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Thank You, Sen. Taft!

"It is hard to think of any more drastic limitation of personal freedom than to permit the State to take boys from their homes, their education, or their chosen occupations and subject them for a year to the arbitrary direction of some military officer and indoctrination courses prepared by some ideological bureau of the War Department.

Robert A. Taft

"What we need is a highly trained, technical, professional force. That will always be the first and essential protection to the people.

"It can be supplemented by adequate reserves on a voluntary basis without undertaking to dominate the entire life of the United States. It can be directed in particular to making U. S. the greatest air power in history of the world.

"Not only will that give us the defense which we need, but it will deter any threat of attack from Russia or any other country far more than any projected plan of compulsory universal military training."—Senator Taft.

Drastic Deflation: A Graver Danger Than Inflation

By IVAN WRIGHT

Dr. Wright, though laying inflation to excess money and goods scarcity, warns deflation, by removing part of money supply, may create hardships worse than inflation. Points out previous business collapses were preceded by deflationary moves and cautions temporary collapse of some commodity prices is no sign inflation is over. Holds deflation spreads more rapidly than inflation and urges curbs on government spending and restoration of free markets and expanded investments as inflation offsets.

Inflation has been characterized as the number one problem facing the American people. Inflation and the European Recovery Program have been coupled together as the two outstanding problems with which Congress has to deal this session. The two problems are related. But our domestic inflation is old and deep seated and is a product of the war and prewar currency and financial management. Given the correct approach and the right ideas for recovery, the European problems in so far as we are able to help can be solved more quickly and easily than our domestic inflation problems. While the countries seeking our help have inflation problems of their own to solve, inflation is primarily a domestic prob-

Dr. Ivan Wright

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See **PICTORIAL INSERT** for pictures taken at NSTA Tri-City Parties in Chicago, Kansas City and St. Louis.

A Refunding Project to Relieve Government Bond Market Support

By A. J. CORTESE*

Mr. Cortese proposes a refunding of government bonds at higher interest rates to permit withdrawal of support of government bond market without serious capital losses, and to restore Federal Reserve System's power to control credit. Says program would accord with market realities, and that increased cost of debt service is preferable to prospect of further gross expansion of money and credit supply.

There is far more agreement on the monetary danger of a great inflation in this country than on the means to avoid the threatened disaster. Of the two prime ingredients of inflation, an excessive supply of money and a mass buying psychology, only the former can be regulated with any accuracy and the latter is too unpredictable to attempt the influence of it in order to arrest the phenomenon. Therefore, any determined effort to deal with the basic causes of inflation must be directed at the money supply.

A. J. Cortese

The traditional power of the Federal Reserve System to control credit has been crippled by a conflicting policy of supporting

(Continued on page XII of Pictorial Insert)

*Mr. Cortese is associated with New York office of W. E. Hutton & Co.

EDITORIAL

As We See It

Time to End Such Nonsense

Somewhat in the grand manner, the President's Council of Economic Advisers late last week announced that it would make an exhaustive study of the current situation in light of what has happened in the commodities and stock markets during recent weeks. The "exhaustiveness" of this inquiry will, apparently, require that it consume the next six weeks at least. "Our economy," one member of the Council is quoted as saying, "is much too vigorous and much too varied to be sized up on the basis of a few happenings over a few days."

Well, that seems to be that. If by sometime in April recent market developments have not clearly told their own story, the key men in the scheme of things under the so-called Full Employment Act will undertake to enlighten the President! Yet, said the President in his "Economic Report" to Congress not much more than a month ago, "The Employment Act calls upon the President at the opening of each year not merely to review current trends but also to

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The International Monetary Fund

Has It Done More Harm Than Good?

By A. M. SAKOLSKI

Dr. Sakolski reviews operations of the International Monetary Fund and points out its inauguration and activities, though limited, have been premature. Contends institution has had very little direct influence in stabilizing currencies, but because of its regulations and restrictions on member nations, has been a factor in creating black markets in exchange operations and has hampered international and domestic commerce, by causing "suppressed inflation."

The recent drastic devaluation of the French franc along with other chaotic or unsatisfactory monetary and economic happenings in Europe and the Far East calls for a review and retrospect of the hopes, purposes and aspirations underlying the International Monetary Fund and its companion institution, the International Bank for Reconstruction and Development. These hopes and aspirations have greatly faded despite the fact that hardly three years have elapsed since the signing of the Bretton Woods Agreements. True, the two great cooperative international institutions have been set up and are endeavoring to function in accordance with their primary objectives. Yet, thus far, their direct influence for good has been almost nil, while their negative or indirect influence, particularly as regards the Fund, has been the reverse of the objectives sought.

A. M. Sakolski

The reason can be made clear when it is considered that both the Fund and the Bank, under the terms of their charters, are not permitted to take direct action or to bring about conditions which would remedy the fundamental maladjustments that create domestic monetary disturbances and cause international foreign exchange disequilibrium. It was generally recognized, though not freely admitted, during the debates which preceded and followed the Bretton Woods Conference that the International Monetary Fund can successfully operate and carry out its purposes only under normal conditions of domestic and international trade and commerce, and with domestic currencies both stabilized and on a safe and sound basis. For this reason, there were warnings, that the inauguration of the Fund should be delayed or its operations deferred until after Europe's economic recovery became plainly manifest, and sound currency systems restored and maintained.

As stated by Mr. Murray Shields in 1944, in a symposium on International Financial Stabilization, published by the Irving Trust Co. of New York:—"It is doubtful in the long run such an organization can function satisfactorily unless there is a reduction of trade barriers, firm rejection of the devices of restriction and manipulation, the funding of blocked balances the writing off of clearly unpayable obligations, the prevention of undue internal inflation or deflation in the participating countries, and the balancing of national budgets so as to restore the basis of fiscal integrity required if people are to have confidence in the assets of the Fund."

This view was stressed by many other commentators of the period, even when strongly endorsing the Bretton Woods institutions. It would be assumed that in view of the circumstances, there would be

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Today's No. 1 Problem—The Depreciation of Our Currency

By WALTER E. SPAHR*

Professor of Economics, New York University

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

Dr. Spahr calls attention to dollar depreciation since 1940, and its varying effects on different groups. Traces causes of depreciation and points out needed correctives. Urges as basic correction quick return to gold standard, so people will regain control ov r government abuse of public purse. Holds nation has been misled by advocates of managed economy, and calls for new economic leadership.

The Depreciation in the Purchasing Power of the Dollar in the U. S.

If one considers the purchasing power of our dollar in terms of goods and services, the depreciation has been pronounced and relatively rapid since 1940. The general cost of living at the end of 1947, as compared with the average for 1940, had risen some 65%. In terms of wholesale commodity prices, the index had doubled and the purchasing power of the dollar had fallen to half that of 1940. (The indexes were 78.6 for 1940 and 159.5 for Nov. 29, 1947.)

Walter E. Spahr

If one thinks of currency depreciation in terms of relationship between our irredeemable paper money and gold, then, it should be understood that there has been none since the present weight of our gold standard unit was fixed on Jan. 31, 1934.

The reason why our irredeemable paper currency has not depreciated in terms of gold is because of the operation of our system of indirect conversion of paper money and deposits into gold through the Reserve banks and running back to the gold held by the Treasury.

But the important principle to note here is that although the parity of our paper money with gold can be maintained under this system so long as our reserves ratios are respected, this system does not prevent, nor offer any great restrictions on, the depreciation of our domestic money and deposits in terms of goods and services.

In fact, our system has made, and makes, easy a great issuance of promises to pay since these, with the exception of silver certificates, are not redeemable but are merely exchangeable for other promises to pay which are likewise irredeemable. In other words, our domestic promises to pay as issued by the Treasury and the Federal Reserve banks, and in circulation, are both dishonorable and dishonored.

Under a gold-coin standard and system the issuance of promises to pay is confined to those that are to be redeemed. This restricts sharply any pressure of the monetary supply in the direction of depreciation of currency in terms of goods and services.

The Effects of the Depreciation of Our Currency in Terms of Goods and Services

The depreciation in the value of the dollar in terms of goods

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*An address by Dr. Spahr at the 31st Annual Meeting of the Pennsylvania State Chamber of Commerce, Pittsburgh, Pa., Feb. 18, 1948.

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"Pulling the Wool . . ."

SEC failure to treat confidentially the annual financial reports filed by registered dealers and brokers is creating a public furore. Commission claims that Rule X-17 A-5 received its impetus from representatives of the securities industry disputed. Fear of reprisals renders a large segment of the industry inarticulate. Commission's defensive letters to members of Congress misleading. SEC owes duty to public to immediately pass a rule remedying this wrong.

As our readers know, we have been waging an editorial campaign directed against the failure and refusal of the Securities and Exchange Commission to accord confidential treatment to financial statements filed annually by registered dealers and brokers pursuant to SEC rule X-17 A-5.

The progress of that campaign has made interesting watching.

At first the Commission made claim to utter helplessness despite the demonstration that a financial publication, in the course of a circulation campaign, promised to print these financial statements as an inducement to subscriptions.

The Commission argued that the information contained in these financial statements was public property and that, therefore, the uses to which it was put were in effect, beyond its control.

We exploded this claim of helplessness by demonstrating that under the very rule in question, and by its express terms, a certain part of the information is given confidential treatment. We further showed that the requirements which create the duty to file these financial reports, are not statutory. The duty was created by rule of the Commission, and therefore we contended if the Commission could make the rule compelling the filing, it could also make the rule declaring the nature of the treatment that shall be accorded to the material filed.

In other words, if it is in the power of the SEC to compel the filing of annual financial statements by registered dealers and brokers, it is also within the ambit of its powers to direct that these statements be accorded confidential treatment.

From the response that our instant policy has received in the securities field among dealers and brokers, it seems clear to us that there has been wide and sympathetic acceptance of our contention.

We have been informed that dealers and brokers, members of the Congress and the Maine Security Dealers' Association have communicated with the SEC and demanded that it explain the failure to give such confidential treatment. By this correspondence the Commission has been asked to accord confidential treatment to the annual financial statements filed by registered dealers and brokers.

On the defensive, the Commission has attempted to explain away its unseemly conduct in a series of letters, some of which have come to our attention. To say the least, those which have come to our attention are misleading.

These letters, regardless of who in the employ of the Commission wrote them, may be treated pretty much as a class inasmuch as the attempted rationalization in all of them is quite similar.

A number of these letters were sent by the Commission to members of the Congress.

As typical, we would like to deal with one of them, signed by Robert K. McConnaughey as Acting Chairman of the Commission.

We quote:

"Although the staff of the Commission has for some years been studying the necessity and feasibility of a rule requiring brokers and dealers to file financial reports, real impetus for a rule came from the industry in 1942."

The letter then goes on to say that the representatives of the industry asked the Commission to assist in the development of a uniform financial statement.

Over whose eyes is the SEC attempting to pull the wool? Who does it guess are the representatives of the

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Investment Fundamentals—The Choice of Securities

By CARL T. HYDER*
Economist, Shields & Company

Mr. Hyder stresses importance of investment knowledge to small investor and describes briefly existing types of securities. Explains meaning of "leverage" and reviews position of aviation stocks, bank stocks, automobile and electric equipment company securities, as well as public utilities and mining shares. Summarizes existing market factors.

The important things in life are health, happiness and wealth—at least to some degree. We have trained millions of people to make us healthy and more millions to make us happy, through entertainment and so on, but we have criminally neglected training in the investing of our savings and how to plan for old age. We would have had a very easy time with investing if we had not had two wars with the New Deal sandwiched between to spend $100 billion. This huge destruction and spending has caused the normal savings accounts and life insurance policies and our social security to be worth less than ½ or ⅓ of its normal value. You will recall that prior to the cheap money policy of our government, government bonds yielded 5%, savings banks paid 4% and life insurance policy dividends were at least 3%. At the present time government bonds yield 2½%, savings accounts 1½ to 2% and life insurance policies 2%. We have already lengthened life so much that insurance companies have changed their death tables and it may be that through atomic developments the span of life may be greatly lengthened.

Carl T. Hyder

Our social security gives a maximum return of $87.50 a month and most people in our lifetime will not receive ½ of that, so it is obvious that we must make our own plans for old age. I rather think that the idea of investments in stocks and bonds rather awes people who do not know an asset from a liability or who have not had training in accounting. I do agree that a background of accounting is necessary for the trained security analyst. However, the objectives of this course are to attempt to place before you the risk and danger of one investment as against the lesser risk or danger of loss of capital in another. I believe that investing should be approached in a very sensible, calm, and practical way, but you should first realize that there are certain fundamental things that have made sound investments sound or, in better words, made the risk greater or less.

Choice of Securities Types

When we consider investing we have a choice of the following types of securities. First, government bonds; secondly, tax exempt bonds—that is, the divisions of government (state, county, school districts, paving districts etc.); thirdly, we have first mortgages, debentures, preferred stock, common stock. In the American way of life we use the corporate form of organizing a business, to a great extent. Two or more people apply to a secretary of some state in the Union for permission to set up a corporation. The purposes of the corporation in general, its business to be followed, is stated in its charter. The board of directors of this corporation elect officers for the corporation, who serve the corporation, which is a legal entity. The corporation issues securities in any of the several forms. The distinguishing characteristics are that if a corporation defaults on a first mortgage a creditor can apply to a district court for receivership. Under bankruptcy the court-appointed receivers attempt to salvage for first mortgage and other security holders in turn. The debenture holder in case of trouble ranks equally with creditors but not ahead of them, as is the case with the first mortgage bondholder. The preferred stockholder has no recourse in case the dividend is passed except that in some corporations he has the power, by the charter, to elect a certain number of the directors after the default has run for say a year or more. The common stockholder receives all earnings after the fixed charges on bonds, preferred, etc. He may receive this in the form of dividends or it may be added to the working capital of the corporation at the discretion of the directors. A great many companies, due to having paid their senior obligations, or not ever having had any, have only one class of stock outstanding. Among the sounder and better companies in this category are: Abbott Laboratories, Allied Chemical and Dye; Amerada Petroleum; American Chicle; American News; all the bank stocks; Beechnut Packing; most of the copper companies; Columbia Carbon; Congoleum-Nairn; Consolidated Mining and Smelting; Continental Oil; Creole Petroleum; Freeport Sulphur; Hanover Fire Insurance; Home Insurance; S. H. Kress; S. S. Kresge; Masonite; Pepsi-Cola; Singer Manufacturing; South Penn Oil; Texas Gulf Sulphur; Union Carbide; Woolworth; Wm. Wrigley.

Leverage

These stocks do not have what we call leverage. Leverage ordinarily means a greater distance from the fulcrum on one side of the lever and a shorter distance on the other, thereby multiplying the force. In securities I believe that I had better illustrate what is meant by leverage. If a company with fixed charges on preferred and bonds of $250,000 earns $500,000 and has 60,000 shares of common outstanding, it earns $4.25 per share. If the earnings drop 20% to $400,000 and fixed charges remain constant at $250,000, the common earnings drop to $2.50 per share, or 40%.

The example of stocks that have considerable leverage is very easy to find. Now the stocks of a company having only common shares outstanding can be and often are a sounder investment than a mortgage of another company. Just here I might point out that due to our present tax laws the well-established companies have a state-protected monopoly because it is practically impossible to get venture capital as we no longer have people with surplus incomes since it is all taxed away. It follows that we must therefore know something of the kinds of business, including their past record, in order to judge the risks that one wishes to assume. Before going into the different categories of business which we will deal with primarily in these discussions I would like to issue a warning on promotional stocks. We are all subject to hearing of a good buy at a cocktail party or from an acquaintance but before giving your money away you should establish that the security being issued has a limited number of shares outstanding—that is, that they are not just tearing it out of a book and that the character of the people who control the corporation is good enough so that they will not sell out the business to themselves or another friend if it turns out successfully. If possible, attempt to balance the gross sales of the business against the number of shares times its market value. From this some judgment can be obtained by calculating the net profit on gross sales. Most sound businesses earn from 5% to 8% on their working capital. On promotions the sellers usually obtain from 20 to 80% of the amount you pay for a stock so that the working capital going into a corporation must be reduced by a proportionate amount. In our discussions we are eliminating the field of real estate as I feel that it is suitable for a home owner or a resident manager only. I am sure that you are all familiar with government bonds, the long-term 2½% issued during the war and "G" bonds maturing in 10 or 12 years and the "E" bonds, which pay no interest un-

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*Opening lecture by Mr. Hyder at the Small Investors forum at Columbia University, New York City, Feb. 5, 1947.

Our Fiscal Policy

By HON. JOHN W. SNYDER*
Secretary of Treasury

Asserting fiscal program must be determined by realistic appraisal of existing facts, Secretary Snyder holds inflation is strongest force undermining stability. Says recent price declines must be viewed carefully, since there is delicate balance between inflation and deflation. Contends Administration believes in minimum restrictive controls and aims at making budget surplus strongest anti-inflationary force. Outlines plan for savings bond drive to reduce bank government bond holdings and foresees no budget and tax reduction. Urges revision of tax structure. In subsequent address, says Treasury plans study of tax treatment of American foreign investments.

Our primary fiscal concern is the financial integrity of the United States government. The only way in which such integrity can be sustained is by firm adherence to a sound national financial policy. This policy must rest upon a revenue system that will adequately meet the cost of government and its necessary functions, and provide funds to manage, service, and reduce the public debt.

John W. Snyder

In planning our fiscal program, it is not a question of what we should like to have at the moment, nor is it a matter of what might be desirable and proper under different circumstances. Our fiscal decisions must be made with a view to the long-term national interest. What we seek is to stabilize our present high level of material welfare while, at the same time, encouraging an expanding economy.

As a foundation for this program, Federal financial policies must be determined by a completely realistic appraisal of existing facts. The positive factors in our economic outlook are definite and real, and are entirely encouraging for future consolidation and gain.

During 1947, we achieved a level of peacetime prosperity never before known in this country, or in any other country. The aggregate output of goods and services for civilian use was at record heights. We had a peacetime industrial production of 187% of the 1935-39 average. Employment reached the 60 million mark, a truly great employment record.

The national income was distributed broadly throughout the country and all sectors shared in the prosperous business activity. Wages and salaries, business profits, and farm income each reached new prosperity levels. American railroads in 1947 handled the greatest peacetime traffic in history. Electric power output and oil production both set new records. The standard of living of the American people, measured in terms of goods and services, was higher than ever before. Today, the supplies of raw materials, machinery and equipment, and labor available for producing new goods are being used practically at capacity levels.

Such facts argue for expansion of economic activity and higher national income, with resultant benefits for all.

We have it well within our power to move forward to far greater business growth and individual well-being. Our production plant and equipment are being constantly expanded; our labor force is more than adequate to the task; our industrial and business management is aggressive; and our savings are equal to meeting increasing capital requirements.

These are the positive factors in our economic outlook. Because of these factors, we are in a position to generate far greater capacity if, in the face of certain obvious storm signals, we now consolidate our gains. Economic retrogression can come only from failure to take affirmative action to reinforce the weaknesses and to counter-balance the distortions which are presently apparent.

Inflation, Strongest Undermining Force

The strongest undermining force and the most definite threat to our stability during the past months has been inflation. The reality of this danger was pointed out in President Truman's recent warning to the Congress that "The first objective for 1948 must be to halt the inflationary trend." An effective attack on inflationary trends could not be marshalled from a single source. It was not a question of government controls versus voluntary restraint, but a coordinated, sustained, well-balanced effort involving both. Business, labor, agriculture and government, all had to unite in attacking the problem.

A most direct continuing attack on scarcities and rising price and wage levels can be made by a broad national savings effort with every individual keeping his or her expenditures to a minimum. Every dollar we can save makes a direct contribution toward controlling inflation by reducing the pressure on prices.

Although some correction in the upward spiral of the high cost of living has been made in the past week by a decline in commodity prices, these adjustments must be viewed carefully in terms of our whole economy. In a transitional period, in which prices are seeking a more stable relationship, such as we are now having, there is a delicate balance between inflation and deflation. Certainly, we do not want an excess of either.

We should recognize that while there is room for price adjustment in many fields, such adjustments can be made without creating a serious recession. It is merely necessary that we steer our way through the present situation with courage and energetic

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*An address by Secretary Snyder before the Association of Stock Exchange Firms and the Atlanta Chamber of Commerce, Atlanta, Ga., Feb. 13, 1948.

Observations . . . .

By A. WILFRED MAY

THE STOCK MARKET CONTINUES ITS LOGICAL BEHAVIOR

The stock market's exceptionally intelligent behavior, cited in this space on Jan. 29 last, has continued through the ensuing commodity turbulence. This following of investment in lieu of speculative principles has been indicated from two distinct approaches: its past unwillingness to rise midst the business boom, and now in its abstention from the temptation to "fall out of bed" at the appearance of a major deflation-depression threat.

A. Wilfred May

As previously pointed out here, the market has wisely chosen fairly to capitalize business and profits mid-way between the pre- and postwar levels (that is, at an earnings yield of 1½% and a dividend return of 5% on the stocks composing the Dow-Jones Industrial Average). In having given this logical performance instead of celebrating the postwar business boom by a continuing bull market, it unfortunately left many business-analyzing *speculators* high and dry.

The Intelligent Investors of 1947

In addition to its refusal to capitalize probably above-normal activity and profits, "the market" of 1947 was alert in discerning certain specific weaknesses in the financial situation. Foremost among them would be the vulnerability to the long-range profit cycle and to the distributability of earnings rendered by the expansion of inventories and accounts receivable. Only recently—*after the event*—has it become realized generally that the expansion of these balance sheet items as an unavoidable accompaniment of greatly increased business, has posed financing problems to company managers. Similarly has disturbance to the profit situation from the postwar rise in expenses been tardily appreciated by the public.

For example Montgomery Ward's expansion of inventories added to the recent competitively necessitated growth in its installment accounts to over $100 million have used up the proceeds of its 1946 $60 million common stock sale and a great part of its recent undistributed earnings and depreciation and other cash reserves. The stock market was wise, as shown by the anticipatory two-year decline in retail share prices, in foreseeing the cropping-out of such corporate financing problems.

Wisdom on the Downside

Conversely in the ensuing bear period Montgomery Ward's contradictorally steady action apparently denotes recognition of the fact that this company has exceptionally been able to follow its long-term aim of abstaining from debt-financing, even in the face of the large acquisition of installment accounts, and that it could sell or liquefy these accounts as do its competitors.

Likewise, despite the public's proclivity to over-rationalize, and particularly after an extraneous threat like the present commodity-break, the present market has not seen fit to over-reflect the existing bearish factors.

The Contradictory Citation of Supply-and-Demand

For example, in recent months a hue and cry has been ever-increasingly raised by the Wall Street community concerning the insufficiency of capital available to the equity markets to absorb the available supply of stocks (because of tax incidence, etc.). Yet great doubt about the actual importance of this factor arises from our remembrance that a major popularly-ascribed reason for the great 1943-1946 *bull* market was the allegedly large increase in "the money supply looking for investment"; and also that the *bear* swings of 1937-'38 and 1940-'42 occurred in the face of swollen and rising money in circulation.

Let us also remember that one of the chief excuses popularly made in 1929 for the climactic blowing-up of the enormous stock market bubble of that time, was the supposed great scarcity of equities even at those fantastic prices. So here also, in currently belittling this misconceived supply-and-demand credo, the market is acting with exceptional wisdom.

As an offset to the complained-of stringency of funds available to the investment market, there must be taken into account the Treasury's possibly imminent purchase or retirement of up to $9 billion of government securities.

Also the complainants about unavailability of investment capital must explain the market's selective rapid absorption of the sizable Bendix and Gulf Oil offerings in the face of its Kaiser-Frazer cold-shouldering. And the $178 million of new capital acquired from the public by mutual funds in 1947—an amount 22 times the 1941 figure.

Realism Toward the Financing Problem

It is difficult not to believe that the public's present worry over corporations' internal financing is correlated with the seeking of *ex post facto* explanations for stock market action. If the ruling

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The State of Trade and Industry

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

Over-all industrial production the past week continued to reflect some modest decline, but the level of output generally held somewhat above that of the like week of last year.

Order volume for most goods remained very large and order backlogs, too, were substantial in some lines.

* * *

As for employment and payrolls, reports state that they were sustained at very high levels with a slight drop occurring in claims for unemployment insurance during the week ended Jan. 24 for the second consecutive week.

* * *

In some quarters the sharp declines in commodity prices last week were considered in a sense beneficial, since they worked to reduce food costs to consumers and left more purchasing power to be spent on other things. At the same time it had the effect of making possible stiffer resistance on management's part in wage negotiations. The adverse reaction to such a decline is the impairment of confidence and the inroads it makes in farm income, which is considered of major importance in our present prosperity. On this score, however, some farmers were agreed that commodity prices were too high.

This was especially true of grain prices which had reached a point where the buying of grain for feed by livestock raisers and dairy farmers amounted to a virtual prohibition. To them the decline in commodity prices the past two weeks afforded some measure of relief. It should be pointed out, that while the present readjustment of commodity prices is desirable from the standpoint of relieving pressure on living costs, too drastic a decline would more than offset any benefits to be gained by it.

* * *

Dollar volume of retail trade increased very slightly during the past week and continued to compare favorably with that of the like week a year ago. Adverse weather in some areas continued to discourage shopping; and demand for Winter merchandise remained large. Consumer resistance to high-priced goods reflected an increase and requests for credit were slightly more numerous.

Activity in the wholesale centers again proved sluggish with wholesale dollar volume off fractionally, but slightly above the level of the corresponding week of 1947. Orders, generally, involved moderate amounts of merchandise for current stock replacement and improvement in deliveries was noted in some areas.

* * *

On Monday of this week Secretary of the Treasury John W. Snyder went on record as saying that he was not of the opinion that the country is headed for a depression. Declaring that he was "not at all disturbed" by the recent declines in commodity prices, he added: "We've got all the elements of continued prosperity and production here." Continuing, he stated that the decline in commodity prices were an adjustment to improved prospects at home and abroad.

Taking up the question of tax reduction, he contended that, in view of unsettled world conditions, it would be unwise for the government to reduce taxes in any way that would cut Federal revenues below the present levels.

He stated further:

"I cannot conceive of any consideration under existing conditions that would justify a tax policy or program that would fail to balance the budget in the fiscal year 1949 and also make provision for adequate retirement of the public debt."

* * *

As a result of a higher level of freight traffic hauled at somewhat higher rates, railroad net income totaled $480,000,000 in 1947 as compared with $293,000,000 in the abnormally low earning year of 1946, William T. Faricy, President of the Association of American Railroads, reports. However, states Mr. Faricy, higher railroad revenues last year were offset to a large extent by higher wages, higher prices for fuel and supplies, and a greater amount paid in taxes.

STEEL OUTPUT SCHEDULED AT SLIGHTLY LOWER LEVEL FOR WEEK

For the second week in a row the steel market and steel prices have been totally unaffected by commodity and stock market action. This week steel prices are stronger, demand is heavier, supplies are lighter and gray market activity is unchanged, according to "The Iron Age," national metalworking weekly.

Steelmakers in the past week have shown their faith in the solidness of steel demand by raising prices on all types of pipes

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W. R. Staats Co. Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert D. Gibson and Patricia E. Hawley have joined the staff of William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Gibson was previously with Merrill Lynch, Pierce, Fenner & Beane.

With Turner-Poindexter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Anton Gaspich has become connected with Turner-Poindexter & Co., 629 South Spring Street, members of the Los Angeles Stock Exchange.

Robert C. Buell Co. Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Lawrence E. Zahnke is with Robert C. Buell & Co., 33 Pearl Street.

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(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Harris, Upham & Co., 135 South La Salle Street, have added F. Wesley Baylor to their staff.

Recession Looms!

By RAYMOND RODGERS*

Professor of Banking, New York University

Dr. Rodgers analyzes current economic and business developments and points out, despite recent price drops, three forms of inflation exist, viz.: (1) price inflation; (2) credit inflation, and (3) goods inflation. Says stresses and strains have created instabilities in economic structure, and despite opposing forces, there are still powerful factors leading to more inflation to be followed by a recession.

"None is so blind as he who will not see," is an old, old adage, but it still epitomizes the tragic short-sightedness of the sons of Adam. And even as Adam, who accepted the short-term gratification of the apple and thereby forfeited the permanent satisfactions of the Garden of Eden, so do the present sons of Adam mistake the heady wine of inflation for true prosperity.

Raymond Rodgers

It is the high function, and the paramount function, of credit granters, be they commercial bankers, investment bankers, consumer credit bankers, wholesale credit men, or retail credit men, to stand firm against public delusions, manias, and fevers no matter how long they may last. This is almost impossible to do. After all, the credit grantor is a member of the human family — although I have heard people claim otherwise! He is subject to economic temptation, social pressure, and "mob" psychology—furthermore, being right has always been a very lonesome job!

Yet, in no field is it so important for all of us for the practitioner to see, and see correctly, as it is in the field of credit. The very bread and butter of all of us depends on how well they read the economic thermometers and barometers. And there are many to read; in fact, that is the trouble—there are too many! As a great publicist once said, "What can a man believe?"

The attitude of too many business men toward the great mass of available economic data is similar to that of Willie Smith regarding a debt he was collecting. A friend of his, who owed him a hundred dollars, had finally, after a long time and a great deal of pressure, brought in the money. The friend was so angry at having to pay that he handed the hundred to Willie in one-dollar bills. Willie started counting them: One, two, three, and so on until he got to sixty-six, sixty-seven, sixty-eight. Then he stopped, saying: "O.K., it's right so far, so it's probably right all the way."

In contrast to these optimists, there are other business men who embrace the fatalistic philosophy of the Southern mountaineer who had a leaky roof. A friend took him to task for not fixing it, only to be told: "When it ain't rainin', it don't need fixin'; when it is rainin', but I can't fix it."

Must Not Disregard Economic Developments

You gentlemen must not disregard economic developments—both business and banking have social responsibilities which make close study of economic phenomena imperative.

That we are in the greatest boom the world has ever known is an old story to you. That we are at, or very near, the top of that boom is so apparent that I would not take your time to discuss it if it were not for the great number of rosy business forecasts that have showered down on us recently, particularly from Washington. Whereas at the end of 1946 most economists expected a business reaction, and some a depression in 1947, the recent predictions are nearly all on the bullish side for 1948. When most of the economists predict prosperity, it is high time to oil the hinges on the door to the storm cellar!

There are too many so-called experts going around rationalizing the present fantastically high level of business activity. On every hand you hear that we must have a national income of two hundred billions if we are to maintain our national debt; or that we must have "umsteen" billions to maintain our position in the age of air power; or "umsteen" billions to succeed in the race toward atomic disintegration; or—oh well, substitute your own figures of swollen billions and your own pet idea! Such naive arguments demonstrate that Gresham's Law has its counterpart in the economics of talk, namely, bad talk tends to drive out good talk!

We learned the hard way that the greatly touted "New Era" of the late '20s was a cruel delusion. Let us not again go through the financial loss and the human misery which is bound to follow our being taken in by the snare and delusion that we have discovered economic perpetual motion in the waste, economic dislocation, and credit expansion flowing from World War II. Let us frankly recognize the stakes involved. It's not just the loan being extended, the credit being granted. It's not just the solvency of your business. It's far more. It's the very future of our country, as I am not certain that our democratic institutions can survive a first-class depression with international conditions as they are today. In a larger sense, the very future of

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*An address by Prof. Rodgers before a dinner-meeting of the Passaic and Bergen County Credit Bureau, Paterson, N. J., Feb. 17, 1948.

Commodities Peak Reached But Capital Marts in Danger: Boylan

Chairman of Board of Governors of N. Y. Stock Exchange in interview holds it not likely commodities will again reach recent highs, and in address scores attacks on speculation and free markets.

Robert P. Boylan, Chairman of the Board of Governors of the New York Stock Exchange, who was in Atlanta on Feb. 13 to deliver an address before a joint session of the Atlanta Chamber of Commerce and the Association of Stock Exchange Firms, told reporters that "insofar as the markets are concerned, prices have about stabilized" and though "there probably will be rallies in the markets," Boylan said in an interview, "it is not likely that commodity prices will again reach their recent highs." He also stated that "in the near future housewives will see important though gradual reductions in the price of essential foods at retail."

Robert P. Boylan

Text of Address

The text of Mr. Boylan's address before the joint session of the Atlanta Chamber of Commerce and the Association of Stock Exchange firms follows:

It is not generally appreciated I believe, that our capital markets are threatened by an insidious encroachment upon them. Now, I believe that our people would become angrily excited if they thought that our other free institutions were in danger. But freedom of expression, freedom of worship, our equality of justice and all of the other great privileges granted under our Constitution and Bill of Rights are no less important than the liberty to bargain and to do business honorably within the limits, of course, that necessarily guard good conduct. Without recognizing the fact, we have permitted, in this country, an unnatural development which endangers our free markets. This danger is serious and it must be removed. It can be removed only by an aroused public opinion.

It is necessary that the campaign which certain elements have set in motion to discredit our free markets be stopped. Unfortunately, the essential necessity of these markets is not sufficiently understood. Uninformed people in our national community have constantly attempted and are still attempting to make scapegoats of these markets. I am not, for a moment, defending the occasional evils which occur under our free market system. Human beings, fallible as they always are, sometimes misuse the facilities of our markets, whether they be commodity markets or security markets.

Where the public has access to our free markets, as the public should have, there are episodes at times which do serious damage. In spite of our utmost effort to see that these activities do not occur, they do occur. Our responsibility is to continue our efforts to prevent abuses. We must be continuingly vigilant in this direction.

My main point is that we must not allow the discreditable conduct of a few irresponsible individuals to destroy what is vital and valuable to our society in the system of free markets.

Free Markets Fundamental to Our Institutions

We either believe in free markets, or we do not believe in them. The attention of the American people needs to be focused upon the necessity of these markets as fundamental American institutions. It is our personal responsibility to see to it that clumsy and immature officials do not reduce the efficiency of these markets. There is, I assure you, no thought in what I am saying of reflecting upon the excellent agency which regulates our particular market. My purpose, rather, is to awaken our people to the fact that free markets go to the very heart of our American system, and that, without them, this system will decay.

I shall discuss, for a moment, the operations of these markets of which I speak. I do so out of a considerable breath of experience. I do not appear as an apologist for these markets. No apology is necessary. Markets are conducted for the service and benefit of our people and they have no other reason for existence. They may seem complex, but, as a matter of fact, their operation is very simple.

There is an impression which is entirely understandable, that markets are made among buyers and sellers on a spontaneous basis. This would be, I daresay, the ideal concept of free markets. It so happens, however, that the orders of buyers and sellers do not come together as evenly as we would like to have them do. The professional, or as I prefer to call him, the risk-bearer, steps in when there is an insufficient concentration of orders.

It is unfortunate that the necessary services of the risk-bearer are not fully recognized. When I speak of risk-bearers, I refer to floor traders whose function it is to make close markets and specialists who do the same. These professionals supply not only their own capital but intelligence in taking care of the missing links in markets. They do it with great proficiency and at great finan-

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From Washington Ahead of the News

By CARLISLE BARGERON

Since your correspondent went to school there has been a tremendous advance, if that is what it is called, in the methods of teaching. There has been a tremendous advance, if that is what it is called, in the subjects taught. For example, one now can go off to a university and learn to be a stenographer, when formerly you used to pick that up in three months at a business college.

Carlisle Bargeron

Nowadays too, we have departments of government or public affairs in school from which one can graduate with a degree entitling him to be a bureaucrat. The student can learn in these schools and come out with a letter of accreditation, that our government is formed in such and such a way, that it has become a vast bureaucracy and that it affords men, who can accomplish nothing else, a wonderful opportunity of easy living.

There have always been such schools around Washington but only in recent years have the bigger and better universities, grabbing the dollars as they can, gone in for such "higher learning." Of necessity, in these schools is taught the eternal conflict between the bureaucrat and the Congress; how it is necessary if you are in the Bureau of Reclamation, for example, to create propaganda to get Congress to give you more money for your projects. I believe I have just come to it but these schools are usually called departments of public instruction. They teach that politics is a science, not an exact one; that the business of being elected to Congress is an understanding of the mass mind; how to get votes, and how to create propaganda.

In this light, I think that every so-called school of public instruction, or the schools of government, should teach as a classic example, the experience of Senator Albert W. Hawkes of New Jersey.

In 1942, Hawkes had long been an outstanding businessman. He had been the President of the United States Chamber of Commerce. He had contributed to practically every charity known, having come up from taw in the true American tradition and had come to be a millionaire, and therefore had the money to give freely.

He aspired to be Senator from New Jersey. This writer worked with him in the primary campaign. The so-called Republican organization headed by Arthur Vanderbilt of Newark, didn't like him. I don't know why. It was a question of two millionaires clashing.

Hawkes, however, went to the bat and in the primary defeated Vanderbilt's candidate, a so-called youngish, dynamic young man, "air-minded," Gil Robb Wilson. There is not the slightest doubt that to do this, Hawkes' friends—not he because the law prevented it—poured plenty of money into the South Jersey leaders, who with this assistance, came to see Hawkes' virtues. He was unquestionably the more outstanding man, but what the students in the "public instruction schools" should know is that it took this to get him the nomination.

Having gotten the nomination and subsequent election, he has served as a staunch Republican, in a time when staunch Republicans were needed, for more than five years. Now he is coming up for re-election. But apparently, the so-called millionaire Republican leader, Vanderbilt, still doesn't like him, and another development occurred.

This was that there was an ambitious Wall Streeter who aspired to be Governor. The Governor, Driscoll, didn't like this threat and he considered it apparently to be a serious one and he set out to divert his rival from running for the governorship, to running for the senatorship. He said, if this ambitious rival would run for this, he would throw the State organization behind him.

So we saw the amazing spectacle of the Republic organization meeting and the pot-bellied county leaders, one after another, including those South Jersey leaders, whom this writer knows, agreeing that Hawkes was not "liberal" enough and therefore they had to supplant him.

My first thought was that Hawkes' friends had not given them as much money in 1942 as they would like to have this year, but obviously that is wrong, because in 1942 there was a Democratic Governor of New Jersey, Charles Edison, and now there is a Republican Governor who can keep the county leaders in line on just the statement that Hawkes is "not liberal enough."

I should like to ask the Governor of New Jersey, a Republican, and the other Republican leaders just what they mean. Just what vote or action has Hawkes taken in his five years of office that has annoyed them. Just what action of his do they consider not "liberal enough."

The funny thing about it, and what should be tremendously in-

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Business Optimism—With a Weather Eye on the Telescope

By S. MARSHALL KEMPNER*

President, Industrial Capital Corporation, San Francisco

Western banker asserts despite creeping rise in interest rates and tightening of bank lending, credit structure is nevertheless ample to support present high business activity and commodity prices. Maintains inflation can be stopped by reasonable economic freedom and high production, although now "the patient is receiving a stimulant and a sedative at the same time." Points to outstanding heavy backlogs as support for continued high industrial activity.

It seems to me that my subject logically divides itself into a consideration of several main elements: (1) the rise of interest rates; (2) the capital position of corporations; (3) the inflation; (4) the effects on our economy of the European political and economic situation; (5) the picture of business itself, the record for the past year and the possibilities for this; (6) within that picture, the industries with the most favorable outlook.

J. Marshall Kempner

Now as to the first—rise of interest rates. In my opinion the most significant recent development has been the creeping rise in interest rates, the lower prices of government bonds due to the change in the buying policy of the Reserve system, the resultant increased cost of new capital raised by the sale of high-grade securities, the advance in the discount rates of the various Reserve Banks and the tremendous effect of all this on the loan or credit policies of the member banks—which will affect our customers vitally. The creeping rise in interest rates is an accomplished fact. Money had been kept artificially cheap to finance the war, and the removal of the artificial ceiling only reflects an attempt, to a limited degree, to let the laws of demand and supply function; or in other words, to let natural levels of interest rates assert themselves. How far interest rates will rise, I do not know, but I should think that they will rise only moderately—because of the necessities of the Treasury Department. I don't think that the Treasury will want to pay much higher rates for money to finance our huge debt. Government obligations become due and have to be refinanced, and the cost is vital. Of course the banks themselves will pursue tighter lending policies. Consequently, it may well be that individuals and corporations may, to a degree, liquidate holdings of governments to acquire the additional cash needed in their operations. At this point, let me say that I do not believe there is anything sacrosanct about the price of par for long-term government bonds. While that appears to be a support level, and the Reserve system in theory should lend member banks against governments at par, my own view is that the Reserve Banks will only make such loans when they believe the credit of the borrowing institutions justifies such a loan. This view, let me add, is not popularly held. I can see the possibility of long-term government bonds breaking par though I do not believe that this is an immediate probability or that it will necessarily happen.

Where does all this lead us? To me it means simply this—the banks are going to be less lenient in making loans; the charge to the borrower will be higher. Now this is not in itself gloomy. I feel confident that we still have a credit structure which is ample to support a high level of business activity, and commodity prices at least as high as presently prevailing.

Corporations' Capital Position

This brings us to a consideration of the second topic—the capital position of corporations. Corporations today are, in many circles, considered flush and well-heeled because of large dollar profits. A little thoughtful reflection will not lead to this conclusion. According to data compiled by the SEC from the end of 1939 to the middle of 1947, the working capital of all United States non-financial corporations increased from \$24.6 billion to \$59.8 billion. On the face of it, this seems impressive, but if related to the current level of corporate sales volume, no gain whatever was recorded. If we make our comparison between mid-1945 and mid-1947, to give effect to post-war changes, it will be found that the relationship between sales and working capital varied hardly at all from the beginning to the end of this two-year period. While inventories rose from 11.1% to 13.5% of sales, and receivables also increased slightly, holdings of liquid assets (cash and governments) **declined** from 19.1% to 12% of current sales volume. (On an absolute basis they fell from \$45.5 billion to \$34.8 billion.) In other words, working-capitalwise, business had a hard time maintaining itself on an even keel, this the more remarkable when it is remembered that between mid-1945 and mid-1947 corporations raised almost \$6.2 billion of new money (not counting refunding operations) through sale of stocks and bonds. In addition to this, please remember that during the two years undistributed corporate profits amounted to \$13 billion. Expressed more simply, it would seem that the large dollar additions to working capital were inadequate to maintain relative liquidity, due to the increase in volume of business which necessitated larger receivables and inventories, and due, of course, to the rise in the general price level which has tied up more dollars per unit sale or per unit of inventory.

Mark Twain and Inflation

This leads us to our third topic—the inflation. The subject reminds me of Mark Twain's remark about the weather: "Everyone talks about it, but no one does anything about it." By that I do not mean that there are not attempts to control prices. We all read the papers, are familiar with the President's program, which I'm not sure I understand, as well as the pinch caused by high taxes. How high taxes can do aught but discourage production and new capital investment, I do not know. The cure for inflation must be increased production and an increase in the supply of available goods. If we are to have further strikes or work stoppages, or

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*An address delivered by Mr. Kempner at meeting of Western Insulated Wire Co., Los Angeles, Jan. 28, 1948.

Public Utility Securities

Interstate Power Company

Interstate Power Co. is an operating utility controlled by Ogden Corp., which is in process of liquidation. Interstate is highly overcapitalized in relation to earnings power and the SEC some time ago ordered the company to recapitalize. In October, 1946, the company filed with the SEC two alternative plans to reorganization, which were approved by the Commission in January, 1947, and by the U. S. District Court in April, 1947. Under the plan the company proposed to sell $19,400,000 new first mortgage bonds and 3,000,000 shares of $3.50 par common stock. These securities were registered with the SEC on May 13th but public offering was delayed until Sept. 25th. As a result of competitive bidding Halsey Stuart bid 100.9 for the bonds, and Lehman Brothers, Goldman Sachs and Wertheim bid $4.05 for 2,132,223 shares of common stock. After hearing oral argument on the bid price, the Commission held that sale at this price would not effectuate a plan which would be fair and equitable. Since the bid for the new bonds was conditioned upon the company's receiving a payment of $8 635,500 for the stock, the sale of the bonds was also cancelled.

On Feb. 5th the company changed the proposed new capitalization and registered with the SEC $20 million 30-year first mortgage bonds, $5 million 20-year sinking fund debentures and 1,500,000 shares of common stock. Only such amount of the common are to be sold as will be necessary to raise $3,635,000. Smith Barney & Company are managing the underwriting on the new basis and the offering is currently scheduled for Feb. 26th.

Based on the pro forma consolidated balance sheet as of Nov. 30, 1947, capitalization of the company will be as follows:

	Amount	%
Long-term debt	$25,000,000	82
Com. stock & surp.	5,320,000	18
Total	$30,320,000	100

Under the previous set-up as of last September, the funded debt ratio would have been about 64% and the common stock equity 36%. The present debt ratio seems rather high as compared with the 50% usually required by the SEC in the past. However, retirement of the debenture bonds through operation of the sinking fund will gradually reduce the ratio — at least $3,750,000 debentures should be retired by maturity. The fact that no preferred stock is to be outstanding is another factor which explains the high debt ratio.

In considering the capital ratio some consideration may also be given to the fact that the property account has been sharply reduced. Net plant account is currently carried at only about $30 million whereas in 1943 the amount was in excess of $50 million. Present plant values reflect original cost.

The earnings statement in the "red herring" prospectus does not give pro forma earnings except for the latest 12 months period ended Nov. 30, 1947. Actual net income during 1942-47 was relatively small because of the high fixed charges under the old setup. On the other hand Federal income taxes were very small because of the heavy interest deductions. Gross revenues, and operating income before income taxes (combined with miscellaneous net income), have been approximately as follows (in millions of dollars):

Year	Gross Revenues	Oper. Income Before Inc. Taxes
*1947	$10.0	$3.0
1946	9.1	2.9
1945	8.2	2.8
1944	7.8	2.5
1943	7.3	2.3
1942	7.1	2.2

*12 months ended Nov. 30.

On a pro forma basis the latest figures show net income of $1,412,000, or 94c a share on 1,500,000 shares.

According to the preliminary prospectus, which may be subject to amendment, it is the present intention (subject to various contingencies) to pay dividends at the rate of 60c per annum beginning October of this year. There are the customary restrictions on dividends in the bond indenture. However, the SEC has not imposed the restrictions which it occasionally has done in the past where the debt ratio is high.

The dividend rate represents a pay-out of about 64% of net income. The sinking fund amounts to $250,000 in cash or principal amount of debentures annually, but does not begin to operate until 1952. Sinking fund requirements will be equivalent to about 17c a share on the common stock.

The company operates in somewhat scattered territory in northeastern Iowa and southern Minnesota, with headquarters in Dubuque, Iowa. Operations extend through 21 counties of Iowa, 28 counties of Minnesota and 1 county in South Dakota. It has two subsidiaries, Interstate Power Company of Wisconsin and East Dubuque Electric Company. The principal activities in the areas served are farming, including dairy farming and the raising of grains, peas, soy beans, poultry, cattle and hogs; packing, freezing, canning and processing operations, such as flour mills, feed mills, canneries, creameries, cheese factories, packing plants and frozen food locker plants. Manufacturing operations are carried on in furniture, tractors, cellophane, corn products, alcohol, steel and wood products.

Electricity is retailed to 254 communities (and to 10,000,000 rural population), gas to two communities, bus service to two communities, etc.

Electric revenues are about 89% of the total, and industrial sales are relatively small—only about 13% of total revenues. Average residential revenues per kwh. were 3.62c for the latest period and average kwh. sales 1,239.

Present outstanding capitalization includes about $36 million funded debt $10 million preferred stock and $6 million common stock (together with a net deficit in surplus account of nearly $17 million). Ogden Corporation owns a $2,475,000 demand note, a small amount of preferred shares and all the common. Proceeds of the sale of new bonds and stock will be used to retire the present 5s of 1957 at 100, prepay $2 million of the $3 million collateral promissory notes due April 15, and pay accrued interest to the effective date of the plan on other funded debt. The remaining $1 million bank debt will be extended to December 31. The balance of the 1,500,000 shares not sold, probably in the neighborhood of 1 million shares or more, will be placed in escrow for future allocation between (1) Ogden Corp., (2) holders of the debenture 6s of 1942, and (3) public holders of the preferred stock. The debenture 6s have been selling recently around 62 and the preferred stock around 7½. Total market value of the bonds would be $4.6 million and of the preferred stock $1.6 million, making a total of $6.2; adding Ogden's demand note, the total would be about $8.7 million. Estimated market value of the unsold common stock might be slightly below this amount. There is no present indication as to how the stock will be split between the three parties and the issues involved may remain before the SEC and the courts for some time.

COMING EVENTS
In Investment Field

Feb. 20, 1948 (Milwaukee, Wis.)
Milwaukee Bond Club annual winter party at the Milwaukee Athletic Club.

Feb. 20, 1948 (Philadelphia, Pa.)
Philadelphia Securities Association Luncheon at the University Club.

Feb. 23, 1948 (Houston, Tex.)
Investment Dealers Association of Houston annual field day and dinner at the Houston Country Club.

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.

April 19, 1948 (New York City)
Security Traders Association of New York 12th Annual Dinner at the Waldorf-Astoria Hotel.

Nov. 15-18, 1948 (Dallas, Tex.)
National Security Traders Association Convention.

Dealer-Broker Investment Recommendations and Literature

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

Air Transport Industry and Selected Stocks—Memorandum—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Bank Portfolios—Detailed information—Gordon Graves & Co., 30 Broad Street, New York 4, N. Y.

Charts—922 charts in spiral bound book covering 12 complete years, and showing monthly highs, lows, earnings, dividends, capitalizations, and volume on virtually every stock listed on the New York Stock and Curb Exchanges—single copy $10—yearly (six issues) $50—F. W. Stephens, 15 William Street, New York 5, N. Y.

Emphasis on Income—Analysis of opportunities for income in investment trust preferred and common stocks—Arthur Wiesenberger & Company, 61 Broadway, New York 6, N. Y.

Investment Trusts—Brochure—Frederic A. Adams, United States National Bank Building, Denver 2, Colorado.

New England Company—Descriptive analysis of special situation on 86-year-old New England company—Raymond & Co., 148 State Street, Boston 9, Mass.

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

Stock Market Outlook—Analysis of situation in view of break in commodity prices—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Stock Prices and Commodity Prices Compared—Memorandum—Mackubin, Legg & Company, 22 Light Street, Baltimore 3, Md.

Tax Status of Dividends on Investment Trusts for 1947—Detailed tabulation—Taussig, Day & Company, Inc., 316 North Eighth Street, St. Louis 1, Mo.

What's Happening in California?—Brochure of facts about the market served by the Bank of America, 300 Montgomery Street, San Francisco 20, Calif.

Yearly Summary of Transactions on Salt Lake Stock Exchange—W. H. Child, Inc., Salt Lake Stock Exchange Building, Salt Lake City, Utah.

* * *

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.

Argo Oil Corporation—Analysis for broker-dealers only—J. W. Gould & Co., 120 Broadway, New York 5, N. Y.

B. V. D. Corp.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Bank of America—Special report—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Central Illinois Public Service Co.—Research item—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Central Illinois Public Service Company—Circular—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

Chase National Bank—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Deere & Company—Summary and opinion—E. F. Hutton & Company, 61 Broadway, New York 6, 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.

Electrolux Corp.—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available is a circular on **Northern Engineering Works.**

Engineers Public Service-New England Public Service—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, 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.**

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

Milliron's—Supplemental Memorandum—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

New England Public Service Company—Analysis of appreciation possibilities—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Pathe Industries, Inc.—Detailed description of company and its operations—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Portsmouth Steel Corp.—Data—Buckley Brothers, 1240 Walnut Street, Philadelphia 2, Pa.

Also available is late information on **Du Mont Laboratories, and Buffalo Bolt Co.**

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

Wilson Line—Memorandum—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

The Construction Outlook

By WILSON WRIGHT*
Economist, Armstrong Cork Company

Asserting prices and production are at level commensurate with dilution of money supply, construction economist says it is evident residential building probably will be reduced as stimulating effects end. Cautions against inventory losses and shortage of equity capital.

Prices and production have been increased to within striking distance of the level determined by the wartime dilution of the money supply. While it is evident that the inflation of bank deposits and currency would support still higher price levels, the combination of increased production and increased prices apparently is approaching the limits established by our method of financing the war.

Wilson Wright

In the process of inflation the price system has been disorganized in the sense that price disequilibria have been introduced and progressively magnified. Consider, for example, the current relation between the prices of agricultural products and rents, between the prices of capital equipment and the prices charged for these in the form of depreciation charges, between the market price of corporate equities and the prices paid for the services of employees. The development of these price disequilibria may be considered as indicative of a situation in which expenditure for consumption and investment eventually will be deferred, because of unfavorable price-value judgments on the part of marginal buyers and investors.

Moreover, during recent months it has become apparent that the combination of rising prices and the steeply progressive income tax rates have siphoned savings from the possession of that kind of individual who, in the past, customarily invested savings in equities. At the same time it has been evident that an important effect of price inflation has been a distortion of corporate profits in the direction of enlarging the figures reported without a commensurate increase in disposable corporate earnings. Thus a critical shortage of equity capital has been developed at a time when corporate management is learning that expansion programs no longer can be financed from internal sources of funds. Because of these developments, a reduction in business investment in plant and equipment is indicated.

Not only are we confronted with the problem of an inadequate supply of equity capital but also there is reason to think that an automatic limit to credit expansion is being developed. The commercial, agricultural and real estate loans of the commercial banks have been swollen by the general rise in prices. But the capital of these banks has not been increased significantly by price inflation. As a consequence, an extension of the current expansioin of bank credit presumably will be limited by the magnitude of bank capital when the ratio of risk involving earning assets to capital is further increased. This situation, rather than high interest charges or Federal Reserve policy, apparently will represent a factor limiting the expansion of credit at some time during the remainder of the current year.

The combination of a probable reduction in exports, a probable reduction of new investment in inventories, a probable reduction of business investment in plant and equipment, and a constriction of credit available for non-government borrowers ordinarily would be interpreted as indicating a reduced volume of expenditure for construction. In this connection it is significant that new contracts for industrial construction have been declining for some months past. Presumably this change in trend will be made evident in contracts for commercial construction in the not too distant future.

Expenditure for residential construction was stimulated by the dropping of rent control over new construction at the end of the first half of 1947. At the same time numerous contractors and potential buyers of residential space abandoned hope that building costs would be reduced in the foreseeable future. As a result of these changes in expectations, expenditure for residential construction was increased rapidly during the second half of last year. Because the current level of residential construction activity reflects the effects of these changes in expectations in the past, it is evident that the volume of residential construction probably will be reduced, as stimulating effects are worn off.

From the viewpoint of the manager of a business engaged in the distribution of building materials, three policy decisions of importance may be developed from the foregoing statements.

First: From now on the risk of inventory loss probably is greater than the opportunity for gains.

Second: The responsibility for debt should be kept to proportions which will be bearable if income is reduced and inventory losses sustained.

Third: If sales are reduced, the prices charged for goods on inventory should be reduced promptly to prevent inventory accumulation and a tight cash position. In this situation, it is well to remember that the first loss is the least loss.

*Remarks by Mr. Wright before the Middle Atlantic Lumbermen's Association, Atlantic City, N. J., Feb. 6, 1948.

Outlook for Construction Industry

By THOMAS S. HOLDEN*
President, F. W. Dodge Corporation

Extolling fluidity and diversity of free enterprise, Mr. Holden points out abuses and shortcomings of construction industry as due both to legal and trade union restrictions and to operating on trial and error basis. Sees progress in reducing housing costs, and expresses confidence in further expansion. Cites construction growth during depression following World War I as basis for belief in current expansion, but warns this is year for critical decisions.

Buildings and engineering structures are among the most familiar objects in our environment. Construction processes are in themselves fairly simple, though frequently employed in elaborate combinations; there is nothing mysterious about them. Nevertheless, the functions and the character of the American construction industry are rather generally misunderstood. A sort of mythology, compounded of half-truths and slogans, has grown and gained acceptance to such an extent that public opinion has been grossly confused and misled.

Thomas S. Holden

What we speak of as the construction industry actually consists of a large number and variety of service organizations, and a large number and variety of supply organizations. The service organizations include the designers (architects and engineers), the contracting builders and the subcontractors. Supply organizations include producers and distributors of materials and equipment. Subcontractors who install material and equipment they sell combine the service and supply functions.

Some building organizations erect structures on their own account with the intent of operating them for income; these are investment builders. Some organizations produce complete buildings for sale, either singly or in quantity; they are merchant builders or operative builders, formerly spoken of as speculative builders.

The varying types of professional and business organizations that fall within these several general categories exist to serve the varying needs of the American free enterprise economy. To understand the construction industry it is necessary to understand our free enterprise economy, which has itself in recent years been misunderstood, vilified, abused and even grossly lied about.

No Simple Formula for American System

Our American society is not easy to understand. It does not fit any simple formula. It is not explained by censuses of population, maps of natural resources, inventories of factories, schools, churches, hospitals, automobiles, telephones and radios.

Here is what one outstanding American, David Lilienthal, said about it a short while ago: "What we have actually, is not a system at all, but almost its opposite, that is, a society of the greatest imaginable diversity and flexibility taking things as they come, deciding how to handle situations by the facts of each situation itself—'doing what comes naturally.' The only way in which it can be said to be a 'system' is to say that our 'system' is to have no system."

I might sum up by saying that a system is something which defines limitations, whereas our American society defies limitations. The American economy includes $3\frac{1}{2}$ million independent business enterprises and $6\frac{1}{2}$ million farms, a total of 10 million centers of economic initiative. I contend that no conceivable system could be originated by planners which would not measurably curtail the resourcefulness, energy and invention which are the outstanding characteristics of our dynamic society. So long as Americans believe wholeheartedly in freedom, they will not permit their economy to be harnessed to a system.

A friend of mine once described the fluidity and diversity of our free enterprise society in an interesting way. He asked me to imagine the bewilderment of a visitor from Mars who might find himself in New York's Grand Central Terminal during the rush hour. Viewing the milling crowds moving in all directions at once he would likely say: "This is chaos." But it isn't chaos. Every man and woman and child knows exactly where he is going. His destination is his own business, whether it be Chicago, Montreal Mamaroneck, or the Lexington Avenue exit. He expects terminal officials to supply an information booth, ticket windows, gates with the trains plainly designated, and a few other essential services and conveniences. He decides his destination and finds the way to get there. The chaos which the Martian seems to see rests in his own inability to comprehend the diverse aims and purposes of the people.

The Urge to Grow and Expand

One of the most striking characteristics of our dynamic free enterprise economy is its eternal urge to grow and expand. Our population is not static; the ideas of our people are not static. We are eternally thinking up new things to do, new things to make new ways to produce things more cheaply and make them available to more people, ways to improve our communities and the living standards of our people. The times we describe as prosperous are the times when the economy is expanding. When the economy is too tired or too sick to expand, we have what we call a depression. The ups and downs of the construction industry measure the flow and the ebb of the expansive forces of our society.

An economy expands by investing capital in new enterprises, new production facilities and new construction. I am convinced that at this present moment, the American economy faces a potential expansion greater than anything any of us have known anything about before. As Walter Lippmann put it some five years ago: "There has come out of the nation itself out of this people who have not been very pleased with themselves for 20 years because they were not using their faculties for great ends, a veritable explosion of national energy which will shake and shape and alter the world."

For the great expansion of which our society is capable, we must build. Every new industrial enterprise, every new social organization, every new means of transportation and communication every new family, every new program in religion, education and public health requires appropriate facilities of the most advanced type.

What kind of construction industry can best serve this dynamic, vital and expansive American society?

Diversity and Flexibility of Construction Industry

Should not the American construction industry be itself vital and dynamic, characterized by maximum diversity and flexibility? Should it not progress through development of sound and ever-improving standards, without itself becoming standardized? Should it not live by rules that guide but do not regiment or restrict? Should it not be capable of producing, with minimum time and effort, any kind of structure, at any time, anywhere?

I am convinced that, of all our great American industries, construction is the one which combines the greatest diversity and flexibility with high technical and managerial competence, a competence that has served the American people admirably in peace and war. The construction industry didn't need to convert to war, or reconvert to peace; always ready to tackle any job, it simply did what came naturally.

For war mobilization and war production it switched overnight from office buildings, schools, churches and other civilian facilities to naval bases, cantonments, quonset huts, flying fields, shipyards, war plants and war housing. It quickly doubled its prewar capacity, completing in 1942 the largest total volume of construction of any year in the country's history. The war construction miracle of 1942 was the vitally necessary forerunner of the war production miracle of 1943. The naval bases, supply depots and landing strips laid down by construction men organized as Seabees and army engineers prepared the way for victory.

During the war itself many startling innovations in design and construction methods were adopted. A modern efficient homebuilding industry was created. Builders adapted their assembly-line techniques to building ships, their management know-how to operating industrial towns, to shipping of war materials abroad. One construction man who rose to fame in wartime shipbuilding is now manufacturing automobiles. I would say that the American construction industry is character-

(Continued on page 34)

*An address by Mr. Holden before the Chicago Association of Commerce and Industry, Chicago, Ill., Feb. 11, 1948.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York has announced that the date of the organization's 12th Annual Dinner has been changed from April 23 to April 19, 1948, since it is felt that this is a more convenient date for out-of-town dealers who are planning to attend.

Connecticut Brevities

At the annual meeting on March 29, stockholders of Bigelow-Sanford Carpet Co., Inc., will be asked to vote on a proposal of the directors to split the common stock two-for-one. A preliminary report for the year ended Dec. 31, 1947, showed net sales of $62,872,093 compared with $39,222,359 the preceding year. Net profit was $3,446,729 or $10.64 a share on the common stock compared with $1,248,095 or $3.53 a share in 1946. Earnings on the 6% preferred were $130.54 and $47.27 respectively.

Net sales for the fourth quarter of 1947 were $19,133,619 against $14,544,022 for the corresponding quarter of 1946. Earnings per common share were $2.97 and $2.55 respectively.

The President of the company, James DeCamp Wise, recently stated that the major portion of earnings was being pumped back into the business for three reasons: the need for extensive plant modernization and improvement, the increased volume of sales required more working capital to keep the business operating, and a contingency fund is needed to provide for future uncertainties. In 1947, $400,000 was set aside as a reserve for contingencies, the equivalent of $1.29 a share on the 309,109 shares outstanding.

* * *

The December 1947 gross of the Southern New England Telephone Company was $3,983,791 against $3,297,254 a year ago. Net income was $432,921, against $325,153.

For the year 1947, gross was $40,827,907 against $37,284,525 for the preceding 12 months. Net income for the year was $2,255,501 against $3,339,188.

* * *

At the annual meeting of the stockholders of Russell Manufacturing Company, it was reported that the business of the company is currently continuing at a high volume. Sales for 1947 totaled $13,874,620 which exceeded the peacetime sales of 1941 of $6,659,-725, by an increase of 108.33%.

* * *

For the month of January, Connecticut Light & Power Company reported sales of 97,277,000 kilowatt hours. This compares with 95,036,000 kilowatt hours for the month of January 1946.

* * *

The Bridgeport division of the United Illuminating Company reported sales of 39,486,944 kilowatt hours for the month of January, exclusive of those to Connecticut Light & Power Company. This compares with 37,857,244 for the corresponding month last year. The New Haven division reported sales of 29,999,119 kilowatt hours last month compared with 29,123,603 a year ago.

* * *

On February 5, the Federal Court at Indianapolis approved dismissal of a $15,000,000 anti-trust suit brought by Turner Glass Corp. against Hartford-Empire Co., Owens-Illinois Glass Co., Hazel-Atlas Glass Co., Corning Glass Works, Thatcher Glass Manufacturing Co. and others.

* * *

Pitney-Bowes, Inc. has announced that their directors have authorized the sale of 7,500 shares of their stock to employees at $12.75 a share payable at the rate of 28c a month. Subscriptions must be in by Feb. 15, 1948.

* * *

Elmer P. Bradley has retired as Vice-President and General Manager of Southern New England Telephone Company after more than 41 years' service. Mr. Bradley is succeeded by Lucius S. Rowe, formerly Assistant General Manager.

* * *

Textron, Inc. has acquired a knitting and warping plant at Willimantic, Conn., for manufacturing Nyton Tricot lingerie.

* * *

The Town of Easton recently sold $150,000 15-year serial school bonds dated Feb. 1, 1948 to Day, Stoddard & Williams at 100.22 for 1¾s.

* * *

The Derby Gas & Electric Corp. has applied to the Connecticut Public Utilities Commission for authority to raise its gas rates to meet the increased cost of manufacturing gas.

* * *

The Town of Milford recently issued $500,000 Point Beach School Building bonds dated Feb. 1, 1948 and due serially $50,000 each year Feb. 1, 1950 to 1959 inclusive. The issue was sold to F. S. Moseley at 100.02 for bonds carrying a coupon rate of 1.50%. The bonds were reoffered on a scale ranging from a 1% to a 1.55% basis.

* * *

At the annual meeting on March 18, the stockholders of Farrel-Birmingham Company will act on a recommendation of the directors to split the stock two-for-one. This would be accomplished by changing the 200,000 shares of $25 par stock to 400,000 shares of $12.50 par. This does not change the authorized capital of $5,000,000, but would make possible wider ownership of the company.

* * *

Stockholders of the Connecticut Light & Power Company will be asked to approve an increase in authorized capital stock at their annual meeting on March 17. This increase is being sought to enable the company to develop a plan for financing its expansion program which is expected to require between $20 million and $25 million over the next few years.

The authorized preferred stock would be increased from 600,000 shares of no par value, but an aggregate stated value of $30,-000,000, to 1.2 million shares of no par but stated value of $60,-000,000. Authorized common stock would be increased from 1,704,000 no-par shares to 2.5 million no par shares.

Urges Cabinet "Doctors" to Cure Ills of Humanity

Edward F. Hutton reveals in letter need of able "doctors" in Cabinet, who will honestly read political thermometer and who will advise just how far America can assume obligations of ERP without "putting Uncle Sam in bed." Attacks "power politics" in Marshall Plan.

Edward F. Hutton, of E. F. Hutton & Co., members of the New York Stock Exchange, has furnished the "Chronicle" with a copy of a letter which he has recently written to a friend regarding remedies for present "ills of humanity."

The text of the letter follows:

Recently you touched upon the subject, "We need a doctor to administer to the ills of humanity," in which I concur. Just what would happen, in your opinion, if the following letter were addressed to industry?

Edward F. Hutton

"Dear Mr. Blank:

"Industrial leadership should become the Doctor, and, gentlemen, your patient is dying. You are the Doctor of the profit and loss and competitive system based on freedom. The defense of its health and vigor is your primary obligation, for which professional services you are paid a very substantial fee, and, Doctor, your patient is dangerously ill.

"If your patient dies, you won't have another. There is not another anywhere else in this world. The doctors in other lands have lost their patient, either because they did not know when it was in its death struggle, or they were too self-satisfied, preoccupied, indolent, disinterested, or incompetent to diagnose the nature of the malady and prescribe the effective treatment—the kind of medicine business needs. Or, perhaps some of them were even splitting fees with the quacks who eventually killed the patient.

"Capitalism, free enterprise, the profit and loss system has died in one nation after another through the negligence of those responsible for its maintenance and vigor. Only in the United States and in Canada does it remain alive, but fearful of communistic germs in foreign lands. The basic issue facing us today is just this —Americanism — or Communism! That is the crux of all political, social and labor issues; all government controls and mandates. One system, not two; Americanism or Communism will gain strength. Only one will survive!

"Show us where on the face of this earth has there been a country or a form of government by which communism, collectivism,

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Can Further Wage Increases Be Passed to Consumer?

By CHARLES F. ROOS*

President, The Econometric Institute, Inc.

Mr. Roos, taking into consideration some recent factors which have been allaying excess purchasing power, looks for an average increase of about 9% in wage levels during current year, but points out sharpening competition may make it difficult, if not impossible, to pass the increase on to the consumer. Says primary consideration in wage negotiations should be greater productivity.

Business is easy to get and prices of goods and services are strong whenever currently generated purchasing power exceeds the retail value of goods and services produced in a corresponding time interval a few months before. In other words, business is good whenever the current claims to goods exceed the current supply at existing prices; that is, whenever the national economy has distributed more tickets to the show than there are seats. In these circumstances, bidding for goods and services boosts the cost of living and inevitably leads to wage and salary demands from groups which are outbid in the market. Consequently adequate appraisal of the future course of wage rates and prices must take into account the conditions which lead to excessive currently generated purchasing power or income.

Dr. Charles F. Roos

The following conditions contribute to an excess of currently generated purchasing power:

(1) **An increase in the expenditures by industry for durable equipment or plant construction:** Workers are employed in the production of these goods which do not immediately increase the supply of consumers' goods or services. They receive wages, salaries or other income for the production of these investment goods and use this income to bid for the available supply of civilian consumers' goods and services.

(2) **An increase in business inventories:** Income is created in the production of goods for inventories or the transportation of such goods, but the consumers' supply at retail is not immediately increased.

(3) **An increase in net exports:** Production for net export likewise creates current purchasing power unmatched by a civilian supply.

(4) **An increase in the value of residential construction:** Although residential building may be regarded as a consumers' good, institutional factors are such that it is customary for the consumer to pay down only a small part of the purchase price. Yet the whole value of the construction represents income to some one.

(5) **An increase in deficit spending by Federal, state, city and county governments:** Such a deficit usually represents currently generated purchasing power, although the goods produced or services rendered are not paid for by the consumer.

(6) **A general increase in wages and salaries:** Such an increase is itself conducive to unbalancing demand and supply at existing prices, because retail prices tend to lag manufacturers' prices, particularly when business is in an upward trend. They also increase the demand for durable equipment and business inventories.

A mere listing of these conditions suggests that the inflationary pressures have rapidly died down. Expenditures for durable equipment reached an all-time high of $17.7 billion in 1947, or ten times the level of 1933. New orders for these goods dropped sharply from the middle of 1946 to the fall of 1947. They have, however, in the past four months been rising slightly. Plant construction in 1947 amounted to about $3.9 billion, which was about six times the level of 1933, and contract awards are still increasing. Business inventories in the aggregate are today not excessive in relation to the existing level of business sales. However, there is maldistribution in inventories existing throughout the economy. In the light of this any substantial general increase in inventories from the current level would soon lead to a deflationary force. In 1947 net exports amounted to about $11.4 billion, and even if the full Marshall Plan is enacted, are unlikely to exceed $7.0 billion in 1948 and will therefore fall below last year by $4 to $5 billion. Expenditures for residential building were up sharply in 1947 from a $4.0 billion rate in the fourth quarter of 1946 to a $6.5 billion rate at the end of 1947. They are unlikely to exceed $7 billion in 1948.

At current levels of national income Federal cash receipts are likely to exceed $48 billion unless taxes are cut substantially. If present tax rates are continued, the Federal receipts would therefore exceed expenditures of $37 billion by a huge figure which in itself would be highly deflationary. It would be only partially offset by increased spending by State, city and county governments.

This leads up to the all-important question of what will happen to wages and salaries. Will they increase sufficiently to overcome the deflation arising from excessive Treasury receipts?

The value of private domestic product [1] has for many years been closely correlated with the value of salaries and wages of all private industry and government enterprises. In fact, deviations from the line of relationship or regression have been negligible over the whole range of a fourfold increase in the value of salaries and wages. Consequently, it must be expected that a substantial increase in wages and salaries this year will boost the aggregate domestic product. Since the economy is already operating at capacity with respect to its labor and raw material supply and practically at plant capacity, such a boost could be achieved only by price increases. These increases, in turn, would lead to new wage demands and the spiral of the past years would continue into 1949 or 1950.

This leads up to the $64 question. How much of a wage increase is indicated for 1948? An answer can be obtained by studying the first rounds of wage negotiations. Settlements range from about 10% over 1947 for certain low-wage industries to around 7%. Although a pattern has not

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*Summary of the remarks of Mr. Roos at the American Management Association Personnel Conference, Chicago, Ill., Feb. 17, 1948.

1 Computed by The Econometric Institute, Inc. from data published in *Income Supplement*, Department of Commerce, July, 1947; pp. 3 and 5.

Michigan Brevities

Gross revenues of the Detroit Edison Co. for the year ended Dec. 31, 1947, totaled $106,960,000, a new high which was 18% above the preceding year, but balanced against this, expenses also reached unprecedented heights. Pay increases and new employees brought the total wages paid to 13% above 1946, the operating payroll in 1947 being in excess of $30,000,000. Fuel costs were 45% above the previous year, the fuel bill being nearly $24,000,000. Taxes totaled $13,000,000. Sales of electricity, steam and gas each set a new high record.

Net income for the year 1947 was $11,112,568 after charges and provision for Federal income taxes. This was equal to $1.59 per share, and compares with a net for 1946 of $10,631,040, which was equal to $1.52 per share on the 6,995,904 shares outstanding at Dec. 31, 1947.

The company in 1947 accomplished a $60,000,000 mortgage bond financing operation, the net proceeds of which were used, in part, to retire, before maturity, the remaining outstanding $30,000,000 4% bonds and to repay short-term bank borrowings. The remaining funds are being spent for the current construction program.

* * *

The Detroit Stock Exchange reports that trading volume in January, 1948, totaled 228,055 shares having a market value of $3,240,672. Dollar volume of trading in the year 1947 was $41,491,002, with 3,408,746 shares changing hands, of which total December alone accounted for 332,332 shares.

The ten most active stocks during January were: Detroit Edison Co., McClanahan Oil Co., Gerity-Michigan Corp., Peninsular Metal Products Co., Udylite Corp., Parke, Davis & Co., Avco Manufacturing Corp. (unlisted department), Detroit-Michigan Stove Co., Gar Wood Industries, Inc., and General Motors Corp.

* * *

Detroit Steel Corp. has offered holders of its 20-year 6% sinking fund debentures due July 1, 1964 in exchange for each $100 of debentures four shares of its $1 par value common stock. The offer will expire at 3 p.m., June 5, 1948. National Bank of Detroit and The Bank of the Manhattan Co., 40 Wall Street, New York, N. Y., will accept the debentures up to 3 p.m., June 5, 1948, for exchange under the offer.

* * *

On Jan. 27, Watling, Lerchen & Co. and Wm. C. Roney & Co., of Detroit, and E. H. Schneider & Co., Kalamazoo, participated in the public offering of 399,990 shares of Bendix Aviation Corp. $5 par value common stock at $28 per share. The issue, which was sold for the account of General Motors Corp., was oversubscribed.

* * *

The Service Caster & Truck Corp., Albion, on Jan. 30 filed a registration statement with the Securities and Exchange Commission covering 80,000 shares of common stock, which are to be offered publicly at $7 per share. The company also proposes to place privately an issue of $600,000 4¾% debentures and $250,000 6% debentures (subordinated). The net proceeds are to be used to discharge its indebtedness to Domestic Credit Corp.

* * *

Smith, Hague & Co., Detroit, Jan. 16 publicly offered 50,000 shares of common stock, par $1, of Planet Corp. of Lansing at $2 per share as a speculation. The net proceeds are to be used in payment of account secured by chattel mortgage on machinery and inventory, to reduce unsecured accounts payable and the balance added to working capital. The corporation was incorporated in Michigan on April 2, 1946 for the purpose of designing, manufacturing, selling, erecting and servicing all types of conveying equipment for industrial or any other use.

* * *

A. H. Vogel & Co., Detroit, on January 21 publicly offered 60,000 shares of common stock (par $1) of Seal-Peel, Inc., Detroit, at $1.25 per share, the net proceeds to be added to working capital. Seal-Peel, Inc. is engaged in the production and sale of plastic protective coverings. Its customers include the U. S. Air Force, U. S. Army Ordnance and the U. S. Navy. It is also said to have a diversified list of approximately 2,000 industrial customers.

* * *

On Jan. 28 Carr & Co., Detroit, publicly offered 100,000 shares of class A participating stock, par $3, and 110,080 shares of common stock, par $1, of Kerr Manufacturing Co. of Detroit. The former issue was priced at $3 per share and the latter issue at 75 cents per share. The common stock was owned by the underwriter. The net proceeds of the sale of the class A stock will be used by the Kerr firm for the purchase of machinery and for additional working capital. Current assets at Oct. 31, 1947 totaled $662,758, and current liabilities, $378,464.

* * *

First of Michigan Corp., Detroit, on Jan. 28 participated in the public offering of $60,000,000 New York Telephone Co. refunding mortgage 3⅛% bonds, series E, due 1978, at 101.43% and interest. The offering was heavily oversubscribed.

* * *

Dean W. Titus & Co., Ann Arbor, on Feb. 9 publicly offered 40,000 shares of common stock of Acme Broach Corp. (Mich.) at par ($5 per share), the net proceeds to be used as follows: $45,000 to retire liabilities which the corporation is assuming in connection with the purchase of Acme Broach Corp. (Ky.); $65,000 for acquisition of property near Milan and the erection of a building thereon;

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"I'm for the Middle Road!"

By ERIC JOHNSTON*

President, Motion Picture Association of America

Leading industrialist announces support of Marshall Plan, based on self-help for Western Europe and some denial by us. Says key word is "rehabilitation," and cautions against loading program with niggling restrictions and haggling conditions.

I'm sure it won't shake you out of your chairs when I tell you that I'm for peace and prosperity. Since Henry Wallace has also come out for peace and prosperity—I guess that about makes it unanimous in America. But we can be poles apart on what we mean by peace and prosperity and how to achieve this common human yearning.

Eric A. Johnston

This time the stakes are so high that we can't afford to be wrong. We can't gain order and stability in the world by day-dreaming or repeating mistakes of the past.

Today, America is debating three approaches to the goal. Let's look at them.

There's the Wallace plan. Mr. Wallace proposes peace by appeasement and disarmament. Give Mr. Wallace an umbrella, and he reminds us of Munich. His plan is more likely to lead to war than to peace. Mr Wallace says the thing to do about Russia is to try to understand her. He sees our prevailing foreign policy as an imperialistic plot hatched in Wall Street by capitalists who are already counting the profits of another war. Mr. Wallace does not see Communist Russia in an expansionist mood. His rose-colored glasses distorted his views about our present strife-torn world.

He does not believe we should strengthen the arm of democratic

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*An address by Mr. Johnston before the Motion Picture Association of America, Los Angeles, Calif., Jan. 15, 1948.

Missouri Brevities

A nation-wide underwriting group of 110 members headed by Smith, Barney & Co., New York, on Feb. 6 publicly offered 250,000 shares of $4 cumulative preference stock, series B, no par value, of Monsanto Chemical Works at $101 a share and dividends. The new stock is convertible into common stock prior to March 1, 1958 at the rate of $57.50 for the common stock and $100 for the preferred stock. The net proceeds will be used to repay outstanding bank loans totaling $10,000,000 and for general corporate purposes.

The St. Louis investment bankers who participated in Monsanto offering were: Newhard, Cook & Co., Reinholdt & Gardner, Smith, Moore & Co., Edward D. Jones & Co., I. M. Simon & Co., Stifel, Nicolaus & Co., Inc., Stix & Co., Bitting, Jones & Co., Inc. and A. G. Edwards & Sons.

The Monsanto Company reports sales, excluding those of its British and Australian subsidiaries, amounting to $143,403,161 for 1947, and net earnings of $15,561,228, equal to $3.59 per share on the 4,253,019 shares of common stock outstanding at the end of the year, after deducting dividends on the preference stock. For the fourth quarter of 1947 the company earned 73 cents per common share. These earnings do not include any recovery from insurance claims covering loss of profits nor have they been charged with the continuing expenses resulting from the destruction of the Texas City plant last April.

* * *

Among those participating in the public offering on Jan. 22 of $10,000,000 Northeastern Water Co. 5% sinking fund collateral trust bonds due 1968, at 100% and interest, were Metropolitan St. Louis Co., A. G. Edwards & Sons and Stix & Co., all of St. Louis.

* * *

Net earnings of Hussman Refrigerator Co., St. Louis, for the year ended Dec. 31, 1947 were $1,602,516 compared with $1,003,369 for the previous year. After deducting preferred dividends, such earnings were equivalent to $3.99 per common share outstanding on Dec. 31, 1947, compared with earnings of $2.72 per share for the year 1946 (after allowing for two-for-one split actually made in 1947). Net sales for 1947 were $15,154,856 compared with $9,853,263 in 1946, a gain of 53%. 1947 sales and earnings were the largest in the history of the company. Sales in the first half of 1947 were $8,214,438 and $6,940,418 in the second half. The reduced operations during the second half of the year were due primarily to increased shortages of sheet steel, according to W. B. McMillan, President. Working capital at Dec. 31, 1947 was $4,268,178, an increase for the year of $1,298,202. Net worth increased $1,368,911 to $5,584,755, equivalent to a book value of $11.28 per share of common stock outstanding at Dec. 31, 1947.

* * *

Newhard, Cook & Co., on Jan. 27 participated in the public offering of 399,990 shares of Bendix Aviation Corp. common stock (par $5) at $28 per share. This offering was oversubscribed.

* * *

The year ended Nov. 30, 1947 established new records for Cook Paint & Varnish Co., Kansas City, both in sales and profits. Net sales were $27,495,002, an increase over the previous year of 31%. Net profits, before provision for Federal and State income taxes, were $4,686,691, or 49.8% over 1946. After providing $1,829,000 for income taxes, and also for the payment of dividends on the prior preference stock, the net earnings per share on the common stock were $12.38, compared with $7.58 per common share for the year ended Nov. 30, 1946.

* * *

Dempsey-Tegeler & Co., of St. Louis and Barret, Fitch & Co., Inc. of Kansas City on Jan. 22 participated in the public offering of 343,000 shares of Glass Fibers, Inc. common stock (par $1) at $10 per share, the net proceeds to be used for expansion and working capital, and to pay RFC loan.

* * *

Operating revenues of the Missouri Pacific RR. in Dec., 1947 amounted to $18,894,440, compared with $15,698,533 in the same month in 1946 and $14,317,359 in Dec., 1945. For the full year 1947 they were $199,622,368, as against $174,495,869 for 1946 and $218,038,534 for 1945. Net income for Dec., 1947 totaled $1,691,956, compared with $2,500,231 in Dec., 1946 and a net deficit of $4,921,362 in December, 1945. Net income for the year 1947 was $8,271,925,

(Continued on page 38)

Rowen Named for SEC

President selects Boston Regional Administrator to succeed James J. Caffrey who recently resigned as Chairman.

President Truman, on Feb. 12, announced the nomination of Paul R. Rowen as a member of the Securities and Exchange Commission, to fill the vacancy caused by the resignation on December 31, 1947, of James J. Caffrey, the Chairman of the Commission.

Paul R. Rowen

Mr. Rowen has been Boston Regional Administrator for the SEC since November, 1941. He is a Democrat and has been in government service since 1934 and was formerly principal attorney for the SEC. His term as Commissioner will not expire until June, 1950. Mr. Rowen is 48 years old, was born in Boston and was graduated from Georgetown University and the Boston University Law School. He also attended Harvard Law School, becoming a member of the Massachusetts bar in 1926.

Samuel S. Allen Joins Fahey, Clark Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Samuel S. Allen, formerly manager of the buying department for J. A. White & Co., has become associated with Fahey, Clark & Co., Union Commerce Building, Cleveland, members of the Cleveland Stock Exchange.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Bank Stocks

The news-of-the-week in banking and financial circles is the proposed acquisition of Continental Bank & Trust Co. by Chemical Bank & Trust Co.

Whether or not the proposition may be finally consummated, it is of interest to compare the two institutions and to review their progress during recent years.

Chemical is by far the larger institution, as the following figures show from their respective balance sheets of Dec. 31, 1947. The tabulation also compares certain significant ratios.

	Chemical ($000)	*Continental* ($000)
Capital	$25,000	$5,000
Surplus	75,000	5,000
Undivided Profits	8,150	2,282
Total Capital Funds	$108,150	$12,282
Deposits	$1,284,087	$188,437
Capital Funds, Perc't of Deposits	8.4%	6.5%
Cash	$394,152	$52,211
U. S. Government Obligations	420,749	75,961
Other Securities	135,649	18,379
Loans & Discounts	449,401	54,636
Earning Assets	1,008,298	148,976
Total Assets	$1,413,980	$202,055
Earning Assets:		
Percent of Total Assets	71.3%	73.7%
Percent of Deposits	78.5%	79.1%

Chemical Bank & Trust Co.'s main office is located at 165 Broadway, New York, near Cortlandt Street. Several branches are maintained in various sections of New York City as follows:—(1) 320 Broadway, near Worth Street; (2) Tenth Avenue at 23rd Street; (3) Fifth Avenue at 29th Street; (4) Broadway at 44th Street; (5) Madison Avenue at 46th Street; (6) Lexington Avenue at 49th Street; (7) 11 West 51st Street; (8) Eighth Avenue at 57th Street; (9) Madison Avenue at 74th Street; and (10) 50 Court Street, Brooklyn. Also, United Nation branches are maintained at Lake Success and 405 East 42nd Street, New York City.

Continental Bank & Trust Co.'s main office is located at 30 Broad Street, New York, near Wall Street. Two branches are maintained one in the textile district at 512 Seventh Avenue, and the second in the Grand Central district at 345 Madison Avenue.

The acquisition of Continental by Chemical would give the latter an office nearer the center of the financial district, and also a branch in the textile district; both of these locations would appear to be advantageous to Chemical.

Chemical's history dates back to 1823, when a charter was granted by the New York State Legislature to the "New York Chemical Manufacturing Co.," permitting it to manufacture chemicals. An amendment to the charter on April 1, 1824 allowed the company also to engage in the banking business; the chemical business was abandoned in 1844. In the panic of 1857, it was the only bank in New York to maintain specie payments and was therefore dubbed "Old Bullion." The present title of Chemical Bank & Trust Co. was adopted in 1929.

Continental's history goes back to 1870, in which year it was incorporated in New York as "The German American Bank." Its title was subsequently changed to Continental Bank of New York and in 1929 to Continental Bank & Trust Co. of New York.

It may be of interest to note the comparative growth of both banks from 1940, the year before "Pearl Harbor," to 1945, the year of victory, and subsequently to 1947. The year 1945 was the year of peak deposits and assets. Total figures are in thousands of dollars ($000).

CHEMICAL BANK & TRUST CO.

Date—	Capital Funds $	Deposits $	U. S. Govts. $	Loans & Discounts $	Earning Assets $	Per Share Book Value $	Per Share Net Oper. Earns. $	Per Share Dividend $
Dec. 31, 1940	77,905	871,655	219,031	124,871	539,144	38.95	2.60	1.80
Dec. 31, 1945	100,051	1,524,161	790,555	447,284	1,373,604	*40.02	*3.08	*1.80
% Increase	28.4%	74.9%	260.9%	258.2%	154.8%	28.4%	48.1%	25.0%
Dec. 31, 1947	108,150	1,284,087	420,749	449,401	1,008,298	*43.26	*2.61	*1.80
% Over 1940	38.8%	47.3%	92.1%	259.9%	87.0%	38.8%	25.4%	25.0%

*After adjustment for 25% stock dividend in 1945, the equivalent figures are: $50.03, $3.85 and $2.25 for 1945 and $54.08, $3.26 and $2.25 for 1947. Percent increases are adjusted accordingly.

CONTINENTAL BANK & TRUST CO.

Date—	Capital Funds $	Deposits $	U. S. Govts. $	Loans & Discounts $	Earning Assets $	Per Share Book Value $	Per Share Net Oper. Earns. $	Per Share Dividend $
Dec. 31, 1940	8,491	78,082	5,635	24,679	49,333	21.23	0.91	0.80
Dec. 31, 1945	11,336	204,765	72,858	68,115	163,093	*22.67	*1.77	*0.80
% Increase	33.5%	162.2%	1,193.0%	176.0%	230.6%	33.5%	142.6%	25.0%
Dec. 31, 1947	12,282	188,437	75,961	54,636	148,976	*24.56	*1.61	*0.80
% Over 1940	44.6%	141.3%	1,248.0%	121.4%	202.0%	44.6%	120.9%	25.0%

*After adjustment for 25% stock dividend in 1945, the equivalent figures are: $28.34, $2.21 and $1.00 for 1945, and $30.70, $2.01 and $1.00 for 1947. Percent increases are adjusted accordingly.

It is interesting to observe that the rate of growth of the smaller institution has been substantially faster than that of the larger. In 1940 Continental's deposits were only 9% of Chemical's, whereas in 1947 they represented 14.7%; similarly, earning assets in 1945 were 9.2% and in 1947, 14.8%. Continental's growth in book value per share has also been at a faster rate.

The market performance of each stock from Dec. 31, 1947 to Feb. 14, 1948, has been as follows:

	Bid Prices 12-31-47	Bid Prices 2-17-48	Appreciation
Continental	15⅛	22¼	47.1%
Chemical	39¾	41½	4.4%

It is understood that, under the proposed plan, the capital, surplus and undivided profits of Continental, in other words its "book value," will be distributed to the stockholders (plus a premium of $1 a share). As of Dec. 31, 1947 this book value was $24.56 per share, which is above the current asked price of the stock at this writing.

Some Basic Foods—For Thought

By FRANCIS L. WHITMARSH*

Retiring President, National American Wholesale Grocers' Association

Asserting no concrete signs of set-back or depression in 1948 exist, Mr. Whitmarsh, however, cautions year is similar to 1920, when high prices and business expansion culminated in buyers' strike. Maintains price control program will not correct present inflated position. Wants government out of business, and urges income tax reforms. Sees need for new capital and extols free enterprise system.

This is my swan song. And after listening to me for three years, I can well imagine how happy many of you will be for the opportunity to listen to some fresh viewpoints. A good many of us are wondering what the outlook for 1948 might be. I would like you to bear in mind that what I have to express are my own thoughts and do not necessarily reflect the opinions of the officers or governors of NAWGA. The theme of of our convention is that 1948 will be a year of decisions. It most certainly will—and decisions can be both good and bad. I honestly don't believe it is possible for any person to predict with any degree of accuracy beyond the first few months, because there are many factors depending upon one another. There are no concrete signs, at this time, that would indicate a set-back or a depression for 1948. At least for the first six months it will be a period of rising costs, materials, transportation, as well as rising prices. Employment will reach a new high and then slow down as the most urgent production demands are met, or as prices take the urgency out of demand.

F. L. Whitmarsh

1948 will be year during which you will think and talk about, and act on more money problems than ever before—as the head of a family and as a businessman. Rising prices will affect your pocketbook and your bank balances, and you will feel and hear more of the high cost of living. Debts will rise. Business will be squeezed by a shortage of working capital and higher financing costs, and because of higher operating costs the volume of business you do may result in unsatisfactory profit margins. There will be inventory problems because goods are more costly and will tie up more money. I don't know where or when the pressure of all this will ease off, but ease off it will, as it always has done in the past.

Prices are going to come down when the people won't pay them. Demand sets prices but prices don't always set demand. Right now I see a great parallel with our economic position in 1920, after the first World War. If you will remember, the demand in 1920 was terrific when the recession hit us. The public just decided that prices were too high and stopped buying. When the high prices—and a lot of business organizations as well—were washed out, trade was resumed but at prices that attracted customers. At that time, prices set the demand. In the 1930s, when the big depression hit us and prices were brought down to a very low point, there was no buyer response anyway.

The prices just failed to create any demand. Here is the big difference. In 1920, the demand was still there. It had been building up for five or six years and it responded to prices, and there followed nine straight years of improving business, filling accumulated and subsequent normal demands. By 1930, all demands had been met. There was no backlog

(Continued on page 36)

*An address by Mr. Whitmarsh at annual conference of National American Wholesale Grocers Association, Atlantic City, N. J., Jan. 19, 1948.

No Recession In the Offing

Says commodity price slump does not mark a recession of the 1920-21 type, but, on contrary, will have a sobering effect on business.

Dr. Jules Backman, Associate Professor of Economics at New York University's School of Commerce, Accounts, and Finance, told the Pennsylvania and Atlantic Seaboard Hardware Association Convention at Philadelphia on Feb. 10 that "The decline in food prices does not mark the beginning of the long-awaited 1920-21 type of depression."

Jules Backman

"The basic question is not are these price declines desirable," Dr. Backman continued. "By any standard selected, food prices have been and are much too high. A decline in food prices would be a most healthy development. Rather, the $64 question is does this sharp cut in prices mark the beginning of a sharp business depression? Is this the repetition of the 1920-21 depression which so many persons have forecast?"

Dr. Backman pointed out that "a severe price decline in the basic commodity markets, if continued, would have a sobering effect upon business." However, an examination of the various forces at work led the speaker to conclude "that 1948 will be another good year. The basic force sustaining business activity will continue to be the large volume of deferred demand. It is difficult to visualize any significant decline in the level of business activity so long as the automobile industry can continue to sell all of the cars it produces, and so long as the various heavy durable goods industries, such as farm equipment, railroad equipment, electrical supplies, and building, continue to operate at very high levels. While some concern has been expressed in connection with building activity because of the high level of costs the important point to keep in mind is that whether building is moderately up or down, the general level of building activity will continue to remain substantially higher than it was in the prewar period. In the efforts to measure the precise level of this activity, this fundamental point may be easily overlooked."

Dr. Backman warned that "we cannot ignore the fact that several danger spots have been developing in the business structure. These include the relatively high level of food prices, the uncertainty created by the recent declines in food prices, the imminence of a third round of wage increases, and the development of some shortages of working capital. These areas will have to be closely watched in the months ahead. Certainly this is not the time to speculate in inventories or to become overextended credit-wise." The speaker stated that his "optimism for 1948 is tempered by the development of these significant danger spots. It does not seem at this time, however, as though those areas of weakness will be sufficient to cause a significant reversal of the present high level of business activity during the first six or eight months of 1948. I am not predicting that the boom will collapse at the end of that period. I merely would like to emphasize that when danger signals are flying, it is well to be cautious. As to the longer term perspective, when, as, and if, some decline does take place in business activity, it will be moderate and of short duration. I do not anticipate a repetition of the 1920-21 break.

"An analysis of the impact of the 1920-21 depression shows that it was reflected mainly in the durable goods industries," Dr. Backman said. "Although total industrial production in 1921 was 23% lower than in 1920, the non-durable goods industries recorded a moderate decline of only 5%. On the other hand, the decline in durable goods production was 43%, and steel production fell more than 50%. No such decline in durable goods production seems probable in the months immediately ahead."

Dr. Backman reported that hardware sales are at an all-time record level. The total in 1947 was $2.2 billion which was almost 4 times as great as in the 1936-39 period and 2½ times as great as during the war years.

Two With Buckley Bros.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—George M. Baumgardner and Robert W. Torney have become associated with Buckley Brothers, 530 West Sixth Street. Mr. Baumgardner was formerly with Crowell, Weedon & Co. Mr. Torney was with Herrick, Waddell & Co. and E. F. Hutton & Co.

Railroad Securities

The new Board of Directors of Chicago, Rock Island & Pacific lost little time in disillusioning the common stockholders of the reorganized company. Holders of the new income bonds and the new 5% preferred received, along with the delivery of their securities, cash payments equivalent to interest and dividends for the four years 1944-1947, inclusive. The effective date of the plan had been set by the Interstate Commerce Commission as Jan. 1, 1944, although the new company did not take over operations, and the new securities were not dated, until Jan. 1, 1948. It had been expected in many quarters that the directors would take similar cognizance of their responsibilities to holders of the new common stock, which also represents old bonds.

In connection with consummation of the reorganization and listing of the new securities the company had filed a statement showing pro-forma earnings for the period from the effective date of the plan to the consummation date. This covered a span of four years and indicated per-share results for the new common as follows: 1944, $11.97; 1945, $8.37; 1946, $5.75; and 1947, $9.13. Out of such substantial earnings it was felt that the old bond holders, now holding common stock, should be entitled to some consideration. This was particularly true inasmuch as the Rock Island during its entire trusteeship had been far less generous in distributing earnings to the old bond holders as interest than practically any other major railroad.

Guesses in financial circles as to how large a distribution might be made out of the 1944-1947 earnings varied widely, some going as high as $12 a share. In a rather petulant statement following the board meeting on Feb. 9, in which he commenting on "propaganda" put out by "brokerage houses," President Farrington effectively blighted these hopes. He went so far as to say that the directors had no intention of paying common dividends for the period 1944 to 1948. If this statement is to be taken at its face value it must mean that this year's earnings are the earliest from which common stock holders may expect any income. No dividend could be paid on the common out of 1948 earnings until income bond interest and preferred dividends from earnings of the same year (payable next year) had been declared and set aside.

Unless there is a change of heart the common stock holders of Chicago, Rock Island & Pacific face the gloomy prospect of having to wait at least until quite late in the current year for any dividend action, and they may have to wait until 1949. It is not customary for reorganized railroads to declare or set aside income bond interest or preferred stock dividends until the final results for the year to which the payments apply are in. Meanwhile, so far as the stock holders are concerned the more than $35 a share earned in 1944-1947 is apparently just so much water over the dam.

Were the Chicago, Rock Island & Pacific situation an isolated case it would be bad enough. However, this attitude of apparent disregard for the equitable rights of the new common stock holders seems to be fairly common in the case of new reorganized railroads. This is particularly true where voting trust agreements have been set up and there is no effective way for the stock holder to protect his interests for some years at least. Even in the case of preferred stocks the record of the reorganized carriers has not been a happy one.

Supposedly the capitalizations set up by the Interstate Commerce Commission were designed to give reasonable assurance of dividends in reasonably prosperous periods. As a matter of fact, there have been many complaints that the reductions in debt and charges have been too severe and that there was no justification even for eliminating the old equity holders. This feeling was heightened by the large cash surpluses built up by these roads during the war. Nevertheless, we now have a spectacle of record traffic volumes and in many instances high earnings, but what amounts to almost a mania for keeping swollen cash balances intact. Even where preferred dividends have been paid in full the dates of declaration have in many cases been erratic. For example, even Chicago & North Western, which has paid common dividends in every year since consummation of its reorganization (including 1947) paid its $5 preferred dividend last year in two instalments. Although this dividend had been earned by a fair margin in 1946 the first instalment was not paid until Dec. 1, 1947. The second instalment was paid on the last day of the year. This dividend uncertainty that is characteristic of most of the reorganized carriers has had a serious adverse influence on public confidence in these securities, as is quite obvious from just a casual glance at recent market quotations.

Firm Name Is Now Geo. A. McDowell & Co.

DETROIT, MICH.—The brokerage firm of Mercier, McDowell & Dolphyn will hereafter be known as George A. McDowell & Co., according to announcement made by representatives of the house. Partners will be unchanged. C. Edwin Mercier, Roger G. Dolphyn and Mackenzie C. Baird will continue in their present capacities.

Organized in March, 1943, by Mercier and McDowell, at which time they became members of the Detroit Stock Exchange, the firm has been actively indentified with many popular local issues including Gerity-Michigan Corporation, Sheller Manufacturing, Electromaster, and others. The company offices are in the Buhl Building with a branch office in Mt. Clemens in charge of Ray B. Davies.

George W. Byram Now Is With Arthur V. Grace

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — George W. Bryam has become associated with Arthur V. Grace & Co., Union Commerce Building. Mr. Byram in the past with George I. Griffith & Co. and prior thereto conducted his own investment business under the firm name of Byram & Co.

Commodity Prices And Business

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

Col. King contends commodity price break will have salutary effect and investors, therefore, should not sacrifice holdings.

The break in commodity prices will have a very salutary effect upon world economy and those investors who became frightened and sacrificed their holdings of good common stocks will regret it. First of all, the prices of commodities are still far above the levels necessary to bring prosperity to the farmers and producers. With known government support, there was no danger of these levels being broken. Commodity prices had soared so high that they were acting as a brake upon general business. The public felt that prices were too high and were confining their purchases to absolute necessities.

Col. Herbert G. King

With lower prices, business activity is bound to increase. The labor picture will improve. The wave of increased wage demands has been discouraged and strikes have lost their appeal to even the boldest of labor leaders. With improved labor relations, lower costs for raw materials, increased business activity and the great backlogs and continued demand for products, companies are bound to make money. The outlook for a renewed public interest in stocks is bright for a great deal of capital will gravitate to the stock market as the best place for investment and return.

The European situation will be greatly benefited as the prices paid for our products were considerably higher than had been anticipated when we negotiated our loans and the credits were being used too quickly. Now they will last longer and give Europe a better chance to get on its feet.

With the cost of living down, and the fear of unbridled inflation and its attendant evils of rationing and black markets no longer present, the domestic situation will be much brighter. A very good base for several years of business prosperity is being made. The future looks very bright, indeed.

Lloyd Jammer Joins Boettcher in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Lloyd R. Jammer has become associated with Boettcher & Co., 135 South La Salle Street. He was formerly an officer of R. S. Dickson & Co., Charlotte, making his headquarters in the firm's Chicago office.

Donald H. Ricker With Bache in Minneapolis

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Donald H. Ricker has become associated with Bache & Co., Minneapolis Grain Exchange Building. In the past he was an officer of J. M. Dain & Co.

With Shields & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — William D. Bost has joined the staff of Shields & Co., 135 South La Salle Street.

Venture Capital—"Seed Corn" of Our Economy

By HOMER A. VILAS*
Partner, Cyrus J. Lawrence & Sons
President, Association of Stock Exchange Firms

Mr. Vilas, in stressing stock exchange industry as integral part of U. S. economy, points out its importance in providing venture capital to insure vitality of future. Says we are not setting aside enough "seed corn" in form of venture capital, and problem "cries out for solution."

If the United States is to continue to grow and progress in the pattern which has been set in the past—if our pattern of freedom is to prevail—we must accept more seriously than ever the tremendous responsibilities that are ours. We who undertake to assume that political and business leadership must work together toward better things for all our people.

Homer A. Vilas

Cooperation requires mutual respect and integrity. Cooperation cannot be found in the statute books. Fundamentally it is recognition and acceptance of the problems of the other fellow. It is present only in free countries like ours.

If today's leadership is not quite measuring up to the requirements, and the demands upon it, it does no good to attempt to place the blame. It simply means all of us must take stock and return to that spirit which we know gave us America. It will require greater appreciation of each other's problems by government, industry, commerce, labor and finance.

One of the elemental purposes of the Association—which is the trade body of member firms of the New York Stock Exchange—is to be a sounding board of business thinking. Its Board of Governors attempts to familiarize itself so far as possible with conditions all over the country so that its decisions may represent the broad thinking of our industry and of business. Thus our organization is a true democracy, based on the old town meeting concept and streamlined to meet modern conditions.

Our decisions for a long time to come will be influenced by what we have observed and learned here. We will have a broader knowledge of the workings of our industry in the Southeast—and a better understanding of its relationship to the welfare of this section of our country and of the country as a whole.

The Stock Exchange industry is composed of several hundred relatively small units. But in total it is a large and important field. We are an integral part of the economy of the United States. We have played a big part in providing the machinery through which venture capital—in all degrees of risk—has flowed to the industry and commerce of America as it was needed. We fully expect to be able to continue to perform this important function. We are constantly striving to do it better. We are making progress.

Demand For Venture Capital

We hear a great deal today of the extraordinary demand for venture capital for American business. This demand springs from both old and new businesses. The demand ranges from some of our best known companies operating all over the world down to small local enterprises.

Venture capital is the new blood of business; the insurance of vitality in the future. I am sure that everyone in this room, like myself, has received and read some of the excellent studies prepared by reputable quarters on this fundamental subject.

I am not going to take your time and try to add to the excellent literature that you have in your own desks. However, I do like to pull these problems down to earthy terms and common understanding. You may not know it, but I spent twenty-two years of my life on a farm; a real dairy farm with no Saturday closings. One of the things that every farmer knows is the necessity of setting aside the "seed corn." The farmer who fails to provide it or the farmer who eats it up gets into trouble.

Venture Capital Is "Seed Corn"

To me venture capital is the "seed corn." Some will sprout a rich crop of new products and wealth for the entire community; some of the seed will fail to sprout, which is the factor of risk.

In this connection, the figures on savings on a national basis for the last four years are a sufficient warning to me that we are not setting aside enough "seed corn." In 1944 we saved thirty-five billion, six hundred million dollars, or 21.6% of our national income. Last year we saved only eleven billion, two hundred million dollars, or only 5.6% of our national income.

To my mind that simple statistic points up this entire problem of venture capital and cries out for a solution.

As citizens who love their country, rather than as members of the securities industry, we should keep this matter before our congressmen regardless of political party, and constantly urge the study and revision of our tax laws, to the end that there may be plenty of "seed corn" for the future.

*Remarks by Mr. Vilas before a Joint Meeting of the Atlanta Chamber of Commerce and the Association of Stock Exchange Firms, Atlanta, Ga., Feb. 13, 1948.

Penington, Colket & Co. To Admit Horton, Smith

PHILADELPHIA, PA.—Arthur Horton and W. Albert Smith, Jr. will become partners in Penington, Colket & Co., 123 South Broad Street, members of the New York and Philadelphia Stock Exchanges on March 1. Mr. Horton is manager of the bond department in the firm's Philadelphia office.

John S. P. Makiver, general partner, and G. Dawson Coleman and Edwin H. Vare, Jr., limited partners, will retire from the firm on Feb. 29.

Reinholdt Gardner Add Christophel, Hayward

ST. LOUIS, MO.—Reinholdt & Gardner, 400 Locust Street, members of the New York and St. Louis Stock Exchanges, will admit Arthur A. Christophel and John H. Hayward to partnership in the firm on March 1. Mr. Christophel is Sales Manager for the firm, with which Mr. Hayward has also been associated for some time.

L. J. Buschle Is With J. A. White & Company

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Lester J. Buschle has become associated with J. A. White & Co., Union Central Building. He was formerly in the municipal and corporate trading department of Edward Brockhaus & Co. with which he had been associated for many years.

With Akin-Lambert Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert W. Bethke has become connected with Akin-Lambert Co., 639 South Spring Street, members of the Los Angeles Stock Exchange. In the past he was with Sutro & Co.

Mutual Funds

By HENRY HUNT

"Buy A Portfolio"

"Buy a portfolio instead of a single issue" is a phrase coined by **Douglas Laird** of **National Securities & Research Corp.** The idea has much to recommend it. If you can pick an individual security the way Bernard Baruch can, you don't have to buy a portfolio of securities. Unfortunately, very few investors are gifted with Mr. Baruch's talents in this direction or have access to his sources of information. In fact, most investors, left to their own devices, have the unhappy faculty of buying either the wrong security or the right security at the wrong time.

The slogan, "Buy a portfolio instead of a single issue," applies particularly to investors with limited capital. He is the one who can least afford losses, but generally suffers the largest, on a percentage basis. He is the one who ought to be satisfied to obtain average results, but often pours his money down a bottomless rat-hole in an attempt to make a small killing. Should he select a bond, a preferred, or a common stock, "on his own" he might pick a "lemon." However, if he puts his money into a mutual fund, whether its portfolio consists of bonds, preferreds or common stocks, or a combination of all three, he is virtually assured of at least average results.

The income from a portfolio of securities is far more dependable than from a single issue of the same class. As the **Keystone Company of Boston** aptly puts it: "Any individual security may decline and disappear, but the various classes of securities are as indestructible as the market itself. There is no way of knowing what any individual security may do, but the long-term action of a class of securities under given conditions may be predicted with a reasonable degree of accuracy.

"A mutual fund, with the advantages of selection, diversification, supervision, and multiple-source return, is logically a more conservative investment than is any individual security in its portfolio. To match the quality characteristics of any mutual fund with an individual security, we must select this security from a higher class, and even then we cannot match all of the characteristics. And, when we have selected this individual security, we find that its cost is materially higher, the return is lower, and the possibility of appreciation in rising markets is less."

A Simian Simile

As anxious as a monkey peeling and peeling an onion as he tries to find the edible part.

Inflation Spiral Over?

A topping off of the nation's price inflation may be imminent or already under way, according to the February Investment Report of **Group Securities, Inc.**

"It has become clear," the report continues, "that stock prices have remained low in relation to earnings and dividends because investors have been afraid that present high earnings would not last but would be squeezed by higher wages and higher material costs. Investors are not likely to become aggressive buyers of stocks until they are convinced that the vicious spiral of wages and prices is nearing its end. For this reason we find encouragement in any indications, such as those mentioned above, of a reversal of the long inflationary trend.

"Common stocks of leading companies in the durable and capital goods industries remain the most sharply undervalued. There is good reason to expect that selected companies in the following industries will, in 1948, equal or exceed their high earnings of 1947: agricultural, automobile, building, electrical equipment, industrial machinery, railroad equipment, railroad stock and steel. Their stocks appear to be at bargain levels. Aviation shares, more speculative, are attractive for long-term appreciation, while chemical shares offer excellent assurance of long-term growth."

$100,000,000 Lost

Over a luncheon table shortly after the formation of U. S. Steel, Andrew Carnegie once said to the elder J. P. Morgan: "You know, J. P., I think I should have asked you $100,000,000 more for my steel properties."

"If you had, I would have paid it," was the financier's reply.

It is said that the Scotchman failed to enjoy the balance of his lunch.

Railroad Outlook

Hugh W. Long in his February **"New York Letter"** comments in part on the railroad outlook as follows:

"For 1947, the country's railroads will shortly report net income of some $460 million. In 1946, railroad earnings were $288 million. Even these were good earnings, as the table below makes clear.

Railroad Net Earnings—Prewar Years (in Millions)

1940	$188.9	1937	$ 98.1
1939	93.2	1936	164.6
1938	123.5 deficit	1935	7.5

"In October, 1947, the railroads were given a 10% rate increase, which was sufficient to absorb that year's wage increases. Effective January, 1948, another 10% rate increase was granted. Most of this will go toward improving 1948 earnings. If railroad traffic in 1948 is about the same as in 1947, the railroads' net income in 1948 should be in excess of $600 million even if further cost increases are encountered. This would be 30% better than the excellent 1947 earnings.

"There are several segments of our economy about whose 1948 activity few will quarrel. (1) There should be a demand for all the products that the farmers can produce. (2) Steel supplies are so short that if some customers reduced demands, others—domestic or foreign—would take their place. Thus, a high rate of steel output may be expected. (3) The need for housing throughout the country is desperate. Although a good deal of building was done in 1947, the number of dwellings erected was less than the number of new families established in that year. The prospect, therefore, is for an increase in building activity in 1948. (4) The shortage of automobiles needs no comment, nor does its significance in terms of the outlook for auto industry activity. (5) Fuel is short—coal as much as oil—even though coal is being mined at a high rate.

"To an astonishing extent, these industries are responsible for the level of railroad traffic. In 1946, for instance, **they accounted for more than three quarters of originated freight tonnage.** The good outlook for these industries virtually assures the railroads of another year of heavy traffic."

Pays to Advertise

Looking for new leads, **Herzog & Co.** recently ran a three-inch, one-column ad in the Sunday New York "Times" offering investors free copies of **National Securities & Research Corporation's** "Forecast for 1948." He received nearly 400 replies from a single insertion of the ad.

Reported Dutch Government Requisitions Dollar Securities

Associated Press announces Dutch Minister of Finance will require surrender by domestic holders of U. S. securities as step to avoid dollar crisis.

An Associated Press despatch from the Hague, Netherlands, on Feb. 18 states that the Dutch Minister of Finance, Prof. P. Lieftinck, at a session of the Dutch Legislature, has announced that, in addition to an immediate reduction of U. S. imports, the government would requisition all U. S. dollar securities in private possession of Dutch residents, in order to avoid a dollar crisis. Prof. Lieftinck did not explain the means to be used to put the proposed decree into effect, but he stated that the Dutch Government was prepared to do everything possible to prevent an industrial depression, even to the extent of sacrificing the nation's gold reserves.

Pieter Lieftinck

There have been various estimates of Dutch holdings of dollar securities, and, at various times during the last two years, there were rumors of liquidation of these shares in the New York market. However, although the extent of the Dutch held U. S. securities is not known, it is estimated that the value still may exceed $1 billion.

During 1947, in order to encourage voluntary liquidation, the Dutch Government offered to compensate Dutch sellers of American securities with new government bonds payable in guilders, but linked to the dollar. The plan, however, is said to have met with little success and few securities were exchanged. Under the plan, also Netherlands residents who owned American securities in the United States were permitted to effect switches from one U. S. security to another, but 25% of the dollar amount of the exchange had to be offered to the Netherlands Bank to be exchanged for guilders with only the remaining 75% available for repurchase of assets in the United States.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Bank of New York at 48 Wall Street, New York, has announced the following promotions: J. S. McAlister, Jr., Louis C. Owens, Jr., and A. C. Stousland were appointed Vice-Presidents. Mr. McAlister

J. S. McAlister, Jr.

Louis C. Owens, Jr.

A. C. Stousland

is in charge of Southern territory, Mr. Owens is in charge of New England interests, and Mr. Stousland is head of the Foreign Department. Appointed as Assistant Vice Presidents were Earl G. Holmes and Harvey E. Mole, Jr., Investment Officers, and LeRoy A. Clark, Jr. of the Bank's Madison Avenue Office.

* * *

A proposal which will result in the business of the **Continental Bank & Trust Company of New York** being joined with that of the **Chemical Bank & Trust Company of New York** has been made to the former institution in a letter sent to them by N. Baxter

N. Baxter Jackson

John K. McKee

Jackson, Chairman of the Chemical Bank & Trust Company. Mr. Jackson stated that the directors of The Continental Bank & Trust Company have advised that the terms set forth in this letter are acceptable to them and that a stockholders' meeting will be called shortly for approval. The proposal as submitted is also subject to the approval of the Superintendent of Banks and the Banking Board. Following the consolidation of the business of The Continental Bank & Trust Company with that of the Chemical Bank & Trust Company, the main office of The Continental at 30 Broad Street will become the Broad Street Office of the Chemical, which will give it a more convenient location for serving many of its customers in the financial district. The Chemical which has always had a large textile clientele has for some time wanted an office in the textile district on Seventh Avenue. The branch of The Continental at 38th Street and Seventh Avenue provides this. The branch at 345 Madison Avenue also gives an additional location for serving the Grand Central area.

John K. McKee, President of The Continental, has been asked to become a senior officer of the Chemical Bank & Trust Company. All other officers and employees will also be invited to join the organization of the Chemical. It is stated that the directors of the latter will be increased from 22 to 25 and that three of the directors of The Continental will be elected to these places. An advisory board will be established for the Broad Street Office, which will be made up of the directors of The Continental Bank & Trust Company. Mr. McKee will be asked to become Chairman of this board.

* * *

The Brooklyn "Eagle" of Feb. 14 reported that Leo. M. O'Neil, President of the **East Brooklyn Savings Bank of Brooklyn, N. Y.**, has announced that Selden T. Williams has been named a trustee of the bank. He is President of the Scoville Manufacturing Co. of Brooklyn.

* * *

The Union Bank of Switzerland at Zurich, announced on Feb. 17, the receipt of advices from the head office as follows:

"The Board of Directors in its meeting of Feb. 13, 1948, approved the statement of condition of the bank as of Dec. 31, 1947 and the income statement covering the year 1947. Total Resources of the Union Bank of Switzerland at the end of 1947 amounted to Sfrs. 1,413,591,668, as compared to Sfrs. 1,318,972,498 at the end of 1946. The Net Profit for 1947 amounted to Sfrs. 4,137,629, to which is added the carry-over of Undivided Profits from 1946 in the amount of Sfrs. 3,406,271. The corresponding figures for 1946 were, Net Profit Sfrs. 3,610,388 and carry-over of Undivided Profits Sfrs. 3,150,882.

"The Stockholders' Meeting will take place on Feb. 27, at which occasion the Board of Directors will recommend to the stockholders the distribution of a dividend of 6% on the Stock Capital of Sfrs. 60,000,000, as was done last year."

W. H. Stalder is the bank's representative in New York.

* * *

The New York State Banking Department approved on Feb. 6 a certificate of increase of stock of the **Bank of Athens Trust Company of New York** from $650,000 consisting of 65,000 shares of the par value of $10 each, to $700,000, consisting of 70,000 shares of the par value of $10 each. The bank is located at 205 West 33rd Street.

* * *

F. Irving Walsh, Vice President and a director of the **Plainfield Trust Co. of Plainfield, N. J.**, since 1928, died on Feb. 13 after an illness of several months. Born in New York 57 years ago, he had lived in Plainfield since boyhood, said Plainfield advices to the Newark "Evening News" of Feb. 14, which further stated:

"Mr. Walsh joined the staff of the trust company in 1905 and in 1913 was made Assistant Secretary and Assistant Treasurer. He assisted in the formation of the Elizabeth Chapter of the American Institute of Banking and in 1923 served as its President. He also had served as President of the Union and Somerset County Bankers' Association, now the Middlesex, Somerset and Union Bankers' Association. He was general chairman of the first joint banking and trust conference of the New Jersey Bankers' Association.

* * *

On January 30th common capital stock of the **First National Bank of Tom's River, N. J.**, was increased from $550,000 to $575,000 by a stock dividend of $25,000.

* * *

The placing in voluntary liquidation of the **Forbes National Bank of Pittsburgh**, effective Dec. 19 was recently reported by the Office of the Comptroller of the Currency. The bank, which had a capital of $500,000, was absorbed by the **Mellon National Bank & Trust Co. of Pittsburgh**. Reference to the plans of the latter to take over the Forbes National appeared in these columns Nov. 27, page 2193.

The **First National Bank of Wilmerding, Pa.** (capital $500,000) also absorbed by the **Mellon National Bank & Trust Co.**, was placed in voluntary liquidation on Nov. 28.

* * *

The **First National Bank of Scranton, Pa.**, announces the election on Jan. 13 of Leon Ehrhardt, Kenneth A. Burdon, William B. O'Brien and John F. Murphy as Vice Presidents; Walter B. Kramer as Assistant Vice President, and Chester A. Beitzel as Assistant Cashier. G. d'Andelot Belin is President of the bank.

* * *

Announcement was made on Jan. 20 by the **Mercantile National Bank of Chicago** of the election to the Board of Directors of Paul C. Clovis, President of the Twentieth Century Press, Inc. and Karl Fischer, Vice President, Executive Department of the Chicago, Burlington & Quincy RR. Co. At the same time the following appointments to the official staff was made known: Peter F. Kaufman, Assistant Trust Officer; Miss Marion E. Edgren, Assistant Secretary; Albert A. Lentsch, Assistant Auditor, and William W. Wegner, Manager, Consumer Credit Division.

* * *

Howard P. Parshall, President of the **Commonwealth Bank of Detroit, Mich.**, recently announced the death on Jan. 17 of the founder, former President and Chairman, Frank Wolf.

* * *

The office of the Comptroller of the Currency recently reported that the capital of the **Security National Bank of Battle Creek, Mich.**, was increased, effective Jan. 5, from $400,000 to $600,000 by the sale of $200,000 of new stock.

* * *

Through a stock dividend of $100,000, the **First National Bank at Bessemer, Ala.**, increased its capital, effective Jan. 16, from $100,000 to $200,000.

* * *

The Anglo Bank 20-Year Club, composed of staff members of the **Anglo California National Bank of San Francisco** with twenty years or more of service, held its annual banquet on Feb. 7 at the Palace Hotel in San Francisco. Seventeen new members were inducted into the club and 36 received jeweled pins emblematic of their graduation into 25, 30 and 40 year classes. The Club now has 189 members. Edwin A. Gumbinger, assistant manager, Montgomery Street Office, San Francisco, is President.

* * *

John D. McKee, member of a pioneer San Francisco banking family, died on Feb. 6, at the age of 82. Up to the time of his death he was still active as Chairman of the Board of the **American Trust Co. of San Francisco**, said the San Francisco "Chronicle" from which we also quote:

"Mr. McKee was born here on Sept. 29, 1865, the son of the late John McKee who in 1850 formed with D. J. Tallant the private banking house of Tallant & Co.

"He joined the firm in 1885 as a clerk and upon his father's death in 1893 became Cashier. The firm, now known as the Tallant Banking Co., was sold to the Crocker National Bank in 1898.

"Shortly thereafter Mr. McKee and others organized the Mercantile Trust Company of San Francisco. He became successively Cashier and Secretary, Vice President, President and Board Chairman. In 1927 this company and the American Bank merged, to become the American Trust Co.

"Mr. McKee was President of the California-Oregon Power Co. from its organization in 1920 until it was taken over by the Byllesby interests in 1926.

"In addition to his banking interests, he held directorships in the Pacific Gas & Electric Co., the Hutchinson and the Paauhau Sugar Plantation Companies of Honolulu, the Russ Building Company and other corporations."

Mr. McKee had also for many years been active in the Musical Association of San Francisco.

$85 Million Illinois Bonus Bonds Issue Placed on Market

Offering of $85,000,000 State of Illinois 1¾% and 2% service recognition bonds, series B, was made Feb. 18 by a banking syndicate managed by Harris Trust and Savings Bank, The Northern Trust Company, Continental Illinois National Bank and Trust Company of Chicago, The First National Bank of Chicago, and Halsey, Stuart & Co. Inc. The offering consists of $30,800,000 of 1¾% bonds maturing from May 1, 1950 to 1953, inclusive, and $54,200,000 of 2% bonds maturing from May 1, 1954 to 1960, inclusive. The bonds are priced to yield from 1.10% to 1.95% for the 1950 to 1958 maturities, and are offered at a dollar price of 100 to 99½ for the 1959 and 1960 maturities.

This offering represents the balance of an authorized issue of $385,000 000 of service recognition bonds authorized by the voters of Illinois in November, 1946. In the opinion of counsel the bonds are interest exempt from all present Federal income taxes and are legal investment for savings banks and trust funds in New York, Illinois, Massachusetts, Connecticut and certain other States.

Caldwell-Phillips Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—Paul B. Bremicher, Jr. has become associated with Caldwell-Phillips & Co., First National Bank Building. He was formerly with Smith, Barney & Co. in New York.

With Kidder, Peabody Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—James R. Buck, Jr., formerly with Shields & Co., is now connected with Kidder, Peabody & Co., 135 South La Salle Street.

Cayne and Conners With Cunningham Co.

CLEVELAND, OHIO.—Morton A. Cayne, member of the Cleveland Stock Exchange and Harry Conners have become associated with Cunningham & Co., Union Commerce Building, as vice-presidents. Russell I. Cunningham, member of the Cleveland Exchange and formerly proprietor of the firm, is now president.

Mr. Cunningham will be in charge of the buying department. Mr. Connors in charge of sales and syndicate department, and Mr. Cayne, trading department.

Mr. Cayne was formerly principal of Cayne, Robbins & Co. Mr. Conners was manager of the Cleveland office of the Central Republic Co.

Also associated with the firm are Robert D. Solt and David G. Callahan, who were previously with Cayne, Robbins & Co.

Mr. Cunningham is a past-president of the Cleveland Stock Exchange and is a member of the Board of Governors of the N. A. S. D. representing District 10. Mr. Cayne is a former president of the Cleveland Security Traders Association and at present is Chairman of the Public Relations Committee of the National Security Traders Association.

Ralph A. Lahan Forms Own Investment Firm

BIRMINGHAM, ALA.—Ralph A. Lahan will shortly open offices in Birmingham to engage in the securities business. He was formerly President of the Alabama Securities Corp.

Dick & Merle-Smith to Admit Sherman L. Lyon

Sherman L. Lyon will become a partner in Dick & Merle-Smith, 30 Pine Street, New York City, members of the New York Stock Exchange, on March 1. Mr. Lyon has been with the firm for some time.

With A. C. Allyn & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—James K. Steel has become connected with A. C. Allyn and Co., Inc., 100 West Monroe Street.

With Maxson Securities Co.

(Special to THE FINANCIAL CHRONICLE)

SOUTH BEND, IND.—Herbert MacKenzie is now with Maxson Securities Co., 222 East Irvington Avenue.

Securities Salesman's Corner

By JOHN DUTTON

During the past 10 days the commodity markets and the stock market have been front page news. This is the first time in years that the markets have made the headlines. The lay public does not seem to be concerned over the possibilities of serious repercussions as a result of the drop in prices. In fact, most people believe that the decline in retail food prices is a good thing—which it is. BUT THIS IS NOT THE TIME TO TAKE ANYTHING FOR GRANTED IF YOU ARE IN THE SECURITIES BUSINESS.

Just because your office has not been deluged with calls from your clients, asking you what is going on, is no reason why you should neglect your customers. Telephone to them, talk with them, tell them what is going on, this is the time your customers will appeciate a call from you. They want to hear some reassuring words from you, even if they are not really alarmed. If you write letters the best you can do is to make some general assertions. If you think that the decline in commodity prices is a good thing (and Mr. Bernard Baruch said so) quote him. One thing a security dealer can still do in writing (under present restrictive regulations) is to quote well-known public figures. Some day we would like to have a clarification of what a securities dealer can put in writing and what he cannot say. No one has ever found out to our knowledge. But if you must write to out of town clients, or others who may not have a telephone—this is the time to do it. Customers expect their dealer, broker or salesman to lead them through the darkness that surrounds us today.

There are too many learned economists writing articles and making speeches that are printed in the "Chronicle," for this column to put in its two cents worth regarding the current situation in the stock and commodity markets. But this is the way we look at it, in a few words. . . . The commodity break is a natural market development. It is healthy because it will bolster purchasing power in the lower brackets, but if the investors and everybody else in this country expect good times, healthy progress, and a better future for themselves and their children, it is much more important that the economic fallacies advocated by the present administration are repudiated at the polls next November. If you want to quote John Dutton on that go ahead; only we're not a public figure. Besides some of your customers unfortunately might be New Dealers.

But seriously, can you imagine how much healthier the outlook would be for investment in new ventures, for risk taking, for the stockholders, bondholders, insurance policy holders, owners of government bonds, postal savings, bank deposits, real estate and private business of every sort, under a President such as Bob Taft, Harry Flood Byrd, Walter George, Joseph Martin, Jesse Wolcott, or Tom Dewey? Here are men, both Republicans and Democrats alike . . . but these men can count. They seem to know what makes the wheels go around. Do you think you would take a pushing around from every arrogant little bureaucrat that has tied himself to the government payroll whenever you turn around, if we had an Administration that believed in sound American doctrine, based upon definitive law, and orthodox economics?

For our part we are not worrying one bit about the present decline in either the stock or commodity markets. One of the things to remember is that there are supposed to be 15,000,000 stockholders in American business in this country. There are only 8,000,000 in organized labor. . . . It is the way these 15 million stockholders are going to vote next November that will decide the fate of the stock market, your business, everybody's business, and also the jobs of the eight million in labor. If every broker and dealer in the United States this fall would corral every customer he can get, and go down the line for the anti-New Deal candidate whomsoever he may be . . . we'll all have at least one more chance to save this country . . . and maybe begin to live again.

Write to Franklin Cole & Company, 120 Broadway, New York City 5, for a copy of "Economic Progress—Tax Revision and the Capital Markets." This is a tax study made in collaboration with Mr. Emil Schram of the New York Stock Exchange. Your Congressman should have a copy! This is an excellent portrayal of why the the equity markets are drying up—and what GOVERNMENT MUST DO TO REVIVE THEM.

George Noakes, Jr., With W. E. Pollock Co.

Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, announce that George Noakes, Jr. has become associated with their firm. Mr. Noakes was formerly in the government bond department of the New York Hanseatic Corporation. Prior thereto he was an officer of Kugel, Stone & Co., Inc.

R. H. Johnson & Co. Opening D. C. Branch

WASHINGTON, D. C.—R. H. Johnson & Co., New York investment firm, has opened a branch office in the Shoreham Building under the direction of Phil J. K. Reily. Mr. Reily was formerly Washington Manager for J. Arthur Warner & Co. and W. H. Bell & Co.

Letter to the Editor

Holds Gold Standard Advocates Ignore Changed Conditions

Ferdinand G. Smola holds authors favoring return to gold standard concern themselves merely with moral aspects of the problem. Says it is better if gold is concentrated at Fort Knox than scattered among public.

Editor, "Commercial and Financial Chronicle":

The clamor for the return of the gold standard and gold coinage exchange voiced in two articles: "Gold Standard as Government Spending Check," by Howard Buffett, and "Is Soundness of the Dollar Affected?" by Walter E. Spahr, in the Jan. 29th issue of the "Chronicle" provokes many thoughts of agreement, some of doubt and some on the error of judgment. As often in the matter of fundamental philosophy, theory, the desire for the return to the gold standard stems from the contemplation of the period of experience and record which most favored the effective operation of money based on the treasure of gold. The return to such period presumes the same conditions which both authors envisage as real, whereas in truth, many factors in the present economic state of the country are distinctly alien to those of the past.

The supposition that gold standard will produce a balance between production and consumption, supply and demand, thrift and venture, government economy and government spending, has no basis in fact. Furthermore, the advocacy of its return by both authors rests not on material factors but, rather, on the moral obligation of the government to the governed and is dedicated to the thought that operation of the pledge of the Treasury to redeem paper with gold coin will restore government's sense of responsibility in spending and the people's confidence in money and thus in the government.

I hold no brief for the politician but neither do I feel that discredit of such nature is warranted. I believe the quality of the private citizen knowing what he is about and his honor of respecting the sanctity of a contract or living up to any obligation is at best no great rival to that of a politician. I have been in business for many years and have learned to know that the quest of a personal gain is not always redeemable into social consciousness concerned with general weal.

Gold in Fort Knox belongs to the people of the country. The government, its guardian, may not be a good manager over the function it should perform. Control of currency, credit, government spending, etc., are justly subjected by both articles aforementioned to scrutiny and criticism. On the other hand, gold in the hands of the private citizen may fail to provide any solution to the evils attacked.

It should be remembered that the public learned through war experience the way of hoarding on a scale never before seen, that it hoarded anything from food to, shall we say, tissue paper. This habit may have generated from shortages in the presence of large buying power and savings. If on the other hand with the lack of confidence in paper money people should turn to hoarding of gold, shortage of this precious metal would become obvious. There may be a lot of gold at Fort Knox but comparatively little in relation to paper money in circulation plus the large peoples' holdings in Government Bonds and other forms of intangible property, to say nothing of 250 billion of Federal debt.

The defenders of free gold coinage exchange assume that this sacred prerogative of the citizen will be exercised as before. That is to say, they feel that the privilege will be there but seldom be used. It is true that people don't like coin. They won't ever like gold coin in circulation, and having acquired it, shall put it away even should there be no fear of paper money. Obviously, little Fort Knox' in the vaults, wells and stockings on the citizenry offer no guarantee that confidence in paper currency will be restored and the policies of the government improve.

A wise monetary experience teaches that in presence of two kinds of money in circulation good money goes in hiding. The French had this ever to contend with, all Europeans hide dollars, pound sterling, Swiss franc and securities evalued in them. There is no assurance that our citizen may not do likewise. This may seem absurd to the proponents of gold coinage exchange but the possibility exists that the much depreciated dollar is not thought of as the 61c dollar now because of all that gold in Kentucky. It is true that people worry with the famished dollar but don't worry *about* it. But there are groups with large savings now. In times of stress such as during the last depression gold standard was unassailable. It didn't make such difference whether or not the paper dollar was convertible into coin. The paper dollar was just as hard to get as the gold dollar. It may not be that way now.

With gold scattered in private hands I wonder what our man in the street would think of a mere paper dollar. The government may refuse to surrender a speck of gold for a paper dollar. How many dollars it may take to return this speck of gold owned by a "Fort Knox" at Podunk to circulation is open to speculation. Perhaps the morale of the private citizen is greater than that of his government, it may even be that his wisdom, skill and judgment are superior. It seems, however, that the common intelligence would find it more effective to change the mood of the man in public office than changing the temper of the masses thrown into a state of comparative monetary confusion.

There are other factors which may not favor the return of free gold coinage but both authors concerned themselves with the moral aspect of the problem, hence this is in part an answer to their plea.

F. G. SMOLA

Feb. 9, 1948
312 Patterson Bldg.
Omaha 2, Nebraska

New York Stock Exchange Weekly Firm Changes

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

Thomas Hoyt Jones, Jr., will retire from partnership in Prescott & Co., Cleveland, on March 1st.

F. K. M. Hunter will withdraw from partnership in Carlisle & Jacquelin on Feb. 29th.

George C. Riley of Cincinnati, retired from partnership in W. E. Hutton & Co. on Jan. 31st.

George Brown, member of the Exchange, withdrew from partnership in J. Robinson Duff & Co., New York, on Jan. 31st.

Joseph J. O'Brien, partner in Carlisle & Jacquelin, New York, died on Feb. 8th.

Britain and Marshall Plan

By PAUL EINZIG

Dr. Einzig, though stating Britain expects final enactment by Congress of Marshall Plan, points out nation is not relying on it, as indicated by recent austerity wage regulation policy. Foresees British efforts to further discourage domestic consumption and notes some continuing opposition in Britain against American aid.

LONDON, ENGLAND.—The prospects of the passage by Congress of the Marshall Plan are now viewed in Britain with growing optimism. While a month or two ago the majority of Englishmen thought that if the Plan is adopted at all, it is sure to be "too late and too little," today the chances of adequate and timely American aid are considered to be reasonably good. Even now the likelihood of difficulties and delays is not sought to be minimized. But there is a widespread belief that it is justifiable to expect the Plan to be adopted without fundamental alterations not later than the late spring or the early summer.

Dr. Paul Einzig

Even so, the government is proceeding on the assumption that it cannot rely on the Marshall Plan being adopted in time, if at all. This accounts partly for its refusal to relax austerity measures such as the ban on basic petrol rations. Although the refusal to reconsider this measure is most unpopular, the government is firm in resisting pressure brought to bear on it by opponents and supporters alike. Nor is the government prepared to compromise on the prohibitive import duty on films, even though it is expected to result in the closing down of some three thousand picture theatres for lack of new films. Agitation to abolish bread rationing is also ignored.

Above all, the government continues its export drive at the cost of depriving the domestic consumer of much-needed supplies. In spite of the increase in the output of textiles there is a strong likelihood of a further cut in British cloth rations. And Savile Row tailors are forced to keep their British customers waiting literally for years, while they are busily engaged in executing priority orders for the United States and Latin America. Exporters who find it difficult to sell their growing stocks of goods abroad apply in vain to the Board of Trade for permission to unload their surplus at home. The government takes the view that, should such permits be granted too easily, many firms would be tempted to take the line of the least resistance and, after a bare show of effort to find buyers abroad, they would satisfy the clamoring demand at home.

The government's unwillingness to rely on the Marshall Plan is also indicated by the recent enunciation of its wages policy. Even though the statement embodying the government's disapproval of increase of wages is barely more than a gesture, it is certainly a gesture in the right direction. As was to be expected, it is most unpopular among the workers' unions. The only sphere in which it is likely to produce positive results is that of industries producing goods the price of which is controlled by the government. The warning that the government may not authorize wages increases to be passed on to the consumer in the form of higher prices is likely to stiffen the employers' resistance to wage demands. But in so far as the new policy will achieve its end in this respect it will only tend to widen the already existing discrepancy between wages paid in controlled and uncontrolled industries. The latter produce mainly goods of secondary importance, and a further increase in their wages would divert more hands from industries producing essential goods with controlled prices. To prevent this it would be necessary either to extend the scope of price control or to make more extensive use of the government's recently acquired powers to direct labor to undermanned essential industries. Both solutions would be most unpopular, and the government is likely to avoid making extensive use of either of them so long as there is reasonable hope to expect early American aid.

It is expected that Sir Stafford Cripps, when introducing his budget in April, will propose further measures tending to discourage consumption. There is strong pressure by Left-wing members of the government to induce him to discourage the demand for goods by people living on their capital, but the likelihood of a capital levy in this year's budget appears to be remote.

There is a widespread feeling that all these and other policies would not save Britain from a major crisis in case of the non-adoption or delay of the Marshall Plan. They are considered to be a useful supplementation of that plan under which, it is believed, Britain would not receive sufficient aid to dispense with the necessity for making the utmost effort to achieve equilibrium. A substantial relaxation of austerity measures is not expected to follow the adoption of the Marshall Plan immediately and automatically. Sir Stafford Cripps is likely to live up to his austere reputation by postponing relaxation as long as possible. In all probability, he will try to hold out till the late part of 1949 when the anticipation of the coming general election will make political considerations prevail, and the government is certain to overrule him in a bid for popularity.

The view that the alternative to the Marshall Plan is economic collapse is not shared by a minority of British politicians and newspapers. They believe that anticipation of Marshall aid tends to slacken Britain's efforts to work out her own salvation. Those who were opposed to the American loan in 1945 are now equally opposed to the Marshall Plan as far as Britain is concerned. They advocate harder work at home and better utilization of the resources of the Empire as an acceptable alternative. For totally different reasons British Communists and their sympathizers among Left-wing Socialists are also opposed to the Marshall Plan. They in turn believe that closer economic cooperation with Eastern Europe would enable the government to dispense with American aid. The overwhelming majority of vocal British opinion would regard, however, a failure to secure Marshall aid a major disaster that might endanger Britain's very existence, or at any rate it might drastically lower the standard of living and might result in grave social unrest leading to political upheaval.

Britain's Balance of Payments

By SIR STAFFORD CRIPPS*

Chancellor of the Exchequer, Great Britain

Britain's financial spokesman places his nation's last year's deficit in payment at £675 millions against £380 millions in 1946. Says bulk of deficit is with Western Hemisphere, and aim is to reduce dollar requirements to minimum. Blames rising prices abroad as partly responsible for trade deficit, and points out loss of "invisible payments" to Britain. Promises supreme effort to remedy Britain's external payments position.

The figures for the U. K. current balance of payments in 1947 now available can leave no doubt that our national efforts to increase exports and reduce imports to an essential minimum are fully justified and must indeed be pursued with vigor and determination. In the past year, the gap between our overseas expenditure and what we were currently earning to meet that expenditure reached menacing proportions, despite an expansion in home production and exports which in themselves were most praiseworthy. It is a gap which we must close by our own efforts, supported we earnestly hope, by Marshall aid. If we failed, the gap would close itself through the drying up of our essential supplies of food and raw materials for which we would have no means of paying.

Sir Stafford Cripps

Last year's deficit on current account including "invisible" transactions, amounted to £675 million (compared with £380 million in 1946). The deficit with the Western Hemisphere, was £680 million and the deficit with the rest of the world outside the sterling area £75 million, making a total of £755 million, less a surplus of £80 million with the sterling area, which gave the overall deficit of £675 million.

Drain of Sterling Area

The strain on our resources was, however, even greater than these figures suggest. We are bankers to the sterling area and finance the dollar requirements of all sterling area countries. The net expenditure of gold and dollars in 1947 by the whole sterling area including the U. K. was £1,098 million. After allowing for gold purchase from the sterling area, mainly South Africa, we get a figure of £1,023 million for the net drain on our gold and dollar resources (including drawings on the American and Canadian loans) and on the International Monetary Fund in 1947.

I should like to be clear that these sterling area reserves have been contributed to by the countries now drawing upon them. The sterling countries are working together to reduce their dollar requirements to a minimum and increase their own production, thus making a contribution of great importance to the removal of the world's excessive dependence on the Western Hemisphere.

The Terms of Trade

The difficulties created for us by the adverse movements in the terms of trade were strikingly demonstrated in 1947. The adverse visible balance on a f.o.b. basis was £449 million. Had the terms of trade upon which we were operating in 1938 obtained last year, this deficit would have been some £300 million less. As evidence of the way in which prices moved against us over the past year alone, it is worth noting that while the volume of our exports increased by about 10% and the volume of our imports by little more, the increase in the value of our exports was only half the increased cost of our imports. Incidentally, despite the slightly higher volume of imports to which I have referred, we were still receiving in 1947 only about 75% of the quantity of goods we imported in 1938.

Any general rise in prices must be to the disadvantage of a country working on the basis of a deficit in visible trade compensated for by invisible earnings or balanced as was our position in 1947 by overseas borrowing. A doubling of both import and export prices for example, doubles the gap which has to be met by invisible income or loans. The items which constitute invisible income and expenditure do not move in consonance with commodity price movements—most noticeable is the case of income from investments—and there is therefore little compensation from invisibles for the wider gap in the visible account, but the actual situation is even less favorable than that which would result from a doubling of import and export prices. Export average values (third quarter 1947) were 226% of 1938 while the corresponding figure for imports was 267%. The pressure of the world's demand for food and raw materials has created this position and since our own dependence on imported food and raw materials is so great, we must face the fact that greater effort on our part is needed to obtain the same amount of essential supplies.

Lower "Invisible" Income

Before the war we relied upon our invisible receipts to pay for the excess of our commodity imports. Over a quarter of our total imports were in fact paid for by this means in 1938. The war destroyed that favorable position. Not only were we obliged to sell a large part of our investments, but we also engaged in heavy borrowing, with the consequence that our net income from investments is only a fraction of its former amount. Loss of shipping and the need to charter foreign vessels has had to be met. So, instead of an invisible surplus of £232 million in 1938, we had in 1946 a net deficit on invisible account of £176 million, including

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*A statement given by Sir Stafford Cripps at a press conference, London, Eng. Feb. 10, 1948.

Canadian Securities

By WILLIAM J. McKAY

Fears of sterling devaluation cast the shadow of doubt concerning its probable effect on the Canadian dollar and the course of the external market for Canadian securities. Curiously enough the disseminators of gloom and the many prophets of British disaster have gone into high crescendo at a time when it is now possible to discern a few encouraging glimmers on the horizon.

Let us first consider the recent references to the coming crisis of liquidation in the United Kingdom and the British Empire. It would seem in reality that this is not a possible development for the future but, in large part, an already accomplished fact. Direct British control of India, Burma, Ceylon, Egypt, Palestine and other Middle Eastern countries has already been relinquished, and to this extent there has been a partial liquidation of the British Empire in its old imperial form. This however does not constitute by any means a total loss. In place of unwilling and enforced compliance with direct British rule, the seceding areas are now free of the colonial yoke, but still remain members of the British Commonwealth of Nations. Also in the Middle East, Britain is disencumbering herself of a heavy burden of political responsibility, while still retaining her economic interests, and is now directing imaginative attention to the accelerated development of the vast resources of South, East, and West Africa.

Another accompanying phenomenon of British crises is the habit of deriving new strength from the direct disasters. There is little doubt that during the last year Britain went through her economic and spiritual "Dunkirk" and British morale, after having touched bottom, commenced an upward climb. An examination of a cross-section of British sentiment which, a few months ago would have revealed unrelieved pessimism and discontent, now would show a new spirit of resolution to rise above adversity and revived hopes for a brighter future.

In the hour of need the loosely-knit Dominion's are now cooperating staunchly to assist the Mother Country. Their combined resources are now available for a supreme effort to serve a reorganized British Commonwealth and to save the pound.

The new Chancellor of the Exchequer Cripps is not another Keynes or Dalton. His clearly enunciated policy of maintaining the present level of sterling does not represent further lip-service to the cause of managed money, but a decision after due consideration to follow the course which best serves British interests at this time. The recent break in U. S. prices which constituted a greater threat to this policy than the French devaluation is being countered by a program designed to prevent a further rise in British wages and prices. Other defensive measures such as the closing of the loopholes in the British control system, and steps designed to discourage bear attacks on the pound, are also logical and likely developments.

Thus it is still too early to write-off the devaluation of the pound and imminent British financial and economic disaster as foregone conclusions. In the meantime the Canadian situation has by no means a sickly appearance. On the contrary, the Dominion foreign trade figures for 1947 registered an all-time record, and recent reports from throughout the Dominion clearly indicate that the Canadian economy is at another stage of dynamic development. As far as the maintenance of the existing level of the Canadian dollar is concerned, there is every reason to believe that the Dominion's resourceful Minister of Finance Abbott, like the British Chancellor Cripps, will be able to cope effectively with any development that might jeopardize the successful implementation of his avowed policy.

During the week the pressure of devaluationary sentiment concerning the pound affected adversely both the internal and external sections of the bond market. Free funds also weakened but the turnover was on a reduced scale. Canadian stocks reflected the movements in New York, and after an initial decline subsequently registered a substantial recovery. The failure of the golds to respond to the strength displayed on the London market and elsewhere, is perhaps attributable to the exaggerated importance given by the Dominion gold-mining industry to Government assistance instead of concentration on new development.

Dean Witter Expanding N.Y. Commodities Dep't

Dean Witter & Co., 14 Wall Street, New York City, are expanding the trading facilities of their New York commodity department, to enable the firm to serve more efficiently the steadily growing clientele of the various commodity markets.

Martin R. Herrick, commodity trading expert, is being transferred from the firm's San Francisco office to head up the enlarged New York department. In addition to supervising all commodity services, he will correlate West Coast information for Eastern traders and provide West Coast traders with current information on Eastern Seaboard activities.

Prior to his association with Dean Witter & Co., Mr. Herrick was in the import and export business under his own name. His previous experience was gained in the commodity and the import and export depar tments of General Mills.

Foreign Policy Must Be Reversed!

By HON. THOMAS E. DEWEY*
Governor of State of New York

Governor Dewey scores Administration's foreign policy as having betrayed American ideals by appeasement of Russia, and urges it should be thrown overboard "lock, stock and barrel." Warns Marshall Plan may be "just another handout"; and urges a federation of Europe, with internationalization of the Ruhr. Says if aid is given it should be adequate and extend over period of years. Calls for avoidance of waste in aid program.

Once again our country is beset with deep anxiety. As in Lincoln's day we are confronted with historic decisions. Yet today we have no clear vision of a great purpose. At this moment we are richer in living standards and resources than any nation in history. Yet our people are uneasy. They are confused. They are afraid that our present apparent prosperity may turn out to be a mirage; afraid that the peace we have so dearly won may again turn into the catastrophe of war.

Thomas E. Dewey

Why are we anxious and afraid? Is it not because the great overshadowing opportunity of our time — the building of peace—has been confused and frittered away for lack of a great plan and a great purpose? For the sake of the American people and the peace of the world it is time we find out where we want to go and start going.

I propose to state to you tonight some of the steps I believe necessary if we are to achieve permanent peace.

For the third time in 30 years the American people are called upon to make a mighty effort to save Western Europe from totalitarian despotism. When the first World War was over, the victors failed to make a lasting peace.

Again after the second World War, we failed to use our victory to rebuild and buttress the free nations we had saved. This time our National Administration not only had no policy for peace but actually helped to build up the strength of another aggressive despotism.

Russian Policy

The facts are plain. Marshal Stalin had repeatedly proclaimed the Soviet ambition to rule the world. In the face of that fact, our own Government blundered and compromised from conference to conference, each time aiding and abetting that very scheme of Soviet world conquest. Most of the story has now come to light—at least I hope there's no more to come out. In the Far East, our Government made a secret agreement with Marshal Stalin at the expense of China, enabling Russia to dominate Manchuria and all of North China. In Europe, our Government sacrificed the heroic people of Poland; it yielded weakly to the enslavement of the Balkan States and actually pulled back triumphant American troops west of Berlin so the Soviet armies could advance into the middle of Europe. That, in short, is the way we got into our present fix in world affairs. In such ways have the fruits of our victory been almost wholly tossed away.

Of one thing we can be sure: The policies of the present National Administration which have brought us to this pass should be thrown overboard lock, stock and barrel. Those are the policies which resulted in surrendering 200 million people in middle Europe into the clutches of Soviet Russia and are rapidly delivering the 400 million people of China into the same hands.

Every one of those policies was formulated wholly outside the area of bi-partisan cooperation. Those policies are a betrayal of the American hope. Moreover, if continued they will allow the iron curtain to move across Europe to Boston Harbor on one side of us and across Asia to Pearl Harbor on the other.

Where do we go from here? Should we withdraw from the world to bury our heads in the sand, hoping history will not repeat itself? We have followed that course before and it led to war. It always will. To follow that course again would be the only perfectly sure way to send your boys and mine into another war.

No, we must follow a new road. There is hope for peace; there is a great abiding hope burning in the breasts of our people and of good people the world over. There is reason for that hope. If we set about building for peace now, even at this tragically late date, I am confident we can achieve it.

In the two and one-half years since the war, we have spent over $20 billion in foreign aid, indiscriminately scattered among free peoples and those behind the iron curtain. That is more money than is now proposed for a four-year European program. In the military occupation of Germany, we Americans — we who have the know-how which has made us the greatest industrial nation in the world—have done one of the worst possible industrial jobs in the world. Let's look at it for just a minute.

Importance of Ruhr

The Ruhr is to Europe as the coal mines of West Virginia, Pennsylvania and Illinois, the steel mills of Pittsburgh, Gary and Younngstown are to America. The Ruhr in Germany is the industrial mainspring and the heart of Europe's production of coal, steel and many other essential products.

Knowing this, the present National Administration nevertheless launched at Potsdam the policies which have paralyzed the Ruhr and crippled all Western Europe. Today, two years and nine months after V-E Day, the average daily production of coal in the Ruhr is only 254,000 tons, compared with 440 000 before the war. That is 57% of prewar production.

Compare this with the British who are now producing over 90% of their prewar output.

Compare it with the French who are now actually producing more coal than they did in 1937. But it is the Ruhr which has always been the principal source of coal, and the Ruhr is not producing.

It is no wonder that the people of Europe are freezing this winter. It is no wonder that American ships have been busy carrying American coal and oil to help prevent a collapse.

The situation in the Ruhr is even worse in other respects. Production of iron and steel, of nonferrous metals and of foundry products is running about one-quarter of prewar or less and no amount of war damage can alibi that failure.

It is no wonder that Europe needs tractors for the production of food, needs rails for the shipment of goods and needs steel to rebuild and expand its factories. It is no wonder our Government has been compelled to ship coal and fuel oil and steel we so desperately need at home, to ship food and tractors and clothing to Europe.

Every informed American knew this problem would arise at the end of the war. It was almost four years ago that I proposed that the Ruhr be internationalized to prevent a revival of German militarism and that it then be started full blast as a servant of the people of Europe. Yet the Potsdam policies did the exact opposite and Europe and America are suffering as a result.

Policies Must Be Reversed

The policies which created this paralysis can and must be reversed. Our Government can still do a job, unless the National Administration actually wants, for political purposes, to keep this country in a continuing state of crisis and of high prices caused by shortages of goods. We have a wealth of engineers, coal mining experts and industrial managers who could do the job if only the Government called on them. If our Administration honestly wants to save Europe from ruin and America from the hardship and shortages we now have, it had better get busy. It had better get a new set of policies, call on the industrial genius of America and get going.

Then we face the next and larger problem. Partly by reason of the unhappy failures of the last two and a half years we are now asked to finance a plan at a cost of $17 billion more for the rehabilitation of Western Europe. The long delay in conceiving a plan and the frightful waste which has preceded it have caused serious anxiety among our people. They are asking: Is it "just another handout?" Is it only a "futile effort to bolster up these nations?"

I hope it will be neither of these. I know it does not have to be.

The peace of the world can and will be restored when the free nations become strong enough and united enough to preserve themselves. In 1917 and 1940 our economic aid to Western Europe was a prelude to our going to war. We must make certain that this time our economic aid is a prelude to peace.

There is a difference—a vast difference between this program of aid and the ordinary run-of-the-mill New Deal venture. This time we can't stand a 10% success. The stakes are too great. The difference between success, and failure this time may well mean the difference between survival and total destruction.

Last November, I urged that a plan be formulated in straightforward fashion to be run by a government authority under bipartisan directors and with the ablest business men in the country in charge. I know of only one way to do a job well, either public or private, and that is to get the ablest people we have to run it, give them full authority and hold them strictly accountable for results. I also urged that we agree among ourselves that we would

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*An address by Gov. Dewey at the Annual Lincoln Day Dinner of the Middlesex Club, Boston, Mass., Feb. 12, 1948.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A slightly firmer tone has been in evidence in the taxable eligible obligations with some of the longer maturities still trading above support levels, which indicates that these securities are being bought by commercial banks instead of the Federal Reserve banks. . . . The statement on Monday by Treasury Secretary Snyder that government bonds would not go below pegged levels and that interest rates would continue low, coupled with the loss of income through redemption of higher coupon obligations and the feeling that business may turn down somewhat, are given as the main reasons for the not too sizable commitments in the bank issues. . . . Liquidation of restricted bonds continues in a fairly large way with insurance companies still the principal sellers. . . .

EYE ON COMMODITIES

The attitude of some portfolio managers toward the intermediate and longer-term taxable bank issues appears to be changing, even though it has not yet been transferred from a potential demand into a sizable actual one. . . . There is less switching from the middle and long maturities into shorts, and certain commercial banks are even letting out a few shorts to go back into the more distant maturities. . . . It is believed in some quarters, with credit restrictive measures working, there will be a decline in the loan demand, which will in turn mean more funds available for the higher coupon Treasury issues. . . .

The movement of commodity prices and the course of bank loans are being watched very closely by followers of the money markets because the future trend of these two indices will have an important bearing upon the policies of the monetary authorities. . . . The kind of action taken will in turn influence the position of the government securities markets. . . . While it is still too early to predict the extent of the recession in commodity prices, if it should be sharp enough to signal the end of the boom, then it should have a favorable influence upon the intermediate and longer maturities of Treasuries. . . .

END PRODUCT

The ending of the boom, which may be indicated by the eruption in the commodity markets, would most likely result in a lessened demand for bank credit. . . . There should not be the same need to accumulate inventories, forward buying would be more cautious and would no doubt be curtailed substantially. . . . The attitude of loaning institutions, especially commercial banks, would also be more cautious and careful because with the ending of the boom there would be greater risks involved in lending. . . . This could result in fewer loans, as well as the calling of less desirable ones, if they can be liquidated. . . .

THEN WHAT?

With the pressure for expansion, through bank loans, curtailed or ended by a deterioration of economic conditions, where would bank and non-bank investors put the funds they have been accumulating (now in shorts) through the sale of longer-term government obligations? . . . While it is not indicated that the greater part of the near-term maturities that have been bought by these investors would be disposed of, it is believed that a substantial amount of them would be let out in order to take on the higher income longer maturities. . . .

With the risk factor increasing because of more competitive business conditions, institutions would be more likely to make commitments in the longest Treasuries in preference to making loans that could turn out to be not too wise use of investable funds. . . .

There never has been any doubt about the payment of principal and interest on government securities. . . . Now with the market price "pegged," every Treasury issue a commercial bank owns is liquid, be it short or long. . . . The would seem to be a very powerful inducement to buy government securities especially the longer-terms, because with the boom ended there would be no need to worry about the monetary authorities keeping prices at present support levels. . . .

PROBABILITIES

If there is to be a down-trend in general business, as some observers feel is now forecast by the decline in commodity prices, then the "risk factor" becomes more important in the lending and investing policies of institutions. . . . With business on a more competitive basis profits are quite likely to decline and this will cut the margin of safety or protection for fixed charges of corporations. . . . This means that governments and only the highest quality AAA's would be desirable investments for institutions that have funds that must be put to work for income purposes. . . .

Thus governments and AAA corporates would most likely advance in price, under the aforementioned economic conditions, whereas lower rated corporate issues, with declining earnings protection for fixed charges would no doubt recede in price. . . . Greater would be the spread between top quality issues and the lower rated credit bonds, which would be affected by changed business conditions. . . .

With the increased supply of corporate bonds, the widening of the spread between governments, AAA corporates and lower rated credit bonds would be increased and should be rather permanent. . . . The narrowing of the spread between bonds irrespective of quality or rating that took place during the war period because of the scarcity factor seems to have gone by the board, not to return for some time. . . .

EXPECTED

Refunding of the March 1 7/8% certificates and the March 15 maturities of 2s and 2¾s with 1⅛% certificates occasioned no great amount of surprise in the financial district. . . . It was, however, the first time in recent months that the Treasury has not increased the interest rate of certificates that were being offered. . . . What the Federal Reserve banks will do with their holdings of the matured or called issues is not known, but informed sources expected a cash repayment. . . .

Municipal Bonds as Bank Investments

By HARRY L. SEVERSON*

Municipal Service Department, Dun & Bradstreet, Inc.

Mr. Severson ascribes decline in municipal bond prices to (1) rise in interest rates; (2) increased volume of tax exempt bonds; and (3) decline in attractiveness of tax exemption. Holds unless further drop in bond prices is soon and substantial, it will pay banks to hold or acquire municipals. Sees main problem in selection of holdings, and advocates commitments be limited to situations which are satisfactory and improving. Warns of unwarranted increase in municipal loans and gives advice on bank's portfolio.

In the years immediately preceding the Second World War municipal bonds were becoming an increasingly popular form of investment with commercial banks. With few exceptions, each new call report showed an increase in total holdings of insured banks. This trend was reversed during the war as State and local governments paid off their debts, and wealthy individuals to whom tax exemption became increasingly valuable, bid higher and higher premiums for the declining supply. Many banks took advantage of this favorable market to sell their holdings of municipal bonds at a nice profit. With the end of hostilities the situation changed again. State and local governments began to carry out their plans for repairing and extending their capital improvements. Many local governments had wisely built up cash balances for this purpose during the war, but the costs of construction have increased so much that these balances are not going nearly as far as was hoped. With the depletion of these cash balances State and local governments are finding it necessary to borrow, and new issues are coming to the market at an unprecedented rate. A considerable volume of this increase in tax-exempt securities is finding its way into bank portfolios.

Harry L. Severson

Prices of municipal bonds have receded from their all-time high reached in early 1946, or stated more realtistically, perhaps, from the viewpoint of the investor, the yield available on long-term municipal bonds is higher than it has been for a number of years. The "Bond Buyer's" Index of 20 Representative Long-Term Bonds, which showed a yield of 1.29% in March and April of 1946, had risen to 2.36% for the week of Jan. 8, 1948, and has been fluctuating around this level for the past few weeks. Thus a bank with satisfactory earnings, to which tax exemption is an advantage, can obtain a higher net return on municipals than it can upon governments. A number of factors have contributed to this decline in price or increase in yield on municipal bonds.

First: Interest rates have risen. The Federal Reserve System has tightened the money market as an anti-inflationary measure. In view of the large demand for capital funds for housing, business expansion, as well as public improvements, and the general feeling that the danger of still further inflation is the foremost domestic problem at this time, there seems little reason to expect that the tight money policy can be abandoned in the immediate future.

Second: As the increased volume of tax-exempt bonds comes to the market it becomes necessary to offer better yields relative to other securities to attract new buyers. There is considerable difference of opinion about whether the present yield differentials in favor of municipals are sufficient to bring in enough new buying to absorb the increased volume of tax-exempt bonds coming to the market. Some observers are impressed with the large volume of prospective new financing and believe that the margin must be widened still more to overcome inertia. It is argued in support of this position than an institution which has not been buying municipals for some time will hesitate before entering into this field unless it can get yields substanially above what it can obtain upon classes of securities which it is accustomed to holding. Also, institutions which cannot use tax exemption to advantage, can still get as good or better net returns on taxable issues. Other market observers take a different view and cite the fact that the present yields on municipals are equal to yields of almost 5% on taxable securities to investors in the 50% tax bracket, and are even more attractive to investors in the higher brackets. As noted before, municipal bonds at present rates are relatively attractive to banks.

Third: The tax exemption feature of municipal bonds may appear less attractive to some investors than formerly. There is so much being said, both for and against a reduction in the income tax rate at this time, and larger exemptions, that it is only necessary to mention the fact in passing that the possibilities of reduced taxes may exert a bearish influence on the prices of municipal bonds and point out that reduced taxes may result from lower incomes, as well as reduced rates. Also, the high tax rates have in many instances reduced the volume of funds which the very wealthy have for investment.

What Will Happen from Now On?

Our main interest is, of course, in what will happen from now on, and as usual, no very definite answer can be given to this question. The market shows occasional signs of strength, and there is some evidence to support the contention that most of the decline has taken place or, at least, that further declines will be gradual. On the other hand, the forces which resulted in the substantial price declines just discussed appear to be still operating, and I have heard no one recently predict a marked increase in the prices of municipal bonds in the immediate future. What, then, is a sensible investment policy in a market which has just declined and which may or may not have hit the bottom? I believe that the consensus of investment opinion is that it usually works out best to keep funds fully invested. Ordinarily it does not pay to try to pick up investments at the bottom of the market. Unless the drop in price is substantial, and comes rather soon, the loss in income will more

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*An address by Mr. Severson before the Ninth Minnesota Bankers Conference, University of Minnesota, Minneapolis, Minn., Feb. 12, 1948.

Amsterdam Wins Over NYSE Chess Team

The first International Chess cable match between Stock Exchanges took place on Feb. 14, between teams representing the New York Stock Exchange and the Amsterdam Stock Exchange, was won by the Amsterdam team with a score of 5½-4½. Moves were teletyped between Exchanges by RCA.

Howland S. Davis, Executive Vice-President of the New York Stock Exchange, made the first move, in the absence from the city of Emil Schram, President, for the New York team. The initial move in Holland was made by Carel F. Overhoff, President of the Amsterdam Exchange.

The New York team was co-captained by I. Kashdan, of Jacques Coe & Co., U. S. open champion, and by E. Schuyler Jackson, of Penington, Colket & Co., former U. S. Amateur Champion. Other members of the New York team included: Herbert W. Marache, Granbery, Marache & Lord; Jacob Menkes, Wood, Walker & Co.; Sol Ranheim, Sulzbacher, Granger & Co.; Julius Hallgarten, Hayden, Stone & Co.; Donald Hart, Stokes, Hoyt & Co.; Joseph O'Reilly, New York Stock Exchange; James Limberg, Neuberger & Berman; Howard Hamershlag, Hamershlag, Borg & Co. Alternates were Eric Hassberg, H. Hentz & Co.; Jacques Coe, Jacques Coe & Co.; Alfred E. Tonne, Salomon Bros. & Hutzler.

Dr. Max Euwe, former World's Champion, and I. A. Horowitz, editor of the Chess Review of New York, adjudicated all games. The Amsterdam Exchange was represented in New York by Hans Kmoch, international chess player; the New York team in Amsterdam by J. J. van Weering.

The Amsterdam team comprised: T. D. van Scheltinga, Vereeniging voor den Effectenhandel; H. Kleefstra, De Twentsche Bank N.V.; U. Crabbendam, Broekman's Commissie Bank; W. C. A. L. Muller, Labouchere & Co. N.V.; J. Kempes, De Twentsche Bank N.V.; J. Ph. Grondman, J. Ph. Grondman; C. L. C. Dekker, Brom & Co.; J. J. van Weering, Amsterdamsche Bank N.V.; F. van Setten, Vereeniging voor den Effectenhandel; Justus Meijer, Kraayenhagen & Co. Reserve was: W. J. Bos, Vereeniging voor den Effectanhandel.

Lynn A. Hart Now With Flynn & Levitt in L.A.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Lynn A. Hart has become associated with Flynn & Levitt, 411 West Seventh Street. Mr. Hart was previously manager of the bond department for the Los Angeles office of Carter H. Corbrey & Co. and prior thereto was with First California Co.

Schram Aids in Dramatization of 'The Big Board'

At conclusion of story, N. Y. S. E. President points out importance of securities markets to national and world economy.

As a concluding part of a half-hour dramatization of the work of the New York Stock Exchange on Feb. 15, conducted by the Commerce and Industry Association of New York, as the fifth in the "Adventures in Industry Series" over Radio Station WMCA, Emil Schram, President of the Exchange, pointed out that by enabling corporations to obtain funds with which to build plants and equip them, securities markets like the New York Stock Exchange are making a vital contribution to the American standard of living.

Emil Schram

"The essence of progress is the flow of capital into productive enterprise," Mr. Schram declared. "Aided by securities markets like the Stock Exchange, corporations are enabled to obtain funds with which to build plants and equip them. This, in turn, means more and better products made available to ever more people. The result is the American standard of living—the highest in the world. The New York Stock Exchange takes pride in its vital contribution to this progress."

Contending that the Exchange was an international market for securities, Mr. Schram said that its 605 member firms and their partners operate more than 1,500 offices in cities in the United States and in Cuba, Puerto Rico, Hawaii and six foreign countries as well, and that, in addition, there are 2,700 offices of other securities concerns which have a correspondent relationship with the member firms.

Although the number of companies listed on the Exchange is small compared to the several hundred thousand corporations in this country, Mr. Schram pointed out that a substantial majority of the most successful companies in the nation are listed, and observed that "there is a certain prestige attached to a company which has qualified for admission to the Stock Exchange list." As to benefits, in addition to "superior marketability," corporations listed on the "Big Board" obtain, Mr. Schram noted:

"The stock ticker keeps investors constantly informed about prices paid for securities on the Exchange. Newspapers and financial services give wide publicity to the record of prices on the ticker. Corporations whose securities are bought and sold on the Exchange are named daily in these newspapers, thus further publicizing the companies and, indirectly, drawing attention to their products or services."

First Boston Group Offers Phila. Electric First Mortgage Bonds

An underwriting group headed by The First Boston Corp. on Feb. 18 offered a new issue of $25,000,000 Philadelphia Electric Co. first and refunding mortgage bonds, 2⅞% series due 1978. The bonds were offered at 99.25 and accrued interest to yield approximately 2.91%. The bonds were awarded to the group at competitive bidding Feb. 17.

Proceeds from this financing, together with proceeds from the recent sale of 150,000 shares of 4.3% $100 par value preferred stock, will be used to finance a construction program through 1948 and the early part of 1949. The program contemplates expenditures of approximately $235,000,000 during the six year period, 1947 to 1952, inclusive, of which about $48,000,000 was expended in 1947 and about $50,000,000 is planned for 1948.

The bonds will be redeemable upon not less than 30 days' notice, at the option of the company, as a whole or in part, at prices ranging from 103 if redeemed during the 12 months period ending Jan. 31, 1949, to 100 if redeemed during the 12 months ending Jan. 31, 1978.

Following completion of the present financing the company will have outstanding $205,000,000 first and refunding mortgage bonds, $73,640,910 of preferred stock, including premium of $1,168,910, and $137,816,005 of common stock. Outstanding funded debt of subsidiary companies amounted to $40,168,185.

Mutual Savings Banks Deposits Reach Peak

Earl B. Schwulst reports gain of 5.6% during 1947, with 18,300,000 accounts, aggregating $17.8 billions in savings.

Deposits in the mutual savings banks of the U. S. increased almost $1 billion during 1947, Earl B. Schwulst, President, National Association of Mutual Savings Banks and Executive Vice-President, The Bowery Savings Bank, New York, reported on Feb. 12. This represents an increase of 5.6%, Mr. Schwulst pointed out, and brings total deposits of mutual savings banks to $17.8 billion, an all-time peak in 132 years of operation in this country.

Earl B. Schwulst

There are now 18,300,000 accounts in mutual savings banks, of which 14,500,000 are regular deposit accounts and 3,800,000 are made up of savings of school children and individuals in Christmas and other special clubs. The gain in depositors has been steady, with savings banks now serving nearly 1,000,000 more regular depositors than at the time of VJ-Day. In addition, 700,000 special depositors in school or club accounts have been added over the same period.

Surplus and guarantee funds increased $110,000,000 and at the year-end stood at $1.9 billion, representing an average of 10.7% additional reserve behind each dollar of deposits.

The increase of more than $1 billion in assets during the year brought this figure to a new high total of $19.7 billion. Principal items in the $1 billion gain were an increase of $380,000,000 in mortgage loans, $330,000,000 in corporate and municipal securities and $260,000,000 in U. S. Government securities. This compared with increases during 1946 of $249,000,000 in mortgages, $116,000,000 in corporates and municipals and $1.095 billion in U. S. Governments.

In commenting to the report, Mr. Schwulst said, "One of the most encouraging factors in the continuing struggle against the forces of inflation is the determination of our people to save. Although the high cost of living and the greater availability of consumer goods have reduced the rate of saving from the abnormally high figures attained during the war years, deposits in mutual savings banks increased $169,000,000 during December, 1947 (the largest average monthly gain since 1945) to bring the yearly total to nearly $1 billion.

"The year 1947 witnessed a change in savings banks' investment outlets. The increase in home building and upturn in business expansion awakened renewed interest among savings banks in these channels of investment. All indications point to increased activity by mutual savings banks in mortgage lending and financing of industrial expansion during 1948."

Foresees Vast Source of Gasoline And Oil in Coal Reserves

Homer Z. Martin, of Standard Oil Development Co., says 25% of U. S. coal reserves can supply oil for 1500 years. Reports on recent development in synthetic oil production.

Enough gasoline and oil to meet the nation's total demand for 1,500 years can be manufactured from only a quarter of its known coal reserves. Dr. Homer Z. Martin, Assistant Director of the Development Division of the Standard Oil Development Co., Elizabeth, N. J., declared at an all-day symposium on Feb. 14 of the American Chemical Society's New York Section in the Hunter College Playhouse, New York City.

Although it is indicated that premium gasoline can now be synthesized from natural gas as cheaply as it can be extracted from petroleum, the nation's natural gas resources are limited, Dr. Martin pointed out.

"The estimated reserves of coal are so much greater than those of natural gas as to suggest that the long-term development must be with coal," he asserted.

A quarter of the proven reserves of natural gas, if applied to the manufacture of liquid fuel, would be exhausted within two decades, during which time it would furnish only 400,000 barrels a day of gasoline, about 15% of the current demand, in addition to small amounts of other fuels, he said.

An equal fraction of the coal resources would supply the entire need for all types of liquid fuel—fuel oil and Diesel oil as well as gasoline—for 1,500 years, although the cost would probably be somewhat higher than that of natural fuel from petroleum, according to Dr. Martin.

Noting that two plants, each equipped to make 7,000 barrels of synthetic gasoline a day from natural gas, are now being completed in Texas and Kansas, Dr. Martin stated that the output of these plants will be of such high quality it can be used for aviation fuel.

As it comes from the converters, the gasoline will have an octane rating of 95, which can be raised to the required 100 rating by addition of anti-knock compounds such as tetraethyl lead, he explained.

The new installations will represent vast technological improvements over the plants that furnished Germany with much of her gasoline during the war, he continued, pointing out that the cobalt catalyst, or chemical stimulant, used by the Germans produced only a low-octane fuel.

In addition to developing a far more efficient iron catalyst, American engineers have devised a radically different basic process, known as the fluid catalyst technique, Dr. Martin said.

In the German process, hot gases were passed through steel tubes packed with a granular catalyst, emerging as gasoline and oil vapors. The tremendous heat evolved was difficult to control and a cumbersome apparatus was required.

In the fluid technique, the catalyst is ground to a fine powder and suspended as a swirling cloud in a stream of hot gas inside a chimney-like furnace. Gas is continually pumped in at the bottom of the furnace and fuel vapors are drawn off at the top. The process is rapid and efficient and the temperature can be controlled easily.

"Present indications are that the cost of gasoline produced from natural gas is competitive with gasoline produced from petroleum," Dr. Martin said, "but synthesis from coal is not yet developed to this point."

Halsey, Stuart Group Offers Iowa Pwr. Bonds

Halsey, Stuart & Co. Inc. and associates, on Feb. 16 were awarded $6,000,000 Iowa Power and Light Co. first mortgage bonds, 3% Series due 1978, on their bid of 100.51%. Public offering of the bonds is being made at 100.99%, to yield approximately 2.95%.

Proceeds from the sale of the bonds will reimburse the company's treasury for net property additions already acquired or constructed and for further property additions.

Iowa Power and Light Co. furnishes electricity and gas in Des Moines and either or both services in other municipalities, communities and rural territory in 23 counties in the State of Iowa having an estimated population in 1940 of 350,000. During the 12 months ended Oct. 31, 1947, approximately 74% of its gross operating revenue was derived from its electric business, approximately 25% from its natural gas business and the remainder from its heat and ice business. During that 12 months period total operating revenues were reported to be $13,903,691, and after depreciation and all taxes the balance available for interest was $3,433,603. Maximum annual interest charges on all First Mortgage Bonds to be outstanding after this financing will require less than $770,000.

Mrs. Ruth Lowe Pres. Am. Savs. & Loan Inst.

NEW ORLEANS, LA. — Mrs. Ruth Lowe of Milwaukee was elected President of the American Savings and Loan Institute, becoming the first woman to head the 26-year-old educational body. Other officers chosen were Edward O. Morgan, Los Angeles, First Vice-President, and C. Elwood Knapp, Pittsburgh, Second Vice-President.

Predicts Only Moderate Food Price Decline

Federal Reserve Bank of Boston gives data indicating continued shortage of meats and other products.

Barring unpredictable changes in demand, the supply picture indicates that prices of food can be expected to register only moderate declines during the current year, the Federal Reserve Bank of Boston states. An article appearing in the current issue of the bank's monthly publication, "New England Farm Finance News," holds that although some price decreases may result from the drop in the grain market, the supply situation does not portend a major price collapse in foods which are based on grain consumption.

"A common assumption," the article states, "is that good domestic grain crops in 1948 would erase much of our food price problem. Such an assumption overlook the high percentage of our grain crop that is marketed as meat. Actually, good crops in 1948 could not be translated into increased numbers of pigs before the spring of 1949. The pigs would not be marketed before the fall of 1949. Furthermore, it would be two years from the time a cow is bred before her calf reaches the baby beef stage, say by 1951, so it should be obvious that the meat situation will not yield to rapid correction."

Other factors which would work against a large-scale reduction in food prices were listed as follows:

Because of decreased supplies, per capita meat consumption in 1948 is likely to be only 144 pounds as compared to 156 pounds in 1947.

Eleven per cent fewer sows were bred to farrow in the spring of 1948 as compared with last spring. It would take two to four years of fairly good corn crops to get a marked increase in hog production.

A reduction of 2½ million head in the total number of cows and heifers two years old or over is expected in 1948. The number of cattle on feed Jan. 1, 1948 was 12% less than a year earlier and the lowest since 1940.

Storage stocks of butter Jan. 1, 1948, were 24 million pounds versus 28 million pounds a year earlier and compared with a five-year average for the same month of 64 million pounds.

Lowered grain prices should help to ease the critical position of dairymen, but are not likely to lower milk prices to consumers below the usual seasonal drops.

The article added that however well-founded an analysis of supply or demand factors might be it must be conceded that human factors, the strength of which cannot be appraised, can upset economic reasoning. "If marked unemployment develops, if consumer demand slackens, if heavy distressed selling of inventory accumulations occurs, then the whole outlook must be re-assessed because our consumption of milk, meat and eggs is enough above prewar that surpluses could accumulate," it was stated.

Mayr to Act for Stkhldrs.

Joseph Mayr, of Joseph Mayr & Co., has announced his appointment as chairman of a protective committee of Class A preferred stockholders of the St. Lawrence Corporation, Ltd. Edward G. McLaughlin has been named Secretary and the law firms of Kaufman, Gallop, Climenko, Gould & Lynton in New York, and Hyde & Ahern in Montreal have been made counsel.

The Superior Court in Montreal on Jan. 27th set aside the company's reorganization plan at his request, Mr. Mayr stated. The committee intends to correspond with other preferred stockholders, he said.

SEC Enters Accounting Controversy

Takes exception to conclusions in Bulletin of American Institute of Accountants which would enter only items relating to "current operating performance" in income statement.

Discussion has increased in recent weeks regarding a subject of real concern to all members of the financial community. Involved are two different concepts of "net income" in corporation reports, undoubtedly the most important single factor used in measuring a company's performance. The "current operating performance" concept sharpens net income for the period to eliminate items that would materially distort it as a reflection of the results achieved by the business under the conditions prevailing during the period. The "all-inclusive" concept would include all items regardless of the distortion involved. Although ostensibly this subject might be regarded solely as an accounting problem, investors and creditors should be vitally concerned since they must be able to compare net income of a company for one year with other years and with similar figures for other companies. Obviously, the current operating performance concept accomplishes this best.

A recent bulletin (No. 32) of the American Institute of Accountants supports, although not unanimously, the current operating performance concept. The Security and Exchange Commission, however, has indicated that it takes exceptions to the conclusions stated in the bulletin because of fear that such procedures "seem to be susceptible to abuse and may result in misleading income and earned surplus statements." Obviously, however, such abuses or manipulations could be occomplished, if so desired, under any rules of practice.

George D. Bailey, President of the American Institute of Accountants, in an article in the January issue of "The Journal of Accountancy," indicates the failure of the all-inclusive concept to satisfy the needs of investors and creditors. "It is seldom possible to give enough information with respect to a special item to permit the reader to judge its propriety as an item to be included or excluded in determining income. Responsibility (for so determining) is on the issuing corporation and on its public accountants." Certainly, the judgment of management and professional accountants would seem to be better than the reflection of no judgment at all.

An accountant of a prominent investment banking house has noted that, in practice, it is impossible for management to describe items so that the report reader can properly distinguish those which affect current operating performance and those which do not. The accountant urges, therefore, a reliance on the interpretations of management and professional accountants to make this distinction. The improper, but very prevalent, overemphasis of net profits for a year or even shorter period, on a total or a per share basis, emphasizes the importance of this point.

Municipal Bonds as Bank Investments

(Continued from page 21)

than offset the lower cost at a later period. A reasonable position seems to be to work out an investment program based upon the probable trend of deposits and demand for loans, and to invest funds, in accordance with this plan, as they become available. A mistake in arranging the maturity schedule of a bank is serious indeed. The banks which stayed in shorts from the middle of the 1930's to the middle of the 1940's because they expected an increase in the interest rate, lost a great deal of income even though their expectations later came true, while those banks which switched into long maturities three or four years ago stand to take a substantial capital loss.

What Bonds Should Be Purchased?

If you agree that excess funds should be invested as they become available, and that municipal bonds provide a suitable field for investment, the next question is, of course, what bonds should be purchased. With so many new issues coming to the market and a considerable volume of old ones constantly reappearing in the secondary market, there is no reason why a bank should not be able to find exactly what it needs to round out its portfolio. If you have doubts about the credit quality of a bond, or if you feel that the maturity is too long for your portfolio, you need have no hesitancy in letting it pass. The time is definitely passed when an investor needs to accept a second choice. Furthermore, there is no need to hurry in making a decision. You can take an extra day to study the credit without fear of missing a rare investment opportunity.

There are advantages and disadvantages to a bank's investing in the obligations of its own locality, and the amount of such bonds which it wishes to hold is a policy question which should be faced squarely. Some of the highest grade municipal bonds are obligations of well managed but relatively unknown local governments, and if the bank's home town happens to be in this preferred group it would be a mistake to overlook its bonds as a means of investment. The banker, of course, knows a great deal about the community in which he lives, but it is sometimes difficult to evaluate one's home situation objectively, especially when there are both favorable and unfavorable factors to consider. When we are too close to a situation it is difficult to distinguish between basic trends and spectacular events which have little real significance. Most of us find it easier to see our neighbor's faults than our own, or, on the other hand, if we dislike the Mayor there is a tendency to feel that everything he does is wrong. In times of trouble the banker can often use his influence in favor of sound fiscal policy, but sometimes his interests as a citizen seem to run counter to his interests as a creditor. Moreover, his position as a creditor may make certain groups suspicious of his advice. In deciding the amount of local bonds to hold, consideration should be given to the fact that the price trends over the next few months. of bonds with a strictly local market, may be unsatisfactory. During the war, when there was a shortage of tax exempt securities, obligations of names unknown in the market were in many instances eagerly bought up by investors who were familiar with the particular situation. The result was that prices of many bonds of this type reached levels equal to those of the best known names, and in some cases where there were state and local tax exemptions or other privileges of value, the prices of such bonds went even higher than those of general market obligations. As these units enter the investment market again, and the local buyers are no longer able to absorb all the bonds offered, the price will naturally sink to something below that prevailing in the money markets for comparable maturities of better known names of roughly the same credit quality. The most serious disadvantage of holding local bonds is that they are subject to the same general hazards as the loans. One compromise in regard to the holding of local municipal bonds which has always seemed to me to have considerable merit is to purchase a limited volume of local issues, if the bonds of your home town are high quality, and put the balance of the funds available for investment in general market obligations, about which information is available, and which can be sold to obtain funds if the deposits should decline, or if the demand for loans should increase.

On one point I have definite convictions. I am convinced that commitments at this time should be limited to situations which are not only satisfactory but which are also improving, or at least not deteriorating. I expect that the price differentials between high and low grade municipal bonds will increase. In the war years all municipal bonds appeared, on superficial analysis, to be improving. It was almost impossible for the local governments to spend as much money as they wished, and taxes, including delinquent levies, were easy to collect, with the result that the differentials between high and low grade bonds were decreased. The outlook is now quite different. The ability of the various local governments to meet the larger budgets, due to a higher price level, deferred maintenance, as well as demands for improved services, varies widely. Decisions based upon past impressions are subject to an accumulation of errors. If luck is not with an investment officer, a little carelessness in a period such as the present will result in a portfolio of bonds which were good. The bank supervisory authorities have recently issued a number of releases urging bankers to maintain comprehensive and current files on all municipal bonds in their portfolios. These releases are both constructive and timely. The time to prepare for trouble is while incomes are still high and signs of weakness are just beginning to appear.

Significant Problems in Municipal Portfolios

Obviously, building a thick credit file is not an end in itself. A mass of miscellaneous pamphlets, folders and clippings, may contain much valuable information, but it is certainly forbidding until the irrelevent and unimportant data has been sorted out and the significant facts presented in an orderly manner. A credit file should be regarded as a tool without which careful analysis is impossible. Seven years ago, Eddie Wayne and I presented an outline for the analysis of full faith and credit obligations to this conference. This material was released in an expanded form later in 1941 in the Report of the Committee on Municipal Obligations of the National Association of Supervisors of State Banks under the title of "Municipals." Most of this audience will recall that Larry Lunden was a member of this committee, and that Eddie Wayne was its Chairman. Since Part II of this report deals with the analysis of the credit quality of general obligation bonds, and since I wish to save as much time as possible for the less formal part of this afternoon's session, I shall not attempt to outline a procedure for the analysis of municipal bonds, but rather point up a few problems which I think are particularly significant at the present time.

(1) In a period of rapid readjustments the study of the economic basis of the community should be unusually thorough. For some reason, this is a part of the analysis which it is easy to slight. There is usually no shortage of information about a community, but it is a tedious task to sort the significant data from the irrelevent and trivial, and there are often gaps which need to be filled in by further research to answer such questions as: Have the postwar adjustments been made satisfactorily? Is the community making progress? How will the community withstand depression? Does it produce products for which there is likely to be a steady and profitable market? Does it depend upon wasting assets? If so, are there other possible sources of income? In other words, will the citizens be able to pay the taxes throughout the life of the bond issue?

(2) The extremely high cost of construction makes it necessary to look critically at the condition of the capital improvements. Are the schools, streets and water system reasonably adequate? If not, can the community afford to build at present prices? What are the projected building programs? Are they in line with the financial ability of the community? Communities, like individuals, often desire the finer things of life before they can afford them. Pressure groups not infrequently argue for improvements, which, in themselves, are highly desirable, but which cannot be financed within the framework of the existing revenue system. It is, of course, sounder public policy to make any necessary changes in the revenue system before additional obligations are incurred, since it is much easier to get a new or higher tax levy when the community is enthusiastic over the prospects of a new improvement than when the pressure comes from a shortage of cash to meet debt service. Communities which have expanded recently find the high costs of construction particularly burdensome. However, we should not be too quick to conclude that the bonds of these growing communities are not satisfactory investments, for such areas are likely to have some very definite advantages, which account for their growth, and they may be fortunate in being spared from accumulated unsolved problems of the past, which plague their older neighbors.

(3) The financial record of a community is always an important indicator of credit quality, but it is necessary in a period such as the present to look behind surface indications. A quick review of the experience of the last few years may be very misleading. During the war it was almost impossible for a local government to spend money, and taxes, even delinquent levies, came in without much effort. Consequently, practically all tax collection records look good. The real question is has the unit taken advantage of this period of high incomes to put its house in order? Is the community making an adequate appropriation for capital improvements? This, of course, may be either by paying for new construction out of current income or by retiring debt. The various plans which have become quite popular in some quarters for postponing principal retirements to some vague future period are likely to be as dangerous as they are slick. Incomes are excellent and contributions toward the payment of capital improvements should be heavy now.

(4) Since it is inevitable that the budgets of most local governments must advance, the ability of a unit to increase its receipts should be carefully studied. The income of the community may be entirely satisfactory, but this will not do the bondholders any good unless the legal machinery will gather it in to the public treasury. Tax rate limitations and other restrictions on charges for various services may become especially burdensome in a period of rising prices. Prospective investors will do well to investigate the methods which are used to avoid these limitations, for some method of evasion is usually found. The conservative course would be to avoid the obligations of governments which fail to make needed reforms in their revenue system. The chances are that the passage of time will bring new problems which will make the reorganization even more painful.

(5) Flexibility on the expenditure side of the budget is likewise highly desirable, but difficult to obtain as a practical proposition. Most items in a budget can be reduced only with great pain, and it might be added that most so-called reform measures add to this rigidity. The debt retirement program should be set up with the definite goal of getting the debt paid and maintaining as much flexibility as possible. This can be done only by providing for heavy contributions to debt retirement in good years. Increased amortization of principal in periods of high income serves two purposes. It makes possible reduced appropriations for debt retirement in depressions, and drains off the cash during prosperity. A substantial cash balance is always a potential source of serious weakness, since every pressure group is almost sure to be on hand to capture a part of it for its pet project. Many of these projects are worth while in themselves, but most of them will require money to maintain and their inauguration would build up a higher level of expenditures and contribute to further rigidities.

Before we go to the question period I would like to bring together the material which I have attempted to present. It appears that the money market will continue to be tight for some time to come, but there is reason to expect that the Federal Reserve System, through its policy of supporting the government bond market, will be successful in keeping any declines in the prices of bonds orderly. In the past it has not generaly been profitable for investors to hold idle funds in the expectation that interest rates will go higher. It would seem, therefore, that it would be wise for banks to make investments as funds become available, in maturities that fit in with an overall plan of maturity distribution, which should be carefully worked out in relation to the other assets, as well as the character of the deposits. At present market prices the yields on municipals will give banks, which can use tax exemption, a relatively attractive yield. Since the floating supply is large, a bank can select particular issues suited to its individual needs. There are great differences in the ability of the different local governments to meet the added burden caused by higher prices and the demand for improved governmental services, and commitments, even more than usual, should be restricted to situations which are not only satisfactory but which are also improving. In a period in which many basic economic readjustments are taking place, it is extremely important to select bonds issued by a community with a promising future, rather than a good record. Investment decisions based upon vague impressions gained in the past may prove very costly indeed.

At last we have a buyers market in municipals. There are now many relatively good investment opportunities to be found in this field for institutions and individuals who can use tax exemptions to advantage.

Today's No. 1 Problem—The Depreciation of Our Currency

(Continued from page 2)

and services means various things to the people of the United States. It depends upon whether one is dealing with the cost of living of people in general or of a certain group of people, with the values of people's property, with the purchasing power of people's savings accounts, insurance policies, and investments in government securities, with the purchasing power of the wages and salaries of people in general or of groups of people, and so on.

If an individual is obtaining dollars more rapidly than the purchasing power of his dollar declines, he is gaining in the face of rising prices. For example, this tends to be the case often, perhaps in general, with farmers—their incomes, for a time, tend to rise faster than their costs, and their profits may give them, for that period of time, a real increase in purchasing power.

Because the early stages of sharply rising prices tend to benefit farmers, they and the officers of farm organizations are generally pleased with that state of affairs. The fact that such a rise in prices is a prelude to a later drop does not seem to alter the position generally taken by the farmers as a group and by many, if not most, of the officers of farm organizations.

As another example, the bankers' business interests are primarily in the market value of their assets whereas the public's interest is primarily in the purchasing power of their deposits, securities, insurance and other savings. As a consequence, the banking fraternity as a group is rarely aroused when a nation becomes involved in a depreciating currency resulting from rising prices. It is for this reason, among others, that the banking systems throughout the world have usually gone along with an inflationary tide and have in general done practically nothing to help a government save the people from the depreciation in the value of their purchasing power. Where central banks are tools of government treasuries, this complacency is most pronounced.

Were one to survey the effects of currency depreciation on different individuals, groups of people, and institutions, he would find that many individuals and businesses occupy a mixed position. Some own property which appreciates in value while the value of their bonds, insurance, and savings accounts depreciates. The effect of the declining purging power of the dollar is, therefore, different for people occupying different positions, having different sources of income, and owning property in differing forms, in our economic system.

In short, the decline in the purchasing power of the dollar is one thing; its effects are something else. The latter differ with respect to different people and different institutions.

In general, and in the course of time, few people can escape the evil consequences of a depreciating currency because of the economic maladjustments generated during the period of rising prices and the stresses and strains attending the subsequent liquidation and business recession.

The Causes of the Depreciation

Since prices are the result of the forces of supply and demand, except in the instances of government price fixing, and since the causes of rising prices or depreciation of our currency are many, the answers to the resulting problems are to be found by ascertaining what caused the relative scarcity of goods and services offered for sale and the relatively large demand for them.

In brief, on the supply side, the long-drawn-out business depression of the 1930's kept production, with some exceptions, at relatively low levels. Then the period of the war reduced production of goods for civilian use to an extremely low point. Various government policies during the 1930's and the period of the war also acted as depressants on productive activity. Monopolies, both business and labor, have also been factors.

On the demand side, the chief factors have been the government's policies of money and credit expansion in which were employed a variety of devices; the low interest rate policies of the government which invited heavy borrowing and spending; the abandonment of the gold-coin monetary standard, thus depriving the people of a direct control over their government's management of the public purse; the war, which caused and invited unprecedented spending and the growth of an unprecedented volume (for the United States) of money and deposits resting largely on government debt; the widespread notion that debt and spending, rather than production, saving, and hard work, provided the roads to sound economic prosperity; the loans and gifts extended to foreign countries.

Price fixing by the government, like monopolies, has tended to affect both supply and demand adversely. Price fixing, except in those cases in which rising prices would not have encouraged greater production, has tended to aggravate the distortions by depressing production and by encouraging a greater demand.

The Needed Correctives

Since the causes of our currency depreciation are many, so are the cures. In principle, those forces that increase production relative to demand and decrease demand relative to the available supply of goods and services should tend to bring the decline in purchasing power of money to an end.

Price fixing is not helpful, except where rising prices will not induce greater production, because it discourages production and invites greater demand. Rationing, ordinarily an adjunct to price fixing, deals with results or symptoms; it does not in any important way reach causes.

Lower taxes on producers should encourage greater production.

Lower tariffs and the removal of obstructions, domestic and foreign, to trade should stimulate production and enable people to buy more goods and services with their money.

Monopolies—both business and labor—should be broken up. Feather-bedding and all obstructions to production, except where matters of health, safety, etc., are involved, should be ended.

The use of credit, except in connection with self-liquidating productive activities, should be restricted sharply since non-productive buyers' credit adds to the purchasing power against the available goods and services.

The country should be returned to a gold-coin standard so that the people, once more, would have direct control over the government's use and abuse of the public purse. Such a standard should force some contraction in the government's and banks' promises to pay now outstanding. Return to a gold-coin standard probably would be one of the most potent correctives to currency depreciation since one of the important factors in our sharply rising prices has been the great expansion of irredeemable promises to pay, issued by the government and banks. A gold-coin standard forces the redemption of promises and, therefore, restricts the banks and government to the issuance of promises that can be redeemed.

Any issuances of promises to pay without intent to redeem is uneconomic and immoral. Much of our trouble with currency depreciation today has its origin in such immorality. All our paper money in use outside the Federal Reserve banks, except silver certificates, carries a promise to pay which is "fulfilled" by the substitution of another promise of the same kind. The only exception arises when silver and minor coin are utilized, and even this money is an overvalued money in so far as its metallic content is concerned. When a government and banks issue promises that are not fulfilled, the standard of integrity is besmirched by a lack of good faith. The promises of our government and banks today are not good, in so far as our circulating paper money is concerned (silver certificates excepted), and the value of these promises is declining with relative rapidity in terms of what they will buy.

Interest rates should be permitted to rise to their natural levels. The government should borrow its funds in the competitive money markets at competitive rates.

Most of our Federal debt should be funded into long-term consols bearing a rate of interest sufficiently high to induce non-bank institutions and savers to invest in them and to hold them. These higher rates would put sharp restrictions on government borrowing and properly allow people a better rate of return on their savings.

Government buying of goods to aid Europe should, in so far as is possible, be diverted from the United States to other countries as should the purchases by those governments to whom we extend loans. This is imperative in the case of such depleted natural resources as oil.

Thus far, the chief attention in Washington and in popular discussions has been centered in attacks on symptoms, not causes, of our currency depreciation.

A Return to a Gold-Coin Monetary Standard and System as a Basic Corrective

Of the recommendations just made for terminating the depreciation of our currency, probably the most potent would be a return by this country to a gold-coin monetary standard and system. At the same time, it is, apparently, the corrective that is least understood by the general public and, possibly, by the majority of Congress.

When the gold-coin standard was withdrawn in 1933, the people of the United States were deprived not only of a valuable and important property right in gold but also of their direct control over the government's use and abuse of the public purse. It is obvious that the general public have no clear understanding of what that fundamental change in their monetary system has meant to them. In large part, they do not understand the difference between a good and an inferior money. Most people seem to confuse the convenience of paper money with the far-reaching and fundamental monetary functions performed by gold—its services as a reserve against promises to pay, its clearing functions (domestic and foreign), its superior ability to store up values indefinitely.

The manner in which a gold-coin standard and system place a high degree of direct control over the government's use and abuse of the people's purse needs to be understood in this country.

When individuals can choose between gold, silver, and other coin and paper money, they will choose what they regard as the most valuable one when in doubt regarding the value of any of the other money. The factor of convenience in the use of paper money gives way to the desire for safety. When governments or banks issue money or other promises to pay in a manner that raises doubts as to their value, those people entertaining such doubts will demand gold in lieu of the silver, or paper money, or bank deposits, or government securities. These demands for gold become red flags of warning to the issuing authorities. They must fulfill their promises to pay or face trouble; they must put their financial affairs in order.

A gold-coin standard and system thus place in the hands of every individual who uses money some power to express his approval or disapproval of his government's management of the people's monetary and fiscal affairs. It gives the people of a nation direct control over the use and abuse of their public purse.

Since the people's control over the spending of their money was largely destroyed by the withdrawal of the gold-coin standard and system in 1933, most adult persons should be able to see what the spending orgy and government abuse of the people's purse have been since that brake on public spending and the creation of currency was removed.

The hope of the people now lies with their Representatives and Senators in Congress. But all these legislators have been, and are, subjected to the merciless drives of all sorts of pressure groups. Most members of Congress can stay in office only if they accede to the demands of these highly-organized pressure groups. The facts in respect to this situation should be clear by this time. We point out that Congress has degenerated into a body that does little more these days than to vote away the people's money and to dissipate our national patrimony in response to the demands of all pressure groups that command a substantial number of votes. That is true enough. But what we do not seem to recognize is the fact that every Congressman has been placed in a weak position in the face of the demands that can be made upon him because the people have lost direct control over the public purse as a consequence of the loss of a gold-coin standard and system.

So long as the Treasury and Reserve banks can issue promises to pay which they do not intend to redeem, and do not redeem except in other promises which are likewise irredeemable, Congress can spend and spend and generate the very thing of which we are now beginning to be afraid at this late date.

Were we on a gold-coin standard, profligate spending would send up red flags of warning throughout the nation. People would begin to exchange the promises to pay of the Treasury and Reserve banks for gold. Bank reserves would fall; the prices of government securities would decline. Should pressure then be put upon Congressmen to spend in behalf of this and that pressure group, they could point to falling bank reserves and the decline in the prices of government securities as good and sufficient reasons why they could not possibly vote for further spending of the people's money.

Today Congressmen have no such protection. As a consequence, both they and the public in general are victims of these pressure groups which have grown in number and size and aggressiveness until today they are probably the most ominous danger to our national well-being.

Each group sees other groups demanding and getting something at the public feed trough, and proceeds to demand its share. We have reached a stage in this country in which no stigma is attached to those leaders who run to Washington for a handout. Indeed, it is an accepted practice. While we are uneasy about it, we say "they are all doing it and it cannot be stopped."

The important point is that the people in general have not understood clearly the causes of what has happened to them. Congressmen are worried; they are, apparently, not weaker in character nor more corrupt than Congressmen of a generation ago. The difference is that they are caught in a new situation which has been sweeping them, just as it has been sweeping all the people of this country, toward the destruction in the value of our dollar by unprecedented and endless spending of the money and the dissipation of the wealth of the people of this country.

Source of Trouble Is Abandonment of the Gold Standard

The source of the trouble goes back to the abandonment of the gold-coin standard and system, and to the consequent withdrawal from our people of their control over the public purse.

The world's history is replete with black chapters on this particular type of abuse of a people by their government, and on the people's failure to understand, until too late, what their government was doing to them. It would appear that our people are no smarter than others have been in respect to this sort of abuse by their government and that the prospects are that we, like many other people, are going to learn our lesson the hard way. Unless leadership is provided by Congress and the Administration, and unless the general public are instructed by these leaders, there appears to be little hope that the people of this country will understand what has happened to them or how to get at the basic sources of their trouble in so far as rising prices, profligate government spending, and the depreciation of our currency are concerned.

It is to be emphasized that the general public do not understand what has happened to them. They do not understand the nature and implications of a gold-coin standard and system. They do not understand that a so-called "managed" inconvertible paper currency system and a governmentally-managed economy go hand in hand, and that under a system of a governmentally-managed economy the people lose much of their independence and power to control their government. Moreover, they do not seem to be concerned about the fact that, under our so-called "managed" irredeemable currency system and our pronounced development of a governmentally-managed economy, our Treasury and Reserve banks issue promises to pay which, with minor exceptions, are both dishonored and dishonorable.

This lack of concern is characteristic not only of the busy man and woman who cannot be expected to give any important amount of attention to these matters or could hardly be expected to understand them; it is also characteristic of a great number of our people who regard themselves as able to understand, to lead, and to advise others.

Leading bankers and industrialists are marching along with this tide of events. Most Congressmen, and practically the whole Federal Administration, seem likewise to be going along. Indeed, they praise and defend the course being taken. It is said to be the modern — the progressive — way. Having been so labeled, it is not to be questioned—not in these days when the act of labeling is popularly deemed to provide the final and correct answers as to nature of the thing so labeled.

There are a few members of Congress who understand the relationship between the abandonment of a gold-coin standard and system in this country and what has since happened to us in this country. Representative Howard Buffett of Nebraska is one of them; and on January 20 he introduced a bill (H. R. 5031) to put this country on a gold-coin standard on January 20, 1949. Outside Congress there are some men and women who also understand the significance of a gold-coin standard and of returning to the people of this country control over the public purse. It is upon the leadership of these few people that the prospects for a return to fiscal and monetary sanity in the United States appear to rest.

It is not to the credit of this generation that circumstances make it necessary to argue for, and to fight to establish, a system of honorable promises in preference to one in which they are not honored. It is not a pleasant thing to listen to men in positions of responsibility attempt to defend a system in which the Treasury and Reserve banks are permitted to issue promises to pay which they do not intend to honor and do not honor. This is a fundamental issue.

Numerous bankers today seem to be making it clear that what they want is almost unlimited authority to issue promises to pay without being required to assume any responsibility for redeeming them. They talk much of their responsibilities, but they are setting up resistance against being compelled to make good on their promises to pay.

It is suggested here that such bankers (and Treasury officials) would do well to scrutinize carefully the position they are taking in respect to the move being made in Congress to return this country to a gold-coin system which would require the Treasury and Reserve banks to limit the issuance of their promises to those they can redeem.

Seeking rights to issue irredeemable promises to pay, defending their issuance of irredeemable promises, and even advancing the idea that they should not be required to hold reserves, while fighting to evade responsibilites for redemption of their promises constitute a highly accurate picture of the thinking and position of a considerable number of leading bankers, Reserve, and Treasury officials in this country today. It is a case of seeking rights without manifesting willingness to assume corresponding responsibilities. This is an enterprise that invites retribution of a serious sort. It definitely is not good leadership.

When a people and their government depart from standards of common honesty they are not only headed for trouble but they are in trouble. There would appear to be no valid defense for the adoption or continuance of an irredeemable paper money system in this country. Moreover, it is by the establishment of a monetary system involving honorable and honored promises that we should expect to find our best cure for depreciation of our currency in terms of goods and services.

People Mislead by Advocates of Managed Economy

Besides the fact that most people do not understand the nature and far-reaching implications of a gold-coin standard and system, our people have been badly misled by the advocates of a governmentally-managed economy, by a variety of economic and political agitators, and by those people who float with the tide under the banner of sweet reasonableness toward everything that comes along regardless of whether or not they understand it.

For example, and in short, it has become the generally-accepted practice in this country to blame gold for man's mismanagement of it. Because he cannot do as he pleases with it, he condemns it. Because he cannot make things of less value, such as paper money, as valuable as gold without redeeming them in gold, he blames gold for his unhappy experience and attempts to fix things so that he will not be compelled to redeem his promises in gold. He even argues that since most nations, because of their abuse of gold and reckless issuances of promises to pay, have driven gold into hiding and have caused these nations to slip down to cheap paper currencies, the latter currencies are therefore to be preferred. The cheaper money becomes "the best,"and the more valuable "the worst." Such is a man's intelligence, thinking, and argument today as to gold versus a governmentally-managed irredeemable paper money.

Since an irredeemable paper money—a so-called "managed" paper currency—is an integral part of a governmentally-managed economy, all who think they desire a high degree of governmental dictatorship, with the government and Reserve banks relatively free to issue promises to pay without being compelled to fulfill them, are, if consistent, opposed to a return to a gold standard.

Because the suspension of gold payments is widely associated with our business recession of 1929-1933, a great many people regard the gold standard as in some manner a, or the, cause of that business recession. Because man's mismanagement of credit and of a multitude of our other things undermined economic systems and destroyed or impaired a large number of institutions including governments and gold standards, the belief that gold was responsible for these catastrophes has been widespread in the face of the fact that, while practically all other things were losing value, gold, almost alone, was appreciating in value.

It seems clear that the people of this country do not yet understand that no irredeemable paper money is likely to be so "managed" that sharp depreciation will not ultimately set in, no matter how totalitarian a government may be, if the forces that can cause depreciation become sufficiently strong. The fact that Russia has recently provided a demonstration of this truth seems thus far not to be widely recognized in this country. In the face of this and many other lessons of the same kind, including the present depreciation of our money, the contentions are still advanced, as they have been during our period of suspension of gold payments, that our government has sufficient power to maintain the purchasing power of our irredeemable paper money or that it will not permit depreciation to go "too far." That paper is paper and gold is gold is a fact that the great majority of the people of this country are not yet ready to admit in respect to money.

The truth of the matter is that a so-called "managed" irredeemable paper money can depreciate to any degree. It is a promise to pay that is not fulfilled. It is a bad sort of promise; and the people can decide to treat such promises with the contempt that a nonfulfilled promise invites.

Our people do not yet understand the wisdom in the statement made by Dr. Andrew Dickson White, one-time historian, diplomat, and president of Cornell University, when many years ago (in 1876) he described for the benefit of the people of this country the lessons learned by France when she experimented with irredeemable paper money from, roughly, 1789 to 1800. Said White in his "Fiat Money Inflation in France" (1912 edition): "Whenever any nation intrusts to its legislators the issue of a currency not based on the idea of redemption in standard coin recognized in the commerce of civilized nations, it intrusts to them the power to raise or depress the value of every article in the possession of every citizen. . . ."

Our Monetary System Not Exempt From Radical Currency Depreciation

Despite the fact that our system of indirect conversion of our irredeemable paper money maintains it on a parity with gold at the rate established in January, 1934, it is important to understand that we are not safe from a radical depreciation of our currency for the reason that the government and Federal Reserve banks have been able to, and can, pump a much larger volume of promises to pay into circulation, since they are irredeemable, than would be possible under a system of direct redemption. The present degree of depreciation in the purchasing power of our money should make this clear to all intelligent people.

It is to be emphasized that the best currency system ever devised by man cannot of itself prevent rising prices and a depreciation of purchasing power of the currency in terms of goods and services since the causes of rising prices can be many. There are other important things, as indicated, that also can and should be done to bring rising prices to an end. The point is, however, that a good currency need not be a contributing factor to currency depreciation, whereas a defective monetary system can and may be a potent cause of such depreciation.

Our system is defective and dangerous; it has caused our people to lose control over the use and abuse of the public purse; and it has been, and is, a potent cause of the depreciation in the purchasing power of our currency.

The reasons commonly given these days for not returning to a gold-coin standard and system are not valid and are easily answered. Moreover, they are old; they have been advanced many times and at many places in the past. Nevertheless, the public in general apparently thinks today that it does not wish a gold-coin standard and system. The people either do not understand the lessons of the past, or they think these lessons are of no value today. Earlier generations adopted much the same attitude toward the lessons which the experiences of still earlier generations should have taught them, and, as a consequence, they learned the old lessons through painful experience. It would appear that we in this country are determined to repeat this type of performance.

Since this is in general the state of affairs in respect to the popular attitude toward our currency structure, there is not likely to be nation-wide pressure on Congress and the Administration, unless leadership is provided, to correct the far-reaching defects in our monetary system except as such pressure comes from those experienced and thoughtful citizens who, for one reason or another, have given careful consideration to the issue, and from those specialists in the field of money who are thoroughly grounded in the history and principles of monetary standards and systems.

In a similar manner, we seem not to understand, or we are unwilling to profit from, past experiences of people in respect to the other measures that also should be taken to retard or to end rising prices. Instead, we deal with symptoms like the greenest sort of novice and, in addition, we stultify ourselves by playing the cheapest sort of so-called "politics" with these serious matters.

A proposal to provide this country with a gold-coin standard should raise the question, quickly, of returning to sobriety before the intoxication of a depreciating currency runs its course ending in the blue "morning after" with its economic sickness and headache. People enjoying the intoxication are not likely to welcome a withdrawal of the intoxicating stimulant. Similarly, those who are temporarily experiencing real gains from the current rise in prices may be expected, in general, to oppose a return to a gold-coin standard.

Although we observe much discussion and activity in behalf of arresting any further rise in prices, it should be noticed that as an ever higher level is reached, there is general objection to doing anything that might return us to a level deemed high enough a year or more ago. It is an illusion to think that a price rise can be arrested by positive action without causing some recession. We need that recession, and the sooner it comes the better it should be for this country. This is medicine that our people in general wish to avoid, and it is precisely for this reason that the majority of them prefer to ride the tide to higher and higher price levels while they confine their "positive" action against further increases chiefly to harmless and ineffective protests.

The issue resolves itself into the question of whether government officials who understand the nature of this insidious monetary disease and of the related fundamental causes of our depreciating currency will be leaders and attempt to save our people from further pursuit of a course the general public does not comprehend, or whether these officials will simply ride out the course with our people, trusting to luck and waiting until a possible crash engulfs us.

A fundamental question is whether there is enough leadership in the Federal government to deal with causal factors rather than with symptoms, and to give the people of the United States, as one of the most basic correctives, a monetary standard and system in which the promises of the government and banks are honorable and honored.

Should good leadership assert itself, it seems reasonable to suppose that many of those now inadequately informed and indifferent would give support to those advocating the wise and proper course. Without such leadership, it appears highly probable that we will continue on the present perilous course which can and may prove to be a most unfortunate one for the people of the United States.

It seems reasonably clear that leadership of statesmen is probably more important in this than in any other field of domestic affairs at the present time. The value of the contribution of such leadership to the welfare of the people of this country promises to be immeasurable. The need for this leadership should be clear.

Announce New Savings Bond Drive

President Truman and Secretary of Treasury Snyder say drive to extend from April 15 to June 30 is to promote savings and fight inflation. See advantages in withdrawing funds from consumers and using them to shift ownership of debt.

President Truman at his press conference and Secretary Snyder announced on Feb. 12 Treasury plans for a Security Loan drive starting April 15 and continuing through June 30. Its purpose is to promote savings and fight inflation. The United States Savings Bonds Division of the Treasury will be in charge.

"A great volunteer army of Savings Bonds salesmen and saleswomen is being recruited for the drive, in the same manner that the wartime bond-selling campaigns were organized. Definite area quotas are in process of determination and probably will be made public at a national conference to be held in Washington March 18-20.

President Truman sounded a call for intensified Government efforts to sell Savings Bonds when he sent a special message to Congress last Nov. 17. He pointed out that increased savings by the public provide one of the effective weapons against inflation. Secretary Snyder quoted the President's words in announcing the Security Loan.

The drive will emphasize sales of Series E Savings Bonds—"the people's bond." These will be termed "Security Bonds" during the campaign. Every American will be urged to contribute to his own future security and the security of the national economy by buying them.

Secretary Snyder said:

"The Treasury has two specific purposes in conducting the Security Loan. One is to encourage Americans to build greater security for themselves through greater savings. The other is to relieve inflationary pressures. These purposes are interlocking; one serves the other, and both serve the welfare of the nation.

"There is general recognition of the fact that buying Savings Bonds is one of the best investments an American can make. Millions who bought these bonds during the war continue to buy them. Many are able to buy more—by saving more—and will do so if they are asked. We are about to do the asking.

"The relief of inflationary pressures will be accomplished through the Security Loan in two ways. The money received from the public will be withdrawn from the consumer markets, and it will be used by the Treasury to pay off bank-held or other potentially inflationary portions of the public debt now outstanding. This shifting of ownership of the debt is sound debt management.

"During the Security Loan efforts will be made to reach every family. This task will require the assistance of a great many patriotic, volunteer workers. But the Savings Bonds program always has been a people's program. Its success has been due to the volunteer spirit and volunteer activity. I am sure that there will be another resounding response to the Government's appeal."

The three-day conference March 18-20 in Washington to decide sales goals and other final problems of the drive will be attended by public-spirited leaders of groups expected to head up the volunteer selling organization. Included will be representatives of industry, labor, retailers, newspapers, radio, magazines, banking and business.

Already, according to Secretary Snyder, President Truman's call of last November has brought widespread assurances of volunteer help for the campaign, along with comment from many sources that such a bond-selling effort is vitally needed to ease the present dangerous price situation.

Edward W. Clucas Dies

Edward W. Clucas, senior partner of E. W. Clucas & Co., 70 Pine Street, New York City, members of the New York Stock Exchange, died at Harkness Pavilion, Columbia Presbyterian Medical Center, at the age of 68.

Kinney-Coastal Oil Div.

Kinney-Coastal Oil Company directors have declared an annual dividend of 3½ cents a share payable March 13th to stockholders of record Feb. 26th. A dividend of 1½ cents was paid last year. The company has outstanding 3,650,000 shares of 5 cents par value.

As We See It

(Continued from first page)

state what levels of employment, production, and purchasing power during the ensuing year are needed to carry out the policy declared in the Act and to recommend measures by which these objectives may be attained." The report from which these words are quoted undertook, of course, to do what was thus required of the Chief Executive.

Caught Off Balance

Yet apparently we must conclude that in less than 30 days after the President, with the most painstaking advice from his Council has made such a deliverance to Congress, his advisers find themselves so thrown off balance, as it were, that they must take six weeks or more before they can reach any definite conclusion about current events!

Of course, in being uncertain of the meaning of recent developments in the more highly speculative markets, neither the President nor his advisers are any worse off than many businessmen. The important difference is that the individual businessman is not supposed to make up the collective mind of the nation. All that he needs to do is to arrive at some conclusion of his own both as to the meaning of such developments and as to their effect upon his business. The result of any mistakes or wrongheadedness on his part is upon his own head. If his blunders are bad enough, he is likely to disappear from the picture and be replaced by some other whose understanding is superior to his. Meanwhile the community at large profits from the wisdom of the wisest as selected in this ruthless process of the fittest surviving.

But 30 days or so ago the President did not appear to have a great deal of doubt that Government either knew best or could soon learn what was best. Here is a part of one of his lectures to the practical businessman:

"Many a business manager fears that the use of price reductions to expand his share of the market will merely result in retaliatory price changes by other firms. Business therefore has sought, as far as possible, to place the competition for markets which it must meet upon some other basis than price competition. The pricing system is thereby deprived of much of the elasticity needed to adjust relative changes in cost and demand.

"Moreover, in the effort to realize profits through the ups and downs of business, prices and profit margins are geared to the expectation that full use of capacity is not a normal situation. This means that, in periods of high production, pricing policies and practices are followed that produce a level of profits designed to protect the individual company during future declines in business activity rather than to contribute to the prevention of such declines. Such policies are not conducive to the continued health of the business community because they act on the assumption that it will not continue.

"The price mechanism may serve either to promote or to prevent a safe balance among prices, wages and profits. The greater the success of our free enterprise system in maintaining this balance, the less need there will be for direct governmental intervention in the economic system. This imposes a heavy responsibility upon those business managers whose decisions importantly affect the levels of prices, wages, and profits. Management must recognize that sustained maximum production requires that gains in productivity be passed on through lower prices and better wages to the fullest extent consistent with adequate incentives to business enterprise.

* * *

"One of the purposes of the Employment Act is to provide a new climate for pricing policies. The act contemplates that the combined resources of business, labor, agriculture and the Government will be used to do away with business fluctuations of the violence known in the past."

From An Unexpected Quarter?

And now we have a lightning thrust in a sector of the economy where none of all this, or almost none of it, can possibly be said to apply (if it really applies anywhere)—and the powers that be are struck dumb! It is just possible, as they say in the kindergarten, that Mother Nature knows best, after all!

If it be asserted that the President also had a good deal to say in his "Economic Report" and elsewhere about speculation, credit control and kindred topics, the obvious reply is that there is no reason whatever to suppose that the markets which have "collapsed," more or less, had reached unreasonable heights on the basis of credit. On the contrary, very little credit, comparatively speaking, other possibly than that indirectly extended to producers by the Federal Government itself, is to be found in these markets. It is likewise true that the President has had a good deal to say about price increases and the possibility of a "bust." His fears of a "bust" have, however, almost invariably been derived from what he conceived of as a lack of consumer purchasing power. If lack of purchasing power is at the bottom of the break in corn, cotton, wheat and the rest during the past week or two, it certainly was not "consumer" purchasing power — unless such a lack reached the markets by a most circuitous route.

In any event if the President is convinced that lack of consumer purchasing power is the real danger in the immediate or early future, he certainly ought to speak to his Secretary of the Treasury! And he certainly does appear to be concerned about the ability of the consumer to pay the prices now being asked. Indeed this idea, now so fully and apparently permanently official in Washington, that lack of "purchasing power" is what causes business to recede intermittently from high levels appears to be one of the cardinal principles of the President's economic thinking. This, of course, is in a sense a political counterpart of the popular idea that consumer goods generally are being or may shortly be "priced out of the market."

More Wrongheadedness

Yet on Lincoln's Birthday, the Secretary of the Treasury issued a formal statement about the forthcoming savings bond drive, in the course of which he said: "The relief of inflationary pressures will be accomplished through the security loan in two ways. The money received will be withdrawn from the consumer markets, and it will be used by the Treasury to pay off bank-held or other potentially inflationary portions of the public debt."

Yes, the President should speak to his Secretary of the Treasury — but, then, the Secretary is but following the suggestions made by the President last November.

But, seriously, has not the time come to drop the nonsense which supports the whole Full Employment Act notion —and along with it the managed economy folly?

Britain's Balance of Payments

(Continued from page 19)

government expenditure of £290 million. Last year, though government expenditure overseas was reduced by £79 million to £211 million, the net deficit was £50 million higher at £223 million. Large savings in government expenditure were offset by an increase in non-governmental outgoings and by smaller receipts.

I should emphasize that the figures relating to invisible trade are provisional in the sense that they are collected from numerous sources and are subject to later correction as more exact information becomes available. But no important change in the overall position now revealed need be expected.

Government Spending Cut

A detailed examination of the invisible items shows that substantial changes occurred in 1947, as compared with 1946 Net military expenditure overseas at £80 million was only about one-third of the 1946 figure (£230 million), while relief and rehabilitation at £62 million accounted for only about half of our 1946 outlay. These two items together show a saving of nearly £200 million a year. There were, however, heavy offsets in the increased cost of Germany which, at £79 million, was nearly double that at 1946 and through much smaller receipts (£10 million, as compared with £90 million) from the sale of government surplus stocks, especially wool, and from certain postwar military settlements. This heavier expenditure on Germany and smaller receipts together offset by £119 million the savings of nearly £200 million on military and relief expenditure. Net government expenditure overseas in 1947 was thus only about £80 million less than in the previous year.

Despite the ban which operated in the last quarter of the year, tourist expenditure in 1947 was double that of 1946 and amounted to some £50 million. No exact figure is available for expenditure by tourists coming to this country, but there is little doubt that the increase between 1946 and 1947 was considerable.

Shipping Losses

There is no need to enlarge on our wartime shipping losses. The effect of these losses upon our net shipping earnings has been masked by the fact that we are currently importing only about 75% of the prewar volume of goods and the claims upon British shipping for carrying goods to this country has been correspondingly reduced.

It should be noted that the figures of U. K. import and export trade published each month in the trade and navigation accounts give the cost of imports on a c.i.f. basis. This means that the figures include insurance and freight as well as the cost of the goods, while exports are shown f.o.b., which means that only the cost of the goods is shown with no addition for freight and insurance. So, what we call the visible gap between imports and exports as shown in the trade and navigation accounts is larger than the difference between the price we pay overseas for the goods themselves and the value of the goods we export. The freight and insurance charge included in the import figures consists in fact largely of payments made to British shipping and insurance companies.

The import figures we now use for balance of payments purposes are on a f.o.b. basis and shipping earnings are thus excluded, being payments of an internal nature. On this basis, the net earnings of U. K. shipping in 1947 was estimated at £17 million as against £10 million in 1946 and £20 million before the war. Had we now available our prewar tonnage of shipping, our net shipping income with imports continuing at their present restricted level would have amounted to several times the prewar level. As it is, in spite of the fact that we are using a smaller volume of shipping for our own imports, the amount available for us on the profitable crosstrade route is less than before the war. In addition, the overseas expenses of British ships have risen very substantially. For example, the necessity of foreign bunkering has reduced our net shipping income still further, while the heavy cost of repairing in foreign ports—which pressure on our own yards made inevitable—has also contributed to the reduction in our shipping earnings overseas. Expenditure on both these counts should be less in the current year.

Income From Investments

The decline in our investment income, which has not yet been finally arrested since there were continued sales of our assets abroad in 1947, has been made more onerous by the fact that we have had to meet interest charges on our wartime borrowing of over £3,500 million, combined particularly last year with heavy transfers of profits by foreign firms operating in this country The net result is that our net income from investments was no more than £51 million in 1947, a decline of £24 million on 1946 and of £124 million on 1938. What this decline means against its background of rising prices is strikingly demonstrated by the fact that in 1938 investment income paid for some 21% of our total imports, while the corresponding figure in 1946 was only 7% and last year little over 3%.

"Other Receipts"

Over the field of the remaining invisibles our experience in 1947 was unfavorable, a credit of £70 million in 1946 having turned into a debit of £20 million in 1947. "Other receipts" cover a vast number of varied activities and transactions, such as insurance claims and premiums, payments and royalties and copyrights, commercial travel, advertising expenditure, development of our enterprises overseas, personal remittances, including legacies and bequests and a host of other forms of income and expenditure. Our information over much of this field is rather uncertain, but there was a large increase in expenditure, much of it of a productive character which can be expected to yield a return in the near future. It is largely connected with establishing new markets and business connections overseas as part of the export drive and, of course, also on the restoration of plants and other physical property damaged or neglected during the war.

Future Prospects

What are the prospects for our invisible trade in 1948? We cannot expect any improvement in our investment position this year. The loss of income from investment in the devastated areas of the Far East will not rapidly be restored. But shipping should do better. More ships will be available through new building and our passenger fleet particularly should make an increased contribution. The heavy drain for relief and for Germany should be reduced to only about one-tenth of the figure for 1947 and we may expect less to be spent by tourists despite the lifting of the ban, besides increased income from tourists visiting this country. But, allowing for the minimum overseas military and other commitments that we must maintain, we shall still be some distance from striking a balance on our invisible account.

Capital Account

So far, I have been speaking about the most important points in our current account; I will speak now about our capital account. For this purpose, I take as our reserves all the gold we had and also the United States and Canadian credits and our drawing of £60 million on the International Monetary Fund. In the year 1947 the U. K. had a deficit with the dollar area (that is, the United States, Canada and the other American account countries) of £626 million, as compared with £340 million in 1946. The rest of the sterling area had a deficit with the dollar area of £266 million, as compared with £38 million in 1946. In addition, on behalf of the whole sterling area, including the U. K., there was a net transfer of gold and dollars to other countries of £157 million, as compared with a surplus of £80 million in 1946. There are one or two smaller additional figures to add in, but the total result is that the net drain on our reserves was £1,023 million, as compared with £266 million in 1946.

During the course of the year, there was substantial investment in the sterling area for the restoration and development of industries there and some redemption of debt. In addition, there was undoubtedly—and, particularly, to South Africa—some movement of capital funds over and above economic needs, but these changes are not, of course, directly connected with the drain on reserves, of which I have spoken. The drain on the reserves attributable to the rest of the sterling area and the capital movements to the sterling area are together reflected in the decrease in the sterling balances of the sterling area countries.

A supreme effort must be made this year to remedy our external position. Abnormal world conditions render the task particularly difficult, but there is no alternative. We must either export and earn enough to pay for our food and raw materials, or do without. Upon our capacity to export and earn, depends our capacity to work our way through these trying years and this, in turn, means that the competitive power of our products must be maintained and, if possible, improved. Price is increasingly becoming a decisive factor in sales and if rising costs price us out of the market, then our food supplies as well as our industrial employment will be placed in jeopardy.

U. K. Balance of Payments, 1947

	$ Million
Payments for imports and services	8,420
Receipts from Exports and services	5,720
Adverse balance of payments	†2,700
Payments for capital assets overseas	824
Repayments of sterling balances	568
Net drain on U. K. dollars and gold	4,092
U. K. diminution of gold and dollar holdings	604
U. K. withdrawals from U. S. credit	2,600
U. K. withdrawals from Canadian credit	420
U. K. withdrawals from Internat'l Monetary Fund	240
	4,064

†This adverse balance is made up as follows: Western Hemisphere, minus $2,720 million; sterling area, plus $320 million; rest of world, minus $300 million.

Recession Looms!

(Continued from page 6)

humanity is at stake because America is the hope of the world.

So let us not again kid ourselves that we can stay in the economic stratosphere forever. Sometime we have to come down and pay for our ride. Don't let anyone tell you anything different. I don't mean that we are going back to the depressed levels of the '30s, but I do mean that we cannot maintain the hundred-yard dash speed of recent months.

Different Kinds of Inflation

Several different kinds of inflation are rampant in the country today. I want to concentrate on the three most dangerous ones: price inflation, credit inflation, and goods inflation. As you well know, these are closely intertwined—in fact, are mutually interdependent. Yet their behavior may vary widely, so we must separate them for purposes of analysis and understanding.

Price inflation is so painfully apparent that no businessman disputes it—except, of course, regarding his own products!

Credit inflation is apparent on every hand. The general tendency is to ascribe it all to the expansion in bank credit caused by the commercial banks' wartime purchases of some $70 billion of government securities. Yet since V-J Day, commercial bank loans have increased some $15 billion. In fact, in 1947, as the monetary authorities tried to restrict credit by retiring government securities held by the commercial banks, loans were expanded just about as fast as the bonds were redeemed. Bank loans are now at an all-time peak, real estate loans, in particular, having more than doubled since prewar. Loans to consumers by all agencies (including the commercial banks) reached $13,368,000,000 at the end of December, as compared with $9,695,000,000 at the end of 1941. The most disturbing feature of the consumer credit situation is the enormous increase of $739,000,000 in the month of December alone.

Most experts say that the difference between the prewar and current credit totals are not as great as the changes in the purchasing power of the dollar. They argue that $10 billion 50-cent dollars are no more difficult to repay than $5 billion 100-cent dollars—that, of course, is nonsense.

If this cheap-dollar theory applies to any group in our economic family, it would apply to the farmers. Yet even there it does not always work. For example, the total farm cash income (including government benefit payments) in October, 1947 amounted to $3,773,000,000 as compared with $3,401,000,000 in October, 1946, an increase of 10.9%. This increase, however, was not enough to equal the 16.5% increase in the price of goods bought by the farmers, with the result that the farmers' purchasing power dropped 4.7% below the level of the previous year.

When the cheap-dollar rationalization of the current totals of bank credit and accounts receivable is applied in an urban area, glaring defects become obvious. Wages lag prices even for organized labor. And, as for unorganized labor and white-collar workers, professional men, and those living on fixed incomes, most of you know from first-hand experience that the dollars they get are not cheap dollars even though those they spend may be!

Gentlemen, debts are paid, if paid, with what I call difference-dollars. As a practical matter, the difference in dollars between the current cost of food, shelter, clothing, etc., and current income measures the debt extinction ability of the American people. Early in 1943 personal consumption took about 89% of income after taxes. This had increased to 95% by the middle of 1947; and we have every reason to believe that the percentage has increased since then. Furthermore, we must be close to the limit on consumer credit expansion! The conclusion is obvious: "Where is the money going to come from to keep prices rising?"

Goods Inflation

Let us now take a look at goods inflation. Most of you, plagued with "shortages," will find it difficult, if not impossible, to agree with what I am going to say; nonetheless, I must point out that in my opinion we are now producing in many lines at a rate considerably in excess of the capacity of the American people to consume, even in a physical sense. The first principle of economics is that human wants are insatiable. If this be accepted, it leads inevitably to the conclusion that there can be no overproduction except at a price. Certainly, this has been true in the past, even in the United States. Yet, is it not possible that our war-expanded production facilities can produce more than America, the richest country in the world, and with the highest standard of living, can consume? In a practical sense, I think the answer is unqualifiedly, "yes!" A man can sit in only one movie seat at a time! A man can occupy only one seat in an automobile at a time! The shoe manufacturers have not yet devised a way to get people to wear more than one pair of shoes at a time!

Hollywood, in addition to losing the most profitable part of the international market, is also experiencing serious domestic box-office declines. Even the automobile manufacturers don't expect people forever to buy automobiles at the 1947 rate. According to The Tanners' Council, the trade association of the leather industry, shoe production in December was running at a rate in excess of 460,000,000 pairs annually, while retail sales were at the rate of 420,000,000 pairs.

In recent months, the inventory boom has been chiefly a price mark-up proposition; quantities have increased but little. The pipelines of distribution in many lines have filled up and are now beginning to overflow. This would be true in many more fields if it were not for the "gray" markets and the greatly increased number of wholesale and retail outlets. And this, of course, is a great danger to the entire economy. Already, here and there, you see unneeded distributors beginning to fold up and dump their merchandise. While this is only a trickle now, it will develop into a torrent if either sales or prices drop very much and will throw goods on the retail market instead of withholding goods from it as in the last two years.

In competitive capitalism, goods inflation can have very serious consequences. And the way our production machine is rolling it will take more than the economic blood-letting of a Marshall Plan to prevent supply from reaching dangerous proportions in many lines.

Many businessmen realize these dangers and are beginning to turn on the "heat" of sales and advertising pressure. The sudden growth of premium advertising is a straw in the wind. Do you realize that manufacturers use for premiums 30% of the American production of china, 10% of aluminum utensils, and great quantities of novelties and glassware? The Premium Advertisers Association of America estimates that the total of premiums to be used as sales stimulants during 1948 will reach the staggering value of $1 billion. This is twice the prewar yearly average. I don't have to tell you that premiums are not used in sellers' markets. In any event, $1 billion is a lot of bait in any kind of market!

Another symptomatic development is the great number of trade shows scheduled for 1948. The 718 listed for the first eight months of the year is 53% greater than for the same period last year. In fact, it is the longest list in the 21 years existence of the Exhibitors Advisory Council.

Price Inflation

This brings us to price inflation with which you are all quite familiar. Yet I wonder if familiarity has not bred contempt, to paraphrase an old saying. Do you fully realize how high up we are on the price spiral? To get a concrete idea, let us take the C's from a commodity price list I was studying the other day. From August, 1939 to Jan. 27, 1948, cocoa increased from $.04 5/16 to $.46½ per pound; coffee rose from $.07½ to $.26½ per pound; corn at the farm increased from $.45¾ to $2.37 per bushel; cotton rose from $.09¼ to $.35¾ per pound, and cottonseed oil increased from $.05⅜ to $.29½ per pound. Or take another aerial performer, hogs, which were $5.52 per hundredweight in August, 1939, but had skyrocketed to $27.19 by January, 1948. Likewise, lard which was $.06 per pound rose to $.28 in the same period. Those of you who may think that prices cannot come down because costs are high should reflect on the behavior of lard prices, which dropped from $.53 per pound in November, 1946 to $.17½ in September, 1947, despite the continuing high price of hogs!

Or, let us take the index of all farm products which shows that they soared from an August, 1939 level of 61 to a January 17, 1948, level of 201.5 which is nearly 3½ times the old level.

Department store sales at the end of 1947 were running at the rate of 300% of the 1935-39 average. The retail food index was around 203 on the basis of 1935-39, and so it goes. Do businessmen really believe that these prices will continue?

Some economists do believe that prices will stabilize just a little under present levels. Such conclusions generally come from an over-simplification of the economic process. They are largely based on the quantity of money. The reasoning runs like this: Nearly three times as much money in circulation; ergo, nearly three times as much price is inevitable. It would be difficult to find a better illustration of the occupational malady of over-emphasis from which so many economists suffer. True, quantity is important, but it is by no means controlling, as I have pointed out many times before. For myself, I prefer to weigh the impact of the more important of the countless other factors which affect our economic destiny.

High on the list should be put the classic causes for the end of a boom. First, I would place the tightening of credit. Then, there are the wastes of what I call "over-employment." Also, management slows up when the lash of competition is not present. Mistakes of all kinds, particularly over-expansion, are made. Extravagance and waste are accepted instead of attacked. (After all, they can be passed on to the consumer, so why worry?) The quick and easy profits of speculating in inventories are sought by many; the worry, sweat, and toil of production are looked down on by ever-increasing numbers. Why produce when speculation is more profitable and ever so much more interesting?

These stresses and strains create instabilities in the entire economic structure. Failures increase; distressed goods are dumped on a reluctant market; and the classic spiral of deflation is under way.

The Outlook

What then is the outlook?

The monetary authorities are continuing to tighten credit. Interest rates continue to increase. Prices continue to outrun purchasing power. Foreign trade, even if the Marshall Plan is passed, is bound to decline. These and many other basic factors point to a downward readjustment of business. But most of these indices pointed downward in early 1947 and all we had was a slight hesitation in April in the upward march. True, the hand of Deity intervened. There were widespread crop failures in Europe caused by too little rain; there was a short corn crop in the United States because we had too much rain in the spring and not enough rain in the summer. These crop failures and the decision of the Administration in Washington to feed Europe, regardless of our crop yields, drove food prices higher and postponed the day of readjustment.

Despite the downward pressure of the factors I enumerated, there are powerful forces in the direction of more inflation. If the past is any indication, another round of wage increases is a foregone conclusion. It would be a modern miracle for labor leaders to take a stand for the good of the entire economy; I frankly don't expect it. There is a great deal of money, credit, and liquid purchasing power (E bonds, for example) in the hands of our people. The momentum of the inflation is terrific. Little decisive deflationary action can be expected from Washington until the election is over. Neither party wants to face the electorate and take responsibility for causing "bad business." On the contrary, additional fuel undoubtedly will be poured on the fires of inflation by reducing the taxes of millions of voters.

It seems reasonable to expect that wage increases, tax reduction, European relief, and determined political assistance will be sufficient to keep the boom going for the first six months, at least. After that, the long delayed business readjustment should materialize—unless, of course, a new rabbit is pulled out of the hat!

As I said the other day, to really keep the boom going, it will be necessary for the following to continue:

(1) Bank credit to industry to carry inventories and accounts receivable must continue to expand despite the active opposition of the Federal Reserve System and the bank examiners.

(2) Expansion of plant and production facilities must be accelerated despite higher capital costs.

(3) Individuals must spend more and save less despite the coming intensification of E bond and other savings drives.

(4) Individuals must be willing (and able) to go deeper into debt despite the uncertain outlook.

It seems too much to expect all of these to eventuate.

In conclusion, let me say that the current period of inflation has to be followed by a recession. How serious that will be, will depend on how soon it comes. If we could only have gone through with the readjustment which started last April, it would have been comparatively mild. If we can have the readjustment soon, it should not be too drastic or of very long duration. Basically, the economy of the country is sound; we only have to eliminate the maladjustments. Until this shake-out is completed—and it may be starting now or it may not start for another six months to one year, no one can be certain when—clearly, your credit policy should be one of caution. Better lose a little income than a lot of capital.

Hiscox, Van Meter Opens Branch Office

ALLENTOWN, PA. — Hiscox, Van Meter & Co., Inc., have opened a branch office at 28 South Seventh Street under the management of Hugh L. Van Meter.

Joe N. Solter Opens

WICHITA, KANS.—Joe N. Solter has formed Joe N. Solter Company to engage in the securities business from offices in the Wheeler-Kelly-Hagny Building.

Investment Fundamentals—The Choice of Securities

(Continued from page 4)

til maturity 10 years after purchase. The yield on the "E" bonds is about 2.90% and until recently the amount one might purchase has been restricted to $3,750. This limit may be raised by a conversion offer. I believe that these bonds are particularly suitable for certain situations where a young couple wish to establish a fund for education in 10 years or for an older person—say in his 50s—who wants an income after 60 and can afford to buy them every month now. Otherwise I think for most persons they are a particularly bad form of investment as they pay nothing for 10 years. The Constitution of the United States provides that the Federal government cannot tax the lesser divisions of government. This, therefore, protects the buyer of bonds of the states, etc., from any taxes now or hereafter. The security behind the bonds varies from unlimited taxable power down to revenue as earned, for example, from some water district only.

Aviation Securities

This brings us therefore to that large group of securities with which we are particularly concerned.

The aviation industry ended 1947 none too happy, although it was a $2 billion industry. This year will be the most critical of the postwar period to date. Today the manufacturing companies cannot depend on the air lines for profitable business, with the result that the industry is entirely dependent on military orders. Although military business is substantial, the 15 major companies last year lost around $100 million. After tax carrybacks and application of postwar reserves the net loss will still be twice as much as the $11 million in 1946. Military planes produced in 1947 were about 1,800 compared with a wartime peak of 96,000 and 250 transports were produced and about 15,000 personal planes compared with 35,000 in 1946. The new Eastern Air Lines Constellations and the American and United Air Lines DC6s and the Lockheed Shooting Star, which did 625 M.P.H., beating any that the British or Russians have produced and the Douglas D 598 Skystreak with a world record of 650.6 M.P.H., were outstanding developments. The two jet planes give promise of a new air world to come. In the international field we fly more miles than all the rest of the world together and we circle the globe, covering all countries except Russia. Domestic transport miles gained 713% during the year and domestic air mail was off slightly. 150,000 people were flown over the ocean. We have the most efficient planes and personnel, second to none. No country is geared, both in business and socially, for flying as we are. Fares were reduced from 12¢ a mile to 4½ since the beginning of 1946 and are now back to 5½¢. The government's policy will determine life or death for the shareholder in the manufacturing companies. With labor, fuel and other costs rising sharply even with cutting down on food and chewing gum the transport companies have not yet been able to reach profits. The Civil Aeronautics Board blasted hopes for higher mail pay so the outlook for anything except long-term speculation in the transportation shares of the airplane industry is bad If you must go in, I would suggest that you stick to Eastern Airlines, United Air Lines and United Aircraft. Even the strongest companies are beginning to show the results of the terrific drop. I have followed very closely the history of aviation since 1932 and all the way along shareholders have fared, as far as income is concerned, very badly. The policy of the government has been to lower mail pay in spite of costs. For example they have raised the price of ordinary mail 50% but at the same time they have lowered the pay for carrying air mail. It follows that one cannot be sure of solvency, much less income, considering that there are other troubles such as seasonal traffic peaks and higher wages.

To improve service the air lines must consolidate routes to provide more non-stop flights. Secondly, they must provide for more interchange of equipment. Third, they must improve reservation procedure through inter-line sales agreements. Further consolidation of terminal and maintenance service would be economical.

Bank Stocks

Any discussion of bank stocks brings one squarely into the discussion of government control of money rates and then the control of the banks by the government. The outstanding feature in 1947 was the rapid growth of commercial loans. Successive new peaks have been reached each month since January in real estate loans and "other loans," while security loans do not reach 10% of the total. Since the trend in the banks has been the reduction of earning assets in items bearing the lowest yield the paying off of short term Treasury bonds and the assets showing the highest yields have increased, the trend towards a better picture in banking is quite noticeable. Expenses of banks are still rising but not as fast as they were in 1946 and instead of a 15% drop in earnings in 1947 over 1946 as expected, they came up fairly close to the same amount. I would expect bank earnings in 1948 to about equal 1947 if business conditions remain at a relatively high turnover. If Congress does not legislate on loans by banks they will still be under pressure by the warnings of State and Federal supervisory agencies. As a matter of fact, the boards of some banks have loaned all the money they wish to loan at present inflated prices. The Internal Revenue Department has ruled that a portion of revenue before taxes could be set up as a reserve for bad loans.

The appeal of bank stocks is largely limited to long-pull investors. Since the average bank pays about 60% of its earnings in dividends, there is small chance of any cut in dividends and thus there is this continuity of fairly stable income.

Auto Industry

The Auto industry will try for 4 million pasenger cars in 1948 and about 1,100,000 trucks, a slightly lower number of trucks and a slightly higher number of passenger cars than were made in 1947. I would expect the cars to sell at a slightly higher price, depending on the third round of wage increases. The luxury, higher-priced cars will be in supply after the middle of this year. Exports of 7% of the passenger car production and 20% of the truck production are expected if the Marshall Plan becomes effective. The expansion program of the industry is now 90% completed but retooling and extensive improvement changes push new models about the 1947 counterparts. Thus 1948 Hudsons were $178 to $220 above the 1947 models. Even minor changes caused Nash to raise prices $12 to $45, Studebaker $67 to $100. The large companies will have new models for 1949. The accessory companies, since we now have 38 million cars, should have very good business indefinitely. (Electric Storage Battery, Electric Auto-Lite, Bower Roller Bearing, Timken Roller Bearing, Libby-Owens-Ford Glass, Briggs Mfg., Dana Corp., etc.). Auto manufacturers look better than the average market. Since the automobile business penetrates even the smallest hamlet of this country it is a good index of business. Only a bad depression can hurt business in the near future.

Electrical Equipment Industries

Electrical Equipment industries reached an all-time peacetime high in 1947. The point at which the break even is reached, and profit margins on present business are lower than normal expectancy. The huge volume suggests that the net profits will hold at present high levels for some time to come. The percentage of foreign business being done is larger than normal. Public utilities spent $1,300,000,000 for new construction in 1947 and almost regardless of business conditions should have several years of equally large expenditure.

The prospects for radio stocks on the other hand are not good except as the television boom may catch public fancy. I hear that American Telephone will have established television stations all the way across the country by 1949. Philco in this group may be better than average.

Mining Industry

Base metal and the copper stocks have been showing good earnings due to foreign purchasing, raw materials and some stockpiling by our government. International Nickel continues to sell to the steel industry for nickel chromium, stainless steel heat resistant, corrosion and wear, and other uses resulting in a very favorable profit. During the war the price of copper was pegged at 12¢ a pound and since it is now substantially above this and historically at a very high price, purchase of shares in these companies carries with it the inherent risk that prices might fall and all goods in process would have to be marked down to the detriment of profits. Phelps Dodge is more of a domestic company than Cerro de Pasco. Kennecott and Anaconda are very strong in South America. Calculating the yield in these shares you must realize that the assets of the company are being distributed as the reserves are mined from the ground. Again, Phelps Dodge is probably in a better position on reserves. The best of the gold mining shares is Homestake which is the Hearst Company in South Dakota which has a long record of dividends and production. If we have remonetization of currencies which would be realistic and constructive, gold shares will probably have a considerable increase in value. They are consolidated Mining and Smelting, Homestake and McIntyre Porcupine.

During the war, of course, the distilling companies had a very favorable time due to two factors—first, their normal distilling functions being limited to about five days per month left them in the position to furnish alcohol for war purposes for the balance of the time. The inventories which they held they sold at higher and higher prices and later, of course, began cutting it more and more with alcohol. This operation at capacity for the government of course caused them to receive a double income. National Distillers and Hiram Walker are probably the more conservative of the companies as they have followed trade practices protecting their trade name and avoiding undue pyramiding of inventory.

The soft drink field is still in a period of rapid growth. The industry enjoys low labor costs but has been held back by lack of sugar during the war years and should expand rapidly now that they can increase convenient outlets. The best companies are Coca-Cola, Pepsi-Cola and Canada Dry. There are others—Dr. Pepper, Nehi, with quite a number of bottling and distributing shares on the market.

Retail Stores

In the field of retailing the stores that are carrying high-priced clothes, particularly would seem to be vulnerable at this time. If credit accounts should be restricted by Congress it would add to their troubles. Without the ability to purchase over a fairly long period on time the old look would quite often prevail over new prices. The resistance by the public to higher prices caused by higher wages for fewer working hours will be further accentuated by the coming third round of wage increases. The chances for any price break for 1948 seem rather slim. The lowering of prices and larger turnover would be the thing that would be the thing that would turn the market in dry goods stocks. As it stands now the highs of 1946 are probably the all-time highs for many a day. The specialty chain stores like Woolworth, Grant, Kress, Kresge, McCrory and the grocery chains—Kroger, Jewel Tea, Safeway, First National Stores, and A & P—represent another type of investment. Doing all their business for cash and with a much more rapid turnover, they represent much more sounder values with certain depression-proof qualities The higher cost of food cuts into the ability of people to spend on other things, especially since automobiles take so much of the excess and are so high in price.

Public Utilities

The public utility stocks cover electricity, gas, tramways and telephones. Their existence is based on a franchise given for a term of years or perpetually by the regulating authority. Almost every state has a public service commission and the Securities and Exchange Commission since 1934 has control of interestate utilities Since the end of the war electrical consumption has continually broken into new record high ground. The prices for the services rendered are at the lowest level in history, with the exception of telephone, in spite of the increased cost and the electrical industry is continually lowering prices if possible. The building of several large transcontinental pipe lines has given the gas distributing utilities a terrific boost. The price relationship with competitive fuels such as coal has become much more favorable. All companies have a large backlog of orders for new connections and new customers which so far they have been unable to fill. There has developed among investors an idea that there is something wrong with investing in our electrical operating companies. The first argument is that utility companies will eventually be squeezed between rising costs and unalterable rate structures which would prevent them from maintaining their present standard of earnings. Secondly, investors have seen the terrific volume of securities offered for sale—about $500,000,000 last year—of the companies which are being dissolved under the Public Utility Holding Company Act. This is the breaking up of systems into smaller operating units. Thirdly, investors have seen that the five-year program of expansion to raise kilowatt production to a safe point above demand would require about $5 billion, a part of which would be raised through the sale of common stocks. When the $5 billion is being spent in a rising market with persistent offerings of common stocks, each of which must be sold at a small fraction of a more attractive basis tends to depress the market.

The answer to the first of these questions is that new equipment has reduced the overhead in the inefficient old plant sufficiently to offset the higher costs. The second point is answered by the fact that the dissolution of holding companies, although not nearly completed, will end some time and stocks will bring their true worth. A major portion of this divestment has taken place. The attitude of the Interstate Commerce Commission in the last few weeks on freight rates and the attitude of public service commissions themselves on telephone rates leads one to believe that if necessary public utility rates would be allowed to come up to a fair rate on invested capital. We have had also a rise in the rates of Brooklyn Union Gas and other appeals are pending. All in all, the outlook is for a good yield and a fairly stable market in public utility stocks. The outlook with relation to municipal and government ownership has improved in the last few years as more and more voters have turned down the non-taxes, politically-run, publicly-owned utility plants. The outstanding feature of the communication systems — American Telephone and Western Union—will be their expansion. Western Union expects to spend $60 million in 1950 in mechanization and the telephone company much larger amounts.

Such stocks as Houston Lighting, Idaho Power, Utah Power and Light, El Paso Natural Gas, Columbia Gas and Electric, Cleveland Electric Illuminating have given good market performances and should continue to do same.

Bonds and preferreds have definitely given up about 10% of value to the change in money rates.

Market Factors

The good things about the market are tangibles such as high rate of earnings and dividends and operations, whereas the bad things about the market are intangible, psychological and prospective with tendencies rather than actualities. First, inflation is not bullish unless carried to a very comparative degree. Inflation actually causes a corporation to increase its borrowings tremendously to carry on a higher-priced business from the inventory to the finished product. This endangers the stockholder through the principle of leverage and large borrowings ahead of common. In other words it dilutes equity earnings through expansion of commercial debt and capitalization. As a result this has caused stresses and strains on the working capital position and therefore has caused much higher operating costs and a higher break-even point. In the face of this we have rising interest rates on large short-term borrowings in many instances. Hence the sale by some of our stronger companies of common stock. Third, there is an intensified competition as we pass from a buyer's market to a seller's market in everything. Fourth, we have defintely entered the stage where the long-term bond trend is downward and this carries with it, of course, preferred stocks. This is caused by the change from a government-sponsored cheap money to a higher interest rate. Fifth, we have at least begun to over-extend bank credit in many lines. This does not apply to loans on stocks but probably to real estate and commercial loans. The commercial loans of all insured banks plus consumer credit are now estimated at 18% of our gross national production as compared with 9.4% at the end of 1944. The sixth reason I would give as the sureness of a large decline in our exports in 1948 over 1947. The seventh reason I would place as being caused by inventories having been filled, which factor, of course, made the demand for goods last year very urgent. A moderate decline in industrial activity could result at present, with the high break-even point, in a sharp decline in net earnings. The conjunction of impaired consumer purchasing power, reduced exports, lower demand for inventory and moderately lower industrial output will I believe feature 1948.

Chicago Exchange Clearing by Mail

CHICAGO, ILL. — The first transaction under the new "Clearing by Mail" plan took place on the Chicago Stock Exchange Feb. 16. An order to buy 100 shares of Central & South West Corporation stock at the market was placed at the opening by Stern Brothers & Co. of Kansas City, Missouri. The order reached the floor of the Exchange over the newly installed teletypewriter at 8:58 and was received by that firm's floor broker, Alfred E. Turner. The actual execution took place at 9:10, and the stock was purchased at 8¾.

Feb. 16 was the first day that out-of-town members were able to contact their own floor brokers direct over the teletype. Settlement of the transactions will be made by mail on Thursday through the Clearing Corporation. Much interest has been shown in the new plan, and several new out-of-town firms have already made application for membership in the Exchange.

Junior Inv. Bankers Ass'n to Hear Dulles

Allen Welsh Dulles will address the Junior Investment Bankers and Brokers Association of New York at a meeting to be held in the Board of Governor's Room of the New York Curb Exchange at 3:45 p.m., Feb. 19. His topic will be "The Marshall Plan and American Business." Mr. Dulles, a partner in the law firm of Sullivan & Cromwell, was head of a division of the O. S. S. in Europe during the war and played an important part in arranging the Italian armistice. At present he is the legal advisor for the Herter Committee of Congress, which is studying the Marshall plan.

Wilmer Wright Addresses B'klyn Chapter of NACA

Wilmer R. Wright, Management Engineer, addressed the members of the Brooklyn Chapter, National Association of Cost Accountants, on the subject of "Standard Costs," at the Chapter's meeting on Feb. 18th at Michel's Restaurant, Brooklyn.

Mr. Wright, long experienced in management engineering, including considerable work on standard cost installations, presented a case study of standard cost systems installed and supervised by him. His talk included a discussion of the application of the standard cost methods employed by the New York Stock Exchange, Atlas Powder Company, the American Thread Company and the Pittsburgh Plate Glass Company. The discussion embraced some of the latest developments in the application of standard costs to industrial accounting and demonstrated how this system develops important management controls and information for policy decisions, whereas other cost systems fail to supply such necessary details.

Baldwin, White Branch

FITCHBURG, MASS. — Baldwin, White & Co., members of the Boston Stock Exchange, have opened a branch office at 804 Main Street, under the management of Albert H. Clay.

The State of Trade and Industry

(Continued from page 5)

and tubes, certain semi-finished material and, the magazine notes, have sharply boosted extra charges on structural steel shapes.

The bulk of these higher prices will be borne by the oil, gas and water industries. The construction group will also find their costs increased by higher prices on merchant pipe used in basic construction work.

A special check by "The Iron Age" editors this week failed to disclose any crack in the steel demand wall. The recent decline in the steel ingot rate and the loss of output due to cold weather has met head-on with increased consumer requirements.

Gray market steel prices which would be the first to be affected by adverse market conditions have reached a new high in the past week.

The structural fabricating industry this week began to pay higher size extra charges on structural shapes. Estimated on a yearly basis this change in extras will cost structural fabricators approximately $15 million, the above trade authority points out.

Major steel firms which sell forging and rerolling billets, blooms and slabs have changed their pricing system to a net ton price basis instead of gross tons. Nonintegrated makers who make finished steel products from these items will find their cost increased on an annual basis by approximately $10 million.

Talk by steel officials advocating lower steel prices has not been supported by these price increases and by others which have been made since the first of the year.

These increases included tin mill products, alloy bar extras, nails and fencing and certain railroad specialties. It could possibly be that some of these increases are anticipating the wage demand to be made this week by Philip Murray, steel union head.

Mr. Murray will indicate this week that his union's economic foundation for a wage increase stems from steel company profits, tax rebates and the failure of the commodity market break to affect the cost of living for steel workers. The union, "The Iron Age" observes, will ask for a substantial increase.

Scrap consumers this week were gleefully sticking the harpoon into any and all scrap dealers who had their confidence shaken by the commodity price drop. This was reflected in the Chicago market where the price of No. 1 heavy melting declined an average of 75 cents a ton and in Philadelphia an average of 50 cents a ton.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 92.5% of capacity for the week beginning Feb. 16, 1948. This compares with 92.7% one week ago, a decrease of 0.2 point, or 0.2%. A month ago the indicated rate was 96.1%, while an operating rate of 94.1% was shown a year ago.

This week's operating rate is equivalent to 1,667,300 tons of steel ingots and castings as against 1,670,900 tons last week, 1,732,200 tons a month ago and 1,646,700 tons one year ago.

ELECTRIC PRODUCTION AGAIN FALLS OFF

The amount of electrical energy distributed by the electric light and power industry for the week ended Feb. 14, 1948 was 5,384,945,000 kwh., according to the Edison Electric Institute. This was 27,416,000 kwh. below the previous week and 51,485,000 kwh. less than produced in the week ended Jan. 24, 1948 which was a record for all time. It was, however, 606,711,000 kwh., or 12.7%, in excess of the 4,778,234,000 kwh. turned out in the week ended Feb. 15, 1947. The Feb. 14, 1948 week was the sixth consecutive week that production of electricity exceeded the 5,000,000,000 kwh. mark, and the 14th such week in the history of the industry.

FREIGHT LOADINGS IMPROVED DESPITE BAD WEATHER

Loadings for the week ended Feb. 7, 1948, totaled 747,394 cars, according to the Association of American Railroads. This was an increase of 20,356 cars, or 2.8% above the preceding week, notwithstanding adverse weather conditions which interfered with industrial and railroad operations. It represented a decrease of 19,907 cars, or 2.6% below the corresponding week in 1947, but an increase of 34,154 cars, or 4.8% above the same week in 1946.

AUTO OUTPUT SHOWS SLIGHT GAIN FOR WEEK

Industrial gas shortages in Detroit and other manufacturing centers held down production of cars and trucks in the United States and Canada again the past week.

Estimated output of cars and trucks in the United States and Canada the past week amounted to 85,262 units, "Ward's Automotive Report" states. This compared with a revised total of 82,717 units in the preceding week, 97,276 units in the corresponding week of last year, and 127,510 units in the same week of 1941.

Last week's total comprised 57,429 cars and 25,233 trucks built in the United States. Canadian truck output totaled 1,375 units and passenger car production to 1,225 units.

BUSINESS FAILURES CONTINUE UPWARD

Commercial and industrial failures rose sharply in the week ending Feb. 12, reaching the highest total for any week since January, 1943. Dun & Bradstreet, Inc., reports 128 concerns failed as compared with 97 in the preceding week and 62 in the corresponding week of 1947. Twice as heavy as a year ago, failures were over five times as numerous as in the same week of 1946, but remained considerably below the prewar level, or only one-half as high as in the comparable week of 1939.

Nearly all of the failures involved liabilities of $5,000 or more and totaled 115, 84 a week ago and 55 last year.

Ten of these failures involved liabilities of $100,000 or more each and losses of more than a million dollars were incurred in two cases.

The week's increase occurred principally in manufacturing where almost two times as many casualties occurred as last week. At 56, more manufacturers failed than in any other week since 1941. Retail trade mortality remained at 42, and was about twice that of a year ago.

The largest number of failures, almost a third of the total, occurred in the Pacific States.

The sharpest increase both from the previous week and from the 1947 level appeared in the New England Region where failures jumped from only 2 last week to 25 in the week just ended.

WHOLESALE FOOD PRICE INDEX LOWEST IN THREE MONTHS

Drastic declines in grains and livestock were reflected in the Dun & Bradstreet wholesale food price index this week. The index fell to $6.83 on Feb. 10, from $7.14 a week previous. This was a drop of 31 cents, or 4.3%, the widest weekly break since the government rolled back prices on livestock and meat at the beginning of September, 1946. The current figure is the lowest since Nov. 4, 1947, when it stood at $6.78. It compares with $6.32 at this time a year ago, a rise of 8.1%, which is considerably smaller than the 13.5% gain shown a week ago.

COMMODITY PRICE INDEX REGISTERS FIRST MAJOR POSTWAR BREAK

The general level of wholesale prices trended sharply lower in the past week as a result of the severe break in grain and livestock prices. Registering the sharpest drop ever recorded in so short a period, the Dun & Bradstreet daily wholesale commodity price index fell 20.85 points, or 7.0%, to 278.92 on Feb. 10, from 299.77 a week earlier. This represents a cumulative decline of 9.7% from the postwar peak of 308.82 recorded less than a month ago on Jan. 16. Although the current figure is still above the 1947 comparative of 244.96, the year-to-year rise has been narrowed to 13.9%.

All grain futures markets were subjected to a general wave of liquidation last week which brought prices down sharply from their recent peaks.

Maximum daily losses occurred in wheat, corn and soybeans for three successive trading days on the Chicago Board of Trade. At their low marks, May wheat and corn contracts showed declines of about 52 and 40 cents, respectively, from their high levels recorded earlier in the week. There was a partial recovery in all grains on the closing days of the week.

Livestock values continued to fall sharply under the impact of the heaviest market receipts in many months.

Hogs declined around $5 per hundredweight to the lowest in 16 months. Dwindling demand at the lower prices left many unsold swine on the market. Steers fell about $3 per hundredweight in the week while sheep were about $1 lower. Fats and oils continued weak and lard was down 3 cents per pound in the general liquidating movement. Coffee and cocoa futures showed substantial losses but the market for actuals held fairly steady. Flour prices slumped about 60 cents per hundred pounds; demand at the lower levels showed a little improvement.

Cotton prices showed a firming tendency in the closing days of the week following a moderate downtrend movement during most of the period, in sympathy with the break in other markets.

At the close, the New York spot quotation was off 63 points from a week ago. Mill buying continued slow and demand was principally for the better grades. Part of the early weakness was attributed to fears of delay in the European Recovery program and of further revaluation of foreign currencies. Registrations of cotton under the export sales program showed a marked increase in the week ended on Jan. 30 to 44,150 bales, as compared with 12,500 a week previous.

Textile markets were relatively quiet although some fourth quarter sales of cotton sheetings were reported at the week-end. Textile prices generally were firm and unchanged.

RETAIL AND WHOLESALE TRADE SHOWS SLIGHT CHANGES FOR WEEK

While consumer interest continued to center on staple winter merchandise, the response to early spring promotions improved considerably. The total volume of consumer purchasing increased very slightly last week and retail dollar volume was generally moderately above the level of the corresponding week a year ago, Dun & Bradstreet, Inc., reports in its weekly survey of trade. The approach of St. Valentine's Day stimulated the demand for gift items, and as a consequence, orders for candy and flowers increased considerably.

The fractional reductions in the prices of some foods generally had little effect on grocery volume.

The purchasing of food was steady at a very high level with consumers continuing to seek inexpensive items of good quality.

The arrival of the lenten season stimulated the demand for fresh and canned fish. Poultry and the cheaper cuts of meat also continued to sell well. There was a moderate increase in the buying of canned vegetables, fruits and preserves.

Promotional sales of spring apparel emphasized Easter items and consumer response was generally favorable.

Clearance sales of some winter clothing stimulated buying with the demand for heavy coats and footwear large.

Activity in lingerie and jewelry departments increased with interest in millinery improved somewhat. The volume of men's wear remained large. Shirts and haberdashery were steadily purchased.

Clearance and promotional sales of furniture continued to attract favorable attention, though dining and bedroom suites of good quality remained somewhat difficult to obtain. Fine grade floor coverings sold well and demand for radios increased. The volume of automobile supplies and accessories continued to compare favorably with that of a year ago.

There was a fractional decline in the dollar volume of wholesale trade the past week and the week ended this Wednesday. While it remained somewhat above the level of the corresponding week a year ago, unit volume was slightly lower. Caution marked the retailers' attitude in making long-term commitments and resistance to high prices remained considerable.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 7, 1948, increased by 10% from the like period of last year. This compared with an increase of 8% in the preceding week. For the four weeks ended Feb. 7, 1948, sales increased by 6% and for the year to date increased by 7%.

Retail trade in New York the previous week was hardest hit in food lines as a result of the drastic decline in commodities and such reductions ranged from 5 to 10% in these lines.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Feb. 7, 1948, increased 12% above the same period last year. This compared with an increase of 11% in the preceding week. For the four weeks ended Feb. 7, 1948, sales increased 8% and for the year to date rose by 6%.

The International Monetary Fund

(Continued from page 2)

a long time deferment of the International Monetary Fund's organization, but in the endeavor to get down to business while the enthusiasm for the project persisted, the institution was duly set up, and this meant calling for a filing of "official parities" of their currencies by the member nations—certainly a *faux pas*, and one which has led indirectly to undesirable repercussions.

True, the Fund has been slow in beginning operations, and its transactions have been on a relatively limited scale. According to an official statement, up to Nov. 28, 1947, the organization bought currencies of member countries for U. S. dollars to the amount of $433,445,000 and bought pounds sterling to the amount of £1,500,000 or the equivalent of $6,045,000. The total was exchanged for the money of the following seven countries:

Currency Bought—		Equiv. Dollars
Chilean Pesos	232,500,000.00	$7,500,000.00
Danish Kroner	16,316,599.99	3,400,000.00
French Francs	14,888,375,000.00	125,000,000.00
Mexican Pesos	109,237,500.00	22,500,000.00
Netherlands Guilders	95,622,001.94	36,045,000.00
Turkish Liras	14,000,000.00	5,000,000.00
Pounds Sterling	59,553,349-17-8	240,000,000.00
		$439,445,000.00

In addition, the Fund sold $24,164.52 of U. S. dollars against gold.

The Effect of Negative Operations

Undoubtedly, this volume of transactions would have been even smaller if the Fund adhered to sound banking and financial principles, and ignored political considerations in its operations. But it is not the exchange operations, but the Fund's regulations thus far that are important. The organization, through regulations enforced on its members by its very existence, has had, on the whole, a negative unwholesome effect.

The member nations, which are enjoined not to revalue their currencies beyond 10% of their "official parities" without consultation and approval of the Fund, and are directed not to permit free foreign exchange transactions or a free gold market within their borders have been, in some cases, virtually forced to maintain an unwarranted artificial exchange value for their currencies. This condition has now become widely known as "suppressed inflation." It is a greater force for evil than for good. It has hampered and reduced both domestic and international trade transactions, and is a leading factor in creating and maintaining black markets in currency and goods. It has prevented domestic prices from fluctuating in accordance with domestic or foreign money values, has led to loss of public confidence in fiscal affairs, and has added fuel to the present postwar economic chaos that makes the implementation of the Marshall Plan of doubtful success.

As was remarked in the New York "Herald-Tribune" in reviewing currency developments in 1947 on Jan. 2:

"Acknowledged changes in currency rates and relations were not numerous in 1947, partly because of certain commitments by members of the International Monetary Fund. Many countries which observed nominal parities, however, were beset by black markets in which dollars, for instance, would purchase many times the number of local units indicated by official exchange rates. In Germany a crude sort of barter prevailed, based mainly upon cigarettes.

"Although the need of virtually all countries for dollars was desperate at all times, the artificial exchange relationships made it doubly difficult for countries like France and Italy, for instance, to obtain dollars by means of exports. The French and Italian exporters were forced to use official exchange rates, which made the prices of their wares in the United States egregiously high and even prohibitive."

It is thus quite apparent that a serious error was made by the Fund authorities in calling for "tentative parties" to be fixed by the members for their individual currencies before a period of readjustment had been accomplished and political and economic stabilization in some safe manner assured. Some indication that immediate operations by the Fund would be difficult and ineffective was indeed forecast by Article XIV of the Charter as drawn up by the Bretton Woods Conference, providing "in the postwar transitional period, members may, notwithstanding the provisions of any article of this Agreement, maintain and adapt to changing circumstances (and in the case of members whose territories have been occupied by the enemy, introduce where necessary) restrictions on payments and transfers for current international transactions," and members, desiring to take advantage of this remission, are required to give notice to the Fund. The supposed limit of the "transitional period" was five years. It might have been a wise step if the Fund had given these war devastated nations this period in which to declare their currency "parities," and to otherwise settle their economic and monetary difficulties, before in any way coming under the jurisdiction of the Fund's provisions. But it did not do this! Instead, either by persuasion, prestige, or influence, it practically forced all member nations to adhere to their stated valuations, and permitted them at the same time to control, regulate and restrict foreign exchange and trade transactions within their borders.

A reflection of this situation is found in the Communique issued by Rene Mayer, the French Minister of Finance, who as a banker and economist, is duly cognizant of the practical as well as the theoretical aspects of monetary problems. In his Communique announcing the French franc devaluation and proposed adherence to a free domestic gold market, Mr. Mayer stated:

"In the present state of French economy it appeared impossible to the Government to define a new exchange rate satisfactory for all transactions abroad, commercial or non-commercial.

"In seeking prematurely to give such a definition of the franc it would have run the following risk: Either the devaluation would have been insufficient and would not have achieved its purpose, or it would have been too great and would have inflicted an excessive rise in prices and impoverishment of the French economy.

"It therefore is necessary to pass through a transition period during which at least part of the offers and bids of convertible assets can balance each other in a market where rates are established freely.

"The Government's final aim, of course is to return as quickly as possible to stability—but to a real and lasting stability, not to an artificially and purely apparent stability.

"It knows that the policy it is following is the best means—considering the difficulties our economy is going through at the moment—of attaining this aim and, in consequence of aiding in the realization of the objectives adopted by the International Monetary Fund.

"For arriving at these ends, the Government refers to the provisions that were inserted in the Bretton Woods Agreements for the transitional postwar period on behalf of member states whose territories were occupied.

"The Government knows, furthermore, that it is not compromising or hindering through its action the efforts that other countries may make in the same direction while employing different means suitable to their own circumstances.

"It regrets that the International Monetary Fund, although approving certain important parts of the plan, did not consider itself able to accept it in entirety."

Fund's Opposition to Free Gold Markets

Mr. Mayer's proposal to permit the internal value of the French franc to sink to its natural level, through operation of a free market in gold, is, of course, in direct opposition to the policy enunciated by the International Monetary Fund. It will be recalled that last June Mr. Camille Gutt, the Fund's Managing Director, issued a statement strongly denouncing international transactions in gold at premiums above the dollar value fixed by the Fund, and called upon the member nations to strenuously suppress it by legal action. This move was backed up strongly by Secretary of the Treasury Snyder, who went a little further and condemned Canada for offering a bonus on gold domestically produced. But such manifestos will not wash back the ocean waves! As stated by Mr. Herbert Bratter in the "Chronicle" of Jan. 8:

"The fact that the par values of the currencies of Fund members must be expressed in gold gives a sometimes exaggerated importance to the many unofficial markets about the world where gold is traded in at a premium. Yet the precarious nature of the structure of currency parities which the Fund last year formally accepted cannot be wished away merely by saying that the volume of trading in black-market gold is very limited. Moreover, there has been evident in some Fund member countries a tendency to grope for loopholes in the Fund's articles of agreement as they apply to maintenance of parities."

Now let us look back at the causes of gold speculation which seems to have been ignored by pundits of the International Monetary Fund.

The back ground of present gold premiums is very simple! War, together with a paper money system, causes a loss of confidence in the stability of the national currency. Therefore, people who have the means, seek to transform their surplus holdings of currency or other property having a face value expressed in terms of the monetary unit, such as debt claims, leases, etc., into a commodity or commodities that are imperishable; that have relatively small size in relation to value, so as to be easily stored or transferred, and, above all, which are in universal demand. When confidence in currency stability is restored, the incentive to acquire gold or any other similar commodity for hoarding gradually ceases. The gold thus withdrawn from circulation or from monetary use is restored. Gold premiums, so-called, cease automatically.

In view of the large private gold hoardings in Europe, Asia, and elsewhere (impossible to estimate accurately), it may be expected that if the trading nations of the world again succeed in returning to a normal stable currency situation (whether through a universal gold standard or some other basis), the visible stock of gold will undergo considerable increase. This happened after World War I.

One purpose that a free market in gold would serve is the gradual restoration of greater equilibrium in the supplies of the metal throughout the world. It would undoubtedly lead to heavier purchases of foreign goods by U. S. importers, and would permit the few countries, such as Switzerland, which have surplus gold or hoarded dollars, to dispose of their holdings for greatly needed imports to a greater advantage.

The Basis of Currency Stabilization

But, notwithstanding the restrictions on gold trading and hoarding, and the adherance to "official parities" several European currencies are gradually tending toward total eclipse and the inhabitants are there grasping for gold. Throughout Central Europe, with the exception of Switzerland, there is no confidence in the domestic currencies and no official or fixed parity regulations can restore their use as exchange mediums or as standards of value. The primary cause of all this, of course, is government deficit spending, and, in this matter, the International Monetary Fund is helpless to act. Unless and until European governments live on their current revenues and cease covering operating deficits through additional printing of bank notes, currency stabilization is out of the question.

This fact has been recognized by the President's Committee on Foreign Aid, the Harriman Committee, which in its report stated:

"So long as a government continues to sell I.O.U.'s to central banks (a paper money printing process) to procure funds with which to finance its manifold requirements the instability of the nation's finances will throttle the spirit of enterprise and prevent the essential expansion of production. The great difficulties with which many countries are confronted must be recognized as well as the fact that an immediate balancing of budgets may be impracticable. It is insisted, however, that progress in this direction must be achieved in proportion to the expansion of production and real national income. The degree of progress attained must be a vital consideration in passing on continuing requests for aid.

"Fiscal solvency also bears directly on another policy enunciated at Paris—namely exchange stabilization. Inflation is bound to lead to the fall of the real external value of a nation's currency. Unless continuous depreciation of the official rate of exchange is contemplated there will be a consequent adverse effect on exports and a great stimulus to imports. It is always a nice question whether exchange stabilization should precede or follow recovery. Long experience in many countries, including Europe after the last war, has taught that exchange stabilization is usually the prior requirement. As in 1924 exchange stabilization should be regarded as a foundation stone on which to rebuild shattered economic structures. It follows that the internal depreciation of currencies must be checked."

Will a Universal Gold Standard Be Adopted?

The question now arises whether adoption of a gold standard throughout Europe is possible, since this would assure some stability in international exchange parities. It certainly is a consummation devoutly to be wished. The charter of the International Monetary Fund definitely implied that national currencies were to be linked to gold. The very fact that the Fund has been relatively dormant during more than two years after its establishment is an indication that, under present world-wide conditions, gold as a basis for currency in Europe is almost non-existent, and it is likely to remain thus for some time. Yet, despite this, gold as a means of making international payments has not been "dethroned," as the late Lord Keynes contended, and this is proven by the sale of gold in the United States recently in sizable amounts by the British and Canadian governments to meet adverse balances of payments.

Moreover, gold is still in supply in Europe and elsewhere. Though not in the central banks in sufficient amount, it is undoubtedly hoarded by individuals and business concerns. Some of this hoard is now in or is coming to the United States. When conditions are proper for currency stabilization, much of the hoarded gold will reappear as it did after the last war, and can form a "nest egg" for linking domestic currencies to gold. This does not necessarily mean the reestablishment of a gold coin standard, however. But it can mean that once the conditions are suitable, European domestic currencies can again be linked to gold, since no nation can long have its currency valued in gold abroad at a fixed rate and not have the same value applied to it in domestic dealings. France may attempt to do this, but there is little indication of success. As has been pointed out previously in these pages, it will lead to black markets in foreign exchange and chaotic conditions in international trade and banking transactions.

World Bank Bds. Made Legal Investments for Mass. Insurance Cos.

A bill has passed both Houses of the Massachusetts Legislature and now goes to the Governor for signature, making bonds of the International Bank for Reconstruction and Development legal investments for life insurance companies and all other domestic insurance companies within the State. International Bank bonds now are legal investments for Life Insurance companies in all North Eastern States except Vermont, which does not have a session of its Legislature scheduled this year. Eleven important life insurance companies having assets of more than $4.6 billion are domiciled in Massachusetts. Fraternal organizations featuring life insurance which have headquarters in Massachusetts and which also are covered by this legislation have assets of over $42,400,000.

John J. McCloy, President of the International Bank for Reconstruction and Development, when informed of the passage of this important Massachusetts legislation, said:

"We are glad that the Massachusetts legislature has approved the bill authorizing insurance companies in the State to purchase the bonds of the International Bank. The willingness of the Legislature to authorize insurance funds to be thus invested is most gratifying, particularly in the light of the traditionally conservative character of Massachusetts institutions."

Business Optimism—With a Weather Eye on the Telescope

(Continued from page 7)

higher costs at either manufacturing or distribution bases, it will be hard to envisage a decline in the price level. Here and there potshots are taken at inflation by consumer resistance. The entertainment industry, hotels, movies, restaurants, etc., reflect the fact that the working dollar is going into other channels; the veteran is shying away from spending $10,000 to $12,000 for a $6,000 house; Ma decides she will convert her old dress into the "New Look" rather than buy a fancy new outfit. These efforts at resistance are minor at present. They will become increasingly important if food prices continue high or go higher. 32% of net spendable income of the average American family in 1947, after income taxes, went for food—more than was spent for any other category of living expense. The price of food will, to a considerable degree, determine what part of the dollar may be spent for other things.

At this point, I would like to observe parenthetically that the rise in the price level has been contributed to gratuitously by certain manufacturers unwarrantedly hoisting prices—or joining the process for the fun of it. Others much more farsighted, like the General Electric Company, are devoting their thinking to lowering prices. The secret of success in this country has always been mass production at low prices.

As to the course our present inflation will run, that is anybody's guess, though I believe it will not progress much further—at least after the first months of this year. Inflation is economically and politically too disastrous. A look at what happened in Germany, Italy and France in the 20's is all we need to recall the danger. Our own inflation may be stopped in time by reasonable economic freedom and high production. If severe artificial price controls are introduced, black or gray markets will probably flourish. The difficulty in analyzing our economy at present is that there are two prospective counter-forces in operation. A government policy on the one hand seeking lower prices and a greater availability of goods; while on the other hand the export to Europe will tend to remove some goods from our economy and keep certain prices high. In other words, the patient is receiving a stimulant and a sedative at the same time.

Europe

This brings us to the European situation and the Marshall Plan. About the latter I wish to be brief as it is still in the formative stage and not too much is known about details. Incidentally may I remark that for our own political necessities as well as for humanitarian purposes, I think there is no other course to pursue. The cost is small compared with the cost of our recent war. Nevertheless the implications of the Marshall Plan as to our own economy are marked, and we shall have to adjust ourselves to it. The plan will exert a very material influence in sustaining high levels of industrial activities, employment and purchasing power. The impact, however, will not be in all respects beneficial as many of the individual items needed by the European nations are those in shortest supply here. Examples include grain, steel, steel scrap, rail equipment, farm machinery, fertilizer, mining machinery, fats and oils, lumber and heavy electrical equipment. Producers of these items are assured of high levels of demand, but may face the nuisances of priorities, allocations, and certain inventory controls. Should Western Europe become destitute or embrace a totalitarian form of government, the effect on our own economy will be most unfortunate. However, even though we are removed in distance from Europe, modern technology has virtually eliminated time and space and we cannot live in an insulated segment of the globe—not if we wish to sell insulated wire, a pun my children would call corny.

Our Business Prospects

Now to come from these general considerations to the position of business itself, the record of the past year and the prospects for this. Last year's dollar record—not unit—was remarkable. According to the Department of Commerce's preliminary survey of business in 1947, goods and services produced had a total value of $230 billions, exceeding the previous record year, 1945, by $17 billion. Our national income also set a new dollar (I emphasize the word) all-time high at $200 billion, exceeding by $6.3 billion the preceding record made in 1946. Let us leave generalities a moment and consider two specific companies, well-known to all—General Electric and Westinghouse Electric. General Electric's sales for 1947 have been estimated at $1.2 billion vs. $679 million in 1946, and President Wilson looks for a 20% gain in the new year. Current production is running 30% higher than a year ago. Backlogs of heavy equipment alone total about $750 million with deliveries extending through 1951. Westinghouse Electric's orders booked for the 12-month period through September 1947 were $860 million vs. $542 million a year before, and sales billed were $621 million vs. $339 million. The picture presented by these two giants is certainly very encouraging and should auger well for the future of your industry. The appliance business generally, as you know better than I, has been excellent and prospects seem roseate. The demand for semi-durable goods such as appliances seems unabated. In 1947 three million vacuum cleaner sets were made compared with 1.1 million in 1939; 3½ million new washing machines, more than double the 1.4 million produced in 1939; 3 million refrigerators were made, a trifle short of the 3½ million made in 1941; 17 million radio sets were produced compared with 10.5 million in 1939. The optimism for the appliance business is, to a degree, correlated to the construction industry. The need for construction itself is one of the extremely bright prospects in the general business picture—provided, of course, the industry does not price itself out of the market. According to the United States Department of Labor's Annual Forecast of construction activity, a continuation of the current upward trend is anticipated during 1948. The Department says that construction expenditures in 1948 are expected to total $15.2 billion as compared with the estimate of $12.7 billion for 1947, an increase of nearly 20%. In terms of physical volume, 1948 will probably be only 10% above 1947 in view of the expected further rise in costs. Practically every type of construction will share in the anticipated gain: residential, public construction, public utility, commercial and industrial. A joint study of the Department of Commerce and the Bureau of Labor Statistics envisages 950,000 home building projects in 1948 as against an estimated 860,000 in 1947 with total residential construction around $6 billion against $4.8 billion. The prospects for the automotive business need no comment—just try to buy a new car without a trade-in. Actually 5,050,000 autos and trucks were produced in 1947. In turn the farm machinery industry bids fair to continue high operations, especially with large agricultural income. Iron and steel are in short supply, as you all realize. Thus basic heavy industry, barring labor difficulties, seems likely to sustain a high level of operations. Employment as a result should continue high. A look at the construction program of the American Telephone & Telegraph Company is an indication that quantities of copper wire will be used. That selling will be competitive, there seems little doubt, but that the demand is there, I firmly believe.

The general factors that I mentioned, such as interest rates, lending policies of banks, capital position of corporations, the rate of inflation, the European situation and the general position of business should determine your ability to supply it.

In conclusion, let me say that I am optimistic for the industry but cannot ignore the fact that a weather eye to the telescope seems essential.

Foreign Policy Must Be Reversed!

(Continued from page 20)

carry this program through to its conclusion whether it took three or four years to do it. All the debate and confusion have convinced me this is the sound approach and I urge it again . . .

A Union of Europe

Then we need something very much more. If Europe is going to get back on its feet; if we are actually to build a permanent peace, we need a bolder and better plan than anyone in our Government has yet proposed. What is needed for Europe is unity. Let us squarely face one simple fact. So long as Europe is divided into more than a score of weak nations it will be a continuing invitation for any aggressor. Modern wars have all been waged by dictatorships against weak or divided nations. Aggressors do not attack nations they know are strong and united. Joined in a great federation, a free Europe can become a great bulwark for peace.

The 16 nations involved in the European recovery plan plus Western Germany have a population nearly twice that of the United States. Their peoples are highly developed. They are the very source of our Western civilization. They also have great material resources. The great lack is unity. The road to unity is long and difficult but by cooperation and coordinated effort Europe can start on that road now. Practically no European nation now dares accept the money of another for fear of instability or inflation. Stable currencies must be developed or there can be no exchange of goods and services. Just suppose we in America were 48 separate States with different languages, differing currencies and high tariff barriers between them. We would be very little better off than Europe is today. But in our magnificent Union we have achieved both spiritual and material blessings such as the world has never seen. We hold in our hands today the chance to spread those blessings to much of the world and to achieve world peace.

Moving toward unity the peoples of Europe can in the same way become spiritually and materially strong enough to assure their own freedom and prosperity. They can provide a new force in the world great enough to assure its peace for generations to come. I propose to you that, if the European Recovery Program is not to be another disastrous adventure, it must be used creatively for this great, permanent good.

Goals Are Clear

The goals are clear. The means are at hand. I am profoundly convinced that we can build peace and bring to an end the exhausting drain on our American resources.

How shall we go about it? The great purpose of European unity should be set forth specifically in the legislation now before the Congress. The amount of aid we give should then be specifically related to the progress made toward the goal of unity for free Europe, for only a Europe moving toward unity can achieve peace.

No one can say with accuracy how much money will be needed in the first 15 months, because no one can tell how rapidly production can be increased and no one can foretell the weather and its effect on crops. No one can foretell the intensity of the Soviet economic offensive to sabotage recovery. Many estimates have been made. We must create a sound organization with a genuinely great purpose. I would rather provide to such an organization the full sum which has been requested than limit it with an amount which might fail to do the job. Our aid should be given in proportion to European effort to achieve unity. The faster it progresses the sooner we will come to the end of our task. A real administrator will spend the money only as rapidly as he can see concrete results in getting Europe united and back on its feet at the lowest possible cost.

Meanwhile, careful estimates show that our prospective national income, carefully managed, will permit both the full European aid program and substantial reduction of our national debt as well as a warranted reduction of our own tax burden.

The essential of this great plan is creation, not conflict. It is goodwill toward all men, including the people of Russia.

Can it be said that Europe does not want unity? Mr. Churchill has spoken most eloquently for it on repeated occasions. Mr. Attlee has said "Europe must federate or perish." President Auriol of France has said "Europe must unite herself if she wishes to recover and live, and if she does not want American assistance to be a gesture without future or a humiliating charity." Foreign Minister Bevin has said "The time has come for a consolidation of Western Europe." Belgium, the Netherlands and Luxemburg, the three nations which have made the greatest postwar recovery, have already created a new unity among themselves known as BENELUX. Italy and France are working out a Customs Union. The movement is starting. Clearly now is the moment. Unless selfish nationalism is to be allowed to rise again the time for unity is now.

Cooperation of Europe First Objective

The first object is to create enough cooperation so that goods will be produced where they can be produced to greatest advantage and go freely to where they are most needed. National boundaries should no longer be economic barriers. Europe has great and varied products. Coal can come from the Ruhr and Great Britain; steel can come from these countries and from France and Belgium. There is lumber in Sweden. There are dairy products in Denmark and the Netherlands. Italy and France have great industrial and agricultural production. All of these products should move through a United European economy. A great area of consumers could exchange their skills and their products freely, for the first time in modern history.

In this way the markets would so multiply that great new capital expenditures would be warranted to develop mass production and mass consumption, accompanied by a rising standard of living and personal security.

There must also be a growth of political unity. This would not require the surrender of languages or traditions or control of internal affairs. The understanding might start from the model of our own Pan American defense agreement which is specifically permitted by the United Nations charter. Then it should move from an inclusive defense agreement to something progressively more binding. Western Europe so united for its own military defense and its own economic well-being means real peace. American foreign policy can and it must be directed to that goal.

I deeply believe that we can still repair the bungling of this Administration which has brought us to a condition where all people fear war. We can avoid the waste and incompetence which has accompanied the spending of more than $20 billion in foreign aid since the end of the war. We can, and I believe we must, launch a program for European unity which will bring about the greatest force for permanent peace in the world since the adoption of the Constitution of the United States.

As a nation we can surely unite to meet a challenge of this size. We shall have to put behind us the niggling arguments, the petty vindictiveness and the blunders of the past. We must put aside our fears, cherishing the highest faith in our own capacity, in our own ideals. We must reject the false counsels of those who would have us withdraw from the world and invite future catastrophe. We can move into an era where the spirit of freedom, of love of God and respect for the dignity of our fellowmen will animate mankind.

This was Lincoln's hope. He put it this way:

"Our great principle is that sentiment in the Declaration of Independence which gave liberty not alone to the people of this country but hope to the world for all future time."

Let us rededicate ourselves to that great American ideal as we use our strength for the steady improvement of the well-being of the American people and for the building of a just and lasting peace in the world.

Drastic Deflation: A Graver Danger Than Inflation

(Continued from first page)

lem and each country must put its own financial house in order.

In brief, our inflation problems consist of an abundance of money far in excess of our needs and a scarcity of goods. At first glance it might seem that the solution of the excess money problem would be simply to reduce the supply of money by the reverse process which created it. An analysis of the inflation and how the supply of excess money came about and who owns it, indicates that a reduction process is next to impossible. Because the inflation has now became interwoven into our whole economic fabric; it is a part of our wages, a part of our cost of living, a part of our bank deposits, it is included in our swollen debits and credits. Removing inflation by the process of deflation has always created hardships which seem to some worse than the hardships created by inflation. We have had many experiences both with inflation and deflation. All inflations have come to an end and deflations have followed. The depression conditions and losses resulting from deflations have caused hard times more dreaded and feared than inflation.

After the Civil War in 1865 we were faced with monetary inflation and depreciated money together with a national debt that seemed then excessive. The deflationary policies of reducing the green backs outstanding and returning to hard money were accompanied by unemployment and hard times. It is probably true that these misfortunes could have been partly avoided if the men in charge of Government monetary and treasury policies at that time could have foreseen the growth and expansion ahead. Now it seems that it would have been better to have increased production which was fully within our capacity and encouraged business to grow up to the excess supply of money purchasing power.

In more recent years we have had some experiences with inflation and Government deflation policies which have created a dread of deflation. In 1919-20 Government deflation policies were soon followed by a sharp decline in commodity prices and Government bond prices, a decrease in production and a large increase in unemployment.

In 1928-29 the Treasury and the Federal Reserve Board policies of restricting credit expansion were followed by the collapse in the stock market and a world-wide business depression generally regarded as second-to-none-other since the South Sea Bubble.

In 1937 the fear of over expansion of credit lead to efforts to restrict this expansion through the sale of Government bonds by the Federal Reserve Banks. In due course of time the sharpest and most severe collapse of security and commodity prices in modern times followed, with a depression that might have had a much longer duration if the war preparations of European countries had not bolstered our prices and production.

Now inflation has reached a new all-time record high. The volume of money and bank deposits, production, employment and high prices exceed all previous records. We know we have inflation. The multiplication of our monetary purchasing power by more than 500% since 1940 with an increase of about 100% in our total production is enough evidence, if the high prices in themselves were not sufficient, to prove to us that we have a dangerous inflation. A temporary collapse of some commodity prices is no sign that inflation is over.

Moreover, a large part of this inflation has now been integrated into our economic system. It is now entwined with our very production costs, income, and expense. Even the Government's large tax take would not be possible without this inflation. The authorities are becoming a little alarmed about it. Steps have been taken to restrain the effects of this inflation. Interest rates have been permitted to rise frantically. The Reserve Banks have increased the rediscount rates to 1¼%. The reserve requirements of the Central Reserve City Banks of New York and Chicago have been increased. The banks have been requested to restrain loans, and it is proposed that consumer credit controls be re-established. The Administration has recommended a 10-point program for inflation controls. Congress has passed a four-point program of credit control and urged the Administration to use the inflation control powers it already has.

The Inflation Controls and What They May Do

The Administration's program of controls were almost entirely recommendations for controlling the symptoms or consequences of the deep-seated inflation we already have. The inflation bill as passed can be administered so as to restrain somewhat further inflationary expansion. The action of the banks in raising rates and increasing reserve requirements will bring about some restraints on further inflationary expansion and create considerable deflation, already noticeable in the price of bonds and preferred stock, and the declining market for new capital issues.

How far this deflation may go and whether it can be held within bounds, are questions uppermost in the minds of leading business and financial executives. It is not a new experiment. In the past, however, deflations have gone much further than expected or desired. Stopping an inflation seems quite possible even after it has grown to the dimensions of our prescent inflation. But stopping a deflation is something of which we have no record of success. Deflation spreads more rapidly than inflation. Once the fear of deflation and the fact of declining prices get under way, the process snowballs. Business failures increase. Each new series of failures carries down with it or weakens the contributors to these businesses and the multiplication of failures follow failures until liquidation runs its course. Depressing inflation is somewhat like rolling back prices. Every price and every business is associated with a vast variety of contributing costs and businesses. A roll back upsets the contributing producers. Each of these contributors' prices or products in turn have their bundles of contributors which suffer as a consequence of the failure of their business outlets.

It would certainly be undesirable to let the present inflation run its course and carry prices and costs to new unknown heights. It is also undesirable to bring on a deflation with its destructive consequences and the years of depression and reconstruction that would necessarily follow.

To admonish people to be thrifty, buy less, invest in Government bonds and hold down prices has very little promise of success. There would be hopes, however, in encouraging new capital expansion, ventures into new fields of production, foreign investments, longer hours and increased production, the payment of debts and building up the reserves of individuals and businesses for the inevitable rainy days that may be ahead. But to restrain our vast inflation from a further distortion of costs and prices and to encourage the sound policies necessary to enable the country to grow up and absorb this inflation and keep the reserves for a rainy day will require more aggressive leadership on the part of both the Government and business. Government spending is the largest contributor to our unhealthy inflation. The Government can curb its spending and should cut its spending to the bone in order to discourage further inflation. Government regulations and red tape that hold back production and business enterprise should be speedily corrected to give every encouragement to production, enterprise and thrift. The solvents of free markets, free competition, freedom of enterprise, and investment should be given all their power to help us grow in our domestic and international affairs until we absorb that part of the inflation which can not be removed without deflation. It is not intended by these remarks to say that there is nothing that can be done. There is plenty than can be done. For example, the $80 billion worth of Government bonds held by banks against deposits should be refinanced into the hands of private investors. Interest rates should be free and competitive. The management of the Government debt should be so revised that the declining prices of Government bonds will not be a threat to the money and capital markets. Taxes and tariffs should be reduced. Foreign countries seeking our aid in reconstruction should be encouraged to appeal to private investors in this country and create an economic environment which will encourage private investors to risk their savings in the enterprises of these countries.

N. Y. Curb Floor Clerks Form New Association

Formation of the New York Curb Exchange Floor Clerks Association has been announced following an organization meeting and election of officers held at the exchange.

Daniel Hannafin of Joseph McManus & Co. was elected the first president of the organization, with Jack Negri of Herbert E. Stern & Co. as vice president. Other officers named are August Fischer of Tucker, Anthony & Co., treasurer; Howard Schaal of Clark, Dodge & Co., financial secretary; Eugene Ross of R. F. Lafferty & Co., recording secretary; Rocco Dragonette of Hardy & Co., corresponding secretary; James Claire of Goodbody & Co., sergeant-at-arms; and Peter Palermo of Peter P. McDermott & Co., assistant sergeant-at-arms.

Governors of the new group include in addition to the officers George Hoff of Carl M. Loeb, Rhoades & Co.; James Karle of Merrill Lynch, Pierce, Fenner & Beane; William Gerhard of Laird, Bissell & Meeds; William Mirabella of Francis I. duPont & Co.; Michael Petruzzi of Smith, Barney & Co.; Louis Arnold of Brickman, Landsberg & Co.; and Peter Barbis.

About 150 charter members have joined the association, which is comprised of order clerks representing member firms on the Curb Exchange trading floor, specialists' clerks on the floor, and clerks in member firm offices who are authorized to relieve Curb floor clerks. Purpose of the organization is to promote good will and a spirit of cooperation among member firm floor clerks and specialists' clerks.

"Pulling the Wool ..."

(Continued from page 3)

industry? In unadulterated fact, didn't the basic impetus for the rule come from the Commission itself?

Isn't it true, as we have frequently demonstrated, that by reason of fear of reprisals the existence of the SEC acts as a gag upon the industry?

Over the years we have received an impressive number of letters criticizing the Commission's activities, thousands of them, and with surprising uniformity, a very large percentage of these have asked that they be treated confidentially and a great many of them have given as a reason for this request, the fear of reprisals.

Why doesn't the Commission tell the Congress who it considers to be the representatives of the securities industry that persuaded the Commission not to accord confidential treatment to financial statements filed under Rule X-17 A-5?

Isn't it a fact that in the first instance this was the Commission's own baby?

We quote further from Mr. McConnaughey's letter:

"I believe brokers and dealers generally concede that rules of regulatory bodies requiring them to file financial reports are within the proper scope of governmental regulation of their business. We have never received any protest against the filing requirements as such. Obviously, the reports are an important aid to enforcement of the Act."

That this is Mr. McConnaughey's belief we do not doubt. However, we dispute his contention relating to the aid to enforcement.

As to protests, we are not at all surprised. The fear of reprisals prevents these. The stock phrase of dealers and brokers seems to be "Why should I stick my neck out?"

Emphasis is laid by the Commission on the right of the investing public to obtain financial reports showing the condition of the firms with which it deals. We have no quarrel with that point of view. Here, however, the distinction comes in between **volition** on the one hand and **peremptory direction** on the other.

Compelling the filing of annual financial reports by registered dealers and brokers is a burden upon business. The failure to accord those reports confidential treatment is, in our opinion, an abuse of the administrative function.

As in all other business, of course, it is proper for an investor to ask his dealer or broker for a financial statement. He may draw down a Proudfoot report, or a Dun & Bradstreet report, or the report of some other agency.

If the broker or dealer refuses to furnish the information to the investor, the latter can be guided accordingly.

That the pertinent rule of the Commission can be used by a financial magazine as the means of stimulating its circulation is insupportable.

The furore created by the protest against the failure of the Commission to give this confidential treatment of which we speak, has apparently stirred it to reluctant action. We quote again from Mr. McConnaughey's letter.

"We are, however, undertaking a study of the experience under the rule, to ascertain the extent to which the public record of this information has been used, and useful, as a protection to public investors. On the basis of that study we hope to be able to reappraise the question whether the possible use of the information by the listed brokers' competitors in seeking business is sufficiently antagonistic to the public interest to offset whatever advantage the public availability of these financial statements may have to the public generally, and particularly to investors who, apparently everyone agrees, are entitled to know the condition of their brokers."

Yes, entitled to know by volition and not by force or duress.

It is time to stop all this nonsense. It is high time for the Commission to cease hiding behind the term "public interest" as an alleged excuse for everything that it does.

A rule that works to the detriment of the small dealers and brokers in securities and favors the wealthier ones is in the public interest and cannot in the long run do other than hurt the cause of capitalism. No one knows this better than the left-wingers in the SEC who have no use for capitalism. True public interest requires a square deal all around, and that square deal cries for the immediate passage by the SEC of a rule which will give confidential treatment to annual financial reports filed by registered dealers and brokers.

Our Fiscal Policy

(Continued from page 4)

effort toward the objective of a better balanced economy.

Goal of Arresting Inflationary Pressures

We have been working earnestly toward the goal of arresting inflationary pressures. Whether the peak of these pressures has been reached remains to be seen. A careful balance between restraint and encouragement should be maintained. This Administration believes that government controls should be restricted to the minimum essential to the full operation of our free enterprise system. The job can best be done, and more quickly, if government, business, and the public together exercise commonsense restraints. A government surplus of receipts over expenditures is our most effective weapon in controlling the aggregate volume of purchasing power. Government surplus represents money which is taken from the spending stream by taxes and is not returned to it by government expenditures. A surplus of receipts over expenditures has been one of the strong anti-inflationary forces operating in the economy during the present year.

When the proceeds of a government surplus are used to retire debt held by the banking system, two objectives are accomplished. The current spending stream is cut down and the money supply curtailed. It has consequently been the Treasury policy to reduce as much as possible the amount of debt held by the commercial banks.

Public Debt Management

The problems of debt management, however, are much more intricate than merely using revenue surplus to pay off the debt. Differentiations of debt ownership, for instance, have a widespread effect upon our economy. Practical management is therefore essential in debt retirement, in the reissuing of debt maturities, and in distribution of debt holdings.

Ownership of the debt, broadly speaking, is divided three ways. About one-fourth is owned by individuals. About three-eighths is owned by other nonbank investors, including such groups as insurance companies, non-financial corporations and associations. The remaining three-eighths is owned by commercial banks and the Federal Reserve Banks.

The public debt reached a peak of $280 billion in February, 1946. Since then, it has been reduced by over $25 billion. Most of this reduction was effected by drawing down the Treasury cash balance from a wartime to a peacetime level. We have only just begun to make sizable reductions from the revenue surplus. During the period since the peak of the debt, total holdings of government securities by commercial and Federal Reserve Banks have been reduced by $27 billion.

In order to reduce bank holdings of government securities by $27 billion during the period in which the total debt decrease was $25 billion, it was necessary to increase the government security holdings of nonbank investors. The sale of savings bonds has been an important factor in making this shift possible. We expect to push the sale of savings bonds even harder in the period ahead. These, like other forms of savings, are a means of taking money from the spending stream, and so of cutting down inflationary pressures.

In the management of the debt, it is always an attractive temptation to postpone debt reduction. Tax reduction has a strong immediate appeal. But because of the far-reaching effect upon our national economy, I cannot conceive of any considerations under present conditions that could justify a tax policy or program failing to balance the budget in the fiscal year 1949 and making necessary provision for adequate retirement of the public debt. We are in the midst of the transitional period between a war and a peace economy. The high cost of government today results in the main from our war and postwar commitments.

Question of Tax Reductions

In view of present world distress, we, of all nations, should not and cannot reduce our revenues to a point which would make it impossible for us to meet the financial, economic and moral obligations of the people of this country.

The proposed Budget of the United States for the fiscal year ending June 30, 1949, calls for total expenditures of $39.7 billion. This is a tremendous outlay, but I doubt seriously, considering final net expenditures, that it will be reduced significantly at this time. Of the total amount of the proposed budget, 79% is directly related to the costs of war, the effects of war and our efforts to prevent a future war.

The estimate for national defense alone is $11 billion. This one figure amounts to 28% of the 1949 budget. Provision for veteran services and benefits amounts to $6.1 billion, or 15% of the total. $7 billion, or 18% of the budget, is estimated to be needed for international finance. Interest on the public debt amounts to $5.3 billion. This fixed charge, totalling 13%, is an inflexible item. Nearly $2 billion is provided to cover refunds of receipts, a figure which represents an estimate of the overpayment of taxes and duties which the government must repay.

So, the foregoing programs make up nearly four-fifths of the 1949 expenditure estimate.

In analyzing the government's peacetime operations, we find that 12%, or $5.0 billion of the budget covers such items as flood control, reclamation, and other public works items, agricultural programs and state aid, that is, public assistance and highways. It is doubtful that these items will be materially cut this year. This leaves, then, 9%, or $3.3 billion in the budget to cover all the running expenses of the Government: the Executive Office, the Congress, the State, Treasury, Justice, Post Office, Interior, Agriculture, Commerce, Labor, Atomic Energy Commission and the various other agencies. To cut large sums out of this group would be a difficult undertaking.

Opposed to Hasty Tax Reductions

I am firmly opposed to a hasty tax reduction which would lower our present revenue level before we have determined what our total outlay of expenditures is to be for the fiscal year 1949 and before a complete and proper survey of revision of our entire tax structure is undertaken. For many years, taxes have been adjusted piecemeal to meet urgent requirements. The depression years, followed by preparations for defense, and later by the war itself, called for continually increased sources of revenue. Our first step in changing our tax structure should be to iron out these inequities. The Treasury Department began to lay plans for the revision of the tax structure even before the conclusion of the war. It has already placed before Congressional committees fifteen tax studies.

I should like to mention here, some of those areas in which revision appears to be particularly desirable in the interest of basic economic goals.

The excise tax structure was rapidly expanded during the war, and some undesirable features crept into it. There is need to revise some of these excises, especially those which bear heavily on business costs or tend to fall with disproportionate weight on low income groups in the process of shifting through consumer prices.

The tendency of more and more states to adopt community-property laws for the purpose of giving tax benefits to their residents has high-lighted the need for uniform taxation of family incomes in all the states.

In the field of business taxation, the so-called double taxation of dividends requires attention. We should also explore fully the potentialities of the tax system to foster the growth of small business. It would further seem desirable that more liberal provision should be made for the offset of business losses incurred in off years against the profits realized in prosperous years. The role of Federal estate and gift taxes has to be strengthened. A better integration of the estate with the gift tax, and of both with the income tax, will contribute to this end.

Several phases of the tax structure involve problems of Federal-State tax coordination. Postwar tax revision can make an important contribution to inter-governmental fiscal integration.

There is need also for a large number of technical adjustments in the present law which would contribute to better relations between the taxpayer and the government, improve tax equity, promote simplicity of reporting for the taxpayer, and simplify tax administration.

Tax Revisions Will Involve Revenue Loss

It is most important that we create a well-balanced and fair tax system. However, we must keep in mind that most revisions necessary to put the tax structure on a sound and fair basis will involve loss of revenue. Therefore, wise judgment again counsels against hasty dissipation of our margin of surplus through general tax reduction. If we exhaust our revenue reserves prematurely, we may deny ourselves the opportunity to make tax revisions necessary to the economy.

Since our overall fiscal policies will essentially affect the expansion and competitive vitality of our free society, these policies definitely must be predicated on the permanent national interest and not on immediate advantages or individual wishes.

American free enterprise is the first consideration. But the horizons are far broader. Today, the entire world looks to the United States to determine whether or not our free society is capable of resolving its fundamental problems by overcoming forces that endanger our economic structure. Our success in these efforts should demonstrate that the most effective economic system to assure the welfare and happiness of man is found in a free, competitive economy.

Taxes on Foreign Investments

On Feb. 16, subsequent to the foregoing address, Secretary Snyder, speaking at the Chicago World Trade Conference on "World Trade—A Necessary Component of Our Economy," reiterated his objections to reduced government revenues and, at the same time, revealed that the Treasury Department was making a study of tax treatment of Americans doing business abroad. In this connection, Secretary Snyder stated:

We are in the midst of the transitional period between a war and a peace economy. The high cost of government today results from our war and postwar commitments. In view of existing world-wide conditions, we must not reduce our revenues to a point which would make it impossible for us to meet the financial, economic and moral obligations of the people of this country.

I cannot conceive of any considerations under existing conditions that would justify a tax policy or program that would fail to balance the budget in the fiscal year 1949 and also make provision for adequate retirement of the public debt.

It will take the cooperation and the forbearance of all our people and all elements of our national life to meet the challenge of maintaining our obligations while striving always to reduce as rapidly as is prudent the total cost of operating our government.

In the light of the position of the United States in world trade and economic recovery, the Treasury Department has undertaken, among other studies, to reexamine the tax treatment of Americans doing business abroad.

Taxes affect the willingness of investors to send their capital abroad in pursuit of new ventures or the development of old ones.

The policy of the United States at this time is to make no special tax concessions to American citizens and corporations who go into foreign markets. There have been some departures from this policy when special circumstances required it. In general, however, the effect of our laws has been to make Americans engaging in business abroad stand on their own feet and to rely upon American industrial techniques and business acumen to meet competition.

One of the most persistent criticisms of this policy is that it places Americans at a disadvantage in competing with nationals of other countries.

There is no doubt that if we accorded special tax treatment to American income derived from a trade or business in foreign countries, the flow of private American investment funds into foreign markets would be encouraged. It would assist in the development of backward areas, in the economic rehabilitation of war-torn countries, and might reduce the volume of inter-governmental loans and assistance.

Consideration must be given, however, to the extent to which preferential tax treatment might weaken the structure and strength of our income taxes when our entire tax system is becoming increasingly reliant on the income tax as its principal component. Past experience indicates, too, that preferential tax treatment is an inefficient technique. Subsidies are generally more effective when they are direct and specific and not disguised in the form of tax exemption or tax reduction.

Though taxation of income derived from foreign sources is considered too harsh by some Americans, it has the virtue of preventing the charge being made against the United States Government that it subsidizes our citizens to compete with nationals of other countries in their own home markets. Particularly because of our leadership in world trade and the world economy, and the importance of our role in stimulating world rehabilitation, we must exercise extreme care not to give the false impression of striving for foreign economic penetration and domination.

As on every tax issue, the problem of taxing Americans doing business abroad involves the balancing of a number of considerations, and this is not a matter easy to resolve. But, let me repeat, we are making a special and careful study of this important problem. By analyzing the available facts and the relevant considerations, a creditable and satisfactory solution to the problem should be developed.

Observations

(Continued from page 5)

popular psychology were such that it promoted confidence in a permanently higher plateau of industrial activity, there would be no qualms voiced over the accompanying expansion of corporate balance sheets. For the general situation is largely that the big dollar additions to working capital of recent years are inadequate to maintain former degrees of liquidity because of the increase in business volume which has naturally necessitated greatly-expanded receivables and inventories—realization of which is being shown by the market's present steadiness.

Much pessimistic comment has been made because of the failure of unit sales to keep pace with the enormous six-year increase in dollar volume, in retail distribution. While this indicates that the absorption of actual goods is not as great as might seem at first sight; the other, and healthy, side of this medal is that the "inventory" of the consumer is thereby really sounder and less over-expanded than might otherwise have been the case.

In the recent relative steadiness of public utility shares the market again has wisely noted the beneficial effects of lower costs on this industry. Lower prices would also create some savings in the utilities' $6 billion construction program, and a recession would provide a cut-back of this burden.

Long-Term Selectivity

And in giving the stock market credit for intelligence, we must note its over-all long-term discrimination and selectivity. Between 1929 and 1947 the Dow-Jones average fell 51%, but no less than 140 individual stocks rose above their 1929 highs last year.

* * *

Does all this indicate that the intelligent investor is finally displacing the speculator in the market's saddle?

Three With State Bond & Mortgage

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, MINN.—Arden O. Hinderscher, Percy L. Morsted, and J. MacNeil Nash have become associated with the State Bond & Mortgage Co., 26½ North Minnesota Street.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Shearson, Hammill & Co., 208 "South La Salle Street, have added Fredric R. Clark, Jr. to their staff.

Curran With Denault & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—George A. Curran has become affiliated with Denault & Co., Russ Building. In the past he was with Conrad Bruce & Co. and Bancamerica Co.

With Hulburd Warren

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Stanley J. Weiler has been added to the staff of Hulburd, Warren & Chandler, 208 South La Salle Street, members of the New York and Chicago Stock Exchanges.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Retain positions, but don't forget stops. Further advance anticipated.

* * *

This isn't going to be much of a column for reading matter. There are too many other things happening around me — things having nothing to do with the stock market — for me to waste a lot of words on action and counteraction. If you're interested in what these things are, they're quite simple. I'm in the hot sun in Florida getting some of that chill out of my bones. Okay, now to get back to the market.

* * *

When I gave you a list of stocks, the prices at which they were to be bought were quite a number of points away. Readers must have realized that while I was bullish, the buying points at which this belief was to be translated into action called for a decline. The decline came and stocks sold down into the buying zone. So, as this is being written, readers are long a baker's dozen of stocks. Practically all of them are already in the black column, even if the profits are nothing to write home about.

* * *

How far up stocks are likely to go isn't important at this time. In fact unless you're thinking of getting out, the question of how far up is at best a debatable subject. The important question is will they go down from here and how far. If I had the time, the inclination and the patience I might give over a couple of paragraphs on the subject. But having neither the inclination or the patience we'll simply have to stick to the market action and let the academic stuff go for some other time. (See, I warned you there would be little in this column!)

* * *

On individual stocks you are now theoretically holding, I think they'll advance another two-three points before selling of any importance will come in. Should they go higher than that the chances are that the market will be off on a real move. Some of the recent buying was for short account. I don't believe, however, that it accounted for more than a small fraction of the move. But the market is in such a condition today that almost any concentrated buying or selling is enough to set the wheels in motion.

* * *

Up to this writing I see little to indicate anything but a retention of all positions. These are:

	Bought—	Stop
Amer. Brake Shoe	38 -39	37
Amer. Chain	19½-20½	18
Anaconda	31½-32½	29
Avco	4 - 4½	3½
Bethlehem Steel	30 -31	28
Boeing	21 -22	20
Briggs	29 -30	28
Caterpillar Tractor	54 -55	53
Consol Vultee	12 -13	11
Douglas	50 -52	48
Dresser Industries	21 -22	20
Lockheed	13 -14	12
G. L. Martin	15 -16	12
United Aircraft	23 -24	22

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.*]

With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—E. F. Hutton & Co., 623 South Spring Street, have added James M. O'Brien to their staff.

With Holley, Dayton & Gernon

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS — Stanley W. Scharling is with Holley, Dayton & Gernon, Rand Tower.

With Keenan & Clarey, Inc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS — Robert C. Dummer is now with Keenan & Clarey, Inc., National Building. He was formerly with the State Bank of New Ulm, Minn.

Morton Seidel Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Dr. Eli Goulden has been added to the staff of Morton Seidel & Co., 458 South Spring Street.

Business Man's Bookshelf

Basic Yields of Bonds 1926-1947: Their Measurement and Pattern—David Durand and Willis J. Winn—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—75¢.

East and West—Facts from Behind the Iron Curtain—Technique of Economic Sovietisation—Endel Kareda — Northern Publications, 29 Ashburn Place, London, S.W. 7, England or Lithuanian American Information Center, 233 Broadway, New York 7, N. Y.—4 shillings net (80¢).

Federal Reserve System, The—Its Purposes and Functions—Board of Governors of the Federal Reserve System, Washington 25, D. C.—fabrikoid.

Outlook for Construction Industry

(Continued from page 9)

ized by energy, resourcefulness and invention, by diversity and flexibility comparable with those qualities as they exist in our economy as a whole.

Among the things the construction industry has produced for the American people are the finest national highway system in all history, the best schools, hospitals and institutional buildings in the world. In spite of all the hullabaloo about housing, the family of average income is better housed, in better neighborhoods and with more comforts and conveniences than is its counterpart in any other country.

American Construction Industry a World Model

During these recent years, while our construction industry was being stigmatized as backward and incompetent by our own theorists, uplifters and magazine writers, the rest of the world has been coming to us in order to learn all it could about our construction know-how and how to get their own methods up to date. During the war such countries as Great Britain, Russia and France sent official commissions of architects, engineers and builders to this country to find out how our construction industry functions. At this present time, American builders, American building techniques and American building products are in demand all over the world.

The most frequent criticsm of the American construction industry is that it is not like the automotive industry. I contend that it couldn't possibly be like the automotive industry if it is to do the many and varied things it is called upon to do.

The automotive industry makes motor vehicles, principally passenger cars, trucks and trailers.

But what does the construction industry make? It makes the parts factories and the assembling plants where the automobiles are made. It builds the sales-rooms the service stations, the public and private garages. It builds the hard-surfaced highways, the scenic parkways, and the bridges over which the automobiles travel. It makes these and many other things. It builds passenger and freight terminals and airports. It builds hotels and apartment buildings and houses. It lays down water mains and sewers. In nearly every one of these many categories each structure is designed to meet some special set of needs and custom tailored to fit a particular site. This industry is called upon to create facilities for production, transportation, commerce, education, recreation and the 24-hour-a-day living requirements of 140 million people, whose demands are greater and whose standards are higher than those of any other country.

In spite of all its achievements, our private enterprise economy is not without faults or shortcomings. It operates on a trial and error basis; it is a continuous experiment. The same is true of the construction industry, whose faults are fairly obvious and widely publicized.

Construction Abuses

Those abuses which are most widely criticized are only partly of the industry's making. This industry is the servant of the American economy, not its boss. It is obliged to operate under conditions, which are frequently imposed by law and which are frequently unduly restrictive. It is sufficient to mention the immunities of labor unions from anti-trust prosecution, licensing laws and laws restricting or regulating bidding practices, and local bidding practices. In addition to these outmoded laws are some restrictive trade practices that limit competition and block progress; they have their counterparts in other sectors of the economy.

The construction industry has been criticized for being slower in applying its modern assembly-line know-how to erection of single-family houses than to other building and engineering structures. There were some good reasons for this. In the first place, modern building design and modern construction methods stemmed from the development of steel and reinforced concrete construction and invention of the safety elevator. These innovations had no ready application to small buildings. In the second place, widespread opportunities for large-scale small-house developments came with the recent great movement of population to urban centers and the growth of urban into metropolitan communities.

The housing market is not national; it consists of a large number of local markets. Today in a number of local markets large enough to sustain very large small-house operations, progressive homebuilders are using all the most advanced construction techniques, including the setting up of plants for prefabrication at the site. In such operations large-scale production of building sites and large-scale erection of houses go together, under a single management which can sell the complete product ready for use. It is my belief that this is the practical development of prefabrication; it is succeeding today, when factory production of packaged houses even with government subsidies, is limping along at a very unsatisfactory rate.

Partly as a result of the development of huge metropolitan markets for houses, partly from the home-financing reforms of the 1930's, partly from the large-scale war housing projects there has been developed in this country a full-fledged home-building industry, which will soon match the competence and the techniques of the master builders of large structures. Even during the current inflation period a number of these home-builders have made notable progress in cutting the cost of houses. The real progress will come after prices and wages are stabilized, after the government stops inflating housing demand, after real competition is restored.

Progress in Reducing Housing Costs

Even when the home builders have made further substantial progress in reducing housing costs, which I am confident they will do, they will probably not be able to build new houses for families in the lowest income groups. They will not be able to sell their product below cost any more than any other men in private business can; they should not be expected to. If the price of a new six-room house were cut to half of today's price, there would be some families who could not afford to buy them. The problem of families of low income is not a housing problem, but a poverty problem, to be treated as relief. Furthermore the notion that all the people who cannot meet their own housing costs are entitled to new housing at public expense when the vast majority of self-supporting families occupy used housing accommodations is a rather queer one.

Solving the problem of poverty is one of the things the construction industry cannot do. Another thing it cannot do is to regulate the American economy. This is not a push-button economy; it is not an assembly line with a hopper at one end into which investment money is poured to be automatically processed into prosperity. If it were it would be the ideal setup for government planners. Being diverse and flexible it is always possible for many things to happen.

In terms of the volume of business transactions it generates and the number of people it employs, the construction industry is important, but it is only one of a number of important activities. Its well-being is definitely dependent upon the well-being of the whole economy and is interrelated with all other kinds of business activity. The unique significance of new construction activity is that it measures the extent to which the economy and the people are creating new facilities; it is a physical and tangible expression of their faith in an expanding future.

In 1947 total new construction in the United States amounted, according to Commerce Department estimates, to $12,878,000,000. This was about 5½% of the gross national product. Private construction, amounting to an estimated $9,878,000,000, represented just under a third of total private investment; public construction was an estimated $3 billion in a $28 billion total of governmental purchases of goods and services. New construction directly employed 2.9% of the total civilian labor force. Probably 7 to 7½% of the total civilian labor force were employed in new construction, repairs and maintenance and production and distribution of materials and equipment. Construction contributes heavily to business and employment volume. Its activity is a measure of economic health and prosperity. But it takes a forward surge of all our important economic activities to generate national prosperity.

Headed for Great Economic Expansion

I am firmly convinced that this country is headed in the direction of great economic expansion, perhaps greater than this or any other country has ever known. That will mean larger construction volume than we ever had before. When I speak of economic expansion I mean something that goes measurably beyond a mere catching up with deferred demands; even that will probably take another couple of years.

I do not share the fear held by some people that there must be a depression after deferred demands have been taken care of. It didn't happen that way after World War I. Deferred construction demands were met by the end of 1924; instead of a depression, the succeeding five years had the largest construction volume and the greatest industrial prosperity the country had ever known. It was the era characterized principally by great expansion of the automotive industry and the many industries allied to it.

The expansion we have reason to expect is probable, not certain. This year 1948 is the critical year; decisions made this year will vitally affect the future trends of the economy, the immediate trends and the long-range trends.

Our present industrial and business prosperity and our present rising construction trend are in part soundly based upon production to meet legitimate needs. But many current activities are over-stimulated by monetary and price inflation. Our present prosperity is unstable because too many things are out of balance.

In the present picture there is too much government spending, too much taxation of the wrong kind, too much inflation of housing demand, too much wage boosting without corresponding increase in production, too much speculation in commodities like construction materials and fuel and automobiles, too much reliance on government for things the people should do for themselves, too much reliance upon the federal government for public services that properly belong to the states and the local governments.

We have too little productivity per man hour of labor, too little competition (which means too little incentive to cost reduction), too little patience on the part of a buying public unwilling to wait until shortages are caught up with, too little incentive to long-term investment, too little risk capital, too little faith in ourselves and our capacity to lick our problems with horse sense and hard work.

Imbalances Must Be Corrected

These imbalances must be corrected and monetary and price inflation must be checked. The sooner these things happen the better. A recession in business and construction activity this year, accompanying a stabilization of commodity prices and construction costs, could probably restore an adequate balance with only moderate declines in industrial production, construction contract volume and employment. Continuation of the present boom through the entire year 1948 would quite possibly make necessary a much more drastic correction in 1949. Recent trends in commodity markets and recent price reductions in certain lines of consumer goods may be signals that the turn in price trends is not far off.

Estimates 7% Increase in Building

Anticipating the possibility of such a downturn some time this year, F. W. Dodge Corp. has estimated the moderate increase of 7% in dollar volume of building and engineering contracts, as compared with 1947. Contract volume is likely to run very heavy through the first quarter, possibly into the second quarter. A moderate downturn around midyear seems likely. Construction activity based on current contract volume is supplemented by a very large volume of continuing work carried over for completion from 1947 starts. Within the moderate over-all increase in contract volume that we anticipate, we anticipate moderate increases for the calendar year for all important classes of construction except manufacturing buildings; for that classification we expect a moderate decline this year.

Just as critical for future construction volume as the 1948 economic trends will be the political decisions made this year—the decisions that will be made by the 80th Congress and the decisions that will be made by the voters in November.

Will federal taxes be reduced? Will they be reduced in such ways as to restore inducements to long-term investment? Will government spending be reduced? Will Congress say thumbs down on proposed social welfare programs that are properly within the sphere of state and local responsibility? Will Congress sort out of the 30 or more housing bills that have been introduced and enact only such measures as neither unduly inflate housing demand nor unduly hamstring the construction industry? Will any one of the three leading Republican candidates, all of whom appear to have adopted one or another of the panacea programs offered by the uplifters, manage to make a sound and realistic appraisal of the construction industry and its potentialities?

In 1946, we had what was called the Veteran's Emergency Housing Program, which put the construction industry under tight governmental control. It was a program devised by people in OPA. It failed in its avowed object of getting houses built quickly and cheaply; it failed in its unannounced purpose of maintaining controls over the free enterprise economy. Are we going to permit that sort of thing to be done again? I assure you that nationalization of housing is the entering wedge for nationalization of industry generally. I urge you as businessmen interested in the survival of free enterprise to scan every proposal for housing legislation with the utmost care.

The American construction industry serves the whole economy and serves it well. It is a creator of economic wealth and a barometer of economic health. As long as there is freedom, as long as there is capacity to expand the economy, as long as there is the urge to further raise by sound means the living and community standards of our people, as long as there are adequate incentives to initiative and long-term investment, there will be large volumes of construction activity and progress in construction design, construction methods, construction materials and construction equipment. There may be some interruptions to the forward movement; progress and expansion do not go forward with uniform acceleration.

The outlook for the construction industry is the outlook for the United States and its private-enterprise society. Construction is not the whole show, but it is a uniquely important member of the private-enterprise team. It will be there pitching until the American people decide to change permanently the rules of the game or decide that the game is over. I hope neither of these things will happen.

Commodities Peak Reached But Capital Marts in Danger: Boylan

(Continued from page 6)

cial risks, and their rewards, in terms of profits, are not large. They have no advantages over the public in their activities.

Speculation a Progressive Force

If you will bear with me, I should like to discuss another highly important factor in our economic life. There has been, particularly over the last 15 years, a deliberate effort to discredit the whole process of speculation. Now, the people who attempt to undermine the business of speculation are either uninformed or they are purposeful enemies of our American way of life. As you all know, it was speculation which made this nation what it is today. It will be speculation which will make it what it is to be in the future. I stress this fact because it is vital. We shall, of course, need to keep in effect measures to prevent abuses. I frankly believe that we have gone possibly too far in the way of restrictions, and this situation needs to be corrected.

We cannot live as a free nation without speculation. That point is overlooked by a great many of our political figures, including some in the highest places. Speculation enters into all of our activities in this country. You cannot look out from your offices without seeing speculation going on all around you. It is the essence of our American way of life. Every element of your business operations here in Atlanta depends upon speculation. These are, of course, not new thoughts to an informed body of people. I am giving emphasis to them for the reason that so many people today are forgetting the conditions and the forces under which we live and progress.

We cannot lose sight of the fact that it was the expansion, through the use of risk capital, that gave us those enterprises, without which we could not have won this last war. General Motors, the A. O. Smith Corporation, Douglas Aircraft, the Glenn Martin Company and too many other companies to mention developed, with the money of risk-bearers. It is common-place information that these companies, including General Electric, Westinghouse Electric, United States Steel, Bethlehem Steel and others became large and productive because of the use of the funds of American citizens who were willing to take risks. Without this kind of risk-bearing, I venture to say that we would have lost this last war. We cannot permit a trend to set in that will retard the development of this kind of enterprise in this country. Instead of apologizing for and attempting to defend speculation, we should be out proudly encouraging it as a necessary force in the further development of this country.

We Need a Dynamic Atmosphere

I defend speculation as our fundamental means of improving our standard of living and of creating wealth. Without speculation, we shall inevitably stagnate. We need in this country, above everything else, a dynamic economy. Under no other system can we make progress. A dynamic economy can operate only in a friendly atmosphere. Unfortunately, we do not have today such an atmosphere. I refer to the political climate which will make it possible for us to perform profitably, in terms of the creation of wealth and of the advancement of our cultural life. The impulses that bring about the favorable atmosphere of which I speak must originate with the people. The impact of their opinions will enforce action by our public officials.

Today's Basic Need

The basic need today is the removal of incompetent hands from all streams of decent business. This is the problem facing us.

We have been tremendously handicapped by ineptitude in our tax policies. It is gratifying to observe that measures are being taken to correct this tax situation. I give deserved credit to our distinguished Secretary of the Treasury for the constructive position which he has taken with respect to necessary tax reforms. I am encouraged to believe that the constructive forces in our national legislature will carry out a strong program of tax revision. This should not be long delayed.

I hold the sincerest convictions that a reconstruction of our tax situation is urgently necessary if we are to have further prosperity. I cannot overlook the fact that you have in this State of Georgia a great stateman, who not only understands the problems of our free institutions, but who has the courage to express his convictions. I have reference, of course, to your esteemed Senator Walter F. George.

All of us see everywhere evidence of the fact that busy and productive industry is the product of venture capital. We see it particularly here in Atlanta where you have developed so many great enterprises, such as the Coca-Cola Company. I do not know of a better example of the effective use of venture capital than in this particular company. Originated by Mr. Candler, it grew out of speculation. You have many other companies here which developed out of the same incentives. I cannot urge upon you too strongly the necessity for a vigilant and aggressive defense of the spirit which really, in the last analysis, invigorates our enterprises and make our economy operate successfully and prosperously.

With Marache, Sims & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Gilbert L. Reed is now with Marache, Sims & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

Can Further Wage Increases Be Passed to Consumer?

(Continued from page 10)

yet been firmly established, a good guess would place the average increase over the 1947 level at about 8%. A statistical answer can, however, also be obtained. The Consumers' Price Index (formerly the Cost of Living), excluding Rents, can be compared with Hourly Earnings in All Manufacturing. The relationship is not particularly close prior to 1933, for in the pre-depression period steadily increasing productivity of labor resulted in a generally declining consumers' price index, the trend being interrupted only by sharp wage or salary increases. Between 1933 and 1945, however, a good correlation developed between the consumers' price index and hourly earnings in manufacturing with hourly earnings rising more steeply than the cost of living. Since 1945 productivity has held at about its 1941 level, but wages have risen sharply and prices of food and clothing have soared. A good part of the increase in prices of these two important items in the cost of living has been brought about by the lack of productive help and the consequent need to bid wages up towards the average level. Also, the practice of measuring wage increases in cents per hour instead of in percentages has led to greater than average proportionate wage increases in the low-wage industries. Generally these have been cost-of-living industries. Consequently, despite substantial increases in hourly earnings in all manufacturing consumers' prices have advanced to levels far out of line with hourly earnings based on the earlier correlations which showed substantial relative gains for labor. In 1947, consumers' prices were about 8% above the old correlation or regressions line of the 1933-1945 period.

The consumers' price index in December stood at about 179% of the 1935-1939 average. The line value of hourly earnings corresponding to this cost of living is 244% of 1935-1939, or about 20% above the 1947 average hourly earnings in all manufacturing. It is about 14% above the level of hourly earnings prevailing at the end of 1947. This last represents the increase which will be most frequently demanded by labor. However, this level would represent continuation of an unreasonable correlation. Moreover, it will not be possible for industry to grant such an increase without a very substantial increase in prices and later in consumers' prices. Furthermore, labor cannot reasonably continue to seek to maintain a prewar rate of gain which is becoming a will-o-the-wisp. World demand for food and textiles is likely to remain strong enough so that some spread between consumers' prices and the old artificially high regression line is likely to persist despite anything that industry or labor can do to raise hourly earnings. This spread is, in fact, likely to remain nearly as large as in 1947 if we are to fulfill the aims of the Marshall Plan because of the large amounts of foodstuffs, textile fibers and textiles likely to be required. It is probable, however, that with increasing quantities of agricultural equipment and fertilizers reaching the farms, the spread can be reduced to about 10%. This would mean an average wage increase of about 9% over the 1947 average figure, or about 4% over the year-end figure.

Such an increase in hourly earnings, in view of the deflationary effects of the Federal surplus and the dying out of the inflationary conditions listed above would largely have to be absorbed by industry without price increases either as a result of closing of inefficient high cost plants, unemployment and increased labor productivity or through an overall increase in productivity. Steadily increasing competition from new, efficient plants will make it difficult, if not impossible, to pass the increased costs to the consumer. Consequently, a primary consideration of all wage negotiations should be ways and means for increasing productivity.

Sees No General Rule as to Business Trends in Election Years

Commenting on the business outlook for the current presidential election year, the "Business Bulletin" of the Cleveland Trust Co., just published, analyzes business activity in election years during last century and half, and concludes from its analysis that in such years business usually moved in accordance with the stage of the current business cycle.

"There has been no general rule as to business trends in election years, except that they have usually moved in accordance with the particular stage of the business cycle at the time," the "Business Bulletin" reports. This bank's long series on business activity, which begins with 1790, includes all the presidential election years in the past except the first. Of the 39 election years represented in the series, business was above normal in 24 years and below normal in 15. In 20 cases, business activity was higher at the end of the year than at the beginning. In 18 years it was lower, and in one year it was unchanged.

"While elections do not ordinarily seem to have had any marked effect on business for the year as a whole, there have been some interesting variations in the month-to-month changes in business in all the election years combined. These changes are illustrated by the diagram, which shows the average of the movements of business activity above and below the normal or 100% level. The diagram covers the election years from 1792 to 1944 inclusive.

"In the average election year, as shown on the diagram, business activity has been stable in the first two months and has then declined to July, the low point of the year. The trend thereafter has been reversed, and the curve has moved up steadily for the rest of the year. The index for December is slightly higher than for January.

"This average movement should not be interpreted as having much practical value in judging business trends in any particular election year. There have been many instances where individual years did not follow this pattern at all closely. It is possible, however, that in past election years there has been a cautious and hesitating sentiment in business as the time for presidential nominations approached, and a more confident attitude after the nominations have been made.

"Over the period for which data are available, stock prices in the election years have followed a month-to-month course, on the average, somewhat similar to that of business. The low for both has been in the middle of the year, while December has marked the high for both."

Some Basic Foods—For Thought

(Continued from page 12)

so that prices found nothing to attract.

In our present position, we are much closer to conditions in 1920 because there is still a great unsatisfied demand for homes, automobiles, capital goods and innumerable commodities that has been accumulating for a good many years. These demands must be fulfilled. We may have a short period of recession later in 1948 or in 1949, but it will not be of long duration but will represent a buyers' resentment against high prices which, when adjusted to arouse the demand for goods, will again result in normal and profitable business on a much more stable basis than we know it today.

Yes . . . I agree that 1948 will be a year of decisions but be sure that the right decisons are made with good judgment. We no longer can afford to guess.

Wage Price Controls

During the next few months, we are going to hear a lot about the necessity of price and wage controls, rationing, how much aid we should give to other nations, and what effect it will have on our own economy and whether or not taxes can be reduced, and if so, by how much. All of these questions are very closely related to one another, and decisions concerning them will affect the welfare of each of us—our incomes, our standard of living, and our jobs.

High prices are not the cause of inflation. They are the result. And prices are high today. In the near future, it is even possible that some commodities which we handle may rise still higher in price, but there is only one direction in which prices will eventually go, and that is downward. You are all familiar with the current agitation about government price controls, and the arguments for and against are numerous. I do not believe that a new price control program will correct our present inflated position, nor will it even contribute in a small way towards a return to a normal economy as we knew it before the war.

The problem is both difficult and grave from the wholesaler's standpoint. There are a great many technical difficulties involved in setting up price controls in a field as large as the food industry. The difficulty of administering controls in an industry which includes six millon growers, fifty thousand food processors, and the best part of 600 thousand distributors of all kinds is complex. It has been emphasized that it is extremely difficult to confine price controls to only one field of our food economy, such as growers and retailers; it must be made to cover all of our industry. In addition, any price controls would be completely inadequate without wage controls, rationing, subsidy and allocation—to mention only a few that would be necessary to do a good job. Government controls could stifle production at all levels, and cause the farmer, processor, manufacturer and distributor to steer away from those items which are unprofitable, thus still further increasing the shortage of supplies. Even if a price control program were to be set up, I doubt very much if it could be put into operation and enforced quickly enough to be of much help.

Get Government Out of Business

And I firmly believe that it would not accomplish as much as if we were to continue to operate under a free conomy and let prices and wages seek their own levels through our fundamental economic laws of supply and demand and real keen competition. I have said this before and I will repeat it, I should like to see government get out of business as quickly as is practicable and feasible, and stay out of it indefinitely.

It is obvious that industry is to have a third round of wage demands. Whether or not this will prove to be the breaking point in our price spiral remains to be seen. However, the better we understand the economic factors pertaining to a question, the better will be our chances of making the right decisions on it.

Whether we like it or not we are already in an inflationary period.

The constantly increasing wages and other costs of doing business will result in losses to many small profit businesses unless they pass the increases along to the public intead of trying to absorb them. In our line of business, where profits are very low, this is a danger which mut not be overlooked, and a study of each item must be made by each individual distributor to make sure he is handling it without loss. This means, of course, that we are a part of the spiral, but many of us have reached the point where we cannot aborb all these increases any longer, but must pass them along. Prices have not risen as high nor as rapidly as industrial wages since 1941.

Wages as Costs

Wages are not only income, but they are a very definte cost factor which directly accounts for a great part of the costs of distribution and services. Unless wage increases are compensated by increased production which will reduce the accumulated costs by at least the amount of the increase, both costs and prices will go still higher.

There are millions of workers in trade and service organizations, government and industrial employees, school teachers, and other white collar workers, whose wages have not kept pace with the times and who will be painfully hurt if any additional attempt to push up our present high prices still further is successful.

I believe it is important for all business men to take an active interest in government affairs, and to express their views freely and convincingly to their representatives at local, state and national levels. No representative is in a position to act for his constituents if he is not kept posted by the thinking men of the area he represents. One of the outstanding things on which he should be kept posted is the subject of taxes. We have all suffered at varying degrees from excessive taxes, and I believe along with many others that some relief can be given, and at the same time reduce our national debt.

Now seems to be as good a time as any for each of us to urge our respective congressmen to give serious consideration to a modified and revised tax law that will give some relief to indivduals as well as to business organizations. There have been numerous inequities in our tax laws for a great many years, and I believe some progressive measures taken now would benefit not only the individual taxpayer but give every business a "shot in the arm," and provide the necessary impetus to combat our present inflationary tendencies.

Both individuals and business organizations are being financially squeezed by tax laws that stifle initiative and prohibit expansion or progressiveness through lack of capital, because there is no incentive to work for a reasonable gain when it is realized that all but a very small portion of such gain will be taken from you.

The following are some of the first steps that might be taken:

All individuals who have to pay an income tax to the Federal government should be placed on the same basis, and the Revenue Act should be revised so as to extend the privilege of dividing income tax between husband and wife in the manner that is now practised only in community property states.

Elminate the double taxation of dividends, where the dividend disbursing company pays a tax on the dividends first, and the individual is taxed once more when he receives them. If a company is to be taxed on that part of its earnings later disbursed as dividends, it is eminently unfair to impose another tax on this same money in the hands of the individual. Let the dividends be taxed one way or the other, but not both.

Some reduction in tax rates to the individual would certainly be desirable. These rates have not been reduced from their wartime high brackets, and some limitation should be placed on the maximum taxes payable by an individual so that no more than half of his income would be taken away from him for taxes in any case.

More Capital Funds Needed

During the war years, many corporate organizations were unable to set up reserves because of high excess profits taxes Since the return to peacetime conditions, because of the constantly rising inventory costs, many are now in the precarious position of needing more capital funds to carry a normal prewar inventory. Some form of tax moratorium, or abatement of taxes would enable these tax burdened firms to increase their productive efforts, and through increased production combat the problem of inflation that is giving all of us so much concern.

This is important because there seems to be no doubt that some Washington representatives will recommend an increase in corporate tax rates to offset any probable reduction in individual tax rates. From their standpoint, it is a good political move because corporations cannot vote and individuals can and do vote. But from a practical standpoint, I believe that any efforts to increase our present corporate tax burdens will simply be another step toward killing the goose that lays the golden eggs of Federal revenues. Great savings can be accomplished if the Federal and State governments will eliminate all of their excessive personnel and activities, and postpone all expenditures that are not immediately necessary. If the government were run as economically as possible, these savings would contribute to a faster reduction of our national debt.

Please give your attention to these tax problems and to your congressmen as well. They can be of much help. Everybody has been complaining about the high prices of food, and since 1929 food prices have gone up 153%. However, our personal income tax load has jumped higher than 610% since 1929. There is no doubt that this is a prime target to begin with in reducing prices and costs.

Will Free Enterprise Work?

A short time ago, I was asked to give my opinion of Free Enterprise and the possibilities of its concepts and ideals being widely accepted world-wise, or discarded in favor of some other system. It's an extremely sad state of affairs when it becomes necessary to say anything in defense of our American system of Free Enterprise. It goes beyond the question itself . . . and the only reasons why such a question could be asked would be a growing belief by some people, fostered by cleverly written propaganda, that our American democracy should be discarded in favor of some other system.

But what other system has ever worked? What successful system in any nation, in any part of the world, has ever produced the results we have enjoyed through our own democracy? If you can show me one single country in the world that can equal our own, in production, enterprise, and inventiveness, then I'll be glad to say let's try it.

There are too many people listening to, and reading about, the wonderful advantages of every "ism" except Americanism. I fully realize as well as almost every other business man in this nation, that the adherents of Socialism and Communism have been making inroads into our American system and doctrines.

A lack of understanding is clearly evident on the part of many people who openly denounce the thought of Socialism and Communism, and ignorantly line up in droves to voice their acceptance of socialized medicine housing, education and industry and all of the objectives and aims of a foreign "ism" so long as it is coated with the label of Americanism.

Fundamentally, there seems very little difference between Socialism and Communism as I see and understand it. They are natural bed-fellows who believe in public ownership instead of private ownership and both are buddies in their hatred of capitalism and free enterprise, and the profit motive. They differ only in their degree of hatred and the means used toward attaining their objectives, but there is no doubt that socialism is closer to communism than to capitalism.

The terms of democracy and free enterprise are synonymous It is no accident that our free enterprise developed along with a free republic, nor is it any accident that where any collectivized or socialized system has been installed, individual freedom has been sacrificed.

We in the United States have a working Constitution and Bill of Rights, under which the rights of an individual to hold open discussion, work, loaf, eat, sleep and amuse himself as he sees fit, are jealously guarded rights. If there is any other country in the world that is a happier, better, more envied nation than our own please tell me about it. Ours is a nation of unlimited freedom offering unlimited rewards for initiative, enterprise and wisdom And she should guarantee no social security for laziness, incompetence, and failure. Our free way of life has been rugged, and is extremely painful at times, but there is no doubt that it has paid the biggest dividends on the face of the earth.

Experience With Planners

We've had our experiences with economic "planners" and wellwishers in our own government during the past ten or twelve years. And more recently we've all enjoyed the planned control of OPA which clung tenaciously to its authorities and agencies and, while its power grew to tremendous proportions, was nevertheless far short of communistic control. Gentlemen, I am in favor of keeping and maintaining our American Republic which guarantees the freedoms to every individual, and I am unalterably opposed to any "ism" regardless of its name, which would act to deprive us of the freedoms we enjoy under our present form of American enterprise and American government.

Michigan Brevities

(Continued from page 11)

and the balance to be added to working capital.

* * *

Lack of natural gas sufficient for its customers' needs and the cost of manufactured gas to meet a record-breaking demand resulted in a reduction in the net income of Michigan Consolidated Gas Co. for the year ended Dec. 31, 1947, of $322,750 under the previous year, in spite of the fact that its operating revenue increased $6,218,074, according to William G. Woolfolk, Chairman of the company, and Henry Fink, its President. Sales of gas for the year 1947 again set a new high record of 57,286,150,000 cubic feet, a percentage increase of 24.5%. The number of customers served by the company reached 626,317 in the eight operating districts of Detroit, Grand Rapids, Muskegon, Ann Arbor, Mt. Pleasant, Ludington, Greenville-Belding and Big Rapids.

* * *

General Motors Corp. produced 168,968 cars and trucks in the United States and Canada during the month of January, as compared with 194,476 units in the preceding month and 123,152 units in the corresponding month in 1947. Of the total in January, this year, 130,071 were passengers cars and 38,897 were trucks.

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The directors of Pfeiffer Brewing Co., Detroit, announced the declaration of dividend No. 41 increasing the payment from 25 cents to 35 cents per share, for the first quarter, payable March 10, next, to stockholders of record Feb. 20, 1948.

* * *

For the year ended Oct. 31, 1947, Divco Corp., Detroit, reports that net earnings after all charges, including provision for Federal taxes, were $1,315,259, equal to $3.41 per share on 450,000 shares of common stock outstanding. This compares with net of $954,138, or $2.12 per share on a like number of shares, for the preceding year.

From Washington Ahead of the News

(Continued from page 7)

teresting to the GI's who are getting some $100 a month to go to these schools on "public instruction," is that after the great liberal Republican organization of New Jersey had met in solemn conclave and decided that Hawkes was not liberal enough and it would have to be another man, is that that man a few days later, for reasons that were clearly apparent, had to withdraw from the campaign.

Whereupon the Republican organization, having missed up on this "liberal," set about looking for another "liberal." It should be quite clear that the Republican organization in New Jersey doesn't know what a "liberal" is.

In the meantime, Hawkes, a delightful fellow, and one of our most able citizens, is making a speech. He is trying to tell that regardless of what is being done to him by the "liberal" Republican organization of New Jersey, including those "liberal" South Jersey leaders, that he holds no hatred more than a night or a day against any man—well, in a moment of flippancy, there's one exception and he said, rather whimsically: "That man lies buried in Hyde Park."

This has apparently incensed the "liberals," including the "liberal" Republicans and also including the South Jersey Republican leaders to whom Hawkes' friends gave plenty of money a few years ago. Somehow, it doesn't incense me.

Indications of Current Business Activity

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

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Feb. 22	92.5	92.7	96.1	94.1
Equivalent to—					
Steel ingots and castings produced (net tons)	Feb. 22	1,667,300	1,670,900	1,732,200	1,646,700
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Feb. 7	5,332,575	5,318,237	5,313,137	4,770,250
Crude runs to stills—daily average (bbls.)	Feb. 7	5,348,000	5,434,000	5,289,000	4,788,000
Gasoline output (bbls.)	Feb. 7	15,476,000	15,986,000	16,289,000	14,684,000
Kerosine output (bbls.)	Feb. 7	2,468,000	2,561,000	2,290,000	2,422,000
Gas oil and distillate fuel oil output (bbls.)	Feb. 7	7,870,000	7,690,000	7,471,000	5,159,000
Residual fuel oil output (bbls.)	Feb. 7	9,154,000	9,141,000	8,776,000	8,413,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 7	105,100,000	*102,988,000	96,698,000	99,759,000
Kerosine (bbls.) at	Feb. 7	11,119,000	*11,719,000	14,536,000	13,441,000
Gas oil and distillate fuel oil (bbls.) at	Feb. 7	38,538,000	*40,607,000	46,785,000	44,867,000
Residual fuel oil (bbls.) at	Feb. 7	50,257,000	50,839,000	51,935,000	46,701,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 7	747,394	727,038	831,447	767,301
Revenue freight rec'd from connections (number of cars)	Feb. 7	668,783	629,970	675,434	669,300
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	Feb. 12	$133,534,000	$123,813,000	$83,284,000	$54,778,000
Private construction	Feb. 12	68,319,000	66,640,000	32,201,000	33,566,000
Public construction	Feb. 12	65,215,000	57,173,000	51,083,000	21,212,000
State and municipal	Feb. 12	33,185,000	21,737,000	32,615,000	17,146,000
Federal	Feb. 12	32,030,000	35,436,000	18,468,000	4,066,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 7	11,525,000	*11,190,000	13,800,000	12,300,000
Pennsylvania anthracite (tons)	Feb. 7	1,170,000	1,167,000	1,100,000	1,107,000
Beehive coke (tons)	Feb. 7	130,000	*136,000	139,300	117,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Feb. 7	240	233	251	219
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 14	5,384,945	5,412,361	5,370,112	4,778,234
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Feb. 12	128	97	61	62
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 10	3.18925c	3.18925c	3.18925c	2.87255c
Pig iron (per gross ton)	Feb. 10	$40.17	$40.17	$40.08	$30.15
Scrap steel (per gross ton)	Feb. 10	$40.50	$40.83	$40.58	$33.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 11	21.200c	21.200c	21.200c	19.325c
Export refinery at	Feb. 11	21.425c	21.525c	21.675c	20.425c
Straits tin (New York) at	Feb. 11	94.000c	94.000c	94.000c	70.000c
Lead (New York) at	Feb. 11	15.000c	15.000c	15.000c	13.000c
Lead (St. Louis) at	Feb. 11	14.800c	14.800c	14.800c	12.800c
Zinc (East St. Louis) at	Feb. 11	12.000c	12.000c	10.500c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Feb. 17	100.72	100.69	100.69	104.34
Average corporate	Feb. 17	110.88	110.70	110.70	117.40
Aaa	Feb. 17	116.02	115.82	116.02	122.09
Aa	Feb. 17	114.46	114.27	114.08	120.02
A	Feb. 17	109.97	109.97	109.79	117.00
Baa	Feb. 17	103.47	103.47	103.80	110.88
Railroad Group	Feb. 17	105.34	105.17	105.00	112.93
Public Utilities Group	Feb. 17	112.37	112.56	112.56	118.40
Industrials Group	Feb. 17	114.85	114.66	115.04	120.84
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Feb. 17	2.45	2.45	2.45	2.21
Average corporate	Feb. 17	3.12	3.13	3.13	2.78
Aaa	Feb. 17	2.85	2.86	2.85	2.55
Aa	Feb. 17	2.93	2.94	2.95	2.65
A	Feb. 17	3.17	3.18	3.18	2.80
Baa	Feb. 17	3.54	3.54	3.52	3.12
Railroad Group	Feb. 17	3.43	3.44	3.45	3.01
Public Utilities Group	Feb. 17	3.04	3.03	3.03	2.73
Industrials Group	Feb. 17	2.91	2.92	2.90	2.61
MOODY'S COMMODITY INDEX	Feb. 17	406.2	407.2	451.8	308.2
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Feb. 14	229.9	235.5	244.6	218.1
Fats and oils	Feb. 14	231.5	242.0	300.5	286.6
Farm products	Feb. 14	245.1	260.8	279.9	238.8
Cotton	Feb. 14	300.6	318.3	337.8	313.2
Grains	Feb. 14	256.4	282.6	323.4	210.1
Livestock	Feb. 14	238.3	252.1	266.8	239.9
Fuels	Feb. 14	220.8	220.8	216.0	158.5
Miscellaneous commodities	Feb. 14	173.4	178.4	180.7	154.5
Textiles	Feb. 14	211.7	217.3	220.2	215.3
Metals	Feb. 14	162.2	162.2	161.3	142.9
Building materials	Feb. 14	233.5	*233.4	233.2	215.5
Chemicals and drugs	Feb. 14	155.1	*155.1	155.3	155.0
Fertilizer materials	Feb. 14	137.7	137.9	136.7	125.5
Fertilizers	Feb. 14	142.9	*142.9	*142.9	133.6
Farm machinery	Feb. 14	137.2	137.2	134.5	124.3
All groups combined	Feb. 14	214.7	220.7	226.6	193.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 7	222,730	196,886	185,437	202,189
Production (tons)	Feb. 7	177,884	185,944	177,964	181,017
Percentage of activity	Feb. 7	100	103	99	104
Unfilled orders (tons) at	Feb. 7	477,216	432,911	459,989	599,009
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Feb. 13	147.3	147.6	151.2	152.0
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Feb. 7	163.8	163.7	164.5	141.7
Farm products	Feb. 7	195.5	195.1	197.0	165.5
Foods	Feb. 7	177.9	176.5	182.1	156.7
Hides and leather products	Feb. 7	198.0	201.2	200.3	172.9
Textile products	Feb. 7	147.0	145.8	145.8	137.7
Fuel and lighting materials	Feb. 7	131.4	131.2	130.0	98.6
Metal and metal products	Feb. 7	154.2	154.1	152.8	138.3
Building materials	Feb. 7	192.1	191.3	189.7	170.6
Chemicals and allied products	Feb. 7	134.3	139.3	139.0	127.6
Housefurnishings goods	Feb. 7	137.7	137.9	136.7	123.0
Miscellaneous commodities	Feb. 7	122.6	123.9	122.1	110.0
Special groups—					
Raw materials	Feb. 7	182.3	182.3	182.9	153.1
Semi-manufactured articles	Feb. 7	156.6	157.3	158.4	141.3
Manufactured products	Feb. 7	156.7	155.9	157.3	137.5
All commodities other than farm products	Feb. 7	156.7	156.8	157.3	136.5
All commodities other than farm products and foods	Feb. 7	147.8	148.0	146.9	128.1

*Revised figure.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S.—Month of November	43,461	43,959	46,300
Stocks of aluminum (end of November)	19,650	31,876	------
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS RECORD—Month of January:			
Total U. S. Construction	$441,955,000	$503,384,000	$430,970,000
Private Construction	207,529,000	272,367,000	279,915,000
Public Construction	234,426,000	231,017,000	151,055,000
State and Municipal	178,259,000	144,347,000	107,867,000
Federal	56,167,000	86,670,000	43,188,000
COMMERCIAL STEEL FORGINGS (DEPT. OF COMMERCE)—Month of November:			
Shipments (short tons)	103,740	123,830	108,112
Unfilled orders at end of month (short tons)	585,818	593,838	726,733
CONSUMERS PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1939=100—As of December 15:			
All items	167.0	164.9	153.3
All foods	206.9	202.7	185.9
Cereals and bakery products	170.5	167.9	141.7
Meats	227.3	227.0	197.6
Dairy products	204.9	198.4	200.9
Eggs	236.1	224.7	201.1
Fruits and vegetables	205.3	199.6	185.0
Beverages	198.5	194.7	176.2
Fats and oils	208.2	196.4	207.3
Sugar and sweets	183.7	183.2	175.3
Clothing	191.2	190.2	176.5
Rent	115.4	115.2	----
Fuel, electricity and ice	127.8	126.9	115.5
Gas and electricity	92.6	92.5	92.0
Other fuels and ice	162.0	160.5	138.3
Housefurnishings	191.4	188.9	177.1
Miscellaneous	144.4	143.0	136.1
COTTON AND LINTERS—DEPT. OF COMMERCE—RUNNING BALES—			
Lint—Consumed Month of December	53,406	759,498	776,360
In consuming establishment as of Dec. 31	2,153,547	1,858,676	2,230,258
In public storage as of Dec. 31	5,478,623	5,360,906	5,984,417
Linters—Consumed Month of December	101,645	98,948	79,457
In consuming establishments as of Dec. 31	215,506	176,527	263,564
In Public Storage as of Dec. 31	71,522	72,833	73,726
Cotton spindles active as of Dec. 31	21,412,000	21,432,000	21,691,000
COTTON SPINNING (DEPT. OF COMMERCE)—			
Spinning spindles in place on Dec. 31	23,730,000	23,797,000	------
Spinning spindles active on Dec. 31 (000's omitted)	21,412,000	21,432,000	21,688,028
Active spindle hours, December	9,544,000	9,530,000	8,670,795
Average spindle hours per spindle in place, December	402	400	362
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM — 1935-39 Average=100)—Month of January:			
Adjusted for seasonal variation	283	*303	265
Without seasonal adjustment	224	480	209
METAL OUTPUT (BUREAU OF MINES)—Month of December:			
Mine production of recoverable metals in the U.S.			
Copper (in short tons)	70,361	*63,266	‡150,196
Gold (in fine ounces)	157,639	*165,087	‡‡125,296
Lead (in short tons)	30,567	*30,618	‡127,706
Silver (in fine ounces)	2,879,238	*2,857,310	‡‡1,814,853
Zinc (in short tons)	47,790	*48,332	‡147,149
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of January:			
Copper (per pound)—			
Electrolytic, domestic refinery	21.200c	21.200c	19.270c
Electrolytic, export, refinery	21.532c	21.488c	19.926c
Lead (per pound)—			
New York	15.000c	15.000c	12.931c
St. Louis	14.800c	14.800c	12.731c
Silver and Sterling Exchange:			
Silver, New York (per ounce)	74.625c	74.625c	76.500c
Silver, London (pence per ounce)	45.000c	45.000c	55.500c
Sterling Exchange, "Checks"	$4.02679	$4.02750	$4.02870
Tin (per pound)—			
New York Straits	94.000c	85.385c	70.000c
New York, Chinese or 99%	93.500c	84.156c	69.125c
Gold (per ounce U. S. price)	$35.00	$35.00	$35.00
Quicksilver (per flask of 76 pounds)	$78.303	$79.000	$98.000
†Antimony (per pound) (E. & M. J.)	36.082c	36.030c	29.591c
Antimony (per pound) bulk, Laredo	33.000c	33.000c	28.250c
Antimony (per pound), in cases, Laredo	33.500c	33.500c	28.625c
Antimony (per pound), Chinese, Spot	Nominal	Nominal	Nominal
Platinum, refined, per ounce	$66.000	$65.692	$57.038
†Cadmium (per pound)	$1.750	$1.750	$1.500
‡Cadmium (per pound)	$1.775	$1.775	$1.525
§Cadmium (per pound)	$1.800	$1.800	$1.550
Aluminum, 99% plus, ingot (per pound)	15.000c	15.000c	15.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
Zinc (per pound)—			
East St. Louis	11.077c	10.500c	10.500c
MONEY IN CIRCULATION — TREASURY DEPT.—As of Dec. 31 (000's omitted)	$28,867,631	$28,765,640	$28,952,486
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSOCIATION) — Month of December:			
Total number of vehicles	468,704	394,176	375,735
Number of passenger cars	366,879	305,148	266,681
Number of motor trucks	100,381	87,611	107,616
Number of motor coaches	1,444	1,417	1,438
NEW BUSINESS INCORPORATIONS—DUN & BRADSTREET, INC.—Month of December	10,126	*7,873	9,984
RR. EARNINGS—CLASS I ROADS (ASSOC. OF AMER. RRS.)—Month of December:			
Total operating revenues	$807,428,182	$755,324,174	$637,653,600
Total operating expenses	631,150,228	595,314,499	549,833,199
Operating ratio—per cent	78.17	78.82	86.23
Taxes	$80,843,032	$80,116,364	Cr$28,772,759
Net railway operating income before charges	80,022,688	65,577,488	103,754,010
Net income after charges (est.)	58,000,000	44,000,000	86,000,000
TRAILER COACHES—HOUSING TYPES ONLY (DEPT. OF COMMERCE)—Month of Nov.:			
Production (number of units)	6,083	7,827	5,587
Shipments (number of units)	5,847	7,707	5,512
Shipments (value of)	$10,001,422	$13,236,706	$9,246,394
TRUCK TRAILERS (DEPT. OF COMMERCE)—Month of November:			
Production (number of units)	3,266	3,962	7,449
Shipments (number of units)	4,232	4,605	7,263
Shipments (value in dollars)	$11,028,866	$11,952,284	$15,897,637

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ‖Domestic, five tons or more but less than carload lot, packed in cases, f.o.b. New York. ‡‡Monthly average in year 1946.

Missouri Brevities

(Continued from page 11)

against $6,309,122 in 1946 and $7,327,909 in 1945.

* * *

J. W. Brady & Co., St. Louis, participated in the public offering on Jan. 20 of 110,000 shares of DeWalt, Inc. (Pa.) common stock (par $2.50) at $15 per share. The syndicate was headed by Reynolds & Co. of New York.

* * *

Western Auto Supply Co. reports total sales for 1947 of $121,395,031, the highest in its history, compared with $107,619,168. Net earnings amounted to $4,205,014, equal to $5.60 per share, the second highest in its history, compared with $7,546,828, or $10.04 per share in 1946. Earnings in 1947 were adversely affected, the company said, by markdowns incident to the closing out and discontinuance of soft goods and luggage lines and on certain other items of merchandise to effect a better balanced inventory position at the end of the year; operating costs, primarily salaries and advertising, which were increased because of competitive conditions brought about by increased supplies of merchandise which was scarce in 1946 and in that year required comparatively little selling effort; and as a matter of policy Western Auto did not, in many instances, increase selling prices on merchandise proportionate to the increase in manufacturers' costs to the company.

* * *

Newhard, Cook & Co. on Jan. 13 participated in the public offering of 185,000 shares of common stock (par $1) of Joy Manufacturing Co. at $38.75 per share. The offering was oversubscribed.

* * *

Johnson, Stephens & Shinkle Shoe Co. and its subsidiaries for the year ended Nov. 30, 1947 reported a net income of $420,087, after charges and provision for Federal and State income taxes, and after provision of $50,000 for contingencies. This was equal to $2.07 per common share, and compares with $2.03 per share for the year ended Nov. 30, 1946. Net sales to customers in the 1947 fiscal year were the largest in the company's history, and amounted to $10,716,449, compared with $7,483,510 in the previous year. Current assets at Nov. 30, 1947 were $3,397,036, against current liabilities of $1,168,311.

* * *

Stifel, Nicolaus & Co., Inc. and Stix & Co., both of St. Louis, and George K. Baum & Co. of Kansas City, on Jan. 22 participated in the public offering of $40,000,000 Southern California Edison Co. first and refunding mortgage 3⅛% bonds, series A, due 1973, at 102.187% and interest. The offering was oversubscribed.

Tellier & Co. Offers Gold Mines Stock

Offering of 1,000,000 shares of $1 par value (Canadian funds) capital stock of Dogpaw Gold Mines, Ltd., is being made by Tellier & Co. The stock is priced at 40 cents per share. Net proceeds to be received from the sale of these shares will be added to the general funds of the company. The initial objective is to deepen a shaft to 500 feet, and to continue subsurface exploration from the shaft.

Dogpaw Gold Mines was incorporated in Ontario on Jan. 24, 1947 and owns nine contiguous mining claims located on the south shore of Flint Lake, 42 miles southeast of Kenora. The property comprises approximately 360 acres, each claim covering approximately 40 acres.

"I'm for the Middle Road!"

(Continued from page 11)

forces in western Europe. The Wallace plan is very popular in Moscow. It also has the blessing of the American Communists and can therefore be fairly described as the plan of the extreme left.

Plan Number Two can fairly be described as that of the extreme right. It has no particular leader. It is a "sit-tight" program. It is intensely nationalistic. It's against Communism. But its creed is this: further aid to western Europe, beyond bare emergency relief perhaps, would be "Operation Rathole."

Its adherents believe that the United States cannot afford to spend the dollars to aid recovery in western Europe. They say it might break the United States and accomplish nothing anyway except to leave some plunder which an aggressive Russia might pick up. Many of its spokesmen have little faith in the sincerity of western Europe or its will to work and to work for demoncracy and freedom. If this plan had a slogan, it might be "wait and see."

There is nothing new in the viewpoints of the extreme left or the extreme right. We have tried both before. They didn't work. We sat tight, and we waited. And World War II cracked around our ears.

The doctrine of the extreme left contains a big lie, and the doctrine of the extreme right a big fallacy. The big lie is that America is imperialistic; that it wants to arm western Europe for war against Russia; that it wants to choke American capitalism down the unwilling throats of Europeans.

The big fallacy is that America would go broke by underwriting a program of recovery in western Europe. Facts cripple that fallacy. The amount proposed for recovery in western Europe is but a fractional per cent of our current national income. It's a pittance compared to the cost of the last war—or another one.

There's a Middle Road

There's a middle road to take, and that's the one I'm for.

It's a program of a lot of self-help by western Europe, and some self-denial by us.

It is not anti-anything. It is pro-democracy, pro-freedom and pro-recovery. It recognizes that without recovery in western Europe, there will be no peace. It recognizes the basic issue between Communist Russia and democratic America, and that's this:

We covet no lands, resourcse or peoples. We want recovery, order and stability around the world.

Russian Communism wants revolution, chaos and confusion because that kind of program best fits expansionist aims.

The middle-way program recognizes that dictatorship from left or right is an ever-present threat so long as hunger, misery, privilege and corruption exist. Those breeding areas of desperation must be cleaned up as a prerequisite to peace, jobs and freedom.

We call this program the Marshall Plan. More technically speaking, it's the European Recovery Program. The essence is the same, but the phrase, "Marshall Plan" has become entrenched in our thinking.

This isn't an international dole or a WPA on a world scale. The key word is rehabilitation, not relief. It's a two-way blueprint to help western Europe work its own way back to economic health and political stability. We commit ourselves under this blueprint to do certain things; and the 16 nations of western Europe commit themselves to a specific program of reconstruction.

We commit ourselves to provide food, materials and machinery. The Western European nations commit themselves to annual targets of production of major commodities; to strengthening their internal financial stability; and to increase the flow of trade by reducing barriers and restrictions.

And we propose to keep a consistent check on the progress of this program. We propose to satisfy ourselves that our help is contingent upon Europe helping itself.

You know what it's all about. You've heard all the arguments for it and against it. And it's you and I and all the rest of us who will decide whether we'll adopt it or whether we'll ditch it. What Congress does in the weeks ahead will be what we—the people—decide in our hearts and minds is the wise and proper course to take. It's a grave decision.

Let me make it very clear that I'm not blindly for the Marshall Plan as it comes to Congress from the Administration. I wouldn't cross all the "t's" and dot all the "i's." I don't say "amen" to everything in it. I'm for having Congress punch it and probe it and take its temperature and look at its tongue. I'm for Congress asking frank and open questions—and demanding frank and honest answers. I'm for assessing the cost of supporting it. I'm for doing all these things.

Against Niggling Restrictions

But I'm against doing these things:

We must not load the program with niggling restrictions and haggling conditions that would make it in the end a piece of intellectual and economic flypaper to gum the works for us and the rest of the world to boot.

If we do that, it won't work. It won't be a two-way program from the two-way blueprint. To do that would be to invite disaster on the psychological and the economic front. It would invite the anger, ill-will and resentment of the people of western Europe.

But taken as a whole, the substance and the spirit of the plan, I think, fit the picture of what most Americans want. It is both a program of self-interest and a program of compassion. And that's something new in the world.

No Alternative but Participation

It's a new kind of participation by the world's greatest power in the affairs of other nations. Two world wars ought to convince us there is no alternative but participation.

We didn't ask for it. We're in it whether we like it or not. In every period of history, the world's leading power has had the responsibility of contributing to order throughout the world. England was on top for 150 years, and England's influence was felt in every port of call around the globe.

Yes, ours is a new kind of participation. It is peaceful participation. It is participation in the spirit of partnership and not in the spirit of exploitation.

It used to be aptly said that a world power had no friends, but only interests. We want both friends and interests. We want working partnerships with other nations to further their best interests as well as our own.

It's the opposite of no friends and only interests. We think that in international affairs in this era, friends should have common interests.

I have said we need a lot of self-help abroad and some self-denial at home.

It's in our common interest to trap and tame the wild bull of inflation. Everywhere I go around this country, I find some degree of worry about our own prosperity—too much to be laughed aside. People aren't being a little on the pessimistic side for fun. Lots of us are afraid that inflation may shoot up like Jack's beanstalk and land us squarely in the clutches of a giant ogre of depression.

We delude ourselves if we minimize that talk.

We can't play politics with that issue. It must be met and met squarely by Congress and the people. It will mean some sacrifices by all of us because the spiraling costs of living must be controlled.

But in the long run we cannot have jobs and freedom in America unless we live in a peaceful and prosperous world. It is fundamental that prosperity can't be isolated. It can be isolated neither at home nor abroad. We know what happens to our own country when any of the economic segments are out of balance with the others. American industry won't prosper if American agriculture suffers. The prosperity of labor and management is stitched together. We go up or we go down as a whole.

So it is in the world today. I cannot too strongly emphasize this: A Europe that remains long depressed and chaotic will affect the economic health and vitality of America. If we have learned anything from history, we should have learned this, for we have had a disastrous example within the lifetime of most of us. We were enjoying relatively prosperous years in the late 1920s. Europe, at the same time, was running down hill. We tobogganed in the crash of '29 and the depression that followed. We could not be prosperous in a world of distress.

One of our major self-interests in the Marshall Plan is a revival of healthy, vigorous, two-way traffic in international commerce. For some years now we have been exporting many billions of dollars worth of goods more than we took in by way of import. That unbalance was to be expected after the devastation of world conflict. But that unbalance must not continue for long. The unbalance reduces our substance and definitely contributes to inflation.

There is no way to stop that except to start a flow of goods coming in from other quarters of the world. Out of the European Recovery Program, we expect to get and ought to get huge stockpiles of material. We aren't as fabulously well-heeled with strategic items as we were. We need fresh stockpiles of raw materials, and we need imports of finished products for a better balance in our economy as well as that of the world. The road to the poorhouse is to continue to export without importing.

And I don't think we ought to be taking in only gold in return for our exports. Gold after all isn't real wealth. As a yardstick of wealth, it's handy to have around as a tape measure is handy to have in the house, but yardsticks and tape measures are poor eating, and they seldom fit as wearing apparel.

We can take a good lesson from old King Midas. He got plenty hungry.

Narrow Gap Between Exports and Imports

Yes, we've got to narrow the differences between exports and imports as an essential feature of administering a sound, business-like European Recovery Program.

I think there are three essentials to the success of the European Recovery Program.

One, there must be adequate appropriations to begin with; and they must be voted promptly.

Two, there must be no hamstringing conditions to thwart the mobilization of the resources of western Europe to rebuild for recovery on a sound basis.

Three, administration of the program must be in close co-ordination with our foreign policy.

A Free Western Europe

For my part, I have a lot of faith in the ability and desire of the peoples of western Europe to remain free and to rebuild their economies. I say that on the basis of first-hand observation.

Recently, for five intensive weeks I traveled through the European countries where the Marshall Plan would be effective. And of course I talked to people, scores of them, and many of them were men who knew the European story as a whole, backwards and forwards and upside down.

Let me tell you a few of the things I learned on that last tour of Europe. It was before the recent rebuffs to Communism in France and Italy, but I came home from Europe even then convinced that Communism with its brute force and forced labor was losing ground in western Europe. I was convinced then, as I am now, that it would lose it faster with the right kind of help from America.

The worker in western Europe wants two things—food and freedom. He must have food. He would like to combine it with freedom. He knows that Russian Communism will not give him freedom. We can help him get both and thus strengthen world democracy.

Since I've been back, there have been new elections in France, and we all know what happened: anti-Communist forces gained strength. Fear of Russian domination and further evidence that Russia is not a worker's paradise, as advertised, contributed to that outcome.

I am also convinced that faith in effective aid from America had a good deal to do with it.

The dark economic cloud which has overhung western Europe is beginning to show a little break. There are signs that a turn for the better may be at hand.

We have, for example, seen brighter figures on British coal production. There is a slow, but encouraging upturn in other lines and areas. Europe is still desperately short on things—on tools with which to work—but I was convinced then, and I am now more than ever, that the people are still long on courage and determination.

I wish that some of us who believe that helping western Europe is like lending money to a chronic loafer could have been with me. I'm against wasting money, or time for that matter, on a ne'er do well. But my experience has been that it pays to bet on the man who wants to get along but is down because he is a victim of circumstances. Give that kind of a fellow a push, and he goes ahead under his own steam. This is why I'm willing to bet on the people of western Europe and to support a sensible program for European recovery.

I believe that most Americans choose the middle-way—not the way of appeasement and not the way of sitting tight, but the way of fighting for peace with the tools of peace and the strength of the American system.

We call this a year of decision for America in world affairs. But I believe it's later than that. I believe the American people have already made up their minds to go after the one thing they want more than anything else—jobs, peace and freedom.

That will make 1948 a year of doing and a year of daring and a year of fulfillment and not a year of indecision and waiting. I believe the American people have already decided to exert their moral and economic leadership to fight for the peace of the world—to join in partnership with the peoples of western Europe in the common cause of freedom.

I believe we are willing to pay the price of peace—and that we have forever abandoned the doctrine of peace at any price.

Urges Cabinet "Doctors" to Cure Ills of Humanity

(Continued from page 10)

socialism, or despotism has given the people more happiness, bigger pay checks, less hours of work, more comforts, more luxuries, and have reduced the price of luxuries within the reach of everyone, that are not even luxuries in foreign lands; where better food, better entertainment, and greater opportunity than given by America under the American system.

"**Show us**—not by arguments, dreams, blueprints or imaginary figures, but with facts.

"**Show us** where is, or was, that other country that gave as much to its people as America has always given to us.

"**Show us**—give us concrete evidence. Prove it by example. Prove that any other system is better than ours—prove that the system founded on our Constitution gives less life, less liberty, less opportunity and less freedom than any other system.

"It seems reasonable to bring the attention of our industrial Doctor and ask the question—are you interested in trying to save the life of the patient who regards you so highly and pays you so handsomely as management to keep him well?

"Do you really want this system to live? Do you take your responsibilities respecting public questions, which gives you the right to receive your pay as management of our profit and loss and competitive system seriously enough to warrant the inconvenience and effort that is required to find out why your patient is sick and getting sicker? Or do you want our system to live only if it will respond to the prescriptions you have written in the past—only if it lives on your terms? This may seem to be a little rough, bear with me. We are not playing for marbles. The stark question facing us is whether or not our profit and loss system is to continue. Liberty is on the auction block in foreign lands, and that is so respecting *our* Republic, and we must realize that we did not build the greatest economy on earth by refusing to pose questions and answer them. Our system persists only in the minds of people. If all men believe in its ultimate good and superiority over all systems, it will continue. If in the minds of men some other system seems more desirable, and there are plenty of minds in government who believe otherwise we will, in the not too distant future, be existing under that other system and the consequences of that system. In America actions are determined by the opinions and beliefs in the minds of the people — all of us, just not some of us.

"As I see it, Sir, such a message to our industrial heads would undoubtedly register, but it is my considered opinion the reply would be in the vast majority that 'others of less interest should do this.' In other words, my reactions to the thousands of letters which I have received in response to the many thousands I have sent out would indicate to me that industry—our leadership in this great country—lacks the combative instinct and a stomach for a fight to save our heritage.

"The Freedom Train is telling the people of our land that our liberties are in dire danger. If not, what is all the fuss about? Why the ringing of the church bells? On the other hand, the Marshall Plan is telling us plainly that this generation is charged by Almighty God with freedom on this earth. That's a large contract and an explosive responsibility. If the allocation of this money to the 16 nations is to be directed by the State Department without it being supervised and directed by men who know the value of a dollar, and whether or not this country, by assuming such an enormous obligation, can be prevented from a nose dive into the financial hopper is the question.

"The draft bill providing for the recovery program which our great President (?), Mr. Truman, has laid before Congress stipulates or defines the purposes for which American aid may be used. In other words, one sovereign government is telling another sovereign government that which they must do. That, too, is an explosive picture. It provides also that, as I see it, Secretary Marshall must certify, before any aid is given, that such action is compatible with American foreign policy. What is the American foreign policy? It is rather difficult for 'we, the people,' to get it and then understand it. Is it not 'power politics' wrapped up in the same old package?

"As I understand, the draft bill stipulates an impressive list of changes in the political and economic organization and operations of Western Europe. Yes, we need a doctor—a specialist in that field to administer to the trials and tribulations of a sickened world. These stipulations, however, are given and must be carried out in order to get American aid. Who are going to be the doctors? Certainly we need superlative minds—specialists in handling other people's monies. That type of vision, in my opinion, is not to be found in the State Department. They have not had any experience in creating payrolls. They are attempting to establish sound security on borrowed money—to build character and courage in foreign lands by taking away the people's initiative and independence. I cannot understand how they can help the people in foreign lands permanently by doing for them what they could and should do for themselves.

"Yes—we need doctors—a doctor who can create prosperity—not New Deal doctors who are attempting to create prosperity by discouraging thrift—

"Not New Deal doctors who believe in more government—more bureaucracy, which creates the bought vote — which creates increased taxation, which burden is placed to the backs of the workers—

"Not New Deal doctors who penalize success, but doctors who believe production must be made a worthy enterprise and not a process to evoke suspicion because of size—

"Not New Deal doctors who believe that by weakening the strong, they can strengthen the weak—

"Who believe that by tearing down big men, they can help the small man—

"Who believe that by destroying the rich, they can help the poor.

"Who believe that by destroying the wage payer, they can lift the wage earner—

"Who believe that by spending more than their income, they can keep out of trouble—

"Who believe that by inciting class hatred, they can further the brotherhood of man—

"Not New Deal doctors who believe in more bureaucracy, which increases the cost of government—which lessens the worker's pay envelopes.

"Not those who mistake a mortgage for an inheritance—

"Not New Deal doctors infecting the Republic fatally by germs grown abroad—

"Not New Deal doctors who packed the Supreme Court to hasten the death of constitutional government—

"Not New Deal doctors who built up powers in government which 'in other hands would shackle the liberties of the American people.' That is the murder of our Republic — our taxpayers who are financing the bills see no purpose in living under such shackles.

"No doctors who will tell the Congress to pass legislation, no matter how they may doubt its constitutionality.

"No doctors who will permit the political caprices of our branch of government to usurp the rights and duties of other branches. 'Our sovereign government is under obligation not to make any caprices or arbitrary use of its power, but to act with restraint and fairness and in the spirit of retaliation.' That statement was not observed by our former doctor.

"We need doctors to preach that only by the capital incentive risk can new production become possible—which creates new wealth—those who risk savings are entitled to a profit. Failing in that, they take a loss. That's what built the U. S. A. from short pants to number one power—the incentive to risk.

"We need doctors who keep an eye on our money, for we are going to need it ourselves to get well and remain strong. We need doctors who will keep $2 for our Republic for every $1 sent elsewhere—we shall have need of them.

"Help, yes—but what kind of help and how much of these billions will reach political hands to further political parties in foreign countries? The Red Cross specializes in helping those who are in distress. The Salvation Army can make a dollar go farther than any organization and they are composed of honest people. Why not utilize these potentialities? Let's recall—the South after the Civil War reconstructed the Southern States. They had no bounty from our Federal Government—no subsidies of any kind. They tightened their belts and went to work. The great philosophy today is something for nothing. There are many people in our land who are fearing the consequences.

"This Administration's bill further provides that each government must sign two separate treaties committing itself to accept these conditions—first, a multilateral pact with all recipients, and, second, a bilateral agreement with the United States. Again—power politics wrapped up in the same package. The United States could stop all aid to other countries at any time America's own interests called for such action, even if the recipient countries lived up to their commitments in every respect.

"In other words, Sir, we are undertaking to be the Doctor for the world—impossible in my opinion, and it will only lead to disturbances by the sovereign nations. Foreign countries will resent our attempt to carve out their thoughts or mould their opinions. If they follow such a method, then they have a complete alibi for the future. They can justifiably reply that had they been left alone, they could have made good. The failure will be claimed to be our fault — not theirs. Again such action would play into communistic hands by seeming to confirm the charges of 'dollar diplomacy' and 'Yankee imperialism.' Then we will hear more from Mr. Vishinsky and Mr. Molotov.

"To sum up, we need hard-headed, able doctors—not quacks—in our Doctor's Cabinet—men who will honestly read the political thermometer respecting the health of our patients—who will honestly advise the people as to just how far America can assume these obligations to 16 nations without weakening ourselves to the danger point of putting Uncle Sam in bed among the sick of the world. Only a strong America can remain the Doctor. Our Doctor in bed with the rest of the sick of the world can no longer administer a dollar shortage. Do not assume, Sir, that I am opposed to a Marshall Plan. I am definitely for a plan under proper supervision, but not a political supervision with the usual political brokerage involved. When Dr. Truman and his Cabinet of physicians and those of his advisors will so undermine constitutional government to resort to ward politics in order to win elections, to stoop to buying votes for $40 per head to keep them in power, I can no longer appraise such leadership as being anything but destructive to the morals of our country and the dignity of mankind. Our country is assuming catastrophic responsibilities Where it will end, only God knows.

"Please bear with me in the length of this letter. It is because of my enthusiasm for our great country which prompts the free flow of my mental stream to be expressive of my thoughts, irrespective of its logic.

"As always,

Sincerely, your friend,

"EDWARD F. HUTTON"

Holds Commodity Price Drop Shows Value of Futures Market and Speculation

Charles Slaughter of N. Y. Cotton Exchange tells Senate Committee on Agriculture and Forestry that without such market fluctuations would have been more erratic and price spread between producer and consumer much wider.

On Feb. 12, in a supplemental statement to the Senate Committee on Agriculture and Forestry, Charles Slaughter, a Director of the New York Cotton Exchange, directed attention to the value of futures markets in commodities. In this statement, Mr. Slaughter said:

"The rise in grain prices last fall and early winter did not cause inflation, nor have the recent declines in grains and cotton caused deflation any more (to use a hackneyed simile) than the thermometer causes the fever from which a patient may suffer. Speculation, except over very short periods, does not make price. The rise in grains was not the cause of inflation, but its result. The recent decline is the result of a great many people having concluded that the peak of the inflation has been reached. These people include farmers, who had not heretofore sold their wheat, millers who had not hedged their wheat and, no doubt, a number of speculators.

"Such matters are not susceptible of proof, but most commodity experts believe that under the impact of government purchases, wheat would have cost the government and the millers more than it did had there been no futures market. They also believe that the improving prospects of the oncoming crops both here and in Western Europe would have induced a greater decline through the selling by owners who had overstayed their market. It can be even more confidently asserted that, lacking the fluidity of a futures market, fluctuations would have been far more erratic and, more important, that the spread between the price to the producer and that to the consumer would be vastly widened and accentuated. It is only necessary to recall that when the Cotton Exchange was closed in the Fall of 1914 just at the beginning of the cotton harvesting season, at the outbreak of World War I, the farmer marketed his crop at prices simultaneously varying in different localities from 5½ to 6½ cents and that the next spring the same cotton sold at above 12 cents after the farmer had sold his crop. The consumer bought few, if any, shirts or sheets or underwear at prices based on 6-cent cotton and the farmer reaped no advantage from the subsequent rise, upon the cotton which he had sold at 6 cents. The difference was realized by those who had assumed the risk of further decline at the time they bought.

"With a normally functioning futures market in operation, the competition between the thousands of cotton merchants prevents any of them from exacting more than a narrow margin of profit, which they are willing to accept because their opportunity to hedge their purchases and sales by offsetting operations in futures removes their price risk. If we are to have a normally functioning futures market the ideal level of margins is a matter for a nice exercise of judgment. Even if this legislation were enacted, the Secretary could not prevent a Southern bank from lending 60 or 70 or 80% of the market value of 100 or 1000 bales of cotton. Speculation on the Exchange can be stopped but speculation in cotton cannot be stopped any more than in any other form of property. Even Russia has not succeeded in accomplishing that. 100% margin would mean no speculation on the Exchange, because speculation in spot cotton would require so much less capital. Shall we then say, not 100%, but 50% or 33%. We think not for the reasons already cited and which I am sure will be amply covered by your many later witnesses."

Milwaukee Bond Club To Hold Elections

MILWAUKEE, WIS. — Friday, Feb. 20, 1948 has been set as the date for the annual meeting and election of officers of the Milwaukee Bond Club. The Arrangements Committee, under the direction of William A. Johnson (Mason, Moran & Co.) are putting forth every effort to make this one of the most outstanding mid-winter parties the Milwaukee Bond Club has ever had. The affair will be held in the Elizabethan Room of the Milwaukee Athletic Club at 6:30 p.m.

The Board of Governors appointed the following Nominating Committee to name a ticket for the coming year: Iver Skaar (Harris, Upham & Co.), Chairman; W. Brock Fuller (Paine, Webber, Jackson & Curtis), Carl G. Hausmann (The Milwaukee Co.), Miles C. Reinke (The Wisconsin Co.), M. W. Sheldon (Bingham-Sheldon Co.).

The Nominaing Committee reports the following nominees: William A. Johnson (Mason, Moran & Co.), President; Rolland A. Barnum (Merrill Lynch, Pierce, Fenner & Beane), Vice-President.

Board of Governors—Walter B. Braun (Braun, Monroe & Co.), Newman L. Dunne (The Wisconsin Co.), Earl Pryor (The Milwaukee Co.), Lester B. McElhiney (Loewi & Co.), Edward D. Levy (Straus & Blosser), Gilbert M. Vonier (Paine, Webber, Jackson & Curtis).

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

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 Broadcasting Co., Inc., New York**
Feb. 13, filed 250,000 shares common ($1 par) at proposed maximum offering price of $12.50 per share. **Underwriters**—None. **Proceeds**—For corporate purposes. Company now has plans to spend about $5,325,000 for television facilities in New York, Los Angeles, Chicago San Francisco and Detroit. Shares will be sold to "the persons with which the company had network affiliation agreements at Jan. 31, 1948, and to such other persons as may be selected from time to time by the company."

● **Angus Mines, Ltd., Montreal, Canada**
Feb. 12 filed 600,000 shares of common capital stock ($1 par). **Underwriter**—James A. Robb, New York. **Proceeds** — To develop gold prospects. **Business** — Miners-prospectors.

● **Ark-Tex Development Co., Inc., Dallas, Texas**
Feb. 12 (letter of notification) 120,000 shares of common stock. **Price** — $1.50 each. **Underwriter** — George R. Cooper, Dallas. To purchase saw mill equipment.

Atlantic Coast Fisheries Co., Boston, Mass.
Feb. 2 filed $556,500 4½% general mortgage and collateral trust convertible bonds and 166,950 shares ($1 par) common stock. **Underwriter** — Doolittle & Co., Buffalo. **Offering** — The bonds are being offered to stockholders at the rate of $1,500 of bonds for each 1,000 shares of common stock held. The stock will be reserved against conversion of the bonds. Unsubscribed bonds will be publicly offered by underwriter. **Proceeds** — General corporate purposes.

● **Bardwell & McAlister, Inc., Burbank, Calif.**
Feb. 9 (letter of notification) 29,500 shares of 6% cumulative convertible stock ($10 par) and 88,500 shares common stock ($1 par) issuable upon conversion of preferred stock. **Underwriters** — John B. Dunbar & Co., Los Angeles. **Proceeds**—$100,000 for working capital with balance for construction and development of new items to be added to the company's line of photographic equipment.

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.

● **Boise (Idaho) Water Corp.**
Feb. 9 (letter of notification) 3,000 shares of 5% cumulative preferred stock ($100 par). **Price**—$99.75 each. **Underwriters**—Butcher & Sherrerd, Battles & Co., Philadelphia; Wagener & Daly, Boise, Idaho, and Southern Securities Corp., Little Rock, Ark. To pay promissory notes and construction costs.

● **Bureau of National Affairs, Washington, D. C.**
Feb. 12 (letter of notification) 1,260 shares of common stock. No underwriting. To be sold to employees. To meet current operating expenses.

Cameron Aero Engine Corp. (2/24-27)
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 as 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. **Underwriters**—R. A. Keppler & Co., Inc. and Henry P. Rosenfeld & Co., New York. To provide operating funds, etc.

● **Cappel, MacDonald & Co., Dayton, O.**
Feb. 10 (letter of notification) 26,000 shares of common stock ($10 par). Underwriters, none. To be used in the ordinary course of current business and for permanent investment in additional capital.

● **Casa de Paga Gold Co., Seattle**
Feb. 2 (letter of notification) $100,000 of production notes. A bonus of one share (1¢ par) stock will be issued with each $1 worth of production notes. **Underwriter**—Lobe, Inc. To purchase capital stock of Dry Creek Dredging Co. and pay current expenses.

● **Cathedral Corp., Miami, Fla.**
Feb. 16 (letter of notification) 100,000 shares ($1 par) capital stock. **Price**—$2.50 each. No underwriting. To engage in contracting business.

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.
Nov. 21 filed 40,000 shares ($100 par) cumulative preferred. Underwriting to be determined by competitive bidding. No bids received at competitive bidding Dec. 15. Sale may be negotiated. Groups formed to bid if issue is reoffered include: W. C. Langley & Co., Shields & Co. and White Weld & Co. (jointly), the First Boston Corp. **Proceeds**—For property additions and expenses.

Century Steel Corp., Hollydale, Calif.
Nov. 10 filed 4,000 shares ($100 par) common. No underwriting. **Price**—$100 a share. **Proceeds**—To purchase rolling mill, equipment and for working capital.

Clinton (Ia.) 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. Effective Jan. 14, 1948.

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.

● **Cook (E. K.) & Co., Inc., Washington, D. C.**
Feb. 9 (letter of notification) 1,500 shares (no par). **Price**—$10 per share. Underwriters, none. For pharmaceutical supplies.

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. Effective Feb. 6, 1948.

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 capital.

Crampton Manufacturing Co. (3/1-5)
Feb. 5 filed $600,000 first mortgage 5½% sinking fund bonds, due 1966, with warrants to purchase 60,000 shares ($1 par) common stock. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Proceeds**—To retire secured indebtedness, finance inventories and supplement working capital.

Dayton (Ohio) Power & Light Co.
Dec. 5 filed 170,000 shares ($7 par) common. **Underwriting**—None. **Offering**—Offered for subscription by stockholders of record Jan. 30 on the basis of one share for each nine shares held. Rights expire Feb. 25. **Price** $24 per share. **Proceeds** — To finance construction program.

Deardorf Drilling Corp., Oklahoma City, Okla.
Feb. 3 (letter of notification) 1,000,000 shares common (10¢ par). To be offered through Tellier & Co. For expenses and working capital.

● **Dixie Fasteners, Inc., Chattanooga, Tenn.**
Feb. 16 (letter of notification) 39,870 shares ($5 par) common stock. To be exchanged pro rata for all outstanding shares of Charney Fasteners, Inc., under a reorganization plan.

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.

● **1832 Biltmore Corp., Washington, D. C.**
Feb. 12 (letter of notification) 1,600 shares common stock (no par). Underwriters, none. To pay the owner of the building for the value of the property.

● **Eldridge Oil Corp., Carson City, Nev.**
Feb. 9 (letter of notification) $97,000 five-year 5% income debenture notes and 9,7000 shares of capital stock (10c par). To be offered in units of $10 of 5% income debenture notes and one share of stock at $10.10. Underwriters, none. Not less than 50% of the new proceeds will be invested in oil and gas royalties underlying producing oil or gas leases and balance for working capital.

Electro Refractories & Alloys Corp., Buffalo, New York
Feb. 9 (letter of notification) 7,400 shares of common stock (no par). **Price**—$15 a share. **Underwriter**—Hamlin & Lunt, Buffalo. **Offering**—Stockholders of record Feb. 13 given rights to subscribe at rate of 1/12th of one warrant for each share held. Rights expire Feb. 27. Additional working capital.

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.

Finance Corp., Denver, Colo.
Jan. 19 (letter of notification) 2,500 shares of 4½% cumulative, non-convertible ($100 par) preferred and 5,000 shares ($5 par) common. **Underwriter**—Robert L. Mitton Investments, Denver. To supplement working capital.

Fitzsimmons Stores, Ltd., Los Angeles, Calif.
Feb. 2 filed 10,000 shares of 6% cumulative first preferred stock ($100 par). **Underwriting**—Officers, directors and employees of the company will offer the stock to friends and associates. **Price**—$100 per share. **Proceeds**—To retire 7% preferred stock. Business: "Super Markets" in Los Angeles, Riverside, Colton and San Bernardino County.

● **Franklin Savings & Loan Co., Greenville, S. C.**
Feb. 12 (letter of notification) 20,000 shares ($10 par) 5% preferred stock. **Price**—Par. No underwriting. For working capital.

Fraser Products Co., Detroit, Mich.
Oct. 21 filed 100,000 shares ($1 par) common. **Underwriters** — Campbell, McCarty & Co., and Keane & Co., both Detroit. **Price**—$5.25 per share. **Proceeds**—The shares are being sold by 14 stockholders who will receive proceeds.

Giant Portland Cement Co. (2/19)
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**—Stockholders subscribed for about 42% of the stock. Rights expired Feb. 14. Unsubscribed shares will be offered by underwriter. **Proceeds**—To develop a plant and facilities for the company's subsidiary, Carolina Giant Cement Co., Harleyville, S. C.

● **Globe Mining Co., Black Hawk, Colo.**
Feb. 16 (letter of notification) 248 shares of common stock. **Price**—$100 par value. **Underwriter**—Richard R. Cooper, Denver. For mortgage indebtedness and mining costs.

● **Goldfield Great Bend, Ltd., Reno, Nev.**
Feb. 12 (letter of notification) 65,000 shares of non-assessable capital stock (1¢ par). **Price**—11 cents each. No underwriting. For mining operations.

Guyana Mines, Ltd., Toronto, Canada
Nov. 26 filed 303,587 shares ($1 par) common. **Underwriting**—None. **Price**—50 cents a share. **Proceeds**—For equipment and working capital. Effective Feb. 5.

● **Hardy (J. Herschel), Ashland, Wisc.**
Feb. 9 (letter of notification) $33,000 notes, to be sold for cash. Underwriters, none. Notes will be sold in $1,200 and $600 units. To apply on down payment on purchase of Parkinson Hotel at Okmulgee, Okla.

● **Hastings (Mich.) Manufacturing Co.**
Feb. 10 (letter of notification) 600 shares of common stock ($2 par). **Underwriter**—First of Michigan Corp.

● **Home Telephone & Telegraph Co. of Virginia, Emporia, Va.**
Feb. 11 (letter of notification) 57,600 shares capital stock ($5 par). Underwriters, none. Of the proceeds

NEW ISSUE CALENDAR

February 19, 1948	
Giant Portland Cement Co.	Common
Missouri-Kansas-Texas RR.	Equip. Trust Ctfs.
February 20, 1948	
Ohio Public Service Co.	Bonds
February 24, 1948	
Cameron Aero Engine Corp.	Common
Myles Plastics Corp.	Common
February 25, 1948	
Wisconsin Power & Light Co. 11:30 a.m. (EST)	Bonds
February 26, 1948	
Interstate Power Co.	Bonds, Debs. & Com.
Warren Petroleum Corp.	Preferred
March 1, 1948	
Crampton Manufacturing Co.	Bonds
County Gas Co.	Common
March 5, 1948	
Public Service Co. of N. H.	Common
March 23, 1948	
Columbia Gas & Electric Corp.	Debentures
April 6, 1948	
Southern Counties Gas Co.	Bonds
May 4, 1948	
Southern California Gas Co.	Bonds

$150,000 will be used to reduce outstanding short-term bank loans and balance to further company's construction program.

Illinois-Rockford Corp., Chicago
July 24 filed 120,000 shares ($1 par) common. **Underwriters**—Brailsford & Co., and Straus & Blosser, Chicago. **Price**—$9.25 a share. **Proceeds**—The shares are being sold by four stockholders and represent part of the stock the sellers will receive in exchange for their holdings of four furniture companies to be merged with the registrant. The merging companies are Toccoa Manufacturing Co. and Stickley Brothers, Inc., both Illinois corporations, and the Luce Corp. and Stickley Bros. Institutional Furniture Co., both Michigan corporations. Indefinitely postponed.

International Asbestos Co., Ltd., Sherbrooke, Quebec
Jan. 30 filed 1,500,000 shares ($1 par) common stock. **Underwriter**—Paul E. Frechette, Hartford, Conn., is the U. S. authorized agent and principal underwriter. **Price**—$1 each. **Proceeds**—To construct milling plant and purchase equipment.

Interstate Power Co., Dubuque, Ia. (2/26)
Feb. 5 filed $20,000,000 first mortgage bonds, due 1978; $5,000,000 sinking fund debentures, due 1968, and 1,500,000 shares ($3.50 par) common stock. **Underwriter** — Smith, Barney & Co., New York. Price and interest rates by amendment. **Proceeds**—To permit consummation of the company's reorganization plan.

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.

● **Kansas Gas & Electric Co., Wichita, Kan.**
Feb. 11 filed $5,000,000 first mortgage bonds due 1978. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; the First Boston Corp., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers, Bear, Stearns & Co., and Stern Bros. & Co. (jointly); Shields & Co., and E. H. Rollins & Sons (jointly); Kidder, Peabody & Co. **Proceeds** — For construction and other corporate purposes. **Business**—Utility company.

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.

Laclede Gas Light Co., St. Louis, Mo.
Feb. 4 filed $6,084,000 15-year convertible sinking fund debentures. **Underwriters**—Lehman Brothers, Goldman, Sachs & Co., and The First Boston Corp. **Offering**—To be offered initially to common stockholders of record Feb. 24 on basis of $100 of debentures for each 40 shares held. Unsubscribed publicly by underwriters. **Price**—By amendment. **Proceeds**—Payment of outstanding 3½% installment notes.

Legend Gold Mines, Ltd., Toronto, Canada
June 27 filed 300,000 shares ($1 par) common treasury stock. **Underwriting** — To be supplied by amendment. **Price**—50 cents a share. **Proceeds**—To develop mining properties.

● **Louisiana Power & Light Co., New Orleans, La.**
Feb. 12, filed $10,000,000 first mortgage bonds, due 1978. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; W. C. Langley & Co., the First Boston Corp. and Glore, Forgan & Co. (jointly); Shields & Co., White Weld & Co. (jointly); Harriman, Ripley & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder Peabody & Co. (jointly); Kuhn Loeb & Co. and Lehman Brothers (jointly); Salomon Bros. & Hutzler. **Proceeds** — Approximately $5,500,000 will be added to company's general cash funds on the basis of unfunded property additions, and the balance will be used for construction purposes.

● **Louisville (Ky.) Gas and Electric Co.**
Feb. 12 filed $8,000,000 first and refunding mortgage bonds, due March 1, 1978. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); the First Boston Corp.; Harriman, Ripley & Co.; Glore, Forgan & Co. and W. C. Langley & Co. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co. **Proceeds**—To pay $2,450,000 of short-term bank loans and to reimburse treasury for expense of property extensions and improvements. **Business** — A utility company.

McClanahan Oil 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 shares of Great Lakes common. Offer will expire March 15, 1948.

● **Macco Corp., Clearwater, Calif.**
Feb. 9 (letter of notification) 1,440 shares of common stock ($1 par). To be offered to public at over the counter market price. Underwriters, none.

● **Macoil Corp., Clearwater, Calif.**
Feb. 9 (letter of notification) 1,440 shares common stock ($1 par). To be offered to public at over the counter market price. Underwriters, none.

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.

● **Mercantile Acceptance Corp. of Calif., San Francisco, Calif.**
Feb. 11 (letter of notification) 3,849½ shares first preferred 5% series stock (par $20). **Underwriter**—Guardian Securities Corp. General corporate purposes.

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.

Minnesota Power & Light Co., Duluth
Feb. 3 filed 100,000 shares (no par) common stock. **Underwriters**—Company has asked SEC to exempt sale from competitive bidding. If competitive, probable bidders include: The First Boston Corp. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co. and Shields & Co. (jointly). **Price**—By amendment. **Proceeds**—Toward financing a $6,000,000 construction program and for other corporate purposes, which may include payment of a $750,000 temporary bank loan.

● **Morris Bean & Co., Yellow Springs, O.**
Feb. 11 (letter of notification) $100,000 20-year 5% promissory notes, second series. Underwriters, none. For new plant, machinery and equipment, materials and supplies for the operation of a non-ferrous foundry.

● **Myles Plastics Corp., Jersey City, N. J. (2/24)**
Feb. 10 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$1.375 per share. **Underwriter**—H. Frazee Olifiers & Co., New York. Proceeds to selling stockholder.

Nalley's Inc., Tacoma, Wash.
Jan. 15 filed 119,152 shares of common stock (par $1.25). **Underwriters**—Walston, Hoffman & Goodwin and Hartley, Rogers & Co., San Francisco. **Offering**—63,785 shares are to be publicly offered (25,000 on behalf of company and 38,785 for account of Marcus Nalley, Chairman); 20,000 shares will be offered to employees, executives and directors and 35,367 shares are to be issued in acquisition of all publicly held stock or partnership interests in certain subsidiary and affiliated companies. Business—Food products.

● **National Standard Insurance Co., Orlando, Fla.**
Feb. 16 (letter of notification) 5,296 shares of common stock. **Price**—$30 each. **Underwriter**—Nathan B. McGuffey. To raise surplus for policy reserves.

Nevada-Stewart Mining Co., Spokane, Wash.
Jan. 28 (letter of notification) 100,000 shares of non-assessable capital stock. **Price**—32 cents each. **Underwriters**—H. M. Herrin & Co., Seattle, and Pennaluna & Co., Wallace, Idaho. For developing mining claims.

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**—Offered for subscription by common stockholders of record Feb. 2 at $20 on the basis of one share for each six common shares held. Rights expire March 1. **Proceeds**—To pay off indebtedness.

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.

Ohio Public Service Co. (2/20)
Dec. 22 filed $10,000,000 first mortgage bonds, series due 1978. **Underwriting**—Halsey, Stuart & Co. Inc. on Feb. 18 bid 100.2599 for a 3⅛% coupon. **Price**—100.75. **Proceeds**—To be used for construction.

● **Oil Producers, Inc., Oklahoma City, Okla.**
Feb. 16 (letter of notification) 980,000 shares common stock and 150,000 option warrants. **Price**—30 cents and 1 cent respectively. **Underwriter**—R. V. Klein Co., New York. For drilling costs and working capital.

Pacific Gas and Electric, San Francisco
Jan. 29 filed 686,953 shares ($25 par) common stock. **Underwriting**—none. **Offering**—To be offered at par to holders of outstanding common stock of record Feb. 27 at the rate of one share for each 10 held. Rights expire April 9. **Proceeds**—To finance a construction program.

● **Pacific Telephone & Telegraph Co.**
Feb. 13 filed $75,000,000 30-year debentures, due March 1, 1978. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Morgan Stanley & Co., and Halsey, Stuart & Co. Inc. **Proceeds**—To reimburse treasury for costs of extensions, additions and improvements to telephone plant and repay outstanding advances to parent, American Telephone & Telegraph Co. Expected about March 16.

Parkview Drugs, Inc., Kansas City, Mo.
Jan. 27 filed 100,000 shares of preferential cumulative 35c participating stock ($4.50 par). **Underwriter**—Straus & Blosser, Chicago. **Price**—$5.25 per share. **Proceeds**—$140,000 will be used to reimburse company for funds used to purchase McFarland Drug Co., Topeka, Kan., and the $332,500 balance will be used for working capital and expansion of business: retail drug stores.

● **Pecos Valley Cotton Oil Co., Roswell, N. M.**
Feb. 9 (letter of notification) 20,000 shares of common ($10 par). Underwriters, none. Purchase of land and construction of cotton oil mill.

● **Pet Milk Co., St. Louis, Mo.**
Feb. 13, filed 100,000 shares of preferred. **Underwriters**—Kidder, Peabody & Co.; G. H. Walker & Co., and Julien Collins & Co. **Offering**—To be offered initially to stockholders on basis of one new share for either one share of 4¼% cumulative preferred stock or one share of 4¼% cumulative second preferred stock. Price by amendment. **Proceeds**—To redeem all outstanding preferred with the balance to be applied to working capital.

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. Temporarily deferred.

● **Playboy Motor Car Corp., Tonawanda, N. Y.**
Feb. 13 filed 20 000,000 shares common (1c par). **Price**—$1 per share. Not more than 100,000 shares will be offered to employees and officers at 87½ cents per share. **Underwriter**—Tellier & Co., New York. **Proceeds**—For capital equipment and working funds. **Business**—Company will manufacture small car in $1,000 price class.

● **Procurement Services, Inc., Washington, D. C.**
Feb. 13 (letter of notification) 500 shares ($100 par) preferred stock and 250 shares ($1 par) class A common stock. **Price**—Par for each. No underwriting. For working capital.

Public Service Co. of New Hampshire (3/5)
Feb. 6 filed 199,627 shares ($10 par) common stock. **Underwriters**—Kidder, Peabody & Co., and Blyth & Co., Inc., New York. **Offering**—To be offered present holders at rate of one share for each 3½ shares held. New England Public Service Co. will waive its rights to subscribe to 141,101 shares. **Price**—By amendment. **Proceeds**—Construction program and retire short-term loans.

Public Service Co. of Oklahoma, Tulsa, Okla.
Jan. 30 filed $10,000,000 first mortgage bonds, series B, due 1978. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co., Blyth & Co., Inc., Central Republic Co. and Lee Higginson Corp. (jointly); Glore, Forgan & Co., the First Boston Corp., Salomon Bros. & Hutzler. **Proceeds**—Prepayment of $1,700,000 of bank notes due April 20 and $1,375,000 of Oklahoma Power and Water Co. bank notes, and for expansion purposes.

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.

Red Rock Bottling Co. of Cleveland
Jan. 23 (letter of notification) 40,656 shares ($1 par) common. **Price**—$1 each. No underwriting. For working capital.

Reiter-Foster Oil Corp., New York
Jan. 16 (letter of notification) 180,000 shares (50c par) common stock. **Price**—80 cents. **Underwriter**—Frank W. Bennett & Co. For working capital.

● **San Francisco Metals Co., Prescott, Ariz.**
Feb. 12 (letter of notification) 100,000 shares (no par) non-assessable capital stock. **Price**—$1 each. No underwriting. To develop mine.

Service Caster & Truck Corp., Albion, Mich.
Jan. 30 filed 80,000 shares of common stock (par $1). **Underwriters**—Names to be filed by amendment. **Price**—$7. **Proceeds**—Proceeds together with funds from private sale of $600,000 of 4¾% debentures and $250,000 of 6% subordinated debentures, will be used to pay off indebtedness.

South Carolina Electric & Gas Co.
Dec. 2 filed 80,858 shares ($50 par) cumulative convertible preferred and 404,293 shares ($4.50 par) common for sale, and 687,293 shares reserved for conversion of preferred. **Underwriter**—Kidder, Peabody & Co., New 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.

(Continued on page 42)

(Continued from page 41)

● **Southwestern Electric Service Co., Waco, Tex.**
Feb. 9 (letter of notification) 25,000 shares of common stock to be offered to stockholders of record Feb. 16. Underwriters, none. For construction.

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 program.

● **Southwestern States Life Insurance Co.**
Feb. 10 (letter of notification) William Burnest Palmer filed reorganization certificates. Underwriters, none. To be used as capital stock in a proposed old line life insurance company.

Steak 'n Shake, Inc., Bloomington, Ill.
Feb. 2 filed 40,000 shares of 50c cumulative convertible participating preferred stock, ($1 par) and 160,000 shares (50c par) common stock, of which 40,000 will be sold and the remainder reserved for conversion. **Underwriter**—White & Co., St. Louis, Mo. **Price**—$8 for the preferred stock and $2.50 for the common. This stock is being offered by stockholders who are members of the Belt family.

● **Sunland-Tujunga Telephone Co., Sunland, Calif.**
Feb. 9 (letter of notification) 8,000 shares of 5¼% cumulative first preferred ($25 par). Underwriters none. For purchase and installation of extensions, additions and improvements to telephone properties and facilities and to reimburse treasury for expenditures made for such purpose.

● **Terminal Refrigerating & Warehousing Corp., Washington, D. C.**
Feb. 17 filed $700,000 4% 10-year first mortgage bonds due 1958. **Underwriter**—Alex. Brown & Sons, Baltimore. **Price**—Par. **Proceeds**—To retire $635,000 of 4½% first mortgage bonds due April 1, 1948. **Business**—Market operators.

● **Uni-Flow Engine Corp., Washington, D. C.**
Feb. 6 (letter of notification) 15,000 shares common stock ($5 par). Options to initial holders of such common stock, exercisable in discretion of directors, to purchase in the aggregate 15,000 additional shares of common stock at $10 per share, in proportion to initial holdings of common stock. Underwriters, none. For manufacture, testing and production of the "Uni-Flow Engine," the "Cobra Coaster Brake," and such other products as may be produced by company, and for other expenses.

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.

● **Virginia Electric & Power Co., Richmond, Va.**
Feb. 17 filed $10,000,000 first and refunding mortgage bonds due 1978, and $11,753,800 convertible debentures due 1963. **Underwriters**—Bonds to be offered under competitive bidding. Probable bidders: Stone & Webster Securities Corp.; The First Boston Corp.; Glore, Forgan & Co., and W. C. Langley & Co. (jointly); Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane, and Hallgarten & Co. (jointly). Debentures will be underwritten by Stone & Webster Securities Corp., Boston. **Offering**—Debentures to be offered to common stockholders of record March 15 at rate of $100 of debentures for each 25 shares held. Price of debentures, 100. **Proceeds**—To pay for construction expenditures, including $11,000,000 of bank notes issued to finance construction.

Warren Petroleum Corp. (2/26)
Feb. 5 filed 150,000 shares ($100 par) cumulative convertible preferred stock. **Underwriter**—Merrill, Lynch, Pierce, Fenner & Beane, New York. Price and interest rate to be filed by amendment. **Proceeds**—To purchase 75% interest in the capital stock of Devonian Oil Co., the other 25% being acquired by Gulf Oil Corp.

● **Webfoot Mining & Milling Co., Inc., Seattle**
Feb. 11 (letter of notification) 200,000 shares (10¢ par) common stock. Price—25 cents each. No underwriting. For general corporate purposes.

Wisconsin Power & Light Co. (2/25)
Dec. 29 filed $3,000,000 30-year first mortgage bonds. Series B, and 30,000 shares ($100 par) 4.80% 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. **Bids**—Bids for purchase of bonds will be received at office of Middle West Service Co., 20 North Wacker Drive, Chicago, up to 11:30 a.m. (CST) Feb. 25.

Prospective Security Offerings

(NOT YET IN REGISTRATION)

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

California-Oregon Power Co.
Feb. 3, A. S. Cummings, President stated company has a tentative working schedule for sale of $4,500,000 first mortgage bonds and 100,000 additional shares of common stock. Plans call for opening of bids on the offering on March 30, with bonds and stock being offered to the public on April 1. Proceeds of the bonds will be used to retire bank loans. Funds from the additional common stock, will be used to take care of business expansion in 1949. Probable bidders include: Halsey, Stuart & Co. Inc. (bonds only); Blyth & Co., Inc., and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane (common); Harriman, Ripley & Co.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly on bonds); Salomon Bros. & Hutzler; Shields & Co. (bonds only).

Columbia Gas & Electric Corp. (3/23)
Feb. 9 corporation asked the SEC for authority to issue and sell at competitive bidding $45,000,000 of new debentures, due 1973. Interest rate, offering price and underwriting terms will be governed by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp.; Halsey, Stuart & Co. Inc. Company plans to invite bids to be opened March 23.

● **Connecticut Light & Power Co.**
March 17 stockholders will vote on increasing authorized preferred stock from 600,000 shares (no par) to 1,200,000 shares (no par) and the authorized common from 1,704,000 shares (no par) to 2,500,000 shares (no par). President C. L. Campbell says the company has no immediate plans for the issuance of additional stock, but the increase is desirable to enable the company to develop a suitable plan for financing its expansion program.

● **Consolidated Edison Co. of New York, Inc.**
Feb. 18 company applied to New York P. S. Commission for authority to issue $57,382,600 15-year 3% debentures, which are to be convertible into common stock at $25 a share. Debentures will be offered to common stockholders at par in ratio of $5 principal amount for each share held. Company will invite bids for underwriting the issue and the purchase of any unsubscribed debentures. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co. The proceeds will be applied to the extent of $24,995,329 toward the redemption of 273,566 shares of the 2,188,885 shares of $5 preferred stock outstanding. Bidding expected March 23.

● **Consumers Power Co.**
Feb. 17 reported company may be in market this year with $15 to $20 million new securities, the nature of which remains to be determined.

County Gas Co. (3/1)
The Public Service Corp. of New Jersey is inviting proposals for the purchase of 7,460 shares of common stock of County Gas Co. Proposals must be submitted on or before March 1.

Dallas Power & Light Co.
Feb. 7 reported company plan the sale in April of $4,000,000 of debentures. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., and Blyth & Co. Inc. (jointly).

● **Detroit Edison Co.**
The 1947 annual report states: "We expect to need more new money for construction purposes by the summer of 1948, but timing and type of future financing will be governed largely by progress and financial market conditions." Probable bidders for bonds if issued: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Dillon, Read & Co.; Coffin & Burr, Inc., and Spencer Trask & Co. (jointly).

● **Gulf Power Co.**
Feb. 17 reported company may sell $1,000,000 bonds to meet construction requirements.

● **Kansas Gas & Electric Co.**
The American Power & Light Co. has asked SEC permission to sell publicly 250,000 shares of its Kansas holdings. It has also requested to be exempt from the competitive bidding rule.

● **Michigan Gas Storage Co.**
Feb. 17 reported company may be in the market this year with $3 to $4 million bonds.

● **Mississippi Power Co.**
Feb. 17 reported company may sell $1,000,000 new bonds to meet construction requirements.

Missouri-Kansas-Texas RR. (2/19)
Company will receive bids up to Feb. 19 for the purchase of $1,620,000 equipment trust certificates, dated March 1, 1948 and due semi-annually in 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Shields & Co.; Harris Hall & Co. (Inc.); Harriman, Ripley & Co. and Lehman Brothers (jointly).

● **Mountain State Telephone & Telegraph Co.**
Feb. 17 reported plans for sale of securities up to $45,000,000 to finance new construction were approved by directors. Under the program, holders of common stock will be offered rights to purchase new shares at par ($100) up to a total of $19,188,100. In addition, company plans to offer under competitive bidding up to $25,000,000 in debentures. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

● **Ohio Power Co.**
Feb. 16 reported company has plans under consideration for sale of about $40,000,000 bonds for new money purposes, probably late in March. Probable bidders: Dillon, Read & Co. Inc.; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Harriman Ripley & Co., and Stone & Webster Securities Corp. (jointly).

● **Public Service Co. of New Mexico**
Feb. 11 Cities Service Co. applied to the SEC for permission to sell through competitive sale 339,639 shares (entire holdings) of Public Service Co. of New Mexico. Probable bidders include Blyth & Co., Inc.; The First Boston Corp., and White, Weld & Co. (jointly); Otis & Co.; Glore, Forgan & Co.

● **San Diego Gas & Electric Co.**
Company has applied to the California P. U. Commission for authority to sell at competitive bidding $10,000,000 first mortgage bonds, series C, due 1978. Probable bidders include Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Harriman Ripley & Co.; Kidder, Peabody & Co., and Dean Witter & Co. (jointly); The First Boston Corp.; Salomon Bros. & Hutzler; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane.

● **Sierra Pacific Power Co.**
Feb. 11 reported company plans sale competitively of $3,500,000 bonds. Probable bidders include: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

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.; Merrill Lynch, Pierce, Fenner & Beane; Harris, Hall & Co. (Inc.).

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. and Harris, Hall & Co. (Inc.) (Jointly); W. C. Langley & Co. and Glore, Forgan & Co. (Jointly); White, Weld & Co.

● **Southern Indiana Gas & Electric Co.**
Feb. 17 reported company intends to raise $1,000,000 for construction requirements through sale of bonds.

Southwestern Bell Telephone Co.
Feb. 11 it is expected that company's debenture financing will be for the full $100,000,000 authorized by stockholders. The big issue will be put up for sale at competitive bidding on May 4, according to present plans. Probable bidders: Morgan Stanley & Co., the other by Halsey, Stuart & Co. Inc.

● **Standard Accident Insurance Co.**
March 9 stockholders will vote on increasing capital stock by 140,750 shares. New shares will be offered to stockholders in ratio of one new for each 2½ shares held. Expected The First Boston Corp. will underwrite the issue.

● **Texas Electric Service Co.**
Feb. 17 company asked SEC for permission to sell through competitive bidding $5,000,000 mortgage bonds and $5,000,000 of debentures. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman, Ripley & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co., and Smith, Barney & Co. (jointly); Glore, Forgan & Co., and W. C. Langley & Co. (jointly); White, Weld & Co.; Hemphill, Noyes & Co., and Drexel & Co. (jointly). Expected about March 15.

Texas Power & Light Co.
Feb. 7 reported company plans issuance of $7,000,000 of debentures early in April. Probable bidders: The First Boston Corp., Halsey, Stuart & Co. Inc., Blyth & Co., Inc., Smith, Barney & Co. and Kidder, Peabody & Co. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); W. C. Langley & Co., and Glore, Forgan & Co. (jointly); White, Weld & Co.; Harriman Ripley & Co., and F. S. Moseley & Co. (jointly); Lehman Brothers.

Utah Power & Light Co.
Jan. 28 reported company working on plans for $3,000,000 new mortgage bonds, plus $5,000,000 new debentures. Probable bidders include: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (Jointly); Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, R. W. Pressprich & Co. and Equitable Securities Corp. (Jointly); Smith, Barney & Co. and Union Securities Corp. (Jointly); White, Weld & Co.; Harriman Ripley & Co.

West Penn Power Co.
The company on Feb. 10 asked the SEC for permission to sell publicly, at competitive bidding, $12,000,000 of first mortgage bonds, series M, and 50,000 shares of preferred stock, series B ($100 par). Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co. The company also proposes to issue $2,500,000 of additional (no par value) common stock, to be offered first to its stockholders. West Penn Electric Co. (parent) proposes to purchase all

Our Reporter's Report

The sobering effect of recent developments in the economic world, such as the levelling off of commodity prices from their inflated peaks, can naturally be expected to make for some degree of caution among industries in planning future expansion.

But unless there is marked tightening of money rates, something that does not now appear to be in the cards, the rank and file of industry very likely will go ahead with construction of needed new facilities, since in most cases such programs are doing little more than overcoming the lag occasioned by five years of war.

One industry, however, very definitely will not be relying on its ability to borrow from investors to finance such undertakings, judging from the way things are shaping up.

The petroleum industry, by and large, has been fortunate in that it has enjoyed very substantial earnings, and, despite the tax penalty involved, has been retaining a large portion of such earnings for reinvestment in its properties.

Studies now coming to hand indicate that last year, for example, the oil companies as an industry retained approximately 65% of their net earnings for such purposes. The rule does not apply to each and every company, and accordingly some most likely will be in the market for funds, but from the point of view of the industry, it appears well fortified with cash to provide for its needs for some time ahead.

Cost of Bonus Money

The State of Illinois this week marketed the last $85,000,000 of its soldier bonus bonds and found a ready market for them among institutional investors.

Last April Illinois sold $300,000,000 of the issue and received a bid which figured out a net interest cost basis of 1.676% annually. On the current offering the best bid set an interest cost of 1.9485%.

The initial issue carried 1¼ and 1¾% coupons while this one carries rates of 1¾ and 2%.

Chipping to Fit

Every so often bankers purchasing an issue find themselves moved to reconsider their first ideas as regards reoffering prices.

This happened again the other day in the case of the Illinois Power Co.'s $15,000,000 of first mortgage bonds. Bankers paid the company 100.1499 for the issue with a 3⅛% coupon.

The original intention reportedly was to reoffer at 100.875 to yield 3.08%. But evidently a feel of the market convinced the selling group that slight revision was in order and the final offering price was fixed at 100.485 where the issue yielded 3.10% and moved rather well.

Philadelphia Electric

Just how some people have the idea that New York investment banking interests are not keen for small undertakings is difficult to explain particularly in view of the apparent relish with which they go after such issues.

Iowa Power & Light Co.'s offering of $6,000,000 of new first mortgage bonds brought out a total of nine bids this week, and Illinois Power Co.'s $15,000,000 offering was the center of no less than four bids.

Of course Philadelphia Electric Co.'s $25,000,000 first mortgage issue, cannot be looked upon as "small." But here again no less than six different houses or groups went after this one.

Looks like the New York underwriters simply go by the rule that business is business and that all you need to get along is to get enough of it.

Still Piling Up

Latest entry into the new capital handicap is the group of companies comprising Commonwealth & Southern Corp. Southern Company, formed to replace Commonwealth as the holding unit for four operating utilities in the South, proposes to raise $20,000,000 via the common stock route.

Consumers Power Co. is considered a prospect for new financing of between $15,000,000 and $20,000,000 although no real details are yet available.

Two other units, Southern Indiana Gas & Electric Co. and Michigan Gas Storage Co., are counted on to seek new funds in smaller amounts.

SITUATION WANTED

New Connection

Desired by well-known trader and dealer liaison man with proven record of accomplishment. Capable of taking full charge or installing trading department, building dealer business, etc. Opportunity more important than amount of immediate compensation to start. Box M 220, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

DIVIDEND NOTICES

Magma Copper Company

Dividend No. 102

On February 17, 1948, a dividend of Twenty-five Cents (25c) per share was declared on the Capital Stock of MAGMA COPPER COMPANY, payable March 15, 1948 to stockholders of record at the close of business February 27, 1948.

H. E. DODGE, *Treasurer.*

Newmont Mining Corporation

Dividend No. 78

On February 17, 1948, a dividend of FIFTY CENTS (50¢) per share was declared on the Capital Stock of NEWMONT MINING CORPORATION, payable March 15, 1948, to stockholders of record at the close of business February 27, 1948.

GUS MRKVICKA, *Treasurer.*

CONSOL

The Board of Directors of

PITTSBURGH CONSOLIDATION COAL COMPANY

at a meeting held today, declared a quarterly dividend of 50 cents per share on the Common Stock of the Company, payable on March 12, 1948, to shareholders of record at the close of business on February 27, 1948. Checks will be mailed.

CHARLES E. BEACHLEY, *Secretary-Treasurer*

February 16, 1948

Atlas Corporation

Dividend on Common Stock

NOTICE IS HEREBY GIVEN that a regular quarterly dividend of 40¢ per share has been declared on the Common Stock of Atlas Corporation, payable March 20, 1948, to holders of such stock of record at the close of business February 27, 1948.

WALTER A. PETERSON, *Treasurer*

February 17, 1948.

AMERICAN CYANAMID COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company on February 17, 1948, declared a quarterly dividend of eighty-seven and one-half cents ($.875) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series A, payable April 1, 1948, to the holders of such stock of record at the close of business March 4, 1948.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company on February 17, 1948, declared a quarterly dividend of twenty-five cents ($.25) per share on the outstanding shares of the Common Stock of the Company, payable April 1, 1948, to the holders of such stock of record at the close of business March 4, 1948.

W. P. STURTEVANT, *Secretary*

DIVIDEND NOTICES

IOWA SOUTHERN UTILITIES COMPANY of Delaware

Dividend Notice

The Board of Directors has declared a dividend of 25c a share on the Common Stock of the Company payable March 15, 1948 to stockholders of record March 1, 1948.

EDWARD L. SHUTTS, *President.*

February 16, 1948.

Bayuk Cigars Inc.

A dividend of thirty-seven and one-half cents (37½c) per share on the Common Stock of this Corporation was declared payable March 16, 1948, to stockholders of record March 1, 1948.

Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
February 13, 1948

PHILLIES
America's No1 cigar

American Woolen Company

INCORPORATED

AT a meeting of the Board of Directors of the American Woolen Company, held today, the following dividends were declared:

A regular quarterly dividend of $1.00 per share on the $4 Cumulative Convertible Prior Preference Stock payable March 15, 1948 to stockholders of record February 27, 1948.

A regular quarterly dividend of $1.75 per share on the 7% Cumulative Preferred Stock payable April 15, 1948 to stockholders of record April 1, 1948.

A quarterly dividend of $1.50 per share on the Common Stock payable March 15, 1948 to stockholders of record February 27, 1948.

Transfer books will be closed on February 27, 1948 and will reopen March 24, 1948. Transfer books will not close for the 7% Cumulative Preferred Stock dividend.

Dividend checks will be mailed by the Guaranty Trust Company of New York.

F. S. CONNETT, *Treasurer.*

February 11, 1948.

Richter Visting New York

Henry J. Richter of Scherck, Richter Co., St. Louis, is a visitor in New York. While here, he is making his headquarters at Eastman, Dillon & Co., 15 Broad Street, New York City.

With Bache & Co.

MIAMI BEACH, FLA.—William M. Jackson is with Bache & Co., 2809 Collins Avenue.

DIVIDEND NOTICES

O'okiep Copper Company Limited

Dividend No. 5

The Board of Directors today declared a dividend of two shillings six pence per share on the Ordinary Shares of the Company payable on March 10, 1948 to the holders of record of Ordinary Shares of the Company at the close of business February 27, 1948.

The Directors authorized the distribution of the said dividend on the same date to the holders of American Shares issued under the terms of the Deposit Agreement dated June 24, 1946. The net distribution after deduction of the South African non-resident shareholders tax will amount to 46¼ cents per share.

By order of the Board of Directors

H. E. DODGE, *Secretary.*

New York, N. Y., February 11, 1948.

REEVES BROTHERS, INC.

DIVIDEND NOTICE

A dividend of 25c per share has been declared, payable April 1, 1948, to stockholders of record at the close of business March 3, 1948. The transfer books of the Company will not be closed.

J. M. REEVES, *Treasurer*

February 16, 1948

ROBERTSHAW - FULTON CONTROLS COMPANY

Youngwood, Pa.

PREFERRED STOCK

COMMON STOCK

A regular quarterly dividend of 29 11/16c per share on the 4¾% Cumulative Convertible Preferred Stock and a dividend of 15c per share on the Common Stock have been declared, both payable April 1, 1948, to stockholders of record at the close of business March 10, 1948.

The transfer books will not be closed.

WALTER H. STEFFLER, *Secretary & Treasurer*

February 10, 1948

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

At a meeting of the Board of Directors of Canadian Pacific Railway Company held today a final dividend of three per cent (seventy-five cents per share) on the Ordinary Capital Stock in respect of, and out of earnings for the year 1947 was declared payable in Canadian funds on March 31, 1948, to Shareholders of record at 3 p.m. on February 23, 1948.

The Directors consider it desirable to point out that this dividend of three per cent making a total dividend payment of five per cent in respect of operations for the year 1947 is made possible only by income from sources other than railway operations. Continued increases in gross earnings from freight traffic had been largely offset by decreases in passenger traffic and by increases in wages and the cost of materials and supplies.

By order of the Board,
Frederick Bramley, *Secretary*

Montreal, February 9, 1948.

Quincy Cass Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Lloyd S. Crouch has been added to the staff of Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

DIVIDEND NOTICES

SOUTH PORTO RICO SUGAR COMPANY

February 17, 1948.

The Board of Directors has this day declared a quarterly dividend of 50c per share on the $25.00 par value 8% Preferred Stock outstanding; and a quarterly dividend of One Dollar per share on the outstanding Common Stock; all payable on April 1, 1948 to stockholders of record at the close of business on March 12, 1948.

F. M. SCHALL, *Treasurer.*

The United Corporation

$3 Cumulative Preference Stock

The Board of Directors of The United Corporation has declared the regular quarterly dividend of 75c per share upon the outstanding $3 Cumulative Preference Stock, payable April 1, 1948 to the holders of record at the close of business March 22, 1948.

THOMAS H. STACY, *Secretary.*

February 18, 1948
Wilmington, Delaware

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of One dollar ($1.00) per share on the outstanding capital stock of this Corporation has been declared, payable April 1, 1948, to stockholders of record at the close of business February 27, 1948.

MORSE G. DIAL,
Secretary and Treasurer

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF STOCK WARRANTS TO BEARER FOR ORDINARY AND PREFERENCE STOCK.

NOTICE IS HEREBY GIVEN that the Directors in their Annual Report have recommended to the Stockholders the payment on the 31st March 1948 of a Final Dividend on the issued Ordinary Stock for the year ended 30th September 1947 of one shilling per £1 of Ordinary Stock (free of Income Tax) and have declared a first interim dividend on the issued Ordinary Stock for the year from the 1st October 1947 to the 30th September 1948 of one shilling per £1 of Ordinary Stock (free of Income Tax) also payable on the 31st March 1948.

In order to obtain these dividends (subject to the Final Dividend being sanctioned at the Annual General Meeting to be held on the 9th February next) on and after the 31st March holders of Ordinary Stock Warrants must deposit Coupon No. 201 with the Guaranty Trust Company of New York, 32 Lombard Street, London, E. C. 3, seven clear business days (excluding Saturday) before payment can be made.

***Both* dividends will be paid against the deposit of one Coupon only, namely, Coupon No. 201.**

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less Income Tax) for the year ending 30th September 1948 will also be payable on the 31st March 1948.

Coupon No. 89 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W. C. 2, for examination five clear business days (excluding Saturday) before payment is made.

DATED the 16th day of January, 1948.

**BY ORDER OF THE BOARD,
E. G. LANGFORD,
*Secretary.***

Rusham House, Egham, Surrey.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Despite all the fuss and fury over the behavior of the commodity markets, one need not look for any broad change in the direction of Washington policies—Congressional or Administration—for quite some time. That change, if any, is not likely to come at all unless price levels drop considerably more and stay down for quite a long time, and unless they communicate their effects to the volume of home construction and industrial production. Even if this threatens, it will be quite a long time before any sharp reversal in the business picture, even if it should come about, will become sufficiently established to work a revolution in the Washington scene.

* * *

The official Washington line at the beginning of the week was this: The drop in commodity prices was not serious. Even if it lasts it represents only the wash-out of excessive values. There is still more danger of inflation than of deflation. In other words, officials fear that after some of the speculators have cried over their losses, the grain markets will resume the rise and may even press their former peaks. They fear this prospect more than they fear a repetition of 1920 or 1929-30 or any other business calamity.

This is the appraisal, it may be reported, which has been given to the President. It is with this diagnosis in mind that the President, despite the declining markets, keeps renewing the demand for enactment of his anti-inflation program.

Watch for the President to begin to have a change of heart not merely if grains hit their support levels, but drag there for some time. Then it will be time to begin to speculate on the possibility that the Administration worm might turn and twist and shuffle off in another direction.

* * *

There will be lots of talk about anti-deflation unless the commodity markets rally. Even the public works planners will be pressing for their programs of more courthouses and more outhouses to counteract a depression. For some time to come, however, none of this talk will mean anything. It may never mean anything in 1948.

For one thing the President is committed to the forecast that inflation will remain. It is the central theme of his election strategy. The danger of deflation would have to become so incontrovertible, and the demand for government spending so loud, that the President would be forced to change his course exactly 180 degrees. Unless the President becomes panicky, that just isn't in sight for two or three months—and then assuming only that business news is nearly all bad into spring.

* * *

That good business is not seriously threatened is almost the unanimous private belief of the top government economic thinkers. They all point to strong sustaining factors. There is the meat shortage, the housing shortage, the fuel shortage, the gas shortage. There is the large purchasing power. There is no underlying weakness. That is what almost all say. They all observe parenthetically that there is always the danger that public psychology will make a situation which underlying factors would not themselves permit. Only one or two fear that the "house of cards" will be blown over by a public psychology of deflation.

* * *

Probably the most definite bearing which the commodity market break has had on anything has been on the President's anti-inflation program. That was pretty well slated for the ash can anyway. The market slump practically guarantees its demise.

Prior to the fall in grain prices there was an outside chance, should the cost of foods have continued rising, that the GOP, in a pre-convention panic, might have hooked on to some parts of the Truman program as insurance against being burned out by the high-cost-of-living issue. In particular the leaders up until several days ago were disposed to clear the way for an increase in banks' cash legal reserves, the substitute for the now dead Federal Reserve Board secondary reserve plan.

* * *

There is not complete unanimity among government economists as to the immediate course of bank loans to business. Many an eye has been cocked up on the last two member bank reports, disclosing a contra-seasonal drop in commercial and industrial loans. Two weeks, of course, is too short a time ot establish a trend. Most people think that a general decline in bank credit is not in sight.

Nevertheless, they caution that if the commodity market break is establishing a new business climate, the first breezes of the change will show up in bank loans. And the loans most likely to reflect caution from here on out are real estate loans. At the moment a great deal of heavy thinking is being given by officials to the problem of the apparent hardening of mortgage credit. This thinking started even before commodities slid. Officials are torn between letting nature take its course in the interest of fighting inflation, and doing something about it. If they don't, the home building boom of 1948 may be something less than the 10% boost in physical volume forecast last fall by the Commerce and Labor Departments. At the moment a revival of a secondary market for GI loans and the extension of FHA's Title VI for the 1948 building season are favored steps.

* * *

Following the commodity break there was a lot of talk that Congress would have to heave to and act this year to frame a new permanent or "long-range" farm program. If this were to come about, it would be something to worry about. Any program for anybody during an election year is likely to be costly. A new farm program this year would be even more costly than would be expected normally because the spark-pluggers for such legislation in 1948 are a group of Republican New Dealers in the Senate Agriculture Committee, headed by the left-leaning Senator George Aiken of Vermont. Their general report recommending the frame-work of a new farm program is as brilliantly glittering and potentially costly as the fondest dream of a Roosevelt.

It probably is premature to worry about the enactment now of a permanent farm program. While the GOP leadership is severely handicapped by a tangential group in the Senate Agriculture Committee, it has got as a counter-balance about as hard-headed a group on the House Agriculture Committee as it is possible to imagine, a gang of men elected from the farm states. Even though the Senate Committee may press and propose, nothing will get into law until the House Committee acts. The House Committee is going to fight any move to enlarge the diameter of the syphon from the Treasury to the farmers.

There is bound to be lots of talk about the new farm program. It is given impetus by the fall in prices of commodities. However, barring something super-duper bad, it will take a long time to reconcile opinions between the House and the Senate, and between this, that, and the other farm lobbies. It still looks like an extension for one or two years of the present supports. There is even a small chance that the level of these supports on the temporary extension may be scaled down.

* * *

So, unless business gets worse, beware of the obvious predictions: That the GOP will be afraid of its tax cut for fear revenues will drop; that the majority will forget its prudence about foreign aid in a panic to finance exports to hold up prices. And so on.

* * *

Despite reports that the Congress will take up an overall tax revision bill limited to features which cost little in revenue, this is not yet to be expected. The most substantial provision in the reported program would allow business losses to be carried forward longer than two years. This limited overall revision scheme is not yet a mature decision of the leaders. Instead it is the idea of one or two men. Most believe that an overall revision is of little use unless it tackles some substantive taxes. Likewise most people believe that any business tax relief is impossible of achievement this year. Still a possibility: That the GOP will wrap up a package of business tax relief without passing it in 1948, as an encourager to business not only to vote GOP but to work for that party.

* * *

There is a great deal of discussion here over the "strange case of Senator Vandenberg." Generally the senior Michigan Senator rates as just about the top dark horse to get the nomination in the event of a tie in the tug of war between Senator Taft and Governor Dewey. Yet the Michigan Senator, just as in 1940, is giving the personal cold shoulder to everybody who wants to work quietly and even without avowed blessing from the candidate. It is supposed to be a rule that no reluctant candidate actually gets a nomination. Somebody has to be out ready to gather in the delegates who might be ripe to fall. If the Senator, the Chairman of the Senate Foreign Relations Committee, actually did not, like General Eisenhower, want the nomination, it would be understandable. But those who profess to know Vandenberg think he wants it—if he doesn't have to make a pre-convention campaign.

BUSINESS BUZZ

"I wish you'd keep your salmon sandwiches out of the 'S'— that's where I keep my suspenders!"

Bond Traders Club of Chicago

Star C. Koerner, *Mitchell, Hutchins & Co.*, Chicago, President elect of the Bond Traders Club of Chicago; Lawrence N. Marr, *E. H. Rollins & Co.*, Chicago, retiring President

Paul I. Moreland, *Moreland & Co.*, Detroit; Lawrence N. Marr, *E. H. Rollins & Co.*, Chicago; R. Victor Mosely, *Stroud & Co.*, Philadelphia, President of the National Security Traders Association

D. F. Comstock, *Comstock & Co.*, Chicago; Chas. G. Scheuer, *Scheuer & Co.*, Chicago

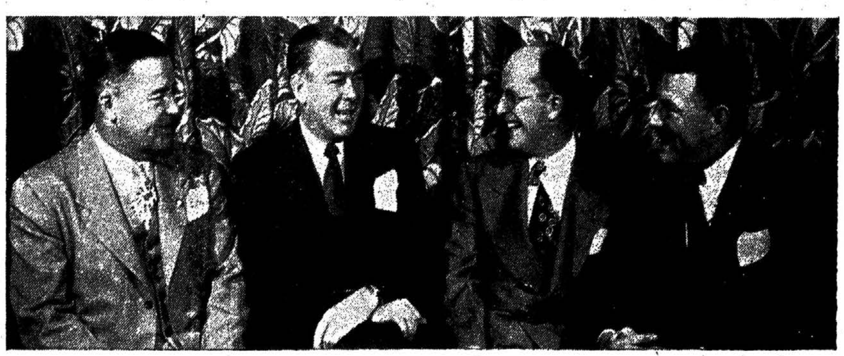
Fred R. Tuerk, *Cruttenden & Co.*, Chicago; H. Terry Snowday, *E. H. Rollins & Sons*, Detroit; William B. Healy, *Comstock & Co.*, Chicago; A. C. Sacco, *Detmer & Co.*, Chicago

Don W. Miller, *McDonald-Moore & Co.*, Detroit; Irving J. Rice, *Irving J. Rice & Co.*, St. Paul

E. J. Moelman, *Spencer Trask & Co.*, Chicago; John Wasserman, *Asiel & Co.*, New York City; Toge V. Johnson, *First Boston Corp.*, Chicago

Gus M. Benson, *Hulburd, Warren & Chandler*, Chicago; Larry A. Higgins, *Hulburd, Warren & Chandler*, Chicago; E. L. Kent, *Kneeland & Co.*, Chicago

Harry C. Vonderhaar, *Westheimer & Co.*, Cincinnati; Richard Thayer, *Fred Latscha & Co.*, Cincinnati; J. E. Bennett, *J. E. Bennett & Co., Inc.*, Cincinnati; Edw. E. Parsons, *Wm. J. Mericka & Co.*, Cleveland; Franklin O. Loveland, *Field Richards*, Cincinnati; John W. Bunn, *Stifel, Nicolaus & Co.*, St. Louis



Paul Yarrow, *Clement, Curtis & Co.*, Chicago, Vice-President of the N. S. T. A.; Julien H. Collins, *Julien Collins & Co.*, Chicago, President of the I. B. A.; Lawrence N. Marr, *E. H. Rollins & Sons, Inc.*, Chicago, President of Bond Traders Club of Chicago; John L. Canavan, *Rauscher, Pierce & Co.*, Dallas

Alfred A. Harmet, *A. A. Harmet & Co.*, Chicago; Elmer J. Giesen, *David A. Noyes & Co.*, Chicago; Walter W. Prosser, *J. P. O'Rourke & Co.*, Chicago; John D. Stillwell, *Kidder, Peabody & Co.*, Chicago

James F. Jacques, *First Southwest Co.*, Dallas; W. T. Kitchen, *Kitchen & Murphy*, Chicago

Hosts as NSTA Tri-City Parties

John D. Stillwell, *Kidder, Peabody & Co.*, Chicago; James W. Cunningham, *Hicks & Price*, Chicago; Martin Magee, *H. M. Byllesby & Co.*, Chicago.

O. D. Griffin, *Lord, Abbett & Co.*, New York City; Graham Walker, *National Quotation Bureau;* New York City; James L. Canavan, *Rauscher, Pierce & Co.*, Dallas

Harry L. Nelson, *Blyth & Co., Inc.*, Chicago; Wm. H. Marshall, *The Marshall Co.*, Milwaukee; Joseph T. Fuller, *Wm. A. Fuller & Co.*, Chicago

Howard L. Davidson, *Zippin & Co., Inc.*, Chicago; Glenn Pierce, *Western Union*, Chicago; Geo. D. Parise, *Fred W. Fairman & Co.*, Chicago

Leonard Friedman, *Boettcher & Co.*, Chicago; Herman Mell, *Merrill Lynch, Pierce, Fenner & Beane*, Chicago

James H. Murphy, *Kitchen & Murphy*, Chicago; Wm. T. Schmidt, *Laird, Bissell & Meeds*, New York City; J. Berges Reimer, *Berwyn T. Moore & Co.*, Louisville

Ralph S. Longstaff, *Rogers & Tracy*, Chicago; Evar L. Linder, *Paine, Webber, Jackson & Curtis*, Chicago

Hugh J. O'Connor, *Betts, Borland & Co.*, Chicago; Edward J. Kelly, *Carl M. Loeb, Rhoades & Co.*, New York; Jules Fellegi, *Farwell, Chapman & Co.*, Chicago; R. Donald Jacobson, *Floyd D. Cerf & Co.*, Chicago

Wm. P. Springer, *Carl Marks & Co.*, Chicago; John H. Grier, *First National Bank of Chicago;* John W. Clarke, *John W. Clarke, Inc.*, Chicago

Fred H. Gray, *J. Walter Thompson Co.*, Chicago; Richard A. Gottron, *Gottron, Russell & Co.*, Cleveland; C. J. Odenweller, *Securities & Exchange Commission*, Cleveland; Ralph Jones, *E. H. Rollins & Sons*, Chicago; Harold Gibbs, *J. Walter Thompson Co.*, Chicago (standing)

Robert F. Shields, *Bear, Stearns & Co.*, Chicago; Patrick J. Cummings, *Bear, Stearns & Co.*, Chicago; Lyle F. Eikelbarner, *Country Life Insurance Co.*, Chicago STANDING: Carr Payne, *Cumberland Securities Corp.*, Nashville; O. H. Strong, *First National Bank of Chicago;* Geo. Wendt, *First National Bank of Chicago;* E. J. Knight, *Blyth & Co., Inc.*, Chicago

Open in Chicago, February 4th

Morton A. Cayne, *Cunningham & Co.*, Cleveland; Howard C. Morton, *McMaster Hutchinson & Co.*, Chicago

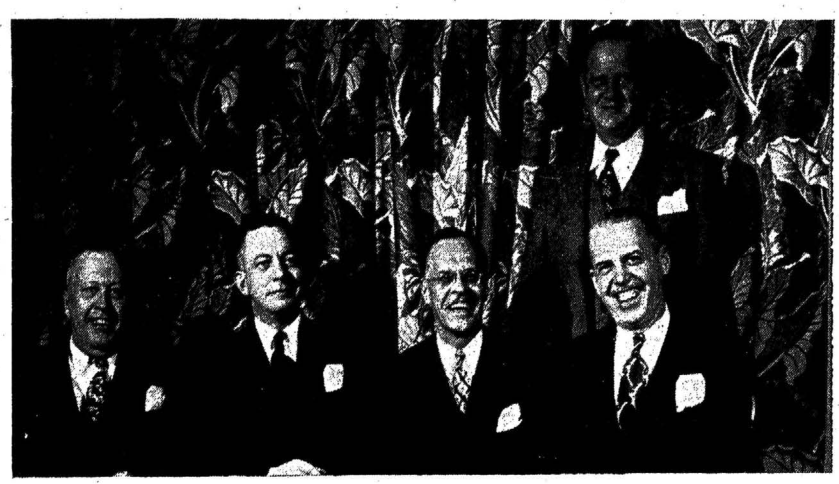
Wm. Noonan, *Continental National Bank of Chicago*; J. W. Day, *C. J. Devine & Co.*, Chicago; Herbert Meyer, *Continental National Bank*, Chicago; W. C. Jones, *C. J. Devine & Co.*, Chicago; Lee H. Ray, *Continental National Bank*, Chicago; Chet. Mayer, *C. J. Devine & Co.*, Chicago

Herbert H. Blizzard, *Herbert H. Blizzard & Co.*, Philadelphia

Herman Tornga, *DeYoung-Tornga & Co.*, Grand Rapids; Roy F. Delaney, *Smith, Hague & Co.*, Detroit; Neil DeYoung, *DeYoung-Tornga & Co.*, Grand Rapids; Glenn Pierce, *Western Union*, Chicago

Parker Calahan, *Armour & Co.*, Chicago; Harry O. Valleau, *Harry O. Valleau & Co.*, Chicago; B. L. Decheine, *J. M. Dain & Co.*, Minneapolis; Byron E. Karies, *Merrill Lynch, Pierce, Fenner & Beane*, Minneapolis

Thomas E. King, *Thomas E. King & Co.*, Chicago; Oliver B. Scott, *Maxwell, Marshall & Co.*, Los Angeles; J. F. Stephens, *Herrick, Waddell & Co., Inc.*, Kansas City, Mo.; T. R. Montgomery, *Glore, Forgan & Co.*, Chicago



Geo. W. Schultz, *Chesley & Co.*, Chicago; Arthur R. Sawers, *Chesley & Co.*, Chicago; John C. Rogers, *Hickey & Co.*, Chicago; Arthur E. Farrell, *H. M. Byllesby & Co.*, Chicago; Timothy A. Collins, *Daniel F. Rice & Co.*, Chicago (standing)

Robert A. Podesta, *Julien Collins & Co.*, Chicago; Stephen A. Bachar, *Hirsch & Co.*, Chicago; Morey D. Sachnoff, *Straus & Blosser*, Chicago

Robert L. Erb, *Green & Erb*, Cleveland; Howard J. Elbe, *Wm. J. Mericka & Co.*, Cleveland; Don W. Miller, *McDonald-Moore & Co.*, Detroit

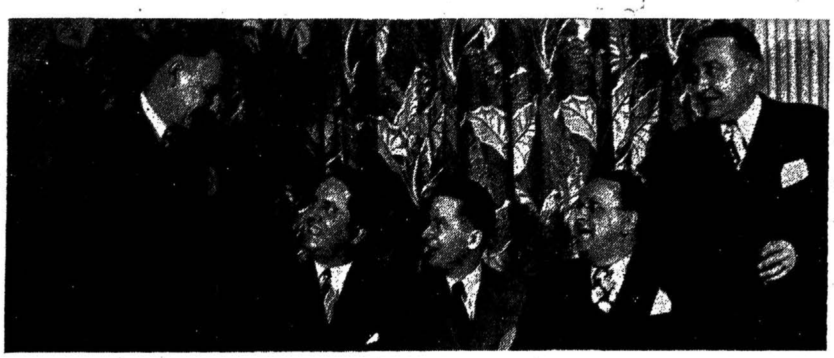
Herbert Petty, *Equitable Securities Corp.*, Nashville; Lloyd E. Lubetkin, *Seligman, Lubetkin & Co.*, New York; Milton J. Isaacs, *Straus & Blosser*, Chicago

More Than Six Hundred Guests

Geo. A. Smith. *First Securities Co.*, Chicago; John E. Yates, *Holmes, Yates & Co.*, Harvey, Ill.

Wm. A. Nelson, *Bear, Stearns & Co.*, Chicago; Patrick J. Cummings, *Bear, Stearns & Co.*, Chicago; J. Berges Reimer, *Berwyn T. Moore & Co.*, Louisville; Ralph Randall, *Mason, Moran & Co.*, Chicago; Geo. Petrie, *Brown Bros. & Harriman*, Chicago

Thompson M. Wakeley, *A. C. Allyn and Company, Inc.*, Chicago; Herbert J. Burke, *Rogers & Tracy, Inc.*, Chicago



James F. Gallagher, *Thomas E. King & Co.*, Chicago; Chas. J. Hofer, *Ernst & Co.*, Chicago; Geo. Petrie, *Brown Bros. & Harriman*, Chicago; Harvey R. Koontz, *Brown Bros. Harriman & Co.*, Chicago; Chas. G. Scheuer, *Scheuer & Co.*, Chicago

James W. Cunningham, *Hicks & Price*, Chicago; Carmen G. King, *Saunders, King & Co.*, Toronto; Clifford H. Anderson, *Hicks & Price*, Chicago

Frank Herman, *First National Bank of Chicago;* Elmer W. Hammell, *Caswell & Co.*, Chicago; Ray W. Young, *Remer, Mitchell & Reitzel*, Chicago; Don H. Anderson, *First National Bank of St. Paul;* Hugh J. O'Connor, *Betts, Borland & Co.*, Chicago

Oliver B. Scott, *Maxwell, Marshall & Co.*, Los Angeles; G. Edward Slezak, *Loewi & Co.*, Milwaukee; L. B. McElhiney, *Loewi & Co.*, Milwaukee; Evar L. Linder, *Paine, Webber, Jackson & Curtis*, Chicago; Elmer W. Erzberger, *Smith, Burris & Co.*, Chicago

Charles Carey, *Harris Trust & Savings Bank*, Chicago; Harry G. Williams, *Quail & Co.*, Davenport, Iowa; J. F. Marquardt, *Wm. Fuller & Co.*, Chicago

John A. Kelly, *Smith, Barney & Co.*, Chicago; Stanley Schwiech, *J. P. O'Rourke & Co.*, Chicago; Leo E. Brown, *Asiel & Co.*, New York City

Walter Cruttenden, Jr., *Cruttenden & Co.*, Chicago; Paul Goldschmidt, *Pacific Co. of California*, Los Angeles; Walter W. Cruttenden, *Cruttenden & Co.*, Chicago

Edward H. Welch, *Sincere & Co.*, Chicago; Henry P. Pulver, *McMaster, Hutchinson & Co.*, Chicago; Audran J. Cavanaugh, *Wm. A. Fuller & Co.*, Chicago; James H. Murphy, *Kitchen & Murphy*, Chicago; Frank G. Burch, *Kneeland & Co.*, Chicago

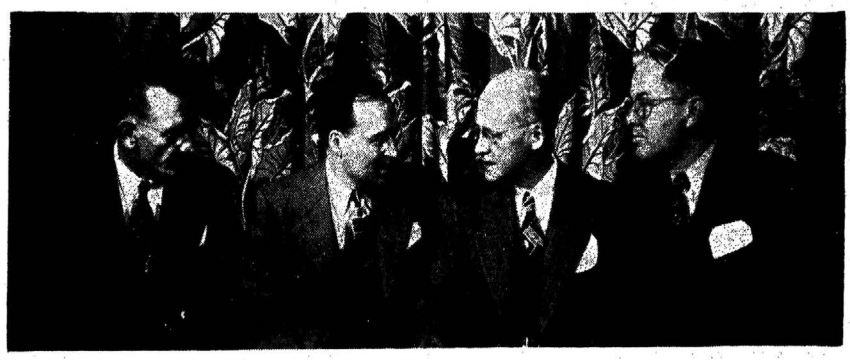
Arthur E. Engdahl, *Goldman, Sachs & Co.*, Boston; James Duffy, *Paine, Webber, Jackson & Curtis*, Boston; Jay L. Quigley, *Quigley & Co., Inc.*, Cleveland

In Record Attendance

Audran J. Cavanaugh, *Wm. A. Fuller & Co.*, Chicago; Leo J. Doyle, *Doyle, O'Connor & Co.*, Chicago; James H. Murphy, *Kitchen & Murphy*, Chicago; Ed. L. Kent, *Kneeland & Co.*, Chicago; E. A. Stephan, *Fred W. Fairman & Co.*, Chicago

Fred J. Casey, *Doyle, O'Connor & Co.*, Chicago; James P. Blaney, *J. P. Blaney & Co.*, Chicago; Wm. H. Lane, *Harris Trust & Savings Bank*, Chicago; Earl C. Glosser, *Thomson & McKinnon*, Chicago

A. L. Simmons, *Mason, Moran & Co.*, Chicago; J. F. Partridge, *Welsh, Davis & Co.*, Chicago; Michael L. Dary, *Francis I. duPont & Co.*, Chicago; Ed. E. Goodman, *Bache & Co.*, Chicago



John J. Colnitis, *A. A. Harmet & Co.*, Chicago; Larry Sandberg, *Norris & Kenly*, Chicago; Alfred E. Anderson, *Faroll & Co.*, Chicago; Geo. E. Cleaver, *Lehman Bros.*, Chicago

Don N. Anderson, *First National Bank of St. Paul;* Preston V. Shute, *Jameson & Co.*, Minneapolis; Ben J. McPolin, *McDonald & Co.*, Cleveland

Raymond Hofer, *Ernst & Co.*, Chicago; Geo. R. Torrey, *Kebbon, McCormick & Co.*, Chicago; Ray A. Maher, *Kebbon, McCormick & Co.*, Chicago

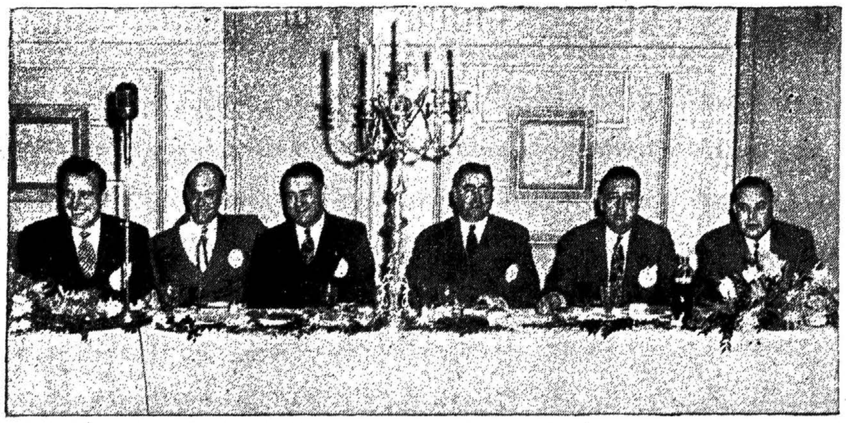
Louis J. Sterling, *Hirsch & Co.*, Chicago; F. S. Yantis, *F. S. Yantis & Co.*, Chicago, President of the Illinois Securities Dealers Association; Wm. A. Anderson, *Hickey & Co.*, Chicago; A. K. Sparks, *F. A. Carlton & Co.*, Chicago

Wm. T. Anderson, *Goodbody & Co.*, Chicago; John W. Bunn, *Stifel, Nicolaus & Co.*, St. Louis; Chas. T. Matz, *Harriman Ripley & Co.*, Chicago; Morris M. Moss, *Morfeld, Moss & Hartnett*, St. Louis; Ed. A. Leinss, *Stifel, Nicolaus & Co.*, Chicago

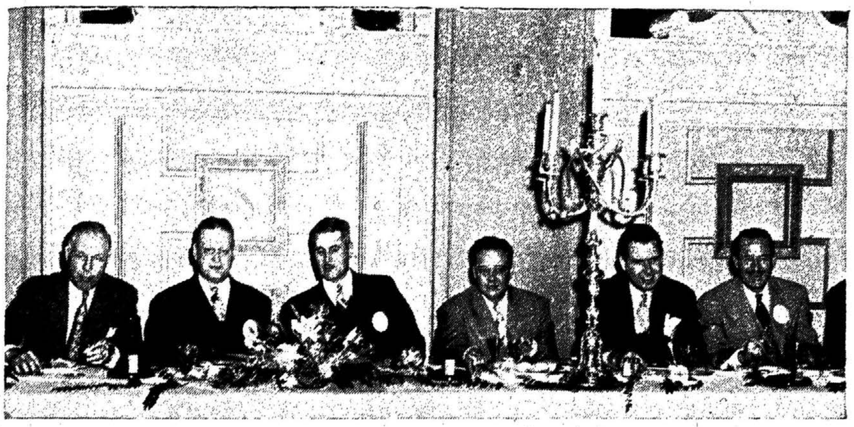
Paul Meinert, *Goshia & Co.*, Toledo; John J. Colnitis, *A. A. Harmet & Co.*, Chicago; Linard Cooper, *Goshia & Co.*, Toledo

Henry P. Meyers, *Goldman, Sachs & Co.*, Chicago; Arthur E. Engdahl, *Goldman, Sachs & Co.*, Boston; Arthur D. Lee, *Goldman, Sachs & Co.*, Chicago

Bond Traders Club of Kansas City



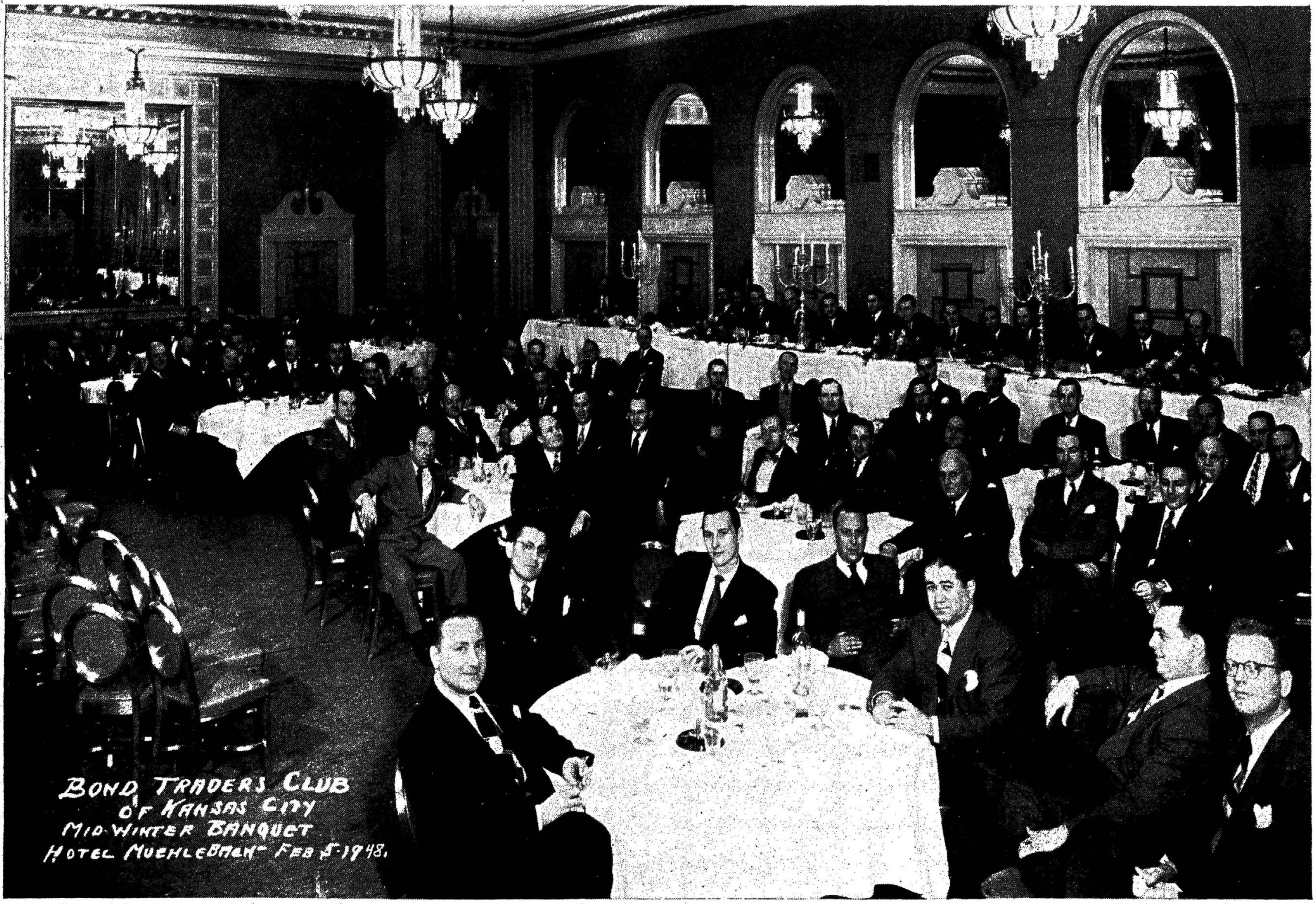
John Latshaw, *Harris, Upham & Co.*, Kansas City; R. V. Mosley, *Stroud & Co., Inc.*, Philadelphia; Paul Yarrow, *Clement, Curtis & Co.*, Chicago; Michael J. Heaney, *Jos. McManus & Co.*, New York City; Edw. H. Welch, *Sincere & Co.*, Chicago; H. Frank Burkholder, *Equitable Securities Corp.*, Nashville



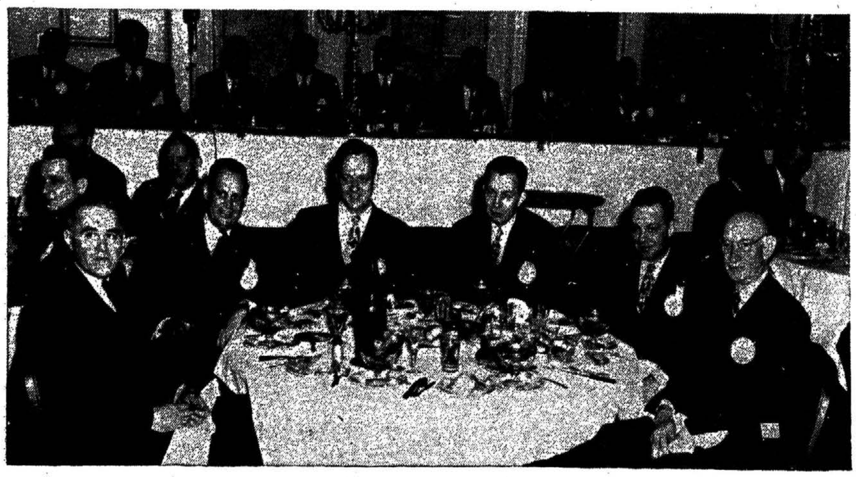
J. Dewey Land, *Prugh, Combest & Land*, Kansas City; M. D. Campbell; J. F. Stephens, *Herrick, Waddell & Co.*, Kansas City; Charley Hahn, *Scherck, Richter Co.*, St. Louis; Don Belcher, *Martin-Holloway-Purcell*, Kansas City; Earl Combest, *Prugh, Combest & Land*, Kansas City

Clair S. Hall, Jr., *Clair S. Hall & Co.*, Cincinnati; Paul I. Moreland, *Moreland & Co.*, Detroit; Lud Strader, *Strader, Taylor & Co.*, Lynchburg; Lawrence Marr, *E. H. Rollins & Sons, Inc.*, Chicago; Oliver Scott, *Maxwell, Marshall & Co.*, Los Angeles; Star Koerner, *Mitchell, Hutchins & Co.*, Chicago

Bill Springer, *Carl Marks & Co.*, Chicago; J. E. Kempton, *Stern Bros. & Co.*, Kansas City; Frank W. North, *Barret, Fitch & Co.*, Kansas City; B. F. Piercy, *Stern Bros. & Co.*, Kansas City; Harry Coleman, *H. O. Peet & Co.*, Kansas City; Francis Bertrand, *H. O. Peet & Co.*, Kansas City



Entertain Visiting Traders

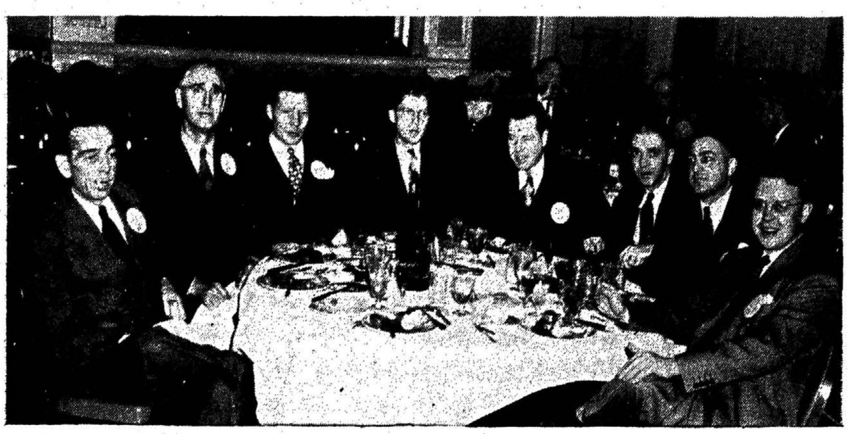


Kneeland Jones, *A. E. Weltner & Co.*, Kansas City; George Lounsbery, *Herrick, Waddell & Co., Inc.*, Kansas City; Fred Johnson, *Barcus, Kendrick & Co.*, Chicago; Corwin Liston, *Hawley, Shepard & Co.*, Cleveland; Fred O. Cloyes, *Cruttenden & Co.*, Chicago; W. E. Davis, *W. E. Davis & Co.*, Topeka

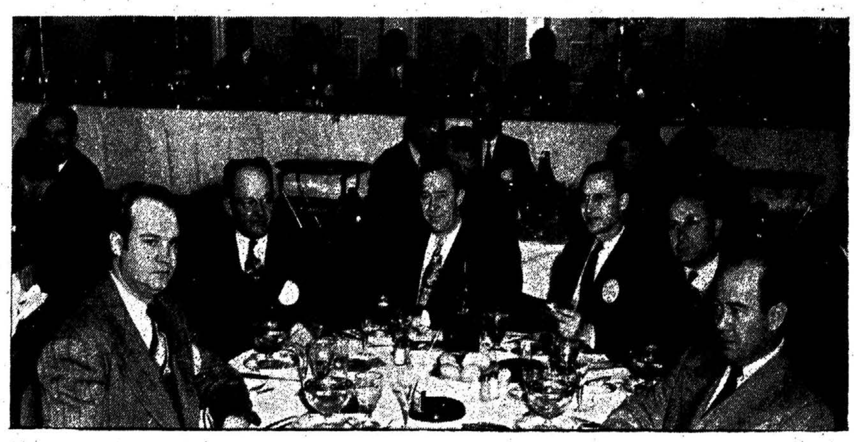
Ed. Mader, *B. C. Christopher & Co.*, Kansas City; A. W. Stoenner *Prescott, Wright, Snider Co.*, Kansas City; E. W. Pauly, *Prescott, Wright, Snider & Co.*, Kansas City; R. S. Rickson; Howard Eble, *Wm. J. Mericka & Co.*, Cleveland; Ben McPolin, *McDonald & Co.*, Cleveland; Edward F. Otto, *Dallas Rupe & Co.*, Dallas

Milton W. McGreevy, *Harris, Upham & Co.*, Kansas City, Mo.; Frederick H. MacDonald, *Burke & MacDonald*, Kansas City, Mo.; Carl A. Meyer, *The Columbian Securities Corp.*, Topeka, Kansas

Ben Schifman, *The Kansas City Star*, Kansas City, Mo.; Robert Strauss, *Strauss Bros., Inc.*, Chicago, Ill.; Hayward H. Hunter, *George K. Baum & Co., Inc.*, Kansas City, Mo.; William W. Hogben, *Harris, Upham & Co.*, Kansas City, Mo.

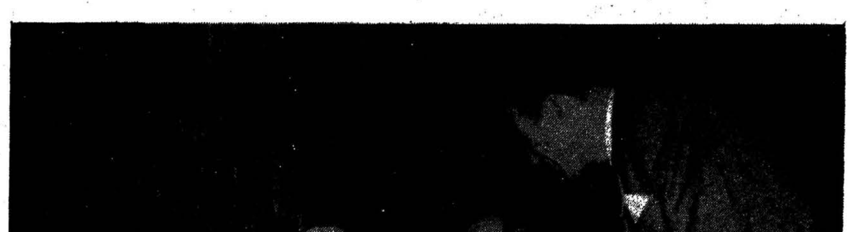


Thos. A. Marnell, *B. C. Christopher & Co.*, Kansas City; N. S. Land, *Prugh, Combest & Land, Inc.*, Kansas City; Henry Oetjen, *McGinnis, Bampton & Sellger*, New York; W. E. Maher, *Merrill Lynch, Pierce, Fenner & Beane*, Kansas City; C. W. Lonsdale, *Merrill, Lynch, Pierce, Fenner & Beane*, Kansas City; Leonard A. White, *Wahler, White & Co.*, Kansas City; T. F. Wagner, *Harris, Upham & Co.*, Kansas City; John A. Charmley, *B. C. Christopher & Co.*, Kansas City



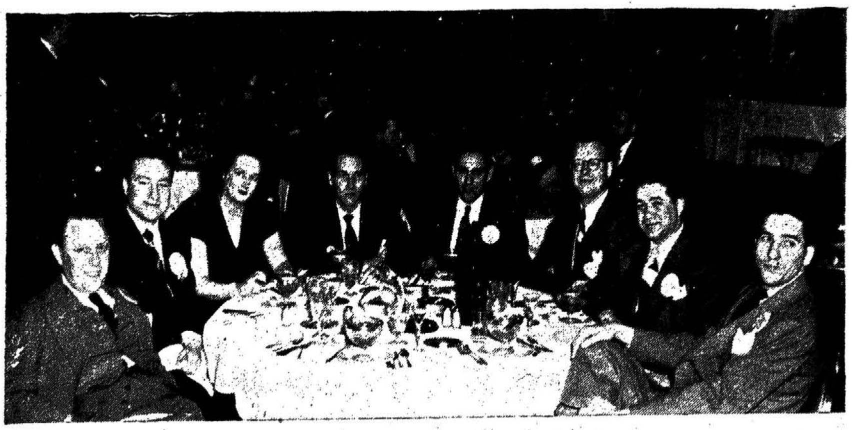
Earle Gate; A. B. Woody, *Beecroft, Cole & Co.*, Topeka; Bill Nelson, *Bear, Stearns & Co.*, Chicago; Joe Ballisch, *A. C. Allyn & Co., Inc.*, Chicago; John Yontz; Wm. Pesell, *Estes, Snyder & Co.*, Topeka

Moment Musicale

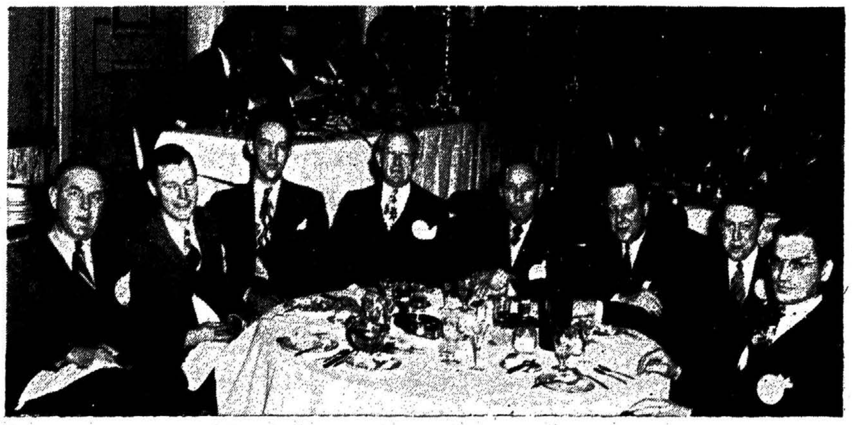


C. W. Lonsdale, *Merrill Lynch, Pierce, Fenner & Beane*, Kansas City, Mo.; John A. Charmley, *B. C. Christopher & Co.*, Kansas City, Mo.; Thomas Bates Huffaker, *Merrill Lynch, Pierce, Fenner & Beane*, Kansas City, Mo.; Edward Mader, *B. C. Christopher & Co.*, Kansas City, Mo.

With Lavish Party February 5th



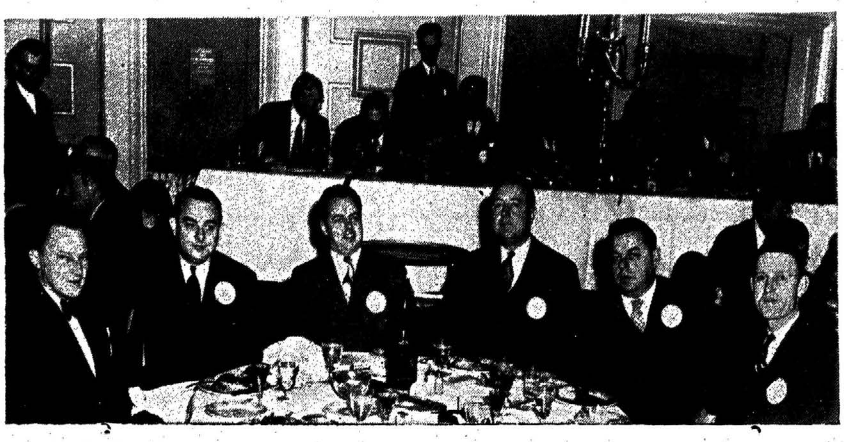
Pete Hunter, *Geo. K. Baum & Co.*, Kansas City; Chuck Fisher, *Singer, Deane & Scribner*, Pittsburgh; Jeanne Leitt; Wm. W. Hogben, *Harris, Upham & Co.*, Kansas City; Wm. J. Dyer, *E. W. Price & Co.*, Kansas City; Graham Walker, *National Quotation Bureau*, New York; Bob Strauss, *Strauss Bros.*, Chicago; R. K. Sparks, *Harris, Upham & Co.*, Kansas City



F. H. McDonald, *Burke & McDonald*, Kansas City; Norman Conway, *Shaw, McDermott & Co.*, Des Moines; J. F. Fogarty, *Soden-Zahner & Co.*, Kansas City; Ted Honig, *Dempsey-Tegeler & Co.*, St. Louis; John C. Hecht, *Dempsey-Tegeler & Co.*, Los Angeles; F. P. Barnes, *H. O. Peet & Co.*, Kansas City; J. P. Sanden; Al Siebert, *Prescott, Wright, Snider Co.*, Kansas City, Mo.

Earl W. Price, *E. W. Price & Co.*, Kansas City; J. N. Russell, *Gottron, Russell & Co.*, Cleveland; R. E. Fritz, *R. E. Fritz Investment Co.*, Topeka; George King, *White, Weld & Co.*, Chicago; Fred Casey, *Doyle, O'Connor & Co.*, Chicago; John Bunn, *Stifel, Nicolaus & Co.*, St. Louis

L. B. Carroll, *Prescott, Wright, Snider & Co.*, Kansas City; Emma Hall, *Commerce Trust Co.*, Kansas City; Herb H. Blizzard, *Herbert H. Blizzard & Co.*, Philadelphia; A. R. Silberberg, *Merrill Lynch, Pierce, Fenner & Beane*, Kansas City; Henry C. Welsh, Jr., *Lilley & Co.*, Philadelphia; Walter Cole, *Beecroft, Cole & Co.*, Topeka



Frank H. Jennings, *Bonds, Incorporated*, Kansas City, Mo.; Sam Sachnoff, *First National Bank*, Chicago; John V. LaBarge, *Kugel, Stone & Co.*, New York City; Milton McGreevy, *Harris, Upham & Co.*, Kansas City; John F. McLaughlin, *McLaughlin, Reuss & Co.*, New York City; Edw. L. Meyer, *Harris, Upham & Co.*, Kansas City

Samuel Sachnoff, *First National Bank*, Chicago, Ill.; Edward L. Meyer, *Harris, Upham & Co.*, Kansas City, Mo.; John V. La Barge, *Kugel, Stone & Co.*, New York, N. Y.; Jack Hecht, *Dempsey-Tegeler & Co.*, Los Angeles, Calif.; Fred Cloyes, *Cruttenden & Co.*, Chicago, Ill.; William P. Springer, *Carl Marks & Co., Inc.*, Chicago, Ill.; Lawrence N. Marr, *E. H. Rollins & Sons, Inc.*, Chicago, Ill.; Standing up in rear: Fred J. Casey, *Doyle, O'Connor & Co., Inc.*, Chicago, Ill.

Frank J. Snyder, *Beecroft, Cole & Co.*, Topeka; Carl A. Meyer, *Columbian Securities Corp.*, Topeka; Ralph Harvey, *Wahler, White & Co.*, Kansas City; C. F. Adelman, *Beecroft, Cole & Co.*, Topeka; Don A. Seltsam, *Seltsam & Co.*, Topeka; Mark Lucas, Jr., *Lucas, Eisen & Waeckerle, Inc.*, Kansas City

K. W. Gosman, *Wahler, White & Co.*, Kansas City; Ben Schifman, *Kansas City Star*; J. D. Bjorkman, *Commercial National Bank*, Kansas City; Paul E. Cunningham, *Bache & Co.*, Kansas City; Fred Armentrout, *McDonald & Co.*, Kansas City; C. M. McDonald, *McDonald & Co.*, Kansas City

Security Traders Club of St. Louis

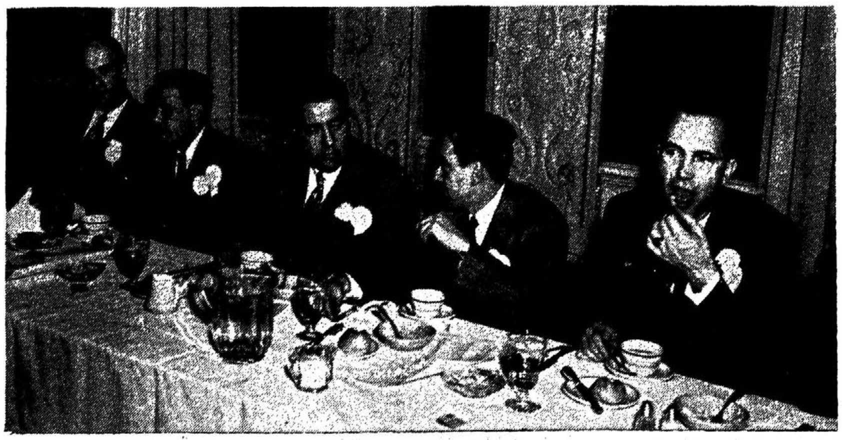
Mel Taylor, *Semple, Jacobs & Co.*, St. Louis; Henry Richter, *Scherck, Richter Co.*, St. Louis; R. Victor Mosley, *Stroud & Co., Inc.*, Philadelphia; Herb Blizzard, *Herbert H. Blizzard & Co.*, Philadelphia

Bert Horning, *Stifel, Nicolaus & Co.*, St. Louis; Chas. Hahn, *Scherck, Richter Co.*, St. Louis; Oliver Scott, *Maxwell, Marshall & Co.*, Los Angeles; Chris Newpart, *Merrill Lynch, Pierce, Fenner & Beane,* Chicago

Security Traders Club of St. Louis Presidents, past and present: (Left to right) standing: Herman Brocksmith, *Stifel, Nicolaus & Co.;* Henry J. Richter, *Scherck, Richter Co.;* William Darmstatter, *Stifel, Nicolaus & Co.;* seated: J. William Brady, *J. W. Brady & Co.;* Charles Hahn, *Scherck, Richter Co.*, the newly elected President; R. Emmett Byrne, *Dempsey-Tegeler & Co.*

Winds Up Tri-City Event

In the picture (right to left):
John Bunn, *Stifel, Nicolaus & Co.*, St. Louis; Michael J. Heaney, *Jos. McManus & Co.*, New York City; Edward H. Welch, *Sincere & Co.*, Chicago; C. T. Ayers, *Taussig, Day & Co.*, St. Louis; John Latshaw, *Harris, Upham & Co.*, Kansas City



Right to left:
Paul Moreland, *Moreland & Co.*, Detroit; Leonard Vogel, *Glaser, Vogel & Co.*, St. Louis; Paul Yarrow, *Clement, Curtis & Co.*, Chicago; Charles Hahn, *Scherck, Richter Co.*, St. Louis; R. Victor Mosley, *Stroud & Co., Inc.*, Philadelphia

Joseph G. Petersen, *Eckhardt-Petersen & Co.*, St. Louis; Lowell G. Newcomb, *St. Louis Union Trust Co.*, St. Louis; Pierre Papin, *Wm. F. Dowdall & Co.*, St. Louis; Henry C. Welsh, Jr., *Lilley & Co.*, Philadelphia; R. A. Walsh, *Dempsey-Tegeler & Co.*, St. Louis

H. Frank Burkholder, *Equitable Securities Corp.*, Nashville; Norman E. Heitner, *Blewer, Heitner & Glynn*, St. Louis; Star C. Koerner, *Mitchell, Hutchins & Co.*, Chicago; Larry Marr, *E. H. Rollins & Sons, Inc.*, Chicago; Willis Summers, *Troster, Currie & Summers*, New York

In the picture:
R. G. Mills, *Dempsey-Tegeler & Co.*, St. Louis; Joe Bronemeier, *Semple, Jacobs & Co.*, St. Louis; Walter C. Haeussler, *Paul Brown & Co.*, St. Louis; H. L. Brocksmith, *Stifel, Nicolaus & Co.*, St. Louis; J. F. Stephens, *Herrick, Waddell & Co., Inc.*, Kansas City; M. D. Campbell, Commissioner of Securities for Missouri, Jefferson City, Mo.; Logan McKee, *Herrick, Waddell & Co., Inc.*, St. Louis; David S. Matthew, *Scherck, Richter Company*, St. Louis

Howard J. Eble, *Wm. J. Mericka & Co.*, Cleveland; Fred O. Cloyes, *Cruttenden & Co.*, Chicago; Ben McPolin, *McDonald & Co.*, Cleveland; Chas. F. Fisher, *National Quotation Bureau, Inc.*, Chicago; Dick Walsh, *Newhard, Cook & Co.*, St. Louis; Earle C. Gott, *Geyer & Co., Inc.*, Chicago; Corb Liston, *Prescott & Co.*, Cleveland; James C. Vacha, *R. S. Dickson & Co.*, Chicago

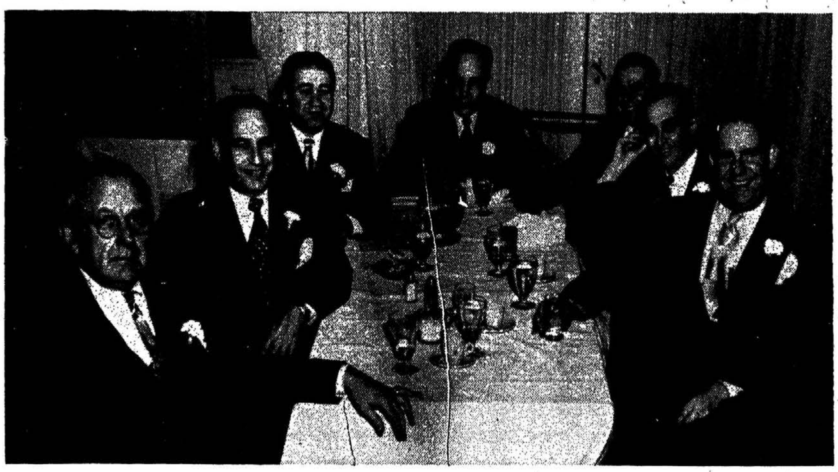
Corb Liston, *Prescott & Co.*, Cleveland; Arthur Farrell, *H. M. Byllesby & Co.*, Chicago; Arch Montague, *W. E. Hutton & Co.*, Cincinnati, Ohio; Howard Eble, *Wm. J. Mericka & Co.*, Cleveland

Fred Cloyes, *Cruttenden & Co.*, Chicago; Arthur Engdahl, *Goldman, Sachs & Co.*, Boston; John McLaughlin, *McLaughlin, Reuss & Co.*, New York; Howard Morton, *McMaster Hutchinson & Co.*, Chicago

Herbert H. Blizzard, *Herbert H. Blizzard & Co.*, Philadelphia; Clair S. Hall, *Clair S. Hall & Co.*, Cincinnati; Lud A. Strader, *Strader, Taylor & Co.*, Lynchburg, Va.; Jim Patke, *G. H. Walker & Co.*, St. Louis

In Gala Style February 6th

Bob Mathews, *G. H. Walker & Co.*, St. Louis; Henry Richter, *Scherck, Richter Co.*, St. Louis; Ludwell Strader, *Strader, Taylor & Co.*, Lynchburg, Va.; Fred Johnson, *Barcus, Kindred & Co.*, Chicago



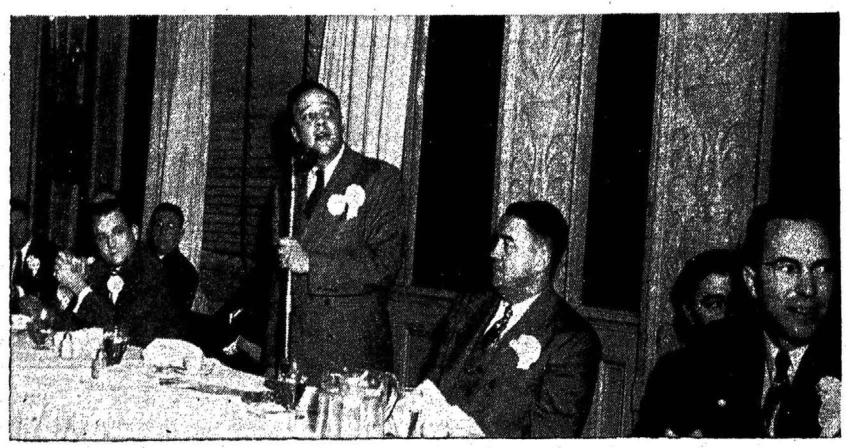
Ted Honig, *Dempsey-Tegeler & Co.*, St. Louis; Milt Isaacs, *Straus & Blosser*, Chicago; Robert Strauss, *Strauss Bros.*, Chicago; Larry Carroll, *Prescott, Wright, Snider Co.*, Kansas City; Earl Hagensieker, *Reinholdt & Gardner*, St. Louis; Les Knickmeyer, *Albert Theis & Son*, St. Louis; Robt. M. Guion, *Newhard, Cook & Co.*, St. Louis

Bert Horning, *Stifel, Nicolaus & Co.*, St. Louis; Paul Yarrow, *Clement, Curtis & Co.*, Chicago

Group watching floor show

In the picture:
Ray Denyven, *Fusz-Schmelzle & Co.*, St. Louis; Hi Neuwoehner, *White & Co.*, St. Louis; Walter Hauessler, *Paul Brown & Co.*, St. Louis; Rudy Graf, *G. H. Walker & Co.*, St. Louis; Elmer Barkau, *Taussig, Day & Co.*, St. Louis

In the picture:
Dick Sisler and Joe Garagiola of the St. Louis Cardinals; Joe Fisher, *Peltason, Tenenbaum Co.*, St. Louis; Clarence Maender, *G. H. Walker & Co.*, St. Louis; Joe Ballisch, *A. C. Allyn & Co.*, Chicago; Bill Brady, *J. W. Brady & Co.*, St. Louis; Bill Nelson, *Bear, Stearns & Co.*, Chicago; Ed Brockmeyer, *Goldman, Sachs & Co.*, St. Louis



Charles Hahn, *Scherck, Richter Co.*, President of the St. Louis Club, introducing out-of-town guests

Right to left:
Arthur Farrell, *H. M. Byllesby & Co.*, Chicago; Oliver Scott, *Maxwell, Marshall & Co.*, Los Angeles; Arthur Engdahl, *Goldman, Sachs & Co.*, Boston; Willis M. Summers, *Troster, Currie & Summers*, New York City

R. Victor Mosley, *Stroud & Co.*, Philadelphia; Henry Oetjen, *McGinnis, Bampton & Sellger*, New York; Paul Moreland, *Moreland & Co.*, Detroit; H. Frank Burkholder, *Equitable Securities Co.*, Nashville

Gordon Scherck, *Scherck, Richter Co.*, St. Louis; Milt Isaacs, *Straus & Blosser*, Chicago; John Hecht, *Dempsey-Tegeler & Co.*, Los Angeles; Clair Hall, *Clair S. Hall & Co.*, Cincinnati

A Refunding Project to Relieve Government Bond Market Support

(Continued from first page)

the government bond market at an artificial level. This policy is by far the greatest single threat of a further gross expansion of our money and credit supply at a time when there is widespread agreement, even by those who advocate and pursue the policy, that bank reserves should not be expanded, and when the course of inflation may even demand that the reserves be contracted. Each $1 million of bonds purchased by the System increases bank reserves by that amount and becomes, therefore, the base for an approximate $6 million potential expansion in credit. We are thus confronted with the dilemma of an inflationary market support, or a possibly severe decline in the values of government bonds that would produce widespread capital losses.

If a way can be found of withdrawing support from the government bond market without causing panic or losses in asset values, we could at once remove a great inflationary threat and restore to the Federal Reserve System its orthodox function of credit control.

Refunding Proposed

A simple, logical, and realistic solution of the dilemma would seem to be a refunding of the government debt at higher interest rates.

Interest rates are rising. The Federal Government itself has partly met the reality by permitting the rate on its one-year paper to rise from the wartime-induced rate of ⅞ of 1% to 1⅛%, and in the past year has let the rate on eligible, taxable bonds rise on intermediate maturities from 1½% to 1¾%, and on long maturities from 2⅛% to over 2⅜%. In the same time, "Barron's" high-grade bond yield has risen from 2⅝% to over 3%.

Throughout the world, rates on government bonds have risen from their artificially induced lows. In Great Britain, it has risen from 2½% to 3%; in France, from 3% to 4¼%; in Italy from 3¼% to 4⅝%; in Sweden and in Holland, the governments have stubbornly maintained a 3% rate in spite of vigorous opposition by business leaders, economists, and investors; in Switzerland, the rate has risen from 3% to 3⅜%; and in Canada, from 2½% to slightly over 2¾%, although support at the latter level is tentative.

The present 2½% rate on long-term government bonds is admittedly artificially low. We cannot hope to maintain it for the next several years. Apart from inflation, capital requirements, domestic and international, assuming an orderly world of multilateral trade and free international financial transactions, toward which we are striving, will force it upward.

If our monetary authorities cannot, without monstrously monetizing the entire goverment debt, indefinitely maintain the 2½% level, this is the best time to make the adjustment.

Effects of Refunding

An offer to present holders of the privilege of exchange for identical bonds bearing higher interest rates up to 3% on long-term bonds, if that is the present real level, would have the following results.

(1) Most importantly, it would remove the necessity of market support, and the consequent fantastic expansion of the credit base. Support at the present time has two evident purposes—to prevent serious capital losses, for reasons of economic stability or of moral obligation, and to hold down the cost of debt service. The second purpose is an extreme example of false economy.

(2) It would avoid large capital losses. Though some argue that institutions need not take these losses if they hold their bonds to maturity, they would, nevertheless, have to carry them on their books at the market. This would reduce their assets and impair their capital. Others have pointed out that public confidence in the solvency of these institutions might be impaired or destroyed, with resultant panics.

Debt Service

(3) It would increase the cost of debt service. The total annual debt service cost is now about $5 billion, or ⅛ to 1/7 of the budget. The present annual interest costs on a total of $118.5 billion of marketable Treasury bonds are slightly under $2¾ billion. If the problem is only to keep all issues at par or better, then, assuming a 3% rate for the longest bonds, only eleven of the longer issues need refunding. The increase in interest cost for this purpose would be about $250 million annually. If the problem is to maintain present prices on all issues, which means premiums up to eight points, then, assuming roughly an increase of ½ of 1% on all outstanding bonds, the increase in interest cost for this purpose would be $592 million annually. Finally, to take a most unlikely extreme of an overall increase on all indebtedness of ½ of 1%, the increase in debt service costs would be about $1¼ billion annually. This compares with an increase since 1939 of $936 million annually in the expanded general government expenditures by a thousand departments, bureaus and agencies.

Objections to Increased Interest Costs

In his statement before the Joint Congressional Committee on the Economic Report, November 25, 1947, Mr. Eccles said, regarding the additional cost of debt service if rates were permitted to rise: "If that were the only consequence, it might be argued that the extra cost to the Government would be justified because inflationary borrowings would cease. However, this is only one aspect of the matter. In the process of leaving Government securities to the free play of variable forces in the market, the Treasury would be confronted with a continuing puzzle in all of its constantly recurrent refunding operations. It could not tell from day to day at what price it could sell its securities. It would be entirely at the mercy of uncontrolled factors in the market, if, indeed, conditions did not become so confused and chaotic as to demoralize completely any refunding operations."

Admirable as the desire may be, to some, to avoid the uncertainties and vicissitudes of the future, it is questionable whether it is possible to regulate financial and economic affairs of men piecemeal. Wholly apart from whether we have the wisdom to manage economies in toto, and even whether we have the desire in this country to do so, it must be admitted that any attempt to maintain a single artificial condition must fail so long as a multitude of other, related conditions are not also regulated.

As regards the continuing price puzzle in refunding operations, the uncertainty of price does not prevent the flotation of securities, as every investment banker and professional investor knows. The most astute judges of market conditions sometimes wait until the last hour before fixing the exact price of a new issue. The real problem is whether the securities can be floated at all. Mr. Eccles' remarks should not be taken to mean, as by logical inference they would mean, that the first of the prime securities in this country cannot be floated at a price, or that the price cannot be determined without continuous, rigid support. No one, moreover, not even a government supporting its own market, can foresee at what price it will sell its securities one year hence, let alone five or ten years hence. Government security markets do not exist in a vacuum insulated from all the other economic and financial affairs in the lives of nations and of men.

In addition to the $118.5 billion of marketable bonds, there are $52 billion of non-marketable savings bonds. Of these, the largest amount, $31 billion, is in the Series E bonds. If the real market is 3% on twenty-year bonds, the yield on these ten-year savings bonds would still be more attractive than that on marketable ones of comparable maturity. Although the overall annual return on these discount bonds is 2.9%, the redemption values are such that after the first year their retention value is a 3.15% annual return to maturity; after the fifth year (when their maturity is five years) it is 4%. This means that, after five years, the redemption value of the E bond is such that the holder who cashes it would have to reinvest his money at better than 4% to do better than he would by holding the bond to maturity. Series F bonds, outstanding in the amount of $3 billion, have a lower retention value. After the first year, the rate of return to maturity is 2¾% and after five years (with a maturity of seven years) it is 3¼%. Series G bonds, outstanding in the amount of $15 billion, pay interest at the rate of 2½% annually, but have cash redemption values below cost, except in the event of death. These redemption values are such that the bonds offer future yields to maturity similar to those of the Series F bonds; that is, after five years, for example, there would be no advantage in cashing them unless one could buy a seven-year bond yielding over 3¼%. After five years the future yields on all three series increase still further.

It is most unlikely that the real market rate on government bonds is so high that it would be profitable to cash these savings bonds to reinvest the funds in marketable issues of comparable maturity. Even if the Series F and G bonds came close to that possibility, they could be adjusted, to prevent a sudden call upon the Treasury for $18 billion in cash, by raising the future redemption prices.

There is a total of $47.7 billion of unfunded debt, consisting of bills, certificates and notes. If part of this is funded, the extra cost is to be figured on the difference between the present rate of 2½% and the real rate, which might be ½ of 1% higher or more.

Alternative Risks

Against increases in debt service costs, at present possibly as low as $250 million and as high as $1¼ billion annually, must be weighed the larger increases in annual costs to millions of consumers with each small advance in the cost of living which we must expect if we continue expanding our money supply. This expansion must result if we continue to support a market which is already above its real level and the real market will sink further below it, not only because of the natural trend of money rates, but also because of the very support itself, which is inflationary. The policy of market support is self-aggravating. As monetization of the debt accelerates there will be the danger of public loss of confidence, not in the artificial stability of the government bond market, but in the future worth of its dollars. Then we shall have that final stage of inflation—the general flight from money.

The relatively small increase in the cost of debt service must be weighed against the danger of courting that final stage of inflation and against the immeasurable costs of such a disaster in this country.

We must decide whether a 20% increase in the cost of debt service is too great a price to pay to avoid further gross monetary inflation and to restore to the Federal Reserve System the credit control which the Federal Reserve Act intended.

We are not concerned here, of course, with the question whether the System should sell bonds now in the open market to contract credit. But we may observe that if such action ever becomes necessary, losses, if any, on higher-coupon bonds would be less than on the present low-coupon bonds. Also, once the System is relieved of the obligation to support the market, the mere restoration of its power to contract credit may be a sufficient psychological deterrent to excessive credit expansion. The mere existence of the power may make its use unnecessary.

Distribution of Increased Interest Payments

(4) The proposal to refund the debt now at higher rates, where necessary to withdraw market support, would increase the earnings of banks, and the income of insurance companies, institutions, and of individual bondholders, all of whom have lost real income in the price rise with little or no means of compensation. The plight of our universities, for example, is serious.

The increase in the cost of debt service would be shared in accordance with the scale of our tax structure. Interest on the public debt is distributed to those investors, public and private institutions, as well as individuals, who are an important source of capital formation, a process which greatly needs strengthening today. Over the years, therefore, such a distribution of taxes is of high, long-term benefit to the country's whole economy.

Corporate and Municipal Bond Market

(5) It would cause a sudden fall in the corporate and state and municipal bond markets. These have been falling for the past two years independently of the government bond market. Their decline is one of the downward pressures on the latter. The real losses in portfolio values, another price to pay for the debt reform, would be difficult to estimate, for many of them would be only a loss of paper profits and not a loss as regards actual cost.

Preferred stocks, which have been falling sharply, may fall further, though not necessarily.

Stock Market

(6) It should have little, if any, effect on common stocks. Though there are times when stocks are purchased on a comparison with the yield from bonds, there is no fixed relation between the yields on the two groups. At times the dividend yield on a group of high-grade common stocks is actually less than that on high-grade bonds, and at other times the yield on the same group of stocks is greater by as much as 5%. The present yield on "Barron's" 50-stock average is about 2¼% greater than that on its 10-high-grade bond average.

It is even possible that common stocks would advance on the removal of the inflation threat. On this interpretation, there would be greater confidence than there is now in the stability of profits, as a result of the prospect of a stable price level. Present valuations of earnings discount heavily their impermanence because of rising costs of material and of labor, which require expanded working capital and new financing, and because of the sudden sequel of an inflationary climax, which is inevitable, rapid deflation. On the other hand, stock prices would sensitively reflect the degree of confidence felt in the skill with which the monetary authorities will execute their control of credit so as not to tip too far in the direction of deflation.

(7) One important result would be to return to investment managers the responsibility for capital preservation through the use of their own judgment. It has been estimated roughly that the commercial banks alone lost assets of $400 million by the action of the Reserve authorities on December 24, 1947, when they suddenly lowered price pegs. Investment managers cannot be responsible for such losses, for they have neither voice in policy changes, nor the opportunity for exercising their judgment when markets are pegged. Nor can they dump such a troublesome section of their investments, because their assets are swelled by the wartime creation of money to such an extent that they are compelled to employ them in government bonds.

Investment judgment may require, for example, and opportunities may arise, for periodic shifts of holdings between long and short maturities of government bonds, depending upon the varied requirements of different institutions, and upon market changes. When long-term bonds are promised support, there may be pressing invitation to banks to shift from short to long maturities. But if such artificial stability is not assured, banks may shift into short maturities and leave the longer ones to investing institutions which require less liquidity.

Precision Not Essential

It may be difficult to determine precisely the levels at which $118.5 billion bonds would settle. It is not our purpose here to determine the exact rates at which the refundings should be made. The soundness of the program, if it is sound, does not depend upon the precision with which the new rates are determined. The primary object is to withdraw government support and to release the bonds to present market realities in such a way that they will sell at about par, in order to avoid serious capital losses.

Thereafter, the Federal Reserve System ought to use its huge powers through a policy of flexible stabilization permitting orderly changes, in lieu of a policy of rigid price-fixing. The new policy should assure not only a continuously orderly market, but also, in the present and in the future, successful refundings at going rates.