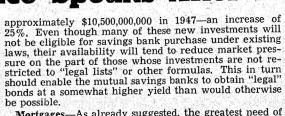
These gains have of course been the result of high war and postwar incomes along with a call.



These gains have of course been the result of high ar and postwar incomes, along with a shortage of These gains have of course been the result of high war and postwar incomes, along with a shortage of goods. Increasing availability of the latter, continued high cost of living, and some stabilization of the income level, lead most savings bankers to feel that although deposits will continue to rise, the rate of gain will be further reduced. Even a modest gain, however—only half of that for 1947—will show the savings banks of New York State, for example, exceeding a long-time goal of \$10,000,000,000.

Bond Investments—Mutual savings banks were again plagued during 1947 with a paucity of suitable investments other than U. S. Government bonds. As a result, earnings have continued to be depressed.

However, the past few months of falling bond prices have meant greater yields on new security acquisitions. All indications point to a record volume of new financing in 1948. One informed source estimates that such financing could exceed \$13,000,000,000, as compared with



Mortgages—As already suggested, the greatest need of the savings banks at this time is a more adequate supply of investments other than government bonds, bearing a higher yield. Many bankers believe that this problem will be eased, although not solved, in 1948 through expansion of the mortgage market.

Mortgage interest rates are now at their lowest levels. However, the upward trend in money rates as reflected in the bond market of recent months is bound to have its effect on mortgage rates. In many quarters, where a short time ago there was an over-supply of money avail-able for investment, there is already somewhat of a

Latest estimates are that about 825,000 dwelling units were completed in this country last year, and the U. S. Department of Commerce has estimated 950,000 for 1948. At the same time, many existing mortgages are being increased in connection with sales, or because of modernization and improvement.

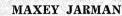
ernization and improvement.

Indications are that new mortgage lending by savings banks in New York State exceeded \$500,000,000 in 1947. Of this figure, approximately \$144,000,000 was in GI loans. The extent to which the mutual savings banks of the State have aided the veterans in solving their housing problem is indicated by the fact that at the end of 1947, they held approximately \$250,000,000 of GI mortgages. Nation-wide figures are comparable to those for New York.

1947, they held approximately \$250,000,000 of GI mortgages. Nation-wide figures are comparable to those for New York.

Certainly the present real estate market is delicately poised. It is not generally realized that although prices have risen steeply during the last three years, they also rose more gradually during the preceding eight or 10 years. With the exception of just one year, building costs have also risen for a period of 15 years, albeit more rapidly during the past two or three. The number of real estate transactions reflected in deeds recorded has declined since the summer and fall of 1946. This decline may indicate that some of the feverish buying and selling that followed the war has disappeared from the market.

From the information presently available, it would be presumptuous to attempt to predict the future of the mortgage and real estate market with any assurance of certainty.



Chairman, General Shoe Corporation

Shoe production for the year should run about 440,-000,000 to 450,000,000 pairs, almost as much as 1947. Dollar volume should be higher than 1947 as average prices of shoes will probably be up about 10% over the previous year. The industry has been on a competitive basis for the past 12 months with supply equal to demand, and this competitive situation should continue throughout the year.

the year.

Supplies of leather and raw materials should be adequate to take care of that much production, but no surpluses are expected to accumulate. Inventories of hides and leather throughout the world are still considered to be on the low

Man-hour production throughout W. M. Jarman the industry should continue to improve during 1948, and thus make possible still better value to the consumer.

W. ALTON JONES

production and reducing costs.

In the oil business as in all others, many costs continue to be driven upward by factors over which management has little or no control. Thus, management's efforts must be directed principally toward offsetting the upward thrust of costs, so far as possible, by technological

improvement,

The petroleum industry, for example, has made great strides toward cutting transportation costs. It

ward cutting transportation costs. It has built a great network of pipelines. It has developed inland waterways and river barge equipment. It aided and financed the construction of large ocean-going tankers. The result today is better transportation and lower costs, with incalculable benefits to the public.

At the same time, the petroleum to unprecedented levels. Demand for petroleum and petroleum products in the world and in the United States is today at the highest level in history. To meet this demand, the oil industry in 1947 and 1948 is investing

more than \$4 billion. This is perhaps the largest indus-

more than \$4 billion. This is perhaps the largest industrial expansion ever undertaken by any industry in a like period in the history of the world.

These bill.ons are being spent to find and develop new oil fields; to construct new pipelines, tank ships, tank cars and river equipment; to build new refining facil.ties to produce more and better products; and to discover new products from hydrocarbon sources.

Modern science is being brought to the aid of the industry on a scale which would have been deemed impossible a few years ago. It is unfortunate but true that for half a century the record of the petroleum industry was far from brilliant in utilizing the benefits of science, particularly in the field of production. But we are now in a new era. We are using technical skill, the laboratory, and the engineers to help us understand the excesses of the past and to avoid them in the future, and to push enward and upward toward new production goals.

Oil men everywhere are determined to de their utmost.

Oil men everywhere are determined to do their utmost off men everywhere are determined to do their dunost to meet the challenge which faces them—by increasing production to meet the all-time record demand, and by keeping the closest possible control over costs.

Time and the play of those forces inherent in free enterprise are the principal requirements in the achievement of this goal.

JACK KAPP

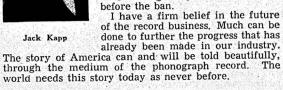
President. Decca Records, Inc.

President, Decca Records, Inc.

We expect our business to be good in 1948. Decca has a sizable backlog of new unreleased recordings in addition to thousands of records that have not been available for over five years. The interest in the the latter is greater today than when they were first issued.

It is regrettable, however, that the American Federation of Musicians has deemed it advisable to prevent its membership from engaging in any recording after Jan. 1. It is also regrettable that it was not possible to bring together all persons involved to solve existing problems through objective discussions before the ban.

I have a firm belief in the future



K. T. KELLER

President, Chrysler Corporation

During 1947 the automotive industry made several new production records and this in spite of short steel supplies.

total of a little more than 43/4 million vehicles

A total of a little more than 43/rolled from the industry's assembly lines in United States plants. Only three other years were better, the prewar years of 1929, 1937 and 1941.

During the war years of "no production." the American public failed to get each year between 3½ and 4 million vehicles that would normally have been produced.

The major goal facing the industry at the beginning of 1947 was to reduce the back-log of demand as much as it could and also somehow to meet the demand normally occur-

to meet the demand normally occur-ring during the year.

While trying to produce as many

new vehicles as supplies permitted, the industry also attempted to keep as many old vehicles running on the roads as possible, and turned out of its factories during 1947 automotive replacement parts, valued at \$2½ billion at the factory doors, a measure many times that of any previous year. previous year.

In this connection, it is interesting to note that whereas before the war the average passenger car was comparatively a youngster—about 5½ years old—passenger cars today are oldsters by prewar standards, better than nine

years old.

Chrysler Corporation during 1947 shipped from its United States and Canadian plants a total of more than a million, six thousand vehicles. This figure compares well with our prewar yearly production figures. The million vehicle mark was surpassed by us four times in the prewar period.

While this industry in producing nearly 5 million vehicles during 1947 was operating at only two-thirds of capacity, because of material shortages, it nevertheless effered jobs to 790,000 factory workers, about 40%, more than in 1941, and paid them about \$2½ billion. This wage bill was 75% more than was paid out by the industry in 1941.

During 1947 about 9 out of every 10 passenger cars

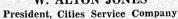
During 1941.

During 1947 about 9 out of every 10 passenger cars produced went to an American buyer. Exports of cars and trucks remained at about the same percentage levels as when governmental export controls were in effect.

A total of about 260,000 motor cars went to foreign countries last year, about 7½% of total production.

In spite of high production levels in 1947, a big job still remains to be done to meet the demand for motor





Good management strives unceasingly, in good times and in bad, toward the twin objectives of expanding



vehicles. Estimates as to how large the demand is run from 4 million to 10 million cars.

Something of a dent has already been made in the demand by the 7½ million cars produced since V-J Day, but how large a dent no one can say.

The year 1948 starts with lines of customers still forming on the right for all the vehicles the industry can produce—and the industry is still in the odd position of

forming on the right for all the vehicles the industry can produce—and the industry is still in the odd position of doing a customer a favor if it sells him a car.

Steel supply remains the key to car production. Sheet and strip steel are still almost as tight as at any time since the end of the war.

From where we stand, no relief in the form of more steel is in sight during the first half of 1948—and it is much too early to tell what the last half of 1948 may bring.

This means that barring interruptions to production the industry should produce motor vehicles at about the 1947 rate—or perhaps a few more.

While sheet steel supply is the big nurdle for 1943 other factors cause concern. The price spiral gives no signs of having reached the top and several strong pressures remain to push prices higher. Many of these pressures could have serious effects.

The effect of the Marshall Plan and the proportion of total American production of goods that will go into exports remains unknown. Of course, this industry cannot escape the effects of these factors, and any resulting limitation of the supply of goods available for domestic

HENRY P. KENDALL

President and Treasurer, The Kendall Company

President and Treasurer, The Kendall Company

A substantial part of our business is surgical dressings and the balance textiles and textile specialties. In the first field, because of the shortage of textile products, I feel the demand will be reasonably good. On the textile side, the cotton manufacturing industry has undergone a more marked change in the last two or three years than for many years before. More independent mills being purchased by stronger companies show a decided tendency to sell their goods finished and it has lessened the free market of textiles for processing.

Because of the pent-up demand, my own feeling is that 1948 will show a good demand. Before the end of the year pipe lines and shelves will be pretty well filled, but no recession of importance will be indicated although the trend toward the end of the year will be downward from present high demand.

year will be downward from present high demand.

CALVIN M. KENDIG

President and Treasurer, Hamilton Watch Company



While there are uncertainties on the business horizon for 1948, the Hamilton Watch Company is planning on capacity production, substantially larger than any previous year. A growing consumer demand for Hamilton watches plus the need for replenishing dealers' stocks that are still badly depleted, make this planning appear to be wise.

FRANK F. KOLBE

President, The United Electric Coal Companies

Without being too optimistic it is my firm belief that 1948 will be a good year for the coal industry.

Production should increase over 1947. New mines that

have started and improvements and new machinery has been added to old property will have their effect during the calendar year 1948.

Railroads for several months last year were tunable to furnish sufficient cars to keep all mines operating at full capacity. Undoubtedly with new cars available this year, trouble should be avoided with a resultant substantial increase in the total tonnage for the year 1948. All of this, however, is subject to any long-drawn-out strike by the United Mine Workers of America or a further reduction in the number of hours worked per day.

Consumption of coal last year was at a new peacetime high. The biggest increases were in exports which were



at a new peacetime high. The biggest increases were in exports which were 45% above 1946 and in electric power which was 24% above 1946. Export demand last year was only limited by our capacity to mine coal. Railroad demand increased slightly due to the increased number of diesels in service and this will continue. Plans by the electric power companies call for an increase of 35% in electric generating

facilities in five years. This will mean a large increase in demand for coal, as coal is the pre-eminent tuel for

The export demand certainly will be no less for the current year. There is a strong possibility that with added production, we may export more coal this year than at any other time in our history.

Steel and other industrial demands continue at a rapid rate and there is no indication of any lessening of the use of coal for industry for the current year.

use of coal for industry for the current year.

Improvements in washing plants and other means of preparation makes the use of coal more desirable than ever before and with the price relationship against competing fuels, we should retain without trouble the markets we now have. Therefore, the coal industry faces 1948 with an increased production, ample markets and competitive price relationship with other fuels and a rate of profit for the industry that assures the stockholders a satisfactory return on their investment. a satisfactory return on their investment.

CHRISTIAN W. KORELL

President, Underwriters Trust Co., New York

The outlook for the banking business in 1948 is better than it has been for many years. The opportunities for the extension of more commercial credits at better discount levels will of course add materially to bank profite.

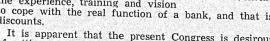
count levels will of course add mater its. The need for more efficient operation all along the line will be necessary in order to better pay bank employees, have a sufficient net for stockholders and add to surplus accounts.

plus accounts.

For the past 14 or 15 years banks have been largely investment trusts, with the greater part of their funds invested in government bonds instead of doing a discount business, which of course is the real function of a bank of a bank.

of a bank.

A great number of present day younger executives in the banks and in the supervisory agencies, because of this prolonged period of inactivity in commercial credits, are lacking the experience, training and vision to cope with the real function of a bank, and that is discounts



It is apparent that the present Congress is desirous of getting government out of business, and if this is applied to the 20 or 30 agencies of the government, who are in one way or another competing with the banks, their funds can be returned to the United States Treasury, and the thousands of employees can return to private employment with tremendous savings to the tax-payers.

The key to the prosperity of our country today more than ever is less government in business and more business in government, and of course this means less taxes for every one.

The Truman idea of a long range spending program under the Marshall Plan is ridiculous, since conditions are changing so rapidly that it is difficult to see ahead.

even a short space of time. Congress should adopt a program calling for periodic reports at frequent intervals from all departments, and then the people's direct representatives—Congress—could continuously evaluate the various programs.

the various programs.

The Marshall Plan places entirely too much importance on American dollars, and will do no more good than the \$20 billion already expended since the end of the war. If private capital is expended in Europe there undoubtedly will be a reasonable basis for its protection, and a fair chance to have it repaid. There are plenty of securities and cash of the peoples of Europe held in this country and other places, to form a basis for the extension of private credit. Why should the taxpayers of this country be penalized for winning the war and the possibility of our entire economy being descripted.

Again I reiterate we need less government in business and more business in government.

O. J. LACY

President, California-Western States Life Insurance Co.

President, California-Western States Life Insurance Co.

In the beginning, I would like to briefly discuss the general situation. Let Government do two things and Private Enterprise two, and we can largely solve the present situation. It is just that simple. Here they are:

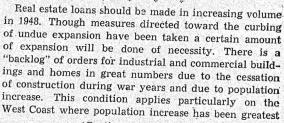
First: Let Government control money and credit through methods advocated by Marriner Eccles;

Second: And more important, let Government get out of speculation in the Food and Commodities Market and out of competition with Private Enterprise in its purchases of foods and commodities at skyrocket prices for Foreign relief;

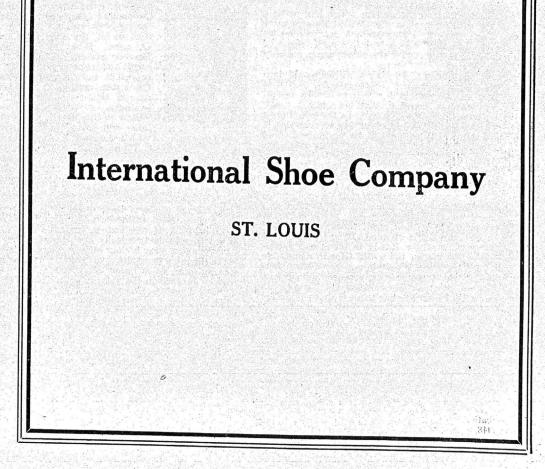
Third: Let individuals connected with Government and all those of high estate who should and do know the harm they are doing to their fellowmen also get out of the speculative Food and Commodity Market;

Fourth: Let Industrialists, Merchandisers, Farmers, Laborers, all of whom as a group are grabbing to "get theirs now," awaken to the realization that they are sabotaging and wrecking the "Garden-of-Plenty" rather than harvesting the crop for the good of all.

Real estate loans should be made in



(Continued on page 54)



(Continued from page 53)

-approximately 4,000,000 in the 3 West Coast states since 1940.

An increase in demand for real estate loans is looked for by me until demand is met by supply, and I anticipate that this point will not be met for some years to

pate that this point will not be met for some years to come.

In the securities field, we witnessed a pronounced increase in interest rates during the year 1947, and I expect to see this trend carried somewhat further in 1948. This change is accentuated by moves of the Federal Reserve Board to combat inflation and by the great need for new capital now being experienced by large industrial concerns and public utilities. I do not expect to see the upward climb of interest rates become very drastic as long as the Federal Reserve supports the Government market, which it has announced it will do over the foreseeable future; however, a change of front by the present administration after election which may be expected once they are re-elected, the present status having served their purposes in the interim, or a change of administration could bring about an abrupt departure from the present pattern at that time.

ALF M. LANDON Topeka

Topeka

It has long since been quite clear that Russia does not intend to cooperate with the rest of us in making the peace without which world reconstruction will be impossible. Instead the world will continue in a state of chaos. social unrest, semi-starvation, civil war and revolt, which, of course, is exactly what the Kremlin is seeking because such a state of affairs plays right into its hands. For its avowed aim is the overthrow of all non-communist governments everywhere and, finally, world domination.

We, and the rest of the world, therefore, in sheer self defense, must not allow Russia forever to delay the peace. If Russia will not join in with us, we must proceed, as I have said several times, without her.

The Paris peace conference following World War I was called by the 11ve principal allied and associated powers—the United States, Great Britain, France, Italy and Japan. These powers consulted together in December, 1918 with regard to when and where the conference would be called. Paris was selected. The powers decided to meet in January, and sent out the calls.

It is to be remembered that, after the conference started, Italy walked out because she felt she should get a larger share of the spoils. But, in Italy's case, be it noted, the conference went right on after she took a walk. And, eventually she returned to the peace table—after a shake-up in the cabinet at Rome.

While I think the situation in Russia is not exactly composed of America, Britain, France, Russia and China. As I have previously advocated I believe these powers should arrange a new peace conference. If Russia refuses to play why couldn't the others go ahead, agree on a time and place, and send out the call?

After World War I all the nations which had participated in the conflict against the Central Powers were invited. There were 32 states present, represented by 70 delegates. The Big Powers had five each. Some of the others had three delegates, some two, and some only one.

one.

Of course today none of Russia's satellites would dare show up if Russia boycotted the conference. But it is a cinch that all the rest of the nations would accept. Then the conference could proceed to make a peace which all, save Russia, would accept. In the end, Russia would probably find it to her advantage to come in. If she refused, the world would still be no more divided then it is today.

she refused, the world would still be no more divided than it is today.

I believe every effort should be made to get Russia to quit this business of trying to dominate the world and to follow a policy of live and let live. That has been our policy from the start. But it has come to nothing thus far, and after one more early effort to induce Russia to play ball, we should go ahead with the game without her.

to play ball, we should go allow with her.

The same principle, I think, applies also to the United Nations. Today the UN is stymied. It will remain stymied as long as we allow Russia to block every constructive move the rest of the world tries to make. We should do our best to get Russia to quit her obstructionism in the UN, but if she refuses, proceed without her. If she walks out, so what? She can torpedo the UN even better from within than she can from without if that is what she is seeking.

At home, as for the agricultural section of the

what she is seeking.

At home, as for the agricultural section of the country, it has not begun to exhaust its buying power. Our banks are full of money. Because the agricultural depression set in in the early 20's and lasted all through the 30's, with the added burden of the drought years, and because of the second World War and conditions since then, the farmer has not had the opportunity to get new bedding, new furniture, new cars, new radios, new tractors, let alone the new gadgets such as gasless refrigerators, propane heating, and new machinery that will take the drudgery out of farm work, such as two-cow milking machines and mechanical post-hole diggers.

The banks in the agricultural country are chock-full

The banks in the agricultural country are chock-full of money. The automobile dealer is still doing his cus-

tomer a favor when he lets him have a new car. The agricultural implement dealer is still doing his customer a favor when he lets him have a new tractor or a new cultivator.

So, I say there is still a tremendously unsatisfied reserve buying power that has the money and is anxious to make up the arrearages of almost 30 years.

F. M. LAW

Chairman of the Board, First National Bank of Houston

In the Southwestern part of the United States we have found that during 1947 farm and ranch income has been greatly increased. This is due to heavier yields and higher prices. In Texas alone the farm income will be well over \$1 billion for 1947. The

cattle man has enjoyed a compar-ably good year. Industrial development continues at an all-time high. Smokestacks and

payrolls have been and are multi-plying rapidly.

The banks in this section, as elsewhere have experienced a healthy demand for loans. Banking practices, as they have come under my observation, are sound and particularly so in the credit field. Bankers are well aware that speculative and non-productive are different productive are different productive. ductive credits should be discouraged, if for no other reason, as a check against further inflation.

As a rule merchants in this part of F. M. Law the country have had one of their best years and in many cases results have been record-

The banks in Texas and adjoining states closed the year with satisfactory earnings and they seem to have sufficient lending power to take care of all legitimate credit needs.

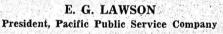
The opinion is somewhat general that 1948 may experience some slight recession from present high levels of activity and profits, but the majority opinion seems

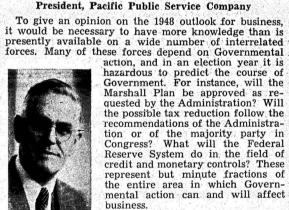
of activity and profits, but the majority opinion seems to expect nothing worse.

If Congress makes even a modest beginning in the matter of tax reduction, it will have a stimulating effect. Our leaders are fully aware of the seriousness of the threat of excessive inflation, but it is the common belief that this matter will not be allowed to get out of hand. In short, we of the Southwest are looking forward to good business in 1948.

of the Southwest are looking forward to good business in 1948.

A balanced budget, a systematic reduction of the national debt, and at least a modest reduction in overburdensome taxes (all of them concurrently possible) will mark a return in this country to old time religion.





Add to this uncertainties of what

Add to this uncertainties of what labor will demand and the extent to which the demands will be met.

Then, to further complicate the problem one must inquire as to what Mr. Stalin will do. And Mr. Attlee, and the Premier of France. And the Italian and the Greek people. Foreign developments will undoubtedly affect our own economy—but how much?

much?

There is not a one of these questions which does not have an important influence on this nation's business health in 1948. If one can assure that none of these forces will act cataclysmically upon business in general, I foresee a good year for our own business in California. We are planning to go ahead with our capital expenditure program, and this is based upon a belief that volume will be increased in the sale of natural gas, electricity and bottled water. However, shortages of trained personnel in the utility of phase of our business will prevent our pursuing as large a replacement program as would otherwise be desirable.

In our planning for the coming year we are assume

In our planning for the coming year, we are assuming that there will be a continuance of population growth and new construction in the area we serve and are making our plans for about the same rate of increase in 1948 as was experienced in 1947.

However, because of the imponderables mentioned above, we are so planning our program as to be able to call a halt if the economic equilibrium is upset.

Increased prices may be necessary if costs continue to mount. But the spiral must stop somewhere, and in our internal planning we have made no provision for price or rate increases during the year. But, as in the case

of capital expenditures, our plans are subject to change if external developments make changes inevitable.

California is destined to prosper. The population is growing by leaps and bounds, and the industrialization of the state proceeds apace. Thus, given a satisfactory national economic environment and an improving international outlook, I expect California business to remain on a high level in 1948. Pacific Public Service Company looks toward a good year in its utility business, in its bottled water business, and other enterprises.

HERBERT H. LEONARD

Chairman, Executive Committee, American Machine & Foundry Co.

There are so many uncertain factors prevailing at present that it is difficult to make any very specific prediction. Some lines are already catching up with demand but with the present backlog of orders and demand for steel and automobiles which exist today—a high level of business will be maintained. While there may be some slackening off in some lines in the latter half of 1948, I believe there will be very little, if any, overall recession during the year.



Herbert H. Leonard

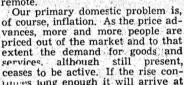
M. ALBERT LINTON

President, Provident Mutual Life Insurance Company of Philadelphia

In a nutshell the business outlook for 1948 is good with,

In a nutshell the business outlook for 1948 is good with, however, a somewhat feverish tinge. Apparently the huge aggregate accumulated demand for the products of America's plants and factories is about as large as it was on V-J Day. Despite a record output by industry, the volume of unsatisfied demands for semi-durable and durable goods, including construction of all kinds, remains enormous. Furthermore, the amount of money available with which to buy is also enormous. Until this situation changes the chance for any recession of major significance is remote.

Our primary domestic problem is,



remote.

Our primary domestic problem is, of course, inflation. As the price advances, more and more people are priced out of the market and to that extent the demand for goods and services, although still present, ceases to be active. If the rise continues long enough it will arrive at a point where the number of those who can still afford or are willing to purchase what is available will be so reduced that unemployment will begin to develop. This could easily cause a slow-down in business activity that would result in a drop in prices and a short-lived recession until the equilibrium between prices and the means to buy had been reestablished again. Such a development might on balance be wholesome.

velopment might on balance be wholesome. velopment might on balance be wholesome.

Those who reason by analogy from the great depression of the 1930's and fear a major recession soon seem to overlook the fact that in 1929 there was no accumulated demand in any sense comparable with what exists today. This unprecedented demand, even excluding a large part of the demand from abroad, should provide useful work for every employable person in this country for several years to come. If it does not, it will be because we are incompetent as a nation to manage our affairs properly,

affairs properly.

One of the crying needs of the moment is to get rid of "feather-bedding" and other restrictive practices which prevent the performance of a fair day's work for a fair day's pay. In particular this is true in the field of housing. Our company wants to build much needed homes for people to live in. We would own these homes and rent them. They must be of good quality since the rents we must charge must hold over a substantial period of time so that the money invested may be repaid in due course, and in the meantime yield a fair rate of return. In order that this may be achieved the rents must therefore hold over a 25 or 30-year period.

Prices for construction under present conditions are

Prices for construction under present conditions are Prices for construction under present conditions are most discouraging. Adequate rents can be obtained now and perhaps for five years to come. But, what will happen after that when housing will probably be much more plentiful? Would the homes now built at high prices be attractive then at the rents we would have to continue charging to get back original costs? If not, how could be justify investing in such a venture the money which policyholders have intrusted to our care for the protection of their families and themselves?

In the light of this situation, one of the greatest contributions that labor could make for the welfare of all, including labor itself, would be to do everything in its power to increase efficiency to the utmost extent possible. More houses and other needed goods and services would then be produced at lower costs and in greater volume, employment would continue on a high level, and the foundations of lasting prosperity would be more firmly established.

(Continued on page 56)



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Your Stockholders and You

(Continued from page 49)

generally to something between 30 to 50% of the broker holdings instead of the customary 90% for an annual meeting. 30% of 30% is less than 10% of the whole, and as most of these controversial proposals require a vote higher than a majority usually twothan a majority, usually two-thirds, the remaining 50% or more must be obtained from the individual stockholders. It is then that the necessity for active proxy solicitation becomes apparent and sometimes, if it has not been arranged for in advance, either because of over-confidence or misunderstanding, a hurry-up or rescue campaign must be nut on rescue campaign must be put on This is certainly not conductive to better stockholder relations.

The most thankless task of the solicitor is a proxy contest. Here there is no complicated proposal to explain. A contest is essentially a matter of personalities. No matter how courteous one side or the other may set out to be seen as ter how courteous one side or the other may set out to be, sooner or later names are called records assailed, characters vilified, motives misconstrued. Within the space of a few weeks, the stockholder is bedeviled with a communication from one side or the other every day or two, each new letter denying the allegations of the preceding one. It is no wonder that the poor stockholder is confused and often signs every proxy fused and often signs every proxy sent him so that at the end he may have voted six or eight different times for both sides with only the last dated proxy counting in the final tabulation.

Most contests against management are motivated by a desire for personal power although there are instances when an incompetent or greedy management deserves to be ousted. Having eminscarculation of the manage-ient's strength, many an opposi-ion descends to unethical levels in its eagerness to win. The cost of such contests by far exceeds the results achieved and even-tually the stockholder is the one who pays the bill. After putting in power a group which has ap-pealed primarily to his cupidity, the stockholder finds that, as soon as its personal objectives have been attained, the new manage-ment turns its attention to other speculative opportunities, leaving the company and its stockholders even worse off than they were even worse off than they were before.

It can safely be said that it is the desire of any responsible soliciting organization to avoid contests whenever possible. If there is the slightest opportunity to bring both sides together, to propose and encourage a compromise, that will be the wisest course that can be pursued. No one really wins a contest—both sides are losers—and the stock holder loses most of all.

In the days before proxy solicitation came under the jurisdiction of the SEC, information given to the stockholder about a proposed merger or recapitalization was meager and the proxy itself gave no opportunity to dissent. It was a case of vote in favor or not at all.

The first proxy rules under Section 14 of the 1934 Act became effective in October, 1938 and since then have been amended, in whole or in part, several times. The latest revision has just been made effective. The objective of the proxy rules, as it is also of registration statements and prospectuses, is to furnish the stockholder with all pertinent informabarked on its course through a tion which will permit him to ex-

ercise independent judgment. There must be no misrepresenta-tion of any material fact nor the concealment of anything which would influence the stockholder's decision. Unfortunately this enwould influence the stockholder's decision. Unfortunately this entails setting forth, usually in technical and legalistic language, of a multitude of details, accompanied by voluminous financial statements. Proxy statements conforming to the rules must of necessity become documents of sixteen thirty-two or sometimes teen, thirty-two, or sometimes even a hundred pages. As a result, most stockholders either throw such proxy statements away unread, put them aside for future reading, or decide, on a casual inspection, that they had better vote against the proposals on the general principal that anything that takes so much paper and ink to explain must be meretricious.

Where the Solicitor Steps In This is where the proxy solicitor steps in. He calls on or telephones the stockholder, asks if he has received the documents and then inquires if he has mailed his proxy. More than three-quar-

ters of the time the answer is either "I haven't time to read all that stuff," "What's it all about?" or, "Yes, I got it but it looked that stuff," "What's it all about," or, "Yes, I got it but it looked so difficult I just threw it away. My vote doesn't count anyway." Then, with full knowledge of the proposal, the solicitor tells the story in language easy to understand, answers the stockholder's questions and, if the material has been destroyed or mislaid, furduestions and, if the material has been destroyed or mislaid, fur-nishes a duplicate. It is only in rare cases that the conversation takes on an argumentative tone and then, if the solicitor has been well trained, he avoids offense, closes the discusion on an amicable note, and leaves the door open for a further interview if that is needed. After all it is imossible to get everyone to agree with you, but if you avoid acrimony, there is at least a fifty-fifty chance that the dissenter will see it your way.

This method presupposes a solicitor of experience who is urbane, tactful, and above all single-minded. The trained solicitor is interested in building un good will for the company which them with benefit to all.

employs him. He has not only studied the proposals in question but he knows the background of the company and is prepared to answer questions or even to invite inquiry about all phases of the company's operations. If a dividend check has gone astray or a complaint gone unanswered, he will report the facts and seek to overcome the resulting ill-feeling overcome the resulting ill-feeling. This is good stockholder relations and, as a result, the necessary vote is obtained without friction and the stockholder's confidence in the judgment of the management is strengthened.

When conducted with due respect for the spirit as well as the letter of the laws and regulations, proxy solicitation is an important adjunct of stockholder relations. If progress in bringing stockholders closer to management continues at its present rate, we may well look forward to the day when all interests - consumers, labor, stockholders and management will sit down together to discuss their common problems and solve



BANK of the MANHATTAN COMPANY

NEW YORK, N. Y.

Condensed Statement of Condition as of December 31, 1947

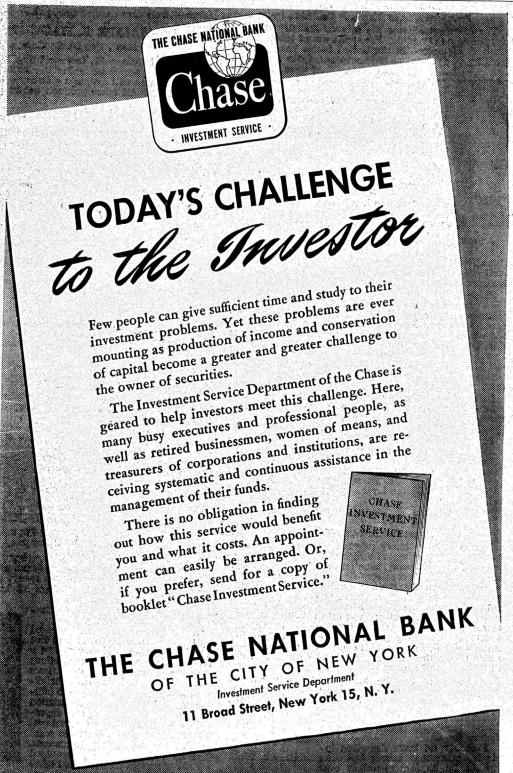
ASSETS

Cash and Due from Banks and Bankers	. \$ 365,643,523.38
U. S. Government Obligations	360 915 917 94
Other Public Securities	13 284 915 93
Other Securities	22 957 783 10
Loans and Discounts	426 782 104 01
Real Estate Mortgages	5 827 954 78
Banking Houses Owned	11 544 979 80
Customers' Liability for Acceptances	5,195,200.86
Other Assets	4,427,403.99
	• 1,121,100.00

		\$1,216,579,776.79
LIA	BILITIES	
Capital (2,000,000 shares) . Surplus		
Undivided Profits	. 14,487,235.49	\$ 64,487,235.49
_Dividend Payable January 2,	1948	600,000.00
		1,088,906,235.02
Certified and Official Checks		51,096,879.13
Acceptances Outstanding .		
Other Liabilities, Reserve for	Taxes, etc	5,212,402.11
		\$1,216,579,776.79

Of the above assets \$29,604,951.57 are pledged to secure public deposits and for other purposes; and certain of the above deposits, are preferred as provided by law.

nber Federal Reserve System Member Federal Deposit Insurance Corporation



(Continued from page 54)

F. J. LUNDING

President, Jewel Tea Co., Inc.

President, Jewel Tea Co., Inc.

Because there are so many unknown factors it is difficult to express an opinion on 1948. One thing, however, is certain—we will all have to be alert next year to rapidly changing conditions and flexible in our operations so we may meet whatever the future holds.

In my opinion 1948 will present a greater challenge than 1947. The primary job during the new year in our field will be to maintain sales volume. This will require a wider selection of merchandise presented more attractively and distributed more efficiently at competitive prices.

prices.
Prices will continue to be a major uncertainty in 1948 with the outcome depending on next year's crops at home and in Europe, the pattern of wage and other costs, gevernment action on taxes and the Marshall Plan, and other political developments here and abroad. The only answer, as I see it, to these price uncertainties will be to concentrate on turnover and avoid speculation on the future course of prices. future course of prices.



President, Philip Morris & Co., Ltd., Inc.

President, Philip Morris & Co., Ltd., Inc.

The sales outlook for the tobacco industry for 1948 appears to be favorable. Per capita use of tobacco, particularly cigarettes, in the United States has been expanding, and I see no reason to anticipate a reversal of this trend. Total sales of the industry in 1947 are believed to have been over 360,000,000,000 cigarettes. Sales gains in 1948, however, are likely to be held to moderate proportions. For one thing, the foreign market will not present an opportunity at all comparable to that which it temporarily offered in 1946, because of inadequate dollar exchange which will restrict the foreign sales.

eign sales.

In this country higher costs to the consumer are resulting principally from the rising tide of state taxation of cigarettes. This is a restrictive

Alfred E. Lyon There will unquestionably continue to be extremely active competition for the domestic market, and the aggressive promotional activities of the past year will probably be continued within the tobacco industry.

tinued within the tobacco industry.

There is not likely to be any very radical change in the costs of leaf tobacco during 1948. It is true that the reduction in purchases by the United Kingdom of fluctured tobacco and an oversupply of this type brought some price weakness in the latter part of 1947. This is offset, however, by the government's support program. In the latter part of last year the government through the Commodity Credit Corporation acquired about 14% of the flue-cured tobacco sold at auction, but the large carryover should be offset by reduced planting.

or the flue-cured tobacco sold at auction, but the large carryover should be offset by reduced planting.

It is impossible to know what extent the parity price on which the support price is based may change before next June, but it seems likely that the support price will prevent any significant decline in leaf prices.

Philip Morris & Co., Ltd., Inc. enters the new year with confidence. We have a well-organized, effective sales program and a good inventory of aged leaf at costs which compare favorably with the rest of the industry. Also, the company is in the strongest financial position in its history with the largest net working capital that it has ever had in its history w it has ever had.

ENDICOTT R. LOVELL

President, Calumet and Hecla Consolidated Copper Co.

President, Calumet and Hecla Consolidated Copper Co.

Production of primary copper from the United States mines during 1947 was at a high rate despite a continuing shortgage of underground miners and a strike at one of the large open-pit mines. Domestic consumption figures for the year are not yet available but probably established a peacetime record.

The potential copper requirements of such consumers as the electrical, building, refrigeration, airconditioning, and automotive industries are enormous. It has not generally been recognized that the large increase in the American population will stimulate the demand large increase in the American population will stimulate the demand for metals for years to come. Furthermore, the gradually improving standard of living should result in a higher per capita consumption than before the war.

Probably no basic American industry other than copper has units within its borders operating over such a wide range of production costs. For this reason opinions within the industry regarding prices and profits are greatly at variance. The large open-pit mines can make a very handsome profit, indeed, at a 21½-cent



price, while many of the underground mines, where labor costs are a major factor, are struggling to make any profit at all. It has been stated in the press that the 21½-cent copper price is too high. This is not an accurate statement. The price of copper should be considered in relationship to the prices of other commodities and in terms of today's purchasing power of the dollar. When thought of in that light, it will be seen that the price is not high after all.

While it is unfortunate that the present price of copper will cause many consumers to switch to cheaper substitutes, especially aluminum, this must be accepted as a natural competitive development. On the other hand, new uses of copper are constantly being found, and the net loss to the industry should not be serious.

The Marshall Plan, if enacted, and the need for supplying copper for the Government stockoile should exert stabilizing influences on the copper market. In other words, should there be a falling-off in domestic demand, these factors should take up the slack.

There is ample evidence that important units in the industry view the long-term future of copper with confidence. For example, several mining companies are planning to spend huge sums to develop and mine large low-grace deposits by underground methods. The most important of these are the Butte deposit of the Anaconda Copper Mining Company carrying 1% copper, and the San Manuel orebody of the Magma Copper Company containing 0.77% copper.

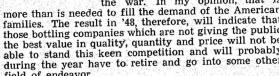
Production facilities for fabricating copper and brass are also being expanded. An outstanding example is the new \$8,500,000 tube mill now being built in Decatur, Alabama, for the Wolverine Tube Division of the Calumet and Hecla Consolidated Copper Company.

WALTER S. MACK, JR. President, Pepsi-Cola Company

In 1948 it is reasonable to expect that those products which will be purchased under the Marshall Plan for shipment abroad will maintain a steady price, sales and profit margin. All other products not so protected by Government purchases or influenced by commodities so protected, for the first time since the war will have a year of free competition. The result of such competition will be to eliminate those companies who are not giving the public the greatest value for the least money, and maintaining aggressive sales policy, advertising and service. The soft drink industry, in my opinion, will be no exception to this rule.

The year 1948 will be the first year of unlimited production and sales since the war. There are approximately twice as many soft drink bottling plants in the United States today as there were before the war. In my opinion, that is more than is needed to fill the demand of the American families. The result in '48, therefore, will indicate that those bottling companies which are not giving the public the best value in quality, quantity and price will not be able to stand this keen competition and will probably during the year have to retire and go into some other field of endeavor.

On the other hand, those companies who are aggressively merchandising a product that the public appre-



On the other hand, those companies who are aggressively merchandising a product that the public appreciates and are giving the American people great value at a reasonably low price, both in quantity and in quality, will come through the year with improved sales and reasonable profit margin.

reasonable profit margin.

The total volume for the industry will probably be somewhat larger than the pre-war years of 1941 and 1942 due to both an increase in the population since that time and a gradual increase in the per capita consumption of soft drinks, as the public has been accustomed to soft drinks more and more in their daily lives, so that today they have become a necessity in their American way of life.

W. C. MAC FARLANE

President and General Manager, Minneapolis-Moline Power Implement Company

We have just completed a satisfactory year of operations, having the largest dollar sales and unit production volume in the history of the company, and at a fair profit, although the price of farm machinery has advanced very little compared with the price spirals reflected in almost all other lines of industry.

We hear much of the increased cost of living to the individual but very little is heard or said about the rapidly increased cost to corporation's dollar has sustained the same shrinkage in purchasing power as the individual's dollar. Costs of construction and equipment are such that depreciation charges based on original cost of facilities are insufficient to meet the increased cost must be provided for out of current income. The higher prices being paid for materials reflects in larger inventors in the corporation's bank account. Break-even points of business are



which also adds to the demands made on the corpora-tion's bank account. Break-even points of business are

now at extremely high levels which adds to the problems to be solved in the years ahead.

The demand for farm machinery continues to an even
greater extent than was the case a year ago. We are still
confronted with shortages of materials, such as steel,
malleable and gray-iron castings, sheets, and strips, and
in some instances are also faced with an inadequate supply of skilled labor.

How well this demand for farm machinery can be met
will depend upon the final outcome of the Marshall Plan
ard its demands on our industry for the next few years,
or until Europe can be more self-sustaining through their
production of food. If governmental controls are again
imposed upon us, even though additional critical materia's should be channeled to our industry, no doubt its
ul imate destination will be channeled also; and, in the
event that larger exports are sent to European nations,
it will no doubt be at the expense of our domestic market and the rest of the world.

We have greater plant capacities to produce the muchproceded form machinery in greater amounts in 1948 then

We have greater plant capacities to produce the much-necded farm machinery in greater amounts in 1948 than we were able to produce in 1947, but our production will-largely be dependent on the availability of materials.

THOMAS B. McCABE President, Scott Paper Company

President, Scott Paper Company

Production efficiency enabled our company to avoid increasing average selling prices at the rate that raw equipment, replacement parts and shipping costs have risen. Manufacturing costs have increased 65% over 1941 levels, but selling prices have been advanced only 35%. This reflects a basic philosophy of Scott Paper Company which has been in existence for many years—to reduce costs through efficiencies and better equipment, passing these savings on to consumers in the form of the lowest possible prices.

sumers in the form of the lowest possible prices.

Scott, which is the world's largest manufacturer of toilet tissues, paper towels and household paper products, achieved new high records in total production, shipments and earnings in 1947. The additional production is particularly noteworthy because it resulted entirely from increased efficiency in operations.

This is a tribute to the fine effort and the spirit of the personnel at all plants.

This is a tribute to the fine effort and the spirit of the personnel at all plants.

In September, 1946, the principal towel manufacturing unit at Chester, Pa., was damaged by an explosion and has only recently returned to production.

Important contributions to Scott's progress were made by its West Coast pulp producing subsidiary, Coos Bay Pulp Corporation, and by Brunswick Pulp & Paper Co., which Scott owns jointly with The Mead Corporation. Both the pulp mills of the subsidiary, located at Anacortes, Washington, and Empire, Oregon, attained during the year a new high rate of production. Current receipts of pulp manufactured for Scott by the Brunswick Company are also at a higher level than previously obtained.

wick Company are also at a higher level than previously obtained.

A new power plant at Chester, Pa., began operation in November. The additional steam capacity thus made available will permit further efficiencies in paper production during the coming year. The company is making substantial expenditures in machine betterments and equipment changes to take full advantage of the new facilities, and to effect further operating economies.

While we are not ready at this time to make any definite announcement with regard to its longer range plans the continued insistent consumer demand for all the company's products, in excess of our ability to supply them, means that in 1948 all our plants will expand output from existing units wherever possible.

ROBERT B. McCOLL

President, American Locomotive Company

A year of promise has opened for the American railroads. Many prophecies for what is the greatest transportation system in the world are expected to come true during 1948. Helping the railroads achieve the modernization of their plant and equipment are the nation's railroad equipment manufacturers, who are confidently expected to supply a record-breaking amount of equipment to satisfy the demands of both the railroads and their customers this year.

At the American Locomotive Co., we start 1948 with many of our critical problems of 1946 and 1947 behind us. Material shortages are easing, our worker morale has neverbeen higher and our production capacities are greater than at any time in our 112-year history.

It is likely that during the pear ahead the ratio of steam locomotive production to diesel-electrics will be even further reduced at our Schenectady. N. Y., plant. 92% of our total locomotive backlog is for diesel-electrics and the 8% steam will be mainly constructed for customers in foreign lands.

At the beginning of 1948, our company-wide backlog is well over \$100,000,000. Production of 6,000 h.p. passenger units, 4,500 h.m. and 1949 h.m. road freight units

(Continued on page 58)

Risks in Anti-Inflation

(Continued from first page)

largely overlooked is the extent to which the present "inflation" is permanent and the extent to which it is temporary. After the first World War, there emerged higher price and cost of living levels as a whole (which even the record depression of 1932 did not permanently wipe out) and a higher productive capacity. Thus comparisons with prewar prices, cost of living and production are less impressive if it be considered that in all probability a large part of the increase will be retained indefinitely. The way the public looks at it is due primarily to the mental difficulty (usual in such periods) of adjustment to permanently lower purchasing power of the monetary unit. There is also similar inability to grasp the significance of the present "shortage" economy while the "surplus" economy of the '30's is so well remembered.

This does not, of course, obvi-

This does not, of course, obviate the maladjustments in the economy, such as between the prices of different goods and servations. prices of different goods and services and between the incomes of different groups. But these maladjustments are more susceptible to orderly correction without specific governmental interference. Indeed, some of the maladjustments may have been created, or at least enhanced, by restrictions and controls.

The origin of the problem of

and controls.

The origin of the problem, of course goes back to the production of goods and services for war use. People were paid for this production, but did not produce consumable goods, and goods to be bought with their pay were in the main either unavailable or priced (due largely to controls) much below the point at which the value (due largely to controls) much below the point at which the value of available goods would have equalled income. At the same time, saving was urged (and made facile by pay-deduction plans) as a patriotic duty. Hence the public emerged from the war with savings representing tremendous potential claims on future production. Furthermore, much of the money that paid for the war came from sales of government obligations to the commercial banks, representing direct credit expansion.

Potential Purchasing Power Declining

The liquid assets of individuals have increased since the end of the war (though the abnormal wartime rate of saving has fallen back to approximate normal) so that the tremendous supply of potential purchasing power in dol-lars has not on balance been used to buy postwar production. This is "on balance" because the inis "on balance" because the increase in individuals' liquid assets has taken place despite a substantial liquidation of savings by some, this being overweighted by increases in savings by others. Though the potential purchasing power has increased in terms of dollars, it has obviously shrunk relatively in terms of units (of relatively in terms of units (of goods or services) because of the rise in prices.

rise in prices.

Since perhaps the most acceptable definition of inflation is "an increase in the means of payment relative to the supply of goods and services" it is pertinent that increased production should be regarded as an inflation remedy. However, since people are paid for production, production also creates purchasing power. Indeed since individuals' liquid assets have shown net increase, it would seem that the purchasing power seem that the purchasing power created by production plus the increase in consumer credit has managed to absorb production since the war.

down relative to wages and record peacetime production continued, there would ultimately be a glut of goods, since it is unlikely that the creation of new goods and services, or the radical improvement of old ones, could keep pace modefinitely. When demand fell off, production and the purchasing power it creates would decline and we would reach a point of substantial readjustment, if not actual severe depression. actual severe depression.

If prices and wages rose together, the unit purchasing power of accumulated savings would be reduced and this might seem to be a solution. Actually, however, such a process would be accompanied by such maladjustments as to cause serious trouble. Indeed it is probably these accompanying maladjustments rather than inflation are as that give inflation. tion per se, that give inflation its reputation for always leading to

A balanced economy is considered to be one where production and consumption are in sound reand consumption are in sound re-lation. But marked reduction ir, accumulated savings seems un-likely under such circumstances though reduction in their unit purchasing power would take place if price levels were higher than when they were created. Dethan when they were created. De-pression or recession would reduce accumulated savings, which might well, however, serve to cushion and shorten such periods.

It may be that our economy would adjust to operation with permanently greatly larger individuals' liquid assets, which would find their way into useful investment. Certainly the handling of such war-created reservoirs of purchasing power abroad has been a difficult problem, the attempted solutions being usually capital levies or devaluation of the currency (selective, in Russia, to bear most heavily on large accumulated savings) mulated savings).

Ineffective Anti-Inflation Measures

When the real nature of the problem is borne in mind, most of the "anti-inflation" measures proposed or discussed in this country, posed or discussed in this country, seem rather far afield from it and likely to be either relatively ineffective or to bring on real deflation, which is certainly not the object. The happiest course of events would be for present maladjustments to be reasonably corrected and prices and wages to settle at levels of approximate balance constituting a postwar normal. Whether this is likely without recession or depression is hard to say, but it is certainly possible and within reason.

The significance of our great

poss.ble and within reason.

The significance of our great export balance in the inflation picture is sometimes minimized, particularly by those who strongly favor heavy foreign aid. Without entering the controversy over foreign aid, this does not seem tenable. In a much smaller degree, of course, it is equivalent to the wartime process of building up wartime process of building up demand without equivalent supply, since goods are produced and the producers paid for them, but are not available for purchase here—resulting again in an accretion to the demand side of the If prices increased relative to wages and salaries, the accumulated savings would be eaten into to absorb goods and services. But before this had gone very far, tion to the demand side of the

ledger without a commensurate one on the supply side. Furthermore the well known disproportionate effect of marginal demand or supply variations on prices is operative in this case.

The increase in cost of production is a basic inflationary factor, particularly where such increase is without a resulting increase in production, or with an increase in production relatively less than that in cost. Higher wages are usually an example of such an increase mainly or entirely on the cost side alone, and are also reprecost site atone, and are also repre-sentative of the deplored "infla-tionary spiral" of wage increases followed by higher prices over and over. Higher material costs (often largely the result of higher wages) are another example.

Few of the proposed anti-inflarew of the proposed anu-inflation controls and restrictions appear to deal with the basic cost problem and the only direct one—wage controls—is the most unlikely of all to be enacted. However, there is a legislative program apart from anti-inflation gram, apart from anti-inflation proposals, and popular for other wages and salaries before receipt reasons, that nevertheless does by workers—and might bring to

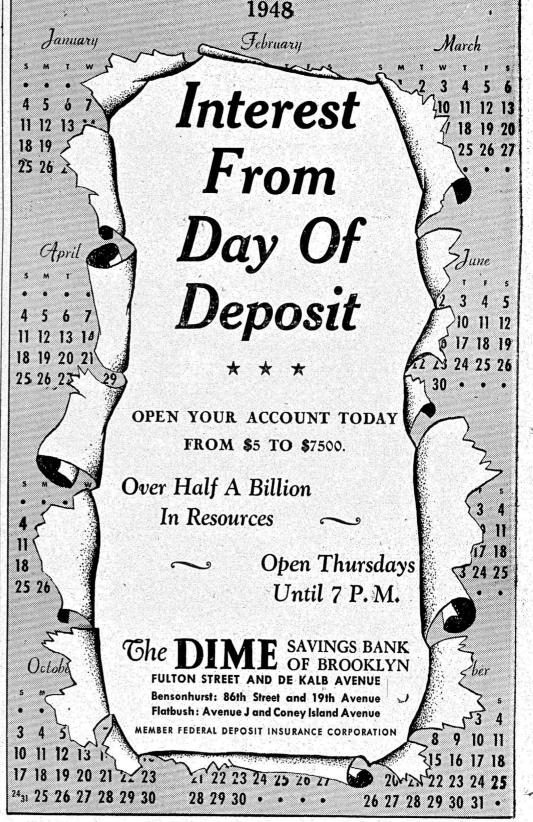
Taxes are costs, and this is true of income taxes as of other kinds Corporate or other income taxes on business income are quite directly so. The mere fact that they are placed on profits does not change the real situation. Such taxes must be and are taken into consideration in pricing goods and services. Unfortunately, corporate tax reduction is not included in the present proposals. However, individual income taxes are significant in non-corporate business, especially including farming.

A reduction in income taxes of wage and salary earners would of course increase purchasing power without per se increasing production or lowering costs. However, it would probably aid in correcting maladjustments. More important it should aid in proportions tant, it should aid in preventing further increase in costs. Such tax reduction should lessen the oressure for higher wages—especially with taxes deducted from wages and salaries before receipt

deal with the problem, even if a halt or at least retard the infla-largely willy-nilly. This is tax re-duction. a halt or at least retard the infla-tionary spiral. The tax proposals in the President's message to Congress on the other hand, link a reduction, which, though small individually, would increase demand with a new burden on corporations that would tend to raise costs and prices and limit expenditures for upping production. This is the opposite of what is needed.

The Administration anti-inflation proposals, and some sponsored by others, are a very different matter. In the first place, consider the fact that European nations generally burdened with controls greater than those proposed here have turned to this country, the last great free market producer, for economic aid. This request for aid, which will place a burden on the United States, has been the reason (or excuse?) for proposing controls here. Yet many competent observers and economists believe that the extensive controls tion proposals, and some sponsored lieve that the extensive controls abroad are one of the most, if not the most, important reason why the economic situation abroad is

(Continued on page 59)



(Continued from page 56)

and 1,500 h.p. combination road switchers is being accelerated as rapidly as possible.

The overwhelming demand for diesel-electric locomotives is being reflected elsewhere, too. For example, our Canadian affiliate, the Montreal Locomotive Works, Ltd., will start manufacturing diesel-electrics of the

Alco-GE design during the year.

During the second half of 1948 we expect to be sufficiently advanced with a tremendous backlog of domestic orders at Schenectady that we can start making delivered to the sufficient of the suffic eries to foreign customers.

In 1948 more and more U. S. railroads will start to enjoy the new economies and efficiencies of diesel-electric motive power. More than one Class I railroad will completely abandon steam power and realize 100% dieselization during the year.

American Locomotive Co. approaches the future with justifiable confidence in its products and in the future of American railroading. To support our beliefs we have budgeted millions of dollars for our own scientific research and development program.

1948 will have a special significance to the American Locomotive Co. for in September we will observe the Centennial anniversary of our Schenectady plant. Since the days of the pioneering "Lightning," the first locomotive to be built at Schenectady, more than 75,000 locomotives have gone forward to the railroads of the world from Alco world from Alco.

F. W. MAGIN President, Square D Company

As we embark upon the activities of the year 1948 I am inclined to take an optimistic view of the prospects of the electrical equipment industry, at least that segment of the industry with which I am directly associated. This optimism is based upon several assumptions, including continuing demand, availability of materials, stable labor relations and absence of adverse governmental action. It is entirely possible that unfavorable trends in any of all of these factors might develop during the year which would throw an entirely different light on the prospects of the industry, but knowing its versatility and the diversity of the interests which it serves, I am of the opinion that there will be no adverse developments during the year of sufficient magnitude to seriously retard its activity and progress.

In recent months there seems to

magnitude to seriously retard its activity and progress.

In recent months there seems to have been a definite stiffening of demand, which had shown signs of weakening earlier last year. Work is already in progress on a huge expansion of electric generating facilities by both private and publicly owned utilities; there is a tremendous potential market for additional electrical service in homes, old market for additional electrical service in holines, side and new, on farms, and in industry; research and development activities are continually producing new and improved devices. Under such conditions it is difficult to imagine any serious drop in the overall demand for electrical equipment in 1948, unless there is an unforeseen decline in purchasing power resulting from a major recession in general business.

recession in general business.

There will undoubtedly be agitation for increased labor rates, and it is likely that increases will be granted, although probably not as generally or generously as in the last two years. I am convinced that any reasonable increase in labor rates could be largely offset in unit costs by increased efficiency, and it is my belief, or at least my hope, that responsible labor leaders, as well as a large majority of the rank and file of labor, will recognize the tangible benefits to be derived from such a policy, both by themselves and by the country as a whole.

The difficulty of obtaining sufficient symplics of head

The difficulty of obtaining sufficient supplies of basic materials appears to be the most serious problem facing the industry in 1948. Sheet steel is one of the most criti-cal items at present and there is no indication of any early improvement in the supply; however, considerable progress is being made in the adaptation of substitutes to keep plants operating, although the use of substitute materials will, in most instances, result in substantial increases in costs.

The outlook for aircraft instruments, which are manufactured at our Kollsman Instrument Division, for the year 1948 appears to be somewhat more favorable than 1947. Although it is impossible to make any definite predictions of the demand for these instruments, it is felt that the enlarged program for aircraft now being considered by the Government may result in some expanding activity in this field.

It is inherent in our free-enterprise system that business activities must produce a reasonable profit to attract capital and to provide incentive and security for management and labor. Due to the nature of the business and the risks and skills involved, the electrical equipment and aircraft instrument industries have long been were resident to these in which a foir margin of profit is ment and aircraft instrument industries have long been recognized as those in which a fair margin of profit is imperative, although this margin has shown a declining trend in the past few years. I am sure that most executives in the industry feel, as I do, that price increases at this time are to be avoided if at all possible. However, if present profit margins are largely absorbed by increased costs of material and labor, some upward adjustment of selling prices may be found necessary before

the end of the year to protect the interest of shareholders and employees.

and employees.

In conclusion let me say that, from where I sit, the signs, although a bit vague and confused, seem to point to a year of near-capacity activity in the electrical equipment industry, but there are indications of numerous detours and washouts along the way, with the pot of gold at the end of the trail somewhat smaller than the one found in 1947.

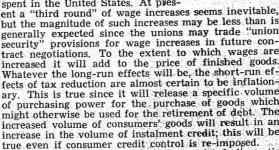
SIDNEY MAESTRE

President, Mississippi Valley Trust Company

President, Mississippi Valley Trust Company
Banking in 1948 will be affected by two divergent
monetary trends—inflationary tendencies associated witn
the high level of spending and counter-inflationary
measures to be adopted by the government officials and
monetary authorities. In addition,
the "pent-up" demand for many
products will probably be satisfied
during 1948. This means obviously
increased competition in certain
markets and some firms are not
likely to survive.

likely to survive.

Inflationary forces may gain added strength during the coming year.
Congress will undoubtedly approve the European Recovery Program in the European Recovery Program in some form, and the purchase of goods in the United States by the government to fulfill its commitments under that program will tend to raise prices. Likewise, dollars spent abroad to buy goods under that program will sooner or later be that program will sooner or later be that program in the United States. At page



to raise prices. Likewise, dollars spent abroad to buy goods under that program will sooner or later be spent in the United States. At present a "third round" of wage increases seems inevitable, but the magnitude of such increases may be less than is generally expected since the unions may trade "union security" provisions for wage increases in future contract negotiations. To the extent to which wages are increased it will add to the price of finished goods. Whatever the long-run effects will be, the short-run effects of tax reduction are almost certain to be inflationary. This is true since it will release a specific volume of purchasing power for the purchase of goods which might otherwise be used for the retirement of debt. The increased volume of consumers' goods will result in an increase in the volume of instalment credit; this will be true even if consumer credit control is re-imposed.

Thus far, the government has restricted its anti-inflationary efforts to the monetary sphere. The policy of debt retirement from current revenues will undoubtedly be continued in 1948, especially in the first quarter. Moreover, the rise in interest rates may tend to restrict credit expansion. The decline in the price of government securities induced by governmental policy has already resulted in some increase in the rates charged commercial borrowers, and the recent rise in the rediscount rate may have some further effect but, except in some special cases, it seems improbable.

A continuance of the inflationary spiral will probably result in the demand for additional monetary measures to combat inflation may not be effective. Direct measures to combat inflation, such as price control and rationing, have at present little chance of securing Congressional approval, but that may not be true later in the year. Perhaps, the most important deflationary force to be exerted during 1948 will be shifting from sellers' to buyers' markets in many lines. Another important factor to influence markets in the coming year is the fact tha

ury goods.

The banking system will, therefore, in 1948 be compelled to conduct its business under very uncertain-circumstances. The demand for loans—commercial, construction, and instalment—will probably continue high, but it is imperative that the uncertainties mentioned be recognized and this fact alone argues for more cautious lending and investing policies.

PERCY C. MADEIRA, JR.

President, Land Title Bank & Trust Co., Philadelphia

While many other and more essential steps will have to be taken to make the whole effort succeed, nevertheless the banks of this country in 1948 will have an important role to play in helping to hold down inflation by advising caution to business, industry and the individual over the

coming year. Our goal should be to maintain an our goal should be to maintain an era of sound prosperity over a long period. But to obtain it, both industry and financial institutions must plan wisely, conservatively and soundly. It will be the duty of the banks this coming year to convince industry that it should not base its production plans for 1948 on the present abnormal demand.

with the present possibility of an inflationary spiral of an unknown period and extent, it is essential that individuals and business alike keep in a soundly liquid position.

further expansion, should first survey its field as to the long-term future consumer demand for its product.

Otherwise some inductation

P. C. Madeira, Jr.

Otherwise some industries are apt to make the same

mistake that so many did in the early 20s-of expanding to meet temporary abnormal consumer demand with the result that once this was satisfied, inventories started to mount, sales fell off, workers were let out, and the seeds

mount, sales fell off, workers were let out, and the seeds were then planted for the 1920-21 slump.

There is and there will be a natural tendency to maintain large inventories in the face of rising prices. However, there are some indications that prices cannot increase much more. Sooner or later—judging by all past listory—they will begin to suffer some decline, although it is highly unlikely that they will ever go back to the 1939 level. No one can now forecast just when this decline will commence, or whether the drop will be rapid, as it was after the first World War, or whether it will be gradual. Any price decline will undoubtedly occur at different times in different products. Where it is rapid, inventory losses cannot fail but be large. Business must protect itself against such losses. It can do so only in one way—by keeping its inventories on a reasonable basis.

Business and industry should so manage their affairs

Business and industry should so manage their affairs that they can not only weather future economic "storms" if and when they may arise, but also so that they will be able quickly to take advantage of any changes that

may develop.

We can put some brakes on inflation if we all work together and if we all act wisely and soundly. The banking industry stands ready to do its part to help win the light for continued prospericy just as it did to help win

JEREMIAH D. MAGUIRE

Chairman of the Board, Federation Bank & Trust Co., New York City

New York City

My observations on the business outlook for at least the first six months of the current year is of an optimistic character. That we shall have to face the wage problem is to me a certainty. I feel an orderly solution in most cases may be looked for. To me, one of the serious phases of our whole general situation—and in that I include the field of banking—is the continuous and, I regret, much publicized wrangling between the executive branches of our Government. I refer particularly to the great variance between the Executive Division.

These conditions result in what might be termed, a dazed mind for Mr. "John Q. Citizen." He is becoming greatly confused as to the intelligent pursuit for him to follow. An already existing fear will be greatly augmented in the public mind if this conflict continues. It is a sad commentary in this enlightened age, to conclude that the good of the "public" is subordinate to partisan politics. Wrangling between leaders can and does lead to wrangling amongst the rank and file.

There was never a time when the necessity for a definite and constructive program was more apparent. Let our leaders inaugurate such a play among themselves. Let there be cooperation and mutual confidence between them. Such an example will be quickly followed by the great public. We can then look for continued prosperity for many years to come.

As the result of a current demand for oil and gas products already far in excess of anything anticipated by those industries the driller, the pipeline operator, the refiner and even the manufacturers of gas appliances face an unprecedentedly busy year.

There is, at this moment, a shortage of gasoline and home heating oil in the middle western states and a shortage of natural gas in many other communities throughout the country.

As for petroleum, when the current steel shortage is remedied, new pipelines may improve the existing transportation bottleneck, but in so doing will simply turn the full im-As the result of a current demand for oil and gas prod-

doing will simply turn the full impact of the demand upon the indus-

pact of the demand upon the industry's crude oil production facilities.

Today wells are being drilled much deeper than ever before. Although fewer holes were drilled during the past year, the footage drilled was greater than ever. This is a trend which is expected to continue, inasmuch as there is considerable drilling through existing oil field structures in an effort to locate additional oil-bearing sands below.

oil field structures in an effort to locate additional oilbearing sands below.

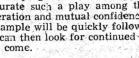
Faced with this feverish search for oil, the petroleum industry is hurrying to adopt new ideas and new equipment, both available in part, at least, from ten Dresser companies who build and distribute apparatus for oil and gas well drilling, for pipeline and pumping station operations, for recovery and refining processes, for conversion of natural gas into gasoline, and for the storage of gas and liquified petroleum products.

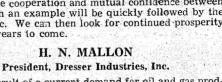
Most surgest needs for the exploration phase of today's

Most urgent needs for the exploration phase of today's "oil rush" are three in number—(1) better equipment for deeper drilling; since this in itself is proving a source

(Continued on page 60)









Risks in Anti-Inflation

(Continued from page 57)

In general, the controls and restrictions so far enacted or proposed here, would be unlikely to check or mend inflationary pressures, but instead would cause or intensify maladjustments, which in turn would probably enhance some inflationary forces. The more stringent the control, the more likely severe maladjustment; the milder, the less likely to cause serious trouble.

Lessons of OPA

The depth of maladjustment under OPA—especially in its later days when the patriotic motive for compliance, which had been very real had largely disappeared —seems to have been too easily forgotten in the popular and politically encouraged clamor against high prices. However, many retail prices have not yet surpassed black market prices under OPA.

tail prices have not yet surpassed black market prices under OPA. And the operating difficulties of buriness then were fantastic.

Suppose partial price controls were put in effect. Is there any reason to suppose that the usual results would not be seen? There would be extensive black markets. There would be the urge for producers to turn away from the making of controlled products to there which were uncontrolled. Then the price controller would others which were uncontrolled Then the price controller would feel that controls would have to be extended to prevent this lat. If unchecked, the expectation would eventually be for a virtually fully-controlled e c o n o my. Controls do not increase production—they disrupt it and supply is further restricted by hoarding against the time when controls would come off or official prices be raised. Controls do not really strike at the cost problem; in fact strike at the cost problem; in fact the disruption they cause tends to increase costs.

increase costs.

Rationing without price control or allocations would probably result in less vicious black markets and less disruption. Of course, it is possible that allocations could be so skillfully handled as to be helpful and not disruptive. But the administrative record of the last 15 years does not suggest any such ability to be so skillful; and even the intentions are suspect in some quarters. From this point of view perhaps the Republican idea of having voluntary allocations through anti-trust law relaxation is the most practicable. ation is the most practicable.

Restrictions on speculators are not really significant, because speculators do not cause or control

speculators do not cause or control basic price movements, but merely take advantage of them (especially easy with the government's clumsy mass buying practices) and perhaps intensify fluctuation.

The provisions as to seeing that feeding of stock animals is carried out most efficiently would require an almost superhuman skill which has been anything but demonstrated in the past. Besides as a recent National City letter said, "No effective device for restricting the feeding of wheat except a high price relative to the price of animal and other foods has been discovered." Moreover, restriction is not the real answer when more, not less, is needed. when more, not less, is needed.

Financial Controls

Financial Controls

Other controls and restrictions proposed are financial. Athwart the entire matter of efefctive financial controls—whether desirable or not—stands the government's understandable determination to keep borrowing cheap and easy for itself, even though it wants borrowing for others dearer and more difficult. This is the real reason why present powers have not been fully exercised by the authorities and are unlikely to be, even though somewhat extended. Note the heavy support buying of government bonds,

so bad that these nations have turned to us!

In general, the controls and restrictions so far enacted or proposed here, would be unlikely to check or mend inflationary pressures but instead would gave or inflationary.

The Eccles' proposal to compel banks to hold government securities as required (up to a certain degree) can probably be dismissed from discussion as too unlikely of realization in view of the widespread opposition in informed quarters and the indeterminable and unpredictable situation that might result. The other controls or efforts are directed mainly at consumer credit and bank lending.

fallacy in much present concern. This is the old one of looking at amcun's instead of proportions. It is only natural and necessary with business and income at new high levels in dollars, that more money is needed to finance business transactions and consumer purchases. In other words, expanded credit is more a result than a

Total consumer credit has risen to a new high record but, though installment buying has increased, the new high record is due to the rise in other elements of the total. With retail trade at record levels also, it is only normal that store charge accounts, for example, should be at new highs. Actually and unpredictable situation that should be at new highs. Actual installment credit is far below the refforts are directed mainly at consumer credit and bank lending.

In both these fields there is a restriction is likely to be the

posable income.

It may be politically expedient to say prices should be lower and higher wages would be nice, but it has nothing to do with sound eco-

In the attempts to restrict bank

diversion of some purchasing power to other fields, quite possibly less desirable economically. And there is a gratuitous injustice involved. Many people will be deprived for a considerable time of articles they could have and use under easier terms. These could be considered in the nature of interference with normal modern supply and demand processes and hence as making for more maladjustment. In any event, the amount by which increase in consumer credit would be held down by restrictions will hardly be very significant in relation to total disposable income. that supplied by liquid assets and retained earnings) to expand and improve productive facilities. The bond market has been upset by conditions in the money market brought about by the government decision to let short-term rates rise. Hence bond money is more difficult to obtain (even from insurance companies). The lack of confidence carried over from the dreary '30's plus the demonstration in 1946 that an over-regulated, highly-margined stock market is so thin that we can have a severe bear market while business (Continued on page 63) (Continued on page 63)



Statement of Condition

December 31, 1947

Resources

Cash and Due from Banks		• 1	\$145,414,557.95
U. S. Government Securities	-	•	186,677,129.95
State and Municipal Securities -			30,369,347.35
Other Bonds and Securities		•	12,262,675.02
Loans and Discounts		•	167,470,844.50
Federal Reserve Bank Stock	•	•	600,000.00
Customers' Liability on Acceptances and	, 5.27		
Letters of Credit	•	•	897,551.16
Accrued Interest and Other Resources	#5 • 1	•	2,118,262.53
Total -	•	•	\$545,810,368.46

Liuu	unics
Capital \$	8,000,000.00
Surplus	12,000,000.00
Undivided Profits + _	6,106,681.98 \$ 26,106,681.98
General Contingency Reserve -	7,013,329.09
Reserve for Taxes, Interest, Etc	3,197,028.49
Dividend Payable January 2, 1948	240,000.00
Acceptances and Letters of Credit	897,551.16
Demand Deposits \$2	462,859,779.71
Time Deposits	45,495,998.03 508,355,777.74
Total	\$545,810,368.46

United States Government Obligations and Other Securities carried at \$40,742,709.00 are pledged to secure Public and Trust Deposits and for other purposes as required or permitted by law.

Member of Federal Deposit Insurance Corporation

Directors

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HOWARD W. FENTON Chicago

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ALBERT W. HARRIS Chicago

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F. B. McCONNELL President, Sears, Roebuck & Co. JOHN McKINLAY Chicago

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FRANK H. WOODS Chairman, Addressograph-Multigraph Corp

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(Continued from page 58)

of additional oil; (2) equipment capable of installation in hitherto inaccessible spots and of being readily moved from one location to another and (3) equipment that will cut drilling costs and well maintenance to make more marginal wells economically productive.

The refining capacity of the oil industry is also being enlarged to meet the expanding market for gasoline and other end products. Refineries are being modernized to turn out the same high quality product produced by the newer catalytic cracking plants built during the war, and utilizing the newest refining techniques. A tremendous budget of expenditures has already been announced by the major oil companies.

Pipeline construction for natural gas, crude oil and gasoline is proceeding at a record rate, taxing the pipe manufacturing capacity of the entire steel industry for the next three or four years.

Consumer preference for gas heating will create additional new pipelines for gas manufacturers. It must be borne in mind that wherever oil and gas are produced, transported, refined and sold, there is a market for Dresser products; and day by day the world is becoming more dependent on gas and oil. The result has been a considerable increase in our foreign business. With the full knowledge and approval of our government, we have been shipping equipment to the British Empire, China, Mexico, Russia, Poland, Arabia, France, Venezuela and the Argentine. This foreign business is done on a cash basis, with payments in American dollars; and is expected to continue at a high level, unless an embargo is placed on the shipment of oil and gas equipment to various foreign countries — in which case, of course, we will cooperate to the limit with our government policy, either expressed or implied.

Our chief concern, as we look forward to 1948, is the steel situation. Although it may remain critical for the

cither expressed or implied.

Our chief concern, as we look forward to 1948, is the steel situation. Although it may remain critical for the first half of 1948, we are hopeful that it will improve as the year progresses.

as the year progresses.

In viewing steel rather than markets as our major 1948 problem, we are considering our own particular prospects and potentialities by contrast to those of business and industry as a whole.

It may well be that in 1948, supply in various industries may catch up with and pass, the accumulated demand engendered by wartime shortages. There are various indications today that this may happen in the comparatively near future in a variety of manufacturing fields.

There are as of today, however, no indications of any such immediate possibility in connection with the oil and gas industries. Both oil and gas are in short supply and b'd fair to continue in that situation for some time to come. They are still far behind in catching up to post-

war consumer demand.

If, therefore, in 1948 some industries pass their peak of supply with respect to accumulated demand, it may actually mean that more steel will be available to the oil industry, to the gas industry, and to Dresser Industries—enabling Dresser thereby, to attain a peak of business in 1048 even beyond today's expectations. iness in 1948 even beyond today's expectations.

ROYCE G. MARTIN

President and Chairman of the Board of Directors, The Electric Auto-Lite Company

Though production of new automobiles in 1947 was up

Royce G. Martin

Though production of new automobiles in 1947 was up 55% over 1946 many persons still were forced to drive cars purchased before the war, thus bringing about continued great demand for replacement parts.

This demand is expected to continue through 1948 and we at The Electric Auto-Lite Company spent considerable time and money during 1947 preparing our production facilities to meet this continued business.

1947 was our peak year with sales reaching an estimated \$185,000,000, a new record for the company. We expected to drive the sales are considerable times and money during 1947 preparing our production facilities to meet this continued business.

new record for the company. We expect the year 1948 to exceed this volume as we will be in position to in-

ume as we will be in position to increase our production.

Two new plants were placed in operation by Auto-Lite in 1947. A new battery plant was constructed at Vincennes, Ind., and a new bumper plant was opened at Sharonville, Ohio. In addition, enlargement of production facilities was carried on production facilities was carried on

at five Auto-Lite plants which have been in operation or several years.

for several years.

In a very short time, we will have another battery plant in operation at Owosso, Mich., and a new plant will soon be constructed at Los Angeles, Calif. The latter plant should be in production before the end of 1948.

Auto-Lite recently purchased the former Wright Aero-mautical plant at Lockland, Ohio. This will give us an additional 4,000,000 square feet of manufacturing space and will end the congestion at our Lamp Division in the Cincinnati area. We also are constructing another wire and cable plant at Hazellon. Pa.

All of this expansion has been done to meet the evergrowing demands of our customers. At the present time we are supplying original equipment to 73 manufacturers of automobiles, trucks, tractors, aircraft and

marine engines.

We also are supplying replacement parts to more than 60,000 dealers and service stations throughout the world.

We are looking forward to 1948 as a good year pro-

vided, of course, that materials are available and labor difficulties remain at a minimum in all industries.

M. LEE MARSHALL

Chairman of the Board, Continental Baking Company

In spite of necessary and rather substantial increase in bread prices, consumers still recognize established brands as their number one food bargain.

Bread prices are still 50% lower than the cost of other foods and housewives are not changing to appear brands.

cheaper brands.

cheaper brands.

Because we hope that further price increases can be avoided or held to a minimum, we expect to maintain our present volume of business with some increase in 1948.

However, this volume can be affected by unemployment, strikes and wheat shortages if they should occur. We are naturally pleased with the present high birth rate of 26 per 1000 because it means an increasing demand for bakery products of rec-

ognized quality.

M. Lee Marshall

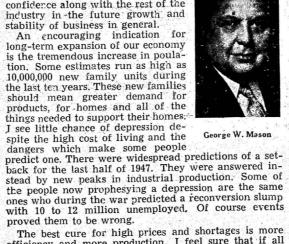
While an election year can be one of uncertainty and changing trends, we feel that we have more reasons to be optimistic than otherwise and look forward to a reasonably good year for our company.

GEORGE W. MASON President. Nash-Kelvinator Corporation

Industry in general is showing its faith in the future by spending billions of dollars for new plants, equipment

and to put new models on the market.

In the case of Nash-Kelvinator, by the close of our 1948 fiscal year, we will have spent for such modernization and expansion better than \$40 million since the war. This certainly demonstrates our confidence along with the rest of the incustry in the future growth and



The best cure for high prices and shortages is more efficiency and more production. I feel sure that if all of us cooperate in working toward that end, we can maintain uninterrupted a high level of prosperity.

maintain uninterrupted a high level of prosperity.

I think most signs for 1948 are on the optimistic side. The wage earner seems to be well assured of holding his job. Employment is greater than it has ever been before and the need for workers is increasing. The output of automobiles and the other things people want most should be greater during 1948 and the average family is almost certain to benefit.

I am confident we're in for a long period of expansion. There may be ups and downs along the road, but generally I think our economy will have an upward trend.

FRED MAYTAG II President, The Maytag Company

Having just experienced a year of record production in which total sales of Maytag products nearly doubled those of any previous year, naturally I am optimistic about the business outlook of The Maytag Company. This optimism is heightened by the fact that we still have a sizable backlog of unfilled orders for Maytag washers, while most of the home laundry appliance industry has already engaged.

appliance industry has already en-

appliance industry has already entered the buyers market.

Not only has our production of washers set a new all-time record, symbolized by the 5.000,000th Maytag which rolled off the assembly line in October, but our output of Dutch Oven Gas ranges and Maytag Dutch Oven Gas ranges and Maytag

Home Freezers, comparatively recent additions to our line of appliances, has steadily increased. These products are doing much to help balance our dealers' lines of merchandise. And we still have in the background our automatic washer and crier to give new impetus to business when the tremendous voluntary demand for our conventional washers has

dous voluntary demand for our conventional washers has

been fairly well satisfied.

We have completed the task of rebuilding our war-

depleted distributing organization from a nucleus kept intact while we were in war work. We are proud of the fact that we have held price rises on Maytag products to a minimum. Since 1941 our prices have gone up less than half as much as the average increase for the washer industry.

We have had a profitable year and, as a result, have instituted regular quarterly dividends to the several thousand stockholders whose investment in our company makes its operation possible. A profitable operation also insures sustained employment for more workers at higher wages than ever before in our history and prosperous business for our thousands of retail dealers. Our products are meeting the needs of hundreds of thousands of

ucts are meeting the needs of hundreds of thousands of American housewives and contributing to their happiness and improved standards of living.

All this is an example of dynamic capitalism at work, bringing benefits to all its participants and making a real contribution to the welfare of our nation. Unless handicapped too greatly by materials shortages, government interference or unlooked for labor problems, I am confidently looking forward to another record year in 1948.

WARD MELVILLE

President, Melville Shoe Corporation

President, Melville Shoe Corporation

If, as most observers anticipate, national income in 1948 is maintained at or somewhat above the previous year's level, shoe sales in dollars will probably be at or slightly above the 1947 total. Alert retail merchants will not regard this as satisfactory, however, if pairs are not substantially above the 1947 level. The decline of unit sales in the year just past was a danger signal to retailers. Greatly increased hide and leather prices during 1947 forced higher manufactured shoe prices and higher retail prices, with a subsequent drop in unit sales for the industry as a whole. whole.



in unit sales for the industry as a whole.

In 1947, with full employment, about 420 million pairs of shoes were sold. This compared with about 416 million pairs sold in 1940, when there were 10,000,000 fewer civilian customers (and when about 7,000,000 workers were unemployed). Thus, a per capita of about 2.9 pairs in 1947, as compared with 3.15 in 1940. Per capita shoe consumption in 1947 was, in fact, the lowest in 11 years, including the war and rationing years. Although consumers undoubtedly got more wear-value per pair than in the war years, the per capita trend is one which shoe retailers would like to see reversed in 1948. Whether it will be or not depends entirely upon the course of hide and leather prices. A continuation of the present level of hide and leather prices would mean that the American people would buy fewer shoes per person in a "prosperous" year of high employment such as 1948 promises to be than in the comparatively depressed year of 1938. From the viewpoint of the retailer, acting as purchasing agent for his customers, there is something wrong with that picture. We hope for a downward adjustment of hide and leather prices in 1948, and believe that such an adjustment is justified on the basis of historic price relationships even if there should be no substantial change in the general price level. change in the general price level.

A. T. MERCIER

President, Southern Pacific Company

In spite of a nation-wide car shortage, Southern Pacific Company carried its largest peacetime freight load in 1947. In doing so, Southern Pacific set an all-time 1947. In doing so, Southern Pacific set an all-unite record for efficiency as measured by gross ton-miles per train-hour—a factor which takes into account both the train load and the speed with which it is carried.

However, although Southern Pacific's freight load was the largest in any peacetime year, net earnings

in any peacetime year, net earnings were a third less than the 6% considered a fair minimum for industry in general. This was due to the long-existing inadequacy of railroad fares and freight rates, a matter of deepening gravity in these times of spiraling prices of railroad supplies, high taxes and mounting wages.

The railroads want to improve their plants and services to keep pace with transportation requirements.

their plants and services to keep pace with transportation requirements, and have already authorized the expenditure of hundreds of millions of dollars on postwar improvement programs. But rail earning power must be raised to a fair level if new investors are to be encouraged to make available the money for continued betterment of rail properties. Otherwise the quality of rail service is sure to suffer:

Depending upon the fairness of the American public to support the appeal for adequate rail earnings, Southern Pacific has ordered or authorized more than \$152,000,000 worth of new freight and passenger equipment since the end of the war. Those orders include 20,580 freight train cars; an additional 5,000 refrigerator cars for Pacific Fruit Express Company, of which Southern Pacific is half owner; 107 streamlined passenger cars, 48 Diesel-electric locomotives for main-line use and 43 additional Diesel-electric switch engines.

Shortages of materials and construction difficulties in

railroad equipment builders' plants have held back deliveries of new rolling stock so urgently needed to replace wornout cars and augment the overall supply. This unavoidable handicap, coming at a time of unprecedented peacetime traffic, created an acute freight car shortage throughout the country during a great part of 1947. However, the railroads, with the help of shippers and receivers of freight actually moved more carloads than in the peak year of the war.

We are carrying on as best we can with the equipment now available to the railroads, and we are glad to report that new freight cars are now reaching us from hard-pressed builders at a rate faster than old, war-weary cars are being retired. We are hopeful that new equipment will be turned out in increasing volume in 1948.

in 1948

Looking to the year ahead, I believe that Southern Pacific's passenger traffic in 1948 will equal the good volume enjoyed in 1947. Freight traffic gives promise of an increase of about 5% in 1948.

GUSTAV METZMAN

President, New York Central System

Over a long period of years the trend of gross earnings of the railroads of the country has been closely related to the level of national income. While national income since the close of the war has been maintained at a high

level which promises to continue through 1948, net earnings of the railroads have been in a diminishing ratio which must be viewed with

serious concern.

If the railroads, which constitute

If the railroads, which constitute a large and important segment of our whole economy, are to be preserved in a sound, healthy condition, it is essential that they should not be restricted to a starvation diet.

The railroads are indispensable as the backbone of the nation's transportation system. Following the severe strain imposed upon them during the war years, it is imperative that they be completely modernized. that they be completely modernized. This calls for a vast outlay of capital which will be available only if in-

vestors can be attracted by the prospect of a fair return upon their investment.

Gustav Metzman

Given an adequate return on the capital invested in ne industry—a return comparable with that prevailing in other industries—the railroads are prepared to carry out a vast program of modernization, embracing technological developments in many directions, that will give the country transportation never before equaled and prepare it for the eventualities of the future.

The New York Central, with faith in the future, has

included in its post-war improvement program for the 1945-1948 period expenditures or commitments totaling \$225,000,000. This includes provision for greatly expanded utilization of modern Diesel motive power, a large fleet of the latest streamlined passenger cars, thousands of new and improved freight cars and substantial improvements in roadway and facilities.

CARL W. MEYERS

President, The Colorado Fuel & Iron Corporation

The business outlook for 1948 should be very bright unless a continuation of the inflationary spiral slows up or stops our forward progress. The time has come when labor and management in both producing and consuming

nent in both producing and consuming industries, the government, and other groups must reappraise the present economic situation and work together to avoid the pitfalls that may later be encountered. We cannot go on inflating the balloon with higher wages, and higher prices, and expect to have a stable economy in this country.

It has been demonstrated through the years that no single group can prosper long at the expense of others. America can be kept strong—high levels of production and business activity can be maintained in 1948 if there is unity of thought and action. Our economic program must Carl W. Meyers be worked out unselfishly for the best interests of all groups in our greater faith, tolerance, humor and understanding.

The continued of the service of th

The continued demand for a wide variety of durable goods is reassuring. Many industries produced in large volume for war needs and now have large order backlogs for civilian requirements. The products of mines, forests, o'l wells, farms and ranches are in great demand, as well as many manufactured items such as railroad equipment, industrial machinery, automobiles, farm equipment, chemical products, building materials, and others others.

The steel industry is cooperating in every way to produce maximum tonnage. Steel output in 1947 was the largest ever recorded in peacetime, a total of 62 million tons of finished and semifinished steel products. It is generally believed that steel production in 1948 will equal or exceed the output of last year if raw materials of proper quality are available, and if present capacity and new capacity that will be installed during the year can be operated without interruption.

At our steel plant in Pueble, Colorado an all time.

At our steel plant in Pueblo, Colorado, an all-time record for shipment of iron and steel products was established in September, 1947, and exceeded each successive month through December, 1947. An all-time yearly record for shipments was also established in 1947. This was made possible through the excellent cooperation of our

employees.

The steel industry is continuing every effort to see that its steel products are distributed through proper channels. C. F. & I. has written to its customers and asked their cooperation in bringing to light any instances that might come to their attention of attempted gray. market operations.

market operations.

It is my belief that each individual corporation came do a great deal to insure continuous and high production in this country by recognizing its obligation to the customer who buys its products, and by upholding the standards of good citizenship in the community in which its operations are located. To successfully function, labor and management must also jointly assume their responsibilities and work out their problems in a fair and cooperative manner.

Many technological advances were made during the war period in chemistry, metallurgy agriculture, elec-

Many technological advances were made during the war period in chemistry, metallurgy, agriculture, electronics and other basic fields. Research is years ahead of its prewar stride. As a result many new products of attractive design and greater utility will attract new markets and help sustain volume. New types of industries have already been started.

The year 1948 can be a year of forward progress if we remember—in the words of Disraeli "Man is not the creature of circumstances. Circumstances are the creature of circumstances.

creature of circumstances. Circumstances are the crea-

MAXWELL V. MILLER

President, Royal Typewriter Company, Inc.

The Royal Typewriter Company, Inc.

The Royal Typewriter Company looks forward to continuing top volume for many months ahead. Encouraging signs indicate that production and sales during the new year will run ahead of the company's 1947 record levels.

During the past 12-month period, Royal's all-out effort to increase production and hold down the cost was strengthened with a nationwide expansion program which provided



pansion program which provided enlarged space facilities for type-writer and Roytype supplies manu-facture and for the central executive offices and branch sales organiza-

About a month ago, the Hartford factory leased another 50,000 square feet of floor space to be used for storage and light manufacturing to

Maxwell V. Miller

Maxwell V. Miller

Maxwell V. Miller

Maxwell V. Miller

Royal expanded carbon paper and ribbon production by opening a three-floor, 75,000 square foot plant in West Hartford, Conn.

Royal improved and enlarged its home offices at

(Continued on page 62)

CHICAGO CITY BANK AND TRUST COMPANY

HALSTED AT SIXTY-THIRD

STATEMENT of CONDITION

	December	31, 1947	
RESOURCES	\$92,346,895.92	LIABILITIES DEPOSITS: Public Funds \$ 2,060,481.81 United States Government War Loan Account \$890,766.71 Federal Housing Administration Tax, Etc., Deposits \$232,856.61 All Other Deposits \$102,034,743.11	
*G.I. Mortgage Loans 1,372,525,30 *G.I. Mortgage Loans 1,084,005.32 *Insured or Guaranteed by a Federal Agency. Bank Building Bank Real Estate Lease Stock in Federal Reserve Bank Accrued Interest on United		Reserve for Taxes, Interest and Insurance 1,000,000.00 Capital \$ 1,000,000.00 Surplus 1,000,000.00 Undivided Profits 600,121.09	
States Government Securities Customers' Liability Under Letters of Credit Other Resources TOTAL	255,156.99 50,855.00 10,208.24 \$108,248,240.31	Contingent Reserve 165,128.11 Liability Under Letters of Credit	2,765,249.20 50,855.00 \$108,248,240.31

Under State Government and Chicago Clearing House Supervision Member Federal Deposit Insurance Corporation Member Federal Reserve System

CHICAGO TITLE AND TRUST COMPANY

111 West Washington Street • Chicago

CONDENSED BALANCE SHEET

As of December 31

ASSETS		1947	1946
Cash		\$ 4,778,032	\$ 4,548,208
Marketable Securities*		33,930,504	38,751,045
Accounts and Notes Receivable*		853,269	713,520
Mortgages, Real Estate and other	Vit.		
Investments*		1,407,616	1,492,607
Stocks of Associated Title			
Companies		713,578	679,845
Chicago Title and Trust Building			
Corporation		7,000,000	4,250,000
Title Records and Indexes	•	1,500,000	1,500,000
Total Assets		\$50,182,999	\$51,935,225
*After Reserve Provisions			
LIABILITIES			
Trust and Escrow Cash Balances		\$20,592,936	620 (54 500
			\$20,034,390
Cash Deposits as Indemnity against	rior.	Ψ=0,572,730	\$20,054,590
Cash Deposits as Indemnity against Specific Title Guarantee Risks		2,090,349	
Specific Title Guarantee Risks Dividend Payable			1,960,468
Specific Title Guarantee Risks Dividend Payable Accounts Payable, Taxes and		2,090,349 360,000	1,960,468
Specific Title Guarantee Risks Dividend Payable Accounts Payable, Taxes and Accruals	•	2,090,349	1,960,468 360,000
Specific Title Guarantee Risks Dividend Payable Accounts Payable, Taxes and Accruals Provision for Employees Pension	•	2,090,349 360,000	1,960,468 360,000 1,849,171
Specific Title Guarantee Risks Dividend Payable Accounts Payable, Taxes and Accruals Provision for Employees Pension Trust		2,090,349 360,000 1,101,900	1,960,468 360,000 1,849,171 1,712,992
Specific Title Guarantee Risks Dividend Payable Accounts Payable, Taxes and Accruals Provision for Employees Pension Trust Reserves		2,090,349 360,000 1,101,900 2,799,892	1,960,468 360,000 1,849,171 1,712,992 2,527,559
Specific Title Guarantee Risks Dividend Payable Accounts Payable, Taxes and Accruals Provision for Employees Pension Trust Reserves Capital Stock		2,090,349 360,000 1,101,900 2,799,892 12,000,000	1,960,468 360,000 1,849,171 1,712,992 2,527,559 12,000,000
Specific Title Guarantee Risks Dividend Payable Accounts Payable, Taxes and Accruals Provision for Employees Pension Trust Reserves Capital Stock Surplus		2,090,349 360,000 1,101,900 2,799,892 12,000,000 8,000,000	1,960,468 360,000 1,849,171 1,712,992 2,527,559 12,000,000 8,000,000
Specific Title Guarantee Risks Dividend Payable Accounts Payable, Taxes and Accruals Provision for Employees Pension Trust Reserves Capital Stock		2,090,349 360,000 1,101,900 2,799,892 12,000,000	\$20,654,590 1,960,468 360,000 1,849,171 1,712,992 2,527,559 12,000,000 8,000,000 2,870,445 \$51,935,225

Assets in the amounts provided by statutes of Illinois have been pledged to qualify the Company to do business and to secure trust and escrow cash balances.

(Continued from page 61)

2 Park Avenue, New York City, also during the fall, with the leasing of an additional 20,000 square feet of floor space in the interest of bettering the efficiency of headquarters operations. Moreover, in up and coming cities throughout the nation the company has opened new branch sales offices to give more complete service. new branch sales offices to give more complete service

to the customers.

The addition of many hundreds in Royal personnel and the introduction of much fine new machinery designed and built exclusively for Royal have contributed immeasurably to Royal's production operation. Furthermore, Royal has readied and will launch in 1948 a comprehensive sales training program aimed at guarding against any softening of high quality typewriter service to the customer.

against any softening of high quality typewriter service to the customer.

With regard to prices, Royal has been fighting to hold them in line. In many ways, the battle against rising prices is a difficult one since prices must be considered in the light of spiraling costs which have already brought price increases by other companies in the industry.

During the new year, it is likely that Royal will introduce one or more new products which will supplement or replace these established Royal products which are currently enjoying wide distribution.

Taking all things into consideration, Royal feels there is good reason to be optimistic about business conditions in 1948.

WILLIAM R. K. MITCHELL

President, Provident Trust Company of Philadelphia

Many of the factors which exercised an important influence on operating earnings of commercial banks in influence on operating earnings of commetted states 1947 will probably continue to operate in the current year. The Treasury Department has indicated that its estimated substantial cash surplus in the first few months of 1948 will be used to retire commercial bank hold-

used to retire commercial bank holdings of government securities and this, of course, will have the effect of reducing bank deposits and earning assets. This decline in employable funds might, however, be fully offset by the effect of further expansion of loans, and the maintenance of gold imports at the present high level.

There has been no indication as

There has been no indication as yet that prices and wages have reached their peaks, and a further rise in bank operating costs appears likely. On the other hand, it is evident that the long sustained downward trend of money rates has been reversed, and it seems likely that loan interest rates, which to date have lagged behind the upward curve of yields on corporate and municipal securities, will continue to harden reflecting the tremendous demand for new capital to finance current production and distribution, and the expansion of facilities. On the whole, we believe that net operating earnings of commercial banks for the year 1948 might be expected to approximate those reported for the past year.

for the year 1948 might be expected to approximate those reported for the past year.

In view of the attention which has been focused on the expansion of bank loans which has occurred in the past year, it might be appropriate to express our opinion that, in a major sense, this has been a result instead of a cause of inflation, inasmuch as manufacturers, wholesalers and retailers in many instances have been obliged by the prevailing high prices to secure additional working capital to finance a given physical volume of business. To the extent that these loans have assisted in the productive and distributive process, they have promoted the ultimate solution of the problem, which is to bring the supply of goods into balance with the demand. We believe that the present situation calls for the pursuit of a conservative loan policy, and the discouragement of speculative loans of all types. Not only is this desirable to avoid further expansion of our money supply, but also to minimize the losses which are inevitable in the aftermath of inflation.

JAMES D. MOONEY

President and Chairman of the Board, Willys-Overland Motors, Inc.

The year 1948 is destined to be another big one in the automobile industry. It cannot be otherwise in view of the great unfilled need for automobiles and trucks in the United States and abroad.

The main governing factor in overtaking this demand will be the availability of necessary materials, of which sheet steel is the most critical in terms of large volume. I believe

in terms of large volume. I believe the steel companies are doing the best they can for our industry while maintaining a sound program. We are tooled and mechanized to exceed the previous automobile production peak of 1929. Limitations of material, however, can be expected to prevent the industry from producing a much greater volume than the five million vehicles of 1947.

One year ago I was confident that the automobile price trend would be upwards. Mounting costs made this seems so inevitable that I publicly made this unpoplar prediction in the face of experiments



such as the Newburyport Plan and short-lived pricereduction announcements.

The facts of the situation prevailed over wishful think

The facts of the situation prevailed over wishful thinking. Since most of the parts going into cars were increasing in cost, with labor costs and freight costs also increasing, there was no way except up for the price of the finished product to go. We had a year in which automobile prices necessarily increased. Right now the price picture is nowhere near so easy to analyze as it was a year ago. I feel safe in speaking for the industry as a whole that nobody wants lower automobile price more than we manufacturers. We clearly recognize the danger of pricing cars out of the mass market on which the American automobile business depends.

But these prices are inextricably dependent upon two factors. One factor is full volume of production, currently limited by the material shortages mentioned previously. The other factor is the price structure of our entire economy, for the component parts of a motor vehicle come from a wide variety of industries. Until there is a general trend towards lower costs automobile makers are helpless in regard to their prices.

makers are helpless in regard to their prices.

If 1948 brings us a sounder and healthier dollar, I am sure that auto prices will be among the first to come flown. However, if our currency remains in its current devalued state the only price reductions I can foresee will be a scattering among models where the margin of profit has been allowed to exceed the industry's traditionally small one.

At Willys-Overland we are looking ahead to 1948 with

At Willys-Overland we are looking ahead to 1948 with sufficient confidence that we plan to produce more than 200,000 vehicles—an increase of 75% over 1947—and our employment schedule calls for a parallel increase from 7,800 to 12,000. Even with this program we do not expect to equal the demand for our utility vehicles, trucks or passenger vehicles.

In general, I think this situation will prevail through-

out the automobile industry in 1948.

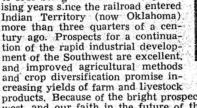
R. J. MORFA

Chairman of the Board, Missouri-Kansas-Texas Railroad Company

The Missouri-Kansas-Texas Railroad Co. is a South-western railroad. With terminals in such cities as St. Louis, Kansas City, Galveston, Houston and San Antonio,

it serves a Southwestern corridor which is today teeming with the traffic of agriculture and industry. Any prognostications for the future made by Katy management are naturally made chiefly for the territory which the railroad serves, and are based on constant and intelligent surveys of that terri-

tory.
In Katy territory, we look forward to 1948 being one of the most promising years since the railroad entered Indian Territory (now Oklahoma) more than three quarters of a century ago. Prospects for a continuation of the rapid industrial development of the Southwest are excellent.



tion of the rapid industrial development of the Southwest are excellent, and improved agricultural methods and crop diversification promise increasing yields of farm and livestock products. Because of the bright prospects for the Southwest, and our faith in the future of this section of the country, our railroad has laid wide plans for improvements in facilities and equipment—improvements which will cost millions of dollars, but which will, we feel, furnish a fast-growing industrial and agricultural area with the streamlined freight and passenger railroad service it deserves. service it deserves

Through a system of efficient, long-term planning, Katy met the ever-increasing demands of peak war production and postwar expansion with a completely rehabilitated railroad. During 1947 expansion continued, and 1948 calls for acceleration, rather than slowing down of this improvement schedule.

of this improvement schedule.

Modern industry and agriculture, with their shipping, importing, exporting and distribution problems, demand the acme of freight service. In order to provide this, the Katy has renewed or improved many of its freight-handling facilities in key cities. In St. Louis, for example, a huge, two-floor freight house, with covered team tracks and loading docks, tractor-trailer handling from floor to floor by use of ramps, and one-way traffic throughout, offers shippers the finest of terminal facilities. Other facilities, in other cities, have been improved or are planned which will equal or excel the St. Louis facilities.

Cars, after loading, must be handled with dispatch in

facilities.

Cars, after loading, must be handled with dispatch in yards and speeded on their way to destinations on the main line. In order to give better switching facilities in key yards and areas, Diesel switchers have been placed in operation. At such huge yards as Dallas, Fort Worth and Waco, Texas, Katy switching facilities are 100% dieselized, and at Dallas these switchers are operated by two-way radio control from the yard office.

On the main line heavy rail and new ties and ballast

On the main line heavy rail and new ties and ballast On the main line heavy rail and new ties and ballast permit operation of heavy-duty freight trains at safe, high speeds. Second morning delivery from St. Louis or Kansas City to San Antonio or gulf port cities such as Houston and Galveston is accomplished by use of 4,500-horsepower diesel freight locomotives. In this connection, the Katy just announced the purchase of an additional 44 diesel units of 1,500-horsepower, each for use in main line freight service. Other improvements include the installation of new block signalling equip-

ment, both installed and ordered, to bring the total mileage under block system to rearly 1,200 miles; new heavier rail and ties laid; short-wave radio communication equipment now in use in yard service. New freight car equipment, built or building under this comprehensive program, included 300 box cars, 200 open and 100 covered hoppers, 200 gondola cars and many other facility improvements. provements.

Passenger service, too, will come into its share of new equipment during 1948. The Texas Special, Katy's crack train from St. Louis to San Antonio, will soon be a diesel-powered streamliner. All equipment on this train will be of the latest and most modern design, offering passengers the utmost in service, safety, comfort and time-saving schedules.

Inauguration of this train will release certain luxury

Inauguration of this train will release certain luxury equipment, such as Katy lounge and dining cars, already famous throughout the nation for their neatness and comfort, for use on other scheduled passenger runs to meet the travel demands of Katy's growing territory.

Our plans for 1947 were exceptionally successful, and our expectations were fulfilled in every way. After careful study of the Southwest we believe that expansion in the territory will continue unabated in 1948. The Katy is laying its plans accordingly.

GLENN K. MORRIS

President, National Bank of Germantown and Trust Co.

The closing months of 1947 brought into focus important problems for the banks of the country. Supervisory authorities, both State and National, issued a warning concerning the expansion of risk assets; a proposal to substantially increase the legal reserve requirements as a means of curbing inflationary factors was laid before a Committee of Congress by

curbing inflationary factors was laid before a Committee of Congress by the Chairman of the Board of Gov-ernors of the Federal Reserve Sys-tem; and finally in the last week of the year the Federal Reserve System, with the consent of the Treasury Department, drastically altered the price structure of U. S. Government securities, thereby causing confusion and unsettlement in the entire se-curities market.



and unsettlement in the entire securities market.

These recent happenings and the rate of business activity will have their effect on banking in 1948: If business continues at its present rate of activity, which is confidently expected by most experts, a further increase in bank loans seems inevitable. There is no evidence to date that the increase in bank greatly has been for other than productive numbers. If

perts, a further increase in bank loans seems inevitable. There is no evidence to date that the increase in bank credit has been for other than productive purposes. It is believed that banks will confine their credit extension to productive loans in 1948. Increased prices for raw-materials, for labor, for transportation and the return to more normal terms of sale all require more funds to carry on business. Banks always have been and should continue to be the source of credit to meet that need. Such loans are the result of increased prices and higher living costs and not the cause of them.

This expected increase in bank credit need not be a cause for alarm. If the U.S. Government debt is reduced \$7 billions in the first six months of 1948, as has been predicted, the money supply will be decreased as the increase in private credit is not expected to approach that figure. The increase in bank loans will be an important addition to the income of the banking system. Banks generally are not unmindful of the increased hazards in credit extension in a period of high prices and capacity operations. Rates of interest on loans must increase to compensate for the increased risk. The trend in that direction which started in late 1947 must be accelerated in 1948.

Total deposits will probably not increase and may well decrease during 1948. The amount of U.S. Government

in that direction which started in late 1947 must be accelerated in 1948.

Total deposits will probably not increase and may well decrease during 1948. The amount of U. S. Government debt reduction which is not offset by private debt expansion will reduce deposits of the banking system. The accelerated program to sell U. S. bonds to individuals will likewise reduce totals. High living costs and availability of more consumer durable goods will tend to reduce saving accounts. The large capital requirements of industry which must be raised by offering more attractive interest returns will undoubtedly draw upon accumulated savings of bank depositors.

The investment portfolio of Government, State, Municipal and Corporate securities will continue to be the largest asset of the banking system. Investment problems will probably be much different than in recent years. The pattern of interest rates which appeared to be about adjusted to the defrosting of the rate for U. S. Bills and the increase in the rate on one-year Certificates of Indebtedness is now in the process of finding a new level to conform to the recent change in the support levels of the Government bond market. It is believed that the Reserve System and Treasury Department have the necessary powers and will find it essential to maintain the present support levels throughout this year. It is not expected that they will permit prices to increase tain the present support levels throughout this year... It is not expected that they will permit prices to increase very much above those support levels. As a result the market for other investments should soon establish a new level providing opportunities for increased income to investors. Those banks which have maintained a spaced maturity schedule in their investment accounts should have opportunities to invest at a better return than has been possible for several years. been possible for several years.

Profits from sales of securities and recoveries on assets previously charged off are not expected to be an (Continued on page 64)

igitized for FRASER tp://fraser.stlouisfed.org/

Anti-Inflation Risks

(Continued from page 59) and corporate earnings improve to splendid heights, have resulted in conditions that make equity money difficult to obtain also.

difficult to obtain also.

Hence, if bank credit is to be made difficult too, expansion and improvement would be severely restricted. Both increased output an 1 more efficient production, holding down costs, are obviously prime inflation offsets. Indeed, increased production and lowering of costs are recommended by some of the very people who (perhaps of the very people who (perhaps on the old principle of the left hand not knowing about the right) want to cut down credit for these purposes. The present adminis-tration tax policy, which by the excessive taxes on higher incomes discourages capital accumulation iust when capital needs are great, is a further unfavorable factor.

Governmental Policy at Cross-Purposes

Purposes

The subject is almost as broad as economics itself and many other considerations could be brought in. But it ought to be able to be recognized that the causes of "irflation" are tremendously broad factors and that the supposed corrective measures prosuppored corrective measures pro-posed mostly deal much more with symptoms than with causes. Fursymptoms than win causes. Furthermore, the authorities are not enly often at cross-purposes, but governmental policy more often than not deliberately would block roads of possibly improvement.

roads of possibly improvement.

Left to itself, the American private economy system may well work out of its problems and maladjustments without any nearby severe disruption. Certainly, on the record it has a much better chance to do so if not importantly interfered with. In fact, there are encouraging signs. Increasing production and supply of goods should lead to normal competition that should prevent further runaway price moves. The tendency of other prices to gain on farm prices at least represents correction of a maladjustment. And time itself is favorable, in that sooner or later (and especially when issues are fand especially when issues are less stirred up politically) there should come a general acceptance of the concept of changed levels of dollar purchasing power and of economic activity as compared with prewar with prewar.

with prewar.

But if d.sruptive controls and restrictions are clamped on, distressing alternatives are possible. One is that existing maladjustments would be so intensified as to bring about a change in cyclical trend with resulting hard times. This could be either because of the severity of maladjustment itself, or because public apprehension became so great that accept sion became so great that psycholog cal attitudes would exist that would result similarly. The other would be that the extremist New Deal dream of a completely con-trolled (virtually totalitarian) economy would be realized in peacetime. This could be expected to bring us—as closely as our superior resources permit-to the same parlous state as the nations now appealing to us for aid, while important economic and even political freedoms might be lost. In either case, we would scarcely be able to give aid abroad as we can now, a point which the proponents of the necessity for foreign aid might well bear in mind.

Thus, sponsoring controls and restrictions often hastily and ineffectually considered, is not, as some enthusiastic welcomers of such programs seem to think, just a pleasant matter of being on the side of the angels, with no unpleasant consequences involved. Instead, it may be playing with fire

Finland Joins World Bank and Fund

The Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development were signed on Jan. 14 by Dr. K. T. Jutila, Minister of Finland, on behalf of the Republic of Finland. Finland's application for admiss-

behalf of the Republic of Finland sion to membership was approved at the Second Annual Meeting of the Boards of Governors in London in September, 1947. Finland's quota in the International Monetary Fund is \$38,000,000, and its subscription to the capital stock of the International Bank for Reconstruction and Development is construction and Development is 380 shares of a par value of \$38,-

380 snares of a par value of \$38,-000,000.

The signing of the Articles of Agreement by Finland brings the total of countries having mem-bership in the International bership in the International Monetary Fund and the Interna-tional Bank for Reconstruction and Development to 46.

Business Man's **Bookshelf**

500 Three-Trend Cycli-Graph 500 Three-Trend Cycli-Graph—Picturing 12 years' dramatic market swings (1936-48) in 501 leading listed stocks—each chart shows mcn'hly price ranges, volumes, earnings, dividends—folio CFC-112—\$4.00—Securities Research Corporation, 141 Milk Street, Boston 9, Mass.

Fred Stone, Jr. Mgr. Of Marine Tr. Branch

The Marine Trust Company of Buffalo has announced the ap-

pointment of Fred D. Stone Jr., as the New York representative of their gov-ernment and Municipal Se-curities Department with offices at the Marine Mid-land Trust Company, 120 Broadway.

For many years Mr. Stone was with John



Nuveen & Company, in Chicago as Manager of their Trading Department and Wholesale Department Since his return from Naval Servce in 1946 he has been Manager of Nuveen's New York office. With the Marine Trust Company Mr. Stone will have charge of general market municipal operaions of his department.



Fred D. Stone, Jr.

Holds Taxation Is Undermining Capital Formation

ried out.
"The underwriting and distribution machinery was geared to this type of activity with its this type of activity with its smaller man-power requirements. As a consequence, this machinery today is not equipped to do the type of personal solicitation and wide investor coverage which will be necessary to reopen this source of capital funds. If further expansion of bank credit is kent under sion of bank credit is kept under restrictive control, however, it may become necessary to reopen the individual investor market. It can be done, but it should be recognized that to do this will require time to recruit and train additional personnel in investment banking and that the cost of funds obtained from this source

of capital funds and channeling vast quantities of corporate obligations into institutional hands as the process of refunding outstanding issues of securities was carbon control of the process of refunding outstanding issues of securities was carbon control of the process of refunding outstanding issues of securities was carbon control of the process of refunding outstanding to the process of refunding outstanding to the process of refunding outstanding to the process of the process of refunding outstanding to the process of prevailed in recent years on funds obtainable from institutional sources. Yields to investors will have to be sufficient to induce saving and the making of funds available in the market. Here is one of the fundamental reasons why revision of the translations. why revision of the tax laws is so urgent. Taxation which undermines saving prevents needed apital formation and puts a brake on economic progress."

Curb 5 & 20 Dinner

The Five and Twenty Club of he New York Curb Exchange will fold its annual beefsteak dinner this evening, Jan. 22, at Cavanagh's Restaurant, 258 West 23rd Street. The annual business meeting and election of officers will precede the dinner.

W. E. HUTTON & CO.

New York Stock Exchange New York Curb Exchange

Cincinnati Stock Exchange

Baltimore Stock Exchange Philadelphia Stock Exchange Chicago Stock Exchange Chicago Board of Trade

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(Continued from page 62)

important item in the operating statements of banks this year. Income from current operations, the real life blood of the banking system, will be of increased importance. A realistic approach to rates of interest on bank loans and the opportunities to reinvest funds resulting from maturing securities should provide sufficient income to offset increased salaries and other costs of operations and result in net earnings in 1948 which will compare favorably with the year 1947.

J. D. A. MORROW

President, Joy Manufacturing Company



With the shortage of minerals what it is on a world scale and the consequent demand for all types of mining machinery, the manufacturers and distributors of such equipment have a good year ahead of them in 1948.

J. D. A. Morrow

W. C. MULLENDORE

President, Southern California Edison Company Ltd.

President, Southern California Edison Company Ltd.

The many grave maladjustments throughout the economic structure dictate caution in predicting for 1948. It is very certain that a more or less prolonged period of readjustment is ahead of us but no one can accurately foresee the precise character nor the timing of that adjustment period. With those qualifying facts before us, we can make these predictions:

(1) During the first quarter of 1948, the demand for utility service certainly will continue to expand;

(2) During the second quarter it is likely to continue to expand;

is likely to continue to expand;
(3) During the latter half of the year, we may experience a "topping out" of the inflationary boom and of the initiality it is possible that the peak demand of the first half of the year will not be exceeded in the last half;

be exceeded in the last half;

(4) The plant expansion program which is under way will of course continue during 1948 and 1949. The desirable reserve of operating capacity will not be restored in the utility industry as a whole before 1950;

(5) Capital charges, taxes, depreciation and maintenance all will increase because of the greatly increased capital investment.

nance all will increase because of the greatly increased capital investment;

(6) The margin between income and outgo will tend to decrease not only because of the increased capital charges but also because of the continuing increase in operating costs.

I repeat the warning that we are in the latter portion of one of the most serious inflationary booms which we have ever suffered in the United States, and in view of the many maladjustments in the past 14 years, accentuated as they have been by the destruction of the greatest war in history, it is foolhardy to suppose that we can avoid a very considerable period of readjustment.

WILLIAM J. MURRAY, JR. President, McKesson & Robbins, Inc.

The continuing high level of disposable national income, which has been shown to be closely related to sales of drug store merchandise, forecasts another good year for the wholesale drug business in 1948. Barring unfore-

seen events and the possible effect

seen events and the possible effect that sharply rising food prices may have on the family budget, sales volume in the drug industry should equal or slightly exceed the record levels of the past year.

Despite higher costs in the manufacture and distribution of drug products, the industry has achieved an enviable record of keeping prices to the consumer proportionally lower than many other commodities. I look to a continuation of this successful effort in the year ahead.

effort in the year ahead.
Shortages of merchandise distributed by wholesale druggists, which continued to be felt last year, have been largely corrected. Most items, except paper products, are at presultable accounting which represent

except paper products, are at present in good supply, including cosmetics, which represent a growing volume. Proprietary remedies and pharmaceutical products, including the new war-born drugs, such as penicillin, are now available in normal volume. Easing of the supply situation will call for an intensification of the competitive effort required to maintain the volume necessary to profitable operation. This became apparent early last year with the shift of emphasis from a sallers to a buyers market. The utmost efficiency from a sellers to a buyers market. The utmost efficiency in all departments will be required to meet the sales challenge of 1948. The selection and training of the sales

force at both the wholesale and retail levels, is becoming of paramount importance. Greater efficiency in the handling of merchandise must also be achieved. I am confident that the wholesale drug industry is in a strong

confident that the wholesale drug lituisty is in a strong position to render effective service to its customers during the coming year.

While inventories may be expected to remain large to support the anticipated volume of business, present market conditions re-emphasize the importance of in-

ventory control.

The distribution of animal and plant health products through retail drug stores, as an adjunct of the whole-sale drug business, should show an encouraging increase in 1948. Experience over the past few years has indicated sale drug business, should show an encouraging increase in 1948. Experience over the past few years has indicated a growing demand for this service among retailers serving farm areas throughout the country. While this specialized activity is still in the development stage it promises to enlarge the scope of the wholesale druggist, open heretofore untapped markets and contribute to the stability which the industry traditionally enjoys.

Opportunities for wholesale druggists equipped to render a distribution service in bulk chemicals to industrial and agricultural consumers, appear more promising as shortages in basic materials are overcome.

The export situation, still clouded by the economic dislocations caused by the war, is improving materially with indications pointing to substantially larger sales in foreign markets, particularly South and Central America.

Sales of liquor products at wholesale have shown improvement in recent months following the recession which occurred last year. A volume more near to normal may be anticipated. However, this is conditioned to a considerable extent upon what action the Government may take in respect to raw materials.

E. A. NICHOLAS

E. A. NICHOLAS

President, Farnsworth Television & Radio Corporation

The outlook for the radio and television industry today is even more encouraging than it was a year ago at this time. New marks of achievement should be established.

lished in 1948 to surpass the recordbreaking year just concluded in which our industry produced and sold more radios, phonograph-radios and television receivers than in any other year in history

While the unit output in 1948 is While the unit output in 1948 is not expected to match that of 1947, the total dollar volume of the industry should be higher. This will be que to greater concentration on high quality merchandise and to increased production of television receivers and radios and phonograph-radios which incorporate FM as Well as AM.

There were some in the industry

graph-radios which incorporate FM as well as AM.

There were some in the industry who, no more than six months ago, adopted a pessimistic outlook for the future. True, there was a noticeable slump in business last summer, but the temporary decline was caused to a great extent by an overabundance of inferior merchandise and liquidations. Although more liquidations are certain to follow in the months ahead, the end-product manufacturers who have established long-range goals rather than reaching for the easy, immediate dollar will be in favorable positions.

Last month's heavy Christmas shopping volume offered additional proof that there is a continuing demand for high quality phonograph-radios. An increasing number of discriminating shoppers were prepared and willing to pay from several hundred dollars upward in order to obtain the instrument they felt was the best obtainable. Quality, rather than bargain, was the watchword.

word.

This is a very encouraging sign for the industry, because much of this year's production will be devoted to FM sets and television receivers, which of necessity can not be built as cheaply or be priced as low as an

radio.

Television already is well on its way to becoming the nation's next great industry. Its tremendous possibilities are equalled by no other new or potential industry on the business horizon. It is a new industry which does not arrive to replace anything else, and it is bound to have a stimulating effect on our national economy.

Altogether, there now are more than 135 television stations either operating, under construction, or with applications pending before the Federal Communications Commission. By the end of this year television should be available to areas which include more than 40% of the nation's population. Television networks are being expanded rapidly and within two or three more years will connect the major cities from coast to coast. Broadwill connect the major cities from coast to coast. Broad-casters, advertisers, and the public are clamoring for television.

During 1948 the industry plans to produce between 600,000 and 750,000 television receivers — nearly four times the number turned out last year. These receivers will find a ready market.

Television will, of course, become highly competitive, just as radio has been throughout the years since its commercial introduction. Television, however, is not a field that can be entered overnight with a marked degree of success. Television has evolved from many years of expensive research by a relatively small group, and the knowledge and experience acquired during these years is reflected in the products of those who blazed the television trail. the television trail.

During a quarter of a century of uninterrupted tele-

vision research and engineering at Farnsworth, we have looked forward enthusiastically to the rapid growth of television now taking place. Our table model television receivers were placed in production late in 1947, and we now are expanding our manufacutring facilities to enable increased production of all types of television receivers during 1948.

Production and shipment of the Farnsworth table model video sets is being stepped up steadily in an effort to meet a large backlog of orders, and within the next two months we shall introduce in television cities the first of our console-combination receivers which provide AM-FM radio and automatic phonograph as well as television.

W. M. NEAL

Chairman and President, Canadian Pacific Railway Co.

The Canadian Pacific enters 1948 hopefully but also realizing that its most immediate problem is the widening gap between revenues and expenses. Rigid control of transport revenue has taken little or no account for many years of the inevitable and

uncontrollable increases of operating every industry, including the railways of Canada.

This condition has been recognized and adjusted to some extent in almost every country of the world except in Canada, a nation which tor many years has enjoyed the lowest freight carriage rates in the

The matter is now in the hands of the proper tribunal, the Board of Transport Commissioners for Canada, and while the examination of the railways' needs has been long drawn out, I believe that their necessity, and its certain effect upon the na-tion's business, has been made very



W. M. Neal

tion's business, has been made very clear.

Increases in costs to the railways which were laid before the Board at the beginning of 1947 have been aggravated since that time, and turther such increases are in signt. Demands for payroll increases which are excessive, and which if acceded to would add over 60 millions of dollars to the annual expense bill of the Canadian Pacific, are before us. That, I can assure you, is an added expenditure which the company could not possibly meet under present revenue conditions.

While urging the immediate necessity of higher freight rates, the Canadian Pacific meanwhile is carrying on vigorously its programme so well advanced during 1947 to effect replacements in motive power and rolling stock and to rehabilitate its important steamship services.

The company's fast freight service on the Atlantic has been restored through construction and purchase of ships for the famous Beaver line; its passenger services between Canada and Europe have been partially restored mainly with the 20,000-ton liner Empress of Canada, and will be further augmented. It is expected that very shortly we will be able to offer further facilities to the Government in their programme of moving displaced persons to Canada by means of a fine ship which is being specially converted for that purpose.

Canada is lending of her power and production and financial strength in the basic struggle to heal the wounds of war, and through the common sense application of known sound principles to restore to the world that quality of security as to person and property with-

wounds of war, and through the common sense application of known sound principles to restore to the world that quality of security as to person and property without which civilization cannot hope to survive. The Canadian Pacific, as a great transportation system, is unquestionably one of the important factors in dealing with the tasks Canada is facing.

We can look on 1948, I honestly believe, as a year in which the world can, and indeed must, move steadily towards better things. Men of goodwill working in faith and sincerity have down the ages striven for and attained all that is good and clean and decent in our way of life.

of life.

H. L. NICHOLS

Chairman, Board of Directors, Southwestern Public Service Company

It seems almost certain that increased demand for electric energy experienced throughout the nation in 1947 will continue throughout the new year and that 1948 will witness the largest national power consump-

tion yet recorded.

In the areas served by Southwestern—the Texas and Oklahoma Panhandles, the South Plains of Texas nandles, the South Flains of Texas and the Pecos Valley of New Mexico—a territory roughly approximating the size of Pennsylvania and Rhode Island—every indication points to

Island—every indication points to continued expansion.

Southwestern's current fiscal year commenced September 1, 1947 and since that date gross revnues have been running 28% over last year and about 15% over the original budget estimates. While this unusual rate of growth can hardly be expected to continue through 1948, it appears that the increase in the Company's business will be the greatest witnessed to date. It is significant that the increase has been substantially uniform as to the various (Continued on page 66)

(Continued on page 66)



Wm. J. Murray, Jr.

The Short Range Economic Outlook

(Continued from page 2)
maladjustments have crept into our economy which have laid the foundation for a serious depression sometime in the future, when the pent-up demand for all kinds of goods from home and abroad will have been met and we will have to live on the current demand and when competition from the rest of the world is bound to be greater. It is indeed strange that the United States, which has gained a world-wide reputation for its industrial management, mand and when competition from the rest of the world is bound to be greater. It is indeed strange that the United States, which has gained a world-wide reputation for its industrial management, should have managed its national affairs in such a poor manner, Despite all the warnings made during the war about the danger during the war about the danger of inflation and its consequences, the moment the emergency was over all controls were repealed and we permitted the forces of inflation to gather momentum. It will not be at all surprising if the future historian, when considering the year 1947, should term it "the year of lost opportunities."

Where Do We Go From Here?

It is quite evident that the spiral It is quite evident that the spiral of wages and prices will soon be accelerated. Already, wages in some industries have been increased while demands for new increases in the near future have been made by powerful unions in the besic industries. The anti-inflationary measures so far passed by the Congress are unadulterated political eyewash and cannot in political eyewash and cannot in between prices and the rising spiral between prices and wages. Because the forces of inflation are so pronounced and the demand for all kinds of commodities is so great there seems to be an almost unanimous belief that 1948 will be a year of great prosperity. The predictions made for 1948 are in sharp contrast to those voiced at the beginning of last year, when the great majority of business analysts predicted that 1947 would be a year of readjustment.

The optimistic views on the 1948 outlook are based in many instances on solid facts, and there instances on solid facts, and there are a number of forces at work which promise to make 1948 an excellent year for business. The outlook for the heavy goods industries is good. This applies to such items as steel, iron, coal and oil. The demand for these products at home and abroad is very great and not even the greatest pessimist could predict a decline in the demand for these products during the present year. The demand for farm and railway equipment and automobiles is also very large. Since farm income is the highest on record and wages of farm labor have increased mafigure 1 farm labor have increased materially, many farmers are mechanizing their production. The favorable situation in the automobile and railway equipment industries is well known. Construction contracts already averaged and reads. is well known. Construction con-tracts already awarded promise a high level of building activity, thus creating a big demand for materials and labor. Some form of Marshall Plan will be adopted, and this in turn will maintain ex-ports on a high level. During 1948 some states will pay out bonuses to the veterans and this will into the veterans and this will increase mass purchasing power. Moreover, 1948 being an election year, it may be taken for granted that some reduction in individual taxes will take place, thus further expanding the purchasing power of the people. The fact that a reduction of taxes during a period of inflation is undesirable and benefits nobody will not be considered by the Congressmen and Senators who are out to make friends and influence people. friends and influence people.

Because of these forces in operation in our economy, because of the large money supply and the large savings at the disposal of many people, the general consensus is that the short-range outlook for business in the United States

the conclusion that while the in-flationary forces may continue for a while longer the end is not far off. At least to me it would not be at all surprising if the read-justment predicted since V-J Day finally occurred in 1948.

In the first place, it should not be overlooked that the cost of living has increased to a point where many people cannot afford to buy the things they want and need. The index of the cost of living compiled by the Bureau of Labor Statistics (1935-39=100) rose from 128.9 in October 1945 to over 165 at the present time. What is perhaps of greater importance is that the index for food during the same period rose from 139.3 to over 203. Under these circumstances, a large portion of the family income, par-In the first place, it should not portion of the family income, par-ticularly of those in the medium ticularly of those in the medium and lower income groups, has to be devoted for food. This is felt particularly by those families where there is only one wage carner. Even the item of rent, which had remained stationary for a long time, is beginning to increase. The index for rent rose from 109.2 in June, 1947 to 110 in July, 111.2 in August, 113.6 in September, and 114.9 in October. Further increases are to be expected in the immediate future. Thus, after the family has paid Thus, after the family has paid for food and for rent relatively little is left with which to purchase other commodities.

As a result of the constant increase in prices in general, and of

RAILROAD

acceptance by customers, and yet we are faced with even higher prices for spring. While dollar sales may have been maintained this year, the number of units sold have gone down in most stores. This means that many authorises This means that many customers have not been able to buy all that they wanted or needed. It is essenthey wanted or needed. It is essential that an orderly readjustment of prices be brought about item by item, whenever and wherever possible." There is little doubt in my mind that the demand for many types of soft goods and many other consumer articles as well, will be even smaller during 1948 than during 1947, primarily because many families will not be able to buy them. able to buy them.

Second: Even with the Marshall Plan in operation, exports from the United States cannot be held the United States cannot be held at the level of 1947. During the first ten months of last year exports from this country exceeded imports by \$7.5 billion. It is highly doubtful, even if the Marshall Plan is adopted in the form presented by the President to the Congress, that such a large excess of exports can be maintained much longer. Many countries have adopted rigid restrictions on imports from the United States which are not likely to be eased which are not likely to be eased during the coming year. A good crop in Europe, which is possible, will automatically reduce the demand for American farm products.

Third: High prices stimulate the food in particular, the demand introduction of new machinery

INDUSTRIAL

estimated that during 1947 about \$18 billion of producers' durable \$18 billion of producers' durable goods were manufactured. Construction costs have increased sharply, partly because of low efficiency of labor and partly because of bottle-necks and high costs in building materials. This will undoubtedly retard the construction of large buildings all over the country even though it may not affect the erection of small homes.

Fourth: Important changes have

Fourth: Important changes have taken place in the area of public finance and in the money and capital markets. A moderate tightening of money rates has already set in and the credit restrictive measures taken by the monetary authorities are bound to have their effects on business later on. The ability of the banks to lend has been reduced since a

and equipment, thus increasing considerable number of banks are production but at the same time lent up to the limit and a further reducing the demand. It has been increase in risk assets is not adlent up to the limit and a further increase in risk assets is not advisable because of the rapid increase in the ratio of such assets to the capital resources of the banks. The banks will therefore banks. be more careful in the extension of loans and marginal concerns will find it much more difficult to obtain bank accommodation than was the case up to a few months ago.

months ago.

The past few months have witnessed a rather serious break in prices of Government obligations, high-grade state and municipal bonds and corporate bonds. This in turn has created some uncertainty in the money and capital markets and underwriters of securities may not be securified. curities may not be so willing to bid so recklessly for securities as they have been in the past. This, too, means that many corporations will not be able to obtain

(Continued on page 67)

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(Continued from page 64)

areas and communities served and has also been experienced with residential, commercial and industrial serv-

enced with residential, commercial and industrial service.

It is fortunate that Southwestern has been in a position to meet this ever increasing demand. Additional generating equipment scheduled for installation by March, 1943 will provide capacity sufficient to meet the summer peak demands caused by irrigation, refrigeration and air-conditioning loads, and leave an ample reserve. This reserve power will be sold to meet power shortages which have developed in some of the adjoining areas served by other systems. With cheap and plentiful natural gas fuel, relatively favorable labor conditions, and mild climate, the continued expansion of industrial and commercial activity in the Southwest seems assured for some time to come. Industrial expansion in varied lines is providing a higher factor of diversification and the increasing use of irrigation is resulting in an intensified development of the agricultural areas.

ng in an intensified development of the agricultural areas.

The national policy of decentralization of industry due to the unsettled conditions abroad may contribute measurably to the growth of the Southwestern area by stimulating the transfer of industrial enterprises to that region from more vulnerable locations in the North.

Next to the paramount job of providing the equipment necessary to meet the increasing demand for electricity the control of operating expenses is to be the principal problem confronting the industry as the new year begins. In 1947 the increased revenues derived by the electric utility industry from growth in the demand for power were offset in many cases by higher operating expenses, particularly fuel costs. Also, a number of hydro-electric operations had a water flow less than normal, requiring production by steam units at a substantial increase in cost. Therefore, the industry as a whole maintained its net income at about the same level as the previous year. as the previous year.

Southwestern Public Service Company is favorably situated as regards the important element of fuel costs as it uses natural gas for fuel in all of the ten base load as it uses natural gas for fuel in an of the ten base load plants in its fully interconnected system. Gas is being purchased at an average price of 6½c per mcf for 1000 btu's under contracts with producers in fields with long life expectancy. The weighted average unexpired life of these contracts, using the kilowatt hour output of the respective plants as a weighting factor, is between five

In conclusion, despite the problems facing it, the r in conclusion, despite the problems facing it, the new year should be one of expansion for the electric utility industry as a whole, although increased net income may be difficult to achieve in many cases. Due to its exceptional growth factor and fuel cost protection it appears that the new year should be a profitable one for Southwestern Public Service Company.

A. H. NICOLL

President, Graybar Electric Company, Inc.

The general outlook for electrical distribution is for a high total volume of business quite similar to the unusually high volume done in 1947. However, increasing expenses are constantly raising the break-even point and net profit will probably be lower.

Specifically, the outlook for various lines looks about as follows:

Electrical Appliances—Small radios and some traffic appliances have already caught up with deferred demand and a normal replacement market will be in effect. Major appliances, television and FM radios and other specialty appliances will continue in unusual demand. Taken as a whole we expect our appliance business will increase in the neighborhood of 25%.

Wiring and Inside Construction Materialsthousands of items of wire, cable, conduit, fittings and all the electrical items used in building construction, maintenance and product usage, will continue in great demand. Substantial increases will be realized if scarce materials do not limit production which may well be the case.

Outside Construction Materials—The deferred extension of rural, city, railroad and telephone power and communication lines has built up a demand which will last throughout 1948. Production cannot be expanded very much unless both scarce materials and labor become more available.

Lighting Equipment and Lamps-In addition to the lighting of new buildings of all kinds, the relighting of stores, factories, hotels, schools, etc., will help lighting volume on the rise for several years.

Industrial Electrical Equipment—While we have seen a number of predictions that there will be lower expenditures for production equipment and new factory buildings for 1948, we have not seen any indication in our own business of any substantial drop in this kind of buying. We feel that our 1948 volume will be close to 1947.

Piece Parts of Other Products—Electrical motors, switches, connectors and many other items in this category depend on the volume of appliances, machinery and other products being made. Volume possibilities on the balance look good.

Signaling Lines-Commercial and industrial intercommunication systems, alarm systems, etc., are in excellent demand and should produce at least an equal volume to 1947.

Street Lighting and Traffic Signals—These lines used by cit.es, counties and states are in great gen.a.id a.id we believe will continue to expand in volume next year, depending on the steel supply.

In conclusion, while an increasing number of items are becoming available each month and stocks of electrical goods in the hands of wholesalers, dealers, contractors and ultimate users are high, demand continues strong and unless production is held down by material and labor scarcities worse than those which existed in 1947, we believe 1948 should be very close in total volume to 1947.

JOHN K. NORTHROP President, Northrop Aircraft, Inc.

President, Northrop Aircraft, Inc.

The future of the aviation industry in 1948, and in the years to follow, depends largely on the disposition and foresight of the people of the United States. It seems obvious that we must now have an adequate "insurance policy" as a safeguard to our future. Congressional action to insure adequate air power for this country will preserve the aircraft industry in the United States on a sound footing, not on the tremendous scope of World War II, but healthy and able to expand on short notice to whatever proportions may be needed.

Within two years after Pearl Har-

Within two years after Pearl Harbor aviation became the largest incustry in the world, turning out 100,out two years. Such a collapse cannot

John K. Northrop

two years. Such a collapse cannot be withstood for long.

If the present rate of aircraft production is not increased some part of the industry must close its doors. But if Congress appropriates funds of sufficient magnitude to maintain an adequate air force the airframe industry will be sustained at an average of about 5% of its wartime peak.

Although this sounds like a low level of operation it

Although this sounds like a low level of operation it will be sufficient to maintain the necessary experienced will be sufficient to maintain the necessary experiences nucleus so that rapid expansion can be accomplished. It will prevent the present industry from collapsing and disbanding, which would be a fatal mistake in the event of a future conflict.

In general the outlook is bright in aviation. Domestic

In general the outlook is bright in aviation. Domestic and foreign trade has been greatly accelerated. In the past two years there has been a 60-fold increase in domestic air freight, which last year totaled 100,000,000 ton-miles at a revenue of nearly \$20,000,000. This growth in air freight transportation has touched off a downward spiral in freight rates, which have decreased from over \$1 to about 25 cents a ton-mile. This reduction, effected in the face of rising costs of operation in almost every human endeavor in the U. S. during the same period, is one of the few pleasant downward spirals to be found in prices today.

some new airplanes which could be put into service in the near future are capable of carrying freight over in the near future are capable of carrying freight over substantial distances at a cost of 5 cents a ton-mile or less. This operating cost includes the first cost and all operating expenses associated with the use of the cargo airplane, but does not include the business overhead in-volved in the actual securing of the freight business or the local pickup and delivery service at the end of the flight.

flight.

Great strides can and will be made in increasing airline passenger safety during the coming year. A large proportion of airline accidents in the past have been caused through collision with the ground in flight. Wartime radar and radar-type altimeters can almost completely prevent this type accident, and most major airlines will have their transports so equipped in the coming year. A reduction of about 75% in air accidents may be expected to result, making air passengers safer than the passengers in the safest surface vehicles. the passengers in the safest surface vehicles.

ERNEST E. NORRIS President, Southern Railway System

With so many "if's" now beclouding the future, a cross-eyed soothsayer with a cracked crystal ball could probably forecast, as accurately as anyone, what's ahead in 1948.

It must be clear to everyone, however, that we have entered a history-making year. What is done in 1948, and not done—by government, by business, by labor, and by the general public—individually and collectively—will determine whether our country will continue to prosper and progress under our free enterprise system, whether it will continue to be the "land of opportunity," and whether freedom and liberty will continue to be priceless birthrights of future generations of our people. It must be clear to everyone, how our people.

Because privately-owned railroads are prerequisite to the preservation of our private enterprise system—and because efficient, physically-strong railroad transportation is essential to the well-



being, progress and security of our country—it is imperative that, during 1948, the Interstate Commerce Commission and the railroad commissions of the 48 States take the necessary steps to preserve and promote the financial health of the railroads.

In this connection, the outlook for the railroads has been brightened immeasurably by the promptness of the Interstate Commerce Commission recently in raising the interim emergency freight rate increase to 20 per cent. This is encouraging because it reflects an awareness of

interim emergency freight rate increase to 20 per cent. This is encouraging because it reflects an awareness of the pressing need for greater railroad revenues. I hopefully expect that this awareness soon will find expression in a permanent increase adequate to provide the quantity and quality of service the nation must have, and to pay a fair and regular return to investors in railroad securities.

How much treight traffic the railroads will be called.

How much freight traffic the railroads will be called How much freight traffic the railroads will be called upon to handle in 1948 will depend, of course, upon the volume of industrial production. In the first quarter of the year, according to estimates just compiled by the 13 Shippers Advisory Boards, freight carloadings are expected to be 3.5 per cent above those in the same period last year. In the Southeast, estimated loadings will be 1,010,054 cars, compared with actual loadings of 960,444 for the corresponding 1947 period, or an increase of 5.2 per cent. per cent.

Throughout the South, there will be a continuation of Throughout the South, there will be a continuation of the phenomenal industrial growth and activity which has characterized this section of the country in recent years. New factories still are being built by the scores along the lines of the Southern; many others are in the blueprint stage, and innumerable established industries are expanding or are planning to expand. Leaders in all lines of activity are confident that the industrialization will proceed unabated for many years, and there is ample evidence on all sides to justify an optimistic forecast for the future. cast for the future.

cast for the future.

To keep pace with the transportation demand the continuing industrialization is creating, the Southern is adding to its plant and equipment, and improving services in every way possible. During 1947, for example, we placed in service and had on order, December 1, motive power and rolling stock costing approximately \$63 million. This equipment includes 4,500 box cars, 1,150 hopper cars, 600 gondolas, 250 ballast cars, 206 units of Diesel motive power, and 101 modern lightweight, streamlined passenger train cars.

HILAND B. NOYES

President, Upper Avenue National Bank of Chicago

The banking business is one influenced more by ger-

The banking business is one influenced mere by general economic conditions than by those within its own sphere of activity. Hence any comments regarding the outlook for banking must necessarily be confined to generalities or to specific laws and regulations affecting the banking business as a whole.

There are far too many impenderables to permit an intelligent forecast in either area. Passage of laws affecting reserve requirements, special reserves, credit limitations, a revision of the current policy of market support resulting in further violent changes in interest rates—any

ket support resulting in further violent changes in interest rates—any of these could upset the most careful appraisal of the future of banking. Any effort to foretell such actions must necessarily be a guess.

In respect to general economic conditions, we are now feeling the effect of 15 years of inflationary pressure, instituted first to combat a depression and later in an all-out war effort. Both periods produced goods of types other than those which would absorb the earnings of the labor that created them. The resulting pressure of accumulated purchasing power and the scarcity of consumers goods is now being felt in the high level of costs.

Continuation of this trend constitutes a serious threat

power and the scarcity of consumers goods is now being felt in the high level of costs.

Continuation of this trend constitutes a serious threat to the economy in general and, of course, to the prosperity of banks. Growth of inflation will mean successively higher wages, higher price levels, expanded loans and deposit growth. It will also mean a narrowing of the profit margin, both in banks and industry. A relatively small drop in sales then would mean operating losses to industry and loan losses to banks. The resulting contraction of deposits would in turn peril the narrowed operating margin of the banks and perhaps produce an operating deficit as well as loan losses.

To combat inflation, it is axiomatic that purchasing power must be reduced without a corresponding decrease in available goods, or available goods increased without a corresponding increase in purchasing power. An increase in production is not enough; there must be an increase per man hour, or per dollar of wage, and the goods or their equivalent made available in this country. Even then we might have continued inflation if the consumer reduced his rate of savings, or spent that previously saved.

Efforts to control inflation by means which do not

viously saved.

Efforts to control inflation by means which do not recognize these basic principles are merely attempts to hide the effects, and are doomed to failure.

It is surprising that no one has sponsored a plan of savings through the enforced purchase of government securities, thus drawing off excess purchasing power and at the same time gradually transferring the national debt to private ownership. Enforced savings is distasteful to our democratic thinking, but it would be less so if accompanied by an equal reduction in taxes. The

(Continued on page 68)

The Short Range Economic Outlook ents to the belief in a planned has served as Secretary of the economy. In the served as Secretary of the economy.

(Continued from page 65)
capital as easily as before. The increase in money rates and the uncertainty prevailing in the bond market will undoubtedly make it more difficult for states and municipalities to borrow in the open market, and this will delay the starting of public works. It may therefore be expected that sometime during 1948 a reduction in capital expenditures will take place. Should this coincide with a decline in construction it could place. Should this coincide with a decline in construction it could have a serious effect on business activity.

The fiscal policy of the Government at the present time is to retire public debt. It has been estimated that the budget surplus for the fiscal year 1947-1948 may amount to \$5 to \$7 billion. This surplus, according to statements made by leading officials in the Treasury and the Federal Reserve Board, will be utilized for the purpose of retiring maturing ob-ligations held by the commercial banks and the Federal Reserve banks and the Federal Reserve Banks. A reduction of the volume of government securities held by the commercial banks will reduce the volume of bank deposits while a decline in the holdings of government securities of the Federal Reserve Banks will reduce reserve balances of the member banks and thus further tend to tighten the credit structure of the country. country.

Fifth: The policy of business management can also have an important effect on business activity. Doing business has become ity. Doing business has become a highly risky affair. The break-even point is high and prices are constantly rising. Hence, any de-cline in the gross income of a business concern could lead to a much greater decrease in net income. The problem confronting come. The problem confronting many businesses therefore, brief ly, is this: whether to gamble that the inflation will continue for another year or more and take the chance of making larger profits, but also of sustaining substantial lease when the first profits are the substantial lease when profits, but also of sustaining substantial losses when the forces of inflation come to an end, or to adopt a cautious attitude and to adopt a cautious attitude and make smaller profits should the process of inflation continue much longer but also avoid incurring large losses when the process of inflation is halted. Because of the greater risks now involved in doing business, any substantial decline in demand for a given commodity may induce the manufacturer to close his plants and not to stock inventories. A repetition of what happened early last year on a small scale may then take place this year, but on a much larger scale. The ensuing unemployment will hasten the readjustment because it will reduce the demand for goods. Because of the inability or unwillingness to further incur indebtedness, which has increased materially during the last two years, many concerns may postpone or stop entirely their expansion programs, and this too could contribute materially to the creation of unemployment, thus further reducing the demand for commodities.

It is therefore apparent that although the forces of inflation operating in the economy are very great and the momentum may carry business to much higher levels, there are a number of weaknesses in the structure which sooner or later, and probably unexpectedly, will come to the fore, thereby breaking the forces of inflation. Economic events as a general rule do not happen as

ment be when it comes? ment be when it comes? The answer to this question will depend primarily on what happens in the immediate future. If the spiral between wages and prices is accelerated, if prices and the cost of production continue to increase, when the decline comes it is bound to be so much more serious and the readjustment to make

ous and the readjustment so much more difficult and of so much longer duration. If, on the other hand, prices and wages stabilize themselves at about the present level or increase only moderately the readjustment, if it takes place in 1948, will not be very serious.

number of factors indicate if the readjustment is not A that long delayed it will not go very In the first place, there are far. In the first place, there are floors under prices of many farm products which in all probability will be extended beyond the end of 1948. A sharp decline in farm prices is therefore not likely. There does not seem to be any possibility of reducing hourly possibility of reducing hourly wage rates. Activity in the heavy goods industries is likely to continue at a high level. The Marshall Plan, if adopted, will maintain exports at a high level. tain exports at a high level. Above all, a moderate decrease in employment will increase pro-ductivity of labor and equipment, while a moderate decline in prices of commodities will convert many potential demands into actual de mands. Although about 40% of the people of the United States have no savings and the volume of consumer loans has increased materially, savings are still very substantial and the standard of living of many people has increased to a level unprecedented in the history of the country.

Conclusion

What, then, is the short range

predicted, nor even as "planned." take place much sooner than is How serious will the readjustgenerally expected. If such a rejust—generally expected. If such a regenerally expected. If such a rejust—adjustment comes in the middle
de- of 1948, as I indicated before, it
opens should not be very serious or of
the long duration. While the readprices justment may be painful to some
interesting the property of the long duration of the long duration. While the readprices justment may be painful to some
the long duration of the long duration of the long duration of the long duration. The long duration of the long dura long duration. While the read-justment may be painful to some and while many, particularly some of the newcomers, may be forced to liquidate their busi-nesses, because of the pent-up demand for all kinds of commodi-ties, the readjustment should be of short duration and then be followed by a prolonged period of good business. If it occurs during 1948, a readjustment will tend to rectify some of the maladjust-ments that have crept into our economy. If, on the other hand, such an early readjustment does not take place, if wages continue to race prices and the volume of continues to expand, then the readjustment does come, it will be much more difficult to handle than can be visualized at the present time.

If the spiral between wages and prices continues throughout 1948, it may lead to the large accumu-lation of inventories and to considerable speculation in commodities. The present labor tranquillity will be converted into labor unrest, and when finally the inflationary bubble bursts it will cause substantial losses to the cause substantial losses to the country as a whole and will weaken the position of the United States in the eyes of many nations. The opponents of the capitalistic system have long maintained that it is suffering from inhorant contradictions. inherent contradictions and there-fore inevitably leads to periods of boom and bust. A sharp decline in business activity in the United States, accompanied by large-scale unemployment, will not only shatter the belief in the system of private enterprise of people in many parts of western outlook for 1948? I personally Europe but may also create in the hope that the readjustment will United States many new adher-

What, therefore, will take place in 1948 will not merely have an business management have dem-onstrated during the war what the system of private enterprise the system of private enterprise and of free people can achieve under pressure. The need to fight the forces of inflation today is as great as was the need to de-feat the external enemies which threatened the United States during the war. It remains to be seen whether, at least for a short while, the various economic groups will be willing to submerge their own immediate interests for the benefit of the country as a whole Being an optimist by nature, I believe that 1948 will be the year of readjustment and that therefore this country will not have to suffer the dire consequences of serious inflation.

Columbus Stock & Bond Club Elects Officers

COLUMBUS, OHIO - Ralph G. Elam, of Sweney, Cartwright & Co., has been elected President of bin, of The Ohio Company, who New York.

year ago.

Morgan C. Penn, of Hayden-Miller & Co., is new Vice-Presi-dent of the financial men's organization, and Fred B. Paisley, of Freeman & Paisley, Inc., is the new Secretary-Treasurer.

The board of directors in addi-The board of directors in addition to the new officers will include Leland A. Walters, of Vercoe & Co.; Harris H. Wood, of Paine, Webber, Jackson & Curtis; Ray M. O'Connor, of Otis & Co., and Albin. New officers were chosen at the January meeting held at the Columbus Country Club. held Club.

Charles Bishop Joins Blyth & Co. Staff

Charles S. Bishop, a former President of the Bond Club of New Jersey and a member of the investment banking profession since 1927, has become associated with Blyth & Co., Inc., 14 Wall Street, New York City, as an institutional sales representative, it is announced. Mr. Bishop previously had been associated with Lazard Freres & Co. since 1941. in charge of the company's activities in New Jersey, Pittsburgh and Cleveland. Prior to that he the Columbus Stock & Bond Club, had been with Smith, Barney & it was announced by John S. Al- | Co. and Guaranty Company of

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(Continued from page 66)

privilege of purchasing a non-marketable bond with some portion of funds otherwise payable as income taxes would be an effective anti-inflationary move. The Treasury would receive its collections in full, would automatically fund its maturities into the hands of individuals, and still be in full control of the money market. Industry would not suffer as, theoretically, only excess purchasing power would be removed.

Any anti-inflat'onary program, if effective, will reduce total bank deposits just as surely as it was inflation that brought them to their current levels. A reduction caused by gradually transferring the debt to individuals would be much better than a sudden one brought on by a depression. It could develop that such private ownership would do much to sustain purchasing power during a period that otherwise would be a depression.

J. S. OGSBURY

President, Fairchild Camera & Eastrument Corporation

The outlook for 1948 in our particular field is confusing, due to the fact that the plans of our largest single customer, the U. S. Government, are still in a state of transition and will undoubtedly be subject to many

changes between now and Election

Day. We are endeavoring in every Day. We are endeavoring in every possible way to keep in a position to meet anticipated government requirements. However, until more definite plans are known we can do little except to keep things in readiness for future business, while taking care of the Government orders now on hand, which are largely ex-perimental and development work and will be well cleared up by June

30, 1948.
In the meantime we are pres forward on the commercial front with several old and some new prod-ucts, with others in reserve which are not yet ready for production. We

James S. Ogsbury hope that through these products and with accelerated activity on commercial business and a continuation of a reasonable volume of Government business, that our organization, barring unforeseen developments not now apparent, will be kept reasonably busy throughout most of 1948.



CHARLES E. OAKES President, Pennsylvania Power & Light Company President, Edison Electric Institute

The principal factors contributing to the electric industry's very satisfactory record of production and growth since the end of the war are the high level of industrial activity, the heavy increase in customers, and the nationwide realization and acceptance of electricity's paramount contribution to industry and modern living. This last factor is emphasized by the acceleration of electrification of industrial processes and the sharply rising average use per residential customer.

customer.

These factors are expected to continue favorably throughout 1948, and the years following, with some slowing down in the record-breaking rate of increase in customers. Growth

rate of increase in customers. Growth in population, new homes, and of industrial and commercial establishments, will nevertheless continue to create a substantial annual rise in the total number of customers. About 95% of the occupied homes of America now have electricity available and 92% are taking the service. For 1948, the electric companies estimate a 7.2% growth of load average for the country, with some areas estimating double that percentage.

The electric industry's \$6 billion expansion program got into full stride during 1947. President Truman in his recent message to Congress made a plea for a \$50 billion industrial expansion program for the country tluring the next few years. Here is an industry comprising approximately 10% of the industrial capitalization of the country that is already well along with a construction program that equals 12% of the total of Mr. Truman's figure.

Some evidence, however, of popular attitude toward

Truman's figure.

Some evidence, however, of popular attitude toward government ownership may be reflected by the trend which has been in evidence the past few years against public ownership of electric power systems. In 1947 a smaller percentage of elections favored municipal ownership than in any year since 1933. Localities which favored public ownership contained only 1% of the total population of the areas in which the quest.on was voted upon in the first 11 months of the year. This was less than half the percentage favoring public ownership in 1946 and less than one-twelfth of those supporting it in 1933.

Construction expenditures of the electric companies for 1947 were approximately \$1,200,000,000 and are expected to total more than \$1,750,000,000 in 1948. These expenditures cover not only generating stations but transmission lines and distribution facilities to serve the record number of customers being added. The war period had sharply limited line extensions, damming up a huge demand for service. In 21/2 years, facilities for

servicing 4½ million new customers were installed. It required 33 years, the first half of the industry's history, to attain customers totaling this number.

IRVING S. OLDS

Chairman, Board of Directors, United States Steel Corp.

In 1947, more steel was produced by the American steel industry than in any previous peacetime year. In nation's total production of more than 84,000,000 tons

steel was exceeded only in the three war years of 1942, 1943 and 1944. I am certain that every effort will be made by all members of the industry to produce an even greater total amount of steel

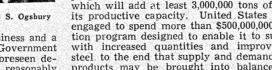
Achievement of a higher output next year is dependent, however, upon a number of outside factors, chief among which is the availability of a sufficient supply of suitable raw materials. Scrap steel has not been available in adequate quantities duravailable in adequate quantities during recent months. Full cooperation between Government, industry and the general public will be needed to bring forth the desired additional quantities of scrap in the months

Other factors may affect the ful-fillment of the industry's determination to supply in 1948 increased quantities of steel products of every sort to domestic consumers.

Irving S. Olds

To accomplish this goal there must be freedom from strikes and work stoppages. It will be remembered that labor difficulties since V-J Day have caused an industry less of steel production to the extent of 18,000,000 tons. Aid to Europe may restrict the amount of steel which is available for home uses.

The steel industry now is engaged on an extensive program of expansion and modernization of its facilities, which will add at least 3,000,000 tons of steel a year to its productive capacity. United States Steel alone has engaged to spend more than \$500,000,000 on a construcengaged to spend more than \$500,000,000 on a construction program designed to enable it to supply customers with increased quantities and improved qualities of steel to the end that supply and demand for many steel products may be brought into balance as quickly as possible.





President, The Brooklyn Union Gas Company

Continued expansion of facilities to meet a record public demand and to restore a safe margin of reserve capacity will be the chief activity of the gas utility industry during 1948. Sales of gas to all classes of consumers, domestic, commercial and industrial,

have increased throughout 1947 and we believe this tremendous conjunction of demand will continue throughout 1948.

By the close of 1947 there were 21,590,000 customers of American gas will the companies of an increase of

21,590,000 customers of American gas utility companies, an increase of 3.2% from the end of 1946. It is interesting to recall, too, that 1946 had surpassed all previous consumption records in the gas industry.

To meet the needs of the public the industry is pushing expansion plans vigorously. The program has been tempered only by shortages of steel and other vital materials. Besides building additions to facilities.

Clifford E. Paige

sides building additions to facilities, the industry is beginning to see actual results from some of its technical experiments in gas production. New catalytic cracking and oil gas processes are examples of new methods that are being watched with interest. watched with interest.

Plant capacities to meet peak loads in the manufactured gas industry were increased an estimated 20% above the previous year. Part of the increase resulted from the installation of liquefied petroleum gas plants for augmenting peak load supplies.

Manufactured gas companies in the East are watching with interest the possible introduction of natural gas into their areas where many stand ready to use it in combination with manufactured gas. The Federal Power Commission has opened hearings on the application of the Trans-Continental Gas Pipe Line Company, Inc. for authority to construct a new pipeline from Texas to New York. The Brooklyn Union Gas Company as well as others has intervened as an interested party in the proceedings.

It is difficult to predict just when natural gas may be available in New York, primarily because of the shortage of steel pipe. Brooklyn Union, if it secures a supply of natural gas, proposes to mix natural gas with its own manufactured gas. With natural gas there should be substantial savings in operating costs which in turn may many ultimate gayings to the consumer. mean ultimate savings to the consumer.

Although expansion of facilities and extension of service to new customers constitute the broad program for most utilities, the industry has challenging operational problems to meet in 1948. The experience of The Brooklyn Union Gas Company, although it reflects specific conditions in the boroughs of Brookyn and Queens,

is indicative of the problems of many of the manufactured gas utilities.

tured gas utilities.

A brief review of the 1947 operations of the company with a forward look to the situation in 1948 will serve to point up the major trends in our business.

Sales of gas in our territory for 1947 were 33,216,000,-000 cubic feet, and this represents an increase of 11.09% over 1946. Revenues from the sale of gas were \$31,361,000 in 1947, an increase of 9.73% over 1946. The number of active meters increased from 816,983 for 1946 to 824,281 in 1947.

To satisfy demand for the sale of the manufacture of the sale of the sale of the sale of the sale of gas were \$31,361,000 in 1947, an increase of 9.73% over 1946. The number of active meters increased from 816,983 for 1946 to 824,281 in 1947.

To satisfy demand for gas service in our territory, we To satisfy demand for gas service in our territory, we are spending approximately \$25,000,000 on a construction and expansion program. This program includes substantial additions to our production, transmission and distribution facilities. The major portion of this program will be completed in 1948.

will be completed in 1948.

Public interest in gas appliances has been keen during 1947. Customers of the gas industry have been particularly interested in the automatic features of postwar appliances. Brooklyn Union sold more than \$5,000,000 of new appliances during 1947 to homes and industry. We believe that consumer interest in new appliances will continue to be strong in 1948.

The sustained demand for gas for all uses has made it necessary for the company to continue, with Public Service Commission authority, the restriction on new space heating. We plan to get back into this field as soon as conditions permit.

Despite increased revenues from sales of gas the rise in labor and materials costs has reduced our net income.

The inflationary spiral which has beset the country and the company has increased labor costs and the prices of all major production materials, chiefly oil and coal. We have been unable to increase rates rapidly enough to meet increased costs.

meet increased costs.

Early in 1947 the company initiated proceedings before the Public Service Commission of the State of New York looking toward an increase in rates. Although the Commission authorized July 28, 1947, on a temporary basis, the rate increase previously requested by the company, continually rising materials cos s have forced the company to petition for further relief. The company has completed hearings before the Commission on its request for a further rate increase. for a further rate increase.

Although we enter 1948 with difficult operating prob-lems to solve, acceptance of gas and gas appliances is in high favor with the public and the prospects for the industry are, we think, exceptionally sound.



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

The life insurance industry should take the lead in the fight against inflation in 1948. Though more insurance is in force now than ever before, the average American

actually has less insurance protection than he did in 1940.

Total insurance in force at the end of 1940 was approximately \$117 billions and the total in force at the end of 1947 is about \$191 billions. But in dollar-purchasing power, values

will be less than seven years ago.
Life insurance executives seem to
be afraid to make unpopular though be afraid to make unpopular though sound proposals on existing inflation dangers. Although a statement expressing disapproval of the fiscal policies of the Government was approved by the Board of Directors of the Life Insurance Association of America more than a year ago, the time and circumstance of the statement's publication was referred to a committee which substituted for it a watered-down criticism of inflawatered-down criticism of inflationary trends.



tionary trends.

The original statement, striking at the heart of the inflation problem, condemned the Government's low interest rate policy and the creation of a large supply of money to maintain those rates. It called upon the Federal Reserve authorities to make use of their existing powers to prevent further increases in the money supply and to find a way to get rid of as much of it as might be termed excessive.

and to find a way to get rid of as much of it as might be termed excessive.

Because of the artificial low interest rate dictated by the Government, life insurance owners as a class are losing as much as \$500 millions a year. This \$500 millions annually represents the difference between the actual earnings on the American people's life insurance savings and what would be earned if interest rates had not been forced down to present low levels.

Little help in the fight on inflation can be expected from banking circles, and managers of life insurance in-

Little help in the fight on inflation can be expected from banking circles, and managers of life insurance institutions must recognize their responsibility to preserve the purchasing value of the dollar in which their contracts are payable. Normally, one would expect some concrete suggestion from the bankers to restore and preserve the soundness of the currency but our bankers have had so large a participation in what is going on and are themselves contributing so much to the maintenance and increase of the large money supply that little is to be expected and certainly little has come from this source.

The present satisfactory state of life insurance has produced a tendency to overlook current burdens stemming from inflationary policies. We in the life insurance industry are too frequently unmindful of the ultimate con-

(Continued on page 70)



Sources of Funds for Business Expansion

(Continued from page 3) (Continued from page 3) tary authorities to create a firmer money market by selling securities to the public, retiring debt held by the Federal Reserve banks, and raising the rates on short-term Government securities. While savings by individuals have declined sharply from inflated wartime levels, this does not provide a conclusive answer to the question as to the overall adequacy of the current flow of investment funds. Personally, I am not convinced that the shortage of current savings has reached great proportions. of current savings has reached great proportions.

great proportions.

The assets of the principal savings institutions, that is, the life insurance companies, mutual savings banks, savings departments of commercial banks and savings and loan associations, have been increasing at a rate of nearly \$7 billion annually, although the rate of increase in savings deposits seems to be declining. Additional savings are accumulated in estate and trust accounts, pension and other funds, and some savings accumulate as demand deposits Furthermore, individuals invest substantial amounts directly in securities and mortgages, or in their own homes, or in unincorporated businesses.

Even if we could measure ac-

Even if we could measure ac-Even if we could measure accurately the supply of funds available for investment by institutional and individual savers, it would not be a complete picture of the situation. A large volume of funds is being channeled through the United States Treasury, a part of which can be and is made available to the capital and money markets. I do not refer to Federal Reserve credit, but to funds collected through sales of savings bonds, social security taxes, and other taxes.

The net sales of United States

The net sales of United States savings bonds, in excess of redemptions, aggregated \$1.6 billion in 1947 and, with the new sales campaign, may well aggregate more than that in 1948. The current annual accumulation of funds in Government trust accounts and agencies is something over \$3 billion. These are the funds which accumulate in the Federal Old-Age Insurance Fund, the Unemployment Trust Fund, the National Service Life Insurance Fund, and others. They are funds available for insurance times available for insurance times. available for investment, just as those collected by private life in-surance companies, except that they are always invested in U. S. Government securities.

Treasury Has Funds

In addition, the Treasury has other cash receipts in excess of cash expenditures. It is estimated that, on the basis of present tax rates, the cash receipts of the Treasury during the first six months of 1948 (including the receipts of the trut rece ceipts of the trust accounts and agencies mentioned above, but not including net receipts from sales of savings bonds), will be about \$7½ billion in excess of cash outgo, even after allowing for increased outlays for foreign aid.

What the Treasury's position will be after the middle of 1948 depends on the tax measures adopted, the level of government expenditures, the volume of business, and the level of prices. While a disproportionately large proportion of tax receipts and net proceeds from the sales of savings bonds is concentrated in the first bonds is concentrated in the first quarter of the year, wise manage-ment should be able to keep the Treasury in possession of substantial amounts of funds throughout the year. Debt retirements in the early part of the year can be held down and relatively large Treasury balances in war loan accounts carried forward for use later in the year. In addition perhaps \$11/2 billion will be provided by government trust funds and agencies

and to this can be added the gross proceeds from the sales of savings bonds. It seems safe to assume that for the year as a whole the Treasury will have about \$10 billion from these various sources which could be used to purchase or retire marketable debt.

It would be unrealistic to ignore this volume of funds in apprais ng the demand and supply situation in the investment markets. The funds corralled by the Treasury will be available to the investment markets in part at least, through the support given to Government securities. Investors will sell their Government securities in order to invest in other securities at It would be unrealistic to ignore to invest in other securities at better rates, if the demand exists. In 1947, for example, the life insurance companies sold about \$1 ½ billion of Government securities

That process can go on as long as Government bond prices are supported. What this means is supported. What this means is that the liquid assets held by various investors in the form of Government securities can and will be used to finance business expansion, if the demand is strong enough. Purchases by the Treasury simply represent a return of tax and other receipts to the market and do not increase the money supply. As long as the Treasury has these available funds, the Government bond market can be supported without the use of Federal Reserve credit, except perhaps temporarily in periods of haps temporarily in periods of market readjustment. Even the support given to the market in the past two months by the Federal has not resulted in a net in-

crease in Federal holdings because | Equity Capital Is Major Problem sales and retirements of short-term securities have more than vestment field, as I see it, is to offset the purchases of bonds.

If the Treasury's available funds are not all needed by the lavestment market, the remainder can be used to retire Government obligations held by the banks, thereby freeing funds to banks for use in making further loans to business. I working the control of the to business. I venture the opinion that there will be another substantial reduction in the Government sequents. ment security holdings of banks in 1948, possibly enough to offset the effects of the loan expansion on deposits.

The major problem in the investment field, as I see it, is to provide business with the necessary equity capital. There is no denying the fact that there is a real shortage of equity capital, which in the long run may have serious consequences on a record serious consequences on our econ-omy. Business is forced to rely too much on borrowed money for its requirements.

I have expressed the view that the Government would continue to stabilize the bond market and maintain the 21/2% rate on long-(Continued on page 71)



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OVER-THE-COUNTER SECURITIES

(Continued from page 68)

sequences if those inflationary policies are allowed to continue. Although our life insurance contracts call for payment of a specified number of dollars, it does not follow that we should have no interest in doing what we can to preserve the value of those payments. The obligation is implied and the institution of life insurance should no longer continue its attitude of relative indifference while the welfare of policyholders is so obviously threatened. ously threatened.

some real leadership is shown in the fight against inflation, the American people can count on a good business year in 1943. The capital equipment of this counness year in 1943. The capital equipment of this country's enterprise now needs much renovation and expansion if we are to maintain and increase our capacity to produce in great volume. An essential element in achieving this goal is to see to it that conditions are maintained. ing this goal is to see to it that conditions are maintained which will continue to encourage saving.

ALEXANDER E. PATTERSON President, The Mutual Life Insurance Company of New York

The major objectives of society, as it moves into 1948, are peace in the world and higher standards of living for all people. These objectives, simply, will require further recognition of the dignity of man and his right

to earn, learn, worship and speak freely and provide for his family and himself, entirely independent of groups or government. This latter objective is dependent upon increased thrift and savings and higher

creased thrift and savings and higher production per worker.
This country has recognized the vital need for higher standards of living. The people of the United States, through its Congress, has formerly stated the objective for higher living standards in the Employment Act of 1946. It will no doubt be stated also in the platforms of both political parties for the 1948 of both political parties for the 1948 elections.



Alex E. Patterson

Higher living standards for all peoples is likewise the formally stated objective of the major international organizations to which most nations, including the United States, adhere. It is, in fact, a primary consideration in the Marshall Plan.

primary consideration in the Marshall Plan.

Accordingly, it is beyond question that this objective of society will form the basis of policy next year in national and international politics. For it is indeed recognized that higher standards of living are regarded as necessary to lessen the risks of political disintegration within countries, and among countries. A high and rising standard of living, to state the issue clearly, is the greatest enemy of communism and all other forms of discontent and disturbance. In other words, "the fellow holding four aces doesn't yell for a new deal."

The issue is crystal clear, but the problems that will be confronted are seemingly almost overwhelming. And yet, we would indeed help to magnify the problems if

yet, we would indeed help to magnify the problems if we did not have unswerving faith in our American way of living and in our ability to find the proper formula in

of living and in our ability to find the proper formula in raising living standards over the world.

At the risk of oversimplifying the problems, it must undoubtedly appear to all thinking people that the only way by which living standards can be raised—or ever have been raised—is by producing more per worker. This is, basically, the only possible answer. For you cannot eat wheat that hasn't been grown, or ride in a car that hasn't come off the assembly line, or be educated in a school that hasn't been built.

The problem of raising living standards is generally

car that hasn't come off the assembly line, or be educated in a school that hasn't been built.

The problem of raising living standards is generally assumed to be one that requires the attention of government and industry. Certainly, industry and government provide the leadership. But the individual public also plays a vitally important part.

Increased production and savings, then, are the keys in which industry and government can provide the leadership in raising living standards. Savings by the public should be encouraged by an aggressive government and industry policy to prevent inflation.

These savings, accordingly, will meet the need for a large amount of investments necessary to assure increased production per worker. There is now, for instance, less capital in industry per worker than there was in 1929 or 1940, due to the ravages of war and depression. To restore it to the 1940 level, it would require an investment of \$43,000,000,000, and to reach the amount called for on a long term trend, investments totaling \$71,000,000,000 would be needed.

The shortage of capital in American industry not only

The shortage of capital in American industry not only restrains the American standard of living, but it also curtails our ability to aid the rest of the world. In short, the dearth of capital weakens American foreign policy.

The facts clearly demonstrate that savings is one of the keys to higher living standards. To the life insurance field underwriter, the savings banker, the building and loan association and all other stimulators of savings, this means that their work is more important in 1948 than ever before.

The efforts of these groups in encouraging savings will do much toward helping to solve domestic problems. And in the field of international politics, savings will strengthen American foreign policy. We cannot help but recognize that General Marshall needed and got vast material to win the "hot" war against the

totalitarians; material (of food and machinery) is just as badly needed by Secretary of State Marshall in the "cold" war against totalitarianism.

B. K. PATTERSON

President, St. Joseph Bank and Trust Co. South Bend, Ind.

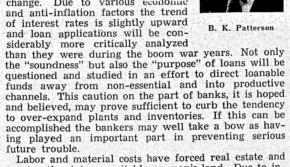
Viewed from the perspective of a banker operating in a medium-sized industrial city, the year 1948 presents a picture which, while blurred, is at least somewhat clearer than 1947.

Local industries go into the new year with perhaps the largest back-

log of unfilled orders ever carried over. It appears, therefore, that only a shortage of materials or serious labor trouble can prevent record-breaking production with attendant high employment. Thus, despite the continuing struggle between wages and prices, bank deposits seem likely to increase during the coming year.

The demand for loans was strong during 1947 and there seems no rea-

son to believe this condition will change. Due to various economic and anti-inflation factors the trend



ing played an important part in preventing serious future trouble.

Labor and material costs have forced real estate and construction into a veritable no-man's-land. Due to inflated prices the required down payments on homes, both new and existing, are so high as to be in most cases prohibitive. On the other hand, mortgage loan rates, with the pattern set by F. H. A. and the G. I. Bill of Rights are too low to fit today's conditions. Buyers of commercial paper are not attracted by such offerings and as a consequence banks and other lending institutions are becoming more and more wary. This poses a problem to builders and buyers alike and may result in gradual curtailment of the building program.

Incidentally, it is our opinion that the government policy of insuring mortgage loans at today's inflated prices is more truly inflationary than are many of the factors upon which curbs are being placed. There is a hue and cry, for instance, to increase bank reserves to be carried in short term government bonds. This move, thinly disguised as anti-inflationary, seems a queer partner for the indiscriminate guarantee of inflated mortgage loans. It smacks, frankly, of a reach for power on the part of certain government groups. Many bankers

on the part of certain government groups. Many bankers share my view that the present government policies pertaining to loan guarantees and interest rates are badly in need of overhauling if serious consequences are to be avoided.

In the face of these conditions it will not be an easy matter for bankers to meet the loan requirements of all credit-worthy individuals and businesses. There may be instances, in fact, where caution will impose temporary hardships, but the final results should be generally beneficial. At least such will be the aim.

To summarize, it appears that the coming year will be characterized by great production, high prices, full employment and increasing bank deposits. Profits and savings, however, are less certain. They will almost certainly be limited to the thrifty in the case of savings and to the economical in the case of profits.

W. A. PATTERSON

President, United Air Lines, Inc.

Dependable, regular operations with safety must be the major objective of the airline industry in 1948. Without its realization, the airlines cannot expect any real and lasting improvement of what admittedly was an unsausfactory condition both from the standpoint of public service and airline carrings in 1947.

unsausfactory condition both from the standpoint of public service and airline earnings in 1947.

The airlines have the tools for the 1948 job. They have the planes, the experienced personnel, many of the new flying aids and reasonably good ground facilities. There still is much room for improvement in the development of airport and airway facilities, but meanwhile, the nation's air carriers are in a position to begin delivering the kind of product which their patrons have a right to expect. Once they do this, they will enjoy all the business they can handle.

In past years, it was impossible to offer improved regularity and dependability of airline service without the ground, there can and must be more reliability of airline schedules along with a corresponding increase

in safety. Technological progress at last has caught up and is ready to cope with many obstacles which heretofore were insurmountable from the standpoint of both dependable and safe operations day in and day out, through all seasons of the year.

The industry now has planes which, with their high The industry now has planes which, with their high speed and range plus their pressurized cabins, can be operated over or around areas of unfavorable weather. Heat anti-icing has virtually eliminated ice as a hazard. Such proven aids as ILS (Instrument Landing System) and radar surveillance equipment now make possible operations into and out of a ports under restricted, weather conditions. Omni-directional radio range equipment now being installed on the airways will constitute another valuable aid for both en route and airport approach operations. proach operations.

proach operations.

During 1947, progress was made in preparing for the day of improved schedule regularity with safety. As the months ran out, however, it became apparent that the much proclaimed "age of flight" had not arrived. Deliveries of new planes were tardy, airline accidents had their effect on airline patronage, new aids to airline operations could not be adopted in regular operations until pilot personnel had been throughly trained in their use, inexperienced personnel had to be weeded out of airline ranks, and the voluntary grounding of DC-6 planes by several operators proved a climactic blow of the year.

Meanwhile, continued rising costs precluded any possib.lity of profits despite steadily growing passenger-cargo traffic. In the case of United Air Lines, a strict economy program which resulted in a saving of \$5 mil-lion on an annual basis still could not halt losses.

It became apparent that the airlines were selling a product at less than the cost of its production. It also was obvious that air mail rates established during the abnormal wartime period were entirely out of line. Accordingly, the airlines increased passenger fares and, at the same time, petitioned for increased mail pay.

Higher fares and more mail pay cannot in themselves Higher fares and more mail pay calliof in themselves solve the airline earnings dilemma. The real solution less in the 1948 objective—dependable, regular, safe air transportation. There is no quest on that this goal can be attained through the concerted efforts not only of the airlines and aircraft manufacturers but also with the constructive help of governmental agencies concerned with avistion. with aviation.

W. T. PIPER

Chairman of the Board & President, Piper Aircraft Corp.

The outlook for the private aircraft industry in 1948 is such that no one can make anything but a wild guess about what will happen. At the end of the war there was an accumulated demand for all kinds of planes, nothing had been made for over four



W. T. Piper

years and those in use had been given hard service. To meet this de-mand all manufacturers increased their output, which was easy to do since the industry never had been large and most plants had been enlarged to fill government orders. The small plane makers made around 35,000 in one year and at the same time 30,000 surplus military planes were sold. These planes added to the 25,000 licensed before the war made a total of 90,000 planes, and airports and hangars for housing this large number of aircraft were not available. Probably more than one-half the licensed planes are tied out on fields whereas they are so expensive and so carefully built that they should be protected from

and so carefully built that they should be protected from the weather.

When the airplane was invented there was not an airport or hangar in the United States. We now have over 5,000 airports which is only one to every 600 square miles. This does not permit pilots to get near the places they wish to go and to a great extent lessens the utility of planes. Considering the shortage of fields and hangars, the country is badly overloaded with airplanes. This situation will improve as more fields and hangars are built, but it takes time to build these facilities and it now looks as if 1948 will see a number of companies quit producing. Sales for the past six months have been small and nothing in sight offers encouragement for improvement. There always has been a period of small sales each winter so every one hopes that sales will pick up with the approach of spring and longer days.

Being an industry with limited output, we must expect

Being an industry with limited output, we must expect only a small number of manufacturers to make the vast majority of the planes. The whole industry was so expanded for war that the commercial demand can only panded for war that the commercial definition can only use a small part of the plants and equipment. Unless the government buys large numbers of airplanes there will only be a few makers of the large planes, a small group making what can be called the "tailored planes" and a few makers of the so-called "private planes." This means that some of us are going to fade out of the picture and 1948 seems to be the year when this may

Many people have been prophesying a tremendous demand for private planes but they always add the condition—that plane manufacturers furnish more useful planes. They do not say what will make a plane have more utility and they forget that all our way of living has developed as it has because man could only make

(Continued on page 72)

Sources of Funds for **Business Expansion**

(Continued from page 69)

term bonds, and would not impose such strenuous quantitative credit controls that the flow of essential bank credit would be stopped. The use of severe credit control measures and a big rise in interest rates under present conditions would be too hazardous. Our past experience with such controls under boom conditions has not been too happy. If that experience is any criterion, credit controls under present conditions would be really effective only when they become so drastic that they reduce production and employment and create a deflationary movement. A disorganized bond market and rigid restraints on essential credits might seriously interfere with the normal flow of funds into modern the flow of constitute a drain on our economy and who ought to be out in prisude in force with and in prise to help overcome the existing shortages. If the proposals advocated by the President in his recent message to Congress on the state of the union should be adopted, Government expenditures would be increased another \$10 billion or more per year, according to some estimates.

No doubt our foreign aid program is essential under present world conditions and can be amply justified. However, we are trying to meet the needs and demands of a large part of the world at a time when our own demands are time when our own demands are time. straints on essential credits might seriously interfere with the normal flow of funds into productive processes and dislocate the whole economy. The consequences of such a course cannot be contemplated lightly, especially in view of present world conditions and our world responsibilities. I do not believe the monetary authorities will assume the responsibility for bringing on a business decline for bringing on a business decline and deflation.

Inflation Not Due to Bank Lending

The present inflation in prices is not due in any important degree to current bank lending policies. While the increase in bank loans in the past six months has been substantial, its inflationary influence has been graphy every influence has been greatly exaggerated. This increase has been more the result of the inflation than a primary cause. With the great increase in the volume of business at inflated prices, the wonder is that bank loans have not increased even faster. At wonder is that bank loans not increased even faster. At these prices business needs more money for inventories and other money for inventories. This working capital purposes. This credit helps to maintain and increase production.

Furthermore, loans are relatively low compared with the total volume of business today. Our national income is now 135% higher than in 1929, but total bank loans than in 1929, but total bank loans are only 7 per cent higher. Total bank loans today equal only about 19% of the national income, compared with 38% in 1920, 41% in 1929, and 21%% in 1941. The recent expansion in bank loans has been largely offset by a reduction in bank holdings of Government securities, and the net inflationary effects of current loan expansion are small. The money pansion are small. The money supply of the country, which increased 13% in 1945 and 7.5% in 1946, rose only 2½% in 1947, certainly not a major cause of the price rise of 16% in that year. The rate of increase in the money supply in 1947 was less than the supply in 1947 was less than the normal annual rate of increase in the volume of business. In fact, the increase in the money supply in 1947 was about equal to the expansion caused by the inflow of gold.

The emphasis on credit expansion tends to draw attention away sion tends to draw attention away from the real causes of the current inflation. The basic cause, of course, is the huge supply of money created before and during the war by deficit financing. There are a number of important factors, however, which greatly accentuate these inflationary tendencies.

At the end of the war, Washington economists predicted a period of deflation and great unemployment. Consequently, an inflationary wage policy was deliberately embarked upon at a time when anti-inflationary measures should have been adopted ures should have been adopted. At the same time, the Administration has resisted the reduction of Government expenditures to anything approaching a reasonable peacetime level. There are probably several hundred thous-

ply justified. However, we are try-ing to meet the needs and demands of a large part of the world at a time when our own demands are in excess of our productive capacity. We are trying to do too much too quickly, and the strain cannot help but have serious repercushelp but have serious repercussions even on our miracle economy. Other current inflationary influences are: veterans' bonuses and relief payments, agricultural and rener payments, agricultural price supports, excessive liberality in Government guaranteed housing credits, and confiscatory taxes which restrict the accumulation of equity capital. Clearly, the main battles against inflation must be fought in fields other than credit control.

than credit control.

The objections to the adoption of severe credit controls, however, impose upon bankers themsevles a great responsibility. We are in highly dangerous inflationary situation and every possible precaution should be taken to minimize any credit expansion which might increase buying power without increasing production. Consumer loans should be given severe scruitiny. More caution is needed in real estate loans and appraisals, especially in the case of Government guaranteed loans.

While there is not much evi-

While there is not much evidence of any substantial amount of loans for speculative purposes, the danger that such loans will be made is always present in a period of rising prices. The banks are cooperating with supervisory authorities in the effort to elimi-nate loans for speculative. nate loans for speculative or non-

productive purposes. The A.B.A. Testimonial Dinner tary action on the part of the nation's banks to avoid excessive or inflationary increases in bank credit.

NASD District No. 13 **Elects Kuhn and Blaine**

R. Parker Kuhn of the First Boston Corporation was elected Chairman and Walter F. Blaine





Col. R. Parker Kuhn Walter F. Blaine

of Goldman, Sachs & Co., was clected Vice-Chairman of the District No. 13 Committee of the National Association of Securities Dealers, Inc. at its meeting on Jan. 15, 1948.

Alkinson Ch. of Bd. of San Francisco Exch.

SAN FRANCISCO, CALIF.— The San Francisco Stock Exchange The San Francisco Stock Exchange amounced that at the annual meeting Douglas G. Atkinson, of Dean Witter & Co., was elected as Chairman of the Board. V. C. Walston, of Walston, Hoffman & Goodwin, was reelected as a member of the Board of Governors for a term of two years. Richard P. Gross, of Stone & Youngberg, and Arthur R. Mejia, of Davies & Mejia, were elected as new members of the Board for two years Members retiring from the Board bers of the Board for two years Members retiring from the Board were: Wm. H. Agnew, of Shuman. Agnew & Co.; Charles H. Clay, of Dean Witter & Co., and Earl T. Parrish, of Earl T. Parrish & Co. Elected to the nominating committee to serve for the current year were: Wm. R. Bacon, Joseph A. Johnson, Harold W. Lutich, Victor T. Maxwell and Harold B. Williams.

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For Geo. M. Forrest

SPRINGFIELD, MASS.—Prom-nent executives of local banks, inent executives insurance companies and industrial concerns joined with part-ners of Paine, Webber, Jackson & Curtis at a testimonial dinner in Springfield, Mass., for George M. Forrest, former co-manager of the Springfield, Mass., for George M. Forrest, former co-manager of the Springfield office, who is leaving soon for Los Angeles, where he will be resident partner in charge of the firm's West Coast offices.

Other partners who attended the dinner included: Albert P. Everets, Edmond E. Hammond, Morris F. LaCroix and James J. March at Pacton I love W. Mason Minot, of Boston; Lloyd W. Mason, of New York, and Michael J O'Brien and Reuben Thorson, of Chicago.

Paine, Webber, Jackson & Curtis, members of the principal stock and commodity exchanges, now have 25 offices in 22 cities from coast to coast, all interconnected by direct wire. When Mr. Forres assumes his new duties, the firm will be represented, for the first time, by a resident partner on the West Coast.

Mun. Bond Club to Hear

At its luncheon meeting to be held today at the Lawyers Club, the Municipal Bond Club will hear Le Roy M. Piser, Assistant Vice-President of the First Boston Corporation, speak on "The Federal Reserve System and the Bond Market" Mr. Piser in the past Market" Mr. Piser in the past was with the Government securities section of the Board of Gov-Bank.

Firm Name Changed to DeYoung-Tornga Co.

GRAND RAPIDS, MICH. — The firm name of DeYoung, Larson & Tornga has been changed to De-Young-Tornga Co. Neil DeYoung





Neil de Young

and Herman Tornga are partners in the new organization. Edward L. Larson, who was partner in the predecessor firm, and Charles E. Cook are both with DeYoung-

has become associated with Carver Vice-President. Mr. Mundo was formerly head of his own investernors of the Federal Reserve ment firm, E. W. Mundo & Co., in

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PHILADELPHIA 2

(Continued on page 70)

short trips. The airplane furnishes a way to make long trips easily and rapidly but we are not ready for it.

The private planes of today are excellent ones, dependable and safe. It takes two things to use a plane successfully—leisure time to make the long trip and money to pay the cost. Young people as a class have neither but they will be old all too soon and then flying will come into its own. 1948 looks like a rough year in the aircraft industry. It's suffering from acute overproduction but many of the companies have seen hard times before and can take it.

JOHN C. PERSONS

President, The First National Bank of Birmingham

There is now existing enough accumulated capital, enough demand for goods, and enough projected construction of private and public homes and facilities to create generally prosperous conditions in this country through 1948. On the other hand, there also exist certain threats to our economy which may prevent a prosperous year.

For example, if labor demands and gets a further increase in pay,

prosperous year.
For example, if labor demands and gets a further increase in pay, it may result in an increase in costs to such an extent that purchasers will refuse to purchase, producers will quit building, resulting in widespread unemployment.

If Congress and the Administration wish to do so, they can create further inflation by increased expenditures, and can curb inflation to some extent by regulation.

Banks and businessmen can also influence the course of inflat.on by their policies of lending, extension of credit, and capital expenditures.

expenditures.

A major war would disrupt all predictions.

It is my opinion we will not have a major war in 1948.

I believe banks and bus nessmen are thoroughly aware of the dangers of inflation and will adopt a conservative policy in 1948.

Congress is facing a political year. Leaders will undoubtedly attempt a conservative policy. The pressure of inflation will be severe, however, and I do not expect much effective legislation to curb it.

In my opinion, labor will continue to press its demands, and herein lies our greatest danger.

Nineteen hundred forty-eight could be a good year, but it is inevitable that the present spiral of inflation must end sometime. Whether it continues through 1948 or ends, depends on many factors, some of which I have mentioned.

ALVA W. PHELPS President, The Oliver Corporation

President, The Oliver Corporation

There will be a continued demand for our company's products during 1948 which would again be greater than possible production. Notwithstanding foreseeable difficulties in procurement of materials and labor necessary to meet expanded production schedules, the volume of sales in 1948 should exceed the record-breaking total in 1947.

Because of the continuing upward trend in costs of labor, materials, supplies, freight, and services, no reductions in farm machinery prices are yet visible. However, in terms of income-producing crops, the farmer buys a tractor or other farm implement today for approximately 25% less than he paid for the same piece of equipment in 1940.

Regarding the possible impact of the so-called "Marshall Plan" on the American farm machinery supply, Oliver's domestic sales during use

trols.

There has been continuing progress in Oliver's Modernization and Rehabilitation Plan under which \$13,000,000, has been expended for tooling, improvement, renovation, and replacement of plant, buildings, and equipment since Nov. 1, 1944. Achievement of this all-important program is necessary to maintenance of all phases of the company's competitive position in the industry. industry.

EDWARD PLAUT President, Lehn & Fink Products Corporation

the selling prices. Considerable resistance is being met at the present time by retailers on some products due to the 20% tax. The public no longer feels that this tax should be collected. From all reports that I have received, it seems that there has been a terrific decline in the sale of cosmetics as a result of the increase in the cost of foods. cost of foods.

On the whole, I believe that the cosmetic business will be satisfactory and that profits will be smaller and competition will be more intense this coming year.

FREDERIC A. POTTS President, The Philadelphia National Bank

President, The Philadelphia National Bank

During 1947 the general level of business activity continued on a high plateau with the Federal Reserve Index at 189 in January and 192 in November. Though remaining largely within this area, one month, namely, July, showed a decline to 176. Less comprehensive but more up-to-date figures suggest that output during December was even slightly higher than the 192 of November. There is good evidence, moreover, that our physical plant is being used at near capacity and we know that there is virtually no unemployment. Labor output, no doubt, could be increased and facilities are being expanded, but it is unlikely that there will be relatively large increases in total production this year.

As in all periods of prosperity, areas of uncertainty and maladjustment become man-fest. There is no reasen to believe, however, that these areas have spread; in fact, the industries involved seem to have adjusted themselves satisfactorily. The same basic factors which were responsible for the demands which existed last year are still present particularly in industrial construction, machinery and equipment, housing and automobiles. On the other hand, the savings of the country are declining and certain sections of the economy are being p nched as the result of higher prices. Increasing consumer resistance is evidenced by the declining demand for luxury and more expensive non-durable goods.

In some quarters the chief concern is with the possibility of a ruinous inflation, while in others there is fear of a preschlad depression letter this uses. Fearent is

and more expensive non-durable goods.

In some quarters the chief concern is with the possibility of a ruinous inflation, while in others there is fear of a possible depression later this year. Forecasting is at best highly uncertain and we have not, as yet, learned how to contend with the psychological element in the swings of the bus ness cycle. Recognizing the limitations in this field, the best protection is to include ample provision for contingencies in our planning. As bankers, one of our important functions is the overall administration of the country's credit needs to assure sustained full employment and high production.

Since the national income of the United States repre-

employment and high production.

Since the national income of the United States represents, perhaps two-fifths of the world's total, its maintenance is obviously a most significant factor contributing to economic and political stability. We cannot, therefore, afford to allow our present prosperity to develop into an unhealthy boom and subsequent bust. It is essential that our lending policies be directed toward the discouragement of non-productive loans or any financing in which provision has not been made for unforeseen developments. Our responsibilities cannot be avoided, but the fact should not be overlooked that the current volume of loans outstanding is more a result of the inflation than a primary cause. There is every indication that 1948 will be a crucial year and if we, as bankers, can contribute to the economic stability of the United States, we will have performed a most important service in assisting our cause both at home and abroad.

EDMUND T. PRICE

President, Solar Aircraft Company

President, Solar Aircraft Company

Since the close of the war with Japan almost all companies have experienced a difficult period of reorganization. Although the larger number of these difficulties have been overcome, the aircraft industry, as a whole, still feels the effects of the adjustments and the small orders for airplanes since the close of hostilities. However, the increasing influence of jet and gas turbines may affect the planning of military and commercial aviation authorities. In such a development, the aircraft industry will be profoundly affected. It is probable too, that rockets and guidel missiles capable of speeds exceeding 3,600 miles an hour will soon be produced in quantity. There are projects of this nature well along in the development stages.

In our own company, the plant at Des Moines is actively engaged in manufacturing ring and tube assemblies, exhaust units, combustion chambers, aft frame assemblies and other related parts for two jet engine types. In addition to exhaust manifold manufacture at San Diego, the plant is producing tailpipes, exhaust cones, fuel manifolds, outer casings and other items for additional types of jet engines.

As a result of the interest of various governmental services, Solar is also performing advanced technical

As a result of the interest of various governmental As a result of the interest of various governmental services, Solar is also performing advanced technical and developmental work on several projects which clearly illustrate a trend throughout the industry. One of these is a new type of rocket engine of sheet steel.

Newly developed high temperature alloys reduce the former engine weight by 500 pounds and speed up the manufacturing process, while the weight reduction gives the rocket a greater explosive carrying capacity. Another project is represented by the principle of after-burning. This new device, adding tremendous thrust to an engine, is expected to furnish the additional power necessary to push airplanes powered by turbo-jet engines beyond the supersonic flight speed barrier. Already the principle has been developed to the extent that it can readily be adapted to a turbo-jet engine of any type or size. Among still other projects underway are low horse-power gas turbines. These experimental projects appear to indicate the pattern of production work a few months or a few years hence.

The year 1948 should see many new developments of this nature further advanced and broadened in scope until quantity production for the requirements of the armed forces and civilian needs is reached. I venture to predict, too, that large quantities of jet engines will be produced during 1948, bringing a measure of prosperity to the aircraft industry well above prewar levels. As usual these rewards will go to those companies that are resourceful, and many will find 1948 to be one of the best years they have ever enjoyed.

FRANK C. RATHJE

FRANK C. RATHJE

President, Chicago City Bank & Trust Company

The field of banking and finance during 1948, in my

The field of banking and finance during 1948, in my opinion, will see further adjustments in our monetary affairs as a result of postwar economic developments.

I believe interest rates will rise to moderately higher levels, and that we will experience some further expansion in commercial and industrial borrowings to finance the necessary carrying and movement of industrial products at present price levels.

Federal Government fiscal policy will have an important effect upon the conditions prevailing in banking, and the financial markets. Federal debt management, in my opinion, will constitute a major responsibility of the Federal Government during 1948.



Carleton Putnam

The requirements of industry for credit from the commercial banks during this period of rising prices and expanding production and distribution will require a marked degree of cooperation between the commercial banking system and the Federal authorities. Orderly money market conditions are highly desirable. Such orderliness will to a large degree be maintained by sound fiscal policies of the Treasury and the Federal Reserve Systm. This in turn will do much to govern the loaning policies of the Commercial Banking System.

Total deposits in banks should be well maintained during 1948, and earnings for the year should compare favorably with 1947.

CARLETON PUTNAM

President, Chicago and Southern Airlines

The air transport industry throughout 1947 continued to be handicapped by procedural delays in the setting of air mail rates by the Civil Aeronautics Board. Very few permanent rates have as yet been set, and the industry's "losses" must be viewed with this in mind.

The law is clear that, provided honest, economical and efficient management is shown. the govern-The air transport industry throughout 1947 continued

honest, economical and efficient management is shown, the government shall pay the carriers, through the mail rate, sufficient money to assure that they shall not only be able to maintain, but also continue the development of, air transportation. Consequently until hearings have been held and permanent rates fixed, no losses of any kind are final, and estimates of the current financial position of the industry based cial position of the industry based on face values are without founda-

Indeed, unless the law is changed

and the change made retroactive (a development which is highly unlikely) there seems little reason why the great majority of the carriers should not show reasonable profits for the year when the final accounting is rendered.

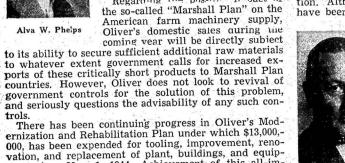
accounting is rendered.

The public and the Congress need feel no concern over the return of the industry to normal, peacetime levels of mail pay. The surprising thing is that anyone should have supposed the feverish, congested traffic conditions of wartime, which alone made wartime mail rates possible, could be continued, or the corresponding rates made permanent. As a matter of record, the air transport industry has received less aid and has paid the government's investment out faster than any other form of transportation in history. On balance, on the basis of added costs both to the Post Office Department and for the maintenance of air ways, the American taxpayer has gained about \$128,000,000 cash as a result of his investment in the air lines, let alone having acquired the finest air transport network on earth.

With such a record, Congress is not likely to starve the air lines now. Far from being a matured industry, (Continued on page 74)

(Continued on page 74)





The cosmetic business has had a terrific growth since 1941. The growth has been so rapid that it is quite evident it cannot be maintained. It is my opinion that the business for the coming year will be entirely satisfactory looked at from the basis of what would be a normal annual increase over the 1941 period but will be slightly under the peak of 1945-46. Costs have gone up considerably but basically there have been few or no changes in

The State of Trade and Industry

(Continued from page 5)
with the same period in 1946, "Hardware Age" reports in its everyother Thursday market summary. Volume for the first 11 months of last year exceeded that of the same period in 1946 by 23%.

Accounts receivable averaged 20% more in November than a year previous, while inventories of wholesale hardware distributors, as of Nov. 30, 1947, were 37% higher than the same date in 1946 and 2% above those of Oct. 31, 1947.

STEEL OPERATORS AT PEACETIME PEAK FOR CURRENT WEEK

No one in the country is more anxious to see the elimination of the small but strong and active gray market than the steel producer. But he has no more chance of controlling this situation than he has of stopping the occasional highjacking of steel shipments on the highways, according to "The Iron Age," national metalworking weekly. As long as steel supplies run far below total steel demand, the magazine notes there will be a gray market no matter what the government or the steel industry does.

Congressional admonitions that the steel industry must get rid of the gray market indicate a woeful lack of simple facts on the

Congressional admonitions that the steel industry must get rid of the gray market indicate a woeful lack of simple facts on the number of steel industry customers, the trade paper points out, since a conservative estimate shows at least 60,000 individual customers on steel mill books. This naturally includes duplications—few customers buy from only one source if they can help it.

This estimate only includes direct mill sales and not customers on steel warehouse order books. Warehouse customers are estimated at 1½ million, which also includes duplications because customers will order from as many places as possible in an attempt to obtain supplies.

The current gray market, which is an offshoot of a black steel market during the OPA days, only greatly expanded, is kept alive by customers' actions, not by those of the steel producer, the magazine observes. Under present conditions some steel users obtaining more material than they find they actually need are afraid to ask the steel producer for a reduction in their quota. The customer feels that if he does this it will adversely affect future deliveries at a time when a real emergency may exist.

The fact that the highjacker has entered the picture more aggressively within the past several months is symbolic of the place excess steel now takes in the national picture, "The Iron Age" states.

Steel sales managers report new*

Steel sales managers report newbusiness as tight as ever with customers still in the "anxious seat" over forthcoming voluntary steel allocations. One thing seems certain, the paper adds, many customers are going to receive less steel than they are getting now after the so-called essential users such as railroad car builders, the such as railroad car builders, the petroleum industry and the farm implement makers have their in-ning at Washington.

ning at Washington.
Concluding, "The Iron Age" states that with the exception of the Philadelphia district, where the price of No. 1 heavy melting steel is up an average of \$4 a ton this week, steel mill buyers appear to have won the third round in the scrap price battle. "The Iron Age" scrap price composite this week is \$41.83 a gross ton up \$1.25 from last week due to the change at Philadelphia.

The American Iron and Steel Institute announced on Monday

Institute announced on Monday of this week the operating rate of steel companies having 94% of of steel companies having 94% of the steel-making capacity of the industry (revised) will be 96.1% of capacity for the week beginning Jan. 19, 1948. This compares with 95.6% one week ago, 86.6% one month ago and 92.5% one year

ago.

The current rate is based on the revised capacity for the industry as of Jan. 1, 1948 with 10% operations equaling 1,802,476 net tons of weekly output.

This week's operating rate is equivalent to 1,732,200 tons of steel ingots and castings as against 1,723,200 tons last week, 1,617,900 tons one year ago and 1,281,210 tons for the average week in 1940, the highest prewar year.

Electric Production Tops Previous High Record

The amount of electrical energy The amount of electrical energy distributed by the electric light and power industry for the week ended Jan. 17, 1948 was 5,370,112,-000 kwh., according to the Edison Electric Institute. This was the highest weekly output ever attained in the history of the industry, and exceeded the previous high figure peached for the weekly high figure reached for the week ended Dec. 20, 1947 by 2,488,000 kwh., and was 92,432,000 kwh. more than in the week ended Jan. 10, 1948. The Jan. 17 week was the 10th week since Sept. 13, 1947 that production was in excess of 5,000,000,000 kwh. In the corresponding week of last year,

Jan. 10, 1948, totaled 831,447 cars, according to the Association of American Railroads. This was an increase of 149,409 cars, or 21.9% above the preceding week, which included the New Year holiday. It also represented an increase of 494 cars, or 0.1% above the corresponding week in 1947, and an increase of 58,559 cars, or 7.6% above the same week in 1946.

Automotive Output Cut by Shutdowns for Model Changeovers

Estimated output of cars and trucks in the United States and Canada the past week amounted to 108,178 units, "Ward's Automotive Reports" states. This compared with a revised figure of 111,276 units in the preceding

Last week's total comprised 78,407 cars and 25,276 trucks built in the U. S. and 2,681 cars and 1,814 trucks in Canada.

Shutdowns for model change-overs by three General Motors divisions and labor difficulties at Hudson and Willys were responsible, the agency pointed out.

Business Failures Decline for Week

Although continuing above last year's level, commercial and in-dustrial failures declined in the week ending Jan. 15, Dun & Bradstreet, Inc. reports. Concerns failing numbered 61, down from 87 in the preceding week but above the 51 which occurred in the comparable week of 1947. More businesses failed than in the corresponding week of any of the last four years; compared with last four years; compared with prewar 1939, however, they were only one-sixth as numerous.

Holiday Activity
All of the week's decline ocLoadings for the week ended curred in failures involving liabil-

ities of \$5,000 or more. Declining from 75 to 44, failures of this size from 75 to 44, failures of this size were only slightly more numerous than in the same week of 1947 when 39 were reported. Small failures with losses under \$5,000 increased from 12 to 17 in the week just ended. Concerns failing in this liability class slightly exceeded those of a year ago.

Manufacturing and wholesale Manufacturing and wholesale trade accounted for the decrease in failures during the week. The number of manufacturers failing, off from 35 to 16, turned down to the same level as in 1947. Wholesalers failing, down from 14 to 4, were even less numerous than a year ago.

In all geographic regions except the East North Central, failures were lower than in the preceding week. Only half as many concerns failed in the Pacific States, 11 against 20, and in the New England States, 5 against 10. The Middle Atlantic States reported the largest number of failures this

Middle Atlantic States reported the largest number of failures this week, but a marked decline appeared in this region also, with concerns failing down from 26 to 18. The only exception to the prevailing decline occurred in the East North Central States where failures rose from 10 to 13; this region also had the most increase from the 1947 level.

There were 317 commercial and industrial failures in the month of December, a fractional increase from the 313 reported in the previous month. This brought the total number of failures for 1947

to 3,476, the highest for any year since 1942. There were three times as many failures in 1947 as in 1946. In comparison with immediate prewar years, however, failures were only one-fourth as numerous. Only about one-eighth the number of businesses failed in 1947 as in the late 1920's and early 1930's.

Food Price Index Advances 1% to New All-Time Peak

Following the mild decline recorded a week ago, the Dun & Bradstreet wholesale food price index rose 1% from \$7.21 on Jan. 6 to stand at a new all-time high of \$7.28 on Jan. 13. This represented a gain of 16.9% over the corresponding 1947 figure of \$6.23.

The index represents the sum total of the price per pound of 31 foods in general use, and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Registers Further Sharp Gains

Further advances in grains and other foods pushed the Dun & Bradstreet daily wholesale commodity price index to new high levels since this index was started in 1932. After registering successive high points on Thursday and in 1932. After registering successive high points on Thursday and Saturday of last week, the index continued to rise sharply to reach a new record peak of 307.18 on Tuesday, Jan. 13. This represented a gain of 1.1% over the 303.73 recorded a week previous and (Continued on page 75)

(Continued on page 75)

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A Tribute to the Nation's Retail Security Dealers

Looming ahead on the American horizon is a vast and important undertaking to be accomplished in 1948. It is the task of supplying millions of dollars of capital, essential to the growth and stability of American Industry, through the sale of new securities to the investing public,

· The men who have capably discharged this vital economic function, and who will continue to do so, are the nation's Retail Security Dealers who have made it possible for Americans to participate in the ownership of the industries which serve them.

No other men in our economy have done more to further our national progress, to make possible the birth of new industries, to promote the expansion of established industries and, most importantly, to help create production and employment.

The nation's Retail Security Dealers have been a link between America's will to accomplish and the realization of that will. Their accomplishments have perpetuated our system of corporate public financing—the best yet devised which has made possible the world's largest production machine and the world's most prosperous people.

With sincerest appreciation, we gratefully acknowledge the cooperation of an ever-increasing number of countrywide Retail Security Dealers organizations who have participated with us in new security offerings for American

It will be our privilege to join with these fine institutions in 1948 in again offering the investing public opportunities to share in this country's greater future.

(Continued from page 72)

air transport has not yet been able to profit commercially by any of the technological gains of the war, and of course during the war development was arrested completely. No truly post war airplane is yet in service on air lines. Blind landings are just beginning to be explored. The whole future of really profitable commercial operations without government aid, which will develop from more efficient aircraft and more dependable and safer service, looms ahead on the horizon, and the price to be paid to get there is relatively negligible.

The public has a vital interest in air transport, both from the standpoint of national defense and of peacetime commerce and the general welfare. The restrictionists should be given short shrift, in whatever guise they appear. They were found in too many places in 1947, but I believe their number in 1948 will be conspicuously fewer.

spicuously fewer.

WILLIAM M. RAND

President, Monsanto Chemical Company



William M. Rand

General market conditions for the chemical industry present a favorable picture for the immediate future. The long range view, although revealing some uncertainties and the possibility of minor recessions, also appears favorable.

Indications for 1948 are encouraging, particularly for the first half of the year. Although we foresee a decline in some industries, in general there should be a continuation of a good business. The chemical industry might well anticipate a heavy demand for its products in selected consumer goods fields.

There is still an urgent need for many chemical items abroad, but depleted dollar reserves have brought a sharp decline in sales to

many chemical items abroad, but depleted dollar reserves have brought a sharp decline in sales to foreign countries. If dollar credits have been reestablished through some form of American aid, export sales should continue strong.

In the field of organic chemistry, leaves the polyticism.

there is considerable room for optimism. New products and new uses and expanded capacity for established products are continuously opening new markets. The diversity of these commodities should, to a large extent, compensate for any drop in sales of a limited number

While insecticides, fungicides, and herbicides, for example, are seasonal in demand, they, like certain plastics and coatings, are less sensitive to business fluctuations

and coatings, are less sensitive to business fluctuations than are most consumer goods.

So far, the chemical industry has not been characterized by phenomenal price increases, except for products derived from vegetable sources. The chemical industries, like others, has felt the impact of higher construction costs, increased demands from labor, and mounting prices for raw materials. Unless their upward trend is halted, chemical products may be subject to substantial price revisions. Equally vital to any price forecast is the single item of transportation costs.

In the last year there have been substantial increases in freight rates for chemical commodities. In a seller's

In the last year there have been substantial increases in freight rates for chemical commodities. In a seller's market such added costs can be absorbed and passed along. As supply and demand come into better balance, profitable trading areas become smaller in size.

Although confident of the future, the chemical industry should keep the time-tested indices of business conditions under close scrutiny. Economic weather vanes of commercial bank loans, business failures, and other proved barometers may indicate the advisability of adjustments in inventories and production quotas when the present high consumer demand moves into more the present high consumer demand moves into more normal conditions. The chemical industry is becoming increasingly susceptible to the fluctuation of general business.

RICHARD S. RHEEM

President, Rheem Manufacturing Company

The outlook for 1948 in the steel container industry appears to be excellent. The demand should continue very strong for steel containers in the packaging of petroleum products, paints, chemicals and food stuffs. During the year 1947 the steel container industry was not able to fully meet the requirements placed upon

meet the requirements placed upon it by the various users. It is very improbable that there will be a les-sening of demand during 1948 and it is conceivable that the demand may increase because any foreign aid that will be given by the United States will certainly require many steel containers; this will be in addition to a continuing domestic requirement.

quirement.

In the year 1948 we look forward to a continued high demand in the home building field for household utilities, such as automatic water heaters for gas, electricity and oil fuels, space heating for gas, oil and electricity, central heating equipment for gas and oil. There seems to be little question but what there will be a continued high rate of new home building throughout the year 1948 which will require a great number of home appliances, and the replacement requirements for

automatic water heating will continue at a satisfactory

In summary, it is my opinion that in the two fields in which we are an important factor, the year 1948 will be a most satisfactory one and should be as good as 1947, if not slightly improved.

CAPTAIN EDDIE RICKENBACKER

President and General Manager, Eastern Air Lines, Inc.

President and General Manager, Eastern Air Lines, Inc.

The scheduled air lines of the United States will establish new records for dependable, "on-time" transportation and will make great advances toward attaining their long-sought goal of "all-weather" flying in 1948.

This forecast is based on the acquisition during the past year of larger and more modern airliners by Eastern Air Lines and the other air lines, and on the following developments now under way or planned:

(1) The nationwide installation of High-Intensity Approach and Run-

(1) The nationwide installation of High-Intensity Approach and Runway Lighting will assure the air traveler of reaching his destination under weather conditions which now prohibit landing. Accorded No. 1 priority by all civil and military agencies, the installation and operation of adequate High-Intensity Lighting will remove the greatest single obstacle to "all-weather" flying.

single obstacle to "all-weather" flying.

(2) The increasing use of Instrument Landing Systems (ILS) or Ground-Controlled
Approach (GCA) radar sets which, together with the
use of Adequate High Intensity Approach and Runway
Lighting, eventually will permit a pilot to land when
he has only a 100-foot ceiling and one-quarter mile
visibility or less, in contrast to the scheduled air lines'
present basic low frequency range minimum of 400-foot
ceiling and one-mile visibility. (Approximately 98 airports now have ILS.)

present basic low frequency range minimum of 400-100t celling and one-mile visibility. (Approximately 98 airports now have ILS.)

(3) The universal air line use of Very High Frequency (VHF) two-way radio communication which provides flight crews with clear reception and eliminates interference from distant radio transmitters and static. Eastern Air Lines has installed 70-channel VHF in nearly all of its ground stations and is completing installations on all of its new type Constellations, DC-4's and DC-3's.

(4) Greater progress will be made on Automatic Control Methods for separating and segregating air traffic automatically in the heavily congested areas thus permitting a closer spacing and better utilization of existing airports and enabling flights to operate from point to point on schedule. The establishment of two additional airways between Boston and Richmond during the past summer, for example, has greatly speeded up the number of schedules that can be operated.

(5) The experimental tests in radar conducted in 1947 undoubtedly will lead to practical navigation and traffic control applications by the air lines in 1948. For example, Microwave Early Warning (MEW) developed during the war for detecting the approach of enemy planes, shows great promise of affecting better control and separation of airways traffic in the vicinity of airports.

(5) The universal use by the scheduled air lines this

(3) The universal use by the scheduled air lines this year of the positive Terrain Clearance Indicator, a radar technique which measures electronically the altitude of technique which measures electronically the altitude of plane over ground or water, will prove most important. This device, when used in conjunction with a pressure altimeter (barometer), has an additional useful application in spotting low pressure or bad weather areas when flying over water.

(7) Extensive studies now being made in "finger-printing" the weather, especially at altitudes ranging from 17,000 to 21,000 feet where more and more long-range, high-speed operations are being carried out, will assure a high degree of accuracy in forecasting meterological conditions.

Such technical developments together with the larger, faster, more modern air transport types introduced into

Such technical developments together with the larger, faster, more modern air transport types introduced into operations by Eastern Air Lines and other companies this year will provide the 1948 traveler with an entirely new conception of luxury and dependable, "on time" travel. "All-weather flying," long a subject of wishful thinking, will become a reality just as soon as these lighting and electronic developments now available, are installed and put into wide use.

Illustrating what the newly-introduced flying equipment means to the industry and the traveling public, the 14 New-Type, 60-passenger Constellations* acquired by Eastern Air Lines at a cost of \$16,000,000, are averaging a cruising speed of more than 300 miles per hour on non-stop and express terminal-to-terminal flights; and through the use of pressurized cabins, are operating at altitudes up to 24,000 feet where they can avoid unfavorable weather conditions or airways traffic congestion and complete schedules.

The flying time between Datroit and Claudand is soon.

favorable weather conditions or airways traffic congestion and complete schedules.

The flying time between Detroit and Cleveland is now 40 minutes. New York City-Newark and Washington, D. C. or Boston are less than an hour apart. Washington is 3¾ heurs from New Orleans. New York City and Chicago are four hours from Miami. Houston is 5½ hours from New York City. Atlanta, Jacksonville and Tampa also are served by New-Type Constellations while four-engined DC-4's link these points as well as Philadelphia, Richmond, Raleigh-Durham, Charlotte, Colum-

*The Federation Aeronautique Internationale on Dec. 17 officially recognized 14 inter-city speed records including an all-time, Coast-to-Coast mark of 6 hours 24 minutes and 00.8 seconds set by New-Type Constellations of the company during their introduction into service in 1947.

bia (S. C.), Orlando, Lou sville and Indianapolis. DC-3's provide frequent inter-city service throughout the system.

Ground Facilities Being Expanded

Ground Facilities Being Expanded
Ground facilities also are being expanded. A \$3,000,000 Operations and Maintenance Base and a \$200,000 Passenger Terminal were completed at Miami early in 1947. A new passenger terminal has recently been opened at Newark (N. J.) Airport; a large, modern hangar is nearing completion on Chicago (Ill.) Municipal Airport, and the company has announced plans for erecting, a \$1,000,000 line maintenance hangar at Miami.

Personalized service and courtesy to the air traveler on the telephone and at the ticket counter are being emphasized by Eastern Air Lines in systemwide train ng courses designed to expedite and speed up the handling of passengers. The company has introduced a newlydeveloped "one-call-does-it-all' simplified reservations system which requires a passenger to make but one telephone call to obtain confirmation of a seat on the particular flight of his choice.

To make it easter for the air passenger to travel, East-

developed "one-call-does-it-all' simplified reservations system which requires a passenger to make but one telephone call to obtain confirmat.on of a seat on the particular flight of his choice.

To make it easier for the air passenger to travel, Eastern Air Lines has "streamlined" its passenger-loading procedures. Pass rigers travelling without baggage are no longer required to check in at the field ticket counter but simply board their plane. Much of the questioning of passengers and "paper work" have been eliminated. A passenger on one Eastern flight, planning connections with another Eastern plane, simply deplanes and transfers without checking in. The paging of passengers, with flight delays frequently resulting, has been abolished. Flights are no longer delayed for tardy passengers.

Lastern Air Lines inaugurated service during 1947 into Hartford, Conn.; Pensacola, Fla.; Anderson, S. C.; Danville, Va. and Charleston, W. Va. The company will begin serving Atlantic City, N. J., within 60 days and in 1948 probably will add to its air routes. New Haven, Conn.; Bowling Green, Owensboro, Ky.; Huntington, W. Va.; Ashland, Ky.; Florence, S. C.; Augusta, Waycross, Rome, Ga.; and Lafayette-New Iberia, La. Eastern Air Lines also is certified to extend its present route from New Orleans to Mexico City.

The company has pending before the Civil Aeronautics Board applications for authorizations to extend its service from Memphis to Kansas City via Springfield, Mo.; to operate its present Miami-San Antonio flights via Tampa; to extend its route from Evansville and St. Louis northward through 15 Iowa, Illinois and Minnesota points to Minneapolis and St. Paul; to extend its route from Washington to Chicago via Charleston, W. Va. and (a) Cincinnati and Indianapolis and (b) Columbus (O.), Dayton, Ft. Wayne and South Bend; to include Pittsburgh, and Youngstown on its Detroit-Miami route; to extend its Miami-Louisville route to Cleveland, via Cincinnati/Covington, Dayton, Springfield, Columbus, Lima, Findlay and Toledo; also

A. S. RODGERS

President, White Sewing Machine Corporation

Nothing other than a very high degree of optimism can be applied to the outlook for the household electric sewing machinery industry in 1948. Only a severe and now wholly unexepected collapse of the national econ-

omy could prevent the industry from making an all-time record in production and sales during the year. Customer waiting lists at all sales levels still remain very impressive and in general, new inquiries are applicable overedding the current rate. probably exceeding the current rate of production.

For various reasons the industry as

a whole was unable to make anything like the production gains during 1947 that were registered by other home appliance groups such as washing machines, vacuum cleaners, ranges, and even refrigerators. The first three of those industries greatly



first three of those industries greatly exceeded their past peak production years in 1947 and even refrigerators came much closer to equalling the 1941 record year than did the sewing machine industry. While substantial increases in production are likely for all of the relatively few manufacturers in this line during 1948, it now appears that household sewing machines will not be readily available in the market until very late in the year. Recent checks on customer waiting lists prove that unprecendented interest in new machines is being sustained surprisingly well in spite of long awaited deliveries. Of course that is not too surprising after all in view of the present and still increasing interest in home sewing as evidenced by new sales records in piece goods and patterns. Just as an (Continued on page 76)

(Continued on page 76)

The State of Trade and Industry

(Continued from page 73)

compared with 240.37 on the corresponding date a year age.

Grain prices moved higher for the week, particularly in the latter part of the period, spurred by the reluctance of farmers to offer cash wheat and other grains freely after the turn of the year.

Late strength in wheat also re-flected active buying and short covering resulting from the re-entry of the PMA into the flour market. All deliveries of wheat futures except March reached new high levels for the season.

high levels for the season.

Corn prices advanced despite larger country offerings, and oats also registered marked gains. The rise in both corn and oats was influenced largely by reports of very small stocks of those grains held on farms as Jan. 1, 1948. Domestic buying of flour remained comparatively slow. Lard prices moved steadily upward, closing with a net gain of 2¾ cents per pound. Demand was reported principally from leading soap manufacturers. manufacturers.

Hog markets were stronger de-Hog markets were stronger despite fairly large receipts. Steers were slightly higher for the week, though lambs showed a moderate decline. Butter prices dropped sharply for the period but stage? a moderate recovery at the close. Cheese prices edged upward, but eggs fell sharply under heavier offerings.

Following a rather weak start, there was a gradual strengthening of prices in leading cotton markets during the week, with closing values showing a slight net gain for the period.

Trading activity increased in anticipation of renewed export buying in the near future. Other bullish influences included reports that leading domestic cotton mills were committed heavily through the first half of the year and the prospects of continued farm price supports by the government.

There was a slight increase re-

There was a slight increase reported in mill buying with demand principally for the medium and better grades for forward deficient

Business in domestic wools con-Business in domestic wools continued on a steady but quiet basis in the Boston market last week Contracting for the 1948 clip was reported more active in Texas. United States buyers were said to be the leading bidders at the Sydney wool auctions which opened on Jan. 12. Prices showed an upward trend from closing 1947 quotations.

Retail and Wholesale Trade Ex-tends Gains for Week and Year Ago

January white sales and seasonal clearances continued to stimulate consumer interest with retail volume last week slightly above that of the preceding week and moderately above the corresponding

weeк of 1947, Dun & Bradstreet Inc., reports.

Resistance to high prices grew and requests for credit were re-ported to have increased in some areas.

Consumer purchasing of apparel was generally confined to staple items. Women's house dresses and winter coats sold well and hosiery, shoes and rubber footwear were in large demand. Buying at main floor blouse departments was brisk. Interest in sportswear was favorable. Men's woolen overcoats and accessories were sought with sweaters and were sought with sweaters and wool shirts selling well.

High quality furniture and floor coverings were steadily purchased with the volume of staple housewares large.

Small hardware and branded electrical appliances were in large demand and nationally advertised major appliances remained difficult to obtain. Automobile sup-

volume occurred in the week with the number of buyers registered in wholesale centers rising con-siderably. Order volume com-pared very favorably with that of pared very favorably with that of the corresponding week a year ago. Retailers were eager to ob-tain practically all types of mer-chandise, though high prices in-voked caution among some buy-ers. Deliveries generally con-tinued to be prompt. Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Jan. 10. 1948.

for the week ended Jan. 10, 1948, increased by 8% from the like period of last year. This compared with an increase of 9% in the preceding week. For the four weeks ended Jan. 10, 1948, sales increased by 13% and for the year to date increased by 9%.

Retail trade here in New York last week approximated the volume of the preceding week. Spring orders are near-ing completion and retailers are pressing for early delivery of merchandise.

plies and accessories of all types were sought.

A sharp increase in wholesale store sales in New York City for

the weekly period to Jan. 10, 1948, in the preceding week. For the increased 7% above the same period last year. This compared with a decrease of 7% (revised) sales increased 7% and for the year to date rose by 9%.

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(Continued from page 74)

example, unit sales of the latter zoomed to a new high of more than 120 millions in 1947 and sales this year promise to exceed that record. Women do not buy pat-terns unless they actually sew at home.

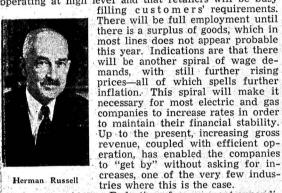
terns unless they actually sew at home.

Even in a period of mild recession it is unlikely that sewing machine sales opportunities would dwindle to any great extent. For under belt-tightening conditions the sewing machine really comes into its own and proves its economic worth as a greater helper in the maintenance of good living standards. When living costs in general as well as taxes are high, and the squeeze on average incomes is serious, the worried homemaker can assist herself mightily by making and making over much of the family's clothing and house furnishings. The sewing machine is her only creative home appliance.

HERMAN RUSSELL

Chairman of the Board, Rochester Gas and Electric Corp.

The demand for both gas and electricity will continue on the increase during the year. Indications in this territory are that consumer demand will keep industry operating at high level and that retailers will be busy



Reduction of government expenditures, coupled with tax reduction, is necessary in the writer's opinion, if this nation is to escape the evils of wide inflation and collapse of national economy.

LYTLE L. SALSBURY

President, The Marine National Bank of Erie, Pa.

President, The Marine National Bank of Erie, Pa.

In my opinion, as an overall picture, I believe that 1948 will be a very good year financially and businesswise. However, I do not think there will be the money made by industry in 1948 that was made in 1947. I look for a continuation of present conditions for the next six months and a consistent leveling off of business during the last half of the year. I do not look for any sudden interruption, but I do visualize production gradually catching up with demands and am fearful of a real depression possibly in the early 50's and a definite slowing down much earlier. Inflation is a serious thing today, and I believe that certain powers will bring the necessary influence to stop the inflation in the near future. In my opinion, much more defi-

In my opinion, much more defi-nite steps should be taken nation-wide to curb credit and to do so in a way that the general public will

PAUL S. RUSSELL

President, Harris Trust & Savings Bank, Chicago

y now look forward to another vear in which the outlook is, if anything, somewhat less clear than it was a year ago. Business activity continues at very high levels, but there are various danger signals on the horizon which will bear close watching. In addition, the banker is mindful of such uncertainties as the course of the money markets, federal debt re-tirement policies and the possibility tirement policies and the possibility of credit restrictions, any of which may have an important bearing upon operations and earnings. Nevertheless, all things considered, the out-look at this time appears to warrant

the one hand, they have not yet realized the full benefits of the increased rates on short-term government securities and on commercial and financial loans. While a portion of these gains may be offset by retirement during the year of some of the longer-term bank-held government securities, I believe that the net effect upon income may be favorable.

during the year of some of the longer-term bank chard government securities, I believe that the net effect upon income may be favorable.

On the other hand, banks in recent years have been faced with the troublesome problem of rising operating expenses against a more or less stable income. This was accounted for in part by personnel readjustments and expansion following the war as well as by increases in salaries and wages to meet the higher living costs. While these factors may continue to be present in some measure in 1948, there are indications that the expense curve is flattening and that the completion of readjustments and an increase in personnel efficiency are helping to stabilize it.

To the extent that an increase in loaning rates departs from the artificial situation which has existed and permits a more realistic appraisal of the risk factors, I believe the trend to be a healthy one. Even so, the demand for loans is likely to be great, and rates are by no means the only consideration. I believe that the banking community must continue to scan its loans carefully not only for quality but also with a broader view to determining whether or not they may be prejudicial to the economy as a whole at this stage of the business

the economy as a whole at this stage of the business

H. H. SCHELL

President, Sidney Blumenthal & Co. Inc.

I am still confident that the business outlook for 1948 is bright. My only fear is that there will be an overdose of inflation rather than a welcome suggestion of deflation. All the fundamentals exist for good business through 1948.

through 1948.

(1) There will be substantial European aid under the Marshall Plan, regardless of the method. This Dollar Credit will all be used in the American market in competition for

our production.
(2) Demand in the basic industries such as coal and steel, and even automobiles, will remain strong.

(3) Unions of the basic industries will demand higher wages. This will result in a wage increase pattern which other industries must follow.

All of the above points to inflation rather than deflation. I do not feel it practical to attempt to stop this inflation through government

this inflation through government controls. Government controls create black markets. The only cure is production and more production. Increased production on a world-wide level is the only defense against inflation.

It is evident that the rank and file of labor realizes that the provisions of the Taft-Hartley Bill give them the protection which they have long since needed. This should result in much better Labor-Management relations and in turn less labor troubles, resulting in greater production. production.

The chief petential disturbing factor on the horizon is the possibility of government again imposing war time restrictions. Although it will be much discussed, I do not believe Congress will support such a program.

Therefore, the business outlook for 1948 is good.

HENRY L. SCHENK

President, Trade Bank and Trust Company, New York

The year 1947 has closed without satisfying the wide-spread demand for the products of American industry. The high volume of production, the rate of employment, the amount of Government spending seem to give assurance that economic prosperity will continue well into 1948. However

continue well into 1948. However cheerful the outlook, it would be far better for our general welfare if the factors leading to inflation could be curbed, and if we could reach the point of price stabilization.

Our one hope that prices may ultimately become competitive, lies in the continuation of a high volume of production. That point may be

of production. That point may be reached this year in some lines, probably in apparel and other soft goods. It is not quite so clear when the goal of price stabilization will be attained in the realm of capital goods and consumers' durables, which are in demand abroad as well

which are in demand abroad as well as at home. This condition gives promise of steady activity in our basic industries but unfortunately prevents proper price stabilization. The only effective steps taken thus far to put some brake on the inflationary process has been the action of our Federal monetary agencies in bringing about a rise in the short term interest rates and in inaugurating policies that will tend to narrow the base of our credit structure. It is hoped that Congress and the Administration will, within a short time, find other means to

Henry L. Schenk

tration will, within a short time, find other means to reduce the inflationary potential.

The attractiveness of the better return from short term Government bonds together with a contraction of the credit base should divert banks from making speculative loans, and may prevent banks from becoming

over-extended. It can lead to a greater degree of conover-extended. It can lead to a greater degree of conservatism in bank lending policies and thus to one potent means of combating inflation. Insofar as the bank income account is concerned, the better interest rate should be of material assistance. While the general effect of increased interest rates in offsetting the rise in overhead is uncertain, at least it will help to bring about some degree of stability in bank earnings. At any rate, the greater attractiveness of Government short term obligations will reduce the temptation to grasp at a loan involving undue risks. a loan involving undue risks.

WILLIAM SCHMIDT, JR.

President, Consolidated Gas Electric Light and Power Company of Baltimore

The outlook for the electric and gas industries is one of continuing growth. Application of these services to new uses is developing and usage in established fields is expanding. Demands for electric and gas service in 1948 are expected to exceed the record-breaking use of these services in 1947

Preparations for meeting the greater demands are requiring the expenditure of large sums of money for new plant and distribution facilities. A large portion of the funds required to carry on this huge construction program must be raised through the sale of securities and a substantial amount of this money will have to come from the sale of equity securities if a sound capital structure is to be maintained. The cost of money is on the upgrade and it follows that utilities will be able to get the new money needed at a reasonable rate only if they are allowed adequate earnings. Preparations for meeting the

reasonable rate only if they are allowed adequate earnings.

Higher wage rates, fuel prices, and other costs of doing business have already forced many utilities, particularly in the manufactured gas field, to seek authorization to increase rates and to establish fuel rate adjustments to automatically compensate for the rising costs of coal, coke, and oil. Many more requests for rate increases by utilities can be anticipated if operating costs continue to rise.

It is significant that regulatory authorities are aware

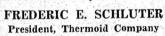
ating costs continue to rise.

It is significant that regulatory authorities are aware of the need for a great expansion in plant facilities and it is hoped that they will recognize the concurrent problem of financing these expansions in the face of rising money costs and the difficulty of securing new risk capital in adequate amounts. Regulatory authorities can aid in solving the financial needs of utilities by allowing them to earn a return on their investment adequate to attract new capital at reasonable cost.

In Baltimore the Gas & Flectric Company is preparing

In Baltimore, the Gas & Electric Company is preparing for another busy year. Greater demands for its services are expected as expansions by existing industries now under way or announced are completed and new indus tries planning to locate here, materialize. Thousands of new homes are being built and a recent survey indicates that future activity in this field is expected to be even

In order to meet these increased demands as they develop, the company is building additions to its generating plants, constructing new substations, adding new holder capacity, and generally expanding and strengthening its electric and gas distribution systems. This program will cost the company many millions of dollars during the next two or three years.



President, Thermoid Company

Thermoid's outlock for 1948 is probably more encouraging from a competitive standpoint than it has been in years. Everybody is conscious of the inflationary spiral in which we find ourselves because of the theory and practice in Washington that you could raise wages and hold prices down. When the spiral will recede, or when the "bust" will come, we do not know.

With a diversification of products reaching the Automotive, Industrial, Textile and Oil Field industries, certainly we at Thermoid should take an optimistic view of business possibilities for 1948.

In addition to supplying as origi-

possibilities for 1948.

In addition to supplying as original equipment brake linings, clutch facings, fan belts, radiator hose and carpet to most of the car manufacturers where greatly increased production is anticipated, all of these products, except carpet, are sold through a world-wide network of distributors and dealers for the replacement market. Thousands of cars now in use will require replacement of parts. As the price of new cars remains high, people seem determined to run their older models that much longer. Recent surveys showed over 60% of the cars on the highway needed brake re-lining jobs. the highway needed brake re-lining jobs.

Our industrial rubber products will find increased usage in factories, construction and mining and in the oilfields. Hard rubber products and plastics manufactured in our Canadian factory and asbestos textiles pro-

(Continued on page 78)



Herbert H. Schell

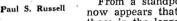


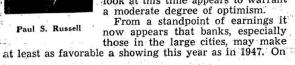
Lytle L. Salsbury

a way that the general public will Lytle L. Salsbury be brought to realize the very serious danger of a practice when almost anybody can buy anything regardless of high prices. In short, we are too far away from the old school. I sincerely hope that when the national election is over someone will be chosen to lead this nation who has and will exercise sound judgment and, you might say, just good horse sense.

I am very glad to see the support of Government Bonds above par withdrawn, but I am definitely of the opinion that all Government Bonds should be definitely supported at all times at par. After all, that is the backbone and the credit of our great nation.

The year 1947 was not an easy one for the banking business, for it was a period characterized by adjustments and uncertainties. However, banks acquitted themselves creditably, and they now look forward to another year in which the outlook is, if anything,







Looking Into the Crystal Ball

market. Ergo, a combination of security prices, having made a all the scarecrows and the overhanging of equity financing preclude in my opinion any real bull market during the first half of the latter months of 1950. However, were covery major every price of this

Summer the Turning Point?

Now why pick the summer months for a major turning point? We have a cyclical reason which is secondary, and a political reason which has all the elements of being primary. The financial world opinion has been low in fiscal confidence . . risk capital has been onerously handicapped by heavy taxation . . . "big business baiting" has been a popular political sport. Stocks rise and fall on hope and expectations . . . and if for the first time in 20 years fall on hope and expectations . . . and if for the first time in 20 years the forecast for good weather ahead has some element of certainty, security prices will not stand still. There must be confidence that we are not headed for wild currency inflation or stupid business deflation. Earlier in this article I stressed the importance of political trends in this year 1948. What can or should happen politically between now and June to create the conditions which we believe may lay the ground for a definite market turning point?

Obviously the strength of the

Obviously the strength of the epublican nominee, whoever he Republican nominee, whoever he may be, will be of prime importance. The strength or defection of the third party movement under Wallace is of almost equal importance. One does not have to be particularly astute to divine the reason for Mr. Truman trying to out-left Mr. Wallace. Washington political sources of excellent quality believe at the moment Mr. Truman could not possibly carry more than a maximum of five states outside of the South and that the third party incursion into Oregon, Washington and California is most favorable for Republican gains. Republican publican gains,

publican gains.

Suppose by June or July the winning chances of the Republican nominee are as certain as those of Roosevelt in 1932? Could the stock market begin its advance towards discounting November events? If the important money thinks there is a good chance, it will come in. It is always the big capital which starts ways the big capital which starts every bull market, and it is the little money in mass little money in mass volume which comes in at a later date when the underlying facts become more visible to the naked eye.

Political Bull Market Ahead

Looking into the crystal ball in this fashion and dovetailing it into the pattern of cycles, everything seems to point to a real bull mar-ket, starting sometime in the summer months and running along for at least a year, and maybe two

Having rationalized in my Having rationalized in my own way why the market should not go down or up more than 5% to 10% during the next five months, and then, broadly speaking, rise for the next year or two . . allow me to dwell for a paragraph or two on our cyclical studies. Much work has been done by many and recently several backs. Much work has been done by many, and recently several books published. Anyone can prepare a cycle study . . . it depends upon where you start it. We have been active in this field for many years prior to its popularity, and have tried most if not all of them. Our most groces full pattern combined. most successful pattern, combining a relationship of nine years periodicity with 41 months induced us to issue bulletins in the Spring of 1946 anticipating a sharp break in security prices between the summer and fall of 1946 and the spring of 1947 to be followed by recoveries during 1948 and 1949.

According to this cycle pattern, we have been and are still in a long term major down swing of

Loshar's Slate for 1948

major peak in the summer of 1946 and projecting towards a long term major bottom towards the latter months of 1950. However, every major cycle of this type is interrupted by a sizable minor contrary upward cycle, and it is this particular phase of the cycle we should be approaching as we near the summer months. as we near the summer months. The exact turning points are up sometime in May or June 1948 and down again in the Spring of 1950. The studies go back some fifty odd years, and in both major and minor turning points have a tendency to be several months previous or late, but when we are dealing with broad swings, the timing need not be so accurate.

So if you believe in the political rationalization, or the cycle pattern, or both, securities should be attractive purchases during all weak spells during the next five months . . . at the same time there need be little or no reason to fear that early strength will mean that you are going to miss the boat.

Conrad Rapp With Wm. E. Pollock & Co.

Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, deal-ers in United States Government, state, municipal, housing authority, and corporate securities, announce that Conrad W. Rapp has become associated with them in the sales department. Mr. Rapp the sales department. Mr. Rapp was formerly with Blyth & Co., Inc.

R. R. Kershaw Withdraws

Ralph R. Kershaw will retire from the partnership in Hawkes & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 31.

State transfer taxes (for example) can be deducted from income, many traders, because of the relatively small amounts involved, don't take the trouble to handle them in this way, merely letting them ride along with commissions as a capital gain tax reduction.

If, however, brokerage com-missions and State transfer taxes could be handled in this taxes could be handled in this this way, a worth while saving might be available to many active traders. My suggestion, then, is that the government approve the policy of deducting brokerage commissions from income. There is nothing radical in this. As I understand it the government allows, as legitimate deductions from income, expenses incurred for the producdeductions from income, expenses incurred for the production of taxable income. Besides obvious examples such as a salesman's out-of-pocket travelling expenses, etc., an investment counselor's fee is deductible, as is the cost of a subscription to this publication! Certainly, then, brokerage commissions, which are necessary extainly, then, brokerage commissions, which are necessary expenses of producing taxable income (eg, dividends), should be allowed as deductions from income. A few letters to this effect to your Congressmen could do no barm do no harm.

Out on a Limb Again

This was supposed to end directly above. Your Editor, however, had different ideas: "Nothing doing, Loshar," he said, "The 'Chronicle' is not interested in the conditions of your neck. Let's you stick it out." Was M. S. Benjamin correct in telling our readers that "stocks will leap this year?"

All right here goes.

If there is any market move-ment of real importance it will be caused by (or, as Dow theorists would have us believe, foreshadow) a major change, either in our international rela-tions or home economics. Because any major change in the

foreign situation is likely to be a bad one, and because internal conditions in this country are such that any major change is likely to be downward, I'm forced to go out on my limb with the bears, or, if you will, a bear behind.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)
SAN DIEGO, CALIF.—Thomas

M. Cunningham, Jr. has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane San Diego Trust & Savings Build-

Jones B. Shannon Forms Own Detroit Co.

(Special to THE FINANCIAL CHRONICLE) DETROIT, MICH. — Jones B. Shannon has formed Jones B.

and Fred tary and Director.

Shannon & Company with offices in the Buhl Building, to engage in the s e c u r i -ties business. Mr. Shannon, Mr. Shannon, who was formerly a partner in Miller, Kenower & Co., is Presiof the new firm. Donald D. MacFarlane is Secrelane is Secre-A. Blackwell,

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(Continued from page 76)

duced at our Southern Division in Charlotte, N. C., are

duced at our Southern Division in Charlotte, N. C., are in increasing demand.

It was with confidence in the future of Thermoid and in our competitive system of free enterprise that we built another modern manufacturing plant in Utah. This investment will total three million dollars. It should result in quicker service for our customers in the western states, as well as those in the eastern and southeastern portions of the country by relieving our Trenton factory and our insufficient labor situation here.

Like other large manufacturers, we are faced with conditions and problems that greatly affect our overall planning. Continuing shortages in vital materials—spiralling costs of raw materials—burdensome taxes—the effect of the Marshall plan on the supply of required raw materials—all add up to the many problems that must be taken into consideration in forward planning. We see no possible labor trouble ahead for 1948 for Thermoid. We think this is a unique statement.

Nineteen forty-eight will be a Presidential year and there will be a great deal of politics played between the President and Congress in the first four or five months. How much this will influence business, or the public attitude, and the state of confidence is very conjectural. In our form of state socialism, Washington events affect business conditions and thus deserve mention.

Thermoid anticipates better business for 1948. No one should predict beyond a year in an era of changing world conditions.

Thanks to "The Chronicle" for this opportunity to

world conditions.

Thanks to "The Chronicle" for this opportunity to wish our friends in the Industry happiness and health

FRANCIS P. SEARS

Chairman of the Board, The Columbian National Life Insurance Company

Chairman of the Board, The Columbian National Life Insurance Company

I feel strongly that the year ahead will be a very satisfactory one for us. The problem that had worried us most of all in 1946 was that of strikes in essential industries, but the passage of the Taft-Hartlev Law cleared up that situation greatly with tremendous protection for the public generally, and for the betterement of labor itself in the long run.

Employment is the highest and the highest paid in our peacetime history, and people are living better than they ever did before in spite of the high cost of living.

The partial failure of our corn crop, the terribly severe winter in the British Isles and the dreadful drought in all Western Europe changed for the time being our hopes for decreasing this cost, since in common humanity we have had to give great help out of our comparative abundance to the people of Europe; their needs will be met in part by the Marshall Plan, which should guarantee the prosperity of the farmers here, and prosperity for us.

Without any real evidence to guide us, we were inclined a year ago to expect that there might be some recession in the later part of 1947 as there was about two years after the first World War, but thus far there is absolutely no evidence of depression and the main fear now is that prices may get out of hand and cause a buyers' strike of magnitude. The best way to avoid this is that every worker shall do his utmost to increase production.

The indications of a great increase in our population mean presentity for all who are willing to work. Only

production.

The indications of a great increase in our population mean prosperity for all who are willing to work. Only a short time before the second World War people were saying we had reached a finished position, had crossed our last boundaries of expansion and must reconcile ourselves to almost no increase in population and no opportunities for new ventures. These people have been proved utterly wrong since the immense increase in marriages and births in the last two or three years guarantees a great increase in population, and the tremendous demands now for money to finance new industries and to build up the old ones indicate a great future for us.

for us.

In the field of Life Insurance, we rather expected that there would be a falling off in the demand for insurance during the year 1947 after the tremendous increase in life insurance production in 1946, but we have done just as well as in 1946, and with the realization by our clientele (which is almost the entire population of the country) that on account of probably permanent higher cost of living, more life insurance is needed to protect the family, it is likely that more will be written in the future. Strong evidence of this is the fact that the average size of life insurance policies had been increasing for several years and increased very materially in 1947.

in 1947.

We had some worry about interest rates, since the Life Insurance companies patriotically invested most of their premium receipts all through the war in U. S. Government Bonds upon which the yield is not satisfactory, but the tremendous demand that is developing for new capital investment is improving interest rates now, so that I feel we shall not have to worry about that point during 1948.

It seems evident, therefore, that we may look ahead with great confidence to successful business in the year to come. We are very proud of our profession and continually look with delighted astonishment at the miracle of building an estate through life insurance, and with

deep personal satisfaction at the protection furnished to the families of insured men and women through the payment of insurance claims.

EMIL SCHRAM

President, New York Stock Exchange

Much is being said about tax revision as Congress gets under way. The subject may appear threadbare, but the welfare of every individual in this country is involved. There can be no mistake about this. The pay envelopes of every worker and the income of every family depend upon

the maintenance of a dynamic econ-

If we are to continue to have such If we are to continue to have such an economy we must encourage a greater flow of equity capital from private sources. That is one of the most vital responsibities which Congress now faces. Without such a flow of private capital, the Government will take over the responsibility of financing business. That would of financing business. That would be the first major step in the nation-That would

of financing business. That would be the first major step in the nationalization of industry.

Private capital was displaced before and during the war when the Government took over the role which private investors were traditionally accumstomed to take. This is not tolerable in peacetime.

We have seen the source of private investment funds gradually drying up because of the excessive tax load which has been put upon the shoulders of those who customarily provided such funds. There never was a time in our history when capital was so necessary, and there never was a greater shortage of capital from individual sources. It is the urgent responsibility of Congress to reduce the tax burden to permit a greater volume of private investment. The nation needs to develop and expand the incentive system of private enterprise and it can best do this by a scientific revision of the tax structure to foster deserving business enterprise.

We are not concerned merely with the problem of reducing our taxes. What really confronts us is the necessity of developing incentives which make for a prosperous national life, in terms of jobs at good wages. Our standard of living will inevitably decline unless we take the steps that are essential to the free flow of capital.

Capital and technical know-how have teamed up in

Capital and technical know-how have teamed up in this country to produce the highest standard of living the world has ever known. This team-work must continue to maintain and improve our economy. That economy has been built up through the generations to a point where it is buttressing much of the rest of the world. But if we falter, there is no one in all the world to come to our aid. Americans must depend on themselves. We have it within our power to do this—to help ourselves and remain strong if we follow sound practical economic policies. Capital and technical know-how have teamed up in economic policies.

HARRY H. SCHWARTZ

President, National Department Stores Corporation

Retailing during the past year has gotten off to a good start in readying itself to cope with the problems ahead. It wisely cleaned up its inventories, took measures to improve and restore those operating efficiencies which had fallen into disuse during the war and oiled up its merchandising and

and oiled up its merchandrsing and promotional machinery in preparation for the intensified competitive condition already set in, but by no means having reached its full force.

This competitive condition while generally applicable to retailers does not apply to manufacturers, and re-

not apply to manufacturers, and retailers are therefore in the anomalous position of buying in a sellers' market and selling many items in a

ket and selling many items in a buyers' market.

During the five-year war period ordinary operating mistakes were well nigh impossible. Such every-day occurrences as overbuying, over-spending for advertising, overpricing, overstaffing, poor selections were stent.

Harry H. Schwartz

overstaffing, poor selections were practically non-existent.

The present period and the period immediately ahead witness the return of these usual run of the mill problems of the department store business and calls for realerting organizations for resumption of prewar watchfulness to keep these errors at a minimum.

Of major concern to retailing and to business generally are advancing prices. The danger of a continuance of the present trend is too well known to need comment. With the new round of wage increases in major industries already planned, will inevitably come fresh price advances with its headlong rush to hasten the "boom and bust." Non-political government leadership in the direction of more work for more pay, with perhaps a temporary suspension of those provisions of the wage and hour bill relating to overtime pay while full employment continues, would possibly result in the breathing spell necessary to balance production off with demand, and without increasing costs. Once full supply is attained prices would soon find a proper level. Maintenance of high spending power with insufficient merchandise to satisfy the demand can only aggravate and postpone the inevitable.

Retailers also have a huge stake in the functioning

Retailers also have a huge stake in the functioning

of the European Recovery Program, particularly as it relates to consumer items which are to be sent abroad as part of the program. If the Government is to rush headlong into markets not able to supply present domestic demand, further disruption of these markets will take

The handling of policies affecting increased production. curtailment of advancing prices and the ERP program, therefore, are the important factors which will determine business results for 1948. For the present, caution in making commitments appears necessary.

The present momentum should carry the retail business forward at its present level for the first half of the coming year, but what happens in the latter part of 1948 will be dependent on the degree of economic stabilization which can be introduced during the months immediately ahead.

FRANK A. SEWELL

President, The Liberty National Bank, Oklahoma City

The outlook in the field of banking in Oklahoma in 1948, as it appears to me, will be featured by the following trends, bearing in mind that the state is based largely upon an agricultural economy, supplemented materially by the oil industry:

Bank Deposits will not continue to increase as they have in recent years, and may even show some small decline because of the agriculsmall decline because of the agricul-tural and livestock prospects at this time. The drouth in the wheat sec-tion during the past fall has made prospects considerably below that of last year. The loss of fall and winter pasture from wheat fields has ad-versely affected the livestock indus-



pasture from wheat fields has adversely affected the livestock industry in this area. As a matter of fact, the poor wheat pasture together with the high cost of feed has caused considerable marketing of animals prematurely and, in numerous cases, these animals are not replaced by the growers. It should be said here, however, that prices of farm products will continue to be high and may go even higher, especially on meats, because of the promised shortage. The tremendous domestic demand, coupled with the present intention of aiding Europe under the Marshall program or some other plan, should maintain at least for some time farmers' prices at or near the present level. These prices will serve to offset prospective decreased production and, if prices should increase materially, they may more than serve as an offset and even boost bank deposits. Considerable wheat is still in the hands of farmers. Most retail establishments and most manufacturers bid fair to continue at or near present levels.

Bank Loans will increase in 1948 in spite of a more concervative learn policy on the part of bankers generally.

to continue at or near present levels.

Bank Loans will increase in 1948 in spite of a more conservative loan policy on the part of bankers generally. The cash reserves that people and institutions have built up in the recent lush years are now being used up with the consequent result that more mank borrowings will be a necessity. It costs more than ever before to farm, to operate a business, to make repairs and improvements, and to build new plaits or additions. Just about every conceivable outlay calls for more dollars, all of which cannot come out of current earnings. So the demand for loans seems to be definitely on the increase.

Interest Bates will be higher in 1948, both on bank

Interest Rates will be higher in 1948, both on bank loans and on bonds. There is little doubt in the minds of anyone on this score. Even our Federal Treasury Department through its "pegging" policy on U. S. Government securities has acknowledged the fact.

Profits in the well-managed bank in Oklahoma where the banker himself well and properly informed of economic conditions as they develop, should approximate what they were in 1947.

WILLIAM J. SHRODER

President, The Peoples Bank & Savings Co., Cincinnati

President, The Peoples Bank & Savings Co., Cincinnation The banking business, in my opinion, will have to compromise between performing 100% of its duties as the basic credit machinery of the country and the necessity of applying brakes to the current inflationary trends. There are times when liberal credit to sound institutions, aggressive in their attitude toward the future, is sound banking practice. It might be equally sound in times such as these, but might now be ill-advised.

The banks seem to be offered the choice between refusing sound loans

choice between refusing sound loans with inflationary tendencies or submitting to enlarged supervisory control through the expansion of the authority of the Federal Reserve

System. Banks will also be in the unenviable position of attempting to con-trol their clients' inventories and



expansion programs in anticipation of possible deflation. All of this spells a difficult time for bankers which might or might not reflect itself in the profits of their operations.

Banks will assist materially in the deflationary project of inducting the purchase by individuals of Government.

Deposits should not show much change; interest rates

are inclined to firm; expenses are unquestionably increasing. Banks as a whole will probably show a smaller net profit, but I do not think the decline will be such as to justify any concern.

> C. R. SHEAFFER President, W. A. Sheaffer Pen. Company

During the year 1948 we will, I believe, see in the fountain pen industry, as well as in other industries, a continuation of the "weeding out" process and of the "shaking down" process that were in evidence during the year 1947, particularly the latter

The war years and the year or so The war years and the year or so immediately following brought into the fountain pen industry many new-comers, a large majority of whom gained entrance through a door that was opened by the introduction of the ball point writing instrument. Others were lured by the extreme attractiveness of a field that was temporarily lacking in the keen competition that had always character—

attractiveness of a field that was temporarily lacking in the keen competition that had always characterized this industry—a lack, or shortage, that was caused by the absence of the industry's leaders who were preoccupied with war work and, later, with reconversion problems. It is to be expected that, with the return of these leaders to their prewar positions of prominence, competition will continue to eliminate at least some of the newer and less experienced firms.

Ball point writing instruments of top quality will, I am sure, remain in considerable demand, in spite of the disappointing performance of some brands. Public acceptance of this instrument as a supplementary and necessary writing tool will, I predict, continue throughout 1948 and for many years to come if the manufacturers of that product will offer the value, the quality and the dependability that the customer demands and has every right to expect.

right to expect.

The calendar year 1947 has been a good one for our company and, I assume, for the other leaders in the industry as well. What the year 1948 will bring is, of course, any one's guess, but there is good reason to

expect that, with an ample supply, with increasing labor and material costs, and with a more discerning and quality-minded buying public, most pen manufacturers will find at the end of 1948 a profit figure considerably more modest than the one they found at the end of the year just ended.

In expressing an opinion on the 1948 outlook for business in the fountain pen field, one thing is certain: competition will be keener than it has been in any previous year. As a result, the "weeding out" and "shaking down" processes I mentioned earlier will be hastened materially and the industry as a whole will go through a period of readjustment that, while producing smaller over-all earnings, will, at the same time, produce a compensating factor—a greater stability that should enable the industry to enjoy the utmost respect and confidence of the markets of this country and of the world and to make an outstanding contribution to the economic welfare of this country and of the world.

R. PERRY SHORTS

President, Second National Bank & Trust Co. of Saginaw

I cannot see any marked checking of American business in 1948 as the general demand for goods, with com-

ness in 1948 as the general demand for paratively few exceptions, seems to be in excess of the present production facilities of the country. I do feel, however, that the recent action of the Federal Reserve Board in reducing support of prices for Government bonds is an early step in an attempt to check inflation and restore our geography to a more parallel. store our economy to a more normal

I also think that the proposed assistance to be rendered Europe under the Marshall Plan will make it very difficult, if not impossible, to reduce the general price structure of American goods while this plan is in

obligations.

I look for an increase in interest rates on loans during the coming year and also on high-grade bonds—including Government



R. Perry Shorts

GEORGE P. SHOTWELL President, Williamsport National Bank President, Pennsylvania Bankers Association

In the past, bankers have placed too much emphasis on opposition to new laws and new ideas and not enough

on opposition to new laws and new ideas and not enough thought has been given to promulgating and promoting better opinion of banking by the public. The young banker of today is becoming impatient with this policy, for he realizes that banking may soon again be on a trial for its existence. When that time arrives, we must have millions of depositors convinced of the value of banking to offset the propaganda for nationalization of banks by a few zealots.

zealots.

However, there are and always will be many proposals that must be opposed by bankers. The constant, untiring efforts to further restrict the normal flow of credit to bank in g must be vigorously and promptly criticized. The accusation that banks have been responsible for the inflation is nonsense and every banker should so state to his newspapers. Bankers should likewise oppose the re-establishment of further regulations which would create more

lishment of further regulations which would create more

lishment of further regulations which would create more centralization of power over banks and particularly over their investment policies.

However, to be constantly on the defensive is highly unsound. We must develop as promptly as possible not only a better understanding of banks but an enthusiastic support of our banking system. It will not be easy, for with higher operating costs more banks will soon be faced with the problem of increasing service charges and loan rates. We should welcome this as a further opportunity to employ intelligent public relations. Properly handled, I believe there will be little resentment by our depositors and borrowers. They will appreciate that a well managed bank must earn a profit.

I would recommend that the banks of the Commonwealth give serious consideration to their advertising budget for 1948. Advertising will be a potent force not (Continued on page 80)

(Continued on page 80)

E. P. Frazee Offers Islip Stadium Stock

E. P. Frazee & Co., Inc., of New York is making a public offering today (Jan. 21) of 75,000 shares of \$1-par common stock of Islip Sta-

\$1-par common stock of Islip Stadium Corp., operator of a midget auto racing and sports stadium in the Town of Islip, Long Island. The stock is priced at \$2 per share. The corporation, formed Dec. 17, 1946 for the purpose of constructing and operating a sports stadium, completed the all-steel stadium in July, 1947 at a cost of more than \$100,000. It began operation Aug. 2 last with the presentation of midget auto racing. The stadium seats 8,152 persons.

Proceeds from the sale of this

Proceeds from the sale of this financing will be used for construction costs due and payable, the purchase of 26.552 acres of land now occupied under lease, and working capital.

For the period Aug. 2, 1947-Oct. For the period Aug. 2, 1947-Oct. 31, 1947, the company reports a net profit of \$5,157 before taxes and depreciation of \$1,885. Attendance at the 16 Wednesday and Saturday night meets was 64,280. The company is exploring the feasibility of presenting professional wrestling, boxing, and football during the evenings that the stadium is not occupied with midget auto racing. auto racing.

Prior to the present offering, the company's capital consisted of 100,000 shares of the \$1-par common stock, of which 17,797½ shares were outstanding.

Downs Trading Mgr. for Corbrey in Los Angeles

LOS ANGELES, CALIF.—Cecil J. Downs has become associated with Carter H. Corbrey & Co., 650 South Spring Street, as manager of the trading department. Mr. Downs was formerly with Flynn & Levitt, Fewel & Co. and Merrill Lynch, Pierce, Fenner & Beane.

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Schoellkopf, Hutton **Elects New Officers**

George W. Beaver, who has been in charge of the New York municipal bond department of Schoellkopf, Hutton & Pomeroy, has been elected vice-president of the firm, it is announced. The company also announces the elections of Herbert C. Stearns, Jr., as assistant vice-president in the Buffalo office, and John P. Gahan as assistant secretary in New York. the firm, it is announced.

Mr. Beaver has been in charge of the firm's municipal bond de-partment in New York since 1946. Mr. Stearns has been associated with the company for many years as manager of corporate trading in the Buffalo office. Mr. Gahan became manager of the corporate trading department in the New York office in 1946.

The firm's main office is at 70 Niagara Street, Buffalo. The New York office is at 63 Wall Street. Crouter & Bodine.

Joseph O. Barnes With Kennedy & Co., Phila.

PHILADELPHIA, PA. - Joseph O. Barnes has become associated with Kennedy & Co., Land Title



Building, members of the Phila-delphia Stock Exchange, as man-ager of the trading department. He was formerly trading manager Haven

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(Continued from page 79)

only in bringing new business into our banks during 1948, but in further educating the public to the value of our present banking system.

Liberal advertising appropriations, an awareness of the value of publicity and sound over-all public relations programs by Pennsylvania banks will be tremendous factors in offsetting antagonism towards banking and exercity in its defense.

apathy in its defense.

The Pennsylvania Bankers Association is doing its part The Pennsylvania Bankers Association is doing its part in publicity and public relations, and I highly recommend to every banker that he vigorously and aggressively promote by speech and the written word a better understanding of banking and the part it plays in our democracy.

BENJAMIN SIMONS President, Allied Kid Company

I do not feel qualified to advise other leather manufacturers or to predict whether there will be a depression or recession in 1948. There are two favorable factors in the leather business today. First, finished leather inventories are below normal; secondly, the public generally wants shoes made of leather and is not receptive erally wants shoes made of leather and is not receptive to substitutes although recently there has been a resumption in the use of some substitutes, particularly those which have been greatly improved in quality.

On the other hand, prices of hides, skins and leather are fully two to three times prewar prices and, in a few cases, higher than 1919.

The production of leather is 1.1

cases, higher than 1919.

The production of leather is high and raw material supplies are sufficient to meet the requirements of the shoe industry except in a few isolated cases. As for our own principal raw material, goatskins, the indications are that supplies will be greater in 1948 than in 1947 and close to prewar production.

In the meantime, due to high shoe prices and the greater absorption of consumer income by the inflated prices for food, the public is buying fewer shoes than last year. The consuming public may want more meat than in prewar days, but that situation does not apply to shoes today. The per capita purchase of shoes is no higher than 1939. Competition, therefore, is increasing in the shoe and leather business. The time when consumers would buy almost anything at almost any price sumers would buy almost anything at almost any price is ended.

is ended.

It may be, as some economists now predict, that we are on a new plateau of prices and business activity and, therefore, that there is nothing to be concerned about for 1948. Our company, however, intends to maintain a cautious inventory policy while present prices prevail. We have set up reserves which we believe will be sufficient to meet most contingencies. I, for one, do not find it easy to forget 1919, 1929 or 1937.

WILLIAM B. SKELTON

Chairman of the Board, Central Maine Power Company

"As Maine goes, so goes the Nation" has become a legendary slogan but, fortunately or unfortunately (depending upon one's viewpoint), this slogan has not been infallible.

A slight rearrangement of the slogan, however, would provide one which, from the standpoint of the power companies in Maine, would be not only infallible, but a definite guide to future development, to wit: As Maine goes, so goes the power business.

The growth and development of Central Main Power Company parallels fairly closely that of business and industry within its area. Business and industrial conditions have long been recognized as factors hav-ing important effect upon the utility company's own operations. It, there-fore, is and has been the Central Maine Power Company's policy over the years to cooperate everywhere in



William B. Skelton

its territory in movements to preserve and expand exist-ing industries and to encourage the establishment of new

The company believes that the character and reliability of its service plus the cooperative effort of its officials and employees has been a contributing factor of real

importance in Maine's industrial growth.

Basically, the types of industry found in the part of

Maine served by the company include the following

principal groups:
Pulp and paper; textiles; shipbuilding; metal trades;
Iumber and woodworking, boots and shoes.
In the last 10 years as evidenced from its sales of
power, each of these groups have shown a steady increase in production. The gain in the last 10 years in
terms of amounts of power furnished is interesting and
shows the following for those groups. shows the following for those groups.

Sales to Important Industries in Kwh.

	—12 Months Ended November—					
	1947	1937	Gain			
Pulp and paper	262,605,926	223,449,429	39,156,497			
Textiles	127,849,453	85,442,827	42,406,626			
Shipbuilding		2,227,900	8,305,531			
Metal Trades	28,704,952	13,275,138	15,429,814			
Lumber and Wood-						
working	22,140,464		13,695,518			
Boots and Shoes	11.302.175	8,396,644	2,905,531-			
These groups with t	he exception	of shipbui	lding were			
little affected by the v	var. They l	nave continu	ied at high			

It is interesting to note that more and more attention is being given to Maine as a good industrial location. Doubtless the trend toward decentralization has created

Doubtless the trend toward decentralization has created the market, but Maine's relative position in the matter of labor peace has created the demand.

In the years 1946 and 1947, approximately 119 new industries came into existence in Maine. While some of these were offshoots of existing industry, a high percentage were new industries as far as the State was concerned. Most important is the fact that these new industries are highly diversified, for diversification of industry is the backlog of continued prosperity.

Other important branches of Maine business and industry include its agriculture and its recreational business

dustry include its agriculture and its recreational business. These have also shown good progress.

While needs for electric service by industry has been

ness. These have also shown good progress.

While needs for electric service by industry has been increasing over the years so also has that for electric service in the home, on the farm and in commercial establishments. Central Maine Power Company has endeavored over the years to adequately meet the requirements for electric service in its area.

While the company's generating facilities are predominantly hydro, it also maintains six steam plants to supplement and back up its hydro production. Twenty-two years ago the total capacity of the company's system was 91,334 kw. while today it stands at 270,967 kw. During this period, 13 hydro plants were built or acquired which include its largest development, Wyman Station (72,000 kw.), built in 1930, and its second largest development, Gulf Island (19,200 kw.), built in 1926. Also, during this period an addition steam capacity of 71,000 kw. was constructed or acquired including its largest plant at Wiscasset, built in 1942, where a second 20,000 kw. unit was recently added and put in operation this Fall. Work is now underway for a hydro redevelopment at Union Falls on the Saco River. This will add 16,800 kw. of hydro capacity and should be available late in the Fall of 1948.

Studies of further development and load growth go hand in hand, for the company must anticipate demands

Studies of further development and load growth go hand in hand, for the company must anticipate demands for energy ahead of their actual occurrence. Here, again, the future of business and industry in its territory becomes a most important factor in determining development policy.

ment policy.

While past history indicates that the progress of business and industry does not follow a "straight line" projection, it is fair to assume that Maine's record of industrial growth is based upon factors that are both sound and continuing, hence a reasonable assurance of continued growth in the years to come.

With a large part of its industry operating at capacity, with substantial expansion taking place in some of its

With a large part of its industry operating at capacity, with substantial expansion taking place in some of its basic industries, with greater interest being shown by out-of-State industrialists than ever before, it would seem that Maine's industrial future was indeed bright. This being so, a reiteration of the slogan, "As Maine goes so goes the power business," provides the answer to the Central Maine Power Company's future outlook for business.

SPYROS P. SKOURAS

President, Twentieth Century-Fox Films

In discussing the outlook for the motion picture industry in 1948, it is necessary at the outset to be pitilessly frank in recognizing the fact that our business has met with difficult times and is undergoing a revolutionary upheaval. But it is necessary also to add at once, emphatically, that all concerned have been aware of this fact for some time and have initated extraordinary measures to expression.

extraordinary measures to overcome an extraordinary conjunction of adverse circumstances.

Therefore, looking broadly at the industry and its position, I feel the assertion is warranted that motion assertion is warranted that motion picture making is attaining every day a sounder basis as a business. Those elements which constitute earning power are steadily being strengthened. While there are major problems remaining the economies and readilystments now being effected by

lems remaining the economies and readjustments now being effected by the whole industry constitute an encouraging factor. Throughout the industry there is a very alert and determined drive to turn out better pictures at lower cost.

Without making unduly optimistic predictions it should be said that the adversity now besetting the film business is spurring all connected with it toward a more realistic effort.

None can question the acceptance of the motion picture

realistic effort.

None can question the acceptance of the motion picture as a standard form of entertainment for the public. The film has become so much a part of the life of the average citizen that even the unusual conditions which recently afflicted our industry cannot impair the long-range durability of the business of film making. As long as we of the industry apply business statesmanship and accept our full responsibility for the quality and content of our output, there can be no cause for economic alarm.

The immediate body blows we have felt require heroic steps to restore the equilibrium between costs and return. The costs of current pictures are already coming down.

steps to restore the equilibrium between costs and return. The costs of current pictures are already coming down. These costs must come down further and at once. Retrenchment is being practiced not only at the Studio but in all phases of our business both at home and abroad. Expenditures which heretofore had been based on the high grosses of 1945 and 1946 cannot continue. We can no longer afford to pay stupendous amounts for story properties. properties.

omies of an extraordinary kind are indeed being put into effect. It is no longer possible to produce films at the cost levels of recent years. We must make pic-tures at lower costs, and we must make better pictures. We must use our ingenuity and resourcefulness to the We must use our ingenuity and resourcefulness to the fullest in putting our reliance upon more modest products of higher quality. We cannot be lavish in any respect. Every picture we project must be be measured against the changed conditions confronting us. Film rentals must be increased. Every major company is aware of this and is in process of readjusting its outlook. All the major companies also have joined in improving the public relations of the industry through the Motion Picture Association.

The reason for all this is obvious to all familiar with

Motion Picture Association.

The reason for all this is obvious to all familiar with our problems—the falling off of foreign revenue, lower domestic returns and high production costs.

In the past our production has been on the basis of an international market, while we have depended upon the domestic market to return at least the bulk of our negative and over-all distribution costs.

Mainly because of the action of the British Government in imposing a 75% ad valorem tax upon American films, our foreign income will be substantially cut. This setting is worstened by restrictions imposed by various other countries as a result of wartime dislocations and other factors. We cannot rely as formerly on the income from the foreign markets. from the foreign markets.

other factors. We cannot rely as formerly on the income from the foreign markets.

But this depletion of foreign income also has coincided with the return of our domestic grosses from high wartime levels to more normal figures, while pictures currently being shown were produced many months ago when production costs had mounted to their highest peak Moreover, this return to normalcy at the box office has been out of line with the relative prosperity of general business. All of these things are superimposed upon the peculiar obligations we carry due to the nature of our business under which we are in some ways an unofficial arm of our government and an adjunct of humanitarian and civic causes.

Looking over the 1948 product of the 20th Century-Fox, much of which is ready for the screens, I believe I can say that it constitutes a tribute to the public's demand for entertainment of high quality. For this reason I am not discouraged about our own company's prospects for the business year, especially so in view of our array of films of the type combining realism with high entertainment value.

of our array of films of the type combining featism with high entertainment value.

Surveying the whole industry and knowing the spirit that animates my associates, I am confident that with a continuing sense of high responsibility to the public, to our stockholders and to the world at large, and with the concrete steps we have taken to improve our position, we will find it possible in the future to look back upon 1948 as a year of great stabilization and progress.

HERBERT E. SMITH

President, United States Rubber Company

The demand for products of the rubber industry will continue at a high level in 1948, according to present indications.

Total production of the industry for the coming year is expected to reach \$2.5 billion or more than 2½ times the volume of

This will compare with an all-time high of approximately \$2.7 billion in 1947

in 1947.

A total of 905,000 long tons of natural and synthetic rubber is expected to be used in 1948, against the all-time high consumption of 1,110,000 long tons forecast for 1947.

Although production of most rubber products in 1948 will equal or exceed that of 1947, tire production will probably recede from the all-time high of just under 100 million casings in 1947 to a total of 83,000,000 casings in 1948.

Herbert E. Smith casings in 1948.

Casings in 1948.

Output of rubber footwear will be further increased in 1948 although production in 1947 was substantially greater than prewar.

The reintroduction of style and color has been a strong

influence in footwear, and this is expected to continue.

The active demand for rubber clothing and coated

fabrics will continue.

Foam rubber, firmly established as cushioning in all transportation fields, will be increasingly available through 1948 for domestic furniture and mattresses. New

through 1948 for domestic furniture and mattresses. New plant capacity and the increased supplies of natural rubber will help this rapidly growing industry.

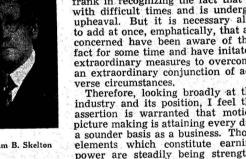
With the return to natural rubber achieved, output of Lastex yarn in 1948 is expected to surpass prewar levels. Facilities have been increased to meet broad expansion in the use of this yarn.

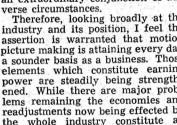
Industrial rubber products will be made in large volume. Most items will be in ample supply but conveyor belts will be short for several months.

Production of golf balls, bathing caps and druggist sundries has been facilitated by the return of natural rubber, and this merchandise will be in ample supply although the demand will continue at a high level.

although the demand will continue at a high level.

During 1947 consumption of natural rubber exceeded synthetic for the first time since 1943. The return to natural rubber will be further advanced in 1948 as 550,000 long tons of natural is expected to be used with 355,000 long tons of synthetic, according to present estimates. About 61% of all rubber used in 1948 will be natural. In 1942, 96% of all rubber was natural, while







As all connected with motion pictures are aware, econ-

level since that time.

in 1945 the use of natural rubber reached a low of only 13%.

J. P. SPANG, JR.

President, Gillette Safety Razor Company

President, Gillette Safety Razor Company

The outlook for 1948 can be viewed with thoughtful optimism by the American businessman who faces the current year with a down-to-earth, realistic attitude. All the factors responsible for the high level of production and employment set in this country in 1947 are present today. It is the job of all American businessmen to make the most of these potentials in the face of complex political events which may have a lasting effect on our national economy.

In addition to the political events—tax revision, European aid, the Presi-

In addition to the political events—tax revision, European aid, the Presidential election—it must be realized that production is gaining on demand, that this year will see considerable inroads made on the sellers' market. This is true in the razor and blade industry. It is equally true, I believe, in other industries. This means that once again we must use hard-driving c o mpetitive selling methods if we are to maintain and expand our present economy. Selling, I firmly believe, is the key to our continued prosperity.

The year just ended saw an all-time high in razor

The year just ended saw an all-time high in razor blade consumption in the United States. Approximately 3,000,000,000 blades were sold and used. Whether that figure will be exceeded in 1948 is a prediction I hesitate to make, since fulfilment is dependent on so many national and international factors.

I do feel strongly, however, that we can have as good a year in '48 as we had in '47. I say this because employment is still at a maximum and in almost all lines plant expansion is underway.

Other factors which lead me to believe that there will be little, if any, falling off in the razor blade business are these: continuing population shifts from farms to cities; the daily shave requirements of the armed forces which created a habit for nearly 12,000,000 young men; largest enrollment in colleges and schools in history; high wages and generally good economic conditions.

Considering these factors realistically and weighing them against the events and problems we know will arise in 1948, I feel certain that the razor blade industry need not expect any marked setback if these events and problems are met with the intelligence and type of handling that has made our nation the world leader in production and business methods.

WALTER W. SMITH

President, First National Bank in St. Louis

The banking situation continues to be dominated, as it has been for a number of years, by the policies of the Federal Reserve Board and the Treasury Department. The previously established pattern of low interest rates is now presenting the monetary authorities with a dilemma. Because of the current inflationary trend they are endeavoiring to reactivity back.

they are endeavoring to restrict bank credit and raise interest rates in order to discourage unnecessary bororder to discourage unnecessary borrowing without disturbing the basic 2½% rate on long-term Government bonds. The aims of such a policy are o b v i o u s l y contradictory, and there exists no sound precedent for the accomplishment of this objective. Money and credit are extremely fluid and their control, even by harsh regulatory methods, has been only moderately successful in the past, and then for only short periods, as and then for only short periods, as the inexorable law of supply and demand cannot be overcome by manmade rules and regulations. Accordingly, current official



efforts to curb inflation through monetary policies, offer little promise of success, as long as shortages exist and purchasing power is redundant. Desirable as the objectives may be for decreasing the availability of bank credit through requiring "special reserves" for banks, there is danger that this plan may instead reduce the production of needed goods, rather than limit credit to desirable lines of endeavor. Legitimate business is finding its access to the capital markets seriously restricted by multiple controls which, instead of accomplishing the prevention of certain abuses, are handicapping the sound functioning of the market itself. This factor, together with high income taxes, has reduced the flow of investment capital into new enterprises to a point where equity

functioning of the market itself. This factor, together with high income taxes, has reduced the flow of investment capital into new enterprises to a point where equity capital is almost unobtainable. This situation is placing an added strain upon bank credit. Current high prices require increased commercial banking accommodation, and the stagnation existing in the capital markets has increased demand upon the banks for "term loans" to finance expansion programs of essential industries.

Our basic problem today is rather clearly indicated. Even with full employment and capacity production in most lines, many goods are still in short supply relative to current purchasing power, a condition which drives prices higher and higher. Obviously, every effort at this time should be made to reach the maximum efficiency of production per man-hour so as to bring about a better balance between goods produced and current purchasing power. Monopolistic practices, featherbedding and arbitrary restrictions which reduce the production of workers are serious inflationary forces under existing conditions and a threat to the American way of life. Our inflationary and price problems cannot be solved by endeavoring to counteract the effects of exporting goods in short supply through putting new restrictions on bank credit or possibly re-enacting certain wartime controls with their withering effects on business incentive. Such measures during peacetime, risk bringing about a contraction instead of an expansion in production, which alone can solve our problem and enable us to meet the challenge of our new international position.

(Continued on page 82)

(Continued on page 82)

Halsey Stuart Offers Galif, Edison Bonds

Halsey, Stuart & Co. Inc., and associated underwriters are offering \$40,000,000 Southern California Edison Co. first and refunding mortgage bonds, Series A, due 1973, 31% %, at 102.187%, to yield approximately 3.00%. The group was awarded the bonds at competitive bidding Jan. 20 on its bid of 102.02599%. The proceeds from the sale of the bonds are to be applied to the company's acquisition and construction program made and construction program made necessary by the substantial growth of its business.

Southern California Edison Co. provides electricity to an estimated population of 2,300,000 in central and southern California. Among the larger cities served are Among the larger cities served are Long Beach, Santa Monica and San Bernardino. Approximately 55% of the power produced by the company in the first nine months of 1947 was in hydro-electric plants owned or leased by the company, the remainder being largely steam generated. About 25% of its total power was produced at Hoover Dam.

For the first nine months of

For the first nine months of 1947, the company reported gross operating revenues of \$63,014,000 and net income after all taxes, deand net income after all taxes, de-preciation, et cetera, of \$12,772,-000; interest charges on bonds outstanding and presently issued for nine months will require \$4,-098,750. Southern California Edi-son Company was incorporated in 1909 and has paid dividends on its Common Stock continuously since

Glass Fibers Stock Placed on Market

Kebbon; McCormick & Co. heads a nation-wide syndicate offering 343,000 common shares, \$1 par, of Glass Fibers, Inc. at a price of \$10 per share.

Glass Fibers, Inc., located in Waterville, Ohio, manufactures continuous glass fiber yarns and glass fiber bonded mat. Proceeds of the financing will be used principally and the principally and the principally are principally as a second principally and the principally are principally as a second principally and the principally are principally as a second principally as a second principally are principally as a second principally as a second principally are principally as a second principally as a second principal principally as a second principal cipally for construction of new plant facilities and for retirement of an outstanding term loan and of an outstanding term loa additional working capital.

With California Bank

LOS ANGELES, CAL.-James O. Jordan III has become associated with the California Bank, 625 South Spring Street. He was formerly with Livingstone & Co.

Quincy Cass Adds

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CAL. — John P. Engels has been added to the staff of Quincy Cass Associates, 523 West Sixth Street.

With J. Vander Moere Co.

GRAND RAPIDS, MICH.-William H. Van Loo has become con-nected with J. Vander Moere & Co., Peoples National Bank Building. In the past he was with Straus Securities Co. and was an officer of King, Wulf & Co.

With Finley & Co.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO—Frederick F. Leustig is now with Finley & Co., Union Commerce Building. He was formerly connected with Bache & Company.

INQUIRIES INVITED

Trust Officers and others handling fiduciary funds are invited to write us about matters originating in or pertaining to this area.

Inquiries receive the prompt attention of an executive officer of the largest and fastest growing Federal Association on Florida's West Coast.

Current Dividend Rate 21/2% Resources Exceed \$16,500,000.00

FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION

OF ST. PETERSBURG FIRST FEDERAL BUILDING

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(Continued from page 81)

GEORGE SPATTA

President, Clark Equipment Company

The Clark Equipment Company can be said to be in four lines of business: (1) automotive; (2) industrial material handling trucks; (3) street railway trucks; (4) cutting tools.

In the first, or automotive, division we manufacture axles, transmissions, wheels and brakes for motor trucks and motor buses. The outlook in this particular field is very prom-

in this particular field is very promising for 1948. Millions of motor trucks on our highways are worn out and need replacing, and because moving goods by highway truck is a fundamental method in the transportation system of this country, I see no letup in the demand for these In the industrial handling division

see no letup in the demand for these products.

In the industrial handling division we manufacture a complete line of lift trucks, ranging in lifting capacity from 1,000 to 8,000 pounds, in varying models and specifications. Our line includes straight gas machines, battery electric machines, as well as the gas-electric drive. Because handling materials in the proces of manufacturing goods is a very good proportion of the total manufacturing cost, and because much of this handling in the past has been done by hand labor, there is great activity ahead in the manufacture of material handling equipment. We estimate that our volume in this field should continue at its present level.

Our next activity is the manufacture of street rail trucks. I see considerable activity ahead in this field. Although buses are taking the place of street cars in many cities, yet there remain some 15 cities on the North American Continent in which street cars play the most important role in the mass transportation of people going to and from their work in these cities. The present old-style street cars are largely worn out and the new streamlined, standardized cars for which we supply these trucks fill a great need in this field. There is considerable activity in replacing the old street cars, and I believe 1948 will see this activity continued.

Our next activity is the manufacture of cutting tools such as drills and twist drills and reamers. For us this is only a very small percentage of our total business, and I do not expect any great activity in this particular division of our company. In fact, I believe the capacity created to manufacture drills during the war will not be used to its full extent for several years to come.

Total volume for this company for 1947 will amount to slightly over \$61,000,000. We expect to exceed this in 1948, both in dollar value and physical volume.

HERMAN W. STEINKRAUS President, Bridgeport Brass Company

It is a great sport in this country to forecast the future and to predict what will happen during a whole year. I think it would be interesting if in connection with such forecasts an analysis would also be made of the previous

forecasts an analysis would also be mayear's forecasts to see how nearly right the judgment of different people turned out to be.

For over 20 years, while he was living, Col. Leonard P. Ayres, of the Cleveland Trust Company, used to make an annual forecast early in each year as to what he expected to see happen in that year. However, before he made his prediction for the coming year he always reviewed what he had predicted the year before and pointed out where he had been right. This was a valuable service to the businessmen of Cleveland.



As to the outlook for the copper and brass industry for 1948, there are several major factors which will affect it. Some of these

(1) A continued strong demand for automobiles, houses, model kitchens, better plumbing and lighting. All have a favorable effect on the use of copper and

(2) The rather violent inventory adjustment on the

(2) The rather violent inventory adjustment on the part of brass and copper users during the last half of 1947 apparently is pretty well over and the need for purchasing brass, bronze and copper strip, rod, wire and tube is again on a current basis.

(3) The great demand for copper, both here and abroad, is maintaining the price at the 21½-cent level and there is no apparent lessening of this demand in sight for at least the first quarter or the first half of 1948. This means these products will continue to be highly priced and substitutions will be made wherever pospriced and substitutions will be made wherever pos-

Based on the above factors, I have the opinion that Based on the above factors, I have the opinion that our industry, which furnishes brass, bronze and copper materials in similar forms to what steel is made, will have a high level of activity during the first half of 1948 and that there is a good chance it will continue through the balance of the year.

An easing of the copper situation and a reduction in its price would be a very good thing for the long-range

outlook of the brass and copper industry. Furthermore, I believe that the temporary removal of the four-cent tariff should be made permanent in the interests of the long-range planning of customers of this industry.

J. WILSON STEINMETZ

President, The Ninth Bank and Trust Co., Philadelphia

If it were possible for anyone or even a group to inventory all of the factors which can enter into the complicated structure which we generalize as business and to place a value upon each of the items which com-

prise the inventory, any conclusion would still be of doubtful value, because there are so many variables with which businessmen are compelled to deal at this time which are not present when they are operating in a so-called normal period.

While there is still a large spread between the money supply and the supply of goods and services, there is evidence that in some lines the supply is catching up with demand. It is also true an apparent shortage of goods can soon disappear in the face of withdrawals from markets because of price resistance or fear of instability. While it may be sound

J. Wilson Steimetz fiscal policy from a hard reasoning standpoint to drain off potential money pressure by heavy taxation, it is equally sound policy for those in government to insist upon economies in government.

The issue appears to be clearly drawn between those The issue appears to be clearly drawn between those who advocate an all-powerful central government which controls not only the convenience of its constituents, but in many cases their destinies, and those who advocate complete freedom of action under the misnomer of free enterprise. Any civilization as complex as the one in which we now live certainly needs rules and an impartial which we now live certainly needs rules and an impartar referee if the game is to be kept in bounds. To de-termine the degree of control requires great skill and cooperation. While the issues may be clearly drawn in the minds of some people, in a campaign year the appeal made to classes in order to obtain votes certainly clouds the issues.

the issues.

It is my belief that the psychological factors could easily tip the balance to such a degree that the present high rate of business volume could recede in the latter part of 1948. What may happen in the banking field depends very largely on what happens to business generally, and much of what happens to both depends on the attitude of government and the use of its powers.

JOHN A. STEVENSON

President, The Penn Mutual Life Insurance Company

In trying to talk about the outlook for the life insurance business in 1948, our only basis for making forecasts is to look at the barometer of economic trends. Insurance, naturally, participates in the effects of general business conditions. But there are other factors such as the state of the nation's health, which cannot be charted in advance but which have a powerful effect on life insurance.

charted in advance but which have a powerful effect on life insurance company operations.

Before the depression of the '30s, it was usually taken for granted that in spite of ups and downs in the business curve, life insurance could be depended on to follow the historical pattern of practically doubling itself event to historical pattern of practically doubling itself every 10 years. Fi-nancial conditions interrupted this

nancial conditions interrupted this trend during the decade preceding World War II. But if the present rate of increase continues, outstanding life insurance will cross the two hundred billion mark by the end of '48, doubling the amount in force at the end of 1935. With the economic barometer indicating a continuance of general business prosperity, it would seem easy to predict that new paid-for life insurance would not fall below the level of over 20 billion reached during the last two years. But if the cost of living continues to rise this will have its effect on the dollars available for life insurance purchases.

Since life insurance is on a long-range basis, no guess

rise this will have its effect on the dollars available for life insurance purchases.

Since life insurance is on a long-range basis, no guess work is involved in figuring whether prices to consumers will rise or fall in '48. Premium rates, on life insurance purchases made in 1948 will, in most cases, follow the new pattern created in connection with the recent adoption of a new mortality table reflecting modern experience. However, in mutual companies, actual mortality experience, expense ratios and interest earnings are the actual determinants of net costs.

It does not seem improbable that the slight improvement in interest rates, which followed the relaxation of Federal controls last summer, will continue in 1948. Obviously, this improvement would not be immediately reflected in lowered net costs. The slight increase in the interest yields on new investments made since the curve turned upward results in a very thin "layer" when spread over the entire life insurance portfolio.

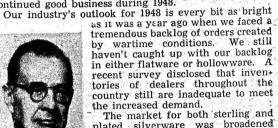
Following the Supreme Court decisions that insurance is interstate commerce, we reach, in 1948, the end of the period granted by special act of Congress for the enactment of State legislation to regulate insurance practices which would otherwise be subject to anti-trust legislation.

There can be little doubt that the problems faced by the life insurance business today are more complex than those which confronted us before World War I. But we can bring to the solution of the problems, a sounder knowledge of economics and greater research facilities,

EVARTS C. STEVENS

President, The International Silver Company

The silverware industry, which this year established all-time highs in production and sales, is confident of continued good business during 1948.



the increased demand.

The market for both sterling and plated silverware was broadened permanently during the past year. Today there is a definite trend among American families to possess a more complete silverware service. People

complete silverware service. People are getting away from using unmatched pieces.

Evarts C. Stevens Enlarged production facilities will enable us to ofter a wider range of flatware and hollowware pieces during 1948. Additional extra matching pieces which had to be discontinued during the war will become available this year.

The policy of The International Silver Company in holding the prices of its nationally-advertised sterling and plated lines to approximately prewar levels was a major influence in broadening the silverware market during 1947. during 1947.

during 1947.

Consumers realized they could get more for their dollar in silverware than was possible in many other household commodities. Another important factor was the enthusiastic manner in which consumers greeted the introduction of our first postwar patterns like "Northern Lights" in sterling and "Remembrance" in silverplate.

Sales of The International Silver Company for 1947 will be substantially in excess of the 1946 total of \$42,000,000 and are expected to set an all-time high in the company's history.

the company's history.

L. C. STOWELL

President, Underwood Corporation

Inventories of completed business machines as we knew them in the days before 1941 are nonexistent. Gains have been made in filling large backlogs but we entered the New Year with a substantial backlog still

entered the New Year with a subsite to be filled. However, as we proceed through 1948, deliveries will be made on a basis which will be more acceptable to buyers. With this more healthy sales outlook, the relationship between seller and buyer will more nearly approach the rather intangible condition we refer to aspect the substantial of the nearly approach the rather intangible condition we refer to aspect the substantial of the nearly approach the rather intangible condition we refer to aspect the nearly approach the substantial of the nearly approach the substantial of the nearly approach the substantial of the nearly approach the nearly approach the substantial of the nearly approach the nearly normal.

Our business is one in which product improvement is of a gradual and continuing nature where we do not plan any startling machine innovations. As product improvements are developed and proved, they are incorporated in our equipment and made immediately available. From time to time, we will have new models as our creative ability keeps pace with the new demands by business. Our latest new model is the Underwood Electric Typewriter which has been received enthusiastically by users.

In 1948 there will be many new problems to solve and new challenges to meet. Essentially we expect the return of more normal selling conditions with a large sales organization to take care of our ever-expanding market. Our business is one in which prod-

With the unprecedented demand for office equipment of all types, we have concentrated on producing as much as possible in an effort to take care of urgent needs

of users.

We can expect that when we have ridden out the crest of postwar necessities we will have better opportunities to take advantage of our long-range planning program. I do not believe that any one wants to actually return to the conditions of the 1930's. If we think back carefully, we will remember that those years left much to be desired, and while prices have increased so has the ability of the consumer to pay these prices. It serves no useful purpose for us to commiserate with ourselves about high prices. All of them, including our own, have risen, but so have the earnings of our employees, and of our users. The price of our office equipment as we go into 1948 has increased substantially less than durable goods in general and very much less than perishable items.

shable items.

perishable items.

We wage a constant campaign to continually improve the quality of our product and its relative usefulness in the hands of the ultimate user.

We utilize the most modern methods in the production of our machines for business, but we do not discard any satisfactory methods until we are convinced that a new

(Continued on page 84)



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Administration's Swollen Budget

(Continued from page 6)

cord with the plans more or less problems according to its intelligent of hundreds of bureau-needs, to experiment with methods, and to be the so where men who really believed the American labor and even the American housewife. Yet learn something of the prince it seeks more power. Every bureau has a publicity department, and the government today has the greatest power of propaganda which any government has even. greatest power of propaganda which any government has ever enjoyed or practiced. Perhaps that is its greatest danger to the people and their freedom because it is able to perpetuate itself and its activities and stifle the voice of any group which seeks to cut it down or change it.

Of course this machine impaces

cut it down or change it.

Of course this machine imposes a tremendous burden of expense on the people of the country. The President's budget now calls for taxes of more than \$44 billion, which with State and local taxes, takes 30% of the national income. Very little of the activities of government result in the production of goods so that the cost of government has to come out of the other 70% who produce. Of course this results either in a lower return to those engaged in production, both capital and labor, or in increased prices to the conor in increased prices to the conor in increased prices to the consumer of the goods which are produced or in both. In a sellers' market such as we have at present most of the taxes are passed on, and almost the entire cost of government is reflected in the prices which you pay at the grocery store and in the department store.

store and in the department store. I don't know just how great a burden the country can stand. I feel sure that if 50% had to support the other 50%, the burden would be so great as to discourage incentive and production, to force the government to take over various fields now served by private industry, and gradually socialize the entire country. That certainly is one of the purposes of the spenders. At 30% we cannot be far from the balance point at which the scales are tipped against further expansion of production by private industry.

The Republican Party believes

The Republican Party believes

needs, to experiment with new methods, and to be the school where men who really believe in government by the people shall learn something of the principles of the American Republic.

of the American Republic.

Of course a reduction in the size and cost of the Federal Government is the first means of securing progress under liberal principles. The Republican Party recognizes the absolutely essential activities which only the Federal Government can perform, but it demands that even these activities be carried through on a business-like and economic basis. It recognizes that the Federal Government can take the leadership and be of assistance to the States and localities in their own approach to problems of health, eduand localities in their own approach to problems of health, education, welfare and housing. But it insists that full control and administration of these programs remain with the States and local government.

Taxes Kill Incentives

What does this difference be-tween the Parties mean in the current problems before Congress? The President has submitted the greatest peacetime budget in all history. He desires to spend \$40 billion and raise taxes of more than \$44 billion. I have pointed out how this program chokes production, kills the incentive to work harder and develop new en-terprises with more jobs. But the President is not satisfied, even with present taxes. He proposes a new payroll tax of ½ of 1% to start the proposed compulsory health insurance program, the ultimate cost of which will be at least 4% of payroll. This is certainly no time to incorrect the control of the contro tainly no time to increase taxes.

The President now estimates a The President now estimates a government surplus in the current fiscal year of \$7½ billion. The surplus would be still larger if he had not included in his expenditures about \$1,600,000,000 which nas not yet been appropriated, and some of which may never be appropriated. If he is underestimating receipts as he did last year, the surplus would be still larger. The Republican Party believes that the size and power of the Federal Government must be reduced. We believe that progress can only be resumed and maintained in this country if there is greater freedom from regulation and from direct or indirect government taxation. If production is to be increased, it must be done by greater freedom, and greater incentive to men to work, and to save, and to put their savings into the tools required for progress. It must be done by greater freedom of thought and the ability of men to live their own lives and choose their own occupations. It must be done by restoring freedom to each community to work out its own

29 Broadway

NEW YORK 6 WHitehall 4-0900 seems to me that we are entitled to have correct figures without efforts to influence public opinion for Administration policies. It ap-pears now that there never was a president for verting the tax

pears now that there never was a justification for vetoing the tax reduction bill.

How much money did the Republicans save in 1947 on the President's estimates of expense? The President originally estimated \$37½ billion dollars as the irreducible amount which the government had to spend in the year ending July 1, 1948. During the first session he added nearly \$2 billion of additional expenditures. At the special session he added billion of additional expenditures. At the special session he added more than a billion dollars in addition, mostly for foreign relief. Now he is asking for more than \$600 million additional to be spent before July 1. This makes his total estimate of expenditures approximately \$41 billion for which he demanded authority and appropriations. Now he estimates that only \$37,700,000,000 will be spent under the authorities given. that only \$37,700,000,000 will be spent under the authorities given. On his own estimate of expenditures, therefore, the Republican Congress has apparently cut off \$3,300,000,000 from his demands. This is approximately the sum which I have always claimed, but which has been strenuously denied by the Democratic National Committee.

Can Reduce Budget \$4 Billion

Can Reduce Budget \$4 Billion

After a careful study of the budget, I believe that a gross reduction of about \$4 billion can be made, providing Marshall Plan appropriations and other foreign expenditure estimates are not regarded as sacrosanct, Undoubtedly, there will be some supplemental requests and it may not be possible to make a net cut greater than \$3 billion. I think it is vital that the expenditures be substantially less during the next fiscal year than during the current year, not more.

I may point out that the Republican Congress does not have a free hand in reducing expenditures. It is imposible to amend or repeal the statutes setting up various activities of the Federal various activities of the Federal Government and establishing policies, except over the veto of the President. Up to this time he has indicated his opposition to any reduction in the scope of the government's powers. The Hoover Commission is now studying a

a complete reorganization of the government. If any substantial reduction is to be made in the scope and expense of that govern-ment, it can only be done through a complete reorganization such as the Republicans will propose if a Republican President is elected.

Nevertheless, there are many items in the budget which can be reduced. If such reductions are to be made, however, in domestic items, it is essential that we examine the foreign proposals with

critical care. If we distribute dollars lavishly and without the most careful scrutiny and pruning to all the countries of the world, it is sychologically impossible to urge successfully upon those interested in domestic expenditures that they should agree to any careful screening of their requests.

The method by which the budget handles the Marshall Plan is difficult to understand a graph.

difficult to understand. A supplemental appropriation of \$6,820, (Continued on page 85)

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(Continued from page 82)

way is better and not just newer. We have found from long experience that we can make no compromise with quality, not only from the acquisition of raw materials right through the final service inspections of our finished products but in our service to the users.

products but in our service to the users.

Engineering developments and continual search for improved methods and materials will undoubtedly bring future changes in the manufacture of typewriters and business machines. I have nothing but optimism for the future, but this optimism is tempered by the knowledge that we will have to continue to work for what we get.

HAROLD W. SWEATT

President, Minneapolis-Honeywell Regulator Company

Although the day of the completely automatic factory Although the day of the completely automatic factory is still far off, there is a marked movement in that direction and the trend will accelerate in 1948.

This trend is particularly noticeable in the chemical and petroleum industries, where exact measurements of quantities and temperature are imperative, and and temperature are imperative, and

where new processes, made possible by automatic controls, are being regularly developed. The basic metregularly developed. The basic metals, utilities, foods, textiles and ceramic industries are other fields making increased use of industrial instrumentation to lower costs and improve products.

At the present rate of growth, industrial instrumentation will increase 30% by 1950

crease 30% by 1950.

The two principal forces moving the American factory owner to full

the American factory owner to full automatic operation are: (1) new industrial processes, and (2) requirements for human comfort and health.

Looking to the future, it is apparent that atomic energy is harnessed for mankind, its utilization will be possible only through a whole new line of automatic devices which will permit efficient and safe use of this vast new source of power.

Automatic control received its first major impetus from the desire of the home-owner for uniform temperature and relief from the manual labor of furnace-tending. Today, however, to meet increased home comfort requirements, more elaborate systems embodying three of more thermostats are being sold in increased volume.

From the home, temperature and atmosphere control

more thermostats are being sold in increased volume. From the home, temperature and atmosphere control has spread rapidly to hospitals where operating rooms require the finest in controls; to such industries as textiles, where humidity regulation and explosion-proof heating are essential; and to transportation, where the automatic pilot for aircraft and the journal alarms for locomotives, to cite only two examples, have become commonplace.

Our company alone makes more than 7,000 different automatic controls having more than 12,000 different applications. These figures dramatically reveal the progress already achieved by the industry, and are indicative of the possibilities for further development in the years alread ahead.

JACK I. STRAUS President, R. H. Macy & Co., Inc.

Department store sales in 1947 have again made a new high record. The high level of consumer income and increasing use of consumer credit have made this new record possible. Recent trends in department store trade indicate some early decline in the recent rates of sales gains, but it seems probable that some moderate increase in sales will occur during

seems probable that some moderate increase in sales will occur during the first half of 1948.

For many months the most disturbing feature of the department store trade has been the downward trend in physical volume. Fewer units are being sold at higher prices. Like many other types of retail businesses, our gains in dollar volume are principally the result of higher prices, with some of the gain due to the increased availability of hard goods which produce a higher average salescheck. For many lines of consumer merchandise, prices

average salescheck. For many lines of consumer merchandise, prices will be higher, at least in the early part of 1948. Such sales gains as may be realized in the next six months will again come chiefly from high prices and not increased unit sales. Such a trend is not healthy because it is ultimately reflected in lower production of consumer goods, reduced employment, and spotty markets. markets.

markets.

We believe that prices for many consumer goods are still dangerously high. We thought so at this time last year, and developments of the past year have not changed our opinion. Maintenance of high production requires lower prices. Another round of wage increases will simply inflate costs and prices still, further. The maintenance and the improvement of the American standard of living are needed for a progressive and vigorous economy but it cannot be attained by the vicious spiral of rising costs and prices. Economic progress depends upon lower prices resulting from an increased

productivity per man hour. There is no other way to preserve and enhance our standard of living and to secure reasonable economic stability.

While many basic trends continue favorable, the economic situation clearly demands increased caution. High turnover, restricted forward buying and more stringent cost controls are still the best policies for merchants. The merchant must try to estimate the demand for goods. He cannot buy against firm orders from his customers because they do not make their purchases that way. He must use every possible sound method to hedge the risk that he must take in these uncertain times.

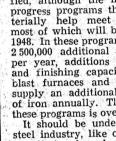
Continuation of foreign relief is imperative to the restoration, as nearly as may be, of sound international conditions after the colossal ravages of the war and the profound social unrest that is bred by hunger, misery and shattered national economies. Without a sound domestic economy, we will be unable to play the great role that is now our high privilege and responsibility.

These critical times call for enlightened government and business and labor leadership and intelligent self-discipline to help correct present dangerous trends. Without them, we cannot be prepared to meet the great problems that will come when the current replacement boom begins to wane. With them, we can view the future with increased confidence. There is no simple formula for economic stability, but it is elemental that it requires a high order of business statesmanship and economic cooperation. nomic cooperation.

WILFRED SYKES

President, Inland Steel Company

The steel industry faces 1948 with unsatisfied demands for its products and uncertainties as to the future. The unprecedented demand for steel, as a result of five years



or its products and uncertainties as to the future. The unprecedented demand for steel, as a result of five years of diversion from civilian to war needs, is still unsatisfied, although the industry has in progress programs that should materially help meet the demands, most of which will be completed in 1948. In these programs are included 2 500,000 additional tons of ingots per year, additional tons of ingots per year, additions to rolling mill and finishing capacity, as well as blast furnaces and coke ovens to supply an additional 3,000,000 tons of iron annually. The total cost of these programs is over \$1,000,000,000.

It should be understood that the steel industry, like other industries, is suffering from lack of labor, and any program for expansion must take into consideration the availability of labor, as well as the materials re-

into consideration the availability of labor, as well as the materials required, for construction.

A major uncertainty that faces the steel industry is the possible impact of extraordinary exports such as might result from the so-called Marshall Plan. If the government directs the diversion of appreciable quantities of steel from our domestic market, then present stringencies will be aggravated.

Another uncertain factor is the possible effect of government plans to allocate steel to various industries. Under the Tait law voluntary agreements can be made in conjunction with government departments to allocate steel, but if pressure on the government leads to steel

in conjunction with government departments to allocate steel, but if pressure on the government leads to steel being allocated in appreciable quantities to preferred industries, then other industries will accordingly suffer. It is my opinion that the whole problem of steel distribution must be approached very cautiously, or chaotic conditions will result. Any plans for allocations should be developed only where vital national interests are involved.

RALPH H. TAPSCOTT

President, Consolidated Edison Co. of New York, Inc.

President, Consolidated Edison Co. of New York, Inc.

Demands for electricity and gas in the territories served by the Consolidated Edison System companies have been increasing at a rapid rate for the past two years. While this rate of increase is not expected to continue, it is predicted that System loads will grow from year to year, at least until 1951.

While New York did not experience a wartime boom, nevertheless in this postwar era it has entered into a period of steady growth which we believe will continue to be reflected in our business.

With the completion of developments now under way in transportation, housing and in the expansion of business and industry, additional demands will be made upon our company for service. All of these factors point towards a continuing development which would not be interrupted by anything short of a major change in the nation's economic status.

In 1946 the maximum demand on the Consolidated Edison System for electricity for local distribution in a one-hour period amounted to 2,130,000 kilowatts. In 1947 this demand had risen to 2,272,000 kilowatts. In 1951 it is estimated this demand will amount to over 2,500,000 kilowatts.

In order to meet these increasing electric loads, Con-

kilowatts. In order to meet these increasing electric loads, Conon order to meet these increasing electric loads, Consolidated Edison has ordered electric generating equipment sufficient to increase its capacity from a present total of 2,538,000 kilowatts to a total of 3,011,000 kilowatts at the end of 1951.

Demands for gas have been increasing as gas has grown in popularity as a house-heating fuel. The Consolidated Edison System has already added liquefied petroleum gas manufacturing capacity in order to meet the larger peak demands, but these additions are not sufficient, and the company already has begun the further expansion of gas-making facilities.

Demands for central station steam, which the Consolidated Edison System sells in parts of Manhattan, have increased in the past year and are expected to rise. Additional generating capacity is being built to meet these requirements.

Our company has prepared a plan which is intended to provide electricity, gas and steam for the needs of the expanding community. For this purpose we expect to spend \$280,000,000 in the next four years. During the war period normal additions to our facilities were drastically curtailed, so that in considering this sum you must realize that a portion is earmarked to make up for the years when we could not purchase muchneeded equipment.

During the past several years our production costs have risen rapidly due to the abnormally heavy wartime

up for the years when we could not purchase muchneeded equipment.

During the past several years our production costs
have risen rapidly due to the abnormally heavy wartime
loads which our System was required to carry. We
expect that now, unless we have further large increases
in wages and material charges, production costs will
begin to decline as new and highly efficient equipment
goes into service and we can relegate some of our older
equipment to standby uses.

Attention should be called to a characteristic of our
business which frequently is not considered in discussions on the subject. As a public utility, Consolidated
Edison has a responsibility to fulfill in supplying the
public with electricity, gas and steam. In unregulated
competitive business a producer may refuse to expand,
if he thinks the investment at inflated prices is unjustified because in the future a competitor will supply the
facilities at the then reduced cost. We as a public utility
cannot make this choice; we are required to provide
these facilities at the prevailing cost of materials and
labor.

It is my personal belief that our System is in an admir-

Iabor.

It is my personal belief that our System is in an admirable position to take advantage of the latest developments in technological skills and advanced management techniques in providing our services to New York City and at the same time earning a reasonable return on the investments made by the owners of the business.

EARLE S. THOMPSON

President, The West Penn Electric Company

President, The West Penn Electric Company

The electric utility industry is looking forward with a realization of a full year ahead. It has just completed a rather remarkable job in 1947, and again demonstrated the vigor and resourcefulness of the industry. Fears of some people that this country would suffer from a power shortage failed to materialize. Without serious difficulty it met the greatly increased demand for energy; it made a new record in the number of new customers served, among them being some half a million farms, so that now about 92% of the occupied homes of America are taking electric service. It continued to expand its plant and was greatly aided in this by the substantial increase in deliveries of material from the manufacturers.

It is probable that 1948 will not be

ufacturers.

It is probable that 1948 will not be unlike 1947. Plant expansion will continue. Additions to generating capacity will doubtless reach five million kilowatts. Total construction expenditures for all purposes during the year may reach a total of \$1,-750,000,000. This represents the plans for the second year of an expansion program which by 1952 may total \$6 billion.

750,000,000. This represents the plans for the second year of an expansion program which by 1952 may total \$6 billion.

Such a program poses a very serious problem for the industry in the finding of the necessary capital. Competition in the capital markets is increasing. As the year opens the market for utility preferred stocks is a limited one. The corporate bond market has become unsettled, and the market for equities uncertain.

It is necessary that the industry maintain earnings if it is to be able to attract the needed funds. The outlook points to increased gross revenues as new homes, new factories and the sales of electric appliances increase. It also points to new operating costs, particularly for wages, taxes and fuel. The full ingenuity of the industry will be needed to show the earnings necessary for successful financing. In many cases the new additions to plant will bring economies sufficient to maintain earnings. In other cases that will not be enough, and help must be obtained from the regulatory authorities. These are cases where there are no longer available economies or technical short-cuts sufficient; to offset their increasing rise of operating costs. The rate record of the industry has been outstanding, but with many companies the turn is here. The industry is confident that its problems will be sympathetically considered by the authorities, and that it will be able to meet its needs in the capital markets.

MERLE D. THOMPSON

MERLE D. THOMPSON

Chairman, Executive Committee, Elmira Bank & Trust Company, Elmira, N. Y.

If we make the Marshall Plan effective, and if we give a few commonsense (not political) answers to inflation (Continued on page 86)





Administration's Swollen Budget

000,000 is asked in the appropriation requests plus \$822 million for food for Germany and Austrian civilians. Five hundred million dollars of the \$6.82 billions is to be spent before July 1, 1948 and \$4 billions in the fiscal year 1949. This leaves \$2,320,000,000 of the total as not included in the President's estimate of expendi of the total as not included in the President's estimate of expenditures. It is suggested that while these goods will be shipped in fiscal 1949, they don't have to be paid for that year. This seems an extraordinary lag. If the total of the Marshall Plan expenditures is held to \$5 billion, including food for occupied areas in Europe, apparently not more than \$3,800,000,000 would be spent in fiscal 1949 for E.R.P. and occupied countries in Europe. This is the basis for a billion dollar saving in the 1949 budget for European relief. 1949 budget for European relief.
It seems to me that the position

taken by Secretary Marshall is utterly indefensible. Of course Congress should examine the details of the Marshall Plan. The amounts requested are based on amounts requested are based on the vaguest of estimates. Many as-sumptions have been made which are impossible to prove. The suc-cess of the Plan and the amount required depend as much on fu-ture policies of the European governments themselves as they on American dollars. In any event, Congress would be avoiding its constitutional duty if it accepted without the most minute consideration the amount demanded of the Secretary of State, supported by a propaganda carefully organ-ized out of the State Department.

Sometime ago the President appointed a Committee on Foreign Aid under the Chairmanship of Secretary Harriman. It included nineteen able men who set up a well qualified staff and made a complete study of the whole proposition. The figures submitted and the form of organization are substantially different from those substantially different from those substantially different from those now insisted upon by the State Department. The report of that Committee has practically been ignored, although it contains the best analysis of the principles in-volved of any statement I have

President's Budget Inflated

The President has included in The President has included in his budget almost every domestic spending project. He has increased substantially over the 1948 budget, expenditures for every type of public works, highways, airports, Army and Navy installations, R.E.A., flood control, rivers and harbors and reclamation. All of these programs are extremely desirable, but if there is one thing on which all economists agree. on which all economists agree, however, it is that public works ought to be cut down in times of ought to be cut down in times of general prosperity and increased when business begins to fall off. There is every reason to plan public works, but the actual construction should not be pressed with great speed as long as we with great speed as long as we are concerned about inflation. The President purports to be against any increase in prices, but he insists the government bebut he insists the government become a more serious competitor for scarce materials and labor. From a political standpoint, once any project has received the certificate of necessity from the President; it is extremely difficult to convince the advocates of that project that it ought to be postponed.

The most expensive item in the budget is the cost of the military establishment and yet it is in many respects the most important. If the purpose of the Marshall Plan is to check the spreading of communism and forestall any possible advance by Soviet forces, then a most effective instrument for the same end would be the existence of an American milimodern type.

The President's budget cuts the

The President's budget cuts the Army and Air Corps about \$500 million. It cuts the Navy only \$70 million. It adds \$400 million for a start on compulsory universal military training. The distribution of funds proposed in the budget seems to me open to question and one which should be examined corefully by the Corps. amined carefully by the Congress I believe many items can be reduced, and others increased.

It is difficult for us to take any definite stand until we have the report called for by Section 211 of the National Security Act of 1947 which required the Joint Chiefs of Staff to prepare an overall strategic plan for the defense of the United States. This report has not yet been received. Furthermore, we have just heard from the President's Air Policy Commission. This Commission has recommended a program for the Air Corps which will ultimately cost more than \$5 billion a year for the Air Corps alone or an increase of \$2 billion over its current expenditures. If the air is as important as this report indicates, it would seem that there might be a further cut in the expendi-

tary establishment of the most Ground Forces. The Budget to-modern type. Ground Forces The Budget to-day seems to indicate a duplication of roles and missions among tion of roles and missions among the air, ground and sea forces without strict compliance with the President's Executive Order of July 26, 1947 clearly defining those missions. Strict elimination in the duplication of missions may well save the taxpayer one-fourth of the entire budget, certainly enough to add something substantial to the Air Force needs for research and development and for research and development and the purchase of more modern combat planes.

Problem of Defense

We face a serious problem in the cost of our defense forces, arising out of the threat of a world arising out of the threat of a world in which atomic bombs and other aerial weapons may result in a sudden attack on the United States. Nevertheless, we do not intend to become a nation dominated by the thought of war. I suppose that any nation at any time, to be completely safe, could devote its entire energy to the military business of defense. Such a course, however, would destroy a course, however, would destroy freedom more quickly than war. It would destroy the America we be a further cut in the expendi-tures for the Navy and the burden of defense must be held

to something within our capacity. It must not be a burden which chokes all other progress.

We, therefore, have to make a selection of those weapons which are most essential. From the point of view of a layman, it seems to of view of a layman, it seems to me that in this modern world conme that in this modern world con-trol of the air is of supreme im-portance. I would like to see this country have an air force clearly superior to that of any other country.

At the present time we have two proposals for increasing the cost of our defense forces. One is the Air Corps report, the other is compulsory universal military

training. Of the two, the latter training. Of the two, the latter appears to present a great increase in expense. It is admitted to cost \$2 billion a year and most experts think it will cost nearly \$4 billion annually within a few years. I believe the increase in the Air Corps is less expensive and ten times and lieve the increase in the Air Corpa is less expensive and ten times as important. Compulsory universal training is contrary to every American tradition. To take a boy from his home, his education, his chosen occupation and force him to serve for a year under the direction of the Federal Government is the greatest limitation of individual freedom yet proposed. (Continued on page 87)

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(Continued from page 84)

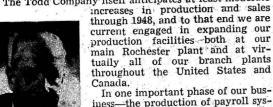
and taxes at home, I can see a period of reasonable prosperity over quite a period of years. If we fail in either of the above, I see the usual historical result to an inflationary situation allowed to proceed to the end.

GEORGE L. TODD

President, The Todd Company, Inc.

Business should continue to be good through 1948—at least, all indications in our industry point toward such

The Toda Company itself anticipates at least moderate



In one important phase of our bus-iness—the production of payroll sys-tems and forms—our sales naturally depend to a large measure upon the general level of employment throughout industry in general. Since all indications, including the

Since all indications, including the opinions of spokesmen for many individual industries, seemingly point to a continuation of approximately present levels of employment, we anticipate that our sales of this type of product will similarly maintain approximately their 1947 level.

The present large demand for payroll forms arose largely out of the necessity for government reports resulting from Social Security, wage-hour and withholding tax legislation. There is certainly no reason to believe that these and similar government reports will be reduced in number in the forseeable future—indeed, the trend is in the opposite direction. If continued, of course, that trend would tend to create an even larger demand for payroll forms. demand for payroll forms.

demand for payroll forms.

The largest single phase of our business is check production, similarly a constantly expanding field. While there are no accurate statistics available as to the total number of checks written in a year, the best estimates indicate that the number increased from something like five billion in 1935 to approximately ten billion last year. More and more industrial firms are turning to check payrolls, largely because of the inconvenience and dangers of transporting and handling large sums of cash. Private checking accounts, meanwhile, similarly continue to increase in number, due both to rising incomes and the growing popularity of special checking accounts without minimum-balance requirements.

These factors indicate that the demand for checks will continue to increase. Certainly, the business world will see no trend away from the convenience of check transactions toward a reversion to antiquated cash payments

A third factor which presages increased demand for virtually all of our products is the constantly increasing public awareness of the dangers of check fraud. While, again, no exact statistics are available, it is self-evident that check fraud losses are at an all-time high—estimates have placed the figure at approximately \$400 000,000 for 1947. Forgers, embezzlers and check-raisers are rapidly becoming the nation's largest crop of criminals. Unable to escape these facts, business and the general public are becoming more and more concerned with finding means of protecting their bank balances. This trend, obviously, indicates increased sales of all of our check-protection products—insured payroll checks, fraud-preventing commercial and bank checks, and check writers and signers. A third factor which presages increased demand for

writers and signers.

Our expansion to meet these anticipated increases in demand includes the recent establishment of two new plants, in Dallas, Texas, and Montreal, Canada, respectively. Larger quarters are scheduled for our Birmingham, Alabama, and Boston plants. Additional printing tively. Largham, Alabama, ham, Alabama, and Boston plants. Additional printing and lithographing equipment is on order for all of our plants.

NILES TRAMMELL

President, National Broadcasting Company, Inc. The year 1948 will have great meaning for both radio

and television. without further equivocation, must de

Broadcasters, without further equivocation, must decide this year whether to adopt a new and revised code of standards which they will all follow, or whether different elements of broadcasting are to go different ways in their broadcasting practices, probably to the detriment of all.

It is still the view of the National Broadcasting Company that an industry-wide code is the best means of improving our service to the public. We were keenly disappointed that final action on a firm code public. We were keenly disappointed that final action on a firm code was not taken in 1947. We will continue to urge adoption of such a code in 1948. But if a code for all broadcasters is not forthcoming in 1948, at may be that NBC will find it expedient to establish its own new set of standards, so urgently do we feel the need of one, for only the networks would not ma-

However, a code for only the networks would not ma-

terially correct the conditions which are annoying some listeners. The listener condemns all radio for the offenses of a few operators. He concludes that if one station broadcasts offensive material or devotes too much time to commercial matter, then all must do the same. That's why NBC feels that in 1948 standards of practice must be raised by all operators originating programs and not by a scattered few.

In the coming 12 months, television will appear as a new force in the United States. It will far outdistance the progress made by sound broadcasting in its early days. By the end of next year, television will reach the Midwest, and by 1950 or perhaps earlier, the West Coast. The income figures for television will overshadow those for radio in a similar period. In 1948, NBC will pass the \$1,000,000 mark in income from television—and the television broadcasting industry will expend for facilities and programs at least \$10,000,000.

And what of public service?

The National Broadcasting Company expects great things in the coming year of its new Public Affairs and Education Department. The six-man Public Affairs Board headed by Ken R. Dyke is exploring anew the question of programming in the public service area. We expect their forward planning to reach full fruition in 1948 with new and provocative programs concerning subjects of world and national import. It is too early to report exactly what these programs will be or what form they will take. However, one period of prime time has been set aside for the presentation of a documentary type program which will treat with important world problems.

It seems to us at NBC vitally important that we de-

It seems to us at NBC vitally important that we develop programs that will get more persons interested in the issues of the day, inform them about all sides of those issues, and arouse them to thoughtful, intelligent action. That is what we plan to do more diligently and, we

are sure, more effectively, in 1948.

ARNULF UELAND

President, Midland National Bank, Minneapolis

Business in general, and most banks have had a good year in 1947 but continuing and substantial increases

Business. in general, and most banks have had a good year in 1947 but continuing and substantial increases in production costs and operating expenses present a serious problem for the future. With wholesale prices close to an all-time high, it is probable that a peak has been, or soon will be, reached. A downturn is to be expected in capital expenditures, reflecting uncertainty in capital markets and a shortage of risk capital. We can also expect an end to inventory accumulations, a lower level of exports and possibly some slackening of consumer demand. These forces combined with the possibility of increases beyond the present high level of production may bring to an end the inflationary spiral and result in lower prices. In many respects the present situation resembles conditions in the third year after World War I when prices fell very sharply. Under such conditions it appears that it will be wise in 1948 to follow a conservative policy with respect to inventories of merchandise, commitments for future purchases, and debts. It should be a good year in which to maintain a strong cash position, to avoid unnecessary expansion, and for individuals to resist inflation by increasing savings and buying United States Savings Bonds.

GUY W. VAUGHAN



GUY W. VAUGHAN

President, Curtiss-Wright Corporation

America's aviation industry approaches 1948 as the most critical year in its history. Notwithstanding the fact that the industry had enjoyed its greatest peacetime volume in 1947, it had suffered its greatest operating losses. This was due to the fact that at the end of the war it was left with a tremendous conversion job with plants, equipment and organization far in excess of its require-

zation far in excess of its require-

The fact that the companies, by and large were able to survive this period was due, in a large measure, to the carry-back provisions of the Federal tax laws. On the other hand, these carry-backs expired with the close of 1947.

While military aircraft production

While military aircraft production was somewhat higher than the year 1946, it is still only one-tenth of its rate on the eve of Pearl Harbor, which proved to be disastrously below the figure needed for adequate national defense. The airplanes delivered on 1947 military orders fell more than 4,000 short of the number military experts set as peacetime requirements and necessary to maintain a nucleus of an aircraft industry. As indicative of the state of the industry and the military air forces, I can cite the fact that 24 out of the 36 types of aircraft currently in use by the air services were obsolete and already out of production.

The industry is making a desperate effort to hold together until such time as the military forces decide what modern aircraft designs should be produced and Congress appropriates the necessary funds to produce

them. Furthermore, in an aggressive effort to maintain staffs and skilled personnel vital to the production needs of national defense, manufacturers had been forced to turn to the production of various miscellaneous products foreign to the aviation field, ranging from kitchen utensils to canoes and coffins.

In looking ahead in 1948, technically American aviation is far ahead of the rest of the world and, if given half a chance, will continue to lead the world as: it did in the latter part of World War II. Although they have been very much restricted in past years, American engineers have, by their ingenuity and resourcefulness, led the world in research and development. Always off to a poor start, due to lack of adequate facilities, they have come out leaders in their fields. American commercial aircraft today hold all important records and, in spite of conditions in the industry, 1948 will produce some startling military developments in airplanes.

The situation the air transport industry faces is also critical and without a healthy air transport industry we cannot possibly hope to have a sound aircraft manufacturing industry.

The aviation industry is vital to national security and its survival is imperative, as clearly proved by the part it played in World War II.

CARL W. ULLMAN

CARL W. ULLMAN

President, The Dollar Savings & Trust Company, Youngstown, Ohio

The recent decision of the Federal Reserve and Treasury officials to restrict credit is certain to affect bank loans. It has already influenced the capital markets. It may be that the small recession which some hope for because they believe it will stop the inflationary spiral is on the way. The danger is that the small recession can develop into something more acute.

We know that a high level of income is necessary to support our na-

come is necessary to support our national debt and we know that a high rate of production is desirable. We also know that the Federal Govern-



also know that the Federal Government controls the money market. We do not know what the Federal Government may attempt to do to arrest or accelerate the conflicting inflationary and deflationary forces, nor do we know how sensibly labor and management will act. We can hope leadership, a willingness of labor to become more efficient and a willingness of management to understand the over-all picture. The truth is that no one can tell just what lies ahead. over-all picture. what lies ahead.

HERBERT J. VOGELSANG

President, The Niagara National Bank of Buffalo

President, The Niagara National Bank of Buffalo

The outlook for commercial banking in 1948 obviously cannot be separated from the outlook for business activity in general. Only those factors other than general business activity, however, will be considered here in appraising the outlook for commercial banking. Space permits the discussion of only two such factors which would seem to be the most important ones in determining the banking outlook in 1948. These factors are: (1) the possible continued stiffening of interest rates and (2) the possible imposition of restrictions upon the making of commercial loans.

The last few weeks of 1947 wit-



tions upon the making of commercial loans.

The last few weeks of 1947 witnessed a drastic decline in the price of long-term Government bonds. This decline was the result of some stiffening in interest rates but even more important was the possibility of a further increase in interest rates and the possibility that the Federal Reserve System would not support the Government bond market. The role which the Federal Reserve is likely to play has become very much confused because of the conflicting points of view within the system (Board of Governors, Advisory Committee, and individual Reserve Bank heads). Even some of those high in authority seem to change their points of view over a relatively short period of time. Thus, there were rumors that the Federal Reserve would not support the bond market, but at about the same time, action was taken in the direction of supporting the market. A more important aspect of this issue, however, would seem to be whether the Federal Reserve support will be sufficient to offset an otherwise drastic decline in market price because it seems inconceivable that the system would withdraw its support.

Our summary on this point is that it is likely that there will be some further stiffening of interest rates.

Our summary on this point is that it is likely that there will be some further stiffening of interest rates in 1948 and perhaps a further decline in the price of long-term Government bonds. The situation, however, is not likely to reach a crisis which will seriously jeopardize the position of the commercial banks as a result of their holding large volumes of Government bonds.

The second factor, apart from the level of general business activity, which the commercial banks must face during the year is the possibility of some restraints be-

(Continued on page 88)



Niles Trammell

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Administration's Swollen Budget

(Continued from page 85)

It violates every principle of liberal thought. It should only be substantial tax cut.

The President's message, howserful to the safety of our people.

The President's message, however, has made the issue clear.

As advocated in its present form it is neither desirable or advisable as a means of training our men efficiently for modern warfare. It is not the best method of getting reserves, nor does it provide the kind of reserves we might need.

U.M.T. would provide some ten or twelve million partially trained men for mass movement which is most unlikely to occur in any war we can foresee. We certainly do not need any such number of men for defense against sudden attack. If it should become necessary to send a mass army abroad, it would take two years to provide the new yeapons and methods of transport for any such army. During that time, additional men could be trained, and trained in the methods of the war they are to fight instead of the war of 1944.

I believe we want a smaller reserve on a volunteer basis, highly trained to carry on the technical activities so necessary in modern war and paid for the time they have to spend. In spite of the propaganda for U.M.T. an astonishing number of the best officers in all of the services do not believe in compulsory military training. Because of the Administration policy and propagands tration policy and propaganda, they naturally remain silent.

A proper reserve system can certainly be established on a volunteer basis. In view of the extensive propaganda as to the impossibility of such a program, I am sure the American people will be surprised to learn that the National Guard is having no trouble in securing its enlistment quotas. Its quotas are being retarded, however, because of its lack of equipment and armories. I am glad to see that nearly a hundred million dollars in increase in appropriations is provided in the current budget for the National Guard and for other increases in reserves

If the Army will once get over its fanatical interest in U.M.T. and go about building an efficient and adequate reserve on a voluntary basis, it could soon have as large a rerserve as we need. It can, of course, be supplemented by an extension of the R.O.T.C. system in our colleges, and the encouragement of military and physical training in the high schools.

The determination of the Army to proceed with U.M.T. has completely distorted the defense budget. Probably no net increase will be required, but certaintly it should be entirely recast if we wish to bring this country national security in a modern world.

Can Save \$3 Billion

My remarks have been only a rough commentary on the President's huge budget. I estimate that we can continue our generous policy of extending to Europe as much aid as can really be effective to assist them in restoring a stable economy. I estimate that we can recast our military budget to make it effective for national security and defense. And I believe we can still save net about \$3 billion.

On this basis there will be a surplus even on the President's estimate of receipts of \$7,800,-000,000. This will permit the application of \$2½ billion to the

substantial tax cut.

The President's message, however, has made the issue clear. The people in 1946 indicated clearly their belief that this country cannot go on indefinitely spending and spending and taxing and taxing and taxing we had to extend tremendously the power and expenses of the Federal Government to fight the World War. I believe the people are determined that those powers and that extension shall not be continued in time of shall not be continued in time peace. President Truman now has indicated even a greater extension in his state of the Union message and in the budget which he pro-

It is obvious that under this Ad-It is obvious that under this Administration we will never return to peace. The President demands war spending. He demands war powers to regulate every detail of American life. The only real progress, the only liberal progress, can be made under the increase of freedom. We have fought two world wars to prevent an attack freedom. We have fought two World Wars to prevent an attack on that freedom. Let us not volun-tarily surrender it to the powers and propaganda of a totalitarian

NYSE Quarter Century Club Elects Grogan Pres.

John S. Grogan, employed 29 years ago by the New York Stock Exchange and a reporter on its trading floor, was elected President today of the Quarter Century Club of the Exchange, succeeding Fred A. Knoble, Plant Manager of the New York Quotation Company, an Exchange sub-

City 56 years ago. The Quarter Century Club comprises 147 active employees of the Exchange and its affiliated companies.

Arthur F. Rundt, a Floor Supervisor, was elected Vice-President He is 47, lives in White Plains, and was employed by the Exchange at the age of 14.

Otto Schumm, 47, of Hillsdale, N. J., was elected Secretary. He was employed in 1921 and is a Floor Supervisor. Lawrence Harte, a veteran of 30 years and a Floor Reporter, was elected Treasurer. He lives in Baldwin, Long Island. Long Island.

Oscar Lassen, head carpenter of the Exchange, is the senior mem-ber of the club in age and em-ployment. He is 83 years old and, in May, will complete 53 years of continuous service. He is the continuous service. He is the eighth employee of the Exchange or its affiliated companies to complete a half-century of service.

The annual dinner of the club will be held this evening, at Whyte's Restaurant.

New Officials Announced Of Reserve Bank of Dallas

The Federal Reserve Bank of Dallas, Texas, in advices to member banks on Jan. 2, made known the following appointments and designations as announced by the Board of Governors of the Federal Reserve System:

J. R. Parten, President, Woodley Petroleum Co., Houston, Texas, redesignated Chairman of the Board of Federal Reserve Agent for 1948; R. B. Anderson, General Manager, W. T. Waggoner Estate, Vernon. Texas, redesignated Deputy Chairman for 1948; G. A. Frierson, of Frierson Co., Inc., Frierson, La., reappointed a director of the Reserve Bank for a three-year term beginning Jan. 1; sidiary. Mr. Grogan, who lives in Hal Bogle, of Dexter, New Mexthe Bronx, was born in New York ico, reappointed Director El Paso

branch for a three-year term be-ginning Jan. 1; J. E. Wheat, of Woodville, Texas, reappointed Director of Houston branch for a three-year term beginning Jan. 1; Everett E. Hale, Professor of Economics, University of Texas, appointed Director of San Antonio branch for a three-year term beginning Jan 1

At the same time, Jan. 2, it was announced that the Board of Directors of the Federal Reserve Bank of Dallas has made the following appointments:

Member of Federal Advisory Council, J. E. Woods, Chairman a three-year term beginning Jan. 1.

of Board, Temple National Bank, Temple, Texas, appointed for the year 1948; Director of El Paso branch, W. H. Holcombe, Executive Vice-President, Security State Bank, Pecos, Texas, appointed for a three-year term beginning Jan. 1; Director of Houston branch, R. Lee Kempner, President, United States National Bank, Galveston, Texas, appointed for a three-year term beginning Jan. 1: Director of San Antonio branch, E. R. L. Wroe, President, American National Bank, Austin, Texas, appointed for

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7 A. M. to 11 A. M., Pacific Standard Time.

(Continued from page 86)

ing placed upon their loaning activities. It is well-known that the loans of commercial banks have increased in a phenomenal way during the past year or so. In fact, the increase is unparalleled in the recent history of banking. The restraint on the continued expansion of loans may take several forms. Legislation may be passed in order to permit the Board of Governors to increase the legal reserve requirements of member banks. This would act as an effective check on bank expansion because most banks are not in an excess reserve position at the present time. There are other ways of accomplishing the same result but this seems to be the most likely of those which may be imposed from the outside. In addition, of course, there may be a self-imposed restraint which will result from either a feeling on the part of bankers that further loan expansion is not a good credit risk or from a desire to cooperate in curbing bank credit expansion during an inflationary period. The latter voluntary control is not likely to be very effective but many bankers are beginning to scrutinize more closely their existing loans and their new requests for the reason that the credit position of most borrowers at the present time is more favorable than even normal conditions would warrant. warrant.

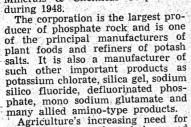
Our summary on this point is that drastic restraints are not likely to be placed upon the banks from the outside, but that some self-imposed restraints are likely to occur which will cut down but not wholly eliminate the expanding loan volume.

LOUIS WARE

President, International Minerals & Chemical Corp.

The serious dislocation between food supply and food demand throughout the world, both as a result of greatly expanding domestic consumption and foreign crop deficiencies, will continue to place a strain on all the production facilities of International Minerals & Chemical Corporation during 1948.

The corporation is the largest pro-



many allied amino-type products.
Agriculture's increasing need for plant foods, both through increased prominence given to soil conservation measures and the necessity for highest possible level of crop production to meet the growing domestic to greeign food requirements is expected.

as well as emergency foreign food requirements, is expected to cause the demand for fertilizers and their components to attain new heights. This demand in the United States will be intensified, too, as a result of the development of new fertilizer consuming areas in the Middle and Far West which are becoming important market factors for this company.

Market factors for this company.

Long-range planning calls for continuing our program of making additions to our production facilities and the extension of our present policy of product diversification. The major project of the company in this respect during 1948 will be the construction of a million-dollar refinery in Carlsbad, New Mexico, to produce chemical grade muriate of potash as well as an improved grade of sulphate of potash. The new plant will enable the company to enter new chemical markets and thus contribute further to the diversification policy. Another problem ahead involves planning for increased availability of triple superphosphate which is necessary for the manufacture of higher analysis plant foods as a result of the new trends in soil conservation and enrichment. richment.

The construction of a new fertilizer plant in Somer-The construction of a new fertilizer plant in Somerset, Ky., now under way, is the latest in a series of additions which have included Pensacola, Fla., and Mason City, Iowa, and enlarged facilities at Hartsville, S. C., and East Point, Ga., during the immediate preceding years. In virtually all plants, new mechanical dens and other labor-saving equipment have been installed during the past year to raise future output to the highest possible levels.

This spring will witness the opening of the largest and one of the richest phosphate mines in the world near Bartow, Fla., together with the construction of new processing facilities that will enable the corporation alone to produce as much phosphate as was represented by the entire output of all companies in the Florida phosphate fields before the late war. When the new mine and drier equipment become fully operating, phosphate output of the company will be approximately three times its prewar level. The company now is the largest producer in the Florida district whose output is almost one-half of all the phosphate mined in the world. The present expansion program by the company in Florida was undertaken to meet the intensifying demand for plant foods which use phosphate as a principal component, as well as the industrial chemical requirements for the mineral.

The same situation is reflected in potash, of which

The same situation is reflected in potash, of which the company is one of the four major producers in the country. Both potash consumption and production have been on the increase from year to year and will very likely continue in the future. This trend is being in-

fluenced considerably by the fact that virtually all manufacturers are stepping up the potash content in plant foods. Demand is also increasing as a result of the general expansion of the fertilizer market and the use of potash for direct application in agriculture.

use of potash for direct application in agriculture.

Imports of potash from Europe in 1947 were minor, amounting to only 1% of total domestic production, and it does not appear that European production in 1948 will permit any sizable quantities to be made available for importation to this country. What imports have arrived, moved at an advanced cost over domestic price and their distribution has been largely confined to the eastern seaboard. In addition to the consumption of potash salts by the plant food industry, industrial uses for potassium are likewise growing. The new Carlsbad refinery was planned, as a consequence, to expand International's ability to serve the general industrial chemical market. Other improvements in the present refining facilities at Carlsbad are expected to provide for a greater efficiency in potash recoveries which will enable the company to make substantial increases in output.

The operating experience of the new amino products

The operating experience of the new amino products plant at San Jose, Calif., which began production of mono sodium glutamate and allied products last spring has shown substantial improvement in both efficiency and rate of output. It is anticipated that the production rate during 1948 will increase further so as to permit the company to supply more of the requirements of the food industry than in the past.

Preliminary figures indicate that earnings for the first six months of the fiscal year ending Dec. 31, 1947 will run ahead of the comparable period last year. With the favorable outlook for 1948 in prospect, earnings for the full fiscal year are in a position to reflect this improved position of the company.

THOMAS J. WATSON

President, International Business Machines Co.

I am optimistic about 1948 business for industry of the United States. But I feel that it would be a mistake to permit ourselves to be complacent because the business outlook for the coming year is good. The future is more than 366 days.

Business prospects can continue to be good for many years to come if certain conditions are met. Foremost these conditions is world stabiliza-

or these conditions is world stabiliza-tion—economic and political.

A vital contributing factor to such stabilization is adoption of the prin-ciples of the Marshall Plan, with suf-ficient financial backing to insure its

Strengthening of world trade and control of inflation are of utmost im-

portance.
The United Nations affords an opportunity to individuals and groups Thomas J. Watson to participate in laying plans for peace, prosperity and

happiness for all peoples. In the United Nations, rather than in another year of good business, lies our hope for the future.

W. G. VOLLMER

President, The Texas and Pacific Railway Company

Unless some unfavorable economic condition not now evident on the business horizon manifests itself, 1948 will be another year of high business activity. At least, that seems to be the general consensus of opinion of the rank and file businessman, and in

rank and file businessman, and in that view I am disposed to concur.

The proposed European Relief Plan, which will undoubtedly be adopted in some form, will serve to increase the already heavy domestic demand both for consumer and durable goods. To fulfill these require-

demand both for consumer and durable goods. To fulfill these requirements, production must be carried forward at a high level in 1948.

Another basic factor which will serve to accentuate our expanding economy is the desperate housing need. Expansion of this important program will inevitably have a stimulating effect upon general trade activities and employment.

It is to be hoped that the spiraling trend of wages and prices will level off in 1948. But whether it does or not the purchasing power of the nation, which continues to establish new highs, will insure an expanding market for an almost limitless variety of consumer goods as well as a continuation of our present high standards of living.

When the principal economic factors are taken into

when the principal economic factors are taken into account, it seems to me that during 1948 we may reasonably expect (1) increased production in consumer and durable goods; (2) continuation of the heavy domestic demand for these goods, augmented by the government's requirements to carry out the proposed European Recovery Plan; (3) continuation of large farm crops, with a high income level; and (4) a possible continuation in the general expansion of prices and wages, although not to the extent of 1947.

From the standpoint of the railroad industry.

From the standpoint of the railroad industry, all of these things portend a large traffic volume for 1948, but the prospects for adequate net earnings is by no means encouraging, because the costs of rail operations have

increased at a much greater rate than the amount the carriers are receiving for their services.

If the railroad industry is to continue on a sound and solvent basis and to render a high type of service, it should be permitted to earn a net income sufficient to cover operating costs, to replace and modernize its plant, to meet interest charges and then have something left for the equity investors. It is to be hoped that substanial progress in this direction will be made during 1948.

To accomplish this important objective requires a change in our national transportation policy to the extent that the railroads will be permitted to compete on an equal basis with other forms of transportation for the nation's commerce. It is to be hoped that progress in this direction will be made during 1948.

ERNEST T. WEIR

Chairman, National Steel Corporation

It is not news that automobiles, refrigerators and other products made chiefly of steel are hard to obtain. Consumers, retailers, distributors and manufacturers are only too familiar with the paintful results of a situation

which finds demand for goods of all sorts far in excess of the available supply.

such a situation it is human In such a situation it is human nature to look for someone to blame. In many cases an accusing finger has been pointed at the steel industry. Persons inside and outside of the government have said that the the government have said that the steel industry should be producing more steel or, if that is impossible with present facilities, should at least be taking steps to greatly expand production.

Such statements are easily made and unfortunately they create a great deal of misunderstanding regarding the actual demand-supply situation in steel. It is my hope that this brief article may shed a little light on the subject by giving some of the important facts.

One thing should be apparent to everybody. It is this



One thing should be apparent to everybody. It is this. One thing should be apparent to everybody. It is this. Employment and production in most lines are at or above previous peaks and such a high rate of activity could not be supported without a large flow of steel—because in these days steel is essential in the manufacture of practically everything. The fact is that in 1947, the steel industry produced more than 84,000,000 tons of ingots. This is, by far, the industry's greatest production in any peacetime year. in any peacetime year.

With such great steel production, how does it happen

that products are so scarce? There are a number of reasons of which the following are the most important.

More steel is being shipped abroad than in prewar

days.

The number and size of steel consuming manufacturers

The war.

increased as a result of the war.

Most manufacturers cannot convert all the steel they receive into finished products immediately because war depleted inventories must be rebuilt.

The present consumer demand is abnormal because it is the total demand that accumulated through the war when peacetime products were unavailable.

when peacetime products were unavailable.

It is obvious that the effect of some of these factors is only temporary. Foreign demand will not continue permanently at the present level. Before the war, the United States made less than 40% of the world's steel; today it makes more than 50%. This is due to the destruction of much foreign steel capacity and inefficient operation of much surviving capacity. Foreign steel industries will not remain in their present condition. They will make strenuous efforts to regain their former positions in domestic and export markets.

The demand of steel for inventory purposes is in

The demand of steel for inventory purposes is, in effect, a double demand. It will cease to exist as pipe lines become filled. And the pipe lines have already become filled in the case of some steel products.

become filled in the case of some steel products.

The present consumer demand will eventually level out. Someone aptly compared the present demand to the situation that would be created if 40,000 persons appeared at the gates of Forbes Field and tried to pass through the turnstiles at the same time. They could all get in, but not at the same moment. The same thing will be true of the demand for products. Everybody will eventually get that automobile, refrigerator, or other article, and demand will subside to normal levels with only a fraction of the present number of buyers in the market for products at any given time.

It would be a bad thing not only for the steel industry

market for products at any given time.

It would be a bad thing not only for the steel industry but for the country, if steel companies should expand facilities on the basis that the present demand for steel would be permanent. Yet this is being urged as the public duty of the steel industry by some persons. It may be pointed out that these persons belong to the same school of economic philosophy which maintained, ten years ago, that the steel industry was over-expanded, and which predicted in the autumn of 1945 that there would be a great depression with millions of unemployed in the spring or summer of 1946.

Of more practical importance, it should be realized

of more practical importance, it should be realized that the type of expansion that these people urge would involve not only new and enlarged steel plants but the expansion of facilities all the way back to the sources of raw materials. Such expansion could not be accomplished in less than three years and thus could have no effect on the present situation. In the mean-

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time, the expansion itself would require steel which would have to be subtracted from the present supply. In addition, steel companies find it impossible to secure raw materials — principally coal, and scrap iron and steel — in sufficient quantity and quality to operate present facilities at capacity. Additional facilities would have little value if raw materials were not available to supply them to supply them.

With all of these factors in mind, the companies of With all of these factors in mind, the companies of the steel industry are carrying out programs of expansion and improvement that are in practical relation to the existing situation. The programs started in the steel industry at the end of the war involved total expenditures of more than \$1,000,000,000 and enlargement of some of the original programs has added several hundred millions of dollars more. It happens that this program of expansion and improvements is the largest in the history of the industry.

National Steel Corporation is a major contributor

In the history of the industry.

National Steel Corporation is a major contributor to this total industry program. Our current program, when completed, will have cost approximately \$100,000,000. As one result, our ingot capacity will be increased by 800,000 tons or slightly over 20%. Under this program, new facilities are being added at the plants of Weirton Steel Co., Weirton, W. Va., and Great Lakes Steel Corp., Detroit, Mich., including the construction of plants for the large scale production of oxygen to be used in furnace operations. The entire program will be completed in 1949.

I have not mentioned previously two of the most

I have not mentioned previously two of the most important factors bearing on this question of steel eximportant factors bearing on this question of steel expansion. These are the increase in population and the increased per capita consumption of steel or, to state it another way, the growth of our country and the constantly improving living standards of the American people. In these, the managements of steel companies have always had great faith, as is proved by the fact that at every period in our country's history, the steel industry has built capacity in advance of demand.

The leaders of the steel industry believe just as firmly as ever that the United States will continue to progress and improve, and they can be counted on to see that the steel industry will provide all the steel necessary to make this possible.

DAVID E. WILLIAMS

President, Corn Exchange National Bank and Trust Company, Philadelphia

The action of commodity prices over the course of the next few months in my judgment, will determine in large measure the problems in the banking field during 1948.

David E. Williams

Further increases in prices of basic commodities, in all probability, would accentuate increased wage demands and bring about continuation mands and bring about continuation of the inflationary spiral. If this persists it would result, no doubt, in the diminution of business momentum probably precipitated by further and more vigorous credit controls by the monetary authorities.

If cooperation is achieved and production is sustained, 1948 could continue to support a high standard of living for all and produce satisfac-

C. M. WHITE

President, Republic Steel Corporation

President, Republic Steel Corporation

Nearly all steel items produced by Republic Steel Corp. will remain tight through 1948, according to recent surveys made by the company. Sheet and strip will be most in demand, and it is certain that this demand will continue well above ability to produce throughout the year. Steel pipe is the next tightest item. The only items which appear to be in normal availability are stainless steel, both sheet and bar, and cold-drawn carbon bars. With prospects for a good year ahead in the automobile industry it is expected that demand for alloy steels will increase steadily over the next few months and the present easy availability will tighten up. The company does not expect to present easy availability will lighten
up. The company does not expect to
solicit business except in the stainless and cold-drawn bar lines and
will take no orders for most other
items through the second quarter,
and in many items through the year.
Several situations provide potential
threats to 1948 production. The scrap situation shows
no signs of relaxing and there is no reason to think that
any large amounts of scrap are available in this country



any large amounts of scrap are available in this country at the present time. Certainly today's high prices would have brought them out by now if this were true. Unless scrap is returned promptly from manufacturing plants and unless there is an equitable distribution of the scrap, some steel facilities will be unable to produce their normal output.

Another threat to steel production is the possibility of gas shortages resulting from severe cold spells of any duration this winter and river freezings could prove very serious to coal. Any one or more of these could keep steel production well below capacity in Republic's

plants and in almost every other steel plant in the

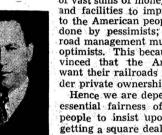
plants and in almost every other steel plant in the country.

The company is currently spending a large amount of money for plant improvements. More than \$108,000,000 has been appropriated since the end of the war to put Republic plants in the best possible condition to continue a high rate of production. Much of the money being spent is aimed toward increasing output from existing facilities and providing a steady flow of raw materials. The increased use of oxygen in the open hearth with resulting increases in tonnage and the adoption of blast furnaces to high-pressure blowing are typical of improvements being made which affect output. One major project begun during 1947 is expected to be in operation this year. This is the new pipe mill in Gadsden, Ala., for the production of large-diameter steel pipe, an item for which there is a tremendous demand at the present time. at the present time.

WILLIAM WHITE

President, The Delaware, Lackawanna & Western Railroad Company

The railroad industry has just emerged from the paradox of two years of tremendous volume of business with very little earnings. Yet railroad management has gone ahead committing the railroads to the expenditure



William White

tting the railroads to the expenditure of vast sums of money for equipment and facilities to improve its service to the American people. This is not done by pessimists; therefore railroad management must be classed as optimists. This because we are convinced that the American people want their railroads to continue under private our proper to the continue under private our proper to the continue under private our proper. der private ownership.

Hence we are dependent upon the

essential fairness of the American people to insist upon the railroads getting a square deal and being permitted to earn a fair return, and to insist upon eventually correcting the situation that results in unequal com-petition from other forms of trans-

portation that benefit by subsidies from the public purse either directly or indirectly. Therefore we go ahead, and we must go ahead.

We have been heartened by the prompt response of the We have been heartened by the prompt response of the Interstate Commerce Commission in its prompt action last October, and again at the end of the year, granting authority for increased freight rates to meet the constantly increasing cost of wages and material. From such portents as are available, we expect 1948 volume of business to be equal, or nearly so, to that of 1947, and therefore we look forward to this year with more optimism.

We sincerely here that these who make the policy of

We sincerely hope that those who make the policy of our labor organizations have seen the futility of demanding constantly increased wages followed by constantly increasing prices. They can render a great public service and a service to their members by withholding demands and a service to their members by withholding demands for further increases in wages and giving business a breathing spell to increase production, with improved efficiency, so that costs can be lowered and, thus, prices decreased. The inflationary spiral of wages and prices must stop at some point, and we find that businessmen generally are anxious to decrease prices if only there is a surcease from constantly increasing wages. It must be recognized that in the final analysis there is only one cost and that is the cost of labor. We talk of material prices but in the transportation and conversion of raw prices, but in the transportation and conversion of raw materials into finished goods labor is the only element

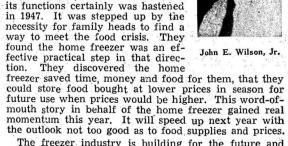
JOHN E. WILSON, JR. President, Wilson Refrigeration, Inc.

Many economic and social factors are combining to make 1948 a year of healthy possibilities for the home

make 1948 a year of healthy possibilities for the home freezer industry.

While I am making no prophecies or attempting any audits of future trends there seems abundant evidence at hand that the home freezer will play an even more important role in 1948 than it did in 1947 in helping American families combat the problem of increasing food scarcities and spiralling prices.

The home freezer had its first real important emergence this year. While there are many millions yet who do not know what the home freezer can and cannot do, their education as to its functions certainly was hastened



The freezer industry is building for the future and they have an opportunity now to establish the industry on a firm foundation in addition to performing a real public service by informing the housewife on how the

home freezer can bring about economies and conveniences that will make daily life much easier for herself

and her family.

Distributor-dealer expansion is further evidence that there is a decided trend on the part of the consumer toward the home freezers and that appliance dealers and others are becoming acutely aware of it.

R. E. WOODRUFF

President, Erie Railroad Company

The railroad industry is encouraged for the coming year. The Interstate Commerce Commission, by granting a 20% interim rate increase, has shown that it is appreciative of the railroad situation, and they are considering the full freight-rate increase re-

In the hearings which have been concluded, leaders of industry have taken a broad statesman-like positaken a broad statesman-like position. They want strong railroads because they know that America's prosperity depends upon efficient transportation. The people of this country are greatly concerned about what is occurring in Europe and particularly in England. We are aware of the implications of government ownership. If we are to conment ownership. If we are to continue our American way of life, we must have modern and well-equipped railroads under private owner ship and management. Transporta-



Robert E. Woodruff

tion systems are always the first to be taken over by any socialistic or dictator nation. We are optimistic that the decision of the Commission will be favorable and the rate increase adequate. The rail—roads are at the tail-end of the price-increase spiral. Two substantial wage increases have been granted to employees and the railroads are just now trying to catch up with increased prices through the medium of an adequate increase in freight rates to cover increases in both wages and materials, which they have had to absorb in recent years. For example, since 1939, wages and payroll taxes have increased 75%; the cost of materials and supplies is up 88%, while freight charges have risen only 38% and passenger fares 20%. Railroads are at the end of a spiral of rising living costs and cannot in any sense be held accountable for starting a new spiral.

spiral.

If, now, the U. S. Government, which caused this inflation, can be persuaded to (1) make money more scarce and reduce civilian Federal officeholders to a point somewhere near prewar status; and (2) give money to foreign countries only if it will encourage them to increase their own production, then perhaps a third spiral of wage increases can be held in abeyance until some of the producers can catch up with demand until some of the producers can catch up with demand and basic commodity prices will start to level off. While the Government alone could halt inflation, yet if all concerned will take a broadminded and intelligent position it will help stabilize conditions to the advantage of everyone,

KNIGHT WOOLLEY

Partner, Brown Brothers Harriman & Co.

Commercial bankers have just completed one of the most active years in their history. The momentum of the economy gives promise of continuing to tax the capacity of both business and the banks throughout at least a portion of 1948.

A combination of high level business activity, rising commodity prices and a relatively unreceptive market for new equity securities resulted in an important increase in the demand for commercial loans which is expected to carry over into 1948. Conscious of their responsisituation and in deference to the expressed wishes of the monetary and banking authorities, commercial bankers are, however, exercising restraint in making loans. With the demand for funds for investment purposes probably outrunning the supply of savings, the commercial banker is placed in the particularly



Knight Woolley

responsible position of ensuring that loans of an unes-sential character are not permitted to add to the upward

pressure on prices.

The mildly rising trend of interest rates that began some time ago has recently gathered momentum. F spective Federal debt retirement, together with the recent increase in Federal Reserve Bank rediscount rates, points to a further stiffening of bank lending rates. Although unimportant as a cost factor—for interest rates are still very low—the rise in interest rates in

beneficial in the present inflationary situation as a warning that excesses are appearing which if uncorrected may be followed by general business reverses.

To the larger metropolitan banks located on the seaboard with heavy interests in overseas business, the year 1947 was one of marked contrasts. The number of export credits opened began rising in the second half of 1946 and reached a peak, far above the 1946 level, in the

(Continued on page 90)

(Continued from page 89)

winter of 1947. Subsequently, a sharp decline occurred, reflecting the rapid depletion of free dollar resources by foreign countries. In timing, although not in amplitude, the movement tended to coincide with the trend of exports from the United States.

Export financing by American banks in 1948 will probably be considerably less than last year. Without the Marshall Plan, exports have been estimated at two-thirds of the approximately \$14.5 billion volume reached in 1947. With the Marshall Plan, exports may approach the level of last year but the need for bank financing will be less. will be less.

Although American banks may not participate in financing exports that arise directly out of the Marshall Plan, some benefit may still accrue to them. In so far as money appropriated under the Marshall Plan is spent abroad, American dollars will be scattered throughout the world which in time will presumably be spent for American goods. This should bring some additional export credit business to American banks.

The inflationary boom is undoubtedly the number one The inflationary boom is undoubtedly the number one domestic economic problem, and the question of helping to build a politically stable and economically self-supporting Western Europe is the most urgent issue in the foreign field. At home, warning signals have been erected and the country is on notice that the dangers in an inflationary boom are not being ignored. In the foreign field the Marshall Plan is not yet assured, but that a prosperous and stable Western Europe is vital to this country is winning increased recognition. An inflationary country is winning increased recognition. An inflationary boom at home and a costly yet not overly burdensome foreign problem are the major challenges confronting the United States at the beginning of 1948.

FREDERIC E. WORDEN President, The National Bank of Auburn

The outlook in the banking field for 1948 is confused and uncertain. Generally speaking 1947 could be termed a good year and there are many reasons to look forward to 1948 with the hope that from the earnings standpoint

it will be even a better one.



Frederic E. Worden

The fundamental changes in our economy which have affected interest rates, the price of high grade corporate securities known as money bonds, and as well municipal and government securities, have brought new problems and no doubt great

concern to many bankers.

In the loan account there is a need for caution in extending new credits. Loans that have already been made will require careful watching to prevent some of them from slipping into doubtful and loss classifications. Keener competition and the changes in the general eco-

and the changes in the general economic situation in a number of instances have caused a weakening of working capital positions. This will place heavier responsibilities both on banking and the management of those concerns which may need additional financing. Bankers will have to work harder than ever before to maintain liquidity and meet the reasonable demands for new credit in their communities. new credit in their communities.

The problems affecting personnel and control of operating costs will remain acute. Further increase in the inflationary spiral such as higher wages and a substantial rise in the cost of living, together with the uncer-

tainties of the international and domestic political sit-uations are unfavorable factors in the outlook for the coming year.

Full employment, the backlog of demand for consumer's goods and the probable reduction of personal income taxes are considered favorable factors in maintaining a high level of business for the year.

A crisis in the international field or a serious crop failure in this country could have a drastic effect on our whole economy. We must have a strong courage and a renewed faith to meet squarely all the problems which may arise. Barring some unforeseen difficulties we can hope that 1948 will be a reasonably good year for all.

HOWARD L. WYNEGAR

President, Commercial Credit Company

While final figures are not presently available, it would appear that the total volume of gross receivables purchased by our company in the year just closed will amount to approximately one billion and a half dollars.

This represents an increase of about

50% over the previous high volume year of 1941. The profit from our 1947 operations will be reasonably satisfactory notwithstanding a much higher operating cost than prevailed in prewar years plus the fact that the cost of money to be used in our operations, which may be considered as our "inventory," is considerably higher than the average cost of our funds previous to 1941.

Looking to 1948, there is evidence

that there will continue to be a heavy demand for money and credit accommodation from practically all

lines of business endeavor. We can reasonably conclude that our services and our money will continue to be Howard L. Wynegar in demand

in demand.

Regulation "W," which provided wartime credit restrictions on consumer credit, including instalment credit, of course, was discontinued Nov. 1, 1947 by Congressional action. There has been some agitation by the present Administration in Washington, as well as by some members of Congress, to reestablish these restrictions in some form on the general theory that such action will have some salutary effect upon the present inflation. will have some salutary effect upon the present inflation trend. In my judgment such reasoning is not sound. The amount of current instalment sales credit that has prevailed during 1947 and continuing to the present prevailed during 1947 and continuing to the present time is much less with relation to disposable national income than in the prewar years. For example, automobile retail sales paper outstanding on Dec. 31, 1941 amounted to \$1,942,000,000; while exact figures are not now available, it is not likely that the outstandings of such paper at the present time are more than 50% of the outstandings at the end of 1941, and this amount of credit is fairly insignificant as compared to the many other elements that contribute to the inflation picture.

Moreover, restrictions on such class of paper redound to the disadvantage of many thousands of ordinary time buyers who are much in need of many durable goods today that they cannot purchase on a cash basis. It is hardly equitable that these much needed goods should be available only to the fortunate buyer who has cash resources.

It may be added that even if Congress does legislate to reimpose some restrictions on consumer credit, we still believe that our company, as well as other well established finance companies, will continue to find their resources fairly well employed in taking care of the

demand for finance services. This conclusion is based in part upon the fact that Regulation "W" was in effect up to November of last year and our volume of business, as indicated above, was not unduly affected.

SAM D. YOUNG President, El Paso National Bank

History has a way of repeating itself and probably will do so again even in the field of economics not-withstanding central government controls and social planning, which are comparatively new factors in the American economic structure. If it does, then the big job ahead for American banking seems to be one

of keeping its house in order and in fighting the spread of socialism and cummunism.

and cummunism.

Out here in the land of the great Southwest are resources commonly characterized by the four "C's".

Copper, along with other metals, which are produced in great quantities and processed in big smelters and refineries in the territory; Cotton, and other crops, which bear a better yield in the rich El Paso valley than perhans anywhere else valley than perhaps anywhere else in the world; Cattle, which have always comprised one of the main



industries; and Climate, which brings a big tourist trade. Needless to say, our people have been enjoying, along with the nation, the greatest pros-

perity over recorded in history.

Some of us feel, however, that we may be well along towards the end of the prosperity wave in this business cycle, and that perhaps now is the time for bankers to revitalize their energies and rededicate their talents. toward assuring a sound solution of the problems which

Perhaps there is little, if any, doubt in our own minds that American banking has fully measured up to expectations, nor is there any doubt that the present system is the best, the soundest and the most serviceable ever known. However, it is the task of bankers to keep the known. However, it is the task of bankers to keep the majority of our people convinced that these things are true. Scientific analysis of public opinion shows that a considerable minority of our people already favor nationalization of banking and, in the light of this fact the importance of preserving the present sound state of banking affairs certainly can not be overemphasized. It is important not only to the individual banker, but to the Nation and to the world. This tremendous responsibility, with the corresponding greater opportunities for statesmanlike service, will undoubtedly be met and discharged creditably in the face of any trials that the banking system may meet.

Prerequisites to the maintenance of a sound structure

Prerequisites to the maintenance of a sound structure seem to be embraced in the same conservative rules we were taught long ago, but which may have been shaded somewhat, if not overshadowed, by the good times through which we are passing. Our attention is already being focused on the ratios of capital to deposits, and if deposits are to remain in corresponding relation to the National debt we shall likely be seeing another tide of capital increases. More cautious analysis of credits, from the standpoint of solvency and liquidity, in the face of declining values, and broader advertising programs, telling the people what banking is really doing for them and the Nation, are also subjects which seem to be receiving considerably more thought. These are but a few of the indications that the Nation's bankers are on the alert and are prepared to contribute their strength in preserving the American way of life. Prerequisites to the maintenance of a sound structure strength in preserving the American way of life.



(Continued from page 15)
L. Paynter, Clarence W. Bonner and Joseph M. O'Neill. Charter members of the club number 72 persons, of whom 61 are men and 11 are women. The oldest member, in point of service, is Richard W. Roberts, a teller at the company's main office, whose service record goes back to Aug. 1, 1900. George V. McLaughlin, President of the company, was the principal speaker at the meeting, and George A. Barnewall, Executive Vice-President, presented insignia and gifts.

At the annual organization of the Board of Trustees of Brooklyn Trust Co. on Jan. 15, all officers of the company were re-elected for the ensuing year.

William S. Morrison and Henry W. Michels were made Assistant Sales Managers, Bond Department and Ralph A. Heinsen, Assistant Manager, Foreign Department.

At the annual meeting of the stockholders no changes were made in the Board of Directors

except for the resignation, previously announced of Albert W. Harris, Howard W. Fenton and

The following changes in the official staff of the Harris Trust and Savings Bank of Chicago were announced by the Board of Directors on Jan. 14, 1948:

Rufus R. Jeffris, formerly Assistant Vice-President was elected for three-year terms: William Scott Bond, David Levinger, Amos C. Miller, Kenneth E. Rice and Douglas S. Seator, formerly Assistant Secretary and Trust Chairman of the Board Mr. Dines to the position of Chicago Title and Trust Chairman of the Board. Mr. Swan has Dines to the position of Chairman of the Board. Mr. Swan has Dines to the position of Chairman of the Board. Mr. Swan has Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Swan has Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board. Mr. Dines to the position of Chairman of the Board Mr. Dines to the position of Chairman of the Board Mr. Dines to the position of Chairman of the Board Mr. Dines to the position of Chairman of the Board Mr. Dines to the position of Chairman of the Board Mr. Dines to the position of Chairman of the Board Mr. Dines to the position of Chairman of the Board Mr. Dines to the position of Chairman of the Board Mr. Dines to the position of Chairman of the

that the company's new quarters "are working out very satisfac-torily," adding that "while the quarters now seem adequate for satisfacsome time to come, should in-creased business necessitate our enlarging or changing the location of some of the units, this can be accomplished without structural changes in the building."

The election of J. Howard Ferguson to the Presidency of the United States National Bank of Denver, Colo., was announced on

Jan. 13 following the Jan-uary meeting of the Board of Directors.
At the same meeting, the bank's direc-tors re-elected Thomas A.
Dines to the
position of
Chairman of

Vice-President, was named Vice-Chairman of the Board. Born and educated in Nebraska, Mr. Ferguson spent 20 years following his graduation at the University of Nebraska in various banking positions in New York City, and was Vice-President of the Commercial National Bank & Trust Co. of New York at the time he came to Den-ver in Sept. 1945 as Vice-President of the United States National Bank of which in January 1947 he was elected Executive Vice-President. He has been in charge of credit and operations affairs at the bank, and operations affairs at the bank, and has traveled widely throughout the Rocky Mountain region.

Mr. Dines has been President of the U.S. National since 1936, and is well known throughout the Rocky Mountain region in banking, in the oil business and in civic affairs. He will continue to be active in the bank as Chairman of the Rocky My Swan has

erts, Francis M. Petersen and George A. Gribble, Vice-Presi-dents; Munro L. Lyeth, Trust Of-ficer and Assistant Manager of the Trust department. Stanley W. Stephenson and John R. Starkey, Assistant Cashiers, and James S. Holme, Public Relations Officer. All other officers and directors of the bank were re-elected.

On Dec. 31, at a special meeting of the Board of Directors of The National Bank of Commerce of Houston, Tex., the following promotions were made:

Charles W. Hamilton, now Vice-President and Trust Officer, from Trust Officer, F. L. Pryon, now

Trust Officer; F. L. Pryor, now Assistant Vice-President, from Assistant Cashier; Leighton F. Young, now Assistant Vice-President, from Assistant Cashier; Leon M. Armer, now Assistant Vice-President, from Assistant Cashier; Sutor Hayward, now Assistant Cashier, from Teller; W. Fred Hueter, now Assistant Cashier, from Teller; M. Waddell Moursund, now Assistant Cashier, from New Business De-

Indications of Current Business Activity

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

		o cell bi	Manual Ca	rucu on t	uat date,	or, in cases of quotations, are as	of that	date):	
AMERICAN IRON AND STEEL INSTITUTE: Indicated steel operations (percent of capacity) Equivalent to— Steel inguis and castly a product of the steel inguisting and castly and assets a steel inguisting and castly and assets		Latest Week 96.1	Previous Week *95.6	Month Ago. 86.6	Year Ago 92.5	BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—	Latest Month	Previous Month	Year Ago
Steel ingots and castings produced (net tons) AMERICAN PETROLEUM INSTITUTE: Crude oil output—daily average (bbls. of 42 gallons each) Crude runs to stills—daily average (bbls.)		1,732,200	1,723,200	1,515,400	1,617,900 *	BANKERS DOLLAR ACCEPTANCES OVER	\$118,384,000	\$92,921,000	\$103,900,000
Gasoline output (bbls.) Kerosine output (bbls.)	Jan. 10 Jan. 10	5,313,137 5,289,000 16,289,000	5,291,237 5,637,000 17,163,000	5,252,739 5,104,000 15,705,000	4,530,900 4,708,000 14,694,000	STANDING — FED. RESERVE BANK OF NEW YORK—As of Dec. 31— Imports	\$159,268,000	\$146,540,000	\$162,054,000
Residual fuel oil output (bbls.)	Jan. 10 Jan. 10	2,290,000 7,471,000 8,776,000	2,346,000 7,405,000 9,392,000	2,485,000 6,337,000 8,580,000	1,971,000 5,587,000 7,805,000	Domestic shipments Domestic warehouse credits Dollar exchange	9,757,000 15,210,000	9,626,000 15,695,000	29,216,000 11,331,000 17,709,000
Finished and unfinished gasoline (bbls.) at Kerosine (bbls.) at Gas oil and distillate fuel oil (bbls.) at Residual fuel oil (bbls.) at Residual fuel oil (bbls.) at	Jan. 10 Jan. 10	96,698,000 14,536,000 46,785,000	94,099,000 15,983,000 *49,934,000	87,608,000 18,127,000 55,032,000	95,000,000 15,959,000 55,617,000	foreign countries	10,861,000	9,403,000	6,757,000
ASSOCIATION OF AMERICAN RAILROADS:		51,935,000	*51,426,000	53,318,000	50,789,000	Total BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of December (in millions):	\$261,269,000	\$245,152,000	\$227,177,000
Revenue freight rec'd from connections (number of cars). CIVIL ENGINEERING CONSTRUCTION, ENGINEERING	Jan. 10.	831,447 675,434	682,038 544,621	854,159 729,416	830,953 664,281	Total construction New construction Private construction		*\$1,489 *1,286 *1,001	\$1.054 905
Total U. S. construction	Jan. 15	\$83,284,000		\$130,139,000	\$110,241,000	Residential building (nonfarm) Nonresidential building (nonfarm) Industrial Commercial	560	*565 *290 135	711 320 296 166
Public construction State and municipal Federal	Jan. 15 Jan. 15 Jan. 15 Jan. 15	32,201,000 51,083,000 32,615,000 18,468,000	34,834,000 50,841,000 38,747,000 12,094,000	69,218,000 60,921,000 32,424,000 28,497,000	92,821,000 17,420,000 15,657,000	Farm construction Public utilities	60	*96 59 25 121	50 50 10
COAL OUTPUT (U. S. BUREAU OF MINES).		13,690,000	*11,470,000		1,763,000	Residential building Nonresidential building (except military	246 5	*285 7	.85 194 .51
Bituminous coal and lignite (tons) Pennsylvania anthracite (tons) Beehive coke (tons)		1,100,000 123,200	784,000 *127,900	13,566,000 1,198,000 140,900	13,750,000 1,215,000 117,700	and naval facilities) Industrial All other Military and naval facilities	50 	*50	23 5 18
DEPARTMENT STORE SALES INDEX—FEDERAL RESERV SYSTEM—1985-39 AVERAGE—100	ÆJan. 10	251	205	570	232	Sewer and water Conservation and development	16 100 28 32	18 130 28 *36	16 57 18 21
EDISON ELECTRIC INSTITUTE: Electric output (in 000 kwh.)		5,370,112	5,277,680	5,367,624	4,856,890	All other public Minor building repairs Residential building (nonfarm) Nonresidential building (nonfarm)	15 185 65	*16 203 70	149 35
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & STREET, INC.	BRAD- Jan, 15	61		91	51	BUILDING PERMIT VALUATION - DUN &	60 60	*68 *65	CO 54
JRON AGE COMPOSITE PRICES: Pinished steel (per lb.) Pig iron (per gross ton)	Jan. 13	3.18925c \$40.08	3.18925c	3.18925c	2.87255c	BRADSTREET, INC.—215 CITIES Month of December: Geographical Division— New England			
Pig iron (per gross ton) Scrap steel (per gross ton) METAL PRICES (E. & M. J. QUOTATIONS):	Jan. 13	\$40.58	\$39.58 \$40.00	\$36.96 \$39.75	\$30.14 \$31.00	South Atlantic East Central	85,237,545 28,408,783	\$18,533,566 63,686,465 29,790,487 56,969,115	48,991,738 14,086,430
Electrolytic copper— Domestic refinery at	Jan. 14	21.200c 21.550c	21.200c 21.575c	21.200c 21.425c	19.225c	South Central West Central Mountain Pacific	36,996,411	35,193,383 18,958,112 6,753,971	24,419,091 16,550,895 7,878,602 3,684,647
Straits tin (New York) at Lead (New York) at Lead (St. Louis) at Zinc (East St. Louis) at	Jan. 14	94.000c 15.000c 14.800c	94.000c 15.000c 14.600c	80.000c 15.000c 14.800c	19.925c 70.000c 13.000c 12.800c	Total United States	¢200 005 440	\$289,856,524	25,688,002
MOODY'S BOND PRICES DAILY AVERAGES:		10.500c	10.500c	10.500c	10.500c	New York City	247,290,752	255,473,057	112,863,019
U. S. Govt. Bonds	Jan. 20	100.69 111.17 116.22	100.69 110.88 116.22	101.86 111.07 116.22	117.40 122.09	Bituminous coal and lignite (net tons)— Month of December Pennsylvania anthracite (net tons)—Month	55,368,000	52,350,000	43,877,000
Baa - Railred Group	Jan. 20 Jan. 20	114.27 110.15 103.97 105.34	114.08 109.79 103.80 105.34	114.46 110.15 103.97 105.34	120.22 117.40 110.70 113.12	of December Beehive coke (net tons)—Month of Dec CONSUMERS PRICE INDEX FOR MODERATE	4,863,000 580,000	4,613,000 *544,600	5,065,000 395,700
Industrials Group	Jan. 20 Jan. 20	112.75 115.24	112.56 114.85	112.93 115.24	118.80 120.84	INCOME FAMILIES IN LARGE CITIES 1935-1939—100—As of November 15: All items	2010		
MOODY'S BOND YIELD DAILY AVERAGES: U. S. Govt. Bonds. Average corporate Aaa	Jan. 20	2.45 3.11	2.45 3.12	2.37 3.11	2.78	All foods Cereals and bakery products Meats	164.9 202.7 167.9 227.0	163.8 201.6 160.3 235.5	152.2 187.7 140.6 203.6
Aaa Aa Aa Baa	Jan. 20 Jan. 20 Jan. 20	2.84 2.94 3.16	2.84 2.95 3.18	2.84 2.93 3.16	2.78 2.55 2.64 2.78	Eggs Fruits and vegetables	198.4 224.7 199.6	190.1 232.7 196.6	198.5 201.6 184.5
A	Jan. 20 Jan. 20 Jan. 20	3.51 ' 3.43 3.02 2.87	3.52 3.43 3.03	3.51 3.43 3.01	3.13 3.00 2.21	Beverages Fats and oils. Sugar and sweets Clothing	194.7 196.4 183.2 190.2	190.8 190.0 181.8 189.0	167.8 244.4 170.5 171.0
MOODY'S COMMODITY INDEX	Jan. 20	449.5	2.91 455.4	2.89 456.9	2.61 371.5	Rent	115.2 126.9 92.5	114.9 125.2 92.2	114.8 91.8
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COM TY INDEX BY GROUP—1935-39—100:	at the graph that the second					Other fuels and ice Housefurnishings Miscellaneous	160.5 188.9 143.0	157.4 187.8 141.8	137.2 171.0 132.5
Foods Fats and oils Farm products Cotton Grains	Jan. 17 Jan. 17	244.6 300.5 279.9	244.0 289.2 279.6	236.8 266.0 275.8	214.5 262.6 226.1	COTTON SEED — DEPT. OF COMMERCE — Received at mills (tons) Aug. 1 to Dec. 31 Crushed (tons) Aug. 1 to Dec. 31	3,583,155 2,256,672	3,106,691 1,091,202	2,674,588 1,756,915
Livestock	Jan. 17 Jan. 17	337.8 323.4 266.8 216.0	337.1 310.8 270.1 216.0	336.7 312.7 263.6 198.2	296.6 199.0 226.4 157.6	Stock (tons) Dec. 31 COTTON SEED PRODUCTS—DEPT: OF COM- MERCE—	1,426,011	1,515,017	1,035,479
Textiles	Jan. 17	180.7 220.2 161.3	178.8 220.4 161.0	179:2 226.2 159.3	152.5 213.6 142.4	Crude Oil— Stocks (pounds) Dec. 31————————————————————————————————————	109,368,000 639,650,000	112,684,000 515,206,000	97,569,000 546,354,000
Building materials Chemicals and drugs Fertilizer materials Fertilizers Farm mechiners	Jan. 17	233.2 155.3 138.5 142.4	236.2 154.5 137.7 141.8	236.7 156.4 137.5 141.8	216.8 153.3 125.8 133.6	Shipped (pounds) Aug, 1 to Dec. 31 Refined Oil— Stocks (pounds) Dec. 31	646,464,000 152,916,000	463,456,000 133,196,000	519,991,000 170,112,000
Farm machinery All groups combined NATIONAL PAPERBOARD ASSOCIATION:	Jan. 17 Jan. 17	134.5 226.6	134.5 226.0	129.3 220.0	120.8 189.8	Produced (pounds) Aug. 1 to Dec. 31————————————————————————————————————	74,035 1,042,907	71,590	429,341,000 120,182
Orders received (tons) Production (tons) Percentage of activity Unfilled orders (tons) at	Jan. 10 Jan. 10	185,437 177,964	187,093 136,219	162,012 183,345	171,420 178,043	Shipped (tons) Aug. 1 to Dec. 31 Hulls— Stocks (tons) Dec. 31	1,015,813	780,965 756,316 72,493	776,103 687,549 96,339
OIL PAINT AND DRUG REPORTED PRICE		459,989	78 4 52,124	100 444,685	102 580,026	Produced (tons) Aug. 1 to Dec. 31 Shipped (tons) Aug. 1 to Dec. 31 Linters—running bales—	510,877 475,034	383,472 346,787	404,818 .334,404
INDEX-1926-36 AVERAGE=100		151.2	150.6	150.1	150.5	Stocks Dec. 31 Produced Aug. 1 to Dec. 31 Shipped Aug. 1 to Dec. 31 Hull fiber (500-lb, bales)—	188,851 702,223 593,116	170,509 527,276 436,511	100,401 560,737 495,390
All commodities Farm products Foods	dan. 10	164.5 197.0 182.1	164.4 199.2 181.3	161.4 196.2	140.0 165.8	Stocks Dec. 31 Produced Aug. 1 to Dec. 31 Shipped Aug. 1 to Dec. 31	1,888 9,338 7,751	1,856 6,770 5,215	1,352 9,934 9,085
Textile products	Jan. 10 Jan. 10	200.3 145.8 130.0	202.2 147.5 128.5	179.0 204.9 146.3 120.2	158.1 171.2 133.2 98.0	Motes, grabbots, etc. (500-lb. bales)— Stocks Dec. 31————————————————————————————————————	16,011 23,355 17,857	15,378 17,456 12,591	11,131 20,822 11,421
Building materials Chemicals and allied products Hussfurnishing gode	Jan, 10 Jan, 10 Jan, 10	152.8 189.7 139.0	152.0 189.4 135.0	151.5 188.4 135.1	135.5	TREASURY MARKET TRANSACTIONS IN DI- RECT AND GUARANTEED SECURITIES	17,657	12,091	11,421
Special groups—	Jan. 10	136.7 122.1	135,3 121.8	135.2 119.8	121.4 109.0	OF U. S. A.—Month of December; Net sales Net purchases	\$696,391,000	\$220,961,000	\$20,300,000
Raw materiais Semi-manufactured articles Manufactured products. All commodities the the	Jan. 10	182.9 158.4 157.3	184.5 157.9 156.6	180.9 157.0 153.7	153.1 135.9 135.4	TRUCK TRAILERS (DEPT. OF COMMERCE)— Month of October: Production (number of units)	2.069		
All commodities other than farm products. All commodities other than farm products and foods. *Revised figure.		157.3 146.9	156.6 156.4	153.7 153.7 143.5	135.4 134.4 125.0	Production (number of units) Shipments (number of units) Shipments (value in dollars) *Revised figure.	3,962 4,605 \$11,952,284	*3,158 *3,948 *\$10,469,130	8,731 8,374 \$17,960,242
						*Revised figure.		A 144	

Securities Now in Registration

INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Broach Corp., Ann Arbor, Mich.

Dec. 2, (letter of notification) 40,000 shares (\$5 par) common. Price—\$5 a share. Underwriter—Dean W. Titus and Co., Ann Arbor. To build factory, pay obligations and for working capital,

Airezone Conditoner Corp., New York

Jan. 16 (letter of notification) \$100,000 3% 2-year sub-ordinated promissory notes, dated February 1948, and 2,000 shares of common stock (par 1c). Underwriter— Seasongood & Haas, New York. To be offered in units of \$5,000 notes and 50 shares of stock at \$5,000.25 per unit. Pay operating expenses and working capital.

All American Industries, Inc., New York

Oct. 30 filed 100,000 shares (\$1 par) common (name to be changed to American Steel & Pump Corp.) Underwriter—Herrick, Waddell & Co., New York. Price by amendment. Proceeds—To pay off indebtedness incurred in the acquisition of the capital stock of A. D. Cook, Inc., Lawrenceburg, Ind.

American-Eagle Products, Ltd., Denver, Col.

Jan. 13 (letter of notification) 300,000 shares (\$1 par) non-assessable stock. Price—\$1 per share. Underwriting non-assessable stock. Price—\$1 p.—None. For corporate purposes.

Avons, (Ray Carl) Long Beach, Calif.

Jan. 13 (letter of notification) \$90,000 of a \$100,000 limited partnership to be offered at \$1,000 per unit. To acquire and develop mining property.

Beam (James B.) Distilling Co., Chicago

Dec. 29 (letter of notification) 150,000 shares (\$2 par) common. Price—\$2 a share. No underwriting. For working capital. Offered to common stockholders of Philip Blum & Co. Inc. of record Dec. 22. Rights expire Feb. 20.

9 Belle Eldridge Gold Mines, Canton, S. D.

Jan. 7 (letter of notification) 52,250 shares (\$1 par) common, to be offered pro rata to stockholders. Underwriting—None. For working capital and financing.

Bendix Aviation Corp., Detroit (1/27-28)

Jan. 2 filed 399,990 shares (\$5 par) common. Under-veriter—Morgan Stanley & Co. Price by amendment. Stock owned by General Motors Corp. Business—Manu-facturing aviation, radio, marine and automotive parts.

California Union Insurance Co., San Francisco Nov. 28 filed 99,700 shares of common stock (par \$10). Underwriter—None. Price—\$25 a share. Proceeds—For working capital.

Cameron Aero Engine Corp. (1/26-30)

Dec. 29 (letter of notification) 101,000 shares of common stock (par \$1), of which 85,000 shares will be sold to the public; 8,500 shares will be issued to underwriters additional underwriting consideration and 7,500 shares will be issued to American Die & Tool Co. for investment in return for cancelling \$15,000 open account for machine tools. Price—\$2 per share. Underwirter—R. A. Keppler & Co., Inc., New York. To provide operating funds etc.

Central Chemical Corp., Hagerstown, Md.

Dec. 29 filed 254,682 shares (\$10 par) non cumulative 6% stock and 70,643 shares (\$10 par) non-voting common Class B stock. Underwriters—To be sold through company officers and employees. Offering — To company stockholders, employees and customers. Price—At par. Proceeds—To retire indebtedness and for working capital.

Central Maine Power Co.

Nov. 10 filed 160,000 shares (\$10 par) common. Underwriting—To be determined by competitive bidding. On Dec. 3 only one bid, that of Blyth & Co., Inc. and Kidder, Peabody & Co. was submitted and was rejected by the company. They bid \$13.75, less \$1.75 underwriting commission. Offering—To be offered to 6% preferred and common stockholders for subscription on the basis of one-half share of new common for each preferred share and one-tenth share of new common for each common share held. Price by amendment. Proceeds—For construction and repayment of bank loans.

Central Power & Light Co.

Central Power & Light Co. Nov. 21 filed 40,000 shares (\$100 par) cumulative pre-



ferred. Underwriting to be determined by competitive bidding. No bids received at competitive bidding Dec. 15. Sale may be negotiated. Proceeds—For property additions and expenses. additions and expenses.

Century Steel Corp., Hollydale, Calif.

Nov. 10 filed 4,000 shares (\$100 par) common. No under-writing. Price—\$100 a share. Proceeds—To purchase rolling mill, equipment and for working capital.

Chico Hot Springs, Billings, Mont.

Jan. 14, 20,000 shares of non-assessable common stock (\$10 par). Price \$10 per share. Underwriting, none. To purchase property.

Christian Life & Times, Inc., Chicago

Jan. 9 (letter of notification) 10,000 shares of class A stock. Price—\$10 per share. Underwriting—None, For general corporate purposes.

Cincinnati Gas & Electric Co.

Dec. 1 filed 204,000 shares (\$8.50 par) common. No underwriting. Offering—Common stockholders of record Jan. 15 are given the right to subscribe on the basis of one new share for each 10 shares held at \$22 per share. Rights expire Feb. 2. Proceeds—To finance construction.

Clinton (la.) Industries, Inc.

Dec. 15 filed 210,000 shares (\$1 par) capital stock. Underwriting—None. Offering—Shares are to be offered in exchange for 300,000 shares of Obear-Nester Glass Co., St. Louis

Coastal States Life Insurance Co., Atlanta, Ga.

Jan. 14 (letter of notification) 5,000 shares (\$10 par) common stock. Price—\$30. Underwriting, none. To supply capital.

Commercial Finance Co., Mount Rainier, Md.

Jan. 16 (letter of notification (\$68,000 of 6% debenture bonds. Underwriter—Emory S. Warren & Co., Washington, D. C.

Consumers Cooperative Assoc., Kansas City, Missouri

Oct. 16 filed \$1,000,000 4% non-cumulative common stock (\$25 par); \$4,000,000 of 3½% certificates of indebtedness cumulative; and \$1,000,000 of 1½% loan certificates cumulative. No underwriting. Offering—To the public. Common may be bought only by patrons and members. Price—At face amount. Proceeds—For acquisition of additional office and plant facilities. sition of additional office and plant facilities.

operators' Properties, Inc., Washington, D. C. Jan. 8 (letter of notification) 66 shares of preferred at \$5 each and \$50,000 of second-trust notes. Underwriting—None. To improve building and reduce indebtedness.

Coosa River Newsprint Co.

Dec. 23 filed 238,829 shares of common (par \$50). Underwriting none. Offering—Stock will be offered direct to public through directors and officers. Price, par. Proceeds—Erect and operate mill for manufacture of newsprint. from Southern pine. Company also contemplates the sale of \$16,000,000 4% 1st mortgage bonds.

Cowles Co., Inc., Cayuga, N. Y.

Jan. 13 (letter of notification) 5,000 shares of capital stock (par \$5). Price—\$30 per share. Underwriters—None. Offering—4,000 shares to be offered to stockholders of record Jan. 13 in ratio of two new shares for each three shares held. Rights expire Feb. 20. Working

Craddock-Terry Shoe Corp., Lynchburg, Va.

Jan. 9 (letter of notification) 6,168¾ shares (no par) common. Price—\$48 per share. To be offered for subscription by stockholders on basis of one new share for each 7 shs. held. Underwriter—Scott, Horner & Mason, Inc., Lynchburg. To pay bank loans.

Crosbie Co. of Washington, Inc., Washington, D. C.

Jan. 13 (letter of notification) 1,000 shares (\$100 par) preferred stock. Price—Par. Underwriting—None. To increase scope of operations.

Cup Machine Service Corp., Wilmington. Del.

Jan. 10 (letter of notification) 2,890 shares (\$50 par) preferred and 28,900 shares (10c par) common. To be offered pro rata to stockholders. Underwriting, none. For expansion, bank loans and working capital.

Dayton (Ohio) Power & Light Co.

Dec. 5 filed 170,000 shares (\$7 par) common. Underwriting—The common shares will not be underwritten. Offering—The common shares will be offered for subscription by stockholders on the basis of one share for each nine shares held. Price—To be supplied by amendment. Proceeds-To finance construction program.

Dependable Appliance Parts Co., Canton, Ohio

Jan. 14 (letter of notification) 2,000 shares (\$25 par) common and 500 shares \$6 cumulative preferred (no par). Price—\$25 for common and \$95 for the preferred. Underwriting, none. To purchase steel, inventory and machinery. machinery.

Dogpaw Gold Mines Ltd., Toronto

Oct. 22 filed 1,000,000 shares (\$1 par) capital stock. Underwriter—Tellier & Co. Price—40¢ per share. Proceeds—To develop mining properties in Flint Lake local-

Domestic Credit Corp., Chicago

Dec. 29 filed 150,000 shares (\$1 par) Class A Common. Underwriters—None. Offering—To be offered to employees, executives and management personnel. Price—\$3.49 a share. Proceeds—Company did not state how proceeds will be used.

Electric Steam Sterlizing Co., Inc., N. Y.
Sept. 22 (letter of notification) 65,000 shares of common stock (par 10¢). Price—65 cents per share. Underwriter—Reich & Co., New York. Purchase of inventory, etc. Postponed indefinitely.

Equity Fund, Inc., Seattle, Wash.

Dec. 29 filed 103,089 shares of common. Underwriters—
Pacific Northwest Co., Seattle, Price based on market prices. Proceeds—For investment.

Fraser Products Co., Detroit, Mich.
21 filed 100,000 shares (\$1 par) common. Underiters — Campbell, McCarty & Co., and Keane & Co.,
h Detroit. Price—\$5.25 per share. Proceeds—The writers shares are being sold by 14 stockholders who will receive proceeds.

General Instrument Corp.

Nov. 14 filed 150,000 shares of common (par \$1). Under-writer—Burr & Co., Inc., New York. Proceeds—Stock being sold by four stockholders who will receive proceeds. Price by amendment.

Giant Portland Cement Co., Philadelphia, Pa.
Jan. 12 filed 564,906 shares (\$1 par) common and 282,-453 common stock purchase warrants. Underwriters—
Craigmyle, Pinney & Co., New York, Winslow, Douglas & McEvay, New York, and Jenks, Kirkland & Co., Philadelphia. Offering—To stockholders on basis of two shares of stock and one warrant for each share of common stock held. Price by amendment. Proceeds—To develop a plant and facilities for the company's subsidiary, Carolina Giant Cement Co., Harleyville, S. C.

Goldfield (Nev.) Deep Mines Co. of Nevada Jan. 14 (letter of notification). 200,000 shares of (5c par) common. Price — At 25c. Underwriters — Boettcher & Denver, and Morgan & Co., Los Angeles. To build a mill to refine ore.

Gulf Oil Corp. (2/11)

Jan. 14 filed 2,269,050 shares of capital stock (par \$25). Underwriter—The First Boston Corp. Offering—The stock will be offered for subscription by stockholders of record Jan. 27. Rights will expire Feb. 10. Proceeds—Will augment corporation's working capital position and provide funds for acquisition and development of additional production and the expansion of refining, transportation and marketing facilities. portation and marketing facilities.

Guyana Mines, Ltd., Toronto, Canada Nov. 26 filed 303,587 shares (\$1 par) common. Under-writing—None. Price—50 cents a share. Proceeds—For equipment and working capital.

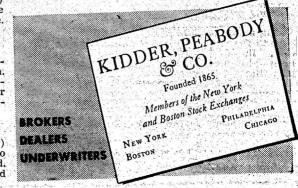
• Hall (W. F.) Printing Co., Chicago
Jan. 13 (letter of notification) 147 shares (\$5 par) common stock. Price—\$15 per share: Underwriting—None.

Harshaw Chemical Co., Cleveland, O. (1/28)
Dec. 26 filed 58,612 shares (\$10 par) common. Underwriters—McDonald & Co., Cleveland. Offering—Shares are offered fo rsubscription by stockholders of record Jan. 14 at rate of one new for each four shares held at \$32.50 per share. Rights expire 2:30 p.m. Jan. 27. Unsubscribed shares will be offered publicly. Proceeds—To repay short-term bank indebtedness and working capital.

Inc., Bremerton, Wash.

Jan. 9 (letter of notification) 200,000 shares (25¢ par) common. Price—40¢ per share, Underwriting—None, For mining development.

Illinois-Rockford Corp., Chlcago July 24 filed 120,000 shares (\$1 par) common. Under-writers—Brailsford & Co., and Straus & Blosser, Chicago.



NEW ISSUE CALENDAR

	January 26, 1948
	Baltimore & Ohio RR. Noon (EST)Equip. Trust Ctfs.
to.	Cameron Aero Engine CorpCommon
	Kaiser-Frazer CorpCommon
	Kaiser-Frazer CorpCommon Wisconsin Power & Light CoBonds & Preferred
- 5	January 27, 1948
	Bendix Aviation Corp
	New York Telephone Co., 11 a.m. (EST)Bonds
	Stern & Stern Textiles, Inc
	January 28, 1948
	Harshaw Chemical CoCommon
£	January 30, 1948
-	Chicago Milwaukee St. Paul & Pacific Noon (CST)Equip. Trust Ctfs.
9.	February 2, 1948
οij,	Iowa Power & Light CoBonds
	February 3, 1948
6	Chesaneake & Ohio RR
	Noon (EST) Equip. Trust Ctfs.
	Northern Indiana Public Service CoPreferred
4	Southwestern Public Service CoCommon
	February 11, 1948
	Gulf Oil CorpCapital Stock
13	March 16, 1948
	Pacific Tel. & Tel. CoBonds
	April 6, 1948
	Southern Counties Gas CoBonds
	May 4, 1948
	Southern California Gas CoBonds

Price—\$9.25 a share. Proceeds—The shares are being sold by four stockholders and represent part of the stock the sellers will receive in exchange for their holdings of four furniture companies to be merged with the registrant. The merging companies are Toccoa Manufacturing Co. and Stickley Brothers, Inc., both Illinois corporations, and the Luce Corp. and Stickley Bros. Institutional Furniture Co., both Michigan corporations. Indefinitely postponed. -\$9.25 a share. Proceeds—The shares are being

• Industrial Credit Co., Cleveland

Jan. 13 (letter of notification) 10,925 shares of class A common. Price—\$10 per share. Underwriting—None. For working capital.

Interstate Department Stores, Inc.

Oct. 30 filed \$5,000,000 15-year sinking fund debentures.
Underwriter—Lehman Brothers, New York. Price to be filed by amendment. Proceeds—To repay bank loans and for general corporate purposes including the financing of new stores. Temporarily postponed.

Iowa Power & Light Co. (2/2)

Dec. 22 filed \$6,000,000 first mortgage bonds, series due 1973. Underwriting—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; Halsey, Stuart & Co., Inc.; Glore, Forgan & Co., and A. G. Becker & Co. (jointly); Harriman Ripley & Co.; Kidder, Peabody & Co., and White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; Lehman Brothers. Price—By amendment. Proceeds—Construction. Bids—Expected about Feb. 2.

Johnson Bronze Co., New Castle, Pa.

Nov. 10 filed 150,000 shares common stock (par 50¢). Underwriter—Lee Higginson Corp. Proceeds — Stock being sold for account J. P. Flaherty, a stockholder.

Kaiser-Frazer Corp. (1/26)

Jan. 6 filed 1,500,000 shares (\$1 par) common. Underwriters—Otis & Co., Cleveland; First California Co., San Francisco, and Allen & Co., New York. Price—By amendment. Proceeds—To purchase machinery and tools to increase production of automobiles from current rate of 950 per day to 1,500 per day.

Kansas Soya Products Co., Inc., Emporia, Kans. Dec. 3 (letter of notification) 3,157 shares (\$95 par) preferred. Price—\$95 a share. Undewriter—Kenneth Van Sickle, Inc., Emporia. For additional working capital.

● Kerr Manufacturing Co., Detroit

Jan. 12 (letter of notification) 100,000 shares (\$3 par) class A participating stock. Underwriter—Carr & Co., Detroit. To purchase machinery and provide working

Mool-Aid Bottling Co., Inc., of Ohio Jan. 13 (letter of notification) 300,000 shares (\$1 par) common stock. Underwriter—Heronymus & Co., Sheboygan, Wis. For working capital.

Legend Gold Mines, Ltd., Toronto, Canada
June 27 filed 300,000 shares (\$1 par) common treasury
stock. Underwriting — To be supplied by amendment.
Price—50 cents a share. Proceeds—To develop mining

Lock Nut Corp. of America

Oct. 6 (letter of notification) 24,000 shares of 5% cumulative convertible preferred stock (par \$12.50). Underwriter—Ray T. Haas, Chicago. Price—\$12.50 per share. General corporate purposes.

Love Tractor, Inc., Eau Claire, Mich.

Jan. 5 (letter of notification) 81,200 shares (no par) common stock. Price—\$3.50 per share. Underwriting—None. For working capital.

McClanahan Oil Co., Grand Rapids, Mich.

miculananan Uli Co., Grand Rapids, Mich. Dec. 30 filed 260,000 shares (\$1 par) capital stock. Underwriters—None. Offering—Shares will be exchanged for \$1 par stock of Great Lakes Chemical Corp. on the basis of one share of McClanahan common for each two of Great Lakes common. Offer will expire March 15, 1948,

McColl-Frontenac Oil Co., Ltd., Montreal Dec. 16 filed 900,000 shares (no par) common. Underwriting—None. Offering—Stockholders of record Jan. 21 will be given the right to subscribe for the new stock on the basis of one for each two shares held at \$10 per share. Rights expire Feb. 18. Proceeds—For building expenditures and to repay bank loan.

Manhattan Coil Corp., Atlanta, Ga.

May 20 filed \$500,000 5% serial debentures, due 1949-1957; 12,000 shares (\$25 par) 5½% cumulative convertible preferred and 85,000 shares (\$1 par) common. Underwriter—Kirchofer & Arnold, Inc., Raleigh, N. C. Price—The debentures at 102.507, while the preferred shares will be offered at par and the common shares at \$4 each. Proceeds—To retire bank indebtedness and to finance purchase of machinery and other plant equipment.

Market Basket, Pasadena, Calif.

Dec. 30 filed 27,788 shares (50c par) common. Underwriters—None. Offering—Shares are to be issued upon exercise of common stock purchase warrants issued in July, 1945. Price—Two shares per warrant at \$6 a share. Proceeds—For additional working capital.

Merchants Acceptance Corp., Worcester,

Jan. 20 filed 75,000 shares of class A stock. Underwriter—G. H. Walker & Co. Offering—43,383 shares will be offered in exchange for a like amount of outstanding old class A shares. Unexchanged shares and the additional 31,617 shares will be sold publicly. Price—\$13.75. Proceeds—Toward paying off bank loan. Business—Finance business. business.

• Mid-Continent Airlines, Inc., Kansas City, Mo. Jan. 9 (letter of notification) 30,601 shares (\$1 par) common stock. Price—\$6 per share. Underwriting—None. For working capital and equipment.

Midland Shoe Corp., St. Louis, Mo.
1. 6 (letter of notification) 15,000 shares (no par)
1. 6 (no par)
1. 6 (letter of notification) 15,000 shares (no par)
1. 7 (letter of notification) 15,000 shares (no par)
1. 8 (letter of notification) 15,000 shares (no par)
1. 9 (letter of notification) 15,000 shares (no par) None. To finance expansion.

Monsanto Chemical Co., St. Louis

Nov. 28 filed 250,000 shares (no par) \$4 dividend cumulative preference stock, series B. Underwriter—Smith, Barney & Co., New York. Price to be filed by amendment. Proceeds for general corporate purposes including financing new plant construction and additions to present facilities. Offering postponed due to market conditions.

Morning Post Publishing Co., Inc.,

Jan. 12 (letter of notification) 1,000 shares (\$100 par) preferred and 1,000 shares (\$100 par) common stock.

Price—Par. Underwriting—None. To expand publishing activities.

• Mottell's Mortuary and Chapel, J. J. Mottell, Inc., Long Beach, Cal.

Jan. 12 (letter of notification) 8.106 shares of preferred to be offered at \$25 each, and 150 shares of common to be offored at \$333.33 each. Underwriting—None. To expand operations.

New York Telephone Co. (1/27)

New York Telephone Co. (1/27)

Dec. 30 filed \$60,000,000 30-year refunding mortgage bonds, Series E. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. Price—To be determined by competitive bidding. Proceeds—To finance construction program. Bids—Bids for purchase of bonds will be received up to 11 a.m. (EST), Jan. 27 at office of company, room 1600, 140 West Street, New York City.

Mielsen Television Corp., New York
Jan. 19 (letter of notification) 6,000 shares of 6% cumulative preferred stock (par \$25) and 15,000 shares of common stock (par 25c). Price—\$26,625 per unit of one preferred share and 2½ common shares. Underwriting, none. Capital requirements for producing television sets, completion of purchase of plant etc., completion of purchase of plant,

• North Central Texas Oil Co., Inc.

Jan. 15 (letter of notification) 20,000 shares of capital stock (par \$5) of which 3,000 issued under options at \$3 per share and 17,000 shares issued under options at \$6 per share. Of the stock 5,400 shares are to be sold on the New York Curb Exchange at \$17 (approximately). Underwriter—Harris Upham & Co., New York. Working capital.

Northeast Airlines, Inc., Boston, Mass

Northeast Airlines, Inc., Boston, Mass.
Dec. 24 filed 83,333 shares (no par) \$1 cumulative convertible preferred. Underwriter—Atlas Corp., owner of 100,000 shares of the registrant's common stock, has agreed to purchase all shares not subscribed for by other stockholders. Offering—The shares will be offered for subscription to common stockholders on the basis of one share for each six common shares held. Price by amendment. Proceeds—To pay off indebtedness.

Northern Indiana Public Service Co. (2/3)

Oct. 29 filed 272.694 shares (\$2\cdot\) par) cumulative preference stock. Underwriters—Central Republic Co. Inc., Chicago; The First Boston Corp., and Blyth & Co. Inc., New York. Offering—For subscription by common stockholders of record Jan. 19 on basis of one preferred share for each eight common shares held. Rights expire

2 p.m. (CST) Feb. 2. Unsubscribed shares will be offered publicly. Price—\$18 a share. Proceeds—To improve its public utility system.

Ocean Downs Racing Association, Inc.,

Berlin, Md.

Nov. 28 filed 34,900 shares (\$10 par) common. No underwriting. Price — \$10 a share. Proceeds—To build trotting and pacing race track near Ocean City, Md.

O'Donohue (Joseph J.) IV. New York Jan. 9 (letter of notification) \$150,000 5.5% sinking fund bonds, series 1948-1973. Price—Par. Underwriter—, Bioren & Co., Philadelphia. Personal and business requirements.

• Ohio-Apex, Inc., Nitro, W. Va.
Jan. 9 (letter of notification) 11,400 shares (\$1 par), common stock. To be offered by five stockholders at \$8.75 per share. Underwriter—Doolittle, Schoellkopf & Co., Buffalo, N. Y.

Ohio Public Service Co.

Dec. 22 filed \$10,000,000 first mortgage bonds, series due 1978. Underwriting—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co.; Blyth & Co.; W. C. Langley & Co., and Glore, Forgan & Co. (jointly). Price—By amendment. Proceeds—To be used for construction. Expected later part of January or early in February. in February.

Parkwood Manufacturing Co., Philadelphia

Jan. 20 (letter of notification) 500 shares of preferred, stock (par \$50). Price—Par. Underwriting, none. To finance purchase of inventory.

Philadelphia Electric Co.
Jan. 20 filed \$25,000,000 first and refunding mortgage, bonds, due 1978, and 150,000 shares (\$100 par) preferred stock. Underwriter — Morgan Stanley & Co. for the stock. Bonds to be offered under competitive bidding. Probable Bidders Include—Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Glore, Forgan & Co., and W. Ca. Langley & Co. (jointly); the First Boston Corp.; White, Weld & Co. Price by amendment. Proceeds—To finance, a six-year program of electric, gas and steam facilities. a six-year program of electric, gas and steam facilities, estimated to cost \$235,000,000.

Pittsburgh Steel Co.

Nov. 20 filed \$6,500,000 of first mortgage bonds, due 1967.

Underwriters—Kuhn, Loeb & Co.; A. G. Becker & Co.,

Inc. and Hemphill, Noyes & Co. Price by amendment.

Proceeds — To refund outstanding first mortgage bonds. **Proceeds** — To refund Temporarily deferred.

• Fitney-Bowes, Inc., Stamford, Conn.
Jan. 7 (letter of notification) 7,500 shares of common stock. To be offered employes at \$10.19 a share.

Planet Corp., Lansing, Mich.

Jan. 8 (letter of notification) 50,000 shares (\$1 par) common. Price—\$2. Underwriter—Smith, Hague & Co., Detroit. To pay off mortgage and apply to working capital,

• Posvar (George W. K.) Mines, Ltd., Denver Jan. 13 (letter of notification) 300,000 shares (\$1 par) non-assessable stock. Price—Par. Underwriting—None. For development purposes.

• Public Capital Corp., New York
Jan. 13 (letter of notification) 2,000 units, consisting of one 6% debenture due 1958 with accompanying warrant for 50 shares of common stock; 100,000 shares of common stock, and option warrants. Each unit is to \$100.50. Underwriting, none. For working capital.

Public Service Co. of New Hampshire Public Service Co. of New Hampshire
Nov. 25 filed 139,739 shares of common (par \$10). Underwriters—To be determined by competitive bidding. Probable Bidders—The First Boston Corp., Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Offering—Common stock first will be offered for subscription to present shareholders at the rate on one share for each five shares held. Unsubscribed shares and the bonds will be offered publicly. Proceeds—To pay off loans and for construction purposes.

• Radio America, Inc., Denver
Jan. 15 (letter of notification) 100,000 shares (\$1 par)
common. Price—\$1 per share. Underwriting, none. To
obtain contracts with radio broadcasting stations and establish a working organization.

Raleigh Red Lake Mines, Ltd., Toronto, Can.
Jan. 7 filed 460,000 shares of common stock. Underwriter
—Mark Daniels & Co., Toronto, Canada. Price—25 cents
a share in Canadian funds. Proceeds—For exploration
and development of mining property.

• Rockford (Wash.) Grain Growers, Inc.
Jan. 8 (letter of notification) 300 shares of common stock. Underwriting—None. To maintain facilities.

Seal-Peal Corp., Detroit Jan. 14 (letter of notification) 60,000 shares (\$1 par) common stock. Underwriting, none. For working capital

9 Smith (C. D.) Drug Co., Grand Junction. Col. Jan. 9 (letter of notification) 1,500 shares (\$50 par) 5½% cumulative preferred stock. Price—Par. Under writer—Peters, Writer & Christensen, Inc., Denver. For working capital and bank loans.

South Carolina Electric & Gas Co.

Dec. 2 filed 80,858 shares (\$50 par) cumulative convertible preferred and 404,293 shares (\$450 par) common for sale, and 687,293 shares reserved for conversion of preferred. Underwriter—Kidder, Peabody & Co., New

(Continued on page 94)

(Continued from page 93)

York. Offering—Shares initially will be offered for subscription by company's common stockholders, the preferred on a 1-for-10 basis and the common on a 1-for-2 basis. Unsubscribed shares will be offered publicly. Price by amendment. Proceeds—Proceeds together with other funds will be used to purchase all of the outstanding common of South Carolina Power Co. from the Commonwealth & Southern Corp.

Jan. 20 (letter of notification) 3,350 shares of capital stock (par \$1). Price—Stock will be sold on New York Stock Exchange at market (estimated) \$28,875 per share through Trubee, Collins & Co., Buffalo, and Fahnestock & Co., New York. Proceeds—To selling stockholder:

• Sport Products, Inc., Cincinnati, Ohio Jan. 6 (letter of notification) 5,000 shares (\$7 par) com-mon stock. Price—\$17 per share. Underwriting—None. For working capital.

Southwestern Gas & Electric Co.

Nov. 5 filed \$7,000,000 30-year first mortgage bonds, series B. Underwriting—To be determined at competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Lehman Brothers and Lazard Freres & Co. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Harriman, Ripley & Co.; Merrill Lynch, Pierce, Fenner & Beane. Proceeds—To finance construction

Southwestern Public Service Co. (2/3)

Dec. 24 filed 10,000 shares (\$100 par) cumulative preferred and 103,113 shares (\$1 par) common. Underwriting—Dillon, Read & Co. Inc. Offering—The preferred will be placed privately and the common will be offered to Southwestern's common stockholders of record Jan. 21 at the rate of one share for each 11 shares held. Rights will exprise Feb. 2 Price by amendment Precedent will expire Feb. 2. Price by amendment. **Proceeds** To retire bank loans and for construction purposes.

• Stampede Mines Inc., Fairbanks, Alaska Jan. 5 (letter of notification) 1,500,000 shares of 10¢ par common. Underwriting—None. For working capital and

corporate purposes.

• Stern & Stern Textiles, Inc., New York (1/27) Jan. 20 (letter of notification) 12,500 shares of common stock (par \$1). Price—\$8 per share. Underwriter—C. E. Unterberg & Co., New York. Proceeds—To selling stock—

Tampa (Fla.) Electric Co.

Dec. 24 filed \$6,000,000 30-year first mortgage bonds.

Underwriting—To be filed by amendment. Price by amendment. Proceeds—To pay construction costs. Expected early in February.

• 206 West 15th St. Club, Inc., New York Jan. 16 (letter of notification) \$75,000 10-year 3% de-bentures. Price—Par. Underwriting, none. Pay for alterations and remodeling of building.

U. S. Oil and Development Corp., Denver

Jan. 16 (letter of notification) 800,000 shares of 6% preferred (10c par). **Price**—25 cents. Underwriting, none. To pay loans and develop holdings.

Union Trusteed Funds, Inc., New York

Dec. 29 filed 657,500 shares of capital stock. Underwriters—Lord, Abbett & Co., Inc., New York, is selling agent. Price based on market prices. Proceeds—For investment.

United Fish & Cold Storage Co., Juneau, Alaska Jan. 13 (letter of notification) 120,000 shares (\$1 par) preferred and 180,000 shares (\$1 par) common stock, Price—Par. Underwriting—None. To buy an LST for conversion as a floating storage plant.

Valcar Enterprises, Inc., San Francisco

Jan. 9 (letter of notification) 2,192 shares of capital stock, of which 624 shares are to be sold by George Carras, 508 shares by Frank G. Short, 500 shares by Louis Janin, and 560 shares by Harold E. Haven, at \$19 each to Hannaford and Talbot, San Francisco investment brokers.

Wisconsin Power & Light Co. (1/26)

Wisconsin Power & Light Co. (1/26)

Dec. 29 filed \$3,000,000 30-year first mortgage bonds, Series B, and 30,000 shares (\$100 par) 4½% cumulative preferred stock. Underwriters—Only the bonds will be underwritten under competitive bidding terms. Probable Bidders—Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Harriman Ripley & Co. (jointly); W. C. Langley & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Shields & Co. Offering—Bonds will be offered publicly while stock will be offered to holders of 4½% preferred. Price by amendment. Proceeds—To pay bank indebtedness and for construction costs. Expected week of Jan. 26.

Wolf & Dessauer Co., Fort Wayne, Ind. (1/27) Jan. 9 filed 75,712 shares (\$1 par) value common stock, of which 25,712 shares are being sold by company and 50,000 shares by Fort Wayne National Bank. Underwriters—Maynard H. Murch & Co. and Lee Higginson Corp., Chicago. Price by amendment. Proceeds—To be received by company, together with loans, will be used to reimburse treasury for \$382,035 of expenditures made in 1947 and \$256,000 contemplated expenditures this year and provide additional working capital.

Prospective Offerings

Baltimore & Ohio RR. (1/26)

Company is inviting bids to be opened at noon (EST) Jan. 26 at Room 1304, 2 Wall Street, New York, for the sale of \$4,000,000 equipment trust certificates to be dated Feb. 1, 1949. The certificates will be designated as series X and will mature in 10 equal instalments of \$400,-000 each, on Feb. 1, 1949-58. Probably Bidders—Halsey, Stuart & Co. Inc.; Salomon Bres. & Hutzler. Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chesapeake & Ohio Rv. (2/3)

Company will receive bids up to noon (EST) Feb. 3 at 3,400 Terminal Tower, Cleveland, for the sale of \$4,900,-000 equipment trust certificates, to be dated Feb. 15, 1948, and due annually Feb. 15, 1949-1958. Probable Bidders—Halsey Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Harris, Hall & Co. (Inc.).

• Chicago, Mil., St. Paul & Pacific RR. (1/30) Company will receive bids up to noon (CST) Jan. 30 at Chicago for the sale of \$5,040,000 equipment trust certificates series CC, to be dated Feb. 1, 1948, and maturing F. & A. 1 from Aug. 1, 1948 to Feb. 1, 1958 inclusive... Probable Bidders—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.)

Narragansett Electric Co.

Jan. 12 company disclosed that it plans the sale of between \$6,000,000 and \$10,000,000 new first mortgage bonds during the spring. Proceeds—Will be used to pay bank loans and plant expansion.

• Pacific Telephone & Telegraph Co. (3/16)

The California P. U. Commission has authorized the company to sell \$75,000,000 30-year debentures at competitive bidding. The money will be used to retire loans from American Telephone & Telegraph Co., for construction and other corporate purposes. Probable Bidders—Morgan Stanley & Co., Halsey, Stuart & Co. Inc. Expected that bids will be opened about March 16.

Southern California Gas Co. (5/4)

Jan. 16 reported company plans filing with the SEC late in March \$15,000,000 in bonds, with bids to be considered on May 4. Proceeds for extensions. Probable Bidders—Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Harriman, Ripley & Co.; the First Boston Corp.

Southern Counties Gas Co. (4/6)

Jan. 16 reported company plans filing with the SEC late in February \$7,000,000 in bonds, with bids to be considered on April 6. Proceeds for extensions. **Probable Bidders**—Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; the First Boston Corp.; Harriman Ripley & Co.

UNITED STATES GOVERNMENT. STATE, MUNICIPAL AND CORPORATE SECURITIES

BLAIR & Co.

NEW YORK

ATLANTA . BOSTON . BUFFALO . CHICAGO PHILADELPHIA . PITTSBURGH . ST. LOUIS

U.S. Industries In Britain

Dr. Einzig discusses British attitude towards proposals for establishment of American financed factories in England. Explains reasons for British opposition, which, he says, on the face, may appear absurd in view of British need for dollars, but contends because of scarcity of labor and material for factory construction in Britain. proposal would delay rather than aid Britain's reconstruction.

LONDON, ENGLAND.—From time to time publicity is given to complaints made by American industrial interests about the official British attitude towards American proposals for the establishment of branch factories in Britain. Many American businessmen,

being aware of Britain's dol-lar difficulties, have submit-ted to the British Gov-British Gov-ernment plans providing for the production in Britain of goods hitherto imported from the United States. In do-ing so they were prompt-ed by a desire of retaining their British



markets and at the same time helping Britain in her difficulties. E

to finance with the aid of their own dollars the import of raw materials their British factories would need, and to agree to a freezing of the dividends they would earn from those factories.

Not unreasonably, these American businessmen had expected to be received with open arms. They were naturally disappointed when, instead of obtaining every possible encouragement from British official quarters, they encountered all kinds of difficulties. They found that the Board of Trade was anything but enthusiastic about their thing but enthusiastic about their project; that the Treasury raised objections; that permit for the erection of factory buildings was delayed or refused; that most Government departments they had to deal with were out to hinder rather than help. No wonder they felt bitter about it all. Nor were the explanations given to them in the Government departments in London such as to allay their resentment. And it is characteristic of the inefficiency of the costly British propaganda service in the

the British Government's policy in this matter has so far been publicized in the American Press. Yet there is an answer to the com-plaints of the American business-men, and it is to the interests of Anglo-American friendly relations that this answer should be made known.

known.

First of all, much of the difficulties are due to the Government's general policy of controls over industrial activity. These controls are exercised over all firms operating in Britain, irrespective of their nationality. While British firms have grown used to Government intervention and red Government intervention and red be, American firms, being used the more liberal system prevailing in the United States, are irritated by it and resent it. Yet it must be admitted, much of the control that is in operation in Britain is a necessary evil in existing conditions.

The British Government has elaborated a system of priorities can either be exported to hard cur-rency countries, or can take the place of essential goods at present place of essential goods at present imported from hard currency countries. If the factory planned by American interests falls into this category then its establish-ment is welcomed, though even then the plan has to take its place in the queue formed by British plans of the same category. the queue formed by British plans

of the same category.

On the face of it the British

needed urgently, and the capital directly to that end, its acceptance that American firms desire to in-vest in Britain represents many and material from purposes tend-imes the amount of hard curren-ing to balance British exports and cies that any factory can hope to imports in the long run. To that earn or save in one year. It is extent, it would actually delay arguable that, since the transac-Britain's reconstruction effort, receipt of a large amount of dollars, it should be welcomed even if the factory in question did not produce any goods that would which, even if frozen for the presif the factory in question did not produce any goods that would earn or save dollars. This is not the view taken by British official circles. They feel that unless the labor and material spent on the construction of the American fac-tory justifies its existence by its overlooked. dollar-saving or dollar-earning capacity, the transaction merely amounts to a dollar loan bearing amounts to a dollar loan bearing a particularly heavy interest in the form of profits which would have to be transferred to the United States sooner or later. The British Government is anxious to avoid thus mortgaging the future that the calcade the transfer of the college of for the sake of obtaining immediate relief.

The basic fact of the situation is that there is a scarcity of labor and materials required for the construction of factories, and for their operation. The approval of the establishment of an American branch factory producing, say, cosmetics, would mean that there would be less labor or material available for constructing a British factory producing, say, tractors. Even though the receipt of the dollars representing the capital of the American branch fac-Britain's efforts to achieve self-United States that no authentic attitude in this respect may apart and comprehensive explanation of pear absurd. For dollars are proposal is of a nature as to assist appears to be sound.

ent, would have to be remitted sometime. Nor is the possibility of an eventual liquidation of the

Admittedly, the receipt of hundreds of millions of dollars repre-senting the capital of hundreds of American branch factories, would be very helpful at present, as it would cover Britain's dollar def-icit for a little while. But unless the branch factories serve dollar-earning or dollar-saving purpose, the diversion of labor and material for their requirements would more than outweigh, in the long run, the benefit derived from the im-mediate receipt of dollars. It is to the credit of the British authorities that, instead of taking the line of the least resistance by accepting immediately available dollars for no matter what purpose, they resist the temptation and exercise discrimination according to the intrinsic merits of each individual scheme, related to the general scheme of pursuing tory would be helpful, in the long the end of achieving equilibrium. run the transaction would hinder Their judgment of the merits of any proposal may be open to critsufficiency. Unless the American icism, but the underlying principle



Dr. Paul Einzig

the transaction would involve immediate sales of large amounts of dollars to the British Treasury, in return for pounds needed for the expenses of constructing and running the factories in Britain. Moreover, once the factories are in operation their activity would obviate the necessity of spending dollars on the goods produced. Many of the American businessmen concerned were even prepared to go so far as to undertake

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE=

Market marking time. Washington news dominates pic-ture even though initial effect has worn off.

If you've something better to do, this is the time to do it. For as I sit back in the chair and look at my typewriter all I see before me is blank space and only the vaguest idea of how to fill it.

The news is full of political high-jinks with taxes the main subject closely followed by the names of the GOP presidential candidates. So far there is Dewey, Taft, Stassen and a number of favorite sons, including Ike Eisen-hower. Which one will get the nod next Summer is an interesting subject that everybody is willing to talk about but nobody has anything to

The tax picture has some people frothing with frustration. One writer views Truman's \$40 cut with commensurate increases in corporate taxes as "a bribe." He draws an analogy between a prize fighter who was penalized by the Boxing Commission for failure to report a bribe and Harry S. Truman. The assumption is that Truman should be penalized the same way. Maybe have Petrillo bar Truman from playing the piano.

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what all this has to do with the stock market. Well, I warned you if you had something else to do, to go ahead and do it. For the market at this writing is saying nothing. Weakness at this stage isn't surprising. If there is anything about it, it is that the weakness isn't greater considering the news.

Some weeks ago I pointed out that rationing of some sort was almost a certainty, The more I see the more I'm convinced it will come. But by the same token I'm also convinced that stocks of companies to be affected by such a move are acting marketwise in anticipation of such a move. All that remains to be seen is what the public will do once this anticipated news becomes official.

A reader, O. A. R., of Chicago, wants to know what I use in making my decisions, and what books to read. I'll answer the second question first. The only book I've ever seen that says anything of interest to the trader is Gerald M. Loeb's "Battle for Investment Survival." The other books I've seen get so involved in balance sheet analysis, it would take an accountant to understand them, and besides they're pretty dull. There may be some that are good, but I haven't seen

As to method, I use charts. You're probably wondering I'm not getting into any bickering arguments about why my charts are better than others. The chances are they're not. I use them because I like to know where I've been even if they don't show me where I'm going. To get that, I use the tape, charts plus some intuition which in its essence is based on experience. If the reader wants to keep charts, I suggest he doesn't get involved in mathemathical caluculations. The simpler the charts the better. A word of warning: Charts will not make for profits and neither will they take the place of thinking. There is no system that is automatic and any service or market letter that holds out such a promise should be suspect.

More next Thursday.

-Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Our Reporter's Report

The corporate money market now appears definitely to be marking the end of an era and starting upon another. There have been accumulating evidences of the change ever since the Treasury first began to let short-term rates harden last summer.

Now comes what looks a though it might be the "clincher" in the shift away from the abnormal investment market conditions which have prevailed for more than a decade.

A banking group was slated A banking group was stated to bring to market today an issue of \$10,000,000 of Northeastern Water Co. sinking fund, collateral trust bonds, due Jan. 1, 1968, under underwriting conditions that have not, to the recollection of bankers. pre-

conditions that have not, to the recollection of bankers, prevailed for the last 15 years.

The agreement covering this issue was signed earlier in the week, with the bankers paying the company a price of 95 and fixing the reoffering price at 100. for an indicated "spread" of five full points. This is in contrast with numerous undertakings in recent years where the underwriters sometimes worked for as little as a quarter point.

Bankers sponsoring the current

Bankers sponsoring the current issue realize that it must be "sold"
—that is, that they will have to go
out and market the bonds. But out and market the bonds. But with a three point edge for the selling group and a ½ point reallowance, they don't feel badly about the business even though the bonds are not AAA refunders.

Have Little Choice

The shifting nature of the current market is tending to keep underwriters on their toes, and there is no hesitation about revising a price if it becomes apparent that such action is needed to move an issue

An illustration of this "nim-An illustration of this min-bleness of foot" developed only the other day on the occasion of the sale by Potomac Edison Co. of \$4,000,000 first mortgage bonds with a 30-year matur-

Bidding for the issue was keen Bidding for the issue was keen with nine groups going after it. The successful syndicate paid a price of 100.3191 for a 3½% coupon. Reportedly the intention was to reoffer at 101.07 to yield 3.07%. But evidently sampling of the market indicated that the price was not just right.

At any rate there was a quick reappraisal and the price was set at 100.489 for a yield basis of 3.10%. It's either that or be-

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come an investment trust tem-porarily.

Potomac Edison 3s.

Attesting to the attractiveness of "Street" sized issues, Potomac Electric Power Co.'s offering of \$15,000,000 first mortgage, 35-year bonds, drew an aggregate of nine bids.

Six of the nine groups bid for the bonds to carry a 3% cou-pon while the other three sought the issue with a 31/8% interest

The successful group paid 100. 4509 for the lower coupon and planned to reoffer the issue at 100.99. Pre-offering inquiry by investors indicated a good response for this issue.

Larger, But Fewer Groups

In contrast with the experience of the two Potomac utilities, each of which drew nine bids for its offering. Southern California Edison Co.'s \$40,000,000 of first and refunding bonds sold the same day brought out only the same day brought out only three bid-

This is recognized as a nat-This is recognized as a natural consequence of the difference in size of the issues, bankers being forced by circumstances, to expand the size of their groups in order to assure the aggregation of capital needed to swing the larger undertakings dertakings.

All the bids here were for a 3 1/8 % coupon the successful group paying the issuer a price of 102.-02599 and figuring on reoffering at 102% to yield 2.975%. Reports had this issue a bit on the slow side but moving.

DIVIDEND NOTICES

INTERNATIONAL HARVESTER COMPANY

Quarterly dividend No. 118 of one dollar d seventy-five cents (\$1.75) per share on e preferred stock payab'e March 1, 1948, s been declared to stockholders of record the close of business February 5, 1948.

GERARD J. EGER, Secretary

GREEN BAY & WESTERN RAILROAD CO.

The Board of Directors has fixed and declared Five percent to be the amount payable on Class "A" Debentures (Payment No. 52) and a dividend of Five percent to be payable on the capital stock, out of the net earnings for the capital stock, out of the net earnings for the payable at Room No. 3400, No. 100 payable on the capital stock, out of No. 7, 100 payable on the capital stock, out of No. 7, 100 payable on the capital stock will be paid to tockholders of record at the close of business February 6, 1946.

W. W. COX, Secretary.

New York, January 15, 1948.

Burroughs

187th CONSECUTIVE CASH DIVIDEND

dividend of fifteen cents (\$0.15) a share has been declared upon the stock of BURROUGHS ADDING MACHINE COMPANY, payable March 10, 1948, to shareholders of record at the close of business January 30, 1948.

Detroit, Michigan January 14, 1948

S. F. HALL. Secretary



SOUTHERN CALIFORNIA EDISON COMPANY

Dividend No. 1

The Board of Directors has authorized the payment of an initial dividend of 25.42 cents per share on the Cumulative Preferred Stock, 4.88% Series, payable February 29, 1948 to stockholders of record on February 5, 1948.

> O. V. SHOWERS Secretary

January 9, 1948

Two more Coast utility issues moved into sight this week when Pacific Telephone & Telegraph Co.'s proposal to sell \$75,000,000 of 30-year debentures was approved by the California Public Utilities Commission.

This company sold its previous issue last October and will use funds from the current issue to pay advances by American Telephone & Telegraph.

Meanwhile Southern California Gas Co. and Southern Counties Gas Co. are laying plans for new financing in the aggregate of a round \$22,000,000 over the next few months officials have dis-

Northeastern Water **Bonds on Market**

A banking syndicate headed by W. C. Langley & Co. and the First Boston Corp. are offering today an issue of \$10,000,000 Northeastern Water Co. 5% sinking fund collateral trust bonds. The issue dated Jan. 1, 1948, and due Jan. 1, 1968, is priced at 100 and accrued interest. The proceeds will be used to repay bank loans incurred to buy American Water Works common stock,

DIVIDEND NOTICE

At a meeting of the Directors held January 15, 1948 it was decided to recommend to stockholders at the annual meeting fixed to be held February 9, 1948 payment on March 31, 1948 of Final Dividend of One Shilling for each One Pound of Ordinary Stock free of British Income Tax upon the issued Ordinary Stock.

British Income Tax upon the issued Ordinary Stock.

Net profits for the year after deducting all charges and providing £6,077,515 (£7,444,918) for taxation are £5,501,694 (£4,975,470). The provision for taxation is made up of Excess Profits Tax £688,000 (£3,887,000), Profits Tax £1,566,130 and Income Tax £3,823,385 (£3,557,918). Preference Dividend absorbs £585,000 (£585,000) and Interim Dividend totalling Two Shillings free of (£585,000) and Interim Dividend totalling Two Shillings free of British Income Tax (£0/1/10) for One Pound Ordinary Stock have been paid totalling £2,375,776 (£2,177,795). After paying Final Dividend amounting to £1,187,888 (£1,187,888) and allocating £500,000 (£400,000) to General Reserve the carry forward will be £3,899,407 (£3,046,377). Corresponding figures for year ended September 30, 1946 are given in brackets. brackets.

brackets.

Directors have decided to pay on March 31, 1948 Interim Dividend of One Shilling for each One Pound of Ordinary Stock for the current year on the issued Ordinary Stock of the Company free of British Income Tax.

Transfers received up to February 24, 1948 will be in time to enable transferees to receive dividends.

As regards Bearer Warrants the

As regards Bearer Warrants the two above dividends will be paid together against the deposit of one coupon only namely No. 201.

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can obtain certificates giving particulars of the rates of United Kingdom Income Tax appropriate to the dividends payable March 31st on Ordinary Stock by application to Guaranty Trust Company of New York.

BRITISH-AMERICAN TOBACCO COMPANY, Limited

January 15, 1948.



Washington ...

Behind-the-Scene Interpretations And You

There is a new revolt brewing in Dixie. It is aimed at destroying the dominance of left-wing ideologies in national Democratic party affairs. In particular it is directed against President Truman's espousal of anti-lynching legislation, his attacks upon segregation, his sponsorship or the anti-poll for an agreed revolt candidate

tax idea. What again? That is the average

person's reaction to such news.
The Democrats of the South have
always griped about the national
Administration's stand in favor of these three things, designed to catch the colored vote in those electoral vote-laden States of Illinois, Michigan, Ohio, Pennsylva-nia, and New York. Yet on Elec-tion Day Southern Democrats have always come around to vote for the national Democratic candifor the national Democratic candidate for President—and to support him. They have to, almost, because otherwise they threaten the local control of their local political machines. It would be like a bunch of Ford dealers kicking young Henry in the face and plumping for Chevrolet.

This time it may be different. he revolt is not designed to assault the front pages of the newspapers. In fact, only a handful of people outside the confidence of the Southerners have any inkling as to what is going on. This time the Southern boys on. This time the Southern boys are meeting quietly and plan-ning carefully. They have been organizing behind doors and al-most without one line of pub-licity, since last November. It is doubtful if Harry Truman is yet fully aware of the implica-tions of this situation.

Running this show are no second-stringers, no cheap local demagogues against whom the pinks can hurl their epithet, "Fascist." Some of the most solid citizens of the South both in business of the South, both in business and political life, are behind this pro-

gram.

Its avowed objective is scare the national Democratic Party, in convention assembled next July, off the party's stand in favor of anti-lynching and anti-poll tax legislation, and the "Civil Rights" bill. The plan is to hold a conclave of Southern Democrats next spring, in advance of the party's national convention, to resolve against these proposals of the

If the Democratic convention doesn't scare, then the next question becomes—what can the Southern Democrats do about it? If the momentum of this drive increases, then there might be a rump "Southern Democratic Party" convention, complete with candidates and bands. Then the local organizations would throw all the steam into get-ting the vote out for these candidates, ready to skip that place on the ballot for Mr. Truman. Or, legislatures of the Southern States might call special sessions to fix it up some way so electors

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could get a place on the ballot.

Only one thing is sure—Southern Democrats will not allow their heresy to go so far as to embrace the rival political religion. No efme rival political religion. No effort will be made to swing the South behind any Republican candidate for President. This would not accord with the objections of the South S tives of the Southern group, which are mainly to break the grip of the Northern left wing upon their party. Also it would be futile.

Whether this movement will ge anywhere is in the lap of the future. The intention of this group is to throw as many electoral votes away from Mr. Truman as possible. If even two solid Southern States were to drop out of the Truman column next November, that would be quite an achievement. Louisiana and Mississippi are leaning strongly toward this revolt. They are negotiating with Texas, Al with other Alabama, and Virginia. her "solid South" States to be approached.

In the net, the brewing revolt of Southerners looks at this disor Southerners rooks at this distance like as great, if not a greater potential menace to Mr. Truman's reelection than the third party candidacy of Henry A. Wallace.

Marriner S. Eccles may get another 4-year term as Chair-man of the Board of Governors of the Federal Reserve System Feb. 1, but it is by no means a sure bet. Actually some persons with potent political voices have suggested to Mr. Truman that Mr. Eccles should not again be Chairman. The Chairman is des-ignated by Mr. Truman for a 4-year term, from among the members of the Board. The desgnation as Chairman is not re lated to board tenure; i. e., Mr. Eccles holds an appointment as member until 1958 unless he, Eccles, decides to shorten that term.

on fighting inflation NOW:

The proposal sponsored by President Truman in his annual message and cooked up by the Council of Economic Advisers, to cut everybody's tax \$40 as a "cost of living adjustment" and soak it in to the corporations, would result in a net loss of revenues of \$600 million during the present fiscal year and \$2.4 billion in fisriscal year and \$2.4 billion in Tis-cal '49, or an aggregate of \$3 bil-lion during the next 18 months. The present is the time, according to the chorus of Administration spokesmen, when there is danger of inflation. The excess profits tax on corporations, proposed by the President, would not make up this deficiency for the Treasury until

rnen, in the rresident's budget message, it is proposed to spend \$2.8 billion for civil public works, \$800 million more than the estimated expenditures on these objects during the current year and twice as great as civil public works expenditures in fiscal '47.

"The 1949 public works program is much larger than any regular public works program prior to the war, even though public works were being expanded at that time to provide employment," Mr. Truman said in his budget message, in the "back of the book." With military appropriations added to in the "back of the book." With military appropriations added to the 1949 estimates, the Federal Jovernment would spend \$3,159 millions for public works. This is millions for public works. This is a figure reminiscent of the Roosevelt days...

Republicans are cautious about the \$5.6 billion figure of the Knutson income tax reduction bill because they don't want to come out with a "fringe" surplus—one so close that it could easily turn into a deficit. They plan, to the best of their ability, to come out with a sure-fire pian, to the best of their ability, to come out with a sure-fire Federal surplus of \$2 billion in fiscal 1919. That is why \$4 billion looks like a better bet than \$5.6 billion for the final amount of the tax cut.

Don't believe that letting Maj. Gen. Laurence S. Kuter have a \$15,200 salary (versus \$10,000 for other board members) as Chairman of the Civil Aeronautics Board, was the real target of the GOP blast. Likewise it was not Board, was the real target of the GOP blast. Likewise it was not the "many generals holding high olaces" on the civil side of the Government. It is taken for granted here — and it may have occurred to you — that this is part of the GOP professional politician build-up against Eisenhower for President.

Railroad officials are confident that the Interstate Commerce Commission will give the roads "substantially what they ask for" in the way of a permanent 30% freight rate boost. Their for" in the way of a permanent 30% freight rate boost. Their hopes of receiving good treatment from the ICC were raised by the second "temporary" increase of 10%, to carry the roads through the financial strain while the Commission was passing on long-term boosts in the rate structure.

Persons close to the leadership of the Senate Banking Committee definitely believe that that leadership wants to have the Committee approve control legislation in the next two or three months. That control may take the form of compulsory allocations, priorities, and the like. Perhaps even rationing These plans, however, must hurdle two obstacles. One is the diffi-culty of getting a majority vote in the Committee. The other is getting control legislation adopted by the Senate leadership. In the House the outlook is still hostile to compulsory legislation.

Meanwhile, despite the working out of a technique and a program for "voluntary cooperation"

fiscal 1950. This admission was by the Commerce Department to drawn out of Secretary Snyder of beat down bottlenecks — there is developing evidence that the department is stalling. If voluntary agreements well on the reaching by the Commerce Department to beat down bottlenecks—there is developing evidence that the department is stalling. If voluntary agreements wait on the reaching of a program for steel, it will be near the end of the session of Congress before the department has really "got going" with even its limited program. its limited program.

> There is considerable bewilderment over the action of the Department of Justice in plunking before a grand jury its investigation of alleged non-compliance with the Act relating to the registration of lobbyists.

Under this Act, organizations whose principal activities are directed at influencing legislation, are required to register. The Department of Justice, in-dustry sources report, originally greed with this interpretation but ducked putting its opinion to this effect in writing. This viewpoint would have exempted from registration the many trade associations who perform numerous services for their members, of which appearing before Congressional commit-tees to speak on legislation is only incidental and casual.

Until the surprising grand jury action, the Department of Justice was negotiating quietly with yariwas negotiating quietly with var-ous types of organizations to as-certain the extent to which they magged in lobbying activities and night be subject to the lobby registration law.

registration law.

By making the investigation a formal grand jury affair, the Department of Justice has brought to an abrupt end the voluntary cooperation of industry in working out the ins and outs of this obscure legislation. The Department also has adopted the new policy — again without putting it in writing — of saying that any organization which in any way attempts to influence legislation attempts to influence legislation should register, or at least file quarterly financial statements.

Business representatives will be surprised if the grand jury proceedings are not used as a vehicle, in this election year, for a general smear business cam-

Pretty soon somebody is going to suggest that April 1 is not an unavoidable deadline for foreign aid—long range, that if the U. S could wait from the time of the Paris committee meeting in September until December to approve interim aid, that it can also appropriate for a couple of months propriate for a couple of months more on a temporary basis. The Congressional leadership will not be pushed into hasty action on foreign aid on the assumption that if they don't act on long-term a April 1 the world will fall apart.

It's a good bet that the House Labor Committee this year will get out legislation further curbing the power of the big national labor leaders. There are two lines of probable action. One is to prohibit industry-wide collective bargaining. This is least favored. The other is to subject certain union activities to the anti-trust laws. This is the most

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favored. It is a poor bet that this legislation will pass—unless John Lewis again ties up the coal mines or somebody ties up

COMING EVENTS

Feb. 3, 1948 (Chicago, III.)
Mid-Winter Dinner of the Bond
Traders Club of Chicago at the
La Salle Hotel.

Feb. 5, 1948 (Kansas City, Mo.) Bond Traders Club of Kansas City annual dinner at the Hotel Meuhlebach.

Feb. 6, 1948 (St. Louis, Mo.)

Security Traders Club of St. Louis annual dinner at the Chase Hotel.

Feb. 13, 1948 (Boston, Mass.)

Boston Securities Traders Association 24th Annual Winter Dinner at the Hotel Somerset.

Feb. 27, 1948 (Philadelphia, Pa.) Investment Traders Association of Philadelphia Twenty-fourth Annual Mid-Winter Dinner at the Benjamin Franklin Hotel.

March 5, 1948 (New York City)

New York Security Dealers Association 22nd Annual Dinner at the Waldorf Astoria. March 12, 1948 (Toronto, Ont.,

Canada) Annual Dinner of the Toronto

Bond Traders Association at the King Edward Hotel.

Nov. 15-18, 1948 (Dallas, Tex.)

National Security Traders Association Convention.

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