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German Monetary Disintegration And Reform Possibilities

By FRED H. KLOPSTOCK

Economist, Federal Reserve Bank of New York

Federal Reserve official warns Allied Controls Council's inability to agree on currency reform would accentuate split of Germany. Cites alarming progress of monetary disintegration, and spread of black and gray markets. Denying financial rehabilitation wholly depends on reduction of money supply, Mr. Klopstock calls for revival through increased industrial production and settlement of huge unpaid claims on future German Government.

How to bring down Germany's over-abundant money supply to a reasonable level is an issue that has now been discussed in great detail for more than two years. In recent months the discussion has reached a new crescendo in Germany. Numerous monetary reform programs have been submitted to public debate; in fact, almost every German who amounts to anything in economics, finance or banking, if he has not come out with his own scheme, has at least made speeches and commented in articles on what should be done with the money surfeit. The matter was threshed out at great length in numerous meetings of a sub-committee of the Allied Council when the United States-sponsored reform program came up for discussion, but no agreement was reached. During the last few months, General Clay has made another effort to arrive at an understanding with Soviet Russia's representatives in the Control Council. It is now reported that the four occupation powers have reached an agreement on the general principles of a currency reform for the whole of Germany, and that a zonal solution of the problem has at least temporarily been averted.

Fred H. Klopstock

It is clear that inability of the Allied Control Council to agree on mutually executed reform measures would be another step toward a split of Germany into two halves. The uniform currency now existing in Germany is one of the few connective links between West and East. If this link should be abandoned, zonal boundaries would be consolidated, and the East and West would have to consider each other as foreign coun-

(Continued on page 33)

The statements contained in this article represent the personal opinions of the writer and do not necessarily reflect the views of the institution with which he is connected—Editor.

See PICTORIAL INSERT for pictures taken at 24th Annual Mid-Winter Dinner of the Investment Traders Association of Philadelphia.

A New Look at Inflation

By CLIFFORD S. YOUNG*

President, Federal Reserve Bank of Chicago

Asserting both reckless bidding up of prices and unwarranted drastic price cuts are equally dangerous, Reserve Bank executive sees hope of avoiding business setback by gradual adjustment to normal conditions. Lays new upsurge in inflation to heavily expanding private credits and to high consumer spending, and points out, despite record profits, financial position of businesses has not been strengthened. Advocates judicious restraint in business expansion until inflationary turning point has been reached.

Price and financial developments in this country and abroad in recent weeks have caused all of us to reappraise future banking and business prospects. The sharp break in commodity prices together with its depressing effect upon security prices are being interpreted widely as confirmation "at last" of the underlying pessimism which has characterized much business thinking during the past year and a half. A wave of fear has developed in some quarters that the long-heralded "postwar recession" is here or at hand.

C. S. Young

No one has yet discovered a continually accurate means of forecasting the future, and certainly it is not in my province to attempt to do so. Rather, I should like to consider with you briefly some of the implications of recent inflationary trends for the

(Continued on page 28)

*An address by Mr. Young at Bank Auditors and Comptrollers Conference, Chicago, Ill., Feb. 19, 1948.

EDITORIAL

As We See It

A Time for Stock Taking

The enslavement of Czechoslovakia, this time by one of our co-defenders of "democracy," is certainly no less deplorable and damnable than the similar action taken by Hitler in 1938. Stalin's "suggestion" to Finland will doubtless be followed by developments which must be placed in the same category. No one in his right senses in this country, or we should suppose in any other not blinded by some strange devotion to the Russian monster, could for a moment excuse or condone such things as these.

Yet he who finds much in them to surprise him must be a naive soul. It has been plain as a pikestaff for a long while that Russia intended not only to restore her old pre-World War I borders, but to proceed as circumstances permitted to realize the ambitions long nursed by the Czars in the hey-day of their power and prestige. For our part, we have no doubt that once such goals as these are reached, more will be conceived and definite action taken to move toward them as opportunity offers itself. It is the way of world politics, and always has been.

If techniques of conquest and imperialism have been somewhat modified by the present day Russian authorities, that is but a detail. If at any time in the past it had appeared

(Continued on page 30)

The Outlook for the Steel Industry

By ALFRED S. RUDD*

Steel Analyst, Shields & Company
Members of the New York Stock Exchange

Mr. Rudd reviews progress of steel industry in recent years, together with immediate, as well as long-range, outlook. Sees no slackening in demand pressure at the mill level, and estimates probable increase in wages of steel workers at from 10 to 15 cents an hour, accompanied by advance in steel prices. Predicts percentage profit margin in 1948 will be below 1947, and thereafter, because of higher break-even points, total profit rates may be lower. Does not look for serious decline in demand for steel, but concludes peak in steel company profits has been reached and steel stock prices, on comparative basis, are not out of line.

As the topic today is "The Economic Outlook for the Steel Industry," I will not bore you with a multitude of statistics reviewing the industry's rather hectic past. It will suffice to say that up to the 1930's, the industry was consistently profitable. During the 1930s the showing was a rather sorry one but in the closing months of that decade, under the impetus of war's outbreak, the industry went off into another spiral of rapidly ascending production and substantial profits. During the period of this country's involvement in the war, steel production forged ahead to a further succession of new peaks but the industry's profits gradually faded under the impact of excess profit taxation, price controls, renegotiation, and steadily rising costs. Then, when peace finally came, the industry found itself unable to operate normally, for a time, because of the onset of labor troubles and the continuation of price controls until the latter part of 1946. It was not until the ending of price controls late in 1946 that steel makers received their first real opportunity to demonstrate their earnings capabilities under full peacetime production, and the record of the ensuing year 1947 is quite startling.

Alfred S. Rudd

That year, was, of course, the first full year of virtually uninterrupted peacetime production. It found production totaling upwards of 85,000,000 net tons of ingots, equal to approximately 93% of capacity. That production was approximately 27% larger than the output in the previous year 1946, a similar amount larger than 1940, which constituted the previous pacetime record, and was about 50% over 1937, and some 34% above 1929.

The profits of the industry were equally interesting. Judged off the combined results of 14 major companies, which make up close to 90% of the trade's capacity, profits in 1947 were approximately 50% above 1946, and a like amount over 1940. They were up 80% over 1937, and about equal to 1929. As a matter of fact, if we exclude U. S. Steel from the compilation, we find a substantial gain in 1947 over 1929. U. S. Steel was the only major producer

(Continued on page 34)

*Special stenographic report prepared for the "Chronicle," of an address by Mr. Rudd before the Association of Customers' Brokers, New York City, Feb. 26, 1948.

Factors in Railroad Security Analysis

By HERBERT F. WYETH*

Railroad Analyst, Shields & Co., Members, New York Stock Exchange

Mr. Wyeth, contending railroad industry is not decadent, but, on contrary, one of most consistently profitable businesses, reviews improvement in its general investment status through debt reduction and amortization. Holds railroads can successfully compete with other transportation facilities, and higher wages can be largely offset by labor saving improvements. Sees more liberal attitude toward establishment of fair rail rates, and urges study of individual railroads rather than the general industry in making investments in railroad securities.

I am honored to have been asked again this year to address you on one of our country's major industries, and one of our largest and most troublesome investment fields. The magnitude of this problem is obvious when it is considered that there are outstanding with the public close to $16 billion par value of railroad securities. This total is made up of roughly $7 billion of non-equipment debt, some $600 million of equipment debt, and $8 billion of stocks. Most of these securities are traded in on the New York Stock Exchange.

Herbert F. Wyeth

Unfortunately, it is almost axiomatic that any one connected with the financial community for as long as one year, be he an economist or a freshman customer's broker, becomes an expert on railroad securities. This is probably the main reason for the mass of misinformation that circulates about railroad operations, prospects, and securities. This is also responsible for much of the grief that has accompanied investment or speculation in railroad securities, and for the highly volatile nature of even the best railroad securities.

In many quarters the railroad industry has come to be considered a decadent one, able to report profits only under conditions of unusual general prosperity. Actually, from the point of view of operating results it has been one of our most consistently profitable enterprises. The industry as a whole has not in any year ever failed to report an operating profit. This is in marked contrast to most of our other major industries which, nevertheless, enjoy far greater investment confidence. In its poorest depression year—1938—the railroads as a group reported net operating income of roughly $375 million, with more than $500 million available for charges. As a matter of fact, very few individual roads have in any year reported operating deficits.

One reason why railroads and railroad securities are eyed with suspicion by many potential investors, and suffer psychologically in relation to industrial companies, is that the weak sisters are rarely, if ever, eliminated. If an industrial corporation consistently loses money it just eventually goes out of business. People forget about it. This is not true of a railroad. Railroad operations may not be abandoned without permission of the Interstate Commerce Commission, and there are very few cases on record where such authority has been forthcoming. An unprofitable railroad just continues to pile up deficits year after year, a constant re-

(Continued on page 12)

*A lecture by Mr. Wyeth at the Small Investors Forum of the Columbia University Institute of Arts and Sciences, New York City, Feb. 26, 1948.

INDEX

* See article on page 2.

The Stock Market in 1925 and Today

By SCHROEDER BOULTON

Market analyst asserts present price-earnings ratios, lower than in 1925, similarly reflect widespread unwarranted expectations of declines toward pre-war commodity prices, production, and profits. Concludes although business downturn is certain, stock market nevertheless is "heavily spotted with bargains."

Nineteen twenty-five was one of the peak business years following World War I. It also was almost the last year of the 20's in which common stocks sold at low price-earnings ratios to return high yields, reflecting widespread apprehension that business would return toward the pre-World War I levels of production, prices, profits and dividends. With progress of time, and development of minor recessions which did not progress to major depressions, the confidence factor changed. In 1927, the Ford shutdown year of minor recession when aggregate manufacturing profits were 40% below those of 1925, stock prices were a good deal higher, the Dow-Jones industrials ranging between 153 and 202 as compared with a 115-159 range in 1925. By late 1927, skepticism had been supplanted by general optimism, and the final two years of financial boom bore only a tenuous relationship to changes within business itself.

Schroeder Boulton

The years 1946-48 resemble 1925 in presence of widespread expectations of declines toward prewar levels in commodity prices, industrial production, profits and dividends. Price-earnings ratios have been even lower than in 1925, and yields higher, circumstances not unnatural in view of world political tensions, and the technical obstacles offered by increased personal income taxes and by stock market credit restrictions. Also, the intellectual and emotional climate of our times is unfavorable, with investors reacting warily to real or imagined adverse developments, and skeptically to favorable developments. Unlike the 20's, in the present period acute apprehensions have been stimulated alike by Washington political quarters, by radio commentators, as well as by a host of experts in the dismal science of economics. Although we may have 90% fewer financial leaders than in the 20's, we have at least 900% more economists.

Comparisons With the Other Skeptical Period

Without attempting to prove anything, and admitting the many non-comparable factors, it may be interesting to compare this period with that other skeptical postwar year, 1925, to see whether we are better off or worse off in financial strength and in economic welfare. A few brief comparisons are shown in the following table. The index of physical industrial production at 192 is more than twice the 90 rate of 1925. Despite higher income taxes net corporate profits for 1947 are estimated at approximately $17,800,000 000 as compared with about $6,000,000,000 in 1925. Disposable income of individuals, after deducting applicable income taxes, is at a rate of about $188,000,000,000 per annum as compared with an adjusted estimate of about $74,000,000 000 for 1925. Allowing for a 25% increase in population and a 32% increase in living costs, real income per capita is approximately 55% higher than in 1925.

Certain banking figures are equally impressive. Deposits of all banks (eliminating inter-bank deposits) now amount to approximately $142,000,000,000 as compared with $49,000,000,000 in 1925. Growth in deposits largely has reflected monetization of the increase in Federal debt; bank loans of all Federal Reserve member banks have increased only from

(Continued on page 31)

A FEW ECONOMIC COMPARISONS

	1925	Latest
Industrial Production (F.R.B.)	90	192
Income Factors—		
Population	115,000,000	144,000,000
Disposable Income of Individuals (Net after taxes)	$73,700,000,000	$188,000,000,000
Disposable Income Per Capita (annual)	$641	$1,306
Living Cost Index (B.L.S.)	125.4	165.0
Real Income Per Capita	$511	$792
Net Corporate Profits	$6,000,000,000	$17,800,000,000
Financial Factors—		
Net Demand and Savings Deposits—All Banks	$49,200,000,000	$141,700,000,000
Money in Circulation	$4,900,000,000	$28,900,000,000
Life Insurance in Force	$71,500,000,000	$174,500,000,000
Loans—All Federal Reserve Member Banks	$22,000,000,000	$30,700,000,000
Stock Market Margin Requirements	20-25%	75%
Value of Stock Which May Be Purchased With Initial $10,000 Equity	$40,000-$50,000	$13,300
Brokers' Loans	$3,500,000,000	$300,000,000
Number of Listed Shares	503,200,000	1,907,000,000
Turnover of Listed Shares	459,700,000	253,600,000
Dow-Jones Industrial Stocks, Price Range	115.0-159.4	168.0
Dow-Jones Industrial Stocks, Earnings	$12.39	*$17.00
Dow-Jones Industrial Stocks, Dividends	$5.53	$9.21
Price-Earnings Ratio	(at low) 9.4 times	9.9 times
Yield	" 4.8%	5.5%
Average Yields, A1+ Bonds	4.9	2.9
Call Money Rates	4.2	1.5

*Estimated.

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Industrial Application of Nuclear Energy

By LYLE B. BORST*

Chairman, Nuclear Reactor Project, Brookhaven National Laboratory

Dr. Borst describes progress in utilization of nuclear energy and efforts to apply it to industrial purposes. Says no "open sesame" has yet been learned, and in foreseeable future electrical power will be generated by conventional heat engine. Points out availability of only a meager amount of uranium having efficient quality for transmission of nuclear energy and predicts, because of our large coal resources, use of atomic power may not become as economically sound in U. S. as in other countries. Sees difficulties arising from security regulations of Atomic Energy Act.

The industrial applications of atomic energy will be legion—but will certainly not be immediate. This joint statement of faith and reservation is the common feeling of most of the people directly associated with atomic energy development. We have faith in at the year 1942—the year of the first chain reaction — marks the beginning of the atomic age. An age which will be characterized by further triumph of man over his environment — his physical and biological environment and, perhaps, even his social environment. Profound changes will come, but they are not "just around the corner," for we face new problems requiring time, ideas, manpower and money to solve.

Lyle B. Borst

Some of the problems involved for instance in the development of an atomic powered automobile do not differ individually from those arising in many industries. I do believe that the number of obstacles between our present state of knowledge and your atomic powered Ford exceeds, both in variety and complexity, the problems facing the inventors of the internal combustion engine. In fact, it is doubtful whether the difficulties can ever be overcome in this particular application, for we just don't know how to build a safe engine weighing less than about 20 tons.

Before predicting the future, however, let us take stock of the present. The development of atomic energy up to the present has cost about $2½ billion—not an inconsiderable sum even as industries go. Most of this money has been expended through industrial contracts. At the present time General Electric Co., Carbide & Carbon Chemicals Corp., Monsanto Chemical Co., The Kellex Corp., Standard Oil Development Co. of New Jersey, and 2 to 300 other industrial concerns hold contracts with the Atomic Energy Commission. The variety of products produced varies from Geiger counters, electronic circuits and tubes, special steels and non-ferrous alloys, graphite and lubricants to U-235, Pu-239 and an assortment of 100-odd isotopes, both radioactive and stable. At the present time we have a far-flung established and going industry.

This is a government-controlled industry, to achieve the policy established by act of Congress: ". . . it is hereby declared to be the policy of the people of the United States that, subject at all times to the paramount objectives of assuring the common defense and security, the development and utilization of atomic energy shall, so far as practicable, be directed toward improving the public welfare, increasing the standard of living, strengthening free competition in private enterprise, and promoting world peace." This industry has the advantage and perhaps a few of the disadvantages of government control.

This industry must always be faced with the difficult distinction between "dangerous" activities, i.e. those leading to the bomb, and beneficial uses. I am sure that most of us will agree that under the present international circumstances information associated with the bomb is not appropriate material for public discussion. I am sure we would also agree that information not associated with military applications must necessarily be freely discussed. You who have so graciously contributed the $2½ billion have every right to know what you are getting for your money. It is important that you know what we are doing and that you approve of our plans. We regret that in many cases we cannot discuss completely and candidly all the aspects of all the interesting problems in which we are engaged. There is nothing I would enjoy more than to discuss the work in which I am engaged, the design and construction of the Brookhaven Nuclear Reactor. The problems we have encountered in building this peacetime unit are just those met in building a plutonium production pile. It is an unfortunate fact of nature that the dividing line between beneficial and military application is neither straight nor clear. I hope you will pardon me if my discussion of the future atomic power industry seems incomplete.

The development of atomic power is one of the most direct and foreseeable future industries. It has been common knowledge that atomic nuclei were potential sources of energy, and it was established before the discovery of fission, that the source of the energy of the sun was such a nuclear source.

In 1948, less than ten years since the discovery of fission, we have installations making heat at the rate of many thousands of kilowatts. Unfortunately the heat is generated at such a low temperature that efficient generation of electricity is not possible. How many more years will elapse before we can generate electrical power from this heat? We are studying the feasibility of power generation from our Brookhaven reactor. If feasible we would hope to demonstrate power generation at Brookhaven within the next two years. Our reactor is designed for research and not as a power plant so that our power will definitely be a by-product. The capacity of this system will not be sufficient to operate the reactor at its full level, but will probably permit operation at a reduced level. However, this initial demonstration will not inaugurate the era of atomic power by any means. It will be another 10 to 20 years before atomic energy can compete favorably with coal as a source of industrial power. Let us remember that it has taken more than a century to make the energy conversion from coal 25% efficient.

We have looked long and hard for a trick method of getting electrical energy directly from the chain reaction. We would greatly enjoy building a chain reactor with two wires leading out to carry away the energy at a modest voltage of a million or so volts. There ought to be a way of using this energy directly. We can get some electricity from a reactor directly — in fact, we normally control it by this means. We can even dream up a system by which we can achieve a reasonable efficiency. The only trouble is that such a system will not support a chain reaction.

So far we have learned no "open sesame." We acknowledge generally that electrical power, for the foreseeable future, will be generated by means of the conventional heat engine. Such an engine must necessarily work from a high temperature source. Here is one present difficulty. Using available materials satisfactory from a nuclear point of view, it has not been possible to operate reactors at appropriate temperatures. It is one of the ironies of nature that common engineering materials, such as ferrous metals and most non-ferrous metals, absorb neutrons and may not be used inside thermal neutron reactors. Those which do not absorb neutrons lack mechanical strength and undergo excessive corrosion at the necessary temperatures. The few exceptional materials having all of these qualities are excessively expensive.

Studies directed toward overcoming these difficulties are now

(Continued on page 32)

*An address by Dr. Borst before the American Society of Mechanical Engineers, New Orleans, La., March 1, 1948.

Death of a Bear Market

By LEONARD S. HERZIG

Partner, Sartorius & Co.

Mr. Herzig maintains that stock market's technical behavior during past 18 months portrays typical period of major accumulation. Concludes this, together with public's present uncertainty, warrants expectation of early rise.

During the period from Aug. 15 to Oct. 11, 1946, the great war market of 1942-1946 collapsed. The Dow-Jones industrial average fell from 203 (the actual top was 213) to 161. In 10 trading days the destruction of values was fantastic, the market crashing 31 points.

Leonard S. Herzig

Ever since that fateful plunge, which was set off by no particular news event or special warning, the market has apparently been aimlessly milling around —staying within a range of approximately 27 Dow Jones points for a period of about 18 months. To the inexperienced observer this action, diverging as it has from all fundamental statistics, seems meaningless. How can it be that a market which sold at 200-210 on the Dow Jones average when stocks comprising that average were earning $13.80 per share now sells at 160-170 when these same stocks earn $17.40 per share? How can it be that stocks sell in a high range with two years still to go of an administration traditionally unfavorable to business and 50 points lower when a change in that administration is probable in a matter of months? Can it be bearish for farm commodities to rise and equally bearish for them to fall? Can the bearish prognostications which were first made as long ago as 1945 and which have proven as yet unfounded be extended indefinitely? How long can the American public, constitutionally optimistic, be hornswoggled into accepting bearish prediction after bearish prediction—none of which has even partially materialized? Does the stock market operate in a complete vacuum, or is this period, when two plus two do not seem to equal four, purely a transition phase—a technical phenomenon which has happened time and time again?

My conclusion is that the market from October, 1946, to the present is not moving aimlessly. It is tracing out a technical pattern of accumulation just as it always does before a rise of substantial proportions. In the meanwhile, the time-consuming and nerve-wracking action of a dying bear market must be lived with. To those who can watch the death struggle of a bear market with relative equanimity and buy stocks in spite of the pessimism which the sight engenders, belong the spoils of the ensuing bull market —for they will own the bargains.

The Market Pattern Since 1946

In January, 1943, General Motors made its highest price for the bull market 1942-1946. It was not until May, 1946, that the steel stocks (U. S. Steel excluded) made their respective highs; and while most stocks were gently declining, Schenley made its own high in August, 1946. This approximate period — January until August, 1946—can now be easily recognized as a time of stock distribution.

In October, 1946. General Motors made its probable low for the 1946-1948 bear market. It was not until May, 1947, that the steel stocks followed suit; and recently groups such as the motion picture stocks made new lows, although other groups were gently rising. The period from October, 1946, until February, 1948, will probably be considered the accumulation stage of the bull market 1948-?

That which has occurred in the stock market between October, 1946 and now is not an isolated phenomenon but something which close observers have seen time and time again. A bear market dies slowly and it is agonizing to watch, but the succession of symptoms leading to the demise is one which repeats itself each time.

Pattern of a Dying Bear Market

First of all, volume, as death approaches, dwindles to a very low figure. Secondly, divergences appear. Group after group of stocks make their lows and, regardless of the action of other groups, they slowly turn upward. Thirdly, stocks within groups turn up while others stay near their low quotations. Fourthly, the industrial and rail groups usually diverge. Finally, news, whether good or bad, has scarcely any effect on the market. The lethargy continues.

So much for technical factors. What about fundamentals? As the bear market slowly dies, stocks sell at a low relationship of earnings to price; they also sell on a large yield basis as compared to bonds; and in the more speculative categories, many stocks sell at less than their quick assets.

From a psychological viewpoint, the public is either completely uninterested in the market or fearful of the unknown. Stocks appear cheap, but (so they reason) there must be something fundamentally wrong or why would they sell so cheaply—and for so long a time? As the bear market slowly breathes its last, the optimists are strangely silent—they, too, are perplexed. They have been optimistic for so long that they are tired of preaching their credo. The pessimists, however, are vociferous. Even though most stocks are not going down (lots of them are actually going up), the gloom is so thick, the trading so dull, that the line of least resistance seems to be the acceptance of the pessimistic point of view. Besides, it is easy to accept the low prices of stocks in relation to all that is known when they sell there day after day! So dies a bear market.

Conclusion

I do not wish to take the space to diagram how all of the symptoms described above have been fulfilled in the current 18 months. They have been! Experience would indicate that the pall which hangs over Wall Street, the inactivity, the uncertainty, the lack of public interest, mark the end of a stock market chapter—the death of a bear market. Higher stock prices should soon be witnessed!

Observations . . . .

By A. WILFRED MAY

MUST INDUSTRY CONVERT TO THE PUBLIC RELATIONS PROFESSION?

Serious Implications of the Steel Pricing Hullabaloo

The rising tendency of "public relations" strategy to drive government officials, including economists, to propound the illogical and the unsound has previously been pointed out by this column. But now the steel industry's minor and routine adjustment in its price schedules is raising this deification of the public relations idol and "political awareness" to the n-th degree of absurdity. For even sound and experienced commentators, while making some patronizing gestures of acknowledgment of the technical justice of price change, have been unabashedly castigating the industry for amateurish unsophistication and lack of tactical cleverness in calculating the political consequences. To this writer this attitude seems self-stultifying, as well as confusing the public's understanding of the economic issues.

A. Wilfred May

It was of course to be expected that President Truman, although probably pleased with the fillip given to his inflation warnings, would (midst his Caribbean cruising), with the requisite fanfare, order four of his Administration's agencies—the Departments of Commerce and Justice, the Federal Trade Commission and his Council of Economic Advisors—on the steelmakers' trail.

It was no doubt natural that the Republican leadership should beat the Democrats to the gun by summoning the steelmakers for explanation before Mr. Taft's Congressional Joint Economic Committee, partly as a defensive step against the stimulation towards controls and partly to make affirmative political capital.

And it occasions no surprise that the price-adjustment was loudly excoriated by the Wallace-ites as a fresh proof of Big Business profiteering; by the professional "trust-busters," by anti-business demagogues generally; by consumer groups; by the excess-profits tax proponents, and by all the people who naturally will vote nay in a plebiscite asking whether they wish to be charged higher prices.

All the World a Public Relations Counsel

But what is surprising as well as disheartening is the manner and amount of condemnation being heaped on the industry by leaders of opinion and by business economists, who on the one hand continue professing their belief in the free processes of the market-place but curiously set themselves up as public relations counsellors experting in political "strategy." Thus, in addition to the charge of bad-timing, one highly-respected economic commentator avers that "a bad taste" was left in the public's mouth by alleged stratagem and surreptitiousness in the industry's action, despite the fact that United States Steel Corporation President Fairless distributed a press release on Feb. 20 describing in complete detail the nature of and reasons for the price changes.

It is worthwhile observing that some of our newspapers which are most loudly editorializing against the steelmakers, did not prevent their communal sense of statesmanship from raising the price of their own product from three to five cents—or by 66%—not too long ago. Was their justification some kind of smarter "public relations" in "selling" their own price boost?

Similarly inconsistent is President Truman's action in sending a squad of FBI agents into steel plants which are trying to earn 7½% on their invested capital, whereas he did not see fit to send his criminal sleuths on to the farms, when wheat growers were withholding their crops from the market in order to promote a 200-300% profit on *their* product.

The Simple Facts Underlying the Price Adjustment

Although the actual facts of the steel-rise incident quite evidently have not greatly interested the various critical groups, and are not the major theme of this column, they are nevertheless highly relevant as pointing up the public's complete misconception of the merits of the issue. The price changes made do not relate to finished steel products; but represent an adjustment of about one-quarter of a cent a pound in semi-finished steel, which had been sold at a heavy loss since 1946. Furthermore the increase is not being paid by the public, but by the steel companies that buy from each other, and ends unfair subsidization of their competitors by the major companies which have facilities to make crude steel. Such subsidization entailed a loss of $1 million by Carnegie-Illinois in the single month of January last. The effect of this entire intra-industry adjustment amounted only to one-half of one per cent of the total sales volume. Since 1940 the price of all commodities is shown by the Bureau of Labor Statistics to have risen 2¾ times as greatly as steel products.

* * *

At any rate, let the issue of steel pricing be settled on its business merits; certainly not under the motivation of trying to appease the anti-free enterprise demagogues or of conforming to other phases of public relations "strategy"—under which our democracy is already suffering far too greatly. Otherwise, we will soon be arriving at the stage of determining the structure of prices, dividends, and wages by plebiscite!!

The State of Trade and Industry

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

Total industrial output last week continued at a very high level with manufacturing activity modestly higher for the period. A slight decline took place in order backlogs in some lines, but new orders for many goods continued to be sufficiently large to insure high production well into 1948.

The employment situation for the week was good with payrolls holding at very high levels and claims for unemployment insurance showing a slight decline.

Favorable weather in some areas resulted in an improvement both in the supply of some fuels and the deliveries of essential raw materials. In fact, steel makers were able to obtain a somewhat larger supply of scrap than in recent weeks and steel ingot output rose for the first time in four weeks.

Production of work clothing and most other lines of apparel showed a slight increase for the week, with manufacturers of nylon hosiery maintaining output at peak levels and with orders booked well in advance on an allotment basis.

Some manufacturers of rayon hosiery, however, experienced difficulty in obtaining some materials. There was evidence of a moderate decline in orders for some types of shoes and some producers operated on day-to-day schedules.

Lumber production, it is understood, advanced nearly 2% to 185,675,000 from 182,551,000 board feet during the period ended on Wednesday, a week ago, according to Dun & Bradstreet, Inc. Shipments of lumber were slightly below the level of a week ago, but were 3% above production. While new orders for lumber decreased about 13%, unfilled orders amounted to 58% of stocks.

Looking into the building materials situation, an optimistic note was struck last week by Chairman Douglas Whitlock of the Building Products Institute before the National Association of Home Builders, when he stated that there should be "adequate production and supply of materials in relation to expected demand in 1948."

Production of materials in 1947 exceeded 1939, he declared, by a wider margin than physical volume of new construction was ahead of 1939. Part of the excess went into building depleted inventories and some more was employed in exceptionally active maintenance and repair programs.

Promotional sales of Spring merchandise and Easter apparel were supported by the arrival of mild weather in some sections of the country. The volume of consumer purchasing last week rose moderately and compared favorably with that of the corresponding week a year ago. While requests for credit were reported to have increased in some areas, collections generally were prompt.

There was a moderate increase in wholesale volume during the week and the dollar total of orders continued to compare very well with that of the like week of 1947. Retailers remained cautious and avoided long-term commitments, but deliveries were generally prompt.

STEEL RATE SCHEDULED AT 1.1% HIGHER FOR CURRENT WEEK

The number one problem as far as steel users are concerned remains steel supply. Consumers are still unable to get enough steel and this fact is supporting, as it did a week ago, the small, but active, steel gray market, according to "The Iron Age," national metalworking weekly.

The current talk about a drop in steel demand or an increase in steel supply is not borne out by market conditions this week, the magazine states. There is no single steel product which is any easier to obtain than it was a month ago and the pressure gage which measures steel consumer reaction is still hovering around the top.

International news may speed action on the European Recovery Plan but American steel consumers will not notice the effect for at least four or five months. This estimate is made partly on the time lag encountered in the small Greek emergency program.

While ERP may not seriously disrupt the domestic steel economy it should eliminate talk of easier steel supplies for some months to come.

As was expected, the semi-finished price increases put into effect two weeks ago or more have caused most nonintegrated makers of hot- and cold-rolled strip and electrical sheets to move their prices upward. At least one major producer of wire rods (a semi-finished item) raised its price $5 a ton several weeks ago but other leading makers of this semi-finished product have not yet followed suit, "The Iron Age" notes.

Some steel consumers believe that the next important price adjustment will be in the size extras on carbon bars, the magazine adds. Some tube rounds—a semi-finished material for the production of seamless tubing—are this week selling for more money than

(Continued on page 29)

Expect Large Turnout At NY Dealers' Dinner

Over 800 members and guests of the New York Security Dealers Association are expected to attend the 22nd annual dinner to be held at the Waldorf-Astoria on Friday, March 5, according to Hanns E. Kuehner of Joyce, Kuehner & Co., Chairman of the Dinner Committee. Several representatives of the Washington and New York staffs of the Securities and Exchange Commission are expected to attend th affair. Officials of the New Yor Stock Exchange and New Yor Curb Exchange, banks and business organizations as well as financial editors of the New York newspapers also will be present as guests of the Association.

MacFadden Mun. Mgr. For Eastman, Dillon

Eastman, Dillon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announce that Donald S. MacFadden has been appointed Manager of their Municipal Department. Mr. MacFadden was formerly Vice-President of Lobdell & Co., Inc.

Edwin S. Robinson With Geo. B. Wallace & Co.

George B. Wallace & Co., 15 William Street, New York City, announce that Edwin S. Robinson is now associated with them in the trading department. Mr. Robinson was previously with J. Arthur Warner & Co., Incorporated.

The Banks, Inflation and Credit Control

By JOSEPH M. DODGE*

President, American Bankers Association

President, The Detroit Bank, Detroit, Mich.

Warning if inflation acquires velocity and intensity, a disastrous depression will result, ABA executive points out trend cannot be changed by laws or by limiting bank loans. Says increased bank loans are result and not cause of price increases, and warns against further interference with current banking credit mechanism. Advocates voluntary and cooperative action by banks, and asks support of aggressive action and leadership taken by ABA in inflation battle.

As you know, officials of the American Bankers Association are on a nation-wide tour of 13 key cities because of their concern about a National problem—the present inflationary situation—which directly and indirectly affects the business of banking. In this series of meetings they are discussing the problem and the Association program of Credit Control with the State Association Officers and the leading bankers of every State.

Joseph M. Dodge

Today everyone is conscious of the accelerating wage, cost, and price spiral, and its complicating effect on daily living, on business operations, and on financial affairs. It is the foremost issue now before the people, and has become a National political issue. At the same time, and not unexpectedly, the increase in bank loans also has become a political issue. What we, in banking, should and can do about these problems is the subject of our meetings.

As a Nation, we are suffering from the diseases arising from 11 consecutive years of peacetime government deficit financing before the war, the unavoidable deficits during the war, and deficit financing and enormous government expenditures since the war.

For 14 years we have been careless about money, and the needs of the war magnified that carelessness. The strength of our economy has been diluted with a flood of purchasing power—there is too much money chasing too few goods. Costs and prices have been rising rapidly, and the demand for goods continues greater than the supply. In its simplest terms, this is inflation.

With this, and as part of it, too many people have acquired the false notion that we can borrow and spend and tax, and that this process is good for the economy, and brings with it no penalties. We seem to have accepted the fantastic idea that a man can be paid twice as much for the work he used to do without paying any more for what he buys. Somehow we have acquired a vicious habit of believing that money and the value of money does not matter. We have become so indifferent to the use of money and debt, that we should not be surprised at the results. Now we begin to see the penalties. Both money and debt are having their revenge.

We have alarming symptoms of the same disease which so seriously affects the economies of the rest of the world; and inflation which always operates against the fundamental interests of labor, the farmer, industry, and the individual. People forget that the effect of inflation is very much the same as that of depression, and that no matter how hard they work, there is not sufficient money to buy what they need and want. This is quite similar to having no work and no money.

Everyone worries and complains, but individually they fail to do the things which bring correction, so the condition tends to run its dangerous course.

We have to face the fact that if this inflation is allowed to acquire velocity and run its course to any extreme, the inevitable result is completely fictitious dollar values, the substantially depreciated purchasing power of money, and the possibility of a disastrous depression which can bring with it unwanted social and economic changes in our way of life. That is a possibility we must use every effort to avoid.

Cannot Be Corrected by Laws

In times like these, there are always those who think this problem can be corrected by laws which deal with symptoms, not the real sources of inflation. But legislative answers are certain to be either ineffective or completely wrong. There are too many conflicting group interests. As a result, laws produce neither equitable nor adequate answers. What they correct in one place usually is offset by the creation of additional complications in another. We have seen plenty of that. The real answers are in more work and production, less spending, and in more saving by everyone, including the government. These are the voluntary acts of effort and sacrifice which produce the permanent results.

Fortunately for the banking business, the banks can not be held responsible for the inflationary situation, as it is. The real source of inflation and present high prices is in the years of government spending in excess of revenues, continued large government expenditures, government subsidies, and government financing of large exports not offset by imports. These sources of inflation can not be corrected by limiting bank loans. They are the problem of every voter and taxpayer. The banks alone can not answer the problem. If it is to be answered—government, labor, industry, and the individual—all have a field of action in which they must do their part.

Increased bank loans are a symptom of inflation, not a cause—just as increased prices are a symptom, not a cause. Bank loans

(Continued on page 30)

*An address by Mr. Dodge at the Pilot Meeting for ABA Anti-Inflation Program, New York City, Feb. 27, 1948.

From Washington Ahead of the News

By CARLISLE BARGERON

FORT WORTH, TEXAS—There is no longer any doubt about the Southern revolt Organization for it is definitely underway. Those politicians who at the first counseled caution have been swept up in the tide and one now finds such men as Senator Connally coming into the leadership. He finds himself in the company of such Southern leaders as Senator George of Georgia, and Byrd of Virginia.

Carlisle Bargeron

Here in Texas you will find the men who sought to lead a revolt against a third term for Roosevelt and a fourth term, sharing the leadership with Roosevelt idolators in the new movement.

Since 1937, a resentment against the New Deal has been gaining headway in the South among the more conservative element, what you might call the better element. But relief money and Roosevelt's championship of the "common" man left this element without any following. Now, they have the following.

They intend to do something about it. They are tired of being dominated by the Eastern left-wingers who have controlled their party for the past 14 years. Truman's so-called civil rights program has been the spark that touched off the conflagration. It is not the measure of the grievances of the conservative element by any means. What has happened is that the Truman program has spread the feeling to the lower element.

As to what will be the outcome no one can accurately say at this time. It is this writer's conviction that the present revolt is far more serious than that against Al Smith. It is his conviction, in fact, that the delegations of 11 Southern States, the so-called Solid South will walk out of the National Convention. Movements are underway to change the election laws of those states needing such a change, to give the electors freedom of action. Where this is not done, the names of men like Byrd and George may be placed on the ticket in the place of Truman's.

As yet each state is acting on its own, studying its own problem, yet consulting with the leaders of other states. Quite likely between now and the Democratic National Convention some sort of concerted action will have been decided upon.

In the meantime, a group of Texans plan to conduct a nation-wide educational campaign in an effort to disabuse the people of other states that they are against the proposed anti-lynching law because they want to continue an outdoor sport of lynching; that the poll tax which some Southern states have is for the purpose of restricting the vote. Here in Texas, for example, it goes to the school fund. Many people pay this tax, it is claimed, who pay no other kind of tax. The purpose of the educational campaign will be also to inform the people of other states that while they may think the Truman program and the Republicans' efforts in the same direction affect only the South, they, in fact, affect every state in the Union.

What purpose they hope to accomplish with this campaign is to sober up the Republicans, who are gleefully seeking to make the Southerners mad to encourage their bolt, and at the same time, cater to the Negro and other minority group votes. They don't expect to be able to do this in time to head off the anti-lynching law, which will probably be on the statute books within two months, but they do have hopes of heading off the anti-segregation, the FEPC and the anti-poll tax legislation. As to what they intend to do with the anti-lynching law when they get it, remains to be seen.

Overall, what they are determined to accomplish is the leadership of the Democratic party. They are definitely bent now upon adding to the wreckage that is coming in November and in the scramble for dominancy that will then follow, they are determined to come out on top.

N. Y. State Bureau to Handle Secs. Frauds

Formation of a special Securities Bureau was announced March 1 by Nathaniel L. Goldstein, New York State Attorney General, because of "a steady increase during the past six months in the number of securities fraud complaints received by his office." John W. M. Rutenberg, Assistant Attorney General, will head the new bureau.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Alvah E. Ames is with King Merritt & Co., Inc., 53 Exchange Street.

Investment Outlook for 1948

By LEONARD SPANGENBERG*
Vice-President, Business Statistics Organization

Asserting inflation has not affected stock market, Dr. Spangenberg holds greater value is found in securities field today than in any other part of economic system. Looks for rising interest rates and resulting lower bond prices.

Let us examine the prospects for general business during the remainder of 1948. In any such consideration, it is necessary to realize that the average of business volume throughout the country is a robust 31% above normal. Naturally, such feverish output cannot continue forever. If you have been following your Babson chart, you have seen the business curve set all kinds of new records. In accordance with the Law of Action and Reaction upon which our forecast theory is based, it would appear that a staggering recession—even amounting to a major depression—is overdue.

Dr. L. Spangenberg

I am often asked if the break in stock and commodity prices is the beginning of such a tobaggan slide. Even if the remarkable rate of activity registered in 1947 is not entirely duplicated this year, the average decline should be small. In fact, we expect a 5% decline in 1948 business volume from the extremely high 1947 volume.

National Income $190 Billions

Purchasing power will move along at a very high level. We forecast that the national income for 1948 will equal or even exceed—the $190 billions estimated for 1947. The individual tax bill may be somewhat lower. Therefore the general picture is one of plentiful buying power for all categories. Farm incomes may possibly suffer some losses but should not fall more than 20% below current levels, which are well above parity.

Wholesale Commodity Price Outlook for 1948

Whether the inflation spiral in wholesale commodity prices has yet fully run its course remains to be seen. The recent drastic slump in the major commodity futures market may well have marked the turning point; but it would be unwise to be too inflexible on this score. A serious crop failure, plus a third round of wage increases could result in a marked resurgence of price strength.

Pressure on industrial commodity prices may continue moderately upward over the near term. Here's why: A record domestic employment level, at high wages, spells continued large public purchasing power, despite inflated prices. Production costs are unlikely to drop, and probably will advance further should labor make a successful bid for increased wages as a result of advancing living costs. These major factors point to still higher prices for the industrial category.

Third Round for Labor

Labor leaders have two primary aims for this year. The first is to obtain a third round of wage increases to effect advances in the cost of living. During the next few months a great many union contracts will expire and many others will reach the wage reopening phase. Before the third quarter of 1948 is reached, organized workers of the nation may have added another 10% to their take-home pay.

Stock Market Outlook

No discussion of the present stock market is worthy of the name unless we point out that credit does not exist in today's market. Inflation has passed the stock market by. Greater value is to be found dollar-for-dollar in the stock market today than in any other part of our economic system. Thus, it would be only natural to expect that stocks would turn up even before business hits bottom. And let us not forget that our prediction for business is for some correction but that the eventual bottom will neither be far down nor will it be long drawn out.

The stock market will naturally be very selective. At any time in the stock market there are certain groups that have a more attractive outlook than others. At the present time the following groups have the best outlook: variety chains, banks, fire insurance, corn refiners, bakers, crude petroleum producers, and certain utilities.

In the bond market the long-term trend is towards rising in-

(Continued on page 31)

*An address by Dr. Spangenberg at the 21st Annual Webber College Business Conference, Babson Park, Fla., Feb. 26, 1948.

The Bank and Inflation

By JOHN D. HOSPELHORN*
Chairman, Executive Committee, National Association of Supervisors of State Banks
Deputy Bank Commissioner of Maryland

Asserting competent banking management is essential to private enterprise, Maryland bank supervisor cautions against inflationary bank credit. Asserts bank supervision should not be made tool for monetary or fiscal policies of government, and praises work of ABA for combating inflation. Points out present bank loan expansion is result and not cause of inflation, and calls for reduced government spending, less banking by government, greater production per wage hour, and less individual spending.

The bankers of this country, acting through the ABA, are to be highly commended for their voluntary action taken to avoid excessive and inflationary increases in the use of bank credit. The participation by bank supervision in this series of important and inspiring meetings is, to my mind, wholly logical. There is, in fact, no segment in our economy, no individual, no group, no corporation, no level of government which cannot do something to combat and restrain inflation and its after-effects, and which, indeed, does not have the duty to do all that it possibly can do.

John D. Hospelhorn

When the U. S. Senate convened in session on Dec. 4, 1947, the Rev. Peter Marshall, D.D., Chaplain of that august body, said in his opening prayer, "Forgive us all that we talk too much and think too little." It is not fitting for me to state the appropriateness of this sentence, to the members of that body; however, I do believe it can be quite properly applied to the rest of us as, in my humble judgment, we need a revival of sound thinking to carry us through the present complexities confronting us in America and the world, today.

Everyone knows that credit sponsored by the government, is the most freely granted credit available, because that is its principal feature. It seems to me, therefore, that if there are any credit abuses, today, being carried on among our banks, government sponsored credit or lending projects should at least carry their full share of them.

In discussing the problem of credit inflation with you, today, let it be said that the supervisory authorities have a deep sense of appreciation of the line of demar-

(Continued on page 36)

*An address by Mr. Hospelhorn before the American Bankers Association Regional Meeting, Washington, D. C., Feb. 20, 1948.

Public Utility Securities

Laclede Gas Light Company

Laclede Gas Light nearly a year ago acquired St. Louis County Gas from the North American Company System. Thus enlarged, it now supplies mixed gas of 800 B. t. u. to St. Louis and adjacent eastern portions of St. Louis County, the total population served being over one million. Some straight natural gas is served to industrial customers.

Total operating revenues of the properties now operated by the company were $14,C34,478 for the 12 months ended Sept. 30, 1947, derived from various classes of customers approximately as follows: domestic 53%, house and space heating 22%, commercial 14%, industrial 10% and miscellaneous 1%. Of the industrial customers, 102 were purchasers of straight natural gas who accounted for approximately 8% of total revenue. Revenues in the county for the 12 months ended Sept. 30 totaled $3,753,244 (of which space heating contributed nearly one-half).

The mixed gas distributed consists of oven gas, uncarbureted water gas, carbureted water gas, natural gas and liquid petroleum gas. The company has one coke oven plant and two water gas plants in the City of St. Louis and auxiliary liquid petroleum gas equipment, and one water gas plant with liquid petroleum gas equipment in the town of Shrewsbury. The two water gas plants in the city are maintained for emergency use and to provide capacity to meet peak load demands. All natural gas used is obtained from Mississippi River Fuel Corp. (controlled by United Gas and other companies).

In 1946-47 revenues from coke and other residual products from the production of manufactured gas increased rapidly, amounting to $3,909,000 in the 12 months ended Sept. 30, 1947 (this revenue is classed as a credit against expenses. Even after conversion to straight natural gas the company intends to continue to operate the coke station (which has an original cost of $3,500,000) as long as a favorable market for coke permits profitable operation; but eventually the plant may be disposed of or abandoned.

On Oct. 2, 1947, the company made a contract with Mississippi River Fuel to obtain additional natural gas up to a maximum of 200,000,000 cubic feet per day, as soon as full conversion to natural gas is effected, the contract running to 1966. This will require additional pipe line facilities, however. The company is presently planning to convert during 1949 and 1950 the appliances of its customers from 800 B. t. u. to 1,000 B. t. u. gas, thus permitting distribution of straight natural gas when available. As a part of this program the operations of the Shrewsbury plant will be adjusted to permit production of 1,000 B. t. u. gas. Such conversion will cost about $3,000,000 and it is estimated that other construction over the next five years will cost about $12,500,000.

The company has had outstanding $6,500,000 3½% installment notes, which it is now replacing with $6,084,000 15-year convertible sinking fund debentures (currently being offered by a group headed by Lehman Bros., after an initial offering to stockholders on the basis of $100 debentures for each 40 shares). The company is also entering into a new bank credit agreement which will permit borrowing up to $4,000,000 at any one time (subject to various restrictions). Remaining funds will be obtained from earnings, depreciation and amortization and at present there are no plans for additional financing.

Capital structure will include $25,500,000 1st 3½s, $6,084,000 debentures and common stock with a present equity of about $17,000,000. Capital ratios would thus be about 65% debt and 35% stock. If some $4,000,000 plant acquisition adjustments (now being amortized) should be deducted from the stock equity, the latter would be reduced to 30%; and if bank debt should be included in capitalization at a later date the ratio would drop further. On the other hand the debt ratio may gradually improve after 1953 due to the debenture sinking fund ($625,000 per annum in 1953-56 and $250,000 during 1957-62).

The "red herring" prospectus, page 5, gives net income for the 12 months ended Sept. 30, 1947, as $1,897,000, or about 78¢ per share on present outstanding stock. This is slightly in excess of last year's 74¢ and the 1944 figure of 63¢ (during 1938-44 earnings on the basis of the new capitalization after reorganization ranged between 20¢ and 44¢). Conversion to an all-natural gas basis might be expected to further stimulate house heating sales but net earnings may be retarded in the coming two years by expenses in connection with the conversion. For this reason and because of the heavy dependence on earnings for construction funds it appears likely that the 20¢ dividend rate will not be increased substantially for some time.

The new debentures will be convertible initially at $6.25 a share, and the stock is currently selling at 4⅞. The latter price reflects a yield of about 4.1% based on the 20¢ dividend. The price-earnings ratio is only about 6.2.

Letter to the Editor

Deplores Reduction in Italian Dollar Bond Interest as Repudiation

Luigi Criscuolo writes "Chronicle" protesting against action of Council of Foreign Bondholders in approving deal.

Editor, Commercial & Financial Chronicle:

When the Anti-Fascist Concentration was operating in Paris two decades ago, former Premier Francesco Nitti wrote me that when they deposed the Italian Fascist Government they would repudiate all of the bonds sold by that government in the United States, and he urged me to make that fact known here. I told him that if any new Italian Government did that, they would destroy the credit of their country here and that would hamper Italy's future development.

Luigi Criscuolo

Evidently, in spite of the fact that the United States has either given or advanced over a billion dollars to the present government in Italy, the Anti-Fascists have kept their word and they have, at least in part, repudiated the obligations referred to above. Some months ago, a Socialist leader named Ivan Matteo Lombardo came to the United States on an official mission and he and his aides negotiated a refunding of about $132 million bonds in question, including those of the Kingdom of Italy and those of Italian public utility and industrial concerns.

While the principal amount of the bonds was not reduced, but was increased by the addition of accrued interest, the interest payments in the future were scaled down from a respective 6 to 7% rate to as follows: 1% per annum from Jan. 1, 1947, to Jan. 1, 1950; 2% from 1950 to 1952; 3% thereafter. The actual loss in interest to American investors by this clever arrangement perpetrated by the Italian plenipotentiaries amounts to more than the principal amount of the bonds!

I have been in favor of granting Italy an outright gift of a billion dollars to assist in paying for Italian reconstruction, but that was to be a gift of our government and not of American private investors. However, the virtual repudiation of many millions of dollars in future interest is something that certainly does not please American investors in Italian securities. It is also surprising to learn that the Council of Foreign Boldholders has approved of the deal, although that organization is supposed to fight for the rights of bondholders, not to mention the fact that the bankers who floated the bonds seem to have shown their generosity to the Italian Republic by condoning a gift of millions of dollars in the money of their customers to that Republic.

I believe this calls for concerted action on the part of investors, not only in their interest, but in the interest of the future credit of the Italian Republic insofar as flotations of securities in this country are concerned. While it is obvious that the present government in Italy has absorbed some of the poison exuded by the Leftist and Communistic groups that now virtually control Northern Italy in conjunction with Soviet Russia, one would think that Premier de Gaspari and his close aides would be as meticulous about honoring the obligations of past governments as was the Fascist Government which passed out in 1945.

Yours truly,

LUIGI CRISCUOLO.

50 Broadway,
New York 4, N. Y.
Feb. 7, 1948.

William H. Dore With Field, Richards & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—William H. Dore has become associated with Field, Richards & Co., Union Commerce Building. He was formerly Cleveland manager for Stranahan, Harris & Co.

William H. Dore

With Continental Securities

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Marvin T. Smith is now with Continental Securities Company, Inc., People's National Bank Building.

Dealer-Broker Investment Recommendations and Literature

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

Bank Stock Analyzer — Geyer & Co., Inc., 67 Wall street, New York 5, 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.

Manual of St. Louis Bank Stocks —1948 Edition—G. H. Walker & Co., Broadway and Locust, St. Louis 1, Mo.

Also available is a recent report on **Hewitt-Robins, Incorporated.**

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

Price-Earnings Ratios and Yields on 123 Public Utility Common Stocks—Stroud & Company, Inc., 123 South Broad Street, Philadelphia 9, Pa.

Also available are a valuation and appraisal of **Railroad Equipment Certificates and City of Philadelphia Bonds.**

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

* * *

American Service Company — Data in the current issue of the **"Adams Journal"**—Adams & Co., 105 South La Salle Street, Chicago 3, Ill.

Berkshire Fine Spinning Associates—Detailed report on position—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

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

Central Illinois Public Service Co. — Data — Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Buffalo Bolt Co., and DuMont Laboratories.**

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

Cosden Petroleum Corporation —Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, New York.

Detroit Harvester Company — Research item—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Dome Mines Limited — Investment appraisal—Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

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

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.

National Aviation Corporation —Analysis of investment trust specializing in aviation securities —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.

Sterling Electric Motors, Inc.— Circular — Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Also available is an analysis of **Pacific-American Investors.**

White's Auto Stores, Inc.—Special bulletin—First Colony Corporation, 52 Wall Street, New York 5, N. Y.

COMING EVENTS

In Investment Field

March 4, 1948 (Detroit, Mich.)

Bond Club of Detroit 32nd Annual Dinner at the Wayne Room, Hotel Statler.

March 5, 1948 (New York City)

New York Security Dealers Association 22nd Annual Dinner at the Waldorf Astoria.

March 6, 1918 (New York City)

Wall Street Riding Club Annual Gymkhana 6:30 p.m. at New York Riding Club to be followed by a Supper-Dance.

March 12, 1948 (Toronto, Ont., Canada)

Annual Dinner of the Toronto Bond Traders Association at the King Edward Hotel.

March 18, 1948 (Minneapolis, Minn.)

Twin City Bond Traders Club Spring Party at the Nicollet Hotel, Minneapolis.

April 19, 1948 (New York City)

Security Traders Association of New York 12th Annual Dinner at the Waldorf-Astoria Hotel.

May 10, 1948 (New York City)

Annual Election New York Stock Exchange.

Nov. 15-18, 1948 (Dallas, Tex.)

National Security Traders Association Convention.

Robert D. Solt in New Connection

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Robert D. Solt has become associated with the Welfare Finance Corporation. Mr. Solt was formerly manager of the trading department for Cayne, Robbins & Co. and was in the past connected with the Federal Reserve Bank in Cleveland.

Robert D. Solt

Recites Recent Changes in the Mortgage Market

Ferd Kramer at Mortgage Bankers Clinic says both interest rate structure and character of mortgage buyers has changed. Sees Federal Reserve policy having serious consequences for mortgage business.

In his opening remarks at the Mortgage Bankers Clinic of the Mortgage Bankers Association, held in Chicago, Ill., on Feb. 27, Ferd Kramer, President of Draper and Kramer, Inc., Chicago, sounded a warning regarding recent changes in the real estate mortgage market.

Ferd Kramer

"A year ago today," Mr. Kramer remarked, "we of the mortgage banking fraternity, sold Title VI—603, 4% loans at 102½—today that premium has vanished. Some 608—4% loans were sold as high as 103½ to 104. Today there is little, if any, premium available to us. The GI loan market was then firm at 101, today it can hardly be called a market, and prices are at the option of the buyer. There is neither black magic nor high finance involved in the explanation of what has happened to our mortgage market." Continuing, Mr. Kramer stated:

"A glance at what has happened to the prices of some of our highest grade bonds is most revealing. A year and a half ago, Atchison Topeka & Santa Fe 4s due in 1995 sold for 141—today they are worth 117. At the same time, City of Louisville 0.80s of 1970 were worth 100. Now they sell at 72, and Illinois Bell 2¾s due in 1981 went from 108⅝ to 96.

"We have but to realize that in a very practical sense our mortgage offerings must compete in the open market with all other investment offerings and that investment fund managers will not purchase our merchandise until we price it on a basis attractive enough to draw buyers to it. That market is the 'Money Market,' and the price tag is the 'Interest Rate.' For that reason we have selected as our panel subject—'The Outlook in The Money Markets and Future Trends of Interest Rates.'

"It is our purpose to examine, under the guidance of the practical and experienced investment experts composing this panel, some of the fundamental causes of changes in our money and mortgage market, and to give you both an understanding of the changes which have already taken place as well as to make intelligent estimates as to what the future holds.

"At a time when the housing shortage in most urban communities is still at a very acute stage, an increase in interest rates or a shrinkage in the funds available for new construction is a matter of great importance. It affects the mortgage banker, the realtor, the builder. It also affects the very lives of millions of people who are now living in cramped and in many cases substandard quarters.

"Not only has the rate structure of our market changed, but so has the character of the mortgage buyers. The individual investor was once our most valued client, but he has today practically disappeared as a purchaser of mortgages. High income taxes and increased living expenses have siphoned off most of his capacity for saving. Insurance companies today are managing some $44 billion, and commercial and savings banks control an additional $53 billion. Consequently, it is imperative for us in the mortgage business to know how mortgages will be regarded in the coming year by life insurance companies and other institutions.

"The total money in circulation in 1940 was $8¾ billion—today it is $28½ billion. Our total gross government direct debt in 1940 was $43 billion—today it is $258 billion. These are tremendous figures both in dollar amount and in per cent of increase. These are two of many statistics that can be used to show the high level at which our present economy is now operating. Since our economic system is really one of regulated free enterprise, the financial policies and actions of our government will have an increasing impact upon our individual segment of the financial business.

"At 9 o'clock on the morning of Dec. 24, 1947, the Federal Reserve 'pulled the plug' on long-term government bonds by lowering the bid on the 2½s of '72—67. That caused little consternation in mortgage offices, but it had serious consequences for our business. It is not only important, but essential that we understand the implications upon our business of any change in the policy of the Federal Reserve Board."

With First California Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — Charles Griffith has become affiliated with First California Company, 510 South Spring Street. In the past he was connected with Franklin Wulff & Co., Inc.

E. F. Hutton & Co. Adds

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—E. F. Hutton & Company, 623 South Spring Street, have added John H. Jensen to their staff.

Joins King Merritt Staff

(Special to The Financial Chronicle)

KANSAS CITY, MO. — Charles H. Vaughn has joined the staff of King Merritt & Co.

Duffy With Fred Fairman

(Special to The Financial Chronicle)

CHICAGO, ILL. — Frank X. Duffy has become associated with Fred W. Fairman & Co., 208 South La Salle Street, members of the Chicago Stock Exchange. He was formerly with Holley, Dayton & Gernon, Brailsford & Co. and the First Securities Co.

O'Brien With Davis

(Special to The Financial Chronicle)

CHICAGO, ILL. — Michael H. O'Brien is now with Paul H. Davis & Co., 10 South La Salle Street, members of the New York and Chicago Stock Exchanges. He was formerly with Paine, Webber, Jackson & Curtis for many years.

Mitchell, Hoffman & Co. Is Being Formed

Announcement is made of the formation of Mitchell, Hoffman & Co., Incorporated to specialize in Baltimore and Washington Markets. The new firm will maintain offices at 52 Wall Street, New York City; Mercantile Trust Building, Baltimore; and 1424 K Street, N. W., Washington. Private wire facilities extend between offices.


C. Benjamin Mitchell

Officers are John M. Hoffman, President, who will also be in charge of the trading department in the Washington office; C. Benjamin Mitchell, Vice-President, who will be located in New York City to service the organization; and H. Clark Helms, Secretary and Treasurer, who will make his headquarters in Washington.

Mr. Hoffman, who served as a lieutenant in the U. S. Naval Reserve during World War II, was previously with Herrick, Waddell & Co., Inc., in Washington. Mr. Mitchell was formerly with Merrill Lynch, Pierce, Fenner & Beane in the Baltimore and Washington offices, and during World War II was a lieutenant commander in the U. S. Coast Guard Reserve.

Associated in Mitchell, Hoffman & Co. are B. Hansford Wills, L. M. Beynon, G. Leslie Sampson, Russell P. Dotterer, Sophia Fry and Edwin D. Sampson.

Wall Street Men Patronizing Pierre's

We are told that quite a number of people from the "Street" seem to like Pierre's Restaurant at 359 E. 50th Street. As one of our friends puts it, "It is very intimate and the food and drinks are wonderful. Besides, they don't take your bank account and wring it dry."

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Bank Stocks

Aggregate net operating earnings of 15 New York City banks in 1947, exclusive of security profits, were 5.3% below 1946 results. Holdings of U. S. Government securities were 17% lower, loans and discounts were 3% greater and total earning assets 10% lower. The net return on earning assets in 1947, however, was higher than in 1943, in fact was the highest rate achieved during the past five years.

The following table shows aggregate figures of the 15 banks each year from 1939 to 1947 inclusive, together with the corresponding net return on earning assets. The asset aggregates are averaged from the four quarterly statements in each year.

Annual Aggregates, 15 New York City Banks

Year—	U. S. G. Securities ($000)	Loans and Discounts ($000)	All Earning Assets ($000)	Net Oper. Earnings ($000)	Net Return on All Earning Assets
1939	4,353,362	2,980,883	8,844,163	83,328	0.94%
1940	5,390,965	3,001,830	10,040,536	86,154	0.86
1941	6,908,512	3,589,324	12,174,380	90,741	0.75
1942	8,912,343	3,807,242	15,347,780	96,020	0.63
1943	12,814,688	4,031,150	18,251,830	110,954	0.61
1944	14,687,269	4,857,748	20,837,823	123,676	0.59
1945	15,528,045	5,912,328	22,876,510	127,686	0.56
1946	13,619,606	6,222,336	21,307,640	127,819	0.60
1947	11,293,446	6,409,718	19,146,802	121,025	0.63

It will be observed that the rate of return on earning assets declined substantially, year after year, from nearly 1% in 1939 to little more than ½ of 1% in 1945, the low year; the trend turned upward in 1946 and 1947.

The improved earning rate in 1947 was alluded to in a number of the annual reports to stockholders, examples of which are listed below.

	Average Yield on U.S. Govt. Securs. 1946 %	1947 %	Average Return on Loans 1946 %	1947 %	Avg. Return on All Earn. Assets 1946 %	1947 %
Bank of Manhattan	1.53	1.61	---	---	1.80	2.00
Bank of New York	---	---	---	---	¼% higher	
Bankers Trust	1.44	1.58	1.67	1.90	---	---
Chase National	1.07	1.14	1.74	1.97	1.29	1.47
Guaranty Trust	---	---	1.51	1.74	---	---
Irving Trust	1.77	1.99	1.97	2.12	---	---
Manufacturers Trust	1.40	1.52	---	---	---	---
National City	1.40	1.49	---	---	---	---
New York Trust	1.48	1.51	1.67	1.99	1.56	1.74
Public National	1.68	1.70	---	---	---	---

It will be noted that in every instance the percent rate is higher in 1947 than in 1946. These rates, however, are probably not strictly comparable, one bank with another, since there are several ways in which the return can be calculated, and doubtless the method was not uniform among the banks. The rates shown are obviously before operating expenses.

The third and final table shows the net return on all earning assets in 1946 and 1947 for each of the 15 banks. Net operating earnings only are considered, against earning assets at the mid-point of the year.

NET RETURN *vs.* ALL EARNING ASSETS

	1946 %	1947 %
Bank of Manhattan	0.55	0.50
Bank of New York	0.51	0.55
Bankers Trust	0.68	0.77
Central Hanover	0.59	0.60
Chase	0.46	0.51
Chemical	0.64	0.68
Corn Exchange	0.62	0.62
First National	1.27	1.26
Guaranty Trust	0.65	0.79
Irving Trust	0.68	0.72
Manufacturers Trust	0.57	0.57
National City	0.45	0.52
New York Trust	0.72	0.75
Public National	0.57	0.53
U. S. Trust	1.22	1.22
AVERAGE	0.68	0.71

Bank of Manhattan, First National and Public show a fractionally lower net rate in 1947 than in 1946; Corn, Manufacturers and U. S. Trust show the same in both years, while the other nine banks show an improved net rate of return.

Financial Analysts Holding First Convention

Newly formed national federation meeting in New York March 4 with extensive program.

Joseph M. Galanis, of Shields & Co., Program Chairman, has announced that the first annual convention of The National Federation of Financial Analysts Societies being held in N. Y. City today (Thursday, March 4,) has been heavily oversubscribed. Demand appears to have been at least double the 325-guest capacity.


J. M. Galanis

The recently formed federation comprises groups in New York City, Boston, Philadelphia, Chicago and Los Angeles. Five forums will run from 12:30 to 5:00 p.m. at the quarters of the New York Society of Security Analysts, 56 Broad Street. The 17 individual participants, drawn mainly from the ranks of the various Societies, represent some of the top talent in their respective specialized fields. Topics to be covered are:

"Stock Market Forecasting."

"Factors Affecting Oil Securities."

"The Outlook for Money Rates."

"Public Utilities Forum."

"Railroad Forum."

Similarly, the final event on the program, the Dinner Forum, will offer a panel of highly qualified economists and analysts covering topics certain to be of keen current interest to Federation members. These are:

"Industrial Impact of Lower Prices": Martin Gainsbrugh, Chief Economist, National Industrial Conference Board, Inc.

"Techniques of Investment Management": William F. Edwards, Partner and Director of Research, Manhattan Research Associates.

"Two Ways of Making (and Losing) Money in Securities": Benjamin Graham, President, Graham-Newman Corp., Co-Author, "Security Analysis."

"Is Boom-or-Bust Inevitable?": Alan Temple, Vice-President, the National City Bank, New York.

Program Chairman for the convention is J. M. Galanis, Shields & Company; assisted by Helen Slade, President of the New York chapter of the American Statistical Association.

Officers of the Federation are: President, Kennard Woodworth, Eaton & Howard, Inc., Boston; Vice-President, Lucien O. Hooper, W. E. Hutton, New York; Secretary-Treasurer, Richard H. Samuels, Continental Casualty Co., Chicago.

Bklyn. Chapter (NACA) Broadcast Tax Advice

Brooklyn Chapter, National Association of Cost Accountants will sponsor a 15-minute Federal Income Tax program on Radio Station WLIB, New York on Sunday, March 7 at 11:45 a.m.

The tax information, which will be presented in a question and answer type of program, has been prepared by some of the leading tax accounting experts in the United States. Full information will be broadcast to clear up many of the common misapprehensions entertained by the taxpayer.

The speakers on the program will be Mr. Raymond C. Morse, President and Mr. Thomas V. Gillespie, Vice-President of Brooklyn Chapter, National Association of Cost Accountants.

A similar program will be presented on Thursday, March 11 at 2:45 p.m. over Radio Stations WHLI and WHNY (FM), Hempstead, Long Island. The speakers on this presentation will be Messrs. George Kattenhorn and Russell Flood, respectively past President and Treasurer of Brooklyn Chapter, National Association of Cost Accountants.

AFL Financial Employees Union Complains Against Wall St. Firms

Local 205, United Financial Employees, AFL, have filed charges with the regional National Labor Relations Board to the effect that A. M. Kidder & Co., 1 Wall Street; Asiel & Co., 11 Wall Street, and Drysdale & Co., 71 Broadway, have refused to bargain with the union.

A spokesman for Kidder has stated that the charges were untrue, and added the union had delayed a representation election the company had petitioned the NLRB to hold. He also stated that the company does not believe the union now represents its employees.

A Federal mediator is now conferring with officials of the Stock Exchange and Local 205, in an effort to avert the strike threatened by the union. Similar talks with the Curb are scheduled.

New Issue

$300,000,000

State of New York

2% and 1¾% War Bonus (Serial) Bonds

Dated March 1, 1948. Due $30,000,000 Bonds each January 1, 1949-1958, inclusive. The Comptroller reserves to the State the privilege of redeeming, at par value and accrued interest, on July 1, 1956, or on any interest payment date thereafter, all of the bonds maturing on January 1, 1958. Principal and interest payable in New York City (first interest date January 1, 1949, thereafter July 1 and January 1). Coupon Bonds in denomination of $1,000 and registered Bonds in denominations of $1,000, $5,000, $10,000 and $50,000 at the option of the purchaser. The Bonds issued in coupon form may be exchanged for Bonds registered as to principal and interest, but Bonds in registered form may not be converted or reconverted into coupon form.

Interest Exempt from Federal and New York State Income Taxes under Existing Statutes and Decisions

Eligible, in our opinion, as legal investments for Savings Banks and Trust Funds in New York, Massachusetts, Connecticut and certain other States

The Bonds are acceptable to the State of New York as security for State deposits, to the Superintendent of Insurance to secure policyholders, and to the Superintendent of Banks in trust for Banks and Trust Companies.

MATURITIES AND PRICES
(Accrued interest to be added)

Maturities	Coupon Rates	Prices to Yield	Maturities	Coupon Rates	Prices to Yield	Maturities	Coupon Rates	Yield or Price	Maturities	Coupon Rates	Prices to Yield
1949	2%	.90%	1951	2%	1.20%	1954	1¾%	1.55%	1957	1¾%	1.80%
1950	2	1.05	1952	2	1.30	1955	1¾	1.65	1958/56	1¾	1.85 (to maturity)
			1953	1¾	1.40	1956	1¾	100 (Price)			

The above Bonds are offered subject to prior sale, for delivery when, as and if issued and received by us and subject to the approval of legality by the Attorney General of the State of New York.

Interim Certificates will be issued pending delivery of Definitive Bonds

The National City Bank of New York — The Chase National Bank

Bank of the Manhattan Company — First National Bank — Bankers Trust Company — J. P. Morgan & Co. Incorporated — Guaranty Trust Company of New York — Chemical Bank & Trust Company

Smith, Barney & Co. — Harriman Ripley & Co. Incorporated — The First Boston Corporation — Lehman Brothers — Halsey, Stuart & Co. Inc. — Blyth & Co., Inc. — Lazard Frères & Co.

Bank of America N. T. & S. A. — The Northern Trust Company — The First National Bank of Chicago — Harris Trust and Savings Bank — Continental Illinois National Bank and Trust Company of Chicago — C. J. Devine & Co. Inc.

Manufacturers Trust Company — The Marine Trust Company of Buffalo — Hallgarten & Co. — Ladenburg, Thalmann & Co. — Goldman, Sachs & Co. — Union Securities Corporation — Barr Brothers & Co. Inc.

R. W. Pressprich & Co. — Salomon Bros. & Hutzler — Kidder, Peabody & Co. — Drexel & Co. — Blair & Co., Inc. — Phelps, Fenn & Co. — Merrill Lynch, Pierce, Fenner & Beane

Shields & Company — Manufacturers and Traders Trust Company — Paine, Webber, Jackson & Curtis — Eastman, Dillon & Co. — Lee Higginson Corporation — Estabrook & Co.

F. S. Moseley & Co. — Kean, Taylor & Co. — Bear, Stearns & Co. — Dominick & Dominick — Schoellkopf, Hutton & Pomeroy, Inc. — B. J. Van Ingen & Co. Inc. — Geo. B. Gibbons & Co. Incorporated

Mercantile-Commerce Bank and Trust Company — The Philadelphia National Bank — The First National Bank OF PORTLAND, OREGON — American Trust Company San Francisco — Seattle-First National Bank — Hornblower & Weeks

Laidlaw & Co. — L. F. Rothschild & Co. — Adams, McEntee & Co. Incorporated — Bacon, Stevenson & Co. — Roosevelt & Cross Incorporated — National Commercial Bank & Trust Company Albany — State Bank of Albany

Wood, Struthers & Co. — E. H. Rollins & Sons Incorporated — Robert Winthrop & Co. — Dick & Merle-Smith — Hayden, Stone & Co. — Hemphill, Noyes & Co. — Alex. Brown & Sons — Reynolds & Co. — Coffin & Burr Incorporated

Weeden & Co., Inc. — First of Michigan Corporation — Braun, Bosworth & Co. Incorporated — Trust Company of Georgia — Harris, Hall & Company (Incorporated) — A. G. Becker & Co. Incorporated — A. C. Allyn and Company Incorporated — R. H. Moulton & Company Incorporated

Chas. E. Weigold & Co. Incorporated — Eldredge & Co. Incorporated — W. E. Hutton & Co. — Tucker, Anthony & Co. — E. F. Hutton & Company — Baker, Weeks & Harden — Francis I. duPont & Co. — Graham, Parsons & Co.

Laurence M. Marks & Co. — C. F. Childs and Company Incorporated — Hannahs, Ballin & Lee — W. C. Langley & Co. — American Securities Corporation — Green, Ellis & Anderson — Bramhall, Barbour & Co., Inc.

W. H. Morton & Co. Incorporated — Fidelity Union Trust Company Newark — The National State Bank Newark — Commerce Trust Company Kansas City, Mo. — City National Bank and Trust Company Kansas City, Mo. — California Bank Los Angeles — Whiting, Weeks & Stubbs

The Illinois Company — William Blair & Company — John Nuveen & Co. — Commerce Union Bank Nashville — Donald MacKinnon & Co. INC. — Swiss American Corporation — Sage, Rutty & Co., Inc. — Hirsch & Co.

Stranahan, Harris & Company Incorporated — Ira Haupt & Co. — F. S. Smithers & Co. — Dean Witter & Co. — G. H. Walker & Co. — Heller, Bruce & Co. — The Wisconsin Company — The Public National Bank and Trust Company of New York

New York, March 3, 1948.

Factors in Railroad Security Analysis

(Continued from page 2)

minder of weakness, and adversely affecting the overall industry statistics.

Some Generalizations

It is impossible to deal with the railroad industry as a single investment problem but it is necessary to generalize on some of the broad aspects of the picture. With a consistent record of profitable operations, the troubles of the railroads, and the pessimism toward railroad securities, stems largely from the burden of fixed charges. These charges consist mainly of interest on outstanding bonds. In the distant past it was the general practice of railroads after making capital improvements to their properties to capitalize such expenditures through the issuance of securities. Too often these improvements were capitalized through the issuance of more or less permanent debt. Except for equipment trust securities, there was rarely any provision made for serial retirement of such debt. In fact, even sinking funds were few and far between. It was just taken for granted that the physical assets would, if maintained properly, retain its full value permanently, and that at maturity the bonds could be refunded with a new long term issue.

It is important to recognize that this entire philosophy has been changed since the unhappy experiences of the depression decade. Practically all bonds issued in recents years have had sinking funds. Reorganization plans set up by the Interstate Commerce Commission have virtually all provided sinking funds not only for fixed interest bonds, but, also, for the new income bonds. These reorganization plans have, moreover, generally provided for the setting aside of a definite proportion—2% to 3¼%—of gross every year for additions and betterments to the property. These funds come ahead of income bond interest. Moreover, expenditures from these funds may not be capitalized in the future. Finally, in the past few years the Interstate Commerce Commission has required the depreciation at set rates of certain road properties. Formerly, most of the railroads depreciated only their equipment.

Reduction of Railroad Debt

Railroad debt hit a peak of over $10 billion in 1932. It has subsequently been reduced by about $3 billion. During this same period gross expenditures for additions and betterments to the property and equipment (exclusive of maintenance outlays) amounted to more than $6 billion. Net working capital in the interval has increased about $1.7 billion. It is notable that the gross expenditures on additions and betterments plus the increase in working capital since 1932 is greater than the entire present debt of the railroads, including equipment trust obligations. These figures dramatically illustrate the changed financial philosophy of railroad management.

Naturally, a good part of the debt reduction has been accomplished through reorganization. About a third of all railroad mileage was in bankruptcy or receivership in the middle 1930's and reorganizations for most of them have by now been consummated. In addition, however, most of the railroads that maintained their solvency during the depression era have been engaging in aggressive debt retirement programs. For example, since 1941 Delaware & Hudson and Union Pacific have cut their bonded indebtedness by about 50%. Illinois Central has cut its debt by about 40%. Atchison, Topeka & Santa Fe and Great Northern have each shaved about a third from their debts. So far as the burden of fixed charges are concerned this debt retirement has been augmented by low coupon refunding. Fortunately, the period of lowest interest rates coincided with a renewal of investment faith in sound railroad properties. Fixed charges are now down below $450 million compared with a peak of over $680 million. The present charges would have been covered in full in the year of lowest railroad earnings, 1938.

Competition, Wages and Rates

The three things most frequently mentioned as unfavorable factors in the railroad picture are: (1) competition; (2) wages, and (3) rates. I will take these points all of which I consider are being too heavily stressed, up in order.

By the late 1930's there was definite evidence that serious competitive inroads had about run their full course. In other words, the railroads' share of traffic available to all transportation agencies had stabilized. I am speaking now merely of freight traffic which is, after all, the answer to railroad earnings. During the war the railroads naturally handled a sharply higher proportion of available traffic than they had in the immediate prewar years. This proportion has dropped since the end of the war but is still well above the prewar level It will presumably experience a further gradual decline from here but I do not believe that it is apt to go all the way down to prewar levels.

The most important competitive factor is the trucks. When trucks were giving the railroads the most trouble they were unregulated and to a large extent their labor was not organized. The interstate trucks are now subject to as stringent I.C.C. control as are the railroads. Also, the employees are now unionized. With regulation, and with its labor organized, the trucks are no longer in position to engage in the cut-throat competition which once made them such a thorn in the side of the railroads. As a matter of fact, their costs have mounted so rapidly that the profit margin for the industry has virtually vanished. Trucking interests are among the most vociferous proponents of higher railroad freight rates.

I do not mean to intimate that trucks are going to disappear from our highways. There are a number of functions, particularly in the short-haul field, which they can perform far more efficiently and economically than the railroads can. I do believe, however, that in the future trucking activities will be complementary to rather than competitive with railroad operations. It is significant in this respect that the railroads themselves have gone heavily into highway transportation.

Waterway competition in the past has also been serious. So far as inland waterway competition is concerned there appears to be little prospect of any alleviation. It is primarily a political matter. While it results in large deficits there is little hope that it will be eliminated. However, practically all, if not actually all, of the traffic vulnerable to this type of competition has already been lost to the railroads. No important further inroads are likely. So far as coastal and intercoastal steamship competition is concerned there seems to be little likelihood for its return on a large scale unless it, like the inland waterways, is heavily subsidized. Costs have gone up too rapidly to allow competition.

As with the inland waterways, the pipe lines are here to stay as a competitive influence. Prior to the war the pipe lines had diverted an overwhelming proportion of crude petroleum from the railroads. This can not be recaptured. As a matter of fact, it is possible that this form of competition may become even more severe. It is possible that new pipe lines constructed during the war will divert refined petroleum products from the rails, whereas before the war it was mainly crude that was vulnerable. Efforts to prevent further diversion to new pipe lines center around the establishment of bulk, train loan, rates by the railroads.

The air lines have captured the imagination of the public as a serious threat to the railroads. Considering the cost factor, and the limitation of facilities, there are certainly no grounds for these fears so far as any considerable amount of freight is concerned. It is likely that the air lines will continue to cut into the luxury passenger business. This diversion however, is certain to be at a much slower pace in the future than it was in the past. Air port facilities at major points are already taxed to their utmost. Any further wide expansion in air travel will presumably have to wait on expansion of air ports and this will apparently have to be done at greater distances from the metropolitan areas.

The Wage Factor

All in all, I can see little to worry about in the competitive picture. The railroads are still our major transportation medium and essential to our economy and defense. The wage factor is a far more serious consideration, as it is with our entire industrial plant, but there are valid reasons for optimism even on this score.

One of the outstanding characteristics of the railroad industry over a long period of years has been the ability of management to control the overall wage costs. These wages constitute the railroads' most important cost element. The proportion of gross absorbed by wages in the period 1921-41, inclusive, fluctuated between a high of 50.13% in 1921 and a low of 45.35% in 1933. Aside from 1921 there were only four years during that interval when wages absorbed as much as 48% of gross. Those were the three years 1930-1932 and the year 1938. In only three years of the interval (1933, 1936, 1940) did wages absorb less than 46% of revenues. In 13 of the 21 years wages fluctuated in the extremely narrow range between 46% and 48% of gross. This despite the fact that during the period hourly wage rates more than trebled.

Naturally the wage ratio dropped sharply during the war years when freight volume was at peak levels and even passenger services were profitable. In the readjustment year 1946, and influenced by a serious retroactive wage increase, payrolls absorbed 54.7% of gross. Last year, despite additional hourly wage increases late in the year, the ratio was probably down to about 50%. It should be considerably lower in 1948, perhaps again going down into that 46-48% range.

In connection with the few years in the past when the ratio pushed above the 48% level it is important to keep in mind that traditionally and inherently the railroads are rather slow to get expenses under control. It just takes time to readjust the service to a declining traffic volume. That they eventually can be brought into line with a lower traffic level, however, was well demonstrated in the 1932-1933 comparisons. The 1933 gross was lower than that of 1932 but the wage ratio was reduced in 1933 to the lowest point during the 1921-1941 period. This lag in getting expenses under control also helps to explain the poor 1946 showing. In addition, in that year the railroads had less incentive than usual to cut back quickly and sharply. A certain amount of deferred maintenance had been built up during the war and the roads all had plenty of cash to spend. Finally, the carry-back provisions of the tax law gave them considerable earnings protection regardless of the level of expenses.

The ability over a long period of years to control wages stems from the expenditures for additions and betterments. Heavier rail and treated ties reduce maintenance needs. Improved track structure and new motive power allow heavier loading and greater speed. The new, more efficient, power improves fuel consumption performance and reduces, or eliminates, the need for double heading and helper service. Centralized traffic control, has allowed faster time schedules and better service. Modern shops and mechanization of maintenance work have reduced employment rolls. These opportunities for instituting operating economies have by no means all been exhausted as yet. This is the reason why I still have confidence that railroad management will be just as successful in the future as it has been in the past in meeting the problems presented by mounting hourly wage rates.

Question of Rates

On the third question, that of rates, I believe that we have more reason for confidence right now than we have ever had in the past. For one thing, there is little, if any, competitive pressure on the rate structure. More important, is the indicated much more liberal attitude displayed by the Interstate Commerce Commission in all recent rate cases. This includes passenger fares and mail pay as well as freight rates.

There was considerable uneasiness as a result of the lag in 1946 between the effective date of retroactive wage increases and the granting of rate relief by the Commission. This has all been altered by the 1947 experiences. Wage increases were not retroactive. Those granted the nonoperating unions were effective Sept. 1. Within six weeks the railroads were granted their first emergency freight rate increase, amounting to 10% on most commodities. Some of the operating unions settled their differences and accepted a wage increase effective Nov. 1. Before the end of the year the Commission had granted another temporary emergency freight rate increase, again amounting to 10% on most commodities. These decisions were unanimous. Also, the commission specifically recognized its mandate from Congress to establish rates sufficient to allow reasonable profits to efficiently operated roads, and to maintain an adequate transportation system. The railroads demonstrated the vital nature of their facilities during the war and considering the international situation it is difficult to conceive of any national policy that would allow the system to run down.

Last year the railroads had a net income of $480 million. Some people compare this unfavorably with the $500 million net realized in 1941 on a much smaller volume of business. This is pointed to as proof of serious basic deterioration. What is not generally realized is that last year three of our major carriers, Baltimore & Ohio, New York Central, and Pennsylvania, which acocunts for more than 21% of the industry gross, contributed virtually nothing to the industry net. If the eastern roads were eliminated from the industry figures it would be found that the rest of the country compared much more favorably with the 1941 performance.

Selective Investment

So much for generalities. One very serious mistake in investment thinking is that railroad securities are quite frequently regarded as a cohesive group. You quite often hear some one say "Railroad securities are attractive" or "Railroad securities are unattractive." Actually it never has been possible, and never will be possible, to consider all railroad securities as a single group. To say that the railroads as a whole are fundamentally sound and essential to our economy, as I do, is not to say that every unit in the group is going to show high earning power. It would be just as sensible to say that because General Motors was going to do well, Packard, Kaiser-Frazer and Willys-Overland were bound to do likewise. Such an attitude is to ignore the fact that there are quite a number of railroads that have reported earnings and paid dividends on their stocks throughout their histories while others have undergone one, two and even three reorganizations in receivership or bankruptcy.

Different railroads are vulnerable in varying degree to the many forces that work to determine traffic and earnings trends. Obviously they could not all be affected in identical manner to the different competitive forces that have been at work. The coal roads, for instance, have been virtually immune to highway competition and will continue to be so. Their traffic and revenues, therefore, have held up relatively much better than the industry, or most other individual roads. This advantage has been only partially offset by the fact that coal itself has been encountering increasing competition from other fuels.

There are three types of business that have been particularly subject to competitive pressure. These are passenger traffic, l.c.l. freight, and short haul freight unless it consists of the train load movement of bulk items such as coal or iron ore. Broadly speaking, then, it will be found that the railroads that handled a large amount of passenger business and l.c.l. freight, or whose average haul was relatively short, had the poorest revenue trends. It is the roads that are still heavily dependent on this type of business that will again suffer most severely when our general economy returns to more nearly normal levels.

Pipe line competition is naturally quite limited in its application and influence on the individual road. To many of the southwest carriers the growth of the pipe lines was a very serious blow. It did not, however, do any harm to a road such as Great Northern. The same is true of waterway competition in all of its phases, inland, coastal, and intercoastal. The only ones harmed to any great extent were those whole rail lines generally paralleled the water routes. These competitive factors must all be studied with respect to the individual road before any investment program can be laid down, and certainly before it is possible to condemn the entire industry because it is losing business to other transportation agencies.

Territorial Considerations

In addition to the competitive factors there are territorial considerations that affect the traffic and revenue status of the individual railroad. In some respects these territorial considerations

(Continued on page 27)

UNION CARBIDE AND CARBON CORPORATION AND SUBSIDIARIES

OPERATING IN UNITED STATES AND CANADA

UCC

CONSOLIDATED BALANCE SHEET

December 31, 1947

ASSETS

CURRENT ASSETS		
Cash		$ 99,230,150
United States Government Securities (Cost or Market, whichever lower)		100,562,015
Other Marketable Securities (Cost or Market, whichever lower)		1,252,819
RECEIVABLES (After Reserve for Doubtful)		
Trade Notes and Accounts	$ 55,203,718	
Other Notes and Accounts	10,227,669	65,431,387
INVENTORIES (Cost or Market, whichever lower) (See Note 2)		111,971,398
TOTAL CURRENT ASSETS		$378,447,769
FIXED ASSETS (Cost or less)		
Land, Buildings, Machinery, and Equipment	$520,242,668	
Deduct—Reserves for Depreciation and Amortization	282,182,966	238,059,702
INVESTMENTS (Cost or less)		
Affiliated Companies	$ 3,127,142	
Foreign Subsidiaries	24,338,440	27,465,582
DEFERRED CHARGES		
Prepaid Insurance, Taxes, etc.		3,353,987
POSTWAR REFUND OF EXCESS PROFITS TAX (Canadian Subsidiaries)		1,732,344
PATENTS, TRADE-MARKS, AND GOODWILL		1
		$649,109,385

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable		$ 28,199,416
Dividend Payable January, 1948		9,479,788
ACCRUED LIABILITIES		
Income and Other Taxes	$ 58,095,667	
Interest	315,000	
Other Accrued Liabilities	6,573,558	64,984,225
TOTAL CURRENT LIABILITIES		$102,663,429
DEFERRED LIABILITIES UNDER GOVERNMENT CONTRACTS		1,648,144
2.70% PROMISSORY NOTES PAYABLE DECEMBER 1, 1967 (See Note 3)		150,000,000
RESERVE FOR CONTINGENCIES (See Note 4)		6,541,043
CAPITAL STOCK OF UNION CARBIDE AND CARBON CORPORATION—No Par Value—Not including 136,649 shares held by the Corporation		
9,278,163 shares	$192,922,561	
201,625 shares issued under Stock Purchase Plan for Employees and held by the Corporation as collateral (See Note 5)	21,618,969	
9,479,788 shares	214,541,530	
Less present amount of Agreements	21,480,171	
	193,061,359	
EARNED SURPLUS	195,195,410	388,256,769
		$649,109,385

CONSOLIDATED INCOME AND SURPLUS STATEMENTS

Year Ended December 31, 1947

INCOME STATEMENT

INCOME		
Gross Sales—Less Discounts, Returns, and Allowances	$521,844,814	
Other Income (Net)	6,703,499	$528,548,313
DEDUCTIONS		
Cost of Goods Sold, Selling, General, and Administrative Expenses	$389,420,731	
Depreciation and Depletion	16,644,574	
Interest on 2.70% Promissory Notes	315,000	
Income Taxes	46,501,216	452,881,521
NET INCOME FOR THE YEAR		$ 75,666,792
Net Income Per Share—On 9,479,788 shares outstanding December 31, 1947	*$7.98*	

SURPLUS STATEMENT

EARNED SURPLUS AT JANUARY 1, 1947		$142,227,825
ADDITIONS		
Net Income for the Year	$ 75,666,792	
Transfer from Reserve for Postwar Contingencies	15,000,000	90,666,792
		$232,894,617
DEDUCTIONS		
Dividends Declared	$ 37,692,552	
Decrease in Market Value of Marketable Securities at December 31, 1947	6,655	37,699,207
EARNED SURPLUS AT DECEMBER 31, 1947		$195,195,410

NOTES RELATING TO FINANCIAL STATEMENTS—1947

1—The principles used in preparing the accompanying consolidated statements for the year 1947 are as follows:

All subsidiaries that are one hundred per cent owned, and operate in the United States and Canada, are consolidated.

Current assets, deferred charges, current liabilities, and income of Canadian subsidiaries consolidated are converted at the official rate of exchange. Other assets and liabilities of Canadian subsidiaries consolidated are converted at the prevailing rate at time of acquisition or assumption.

Foreign subsidiaries, all one hundred per cent owned, are shown as investments.

Affiliated companies, less than one hundred per cent but not less than fifty per cent owned, are also shown as investments. The equity in the net worth of these affiliated companies increased $2,934,227 between January 1, 1938 (or date of acquisition, whichever is later), and the date of latest unaudited financial statements. Of this increase, $716,057 is applicable to the current period.

Income includes dividends paid by foreign subsidiaries and affiliated companies out of surplus earned since date of acquisition.

2—Inventories totaling $111,971,398 consist of the following major classes: Raw Materials and Supplies, $44,237,240; Work in Process, $34,389,029; Finished Goods, $33,345,129.

3—The promissory notes provide for the payment of principal in the amount of $10,000,000 per year beginning on December 1, 1953.

4—A review of the operations for the year 1945 under the Renegotiation Act was made. Pending final settlement the cash refund to the Government, estimated to be $271,196, has been charged to Accrued Provision for Wartime Adjustments. The balance of $6,541,043 remaining in the Accrued Provision for Wartime Adjustments, resulting from charges against income in prior years, has been transferred to Reserve for Contingencies.

5—During 1947 the Corporation entered into Agreements with 215 employees, including 6 directors, all of whom devote their full time to the Corporation, and 6 officers who are not directors, covering 113,300 shares of its capital stock under the Stock Purchase Plan for Employees as approved and authorized by the stockholders in 1946. The Agreements set forth a price of $100.375 per share, which was the closing quotation on the New York Stock Exchange on the date preceding the offering. Under the terms of the Plan the price or prices shall be such price or prices as shall be fixed by the Board of Directors in its discretion, but not lower than seventy-five per cent of the market price. Each participant has five years to complete payment, and interest at the rate of two per cent per annum will be paid on the unpaid balance. The Board of Directors may take such action from time to time with respect to extension of time of payment as in the discretion of the Board is in the best interest of the Corporation. Stock covered by the Agreements is pledged by the participating employees as collateral security for payment. Shares are released from the pledge to the participants in blocks of 25 as payment therefor is completed. Each participant has also agreed to apply against the unpaid balance the amount, if any, by which the dividends paid to him on the pledged shares exceed the interest. The Plan provides that if a participant shall die the Corporation will offer, for a period of six months following his death, to repurchase the unpaid-for shares at the price to be paid by such participant. Since the inception of the Plan in 1946 a total of 202,000 shares have been issued of which 201,625 shares are held by the Corporation as collateral.

6—Union Carbide and Carbon Corporation and several subsidiaries are defendants in suits brought by employees for additional wages for the current and prior years, an equal amount as liquidated damages, and attorneys' fees and costs. Such suits are commonly referred to as "Portal-to-Portal Pay Suits." Approximately one-half of such suits which had been pending have been dismissed without liability or costs to the Corporation or its subsidiaries.

Although it is not possible to foresee with certainty the outcome of such suits as are still pending, they do not appear to require the making of provision therefor and accordingly no such provision has been made.

7—Union Carbide and Carbon Corporation has agreed to maintain the assets held by the Trustee of the Savings Plan for Employees in an amount sufficient to permit the distribution of the Trust Estate to the persons entitled thereto.

AUDITORS' REPORT

TO DIRECTORS AND STOCKHOLDERS OF
UNION CARBIDE AND CARBON CORPORATION:

We have examined the balance sheet of Union Carbide and Carbon Corporation and its one hundred per cent owned subsidiaries operating in the United States and Canada, as of December 31, 1947, and the statements of income and surplus for the year then ended, have reviewed the system of internal control and accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of Union Carbide and Carbon Corporation and its subsidiaries consolidated at December 31, 1947, and the results of consolidated operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HURDMAN AND CRANSTOUN
Certified Public Accountants

New York, N. Y., February 28, 1948

Products of Divisions and Units of UCC include

LINDE OXYGEN • PREST-O-LITE ACETYLENE • PYROFAX GAS • BAKELITE, KRENE, VINYON, AND VINYLITE PLASTICS • NATIONAL CARBONS • EVEREADY FLASHLIGHTS AND BATTERIES
PRESTONE AND TREK ANTI-FREEZES • ACHESON ELECTRODES • ELECTROMET ALLOYS AND METALS • HAYNES STELLITE ALLOYS • SYNTHETIC ORGANIC CHEMICALS

Barclay Investment Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — John A. Dubach has been added to the staff of Barclay Investment Co., 39 South La Salle Street.

Mutual Funds

By HENRY HUNT

"57 Varieties"

Interest in mutual funds is steadily growing. However, even among people in the financial business there still appears to be abysmal ignorance as to just what the mutual fund business has to offer today. Recently the head of the research department of a prominent member firm received from one of its out-of-town correspondents the following wire: "List three most attractive mutual funds in order of attraction." If the wire had read, "Which three Heinz food products do you suggest we buy?" or "Wife sick, send three different kinds of pills you recommend," it would have made just about as much sense. There are nearly as many varieties of mutual funds as there are Heinz foods and it is just about as silly to recommend three of them to an unknown investor as it would be for a doctor to prescribe for a patient sight unseen.

The mutual fund business is designed to fill the needs and preferences of most investors. It is important for the salesman to find out what his client's investment objectives are or, if he has none, something about his financial position, dependents, etc., before he offers an individual fund. Salesmen should first obtain answers to the following questions:

(1) Are you interested primarily in preservation of capital or growth in principal?

(2) Is income of primary importance to you?

(3) Are you willing to assume some risk to obtain an above average return of 6% or better?

A popular solution to the problems of many investors in recent months has been the balanced fund whose portfolios are composed of bonds, preferreds and common stocks, with the various issues ranging in quality from semi-speculative to highest grade. Such funds are in effect continuing trust funds similar to the Common Trust Funds which are available through some banks. They are the type of investment media in which a person with limited capital might well invest his entire savings.

"New Deal" Liberalism

Under the pretense of giving you what you want, they take away what you already have. — *Douglas Laird.*

Cyclophobia

"It seems that our fear of economic cycles may well be called hereafter by the quite appropriate term of 'cyclophobia.' Such is the term coined for it in his latest market letter by Robert S. Byfield, member of the New York Stock Exchange. He defines it as a neurotic fear of fluctuations resulting from the violent changes in our economic fortunes since 1914. It is clear, says Mr. Byfield, that for many years this country has been suffering from a type of economic psychosis or fear complex, which has caused the discounting and sometimes over-discounting of bad news very far in advance and neglecting the advent of good news until after the fact. He notes that certain members of Congress recently have been exhibiting severe symptoms of this malady, since they are f r i g h t e n e d when commodity prices are actively advancing and even more frightened when there is a possibility of a substantial decline. Presumably their desire is no fluctuations at all, but the trouble with this type of economy, the broker adds with ironic humor, is that when there are no fluctuations there will also be no Congressmen, judging by some unfortunate examples overseas." —Reprinted from the New York "Herald Tribune."

How to Prevent a Nose Bleed

Keep your nose out of other people's business.

Price Structure

Vance, Sanders' Edward E. Hale writes in "Brevits" in part as follows:

"The recent decline in certain farm commodity prices can be said to pressage the possibility of a general decline in other commodities, including industrial raw materials. In the long run, however, a development of this kind can only lead to better and more stable economic conditions.

"It is, of course, not worth arguing the point that some, perhaps many, businesses will be adversely affected by such a development; but we cannot feel too sorry for the business man or entrepreneur who may perhaps have foreseen this possibility but has gone blithely on his way without taking some steps to protect himself against a loss in inventory values. The general facts, however, point to the conclusion that a large segment of American business is prepared and would welcome a stabilization of prices at considerably lower levels.

"Have common stocks discounted the possible effects of a deflationary trend which may develop from this point on? While we do not profess to know the answer to this question, we think that the following comments recently made by Mr. Edson B. Smith, Financial Editor of the Boston "Herald," are rather pertinent at this time.

"'We do not see the slightest reason why lower prices for farm products should be regarded as bearish on stocks because the deflation cannot get out of hand so long as the government support program is operative. The stock market did not go up with wheat and corn. One cannot fall out of bed if one has been lying on the floor all the while. It does not make sense to say that because something which is high must come down, something which is low must come down also.'"

Supersalesmanship

A supersalesman is one who can sell a double breasted suit to a man with a Phi Beta Kappa Key.

Retail Trade Outlook

Calvin Bullock's current issue of "Perspective" discusses the outlook for retail trade and concludes as follows: "It must be admitted, of course, that while the favorable aspects in the outlook for retail trade are completely valid, they are fundamentally of a longer term nature. The unfavorable aspects are more immediate. A lower price level, it is generally agreed, is greatly to be desired, but it must be recognized that this lower price plateau cannot be attained without a certain degree of economic distress. Lower prices will over the near term be translated into a reduced volume of sales and narrowing profit margins. In the long run lower prices should stimulate buying, but until retailers have a clearer idea of the level at which the price decline will flatten out they are likely to curtail their forward orders and to trim the inventories which have in recent months reached very high dimensions."

Not Now

"These Things Seemed Important" issued by **Selected Investments Company** of Chicago quotes from "Iron Age" as follows: "Although no one knows for sure, it's a good guess current slump in commodity market and sympathetic reaction in stock market will have no effect on steel demand and output. Nor will it be of any importance to heavy durable goods activity. Plant and equipment are wearing out faster than they are being replaced. Steel inventories are not larger than they should be in relation to demand. Maybe at some later date the affinity will come, but not now."

NSTA Notes

TWIN CITY BOND TRADERS ASSOCIATION

The Twin City Bond Traders Association will hold their spring party on March 18 at the Nicollet Hotel in Minneapolis.

LUMINARY OF THE WEEK

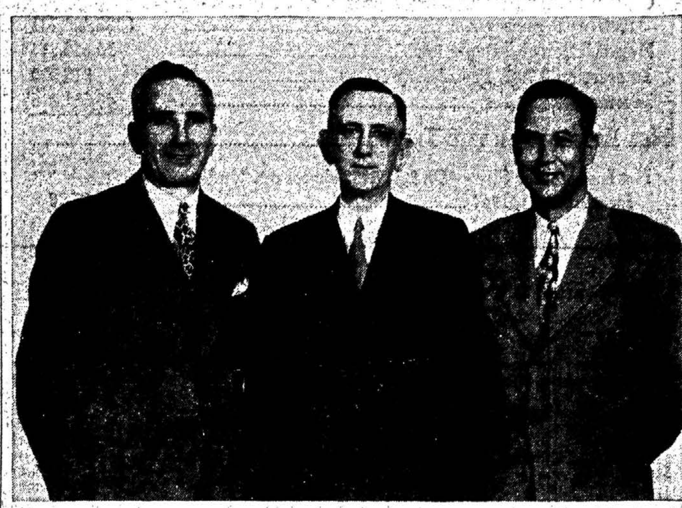
Harold B. Smith

Harold B. Smith, New York City resident manager for the New York Stock Exchange firm of Collin, Norton & Co., 120 Broadway. The jovial Mr. Smith is the Chairman of the advertising committee of the National Security Traders Association and does a sterling job each year of swelling the Association's treasury, promoting advertising for the Annual Convention.

Mr. Smith will be celebrating his birthday next Tuesday, March 9.

Investment Bond Club of Portland Elects

PORTLAND, ORE.—The Investment Bond Club of Portland held their annual election of officers and a Board of Governors Feb. 24, with the following results: President, George A. McFaul, Partner,



Hess & McFaul; Vice-President, L. Brooks Ragen, Resident Partner, Foster & Marshall; Secretary and Treasurer, Elbert H. Greene, Sales Manager, Conrad, Bruce & Co. Other members of the Board of Governors elected were: Ray K. Daugherty, President, Daugherty, Cole & Co. and Charles N. Tripp, Senior Partner, Charles N. Tripp & Co. Lawrence W. Shiels, Partner, Camp & Co., was the retiring President.

With Dalton & Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS. — John D. Naber has joined the staff of Gardner F. Dalton & Company, 735 North Water Street.

Timberlake & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE — Harry Weeks has been added to the staff of Timberlake & Company, 191 Middle Street.

How Britain Fights Inflation

By PAUL EINZIG

Stressing Labor Government's "bold venture" in freezing wages as well as prices despite workers' antagonism, Dr. Einzig points out controls are limited to essential industries and this may accentuate transfer of labor to unessential production. Sees need of employers' cooperation in refraining from increasing output of non-essentials for success of anti-inflation policy.

LONDON, ENGLAND—At last the Government has taken its courage in both hands, and has embarked on a bold anti-inflationary policy. Even though the vicious spiral, in which wages, costs and prices are chasing each other interminably in an upward direction, has not been proceeding in Britain at a pace comparable to the non-stop inflation in France or Italy, nevertheless, it has been making unmistakable progress since the end of the war. Encouraged by the fact that the country is now controlled by a Labor government and that government is largely controlled by the labor unions, the workmen in various trades have been competing with each other in putting forward demands for higher pay. And even though the officials of many unions are aware of the broader implications of rising wages, they are not in a position to refuse to endorse these demands, because they are afraid that the Communists might undermine their authority by encouraging unofficial strikes.

Dr. Paul Einzig

In such circumstances it took no mean courage for the government to decide in favor of a policy aiming at checking a further increase of wages. Even its critics must admit that the new policy announced by the Prime Minister a few weeks ago was a bold venture, since it was bound to antagonize the industrial workmen on whose support the government depends for its existence. The government fully realized the unpopularity of its decision. For there appeared to be no other means by which the upward trend of prices could possibly have been checked. For prices have been rising in spite of the deflationary effect of the budgetary surplus which is expected to amount to something like four billion dollars during the fiscal year 1947-48; in spite of the sharp reduction of the note circulation during recent months; and in spite of the enforced reversal of the Treasury's cheap money policy. It is evident that all these factors are of secondary importance in comparison with the factor of rising wages which mean not only higher costs of production but also expanding purchasing power of the home consumer, which tends to drive up the prices of uncontrolled goods.

Some critics of the government argue that the effort to check the upward trend of wages has been too timid; that the government ought to have fixed a ceiling to wages by legislation. But those acquainted with the realities of the situation in Britain must be aware that, preferable as such drastic methods would have been, they were impracticable. The result of any such intervention would have been an epidemic of strikes which Britain could ill afford at present. A few weeks' stoppage in the coalfields would be sufficient to inflict the gravest possible damage on the British economic system. The government had to resort to a device by which the rise of wages could be stopped without dangerously antagonizing the workers. One of the solutions suggested was that, simultaneously with the announcement of the new policy by which the government aims at discouraging wage increases, the imposition of heavy new taxes on employers and capitalists should be announced. It is to the credit of the government that it did not yield to the temptation of achieving popularity by such means. The rich are already taxed to the extreme limit in Britain, and any further taxation would have paralyzed individual initiative on which the non-nationalized industries (amounting to about 80% of the country's total industrial production) still depend.

In order to avoid this and at the same time to satisfy the workers that sacrifices are demanded from both sides, the government has struck upon an ingenious formula. It has called upon employers to check the rise of prices, and to reduce profits of their own free will. To make the appeal more effective, the government announced that in future it may not authorize the increase of the price of goods which are under official control. This means that should in any of the industries concerned the workmen put forward wage demands, the employers would only be able to meet it in so far as this is possible by reducing their own profits. It would not longer be possible to grant the demands and to raise prices accordingly.

The situation is less satisfactory as far as the industries engaged in the production of "uncontrolled" goods are concerned. There is nothing to prevent employers in such industries from buying industrial peace at the cost of satisfying all wage claims, and passing the higher cost on the defenseless consumer. And if wages are kept down in the controlled industries, engaged mostly in the production of essential goods, and are allowed to rise in the uncontrolled industries, engaged mostly in the production of less essential goods, then the trend of the transfer of labor from essential to unessential production will become accentuated. This would mean that there would not be enough coal miners or textile workers, but the shop windows would be even more crammed than they are now with a variety of expensive unessential goods. The only way of preventing this without extending the existing degree of controls would be by a full response on the part of the employers. If they refrained from increasing their output of unessential goods, and did their best to keep down wages and prices, the government's anti-inflationary policy would succeed. Otherwise it will fail.

It is too early to express an opinion how far the experiment is likely to succeed. But it was an experiment decidedly worth making. Those who criticize it are unable to put forward a practicable alternative. Quite possibly there may be a reasonably satisfactory response on the part of the workmen, though symptoms to date have not been very encouraging. But it is to the interests of the British employers that they should make a gesture showing their willingness to do their best in so far as it depends on them. Otherwise it is certain that the government will resort to higher taxation of profits or to an extension of the existing system of controls.

Shortcomings of ERP

By ERNEST T. WEIR*

Chairman, National Steel Corporation, Pittsburgh

Asserting neither fear of economic collapse nor of communist domination are valid basis for Marshall Plan, Mr. Weir advocates furnishing only urgent relief for human suffering by proven agencies and the withholding of reconstruction aid until European nations make efforts toward greater production and self-help and until a thorough, careful, and further study be made of effective use of our aid as well as its effects on U. S. economy. Advocates no commitments beyond one year.

Because of the government's elaborate publicity system there is no doubt that the interpretation of the European situation which has received the greatest attention from the American people is the one given by the State Department and other Administration sources. Boiled down, this interpretation is that the countries of Europe are on the verge of collapse and that unless they receive large-scale help which can be given only by the United States they will rush headlong into communism. This theme has been the basis of a tremendous propaganda campaign. The purpose of that campaign is to high pressure the American people into quick acceptance of the Administration's particular plan of foreign aid.

Ernest T. Weir

In my opinion, this basis for European aid is entirely invalid. In the first place, I must confess frankly that I do not know what is meant when a nation is described as being in danger of "collapse." Nations just don't collapse. Throughout history, nations have for various reasons been in very poor condition and they have usually recovered. If European peoples had nothing left except natural resources, their bare hands, and the spirit to work they would rebuild. That is a law of life. Obviously, the nations of Europe will recover quicker and with less hardship if they receive proper outside aid and use it wisely. My point here is not that we should deny aid to Europe but that the fundamental situation does not justify the extreme and emotional language that is being used to rush this country into an aid program. The situation does not warrant emotional haste. It demands calm, hard-headed examination and deliberation, and the time needed for this can be

(Continued on page 26)

*Statement by Mr. Weir before the Foreign Relations Committee of the House of Representatives, Washington, D. C., Feb. 25, 1948.

Canadian Securities

By WILLIAM J. McKAY

Against the grim backdrop of recent international events the prospects for a desirable and early return to economic orthodoxy appear increasingly dim. The main issue is now brutally apparent, and present circumstances now dictate a single-minded policy devised to ensure the survival of the democratic world. Military warfare is now replaced by power politics backed by economic force which must have the quality of rapid mobility.

Since the end of hostilities it is fortunate that by grace of the financial assistance accorded by this country and Canada, the economies of Britain, the European democracies and China have been bolstered against chaotic collapse. Unfortunately, however, the Bretton Woods schemes, which failed to envisage the actual conditions of the transition period, have proved to be entirely inadequate. It is now only too evident that it is too late to reconstruct the machinery of the International Fund and the World Bank in order to cope effectively with the stark realities of the present crisis.

For example the battle for the survival of the pound as an international currency and the maintenance of all its ramifications throughout the civilized world constitutes a vital front in the so-called cold war. Even the question of competitive costs in the struggle for world markets loses much of its importance when the basic problem of British economic stability is considered. In other words a forced devaluation of the pound and the concomitant disruption of the vast sterling trading area would represent a major victory for the enemies of democracy.

What still remains comparatively orderly in a disorganized world must be preserved at all costs. So much has already been sacrificed in worthy endeavors to return to a state of normalcy that it must now be realized before it is too late that we are not living in normal times. Consequently in order to defeat the present efforts which have as their intent the disorganization of the remaining democratic systems it is now regrettably necessary to resort to measures more in accordance with wartime exigencies.

In the spirit of this mentality it would be logical to supplement the resources of the International Fund by the institution of an independent U. S.-United Kingdom exchange stabilization fund designed to remove any fears concerning the vulnerability of the pound. Another constructive step in the same direction would result from the active revival of the wartime Hyde Park agreement with Canada. This in conjunction with a recognized stability of sterling would remove the uncertainty as the course of the Canadian dollar and would permit Canada to play a more forceful part in the reconstruction of the democratic world. In addition the implementation of the Hyde Park arrangement would, as during the war, result in greater Canadian production of basic requirements for industrial and stock-pile purposes on this side of the border.

During the week the lowering of the Bank of Canada support level for Dominion bonds was reflected in a marking-down of prices for internal bonds in this market but at the new level sellers were conspicuous by their absence. The external section was also inactive and prices were mostly unchanged. In a dull list of stocks the gold issues were the only bright feature. Interlisted issues were especially firm and the upward movement was spurred by investment demand from New York. Switching from industrials to golds further indicated that the Canadian gold-mining industry is at last on the up-grade.

James I. Brennan Is With S. Weinberg Co.

James I. Brennan, formerly with Hoit, Rose & Co., has joined the Trading Department of S. Weinberg & Co., 60 Wall Street, New York City. Prior to his association with Hoit, Rose & Co., Mr. Brennan was with J. F. Reilly & Co.

James I. Brennan

Bryant With Morrison

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA. — William H. Bryant has become affiliated with A. B. Morrison & Co., Congress Building. He was formerly with Southeastern Securities Corp., Frank D. Newman & Co., Strauss Bros., Inc., and Blair F. Claybaugh & Co.

Joins John A. Dawson Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — David W. Lindgren has become associated with John A. Dawson & Co., 1 North La Salle Street. He was formerly with Webber, Simpson & Co., and E. H. Rollins & Sons, Inc.

Now Jeffrey Gray & Co.

BOSTON, MASS. — The firm name of C. S. Jeffrey Co., 79 Milk Street, has been changed to Jeffrey Gray & Co.

Canada's Exchange Disorders and the Remedies

By DONALD GORDON*
Deputy Governor, Bank of Canada

Mr. Gordon reviews developments in Canada's foreign exchange situation which has led to restriction of U. S. imports and other exchange controls. Points out difficulty arises from increased Canadian imports from U. S. for which cash is paid, while Canada's exports are made on credit. Stresses Canada's part in aiding world recovery, and sees as remedy an equalizing of dollar volume of exports and imports in U. S.-Canadian trade.

Much has been said about the unique relationship between the United States and Canada. It is an example in a world of conflicting ideologies, jealousies, and hates which cannot be overstated. It is all the more impressive when it is realized that despite the disproportionate sizes and strengths of the two economies there arises no question of the smaller being the satellite of the larger.

Donald Gordon

Moreover, the United States has reason to know that in times of emergency Canada is a powerful and competent ally. Still further, Canada is the largest customer of the United States in terms of commodities and services. On the other side, the United States has a larger capital investment in Canada than have all other countries of the world combined.

But satisfactory as all this is, we must constantly remember that our relationships must never be taken for granted. We owe a debt to each other to keep informed about them and to cultivate them.

Recent events in Canada have given special emphasis to this point. The fact that Canada had enormously increased its imports from the United States over the past few years was a matter of general knowledge but did not until comparatively recently excite much comment. The fact that Canada had extended very large postwar credits likewise attracted relatively little attention. Finally, the inevitable effects of the delayed recovery of Western Europe on the Canadian economy were not foreseen in the United States and even yet the action which Canada was forced to take is not understood, and in some quarters is criticized and resented.

This Canadian action came at the very time that announcements were being made to the effect that after nearly a year of discussion the Geneva conference had reached a preliminary understanding. There can be no question that the timing of the Canadian action was unhappy and yet the hard facts made it inevitable.

Canada's Foreign Exchange Reserves

At the end of 1945 Canada had foreign exchange reserves totaling about $1,500 million—that is, in gold and U. S. dollars. That was regarded as a substantial sum. By Dec. 31, 1946 our reserves were $1,245 million and by Dec. 31, 1947 they had dropped to just over $500 millions. At that rate of decline, it was obvious that in a matter of months Canada's exchange resources would have been exhausted and we would have been unable to pay for our essential needs of such things as coal, oil, cotton, steel and so forth.

Our trouble was as simple as its cure is complex. We were paying cash for our imports and three-quarters of these imports were coming from the United States. On the other side, we were sending less than half of our exports to the United States and the other half we were sending to other countries without getting full cash payment, but were instead granting substantial Canadian dollar credits which were being drawn on.

In 1946 Canada had a favorable balance in its current transactions with the world of about $460 millions. In addition, there was a net inflow of capital of about $100 millions and about $40 millions in convertible currency and certain other transactions. If our trade had been on a cash basis we would have increased our exchange reserves by the total of these items, namely, $600 millions. But instead of that, we gave credits to the United Kingdom and other countries totaling $750 millions, we gave exports totaling $110 millions through UNRRA and Mutual Aid, so that instead of increasing our reserves by the $600 millions surplus, I have mentioned, we suffered an actual reduction of about $260 millions. In 1947 the picture was that our current transactions with all countries showed a surplus of $70 millions. We granted credits again to the tune of $560 millions and gave away $40 millions in relief appropriations. Consequently we had a cash deficiency on our current transactions with other countries which caused a net drain of $530 millions in our foreign exchange reserves, to which must be added a $74 million capital subscription to the International Monetary Fund, and $139 millions of redemptions of Canadian debt and other capital payments abroad. This was a total drain of $743 millions during 1947 and left our exchange reserves, as I earlier mentioned, at a figure somewhat in excess of $500 millions.

Canada's Part in World Recovery

In terms of the kind of figures you are accustomed to think in, these Canadian figures may not sound very impressive, but in relation to its resources the risks which Canada has already taken in its European Recovery Program far exceed that of any country, including the United States. In the light of claims which are being made on the United States on all sides, it must surely be of interest to its taxpayers and citizens that its neighbor, Canada, is playing its full part in world recovery. Indeed one could argue that Canada attempted too much, but in a world suffering so much from the curse of too late and too little I wonder if anyone is justified in thus criticizing the Canadian action.

Furthermore, we do not suggest that Canadian action was dictated solely by altruism. As one of the largest trading nations of the world, Canadian prosperity in the long run is heavily dependent on its export trade, and our investment in the rehabilitation of our best customers is a policy of hard-headed realism. Indeed, we took the same view in regard to our wartime contributions to Britain, namely, that our long-run interests were so vitally engaged in enabling the fight for freedom to be won that any attempt to estimate the value of that service to humanity was out of the question. So it was that well before the United States Congress had approved that greatest of all acts of constructive statesmanship—the policy of Lend-Lease—Canada had already been financing British purchases in Canada, and in March, 1942, made an outright gift of a billion dollars to Britain for the purchase of vital war materials and food. In due course, this was followed by the Canadian equivalent of Lend-Lease, under which by Mutual Aid Acts a total of $2,200,000,000 was provided to our fighting allies. There were also other forms of assistance, both during the war and immediately following the war, which added the respectable total of roundly $1,600,000,000 to the figures just mentioned. (I should also interject that Canada did not accept a single dollar of United States Lend-Lease assistance, but financed its entire war effort and its contributions to others out of its own resources.) These figures, which are of startling magnitude for a country of 12½ million people, demonstrate that our postwar approach in regard to the recovery programs for Western Europe is in the same spirit, and that both our desires and our interests coincide in this respect.

If the Canadian figures were matched by the United States postwar credits, these would have totaled some $32 billions on the basis of relative national incomes. Moreover, in addition to postwar credits Canada has been, and is selling under contract to the United Kingdom at prices well below the inflated levels which have recently prevailed in world markets, particularly in foodstuffs, and this has materially added to the assistance already given.

With the best will in the world, however, it became evident toward the end of 1947 that we simply could not stand the pace. Our assistance to overseas countries had become too large in relation to our surplus of exports over imports, and had resulted in a large and rapid drain on our exchange reserves.

Canadian Trade Restrictions

In fact, our situation had become so serious and our action has been so long delayed that it was necessary for us to move on all fronts. Consequently, in November we imposed prohibitions and quota restrictions upon a wide list of consumer goods and also undertook a close supervision of imports of capital goods which cost us U. S. dollars. Concurrently, the freedom of Canadians to travel in the United States was restricted in that a maximum of only $150 per annum per person is available for pleasure travel in the United States. We were also obliged to reduce the amount of credit which we would make available to other countries. It was not a pleasant program by any means, and in the few months of its operation it has been found to be fully as difficult as it was expected to be. The Canadian and U. S. A. economies are so interlocked in habit and preference, in business, social and travel intercourse and in the ideology of their people that it is not an easy thing to legislate that our people must not purchase from the United States some of the things they want to buy, and which they consider do no more than maintain a somewhat similar standard of living.

It should not be assumed that these restrictions were brought about because we were living beyond our means, as a country. On

(Continued on page 36)

*Remarks by Mr. Gordon, at the National Conference of Business Paper Editors, Washington, D. C., Feb. 27, 1948.

Snyder Views Tax Reduction

Treasury head says taxes must be geared to government's basic financial policy of large revenues for essential domestic requirements, debt reduction and foreign commitments. Argues House tax bill results in excessive reductions and will cause Federal deficit in 1949.

Presenting his views to the Senate Committee on Finance on proposed tax reductions, as embodied in H. R. 4790, already passed, Secretary of the Treasury, John W. Snyder, on March 1 strongly opposed the measure. In this connection, the Secretary stated:—

John W. Snyder

"Under current economic conditions it is essential to maintain the present level of government receipts. This, however, does not preclude some readjustment in the distribution of the tax load. On the contrary, the persistence of high prices makes some readjustment imperative. During the second half of 1947 wholesale prices rose at an annual rate of 21% and consumers' prices, 13%. By the first of this year, wholesale prices were 45% and consumers' prices 25% higher than in June, 1946. (Exhibit 2, page 18; Chart 1.)

"Although the Nation is operating at peak levels and the country is enjoying higher standards of living than ever before, some groups in the population are suffering real hardship. These include not only families with relatively small fixed incomes, but also others whose incomes have not kept pace with the increase in the cost of living. The problem, of course, is most serious for those in the lower income groups who have no appreciable savings to fall back on as a cushion against high prices.

"Estimates of what people spend in relation to their incomes graphically illustrate the hardship suffered by low-income groups. It has been estimated that in 1946 about a third of the families with incomes below $3,000 spent more than their income. (Exhibit 3, page 19.) They financed consumption by dissipating accumulated savings and by going into debt. Under present conditions, the taxes paid by the lowest income groups reduce the already inadequate incomes available for minimum living standards. Tax reduction alone cannot provide adequate relief to this group. But the right kind of tax adjustment can make some contribution to the relief of the plight of low-income people. Since fiscal and economic considerations preclude any reduction in the overall strength of our tax system, relief to this group should be provided by appropriate increases in other taxes."

Referring to the House Bill, Mr. Snyder remarked:—

"The bill would reduce individual income tax liabilities by an estimated $6.2 billion in a full year of operation, or by almost 30% of the $21.2 billion total individual income tax liability under present law. (Exhibits 11 and 12, pages 40-41.) In addition, estate and gift tax liabilities would be reduced by $250 million, which is also about 30% of the estimated $820 million estate and gift tax liabilities under present law.

"If H.R. 4790 were enacted, the surplus of $7.5 billion estimated in the President's Budget for the fiscal year 1948 would be reduced by $1.1 billion. In the fiscal year 1949, receipts would be decreased by $6.6 billion and refunds increased by $400 million. This would convert the estimated surplus of $4.8 billion in fiscal year 1949 into a deficit of $2.2 billion, necessitating an increase in the public debt. (Exhibit 1, page 17.)

"None of the developments which have occurred since the transmission of the President's Budget Message—either those in the field of domestic prices or those in the field of international affairs, or otherwise—warrant changing the President's estimates of either receipts or expenditures to show a more favorable budget picture. No one can say with certainty what any future level of income will be. With relatively full employment and with our present production facilities running at virtual capacity, it would not seem prudent to predicate estimates of receipts on a level of personal income higher than the $200 billion level of personal income utilized in preparing the estimates contained in the President's Budget Message. The level of personal income in calendar year 1947 was $197 billion."

World Bank Bonds May Be Sold Abroad

John J. McCloy sees markets in non-member countries such as Switzerland and Sweden.

At a press conference in Washington, D. C., on March 2, John J. McCloy, President of the Bank for Reconstruction and Development, stated that, in the interest of broadening the market for the Bank's securities, it was possible that efforts would be made for sales outside the United States. McCloy said that he already has talked with British, Swedish and other foreign financial experts about a market for the Bank's bonds in those countries. He also discussed the same subject with Swiss representatives who have come here to talk about blocked assets. The bank, however, has no definite plans to go through with a foreign issue.

John J. McCloy

Regarding the loan application of Czechoslovakia, Mr. McCloy reported that the bank had been considering the feasibility of sending a mission to Czechoslovakia before the Communists seized power in that country last week. Further consideration of a mission to that country would now be delayed until the time appeared conducive to getting the information it desired, he stated.

With Wilson, McMaster

(Special to The Financial Chronicle)

CHICAGO, ILL. — Robert B. Pope is now with Wilson, McMaster & Co., 134 South La Salle Street.

With Herrick, Waddell

(Special to The Financial Chronicle)

INDIANAPOLIS, IND.—Glenn J. May is now with Herrick, Waddell & Co., Inc., Merchants Bank Building.

Have U.S.-Soviet Accord and Avoid World Crisis!

By JAMES P. WARBURG*

Former banker, holding there never has been an inevitable war, scores both Russian and U. S. attitudes and policies, and urges a U. S.-Soviet accord through United Nations. Says both leading world nations are threatened by their own fears and these are leading to destruction of their own influence and power. Lays responsibility for Czech crisis to U. S. refusal to aid Democratic Socialists, and denies Soviet expansion is sole cause of present threat to peace. Advocates conciliation, but not appeasement.

The long quest for knowledge, the centuries of striving after necessity, comfort and pleasure, the long chain of human invention piled upon invention have brought man at last to the point where—in his search for the ultimate security—he has discovered the means of his own total destruction. The crisis is one of the human spirit, because it is only man's spirit which can turn the race from self-destruction to progress, which can metamorphose the new and terrible tools of fratricide into the instruments of enduring fraternal peace.

James P. Warburg

The dictionary defines crisis as a turning point at which a decisive change for better or worse is likely to take place. But a more accurate description of the emotional content of the word can be gained from the way in which it is translated into Chinese. There being no such word in the Chinese language, a substitute is compounded of the characters for two other words—the ideographs for danger and opportunity. That is how the word is written: "danger - opportunity." That is what the world faces today—the greatest danger of extinction in the history of the human race as well as the greatest opportunity in the long life of man to free himself once and for all from the threat of self-destruction.

We Are Drifting Toward War

At the present moment the danger tends to obscure the opportunity. Most of us know or feel instinctively that we are drifting towards war—the kind of war which will leave the victor indistinguishable from the vanquished. The sense of impending disaster seems to freeze us in our tracks, as a rabbit is frozen helplessly in the presence of a snake. Our anxiety beclouds our reason and induces a state of confusion which undermines our faith and paralyzes our will. Yet it is only through a combination of faith and the will to live that we can convert the danger into an opportunity—an opportunity to achieve at last that peace on earth for which countless generations have vainly striven.

There has never been an inevitable war. There has never been a war which could not have been averted, if reason had prevailed over greed and envy, if faith had conquered fear, if man had learned to live according to his beliefs. Nor is the ultimate catastrophe which now threatens inevitable. But the greatest danger of its coming to pass lurks in the widespread acceptance of its inevitability.

When I say the widespread acceptance of war's inevitability I do not mean only that all too many people are convinced that there is no way to escape the catastrophe. I mean also that an even greater number of people—and governments — are today doubtful whether war can be averted and are trying to insure themselves against the failure of their own efforts to preserve the peace. These doubting Thomases are in a way more dangerous than the straight-out pessimists. The complete defeatist is an evil influence because he tends to produce total inaction in the face of danger—which is bad enough. But the doubting Thomas tends to cause hasty and ill-advised action motivated by frantic fear rather than by reason—and this is likely to precipitate disaster.

Threatened by Our Own Fears

We are not threatened by the Russians—nor they by us. We are each threatened primarily by our own fears. We are together threatened by the hypnotic influence exerted by our fears, which makes us freeze to the world's steering gear as a frightened novice bicycle rider freezes to the handlebars and cannot avoid hitting the one pebble in the middle of a broad road.

The United States and the Soviet Union are today the custodians of mankind. Upon their ability to reach an understanding, to find a way of living peacefully with each other, depends the future of the human race. This is a terrifying responsibility. It is more terrifying for us than for the Russians because we are, for the time being, much the stronger and also the more mature. The Russians cannot, and know they cannot, successfully attack us and impose their will upon us by superior force. But we could, without much doubt, defeat the Russians and might, to a certain extent, be able to impose our will upon them. The half-conscious awareness of this fact confuses our thinking and nourishes the illusion that a preventive war is one of the possible alternatives open to us.

The first thing we have to realize is that—in spite of our preponderant strength—there is no such alternative, for, in winning such a war, we should destroy ourselves. When I say this I am not thinking only of the horrible price in blood and treasure which we should have to pay for victory. I am thinking of what our position would be in the world and what we should be like as a people after we had gained victory.

War Means Russian Occupation of Europe

The first thing the Red Army would do in the event of war would be to occupy all of Europe and much of Asia. We might conceivably pulverize the Russian cities and eventually even their well-dispersed centres of production. But, in order to get at the Red Army or to render it powerless for want of supplies, we should have to destroy not only the Russian centres of production but the cities of Europe, the transportation network of Europe and perhaps even its crops. Let us make the unlikely assumption that we could do all this without the Russians being able to take retaliatory action against our own

(Continued on page 38)

*An address by Mr. Warburg at Congregation Rodeph Sholom, N. Y. City, Feb. 29, 1948.

Marshall Plan Will Aggravate Communism in Europe

By HON. FREDERICK C. SMITH*
U. S. Congressman from Ohio

Congressman Smith, contending U. S. is duplicating on a large scale disastrous Post War I policies with regard to financing Europe, argues Marshall Plan will not curb communism, since nations which are to be aided are already socialistic. Points out aid would be dispensed by political authority in each nation to enhance its own power, and argument that economic collapse abroad would cause us "to lose our shirts" is promoting a "prosperity illusion." Notes vast funds already given for foreign aid have been ineffective.

The foreign aid proposal before your Committee would extend and implement the policy of sharing the fruits of American labor and military resources primarily with England, and secondarily with certain other countries for various and sundry purposes. It would serve as a buffer for maintaining domestic prosperity, though a false and capricious prosperity, and to aggrandize the power of the political authority of this nation. This policy had its inception with World War I, and has been in effect in various degrees throughout nearly all of the years since that episode, and its principal backers intend that it shall become a permanent policy.

Frederick C. Smith

The steps the political authority took which led the country into World War I were duplicated, though on a larger scale, in the course pursued that finally led the nation into World War II. The current behavior of the political authority is a replica of the conduct that took us into the late war, but on a still larger scale.

The Post War I aid to England and other countries, first by direct government loans, then by the purchase of foreign securities by private investors encouraged by the political authority, and finally the payment by it of large premiums to foreigners on purchases of gold, all have their counterpart in the numerous foreign aid schemes that have been put into effect since the close of World War II hostilities.

Following World War I, the political authority undertook to interfere with the internal affairs of Russia by furnishing troops and money to one political faction against another, allegedly to combat communism. The undertaking was a fiasco. What damage it did to the prestige of this nation, not only in respect of Russia, but other countries as well, is not possible to know. But such intervention in the sovereign affairs of other countries as we undertook in Russia cannot help harming the prestige of any nation that practices it.

We are now duplicating that procedure but on a much larger scale, and in respect not only to one country, but many. The political authority is now intervening and taking sides in the strife between political factions in Greece, Italy, France, China and elsewhere. It is supplying some of those factions with munitions of war and military personnel, as well as economic aid. All this again ostensibly in the name of fighting communism.

It should be unnecessary to mention that this action will cause a malignant breach in the relations, not only between the United States and the "recalcitrant" political factions of the different countries, but the factions receiving the aid as well. Indeed, this policy of meddling with the internal affairs of other countries will bring down upon the people of this land ill-will from every nation on the globe, with what ultimate effect, heaven alone knows.

This so-called European Recovery Program departs from the previous foreign aid plans in one particular which is important to note. This proposed scheme for expropriating the fruits of American labor and gratuitously passing them on to the political authorities of other countries postulates a four-year politically planned program for our domestic economy. The President has urged the adoption of the devices he believes necessary for carrying out this four-year program here at home.

This left-handed proposal for formally setting up in this country a four-year politically planned program like the multi-year planned economy schemes of Russia should give us not a little food for thought, especially in view of the proposal being made by the President's so-called Council of Economic Advisers to inaugurate a ten-year program of political planning of the domestic economy.

Will Plan Stop Communism?

Definition is of the essence of a clear understanding of this projected foreign aid scheme. Those supporting it affirm that its adoption will halt the spread of the communistic advance against civilization, and they paint a portentious picture of things to come unles Congress approves it. What prospects are there that this scheme will stop communism?

Marx used the word "Communism" and "Socialism" interchangeably, the latter more often than the former. Lenin used them synonymously. Stalin so uses them now.

Morris Hillquit, who was an outstanding champion of international socialism, referred to Russia as a socialist state.

"That which is usually called socialism," said Lenin, "is termed by Marx as the first stage or lower phase of communist society."

"Socialism," said Bukharin and Preobrazhensky, "is communism in course of construction; it is incomplete communism."

Said Bernard Shaw, who ought to know, if anybody knows, "Communism is the same as socialism, but better English."

The Russian State is officially designated Union of Socialist So-

(Continued on page 39)

*Part of testimony by Representative Smith before the House Foreign Affairs Committee, Washington, D. C., Feb. 25, 1948.

Explains Position on Currency Devaluation in ERP Countries

Secretary Snyder, in letter to Congressman John Davis Lodge, objects to French method of devaluation, but recognizes maintenance of over-valued currencies can be serious hindrance to European trade. Sees no need for across-the-board devaluations as prerequisite for European Recovery Program.

Replying, as Chairman of the National Advisory Council on International Monetary and Financial Problems, to an inquiry by Representative John Davis Lodge (R-Conn.), Secretary of the Treasury John W. Snyder on Feb. 10 upheld the International Monetary Fund's objections to the French franc devaluation and expressed the opinion that in order to implement the European Recovery Program, no across-the-board devaluation of currencies was required. The full text of Secretary Snyder's letter follows:

"Dear Mr. Lodge:

"Since your letter of Jan. 29, 1948 addressed to Mr. Charles E. Bohlen regarding the recent devaluation of the French franc in relation to International Monetary Fund raises questions within the competence of the National Advisory Council, he has referred your letter to the Council for reply. The State Department as one of the agencies represented in the Council associates itself with the views stated here. The Council wishes first to comment on the problem of devaluation as raised in your letter. The specific questions addressed to the Department of State are discussed below.

"Sections 3, 4 and 5 of Article IV of the Fund Agreement do not prevent the devaluation of member currencies or require adherence to a given par value when it has become inappropriate to the international position of the member concerned. On the contrary the Agreement recognizes that adjustment of exchange rates may be necessary and desirable and provides a procedure for orderly adjustment in consultation with the Fund.

"The United States Executive Director on the International Monetary Fund after consultation with the National Advisory Council fully concurred in the position of the Fund with respect to the necessity of a change in the par value of the franc. This was not the point at issue. The objections of the Fund were not to a devaluation but to the discriminatory multiple currency practice which the French Government proposed to introduce in its exchange system. The Fund Agreement, among other things, is intended to protect the members against competitive exchange depreciation as a means of expanding the trade of one country at the expense of another country. Both the National Advisory Council and the International Monetary Fund held the view that the application by a country of a fluctuating rate on exports to one area while its rate on exports to other areas remains stable and while other countries maintain the parities agreed with the Fund would result in discriminatory depreciation. A system of this sort operating in an important trading country would encourage trade distortions and might cast unwarranted doubt on the real strength of other currencies through the apparent discount applied to them in the French system. Moreover, the widespread resort to such systems might lead to exchange instability and disorder from which all members would suffer. It was for these reasons that the proposal of the French Government was unacceptable to the Fund.

"The National Advisory Council's views with regard to the specific questions raised in your letter addressed to the Department of State are as follows:

"(1) Does the State Department favor the devaluation of the currencies of the 16 participating nations so as to achieve eventually a free market in these currencies in which the legal and real value of these currencies will be identical?

"The National Advisory Council believes that it will be necessary for some of the 16 countries to adjust their exchange rates. The Fund Agreement has as one of its objectives the maintenance of exchange stability with the minimum of control over exchange transactions for current account purposes. The market rate of exchange would then fluctuate within a narrow margin around the legal par value. Before this objective can be realized there will undoubtedly have to be devaluations of some of the currencies of the countries involved in the European Recovery Program. It is the opinion of the National Advisory Council that such adjustments in rates should be part of a developing program of internal and external stabilization, in conjunction with United States assistance. Mere devaluation without internal stability and without substantial equilibrium in the balances of payments of the countries concerned, would not be sufficient to realize the objectives of the European Recovery Program.

"(2) Does the State Department believe that the Bretton Woods Agreements should be revised, with particular reference to the problem of devaluation?

"(3) Does the State Department believe that in order to achieve such devaluation an international monetary conference, to be attended by the United States and the 16 participating nations, should be called for the purpose of coordinating such devaluation?

"The National Advisory Council does not believe that the Bretton Woods Agreements need modification in order to meet the problem of over-valued currencies, nor does it believe that this problem could be solved by calling an international conference for the specific purpose of dealing with this question. For Fund mechanism, in its opinion, is entirely adequate for this purpose. The Directors of the International Monetary Fund are continually in session and work in close consultation with their governments. The National Advisory Council is satisfied that the Fund is fully aware of the problem involved in over-valued exchanges and that the Fund is more than ready to approve appropriate adjustments of exchange rates when they can be made with benefit to the countries concerned and to the world at large.

"The conditions affecting the stability of exchange and the appropriateness of the rate structure of the countries participating in the European Recovery Program vary greatly. Accordingly, the proper time for devaluation will vary from country to country. Premature devaluation may have as unfortunate consequences for the economy of a country as the prolonged maintenance of an over-valued rate. It is the opinion of the Council that the method of procedure provided in the Fund Agreement is far more satisfactory than an attempt at dealing with the problem at an *ad hoc* conference would prove to be:

"(4) Does the State Department believe that pending such a con-

(Continued on page 21)

Fairless Defends Boost in Semi-Finished Steel Prices

President of U. S. Steel Corp. says company suffered heavy loss on its output of semi-finished products in 1947. Denies further price or wage increases are contemplated.

Appearing before the Joint Congressional Committee on the Economic Report on March 2, Benjamin F. Fairless, President of the United States Steel Corporation, defended the recent increase of $5 per ton on prices of semi-finished steel on the ground his company was losing heavily on this class of products sold "to a handful of customers, most of them large and profitable concerns." He based his assertion on the following facts:

Benjamin F. Fairless

"(1) United States Steel has made no general increase in the price of its steel products and it does not now contemplate making any such increase.

"(2) United States Steel has entered into no agreement or understanding, private or otherwise, to grant further wage increases.

"(3) This price change was our own independent action, caused by our continuously increasing costs. Any charge or insinuation that we acted in concert with any other steel company is without foundation.

"(4) United States Steel suffered a heavy loss on its sales in 1947 of over two million tons of semi-finished steel. Losses on this material have been at an even higher rate this year, necessitating an increase in February in our prices for such semi-finished steel.

"(5) United States Steel is a victim of inflation and not the cause of it. Steel prices as a whole have lagged far behind the prices of other commodities. United States Steel cannot fairly be made the scapegoat for the nation's economic ills."

Continuing, Mr. Fairless stated:

"We in United States Steel believe that costs and prices in general are too high for the good of the nation. At the conclusion of my remarks I will have a definite statement to make that I sincerely hope will help the national situation.

"Criticism of our action in advancing the prices of certain steel products has led to this hearing. I believe that much of the criticism has been emotional or political in character. I should like today to reduce this matter to what I believe are its proper proportions.

"The criticism centers upon increases in our prices of semi-finished steel. On Feb. 13 last, our subsidiary, Carnegie-Illinois Steel Corporation, announced to its customers increases in its prices for certain semi-finished steel products, averaging about $5 a ton, or one-quarter of a cent per pound.

"Semi-finished steel consists of ingots, slabs, billets, blooms, tube rounds and skelp. This is not the kind of steel sold commercially on a wide scale, or used generally by steel consumers. On the contrary as its name implies, it is raw or semi-finished steel requiring further rolling or processing before it becomes a finished steel product for use in the manufacture of consumers' products.

"Semi-finished steel constitutes a small part of our total business. Sales last year by United States Steel of semi-finished steel of the kinds covered by the recent price increases amounted to approximately 2,000,000 tons. These sales represented only 10% of the total tonnage of steel products shipped by United States Steel to the public during 1947.

"By far the greater part of our semi-finished steel business is handled by our subsidiary, Carnegie-Illinois Steel Corporation. The customers of Carnegie-Illinois for semi-finished steel are few in number, not over 75 as a whole. Ten of these customers—all fairly large companies — account for about 80% of Carnegie-Illinois' entire sales of this material.

"What I am trying to make clear is that semi-finished steel is not an article of ordinary commerical usage sold to the public or to a wide range of customers. Rather it is a somewhat special form of steel used as a raw material by only a few concerns. I am convinced that the recent increase of one-quarter of a cent per pound in the price of this semi-finished material is too small and unimportant in itself to pave the way toward a higher price level for the various articles of everyday use made out of steel. In my judgment, the inflationary influence of the price adjustment has been grossly exaggerated.

"I want to tell you why we believe ths modest increase in our prices for semi-finished steel was proper and fully justified by the facts. I tried to tell the story in a statement which I issued on Feb. 20, when these exaggerated accounts first appeared. Unfortunately, very little attention was then paid to my explanation.

"I have been in the steel business for many years. My job is to see that our business is conducted efficiently and profitably. I do not see how a business can endure, if the prices for its products do not pay their way.

"The problem of continually mounting costs over the last six or seven years, both in operations and in plant replacements and enlargements, has been of deep concern to us. I am sure it has been equally so to manufacturers generally, both large and small. At the end of 1947, average hourly earnings of our employees had gone up 80% since 1940. Their average weekly earnings had advanced 89% during that period. Since 1940, American industry has experienced a series of wage increases and other inflationary influences, which have been beyond the control of United States Steel Corporation or any other single company.

"A short time ago the situation became so alarming to United States Steel that we felt it necessary to take a fresh look at the relationship between costs and prices of our many steel products. This relationship changes from day to day with changing conditions. It has been growing progressively worse from a financial standpoint due to higher labor costs and to constantly higher costs for the goods and services which we must purchase to continue in business. In 1947, 39.6% of the total sales revenue of United States Steel was spent in the purchase of such goods and services.

"The most disturbing situation revealed by this recent survey was that of semi-finished steel. We found that in the month of January, 1948, Carnegie-Illinois lost approximately a million dollars on its sales of semi-finished material to a handful of customers. We saw no good reason why United States Steel should be granting a subsidy of around $5 a ton to these par-

(Continued on page 35)

Let Private Enterprise Into Marshall Plan!

By ERIC JOHNSTON*
President, Motion Picture Association of America
Formerly, President of Chamber of Commerce of U. S. A.

Holding Marshall Plan should be springboard for Europe and not a wheel chair, leading industrialist urges American private business put some kindling wood in hearth of private European business. Warns, though aid cannot be based on ideology, Europe will recover only as private business there revives. Proposes a Peace Production Board to pass on worthy private investments abroad and a general hook-up of American capital and American know-how with European capital and manpower.

I don't know any subject that's been more chewed over than the Marshall Plan—unless it's the new look in the distaff circle. That was a case of lowering the hemline. Today, I'm going to ask you to raise your sights on the Marshall Plan. We need to take a new look at it. I've a thought or two about it which especially concerns us bankers.

Eric A. Johnston

I am going to speak very frankly to you because I consider myself as one of you. I am a director of banks—both on the Pacific Coast and here in the East—so I think I have a right to speak bluntly and frankly without the risk of being considered anti-banker or subversive.

First of all, I want to make it transparently clear for the record that I'm for the Marshall Plan. I don't mean that I'm for every detail of the Plan as it was sent up Pennsylvania Avenue to Capitol Hill, but I do mean that I heartily endorse its broad purposes.

Broadly, we look upon the Marshall Plan as a proposition of our government helping other governments in 16 western European nations. Government-to-government aid is effective in a limited number of fields as nothing else can be. For instance—in the reconstruction and relocation of highways; in the rebuilding of power plants, water systems and ports. Those are all proper governmental functions.

A Springboard and Not Wheel Chair

But that's by no means the final answer to a healthy European recovery. We all want the Marshall Plan to be a springboard for Europe instead of a wheel chair. We don't want it to begin as a handout and run on from year to year as a dole.

That's what may happen unless we in private business in this country put some kindling wood in the hearth of private business over there.

Manifestly, we've got to recognize that some of the major industries in Europe have bee. socialized. We can't do anything about that. But there are thou sands and thousands of small anc medium-sized businesses unso cialized. They need us, and wc need them. The more private businessmen there are in Europe the more private businessmen there are apt to be here.

So we can't base our aid to Europe on ideology. We will find ourselves working with assorted brands of socialism, but we might as well face up to this fact: We've got to help Europe whether she is socialist or capitalist. I maintain that as we aid in the revival of unsocialized enterprises, there will be more and more of them rebuilt, reborn or come into being.

Revive Private Business in Europe

My considered opinion is just this: Europe will stride forward again without a crutch only as private business in Europe revives. What is needed in Europe is to unleash the creative and imaginative talents of countless of thou-

(Continued on page 39)

*An address by Mr. Johnston at dinner of the Washington Chapter, American Institute of Banking, Washington, D. C., Feb. 21, 1948.

NASD District No. 3 Elects New Officers

DENVER, COLO.—District No. 3 of the National Association of Securities Dealers, Inc., composed

Amos C. Sudler Malcolm F. Roberts

John J. Sullivan

of Arizona, Colorado, New Mexico, Utah and Wyoming, at a recent meeting of the Committee elected the following officers:

Chairman—Amos C. Sudler (Amos C. Sudler & Co.)

Vice-Chairman—Malcolm F. Roberts (Sidlo, Simons, Robert & Co.)

Secretary—Albert J. Gould, 1114 Security Building, Denver.

The District has as its representative on the Association's Board of Governors John J. Sullivan (Bosworth, Sullivan & Co.).

W. O. Gay Partner of Henry Herrman & Co.

Announcement is made by Henry Herrman & Co., 52 William Street, New York City, of the admission of William O. Gay, Jr., as a general partner. Mr. Gay has been actively engaged in the securities business for a number of years, his last previous association having been with W. E. Hutton & Co. Prior to the war he was with Blyth & Co., Inc. and earlier was associated with W. O. Gay & Co.

Other partners of the firm are Henry Herrman and William M. Cahn, Jr. The firm, formed in 1930, conducts a general investment business.

Securities Salesman's Corner

By JOHN DUTTON

The other day I stopped by a store that specializes in the sale of cameras and camera supplies. During the past 15 years the public's acceptance of photography has grown into a gigantic industry. From coast to coast, in almost every town and city there are camera stores filled to overflowing with the numerous photography gadgets that have been developed during recent years. This is a new business which has been virtually created by taking up an old are and popularizing it with the general public. The camera business has actually merchandised itself into popularity. This has resulted in a period of growth and prosperity for the manufacturers and distributors of photographic equipment.

The owner of this very fine store has known me for a long while and he stopped to chat a while. He asked the usual question today, "How are things in Wall Street?" I told him he could see for himself just by looking on the financial page of the papers. Then he said, "I don't think you fellows in the stock and bond business sell right." I asked him what he meant by that remark. "Well I don't exactly know how to say it," he replied, "but it seems to me that you never put your best bargains in the window." "In this business, for example, we are always coming out with some new gadget, or an idea for picture making, that has popular appeal. Today the entire nation is camera conscious. We have camera clubs, we inaugurate contests, and we conduct classes that teach people how to make better pictures." Then he added, "How did you happen to buy a movie camera?" "You know how it goes," I replied, "Your wife gets after you because she wants to take pictures of the kids, so before long you are lugging one of the darn things home." He laughted and said, "That's just the point, today the women buy more products by far then do men—we didn't overlook them either when we went out to build up our business." Then he continued to tell me what he thought about the way we sell stocks and bonds. Most of it was not very complimentary to our merchandising ability.

"Take those ads you fellows put in the papers. Who reads them anyway . . . all those cut and dried announcements that are so stilted and forbidding to the average layman. What people *don't* know about stocks and bonds is plenty and you fellows don't tell them anything either. Look at the way interest rates are way down and the yields on good stocks are so high. I'll bet there must be thousands of people who would buy five or 10 shares of a good stock if they knew they could invest small amounts. There must be many people who would never think of walking into a broker's office just because they think such places are only for the more fortunate rich. No foolin', I think the way you people go about selling the average man in the street is pathetic."

And is there not a lot of sense in what he said? Just think of all the wasted time, paper, printer's ink and good money we spill out every year in this business for so-called dignified advertising. Or those dull and monotonous market letters with their hedging and their hawing, all couched in language that may be understandable to the average professional investor, but they are nothing more than gibberish to the lay public. And how about trying to sell the "Missus"? When it comes to knowing the value of a dollar these davs, is there anyone who could be more receptive to the comparative difference between 1½% and the kind of yield obtainable on many stocks today, then Mrs. John Q. Housewife? If some broker in her own home town would tell her how much easier it would be for her to save money for little Johnny's education by taking advantage of the income return you can get today on good securities, don't you think she might be interested? A college education is something she can understand, but balance sheets, prospectuses and Wall Street lingo—never!

There may be many things the fellow that is selling cameras can understand, but balance sheets, prospectuses and Wall Street done when you are selling securities. The Securities Exchange Commission has never clarified its position regarding what you can say and what you cannot say in a letter or an advertisement . . . this is a great handicap to those of us who would like to do some advertising along more unorthodox lines. But the fellow in the camera store is not telling his customers how the cameras are put together, or the kind of nuts, screws and wheels out of which they are made, he says, "BUB, LOOK AT THE PICTURES YOU GET!"

G. H. Walker Hartford Branch Under Gould

HARTFORD, CONN.—G. H. Walker & Co., members New York Stock Exchange and other leading exchanges, announce the opening of a Hartford, Conn., office in the Hartford National Bank Building, 36 Pearl Street, under the management of Charles W. Gould. Harry L. Perkins will be associated with him in the new office.

Mr. Gould was previously with The First Boston Corp.

Francis Hayes With A. G. Becker Co., Inc.

A. G. Becker & Co. Incorporated, 54 Pine Street, New York City, announce the association with the firm of Francis G. Hayes as registered representative in charge of the company's New York trading department, specializing in institutional investments. Mr. Hayes' previous associations include Stillman, Maynard & Co., Bear, Stearns & Co. and Salomon Bros. & Hutzler.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Henry R. Sutphen, Jr., trustee of the **American Savings Bank, of New York**, has been elected a Vice-President of the bank, it was announced on Feb. 26 by William M. Campbell, President. At the same time, Harold M. Mills, formerly Assistant vice-President, has been advanced to the position of Vice-President in charge of the mortgage department. Mr Sutphen is a graduate of Princeton University and after graduation was associated for a number of years with the **Bankers Trust Company of New York.** He then became a partner in the firm of Hackney, Hopkinson & Sutphen, members of the New York Stock Exchange, retiring from this position in February, 1942, when he was commissioned a First Lieutenant in the Army Air Forces. He was placed on inactive duty in late 1945 and holds the rank of Lt. Colonel, Air Reserve. Upon his release from active duty, he became associated with the **Chemical Bank & Trust Company** as manager of the bank's office in Chicago.

H. R. Sutphen, Jr.

* * *

Guaranty Trust Company of New York announces that it is prepared to redeem capital stock scrip certificates for fractional interests in a share of its capital stock at the rate of $30.1823 for each one-ninth of a share represented thereby.

* * *

The Board of Directors of **The Continental Bank & Trust Company of New York** announce that after extended meetings on Feb. 27 and 28, they have approved the proposal of the **Chemical Bank & Trust Company** whereby the business of the Continental will be joined with that of the Chemical. The announcement says:

"At the meetings careful study and consideration was given to the proposals resulting from final negotiations with the Chemical Bank & Trust Company and **The New York Trust Company**, both of which proposals were on file with the Superintendent of Banks at the time of the deliberations. The action of the Board of Directors is subject to the approval of State and Federal banking authorities as well as that of the stockholders of The Continental Bank & Trust Company of New York."

An earlier reference to the proposal of the Chemical Bank appeared in our issue of Feb. 19, page 813.

* * *

In a letter on Feb. 24 to the stockholders of **The Trade Bank & Trust Company of New York,** President Henry L. Schenk in submitting plans for an increase in the capital stated that "since the early part of 1944, earnings have been retained in capital account in order to maintain a ratio between deposits and capital funds in keeping with the rising deposits." President Schenk goes on to say in part:

"Your board of directors are now of the opinion that dividends may be paid provided that capital be brought to a more desirable ratio and have therefore recommended the authorization of an increase in capital from $1,500,000 to $1,800,000 through the issuance of 30,000 shares at $10 per share to be offered to stockholders in proportion of one share for each five shares now held." A special meeting of the stockholders will be held on March 9, to vote on the proposition.

The deposits of the institution on Dec. 31 last were $59,000,000, while the capital funds on the same date (capital, surplus and undivided profits) were reported as $3,300,000.

* * *

The Irving Trust Company of New York has increased its dividend to 20 cents payable April 1 to stockholders of record March 8; the previous quarterly payment, on January 2, last, was 15 cents.

* * *

The National Safety Bank & Trust Co. of New York proposes to adjust its capital funds by issuing rights to present stockholders to subscribe at $12.50 for one new share for each share held, it was announced on Feb. 26. Eighty thousand new shares will thus be issued for a total of $1,000,000, and the bank's capital, surplus and undivided profits will then be $5,000,000. Subscription rights expire April 1. The bank has resources of more than $110,000,000. Charles Richter is Chairman of the Board and Max J. Schneider is President. The bank's main office is at Broadway and 38th Street, with branches at 7th Avenue and 27th Street, Boston Road and 174th Street, and 167th Street and Jerome Avenue.

* * *

The New York Agency of the Swiss Bank Corporation announces that a dividend of 6% has been declared for 1947 against 5% for 1946. The action took place at the 76th annual meeting of the shareholders at Basle on Feb. 27. It was also decided at the meeting to donate 500,000 Swiss Francs to the Bank's Pension Fund and to create a special reserve of 1,000,000 Swiss Francs for proposed new bank buildings. There was carried over a total of 5,007,042.40 Swiss Francs compared with 4,387,663.53 for the previous year.

* * *

The Gramatan National Bank and Trust Company of Bronxville, N. Y. increased its capital on Feb. 17 from $200,000 to $250,000 through the sale of $50,000 of new stock, it is learned from the bulletin of the Office of the Comptroller of the Currency.

* * *

R. H. Johnson & Co. announce that their offering of the unsubscribed balance of 8,008 shares of $10 par value capital stock of **Franklin Square National Bank of Franklin Square, Long Island** has been all sold. Originally, stockholders were offered rights to purchase 12,500 shares of this stock at $42 per share, out of which they subscribed to 4,492 shares.

* * *

Following the approval of the merger of the **Lincoln Rochester Trust Company of Rochester, N. Y.** and the **Ontario County Trust Company of Canandaigua, N. Y.** on Feb. 27 the latter was opened as a branch of the Lincoln Rochester Trust on March 1, reporting this the Rochester "Times-Union" further said:

"Stockholders also approved an increase in the capitalization of the Lincoln bank of 6,610 shares, to bring the total outstanding shares to 301,410 shares. Of this amount 10,000 will be used to acquire the 20,000 shares the Canandaigua bank has outstanding. Raymond N. Ball, President of Lincoln, said that about 75%

of the stockholders of Lincoln were represented at the meeting and 83% of the Canandaigua bank."

In January the Lincoln Rochester Trust absorbed the **Corning Trust Company of Corning, New York,** as noted in these columns Feb. 5, page 617.

* * *

Carl G. Freese, Vice-President and Treasurer of **Connecticut Savings Bank of New Haven, Conn.,** was reelected President of the New Haven Chamber of Commerce at the 153rd Annual Meeting. He is also President of the Savings Banks' Association of Connecticut.

* * *

The Real Estate Trust Co. of Philadelphia announces the following promotions, it is learned from the Feb. 24 issue of the 'Evening Bulletin" of that city:

"Joseph E. Greene, to Vice-President and Trust Officer in charge of Houston Estate; Andrew J. O'Connell, Assistant Vice-President and Corporate Trust Officer; George H. Renninger, Assistant Vice-President and Trust Officer; Frank F. McCarthy, Trust Officer; Robert A. Bodine, Assistant Trust Officer; Thomas J. Nelson, Jr., Comptroller, and Philip F. Sheridan, Assistant Treasurer."

* * *

The establishment of a branch office by **Corn Exchange National Bank & Trust Co. of Philadelphia** at 7179 Ogontz Avenue was approved by Comptroller of Currency, it was indicated in the Philadelphia "Inquirer" of Feb. 20, which stated that the new branch is expected to be opened early this year.

* * *

On Feb. 19 the **Lancaster County National Bank of Lancaster, Pa.** added $100,000 to its capital by the sale of new stock, increasing the amount from $400,000 to $500,000.

* * *

The Bexar County National Bank of San Antonio, Texas increased its capital on Feb. 17 from $250,000 to $500,000, the additional amount having been brought about by the sale of $250,000 of new stock.

* * *

The issuance of additional stock to the amount of $1,000,000 by the **First National Bank of Denver, Colo.** has served to increase the capital of the bank from $1,500,000 to $2,500,000. The office of the Comptroller reports the increase as of Feb. 17.

* * *

George H. Treide, Vice-President of **Citizens National Trust & Savings Bank of Los Angeles, Cal.,** died suddenly of a heart attack Feb. 22. He was 63 years of age. Mr. Treide entered the employ of Citizens National Bank on April 1, 1906 as a messenger and rose through the ranks to become Vice-President two years ago. He served as a director of the bank upon several occasions.

* * *

Advancement of two staff members and election of two new men as officers of the **National Bank of Commerce of Seattle, Wash.** was announced on Feb. 26 by Andrew Price, Chairman and Maxwell Carlson, President, on behalf of the board of directors. Ronald A. Macdonald, formerly Cashier of the National Bank of Washington, Tacoma, became Vice-President in charge of operations on March 1, effective date of all four changes. M. J. Santi, Credit Manager, and John H. McGraw, a credit department member with the National Bank of Commerce, were elected Assistant Cashiers. Both will be assigned to the loan department of the Main Office under the direction of J. L. Platt, Vice-President and Manager. Sheridan P. Gallagher, previously Assistant Chief of the Seattle loan application division of the Reconstruction Finance Corporation, was elected Manager of the credit department.

Sees Bank Deposits Again Divorced From Treasury Operations

New York State Banking Superintendent Elliott V. Bell reports state chartered commercial banks and trust companies have increased their deposits, despite lower Treasury balances. Points to recent striking expansion of deposits of individuals, partnerships and corporations.

In spite of lower Treasury balances, reduced holdings of United States obligations, and the further liquidation of loans secured by these obligations, total deposits and resources at New York State chartered commercial banks and trust companies increased during 1947, according to year-end figures made public by Elliott V. Bell, Superintendent of Banks. This was the first time in several years that Treasury operations failed to determine the course of deposits and resources.

Elliott V. Bell

Influenced mainly by a rise of $1,200,000,000 in other than Treasury deposits in the last quarter, total deposits at these banks increased $386,000,000 in 1947 to $18,700,000,000. Balances maintained by the Treasury were reduced $303,000,000 and, at the end of the year, amounted to only $184,000,000 in contrast with their high point of almost $6,000,000,000 in June, 1945. The shrinkage in Treasury deposits during the past two and a half years has been offset to the extent of 54% by the growth of other deposits.

Expansion of Private Deposits

The most striking change in deposits was the expansion in the deposits of individuals, partnerships, and corporations, which, after declining $336,000,000 in the first nine months of the year, jumped $747,000,000 in the last quarter to a new peak of $14,500,000,000. Although both private demand and time deposits increased in 1947, the rate of growth slackened materially; the former rose by only 3% as compared with 9% in 1946, while the latter grew by less than 2% in contrast with 11% the previous year.

Mr. Bell pointed out that the relatively small increase of $411,000 000 in total assets to an aggregate of $20,700,000,000 resulted from large and divergent movements among the major assets. Holdings of government securities were reduced $1,200,000,000, partly as a result of the debt retirement program and partly as a result of sales. More than offsetting this decline were gains in cash holdings and in loans of all types, except security loans. Cash assets were up $783,000,000 over the year, due chiefly to the reduction of government security holdings, together with the continued inflow of gold.

Loans Increased

In the aggregate, loans were $729,000,000 higher, largely as the result of the remarkable rise of $805,000,000 during the last half of the year in loans to business. This growth of commercial and industrial loans compared with gains of $72,000,000 in the first half of the year and $651,000,000 in the last half of 1946. By the end of 1947 these loans were at a postwar peak of $3,700,000,000, 31% above the previous year-end. The share of total loans represented by these advances to business rose from 64% to 73% in the New York City banks and continued at 39% in banks located elsewhere.

While all major categories of loans increased, loans on securities declined $352,000,000, mainly at New York City banks, to $615,000,000. At the year-end they represented only 11% of all loans, compared with more than half in June, 1945. At that time loans on government securities constituted almost three-fourths of the advances on securities. At the end of 1947 this share was less than half.

Aside from loans to business, the largest gains among classes of loans were those of $86 000,000 in consumer loans to a total of $482,000,000 and of $70,000,000 in real estate loans to an aggregate of $395,000,000. Slightly more than half this gain was recorded in 1947. The banks outside New York City accounted for the major portion of the rise in real estate loans in 1947 which was concentrated mainly on residential properties. Loans on real estate continue to be important in these banks, where they constitute one-third of all loans as against less than 3% in New York City.

Bank Profits Reduced

The downward movement in profits, before taxes on net income, which began in 1946 with a decline of 19% from the peak reached in the previous year, was accelerated in 1947 by a further drop of 30%. Last year such profits, which were reported at $127,000 000, $55,000,000 below 1946, were cut by the sharp drop of almost $27,000,000 in non-operating income in 1946 to a non-operating loss of $2,600,000, and to the reduction of $25,600,000 in net operating earnings of the banks located in New York City.

The major portion of the decline in non-operating income was due to the drastic reduction of almost $22,000,000 in net profits on securities. Both groups of banks reported net losses on loans in 1947 as against net recoveries in 1946. Condensed earnings figures of the New York State banks and trust companies for 1947 and the previous year were as follows:

	1947	1946
Current operating earnings	$358,146,000	$363,361,000
Current operating expenses	228,791,000	208,446,000
Net current operating earnings	129,355,000	154,915,000
Net other income	—2,628,000	26,877,000
Profit before income tax	126,727,000	181,792,000
Taxes on net income	30,368,000	52,824,000
Net profits	96,359,000	128,968,000
Interest and dividends on debentures, preferred stock, etc.	1,047,000	1,255,000
Dividends on common stock	55,771,000	53,904,000
Net profits after interest and dividends on capital	39,541,000	73,809,000

Net operating earnings, before income taxes, fell 19% in 1947 in the New York City banks, while outside they remained virtually unchanged. The proportion of institutions reporting decreases in net earnings was about the same as in 1946, when four-fifths of the banks in New York City and about two-fifths elsewhere were in that category.

New York City Banks

The decline in net operating earnings in New York City occurred despite a rise of 14% in interest and discount on loans. However, the $11,100,000 improvement in loan income was more than offset by the combined effect of a smaller government portfolio which yielded $23,000,000 less income, and by a further rise of $15,900,000, or 10%, in operating expenses. Although the banks outside New York City reported a similar percentage increase in operating expenses and suffered a decline of 11% in interest on government securities, these factors were fully offset by the improvement in other operating earnings, chiefly a rise of 37% in interest and discount on loans. The average annual return on loans at these banks was increased only slightly to 3.99%. In contrast, the New York City banks experienced a sharp rise in the average return on loans from 1.88% to 2.15%, as they continued to replace low-yielding security loans with higher-yielding loans to business and individuals in a market characterized by moderately higher interest rates.

Diminished holdings of government securities reduced the proportion of earnings derived from interest on such securities to 39%, compared with the peak of 50% reported in 1945. As a result of the slight firming of rates and longer average maturities, the upward trend in the average annual rate of return continued in both groups of banks, rising from 1.35% in 1946 to 1.41% in 1947 in New York City, and from 1.59% to 1.66% elsewhere.

Taxes on net income absorbed $30,400,000 of net profits in 1947, or $22,500,000 less than in the previous year. Capital accounts of the 255 commercial banks were increased in 1947 by $43,200,000 to a peak of $1,760,000,000. This gain was due to a net increase of $3,700,000 through the sale of new stock and through mergers and to the retention of net profits amounting to $39,500,000. In the New York City banks the growth in capital in the year kept pace with the rise in deposits, leaving the ratio of capital to deposits unchanged at 9.7%. Outside New York City, where deposits grew only about half as rapidly as capital, the ratio increased slightly to 7.7%.

Dividend disbursements on common stock were increased moderately to $55,800,000 in 1947 compared with $53,900,000 in 1946. Such dividends were paid or declared by 86% of the banks in operation at the end of the year.

Explains Position on Currency Devaluation In EPP Countries

(Continued from page 18)

ference it would be desirable for the State Department to reach an agreement with Great Britain and the directors of the International Monetary Fund with respect to the devaluation of the currencies of the 16 participating countries?

"For the reasons indicated above the National Advisory Council believes that it is not desirable for the United States to enter into a particular agreement with Great Britain or the directors of the Fund with respect to the prospective devaluation of the currencies of the participating nations.

"(5) Does the State Department believe that the European Recovery Program will fail of its objectives unless there is a maximum amount of reciprocal self-help among the 16 participating nations and that this is impossible of achievement until there has been at least a measure of devaluation of the currencies of those nations?

"The Executive Branch has made its position clear that the extension of aid under the European Recovery Program should be conditional on the maximum possible amount of reciprocal self-help among the participating countries. It recognizes that the maintenance of exchange rates which over-value currencies can be a serious hindrance to the expansion of trade and that the expansion of European trade is essential for full European recovery. Consequently, the Council believes, as has been stated in testimony before the House Committee on Foreign Affairs, that exchange rates should be adjusted where this is an essential element in a program of stabilization. It was the opinion of the Council, however, that to make across-the-board devaluations a prerequisite to aid under the European Recovery Program might interfere with the realization of its objectives.

"Sincerely yours,

"JOHN W. SNYDER,
"Chairman
"National Advisory Council
"on
"International Monetary and
"Financial Problems"

Firm Name Now Martin-Holloway-Belcher

KANSAS CITY, MO.—Hoyt Purcell has retired from partnership in Martin-Holloway-Purcell, Fidelity Building, and the firm's name has been changed to Martin-Holloway-Belcher. All other personnel is the same.

Fairman & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John C. Abels has been added to the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

Pennsylvania Brevities

Philadelphians View Market Break

The consensus of opinion of prominent Philadelphia bankers appears to be that last month's abrupt break in commodity prices does not presage an imminent business recession or a long-lived depression, but that it should be termed a healthy sign of corrective influence functioning in a normal manner.

Percy C. Madeira, Jr., President Land Title Bank & Trust Co.—"The commodity price drop may lessen the intensity of the demand for future wage increases based on rising living costs. To this extent this price decline may be very helpful. I am not particularly concerned about the drop in the prices of grains indicating the beginning of any major business recession. The outlook for business for the first six months of this year continues to be excellent. If there is any recession in the last half, I do not think it will be more than one of minor importance and of very short duration."

David E. Williams, President Corn Exchange National Bank & Trust Co.—"Price drops should have a salutary effect on business and be healthy for our economic future. Many factors have contributed to the current recession in commodity prices, including discussions from Washington, large surpluses of grain held by farmers the bulk of which found the market at the same time, and a feeling on the part of the public that lower prices should prevail."

William W. Bodine, Financial Vice-President, Penn Mutual Life Insurance Co.—"What has happened so far has done little more than blunt the peak of the price curve. In view of the recent inflationary trend and of inflationary pressures still remaining, the drop that has been taking place is good news. This is not the start of an adjustment period; it is a different phase of an adjustment that has been going on for some time. A turning point had to come. If this is it, as seems likely, we can all be glad that it was not delayed any longer."

M. Albert Linton, President Provident Mutual Life Insurance Co.—"My feeling is that the break in prices was a healthy development and helped to relieve inflationary pressures. In view of the enormous latent demand for semi-durable and capital goods, it is hard to believe that a long-lived adjustment period is to be anticipated. On the whole I think the price drop will prove to have been constructive from the point of view of business, industry and the general economic picture."

William R. K. Mitchell, President Provident Trust Co.—"The current decline in commodity prices and a moderate recession in business activity would in the long run be a healthful development for the economy of this country since a continuation of the strong inflationary factors would ultimately lead to a far more serious adjustment. Any forecast as to the extent of the commodity price decline and its effect on the economy of the country at this time can be no more than an intelligent guess. It would seem, however, that the great money supply, almost five times that of 1920, together with the substantial unsatisfied demand for capital and consumer goods, would be likely to provide a cushion which would prevent too drastic or too prolonged a decline in prices and business activity in the near future."

Frederic A. Potts, President Philadelphia National Bank—"We may have further readjustment but I do not see any possibility of a prolonged depression. I rather believe that a set-back, although it might be severe in certain areas, will be followed by a revival to a high level of production."

* * *

Bank Bill Assailed

Harrisburg—State Secretary of Banking D. Emmert Brumbaugh last week charged that the Bank Holding Company Bill, now before the U. S. Senate, "either in deadly earnest or unintelligently is the most dangerous and flagrant attempt yet seen to superimpose control by the Federal Government over State governments in the regulation and supervision of State chartered banking institutions."

Speaking before the annual meeting of Group 5, Penna. Bankers Association, Mr. Brambaugh said: "I cannot escape the conclusion that the Bank Holding Company Bill has for its real purpose, not the prevention of concentration of economic power in the hands of a relatively few private corporations and individuals, but the highest concentration of economic power in the hands of the Federal Government through the centralization of control of practically all banking systems, such control to be lodged in the board of governors of the Federal Reserve System.

"I submit to you," he said, "that it seems to be un-American to attempt to pass a law that will force Federal supervision on State-chartered banks whose officials, by their very action in choosing a State charter, gave clear and unmistakable notice that they did not want Federal supervision."

* * *

New Records for Sun Oil

In its report signed by Joseph N. Pew, Jr., board chairman, and Robert G. Dunlop, President, Sun Oil Co., reports new records in crude oil production, refinery output and marketing operations for 1947.

During the year the company produced 33 million barrels of crude, 14% more than in 1946. Crude runs to stills exceeded the peak war year of 1945 by almost 2 million barrels. Company also broke all sales records for motor fuel and lubricants.

Consolidated net income is reported as $24,339,912, equivalent to $5.28 per common share, compared with $14,726,551, or $4.17 per share on the stock outstanding at the end of 1946.

* * *

Hajoca Corp.

W. A. Brecht, President Hajoca Corp., reports new high records in sales and profits achieved in 1947. Moreover, good business for the next three years is forecast.

Sustaining by a continuing high demand for its products, sales reached a new high of $32,300,000, a gain of 39% over the $23,100,000 reported for 1946. Per share earnings in 1947 were $13.20 on 115,121 shares now outstanding, compared with $16.06 on the 69,873 shares outstanding in 1946.

Last year the company offered stockholders the right to subscribe to one additional common at $35 per share for each 10 shares held, and paid a 50% stock dividend in December. Cash dividends totaled $4.25, plus the stock distribution.

* * *

Roberts & Mander Corp.

Although unit sales of quality gas ranges were smaller than in some pre-war years, dollar volume of Roberts & Mander Corp. for the fiscal year ended Nov. 30, 1947, was the largest in company's history, according to Henry S. Minster, President. Production was somewhat curtailed by lack of sheet steel but this was offset by relatively high prices obtained for ranges in the de luxe class. Net profit for the year was $208,292, equivalent to 63 cents per share on 329,446 shares of $1 par common.

* * *

Higher Fares Protested

The City of Philadelphia has formally protested to the Public Utilities Commission against the higher fare schedule filed by Philadelphia Transportation Co. last month.

The petition stated that, besides

(Continued on page 23)

Pennsylvania Brevities

(Continued from page 22)

being "unreasonable," the company's demand might cut down subway revenue by driving riders to other forms of transportation and that the fare boost would "substantially increase the high cost of living of the riders."

Early last month, the company averted a strike by granting employees an over-all wage increase of approximately 15%. This, the company estimates, increased the cost per ride from 9.328 cents to 10.648 cents on bus, trolley and subway-elevated lines. The company seeks a straight 10-cent fare to replace the present 4-tokens-for-35-cents rate. But passengers now paying 10 cents would be raised to 13 cents cash or two tokens for a quarter.

Mayor Bernard Samuel comments: "I am hopeful that through economies not affecting service to car riders, the Philadelphia Transportation Co. can continue to operate efficiently without fare increases."

* * *

Follansbee Expands

Pittsburgh — Follansbee Steel Corp. has acquired a controlling interest in Federal Enameling & Stamping Co., McKees Rocks, Pa. manufacturer of enameled ware and other domestic utensils. Federal uses cold rolled sheet steel of which Follansbee is a supplier.

The agreement calls for the acquisition by Follansbee of slightly more than 70% of outstanding Federal stock, amounting to 28,213 shares. On Feb. 18, Follansbee paid $3,490,560 in cash for 51%, or 20,556 shares, of Federal. The remaining 7,657 shares will be acquired through the exchange of five shares of Follansbee for each share of Federal. As a result of the transaction, Follansbee stock will be increased by 38,285 shares. The Union National Bank of Pittsburgh has loaned Follansbee $2,500,000. The balance of the cash required was advanced from the corporation's own funds.

* * *

American Window Glass

Pittsburgh—At a special meeting to be held here April 27, stockholders of American Window Glass Co. will be asked to approve the merger of their company with its wholly owned subsidiary, Glass Products, Inc. The merger would involve a recapitalization of the parent company.

It is proposed that each share of present Window Glass 5% preferred, par $25, be exchanged for one share new 6% preferred, par $20, and one new common, par $1. The present common, par $12.50, would be converted into new common share for share.

Frigidinners, Inc. Common Stock Put on the Market

Recently Woodcock, McLear & Co. of Philadelphia, Pa., made the initial public offering of Frigidinners, Inc. Common Stock. The stock is priced at $2 per share less 24 cents dealer's compensation.

Frigidinners, a local Philadelphia Company, is primarily in the precooked quick frozen food business. It is believed to be the only company that carries a complete line, consisting of 16 varieties of prepared dinners, and is also the only company that sells frozen dinners in disposable aluminum plates to the major air-lines.

In addition to the pre-cooked foods, the company also processes two raw items—minute steaks and meat patties. National chain food stores and super markets take the entire supply of these two products.

The business of the company is growing so rapidly that additional working capital became a necessity. This is being raised currently.

Phila. Stock Exchange Elects Barclay Pres.

PHILADELPHIA, PA.—At its annual election March 1, members of the Philadelphia Stock Exchange elected William K. Barclay, Jr., Stein Bros. & Boyce, President, to succeed Frank E. Baker, Baker, Weeks & Hardin.

Wm. K. Barclay, Jr.

Of 13 nominees to serve on the Board of Governors the following were elected to the seven-man board: Samuel K. Phillips, Samuel K. Phillips & Co.; Harry MacDonald, Bioren & Co.; H. Gates Lloyd, Drexel & Co.; Frank E. Baker, Baker, Weeks & Hardin; George W. Elkins, Jr., Elkins, Morris & Co.; Herbert T. Greenwood, H. T. Greenwood & Co., and William DeHaven Townsend, DeHaven & Townsend, Crouter & Bodine.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc., William Blair & Co. and The Illinois Co. on March 1 offered $3,000,000 Wisconsin Power and Light Co. first mortgage bonds, series B 3⅛%, due Jan. 1, 1978, at 102.46% and accrued interest. The group was awarded the bonds on its bid of 102.01%.

Proceeds from the sale of the bonds, together with proceeds from the company's recent sale of $3,000,000 4.80% preferred stock, are to be applied towards the company's construction program.

Wisconsin Power and Light Co. is engaged principally in supplying electric energy and manufactured gas in central and southern Wisconsin. The territory has an estimated population of close to 450,000 and is centered principally around the cities of Sheboygan and Fond du Lac, Beloit and Janesville, Beaver Dam and Portage.

For the 12 months ended Sept. 30, 1947, the company derived about 90.7% of its operating revenue from the sale of electricity, 7.5% from the sale of gas and the remainder from the sale of water and central heating service. Close to 40% of the power produced by the company in 1946 was generated in its own hydro-electric plants. For the 12 months ended Sept. 30, 1947, gross operating revenues were reported to be $16,186,035 and gross income available for interest, but after depreciation and all taxes, was $3,905,915; maximum annual interest requirements on funded debt outstanding after this financing will total $1,124,750.

The company may redeem the bonds at a price of 105.50% in 1948, the premium reducing annually thereafter.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was made Feb. 18 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $77,080,000 1.55% consolidated debentures dated March 1, 1948 and due Dec. 1, 1948. The issue was placed at par. Of the proceeds, $38,510,000 was used to retire a like amount of debentures maturing March 1 and the balance of $38,570,000 was new money. As of March 1, 1948 the total amount of debentures outstanding amounted to $404,490,000.

Bond Club of Detroit Annual Dinner March 4

DETROIT, MICH. — Thursday, March 4, 1948, is the date chosen by the Bond Club of Detroit for its Thirty-second Annual Dinner.

The dinner will be held in the Wayne Room, Hotel Statler, at 7 p.m. Cocktails will be served in the Bagley Room at 6 p.m.

Prentiss M. Brown

The guest speaker will be Prentiss M. Brown, Chairman of the board, The Detroit Edison Co. The title of his talk is: "The Outlook."

Because of the prominence of the speaker and his broad knowledge of banking and industrial affairs, the Committee is looking forward to an unprecedented large number of guests. Guest tickets are available from Mr. G. S. Currie, Crouse & Co., RA. 8670.

Gordon B. Todd and Five Others Accused of Fraud and Usury

N. Y. State Attorney General obtains injunction against group operating scheme to avoid Federal Reserve margin requirements

Nathaniel L. Goldstein, New York State Attorney General, obtained on March 1 an injunction against six men, charged with fraud and usury in the operation of a scheme to get around the Federal Reserve margin requirements on stock exchange transactions. An injunction order by Supreme Court Justice Pecora has been issued against Gordon B. Todd, head of Gordon B. Todd & Co., 25 Broad Street, New York City, reputedly a dealer in puts and calls, and five other men, restraining them from dealing in securities. The injunction requires the men to show cause by March 15 why the restraining order should not be continued pending trial for a permanent writ.

According to the Attorney General, the accused offered investors the opportunity of buying 100-share blocks of any listed security through Gordon B. Todd & Co. without furnishing cash or collateral. The purchaser was required to sell out within a week and received any profit—and, of course, paid any loss—but he also was required to pay Todd & Co. 6% interest on the money advanced for each 100 shares plus a $25-a-week "service charge" on each 100-share block.

Associates of Gordon B. Todd named as co-defendants are Edgar B. Hunt and Clifford J. Pough. These three men are also charged with failing to register as dealers in securities.

Customers' men accused by the Attorney General as having solicited and handled Todd's orders are William A. Hagerty and John F. Murray, employed during the period covered by the Attorney General's investigation by Mallory, Adee & Co., a member of the New York Stock Exchange. Another customer's man accused is Gerald Monahan, employed by Joseph Faroll & Co., also a member of the New York Stock Exchange.

The Stock Exchange on March 1 announced it had suspended the license of Mr. Monahan as a customer's man pending the outcome of the hearings in the matter.

As the firm of Mallory, Adee & Co. dispensed sometime ago with the services of William A. Hagerty and John F. Murray, no action was taken in their cases.

Holds Commodity Break a Warning Signal

First National Bank of Boston says we are in a vulnerable lush period, with a bloated and distorted economy supported by stilts.

"The dramatic break in farm commodity prices is a warning signal that the boom is highly vulnerable," says The First National Bank of Boston in its current "New England Letter." Continuing the Bank says, "We are in a lush period, with the bloated and distorted economy supported by stilts. Once again it is demonstrated that relentless economic forces will in the long run prevail over short-term political expediency.

'Farm prices, led by grain, underwent a sharp decline because the report that crop conditions had so improved indicated that the acute food crisis had been relieved and apparently world food requirements would be largely met.

"The index of farm commodity prices has declined about 10% from the mid-January peak. It is possible that prices of agricultural products will fluctuate within a comparatively narrow range pending more definite clarification as to the outlook for fall crops. Prospects are that if bumper crops should materialize here and abroad, farm prices would undergo a further sharp decline which would be shared to a lesser extent by non-agricultural commodities, and this would signal the end of the current boom. Subsequent readjustments on a moderate scale would place our economy in a healthier position. There are no prospects that any decline in business would repeat the trend following the crash of 1929, as the business pattern is entirely different. In the earlier period business had exhausted the backlog of demand inherited from the first World War and was riding along on borrowed money, which gave out. Now, on the other hand, the pent-up demand is perhaps the greatest on record but it needs to be satisfied at a lower price level in order to clear the markets.

"While the boom is similar to that of 1920, there are striking differences. The backlog of demand is greater as our participation in the last war was over a more extended period. The farmers are in a much stronger position, with debts much lower and savings considerably higher than after the end of the first World War. Furthermore, the government is committed to support farm prices at around 90% of parity to the end of this year. Instead of allowing nature to take its course, as was true in the 1920-21 period, the government would in the event of a business recession step into the breach and provide cushions to soften the impact.

"The decline in farm prices calls attention once again to the chronic problems of the farmer. Agriculture constitutes a significant segment of our economy. About 19% of our population live on farms, while farmers now receive about 15% of national income and in consequence are an important source of demand for industrial products. Agriculture as an industry is handicapped by lack of control over production because of the important part played by the weather. On the other hand, consumption of most agricultural products is quite inelastic, with the consequence that even a drastic decline in prices does not appreciably stimulate demand. As a result of these conditions, agriculture in more normal times is subject to chronic surpluses. It would appear that the peak of the agricultural boom has been passed and that the trend of farm commodity prices and land values is downward. Over the years, after trying one measure after another, no adequate solution has been found to the problem created by oversupply because there has always been resort to political expediency brought on by pressure groups aided and abetted by politicians. Many times government agencies work at cross purposes, such as advocating a reduction in acreage, while at the same time there are extensive programs for the development of new lands through irrigation, the selection of better seeds, increased use of fertilizer, and the like.

"Regardless of what the immediate business trend may be, the sharp break in farm commodity prices should be considered as a warning signal that the boom is in a 'frothy' stage and is therefore in the 'danger zone.' It is time to 'stop, look, and listen,' for to ride the crest of the boom is to be caught in the undertow.

"Based upon all recorded history, booms come to an end and adjustments follow. There is no reason to expect that natural laws will not again take charge and bring about some needed corrections to bring our economy into better balance."

Nat'l City-Chase Bank Syndicate Market Issue of $300,000,000 State of N. Y. Bonus Bonds

The National City Bank of New York and The Chase National Bank head a nationwide group which on March 2 won the award of $300,000,000 State of New York War Bonus Serial Bonds at a net interest cost of 1.79375. Due serially Jan. 1, 1949 to 1958, inclusive, the bonds were re-offered publicly at prices to yield from 0.90% to 1.85%, according to maturity.

The group bid par for the $120 million 2% Bonds, due 1949-1952 and $180 million 1¾% Bonds, due 1953-1958.

The proceeds of the issue will be applied to payment of the bonus to New York State veterans of World War II, which was authorized by popular vote in the 1947 election. Bonus payments began in January from funds received from $100,000,000 one-year notes.

There will be no additional Bonus Bonds issued during 1948, according to State Comptroller Frank C. Moore. Also, no housing or other bond financing is planned within the next six months.

All the Bonds maturing on Jan. 1, 1958 may be redeemed, at the State's option, at par value and accrued interest on Jan. 1, 1956 or any interest date thereafter.

Interest on the Bonds is exempt from Federal and New York State income taxes, and the Bonds are eligible, in the group's opinion, as legal investments for savings banks and trust funds in New York, Massachusetts, Connecticut and certain other states. They are acceptable to the State of New York as security for State deposits, to the Superintendent of Insurance to secure policyholders, and to the Superintendent of Banks in trust for Banks and Trust Companies.

With Hugh W. Long & Co.

DALLAS, TEXAS — Robert G. Frank is representing Hugh W. Long & Co. of New York from offices at 2704 Llewellyn Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A buoyant tone continues in the government securities markets, in spite of increased reserve requirements for banks in New York City and Chicago and the tightening of the money markets through the redemptions of Federal-owned debt. . . . Income tax payment the middle of the month should restrict the picture somewhat further. . . . Nevertheless, demand for both the taxable and partially-exempt eligibles is enlarging with lengthening of maturities gaining some additional followers, because institutions are finding out that the income from bills and certificates is not quite large enough to meet expenses in the way in which they have been accustomed to in the past. . . .

DEMAND

The demand for tap bonds has shown some betterment, although it has not yet reached proportions that can be considered sizable enough to indicate a reversal of the trend. . . . It has been, however, on occasions sufficient to move prices a thirty-second or so above pegged prices, which is definitely an improvement in market action of these securities. . . . Considering that they had been flat on their back at "pegged" quotations since the latter part of last year. . . . The 2½s due Dec. 15, 1967/72 are the leader of the restricted group in the yet spotty demand. . . .

Despite increased offerings of State and municipal bonds, the demand for partially-exempt Treasuries remains sizable, especially among the larger commercial banks. . . . It is being pointed out that although the partials are not protected by government support, they have done considerably better marketwise than the eligible taxable issues that are "pegged." . . . Also the floating supply of the exempts is declining and will continue to decline through redemption by the government. . . . Since the end of last year the greatest progress on the upside has been made in the 2¾% due 1956/59, followed by the 2⅞% due 1955/60, and the 2¾% due 1958/63. . . .

SWITCHING

The fact that the 2¾% due 1960/65 have not shared in the price rise of the other longer-term partially-exempts (since the end of last year) is now bringing buyers into the most distant maturity of these securities. . . . The tax-free yield that is available in the 2¾% due 1960/65 makes this issue more attractive than the other longer maturities of the partially-exempts, in the opinion of many followers of the government bond market. . . . As a result switches are being recommended and made from the other partially-exempt as well as the taxable eligibles into the 2¾% due 1960/65. . . .

BANK BUYING

The 2¼s due 1956/59 are coming in for buying from commercial banks, especially those in the outlying areas, with some of these institutions moving out of the 2½% due 1956/58 into the 2¼s in order to reduce premiums. . . . It seems as though the desire is still there among certain of these banks to keep the premium account as low as possible, without sacrificing too much income. . . .

Savings banks are reported to be taking on not too sizable amounts of the restricted issues in order to obtain income on funds that have not been working as effectively as they might have been in the recent past. . . .

Selling of ineligibles by insurance companies and other investors appears to be drying up and the tapering off of this liquidation by institutional holders of tap issues is no doubt due in some measure to the cautious attitude that seems to be appearing among lenders of funds. . . .

LIQUIDATION

From Nov. 5, 1947 through Feb. 18, 1948, member banks of the Federal Reserve System sold 7.75% of their total holdings of government bonds. . . . The heaviest sellings of Treasury bonds took place in the Minneapolis and Boston districts with slightly more than 14.0% of their holdings being liquidated during this period. . . . Kansas City was next with more than 12.0% being sold while the New York area followed with somewhat in excess of 10% being disposed of. . . . St. Louis showed liquidations amounting to more than 9.0%, with the Atlanta district selling more than 7.0% of their holdings. . . . Philadelphia, Chicago and Cleveland followed with decreases in excess of 5.0%. . . .

Among the small sellers were the San Francisco and Richmond areas, with disposals running just under the 4.0% mark. . . . The smallest sales of all districts took place in the Dallas area, with eliminations amounting to only slightly more than 2.0% of total positions in Treasury bonds. . . .

CANADIANS WEAK

Canadian internal government bonds suffered another sinking spell as official support was withdrawn from the market. . . . This is the second time in two months that support levels have been lower by the monetary authorities in Canada. . . . Our neighbors to the north seem to be doing the same thing that we did to prices of Treasury securities here until they reached levels that were considered satisfactory for permanent "pegs." . . .

The Canadian situation is, however, somewhat different from ours, since the banks there do not own as many government bonds as do the institutions in the United States. . . . Individuals also bought large amounts of Canadian Government bonds during the war. . . . The problem of demand obligations in Canada is not comparable to that of the United States. . . .

Accordingly, a lowering of government bond prices in Canada to even below par levels would probably not have as severe repercussions as would be the case here if quotations broke the 100 level. . . .

AT HOME

Whether the better tone in corporates and municipals is helping the government market, or vice versa, appears to be a matter of conjecture. . . . Nonetheless, there is a growing demand for high-grade bonds with buyers definitely indicating a marked preference for high quality issues.

Export-Import Bank Grants $6 Million Credit to Mexico

Part of $50 million authorized to finance ammonium sulphate plant

The Mexican Embassy in Washington and the Export-Import Bank announced on Feb. 26 that the Board of Directors of the Bank have authorized a credit of up to $6,000,000 to Nacional Financiera, S. A., a financial agency of the Mexican Government, for the purchase of United States equipment, materials, and services required for the construction of an ammonium sulphate plant near Mexico City.

This credit was authorized in accordance with the commitment made by the Export-Import Bank to extend credits aggregating $50,000,000 to finance projects approved by the Mexican Government and acceptable to the Bank.

The proposed ammonium sulphate plant is to be constructed and operated by Guanos y Fertilizantes, S. A., which is wholly owned by Nacional Financiera. The total investment required to establish the plant is estimated at $10 million, of which $6 million will represent cost of U. S. equipment, materials and services. The other $4 million is required to cover costs of Mexican equipment, materials and labor as well as working capital and will be supplied by Guanos y Fertilizantes. Plans and cost estimates for the proposed ammonium sulphate plant have been prepared by Chemical Construction Corporation of New York City, which is to have continuing responsibility for final design, supervision of plant construction and technical supervision of production operations for a period of not less than three years. The plant is to have a daily capacity of 200 short tons of ammonium sulphate, which is to be produced from ammonia synthesized from natural gas and sulphuric acid manufactured from raw sulphur. The natural gas required will be obtained from a pipeline which Petroleos Mexicanos is now constructing from the Poza Rica field to the Mexico City district for the supply of industrial consumers. Sulphur will be obtained from the desulphurization plant which Petroleos Mexicanos is to erect at Poza Rica to clean the gas prior to transmission through the pipeline.

On the basis of operation 350 days per year, the plant will have an annual production capacity of 70,000 short tons of ammonium sulphate and approximately 17,000 short tons of sulphuric acid in excess of the amounts required for ammonium sulphate production. The plant is intended to supply Mexico's growing demand for nitrogenous fertilizers and is expected to make a significant contribution to the improvement and expansion of Mexico's agricultural production.

The credit will be available until Dec. 31, 1949. The obligations of Nacional Financiera in evidence of advances under the credit it will bear interest at the rate of 3½% per annum, will be unconditionally guaranteed by the Mexican Government and will be payable in not more than 20 semiannual installments beginning June 30, 1950.

New York Stock Exchange Weekly Firm Changes

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

Arthur R. Powell retired from partnership in J. H. Brooks & Co. on Feb. 28.

Raymond V. V. Miller, special partner, withdrew from Cohu & Torrey on Feb. 29.

Treasury to Transfer Jurisdiction Over Blocked Funds to Alien Property Office

After June 1, outstanding licenses for withdrawals to be inoperative, pending a census of all blocked foreign assets by Justice Dept.

Secretary of the Treasury Snyder on March 1 announced that effective June 1, 1948, the Treasury Department will cease to have jurisdiction of blocked foreign funds. On that date, the jurisdiction over the remaining blocked assets will be transferred from Foreign Funds Control in the Treasury Department to the Office of Alien Property in the Department of Justice. Attorney General Clark joined Secretary Snyder in urging that persons whose assets may be unblocked under the certification procedure provided by Treasury's General License No. 95 avail themselves of this procedure before June 1, 1948. After that date, outstanding licenses authorizing withdrawals or changes in the assets will become inoperative.

The Attorney General stated immediately upon transfer he will take a census of all assets remaining blocked. In line with this Government's decision to assist countries which receive financial aid under the European Recovery Program in locating assets of their resident nationals held in the United States, the information concerning the names and assets of such nationals as disclosed by the new census will be given to the governments of the appropriate countries.

In addition, the Attorney General stated that in order to prevent the escape of enemy assets from this Government's control and to implement further this Government's objective to assist countries which receive financial aid under the European Recovery Program, the Office of Alien Property, immediately after receipt of the census information, will begin to process for vesting the assets remaining blocked and held in Swiss and Liechtenstein accounts. The vesting program will also be applied to uncertified assets held indirectly through recipient countries where the census information does not disclose the beneficial owner. Assets, either before or after vesting, may be released upon a showing of non-enemy interest. In such cases, the Office of Alien Property will consult with the government of the country of which the alleged beneficial owner is a resident. It was pointed out that claims for the return of property vested in the Attorney General must be filed within two years after the date of vesting.

Secretary Snyder added that Treasury, Justice and State Department representatives are currently engaged in discussions with representatives of the Swiss Government concerning certain aspects of the program. It was pointed out that Switzerland is not a country which is to receive financial assistance under the European Recovery Program.

The governments of the European Recovery Program countries included in General License No. 95 are being requested to give their residents public notice of the action which will be taken by the United States on June 1, 1948, and to urge their residents to apply to them immediately for the certification of their assets held in the United States if the assets qualify for certification. Secretary Snyder suggested that persons in the United States holding blocked assets of foreign nationals immediately inform such nationals of the present announcement.

Treasury officials stated that this announcement in no way affects its control over importation of securities specified on the list attached as a part of General Ruling No. 5.

Reports Increased Real Estate Investment by Life Insurance Companies

Institute of Life Insurance estimates non-housing real estate bought by life companies in 1947 at $122 million, bringing total holdings to $192 million.

Marking the first major development of a new type of financing for American business and industry, the life insurance companies of this country last year purchased $122,000,000 worth of non-housing real estate for investment purposes, bringing holdings of this type to $192 million at year end, the Institute of Life Insurance reports.

The purchases were store office and factory properties and were located from coast to coast. In many cases, the transactions represented outright purchase of existing properties from the owner-occupants, for re-lease to the occupants on a long-term basis. In some other cases, they have been new properties or plant expansion provided for predetermined tenants.

With the increased activity in this type of investment in 1947, nearly 40 companies out of 130 surveyed owned some non-housing real estate for rental purpose at the close of the year. Investments of this nature can be made by the life companies in all but nine states today, while the first state to actually permit it by statute did so in 1942. The legislation permitting these investments was not extensively adopted until 1945, when seven states took action, and in 1947 permissive legislation was adopted in 20 states.

"The investment of funds in non-housing rental properties is a form of equity financing which aids business just as effectively as capital funds placed in securities," the Institute commented. "At the same time, it does not involve a voice in management nor does the rate of return depend on the annual degree of prosperity of the business. It involves long-term fixed income."

Rental real estate investments constitute one of the important developments to come from the life insurance company search for new avenues for investment of their policy reserve funds at a satisfactory return. Through this medium, the funds accumulated for policyholders are put to work in a broad range of business and industrial services. Among the properties already acquired are represented such diverse activities as publishing plants, restaurant commissaries, department stores, chain stores, office buildings, and can manufacturing. They represent a form of equity financing for both large industrial firms and small businesses.

Stimulated in large part by the current need for increased working capital on the part of business and by the pressing necessity for broadening investment outlets for the life insurance companies, there have been many and varied reasons for such transactions.

These transactions have freed capital for the business firms involved, to aid in meeting the greatly increased demand for working capital, especially under present conditions of high prices and expanding activities. Smaller debt structures have resulted, the financial structure has been simplified and, frequently, a tax advantage has accrued to the firm going on the rental basis. Where debentures were the alternative, there has been a broadened borrowing capacity for other needs.

Among the year's transactions of the life insurance companies were the following: $10 million plant construction job for American Can Co.; Sears Roebuck and Montgomery Ward store buildings in cities from coast to coast; F. W. Woolworth store buildings, including one of its largest, the $5.4 million property in the Loop in Chicago, purchased and leased back to the chain on a 90-year lease; department store buildings of Henry C. Lytton in Chicago, Bonwit Teller in New York, Filene in Boston, Hahne in Newark, Goldblatt Brothers in Chicago, one of these alone carrying an estimated purchase price of more than $6 million; six-story building in Long Island City, N. Y., valued at $1.35 million to house a food preparation and distribution center for Bickford Restaurant chain; Jersey City Printing Co. plant in Jersey City, N. J.

December purchases of more than half a billion dollars worth of industrial bonds by the U. S. life insurance companies brought their total purchases of such securities for the year to $2,019 million, the Institute of Life Insurance also reports. The industrial bond holdings at year end were $4,860 million. These holdings were up 49% in the year and were more than three times the 1940 holdings.

Aggregate new investments in mortgages and securities in December by the life companies were $1,294 million and for the year they were $9,017 million.

"The financing aid extended to business and industry during 1947 by the life companies investing policyholder reserve funds represented more than three-fourths of their investments in the year," the Institute stated. "Of the nine billions of new investments made, $4,460 million went into railroad, utility and industrial securities. At the same time, $2,733 million went into real estate mortgages."

Last year's life insurance investment purchases reported by the Institute were:

	Purchases December 1947	Purchases December 1946	Purchases 12 Months 1947	Purchases 12 Months 1946	Holdings December 31 1947	Holdings December 31 1946
	(000,000 Omitted)					
U. S. Government Securities	$161	$290	$1,472	$3,061	$19,826	$21,508
Railroad Bonds (U. S.)	63	12	255	393	2,787	2,712
Public Utility Bonds (U. S.)	127	110	1,876	988	6,726	5,388
Industrial & Misc. Bonds (U. S.)	548	367	2,019	1,930	4,860	3,254
Stocks (U. S.)	26	85	310	403	1,371	1,132
State, County, Munic. Bonds (U. S.)	7	5	61	28	614	593
All Foreign Securities	32	20	246	359	1,724	1,667
World Bank Bonds	3	*	45	*	41	*
Farm Mortgages	23	18	237	188	838	798
F.H.A. Mortgages	74	25	458	211	1,413	1,284
Veterans Administration Mortgages	66	*	575	*	807	*
Other Mortgages	164	207	1,463	1,277	5,498	4,977
Total Securities & Mortgages	$1,294	$1,139	$9,017	$8,838	$46,505	$43,313
Farm Real Estate	1	*	1	*	77	*
Other Real Estate	32	*	204	*	761	*
Policy Loans	30	*	330	*	1,917	*

*Not reported on monthly basis in 1946.

Estimates Unemployment Reserves at $7 Billion

National Industrial Conference Board says every state has funds "at least triple" annual outlay for unemployment compensation.

Funds available for unemployment compensation benefits reached an all-time peak of $7.1 billion on Sept. 30, 1947, according to an analysis of reserves for unemployment compensation benefits which has just been completed by the National Industrial Conference Board.

Every state now has in its reserve an amount "at least triple" its highest annual expenditures for unemployment compensation despite "heavy benefit disbursements during reconversion." The reserves of 22 states exceed 10 times their highest annual expenditures, the analysis points out.

The Financing

The Federal Unemployment Tax Act levies a tax of 3% on the payrolls of specified employers. Any such employer subject to a state unemployment compensation law may credit up to a maximum of 90% the taxes paid by him under the state law against this federal tax. Because of this offset feature, all the states, and Hawaii and Alaska have passed unemployment insurance laws. Most of them have established their standard rate at 90% of the federal tax, or 2.7%. The proceeds of these state taxes on employers become the chief source of the funds from which benefit payments are made. Of nine states which at various times also imposed an employee tax to finance unemployment insurance, only two states—Alabama and New Jersey—continue to do so.

The 10% of the federal tax which cannot be offset is collected by the Federal Government and becomes part of general revenues. Federal grants from general revenues in turn provide the funds to cover all state administrative expenses in unemployment compensation. The full proceeds of the 0.3% federal tax have not been found necessary for state administrative costs. The excess, which at present amounts to approximately $800 million, "may be tapped by the states for benefit payments if their reserves should become dangerously low."

Reserve Over $7.0 Billion

From the beginning of the program to June 30, 1947, $9.8 billion was collected through state payroll taxes on employers and $600 million from employee payroll taxes. An additional $700 million, which represents interest earned on the 51 state accounts in the unemployment trust fund, brings the total sum raised for unemployment benefit payments by June 30 to $11.2 billion. Benefit payments amounted to only $4.1 billion during the same period, leaving a reserve of more than $7.0 billion to finance future benefit loads.

Reserves High

About 44 cents has been paid for each $1 collected since benefits were first payable under the various state unemployment insurance programs. This ratio of benefits to contribution results from a high level of wages and minimum unemployment and explains the "enormity of funds" currently available.

Reserves on Sept. 30, 1947, could "easily meet" benefit payments equivalent to the highest amount expended during any previous year. In fact, the sum of the 51 state reserves was 6.5 times the 1946 national benefit outlay, the highest in the history of the program. The individual state reserves were also "in excellent shape" when measured against past peak annual expenditures. Michigan, at the foot of the list, had a reserve equivalent to 2.9 times its highest annual outlays, which occurred in 1946.

V. E. Breeden Is V.-P. Of Wm. R. Staats Co.

LOS ANGELES, CALIF.—Vic E. Breeden has been elected Vice-

Vic E. Breeden

President in charge of the municipal department of William R. Staats Co., 640 South Spring Street, members of the Los Angeles and Chicago Stock Exchanges. Mr. Breeden was formerly an officer of R. H. Moulton & Co. with headquarters in San Francisco.

Clifford Minor With Penington, Colket & Co.

Announcement is made of the association with Penington, Colket & Co., 70 Pine Street, New York City, members of the New York and Philadelphia Stock Exchanges of Clifford E. Minor, formerly Manager of the investment department for the past seven years of E. W. Clucas & Co. As an account executive, Mr. Minor will serve a clientele established over his many years in the securities business.

A member of the banking and investment field for 23 years, Mr. Minor headed his own firm, C. E. Minor & Co., from 1929 to 1936. Previously he served as an Assistant Secretary-Treasurer and a director of the New York Land Bank from 1922 to 1925, during which association he devised a system of accounting which was adopted by the Federal Land Bank System in the 12 Federal Reserve Districts.

Mr. Minor received his commercial bank training at the main office of The Chase National Bank in New York working in the then 31 departments through the Audit Division.

Standard Oil (Ind.) Arranges Financing

Dr. Robert E. Wilson, Chairman of the board, and A. M. Peake, President, announced Feb. 26 that Standard Oil Co. (Indiana) has arranged to sell debentures not to exceed $50,000,000 in the aggregate amount to the Equitable Life Assurance Society, New York.

The debentures will be dated Feb. 1, 1948, will bear interest at 2¾%, and will mature in 15 equal annual instalments.

The company is committed to sell at least $40,000,000 of these debentures to the insurance company not later than Dec. 31, 1948, and at its option may sell additional debentures not to exceed $10,000,000 on or before that date.

The loan was arranged by Morgan Stanley & Co. The funds derived from the sale of these debentures will be used by the company in financing its major construction program in 1948 and 1949.

Wm. D. Hooper Opens

(Special to THE FINANCIAL CHRONICLE)

FT. WAYNE, IND.—William D. Hooper is engaging in a securities business from offices in the Central Building.

Reports Backlog of Orders Falling

Business Survey Committee of National Association of Purchasing Agents, headed by Robert C. Swanton, sees more conservative forward buying, pending clarification of markets. Industrial inventories stated to be declining slightly.

According to the latest report of the Business Survey Committee of the National Association of Purchasing Agents, the Chairman of which is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Corp., "two factors have had important effects on February business in decline of the grain markets and extreme weather conditions. Industrial production, generally, is being maintained at previously reported highs, but the trend to increase has stopped and a slight downturn is

Robert C. Swanton

reported by purchasing executives. Much of this change is attributed to work stoppages caused by weather conditions which have affected fuel and material deliveries.

"At the same time, the increase in backlogs of new orders showed a marked decline from January, 18% reporting increases, compared to 30% in January, with 60% retaining an unchanged but satisfactory order position. This sharp change in the new business trend reflects the declines in the sensitive commodity markets. Those directly concerned with the commodities affected, have noted an acute shrinkage in future orders. Others are taking a closer position on forward buying, awaiting a clearer view of the markets. Some of the optimism has disappeared—not changed to pessimism—but to a more conservative policy.

"On the whole, Purchasing Agents express confidence in the immediate future, looking on the market drop as a necessary and healthy adjustment long overdue, and are prepared to proceed with caution.

Commodity Prices

"Over-all, industrial prices, which had been slowly trending upwards in the past few months, show a decline — principally in products related to the speculative commodity markets. Most of the other items indicate a leveling off, the principal exception being steel. The recent increase is too new to have a bearing on current prices. Not all steel is included in the rise. How much will be passed on to end products, is not known. Competition, however, is becoming sharper in many fabricated products. Worker productivity is increasing. The drift is towards a buyers' market. These deflationary forces, continuing to grow, will probably affect the general price structure in the not too distant future.

Inventories

"Industrial inventories show a slight dip for the month, with fewer companies reporting any increase, since October. Many comment that any increase is temporary, due to production interruptions, freight tie-ups and car shortages. The policy for the near future is to tighten up even more, wherever possible, and hold to current production needs as supplies continue to increase, meeting demands in shorter lead time. Steel and aluminum are the principal short supply items. Requisitions are being carefully screened to secure strict control over inventories.

Buying Policy

"The first impact of the commodity market change was on buying policy. A shorter range is dictated by the price uncertainties, coupled with slowing up of new orders and further pressure for control of inventory. The trend of buying for 90 days and under continues, with 92% holding to that coverage, compared to 87% in January. The real change in buying attitude has come within the 'hand-to-mouth to 90 day' bracket. Sixty days is the coverage most desired, but many are trying to hold commitments under this. Extreme caution is being exercised.

Specific Commodity Changes

"The February steel price increases came as a surprise to most buyers, in the face of commodity and stock market changes. Otherwise, hard goods had shown a tendency to level off or reduce with increasing competition.

"Up were: acetylene, alcohol, benzol, cement, carbon black, coke, fuel oil, glass, polystrene, tallow, zinc alloys.

"In tight supply: acetate, rayon yarn, aluminum, burlap bags, bolts, caustics, chain, copper, cotton goods, dextrines, dyestuffs, fuel oil, gas, gasoline, lead, dry lumber, nails, specialty papers, paraffine wax, pipe, tin, valves, prime Western zinc.

"Lower prices noted: grains, paper boxes, botanicals, boot twine, cotton, small motors, some fats, feed, foods, hides, leather, mercury, paper towels, rubber, soap, sugar, weatherproofed wire.

"Easier to get: corrugated boxes, brass, some hardware, line hardware, paper supplies, plastic materials.

Employment

"The trend is a little on the down side. The rate of increase has slowed down perceptibly. Sixty-eight percent, however, report maintaining high production employment. There has been some strike and wage demand talk, but it has not created much uneasiness. The prospect of a drop in living costs and the possibility of layoffs if production turns down, are brakes on strike influences.

Canada

"The general business picture has not changed noticeably — somewhat down from last month. Prices are firm, with trend to advance. Inventories are being reduced. Employment is off—lack of imports under the austerity program given as the cause. Buying policy within three months' limits."

Chicago Exch. Members

CHICAGO, ILL.—The Board of Governors of The Chicago Stock Exchange has announced the election to membership of the following:

J. Vander Moere, J. Vander Moere & Co., Grand Rapids, Mich.; Albert McGann, Albert McGann Securities Co., Inc., South Bend, Ind.; James W. Pope, Glore, Forgan & Co., Chicago, Ill.

The election of J. Vander Moere and Albert McCann will add two member firms to the Exchange, making a total of 159. James W. Pope's membership was a transfer from another partner in the firm of Glore, Forgan & Co.

Shortcomings of ERP

(Continued from page 15)

given without fear of setting off a chain of economic explosions.

Secondly, in my opinion, the nations of Western Europe will not go communistic. The nations of Europe fall into two rough divisions—those which have been a genuine part of western civilization and those which have not. Or to put it another way, those which have developed the traits of individualism and those which have not. The individualistic nations are not going to jump from a bad condition into a far worse condition just to spite us or themselves. By this time, the peoples of those countries are well informed about communism. They know it is no bargain. Far from embracing it, they will fight against it. I made a similar statement in the memorandum to which I have referred. Many persons have written me about the memorandum and my position on communism is about the only thing with which any considerable number have expressed disagreement. But I believe that the events which have since taken place in France and Italy bear out this viewpoint. It is significant that the only nations in Europe which have embraced communism, or apparently embraced it, are those in the grip of the Red Army.

If the nations of Western Europe were actually in danger of going communistic, then I believe that conditions would be its own most powerful argument against giving any aid at all. Stated as "aid to stop communism," the whole proposition reduces itself to a form of bribery. And we just can't make the bribe big enough —if, in fact, the political thinking of an entire people can be bought at any price. The aid that we could give to the extent of our practical ability, or even beyond it, would not be sufficient to produce a quick improvement in the lives of rank and file European peoples. If these peoples are to resist communism it will not be because of billions from America but because of their own inner conviction that there is a better way of life and their own inner determination to have that better way of life. To any nation whose people do not have this conviction and determination, aid from us would be sheer waste because they would not have the capacity to use it constructively.

The talk of collapse and communism is scare psychology producing an atmosphere which gives the wrong approach to this entire problem. It gives the impression that we are undertaking to strengthen and prepare half the world for a probable—if not inevitable—war with the other half. In fact even the present situation is frequently described as "cold war." It has been my experience in life that the fellow who expects trouble usually finds it and I believe that the same thing is true of groups and nations. Isn't it about time that we begin to think of peace as a possibility and begin to approach this problem of foreign aid, as well as others, on the basis of building a situation in which nations can live in peace?

Problem of U. S. Strength and Stability

Recognizing that the recovery of Europe is a vital part of world recovery, there is justification in the American people imposing some burden of cost and sacrifice on themselves in order to aid Europe. But it should likewise be recognized that the thing of greatest importance to the Western world today is the continuing strength and stability of the United States. We have no surplus above our domestic needs in the goods requested by Europe. Steel, oil, coal, machinery, freight cars, for example, are all in short supply and are all badly needed to restore balance in our own economy. It is simply not fair for the salesmen of the proposed program to say, as they have, that it will take less than 5% of our gross product. That may be true mathematically, but the fact is that the 5% will have to come out of the places where it will hurt—and hurt badly.

Aid in any particular form and total aid, therefore, should be confined to an amount well within the limit of danger to our economy. In addition, aid to any country should be given under positive guarantees that will insure its effective use for the purpose given.

I am prompted to make the last remark by the consideration that since the end of the war the United States has already given aid to Europe to the extent of more than $22 billion, including the almost $4 billion extended to England. This money was supposed to last for five years but nearly all of it has been spent already and, as leading English men of affairs admit, it has been largely wasted. To my mind, this justifies the feeling that much of the balance has been spent inefficiently, to say the least, and certainly, if Americans are now to give additional billions of hard-earned dollars, there must be assurance that the money will do an effective job. I came back from Europe convinced that European countries were not doing as much as they could to help themselves. I will refer to this again later. At the moment, however, I wish to emphasize that whatever the justification in asking Americans to help make up unavoidable European deficits, there is absolutely no justification in asking Americans to provide anything that Europe can and should provide for itself.

Europe's Needs and Resources

We have heard a lot about what Europe needs, but little about what Europe has. Does anybody know what resources the various countries have? The plant, equipment, inventories, raw materials, public and private capital? Knowledge of these factors would make possible an intelligent appraisal of the situation and might indicate that by using proper methods, Europe could supply more of its own needs than is now proposed. There is evidence that there are steel and other materials in Germany which are not being fabricated into products because to do so would mean exchanging something of tangible value for virtually worthless marks. As another instance, fertilizer is a big item on the bill of needs submitted by the 16 nations. Yet it was recently reported that the biggest nitrate plant in Germany was to be dismantled because it was listed as a war industry. The annual capacity of this plant is 700,000 tons. Would it not make better sense to have this plant producing fertilizer right in Europe and save the United States—which is a net importer of nitrates—the burden of sending at least that quantity across the Atlantic?

How many other situations of this type are there, not only in Germany, but in the other countries we propose to aid? No one knows. And I believe we should know before the American people are committed to a heavy drain on their productivity and resources —a drain which will be a particularly serious burden now in the uphill battle being fought to right the American economy.

Relief Separate Problem

The proposed aid is for two broad purposes. The first is urgent relief of human suffering. The second is long-range reconstruction of the economic systems of European countries. In my opinion, this whole problem would be greatly clarified if these two purposes were kept separate and distinct. This would make it possible to concentrate on first things first.

Naturally, we want to do everything in our power to relieve human suffering. The American people have never turned a deaf ear to any appeal for help of this kind, and I believe it is this aspect of the so-called Marshall Plan which has won for it whatever degree of public support it now possesses. The need for some relief is immediate and it should be continued.

The reconstruction phase of the proposed program, however, is an entirely different matter. Potentially, it is by far the more costly of the two in terms of money, of retarding our own recovery, and of increasing the effect of inflationary factors in our economy. There is no need to rush blindly into this phase and many compelling reasons for not doing so. Before any considerable sum of money is spent, investigation and study much more thorough than anything up to now should be made by qualified persons. They should examine:

(1) The capacity of European countries to till their own neels separately and by cooperative action;

(2) The practical extent to which these countries could or would effectively use aid from the United States, and finally,

(3) The total extent to which the United States could give aid without self-injury.

In my opinion the reports made thus far could hardly be more than superficial in view of the short time allowed, and also there is a question as to the qualifications and impartially of the personnel of the reporting groups.

Is Europe Helping Itself?

Above I stated the conviction that Europe was not doing enough to help itself. In England, for instance, with the same mines and just as many miners, production was still short of prewar levels. They were not mining enough coal for their domestic needs let alone for export to the Continent as formerly. In France, they were not getting production, one big reason being that the average man had small incentive to work when his pay in francs at the official rate bought so little at black market prices. I said in the memorandum that it was hard to understand why France did not revalue her currency and now that she has done so, I look for some improvement in French conditions.

In Germany, partly because of mistaken United States policy, only a small fraction of potential productivity is now being realized. From all I can learn, we would make one of the most effective contributions to the recovery of Europe and at the same time ease the tremendous burden on the United States by taking proper steps with regard to Germany. The United States should develop and place in effect promptly a civilian plan for a peace economy in Germany, that would stimulate its production of many materials needed by other countries. I am advised that the annual rate of steel production, for instance, could—within six or seven months—be increased by 4,000,000 tons over 1947. With such an increase in German production, we could reduce our heavy export of steel by this amount, and the tonnage thus saved and applied to our domestic needs would reduce our steel shortage to a minimum. It would also save by this amount further depletion of our badly needed resources.

The basic trouble in Europe is that the people have not been working long or hard enough to obtain the maximum possible production and, in my opinion, the fault is not that of rank and file people but of the leaders. Since so much of Europe's economy is government managed, this necessarily means government leaders who, to retain political support, teach their peoples that, despite terrible scarcities in everything, they can still have the short work-week, "cradle to grave" social protection, and other refinements in living which even the most productive economy cannot support.

It is obvious that production—real production—by Europe is the true solution to Europe's difficulty. This is well illustrated by the fact that the full amount of aid requested just now—$6,800,000,000—dividend among the 270,000,000 persons in the European aid area amounts to about 5½ cents per day for the period from next April 1 to July 1, 1949. I am confident that efficient organization of the energy and skill of these European peoples, even under present conditions, would result in production of far greater value than 5½ cents per day per capita.

It has become somewhat the fashion to speak of Europe's troubles as though they were due entirely to the war. The truth is that Europe has never afforded a very good living for most of its people. Recently, I saw a statement by an authority to the effect that at no time in the world's history has more than 25% of its people been well fed. Certainly, China affords a clear example of a numerous people which has been entirely unable at any time to utilize a great land area in a way to provide adequately even the primary human needs. To a lesser extent the same thing is true of European countries. The United States has only 6% of the world's population and only 7% of its land area. This country will attempt an impossible task — and one highly dangerous to its own welfare — if it undertakes to do for hundreds of millions of people scattered over the globe what those people have been unable to achieve by their own efforts through the centuries.

There is a complex of reasons for Europe's condition, and I do not pretend to have either a simple explanation or a solution for it. But I would like to point this out. Europeans have never been too keen about competition. They much prefer comfortable cartel arrangements with prices which permit the least efficient producers to make a profit, and enable more efficient producers to coast along with little effort. As a result, obsolete, high-cost, plant, equipment and methods are kept in use, production is much lower than it should be, prices are relatively high, and wages are relatively low. The set-up naturally produces a scarcity economy. No country can have what it does not produce. Governments not only sanction but participate in these arrangements. Instead of encouraging greater production, governments of Europe try to give their people an illusory "security"—which in reality is distributed poverty—and the system is maintained by government control or management, rationing, subsidies, high taxes and other trappings of socialism.

Will Our Aid Be of Permanent Effect?

The situation is fundamentally unsound. Will any aid that we give toward the economic reconstruction of Europe be of permanent effect, or will it merely help to keep alive for awhile the fiction that socialism can work successfully? I am afraid that the latter will be much more likely than the former unless the United States retains a degree of control over its aid to any country that will enable it to see that the money and goods are used effectively for the reconstruction of industry and for that only. Such control presupposes an organization whose membership will have free access to necessary information in the countries being aided and will be competent to determine whether the aid is being used according to agreement and effectively. There should be a firm and clear understanding with all countries, that our aid will be suspended or cancelled unless it is properly used for the purposes given.

It must never be forgotten that persons in the lowest taxable income groups in the United States and, in addition, persons who pay no income tax whatever but who will pay higher prices for goods than otherwise because of the Marshall Plan, will be helping to pay for this aid to Europe—and so, of course, will all other Americans. There is justification in Americans giving money to help achieve European stability. There is no justification in helping to underwrite European "social security," "feather-bedding," and waste.

Importance of Administration

The more this problem is considered the more apparent becomes the absolute necessity for administration of European aid by an organization really capable of doing the job. In no other way can the American people be assured that their money will be used efficiently in Europe and with minimum harm to our domestic economy. From top to bottom, the personnel of this organization should consist of practical, seasoned, experienced men. I am certain that there are many men with the proper qualifications who would take on this job, knowing its importance to our present and future.

Although it will have other aspects, the problem of European aid will be primarily a business problem. This indicates the need for business men, business methods, and a form of organization with which business men are familar and can best work. I would recommend the corporate form with a chairman and board of directors. The chairman and board would have the duty of formulating policies and of making broad decisions. The chairman would be responsible to the board for his detailed administration of the aid organization. The top personnel of this organization, of course, would be appointed in the usual manner and would be part of the Executive Branch, but I believe it would serve the best interests of the country to require this organization also to report directly to Congress on at least a quarterly basis.

It likewise is vital that this organization be a completely independent agency and entirely free of political influence. Since the problem of Europe is fundamentally economic, progress will be surer and quicker if it is dealt with as such. An economic aid program should not be made a tail to the kite of political or diplomatic programs. I do not believe that the State Department or any other existing agency of our government is qualified for this job from the standpoint of competent personnel or in freedom from political considerations which naturally influence them as parts of the Administration.

This is well illustrated by the very fact that General Marshall so far forgot himself as to say, in effect, to this Congress: "Do either what we tell you or nothing"—and the fact that this position was reiterated by President Truman in a press conference. I can interpret this attitude of the President and his Secretary of State only as an assumption by them of infallibility on their part, which is not at all justified by their past record, and also as an assumption by them of a lack of proper judgment on the part of Congress.

Speaking as one citizen, with all due respect to President Truman and General Marshall, I do not believe Congress should abdicate its position or responsibility. I believe that Congress and the people as a whole should act in this matter as hard-headed, sensible Americans and not as an unthinking mob that can be shifted in a body from one position to another by the winds of Administration propaganda. We are not accustomed to "ja" votes in the United States.

I cannot subscribe to the President's position that precisely $6,800,000,000 spent between now and July 1, 1949 will save Europe but that anything less will be money "poured down a rathole." His logic is a bit confused, particularly when he admits that $2,300,000,000 of the amount asked may be used only in part. It is the clear obligation and duty of Congress to think primarily of the burden that is being placed on the American people, because, after all, it is their hard-earned money which is at stake. Congress should refuse to appropriate one dollar more than is absolutely necessary. I believe further that Congress should make no commitment beyond July 1, 1949. It should agree only to review this problem at frequent intervals and make only whatever provision is indicated as necessary from time to time.

Summary

I would like to summarize my position as follows:

(1) Continue urgent relief of human suffering by proven agencies.

(2) Then make a thorough, careful, further study of Europe's ability to fill its own needs; the practical possibility of effective use of our aid by Europe, and the effect of aid on the United States economy.

(3) Establish for this study and the administration of aid an independent agency free from political influence as outlined above.

(4) Appropriate at this time an amount no greater than the actual needs that are shown to be justified through careful studies by Congressional committees.

(5) Make commitments for no more than one year at a time.

Aid to Other Countries

My comments have been directed to the European phase of economic aid to other countries. I wish to say, in addition, that I believe no further gifts or commitments should be made to China, without the same thorough investigation advocated in the case of Europe.

In all my experience I have never seen such terrific propaganda as is carried on in connection with this proposed program day by day by every department of our government and by the Chief Executive—and, of course, at heavy expense to our citizens. The mantle of infallibility assumed in the statement—"This amount or nothing" — becomes rather ridiculous when contrasted with only one of the serious blunders they have made. That is giving Great Britain $3,700,000,000 which today is denounced even in England. When that loan, or gift, was first proposed the spokesmen of both our Administration and Britain's created the definite impression that this line of credit would solve Britain's problems. It has not solved them and there are grounds to believe the money has been wasted. Now our country is asked to pour out much larger sums, and of these Britain will be a major beneficiary. What assurance have we that these new dollars will be put to better use than the others?

The time has come when we must think definitely in terms of tangible values. Unfortunately, we have cultivated the habit of dealing loosely in billions of dollars. It has gotten so that the larger the sum mentioned for any purpose, the less likely is the average person to realize that it is going to cost him something personally. Spending in terms of billions is a relatively new thing. I do not believe there is a single individual who can really form a concept of a "billion" except as a name or a number. A billion of anything just can't be related to anything within the experience or understanding of the individual. Because of this, it is easy for Americans to be misled. But the cold fact is that whatever our government spends or gives away is at the expense of every American who earns anything or owns anything. For the past 16 years we, as a nation, have been living far beyond our income. In consequence, we have built up the greatest national debt in all history, and this debt creates a basic weakness in our situation.

If we now add to the fantastic cost of government at home, huge sums that will be wasted through inefficient spending abroad, we can expect only one outcome. That will be a depression in the United States more serious and far-reaching than anything we have ever experienced. I say this advisedly, because I believe firmly that it is exactly the thing we have at stake. And a depression in the United States would be the worst thing that could happen to the world. Only through continuance of the stability of our domestic economy can we provide economic leadership for other countries. The stability of the United States will give other countries something to anchor to. If it goes, they will have nothing. To those who are alarmed by the prospect of an expansion of Russian Communism, I say that a serious depression in the United States is the greatest thing to fear.

Above all, therefore, in my opinion, the great obligation and responsibility of Congress is to preserve the economic stability of the United States. This should be the test applied to the spending of every dollar either at home or abroad. Certainly, in regard to foreign aid, not one single dollar more than is necessary should be appropriated, and every precaution should be taken to see that each dollar does a job that will represent an adequate return to the American people from whom that dollar must come.

Factors in Railroad Security Analysis

(Continued from page 12)

may overlap the competitive influences. I think we are all familiar with the deterioration that has taken place in the New England area. In part this deterioration was competitive in that New England is a compact area interlaced with excellent highways. This gave an advantage to the trucks. Non-rail competition was not, however, the only influence. The roads in this territory were also adversely affected by the migration of industry to other sections of the country. The textile industry had a tendency to move south, and shoe manufacturing moved to the St. Louis area, to cite just two examples. Naturally this was of detriment to the New England carriers but just as obviously it was benefiting the railroads in the areas into which this migrating industry was moving.

Not so obvious nor pronounced was the situation in the highly industrialized sections of the east. The center of population was moving south and west. A steel industry was established in the south and more recently has been established in the middle west and the west coast. The automobile manufacturers started to decentralize and so did the rubber companies and other industrial enterprises. The industrial east had reached its maturity many years ago. There was no opportunity for railroads in this area to develop new traffic sources to compensate for the inroads that other transportation media were making into rail traffic. Conversely, and naturally, those sections of the country that were experiencing a growth in population and that were getting the industrial plant that was moving out of the mature east were experiencing the development of entirely new traffic sources for their railroads. Thus, in recent years we have seen railroads in the west and south forging ahead while those in the northeast have been deteriorating. There is no indication that this territorial trend has as yet run its full course. As a matter of fact, there is convincing evidence that it was accelerated by the war and has continued in the postwar era. Some of the formerly backward sections of the country (and obviously necessarily the roads serving those territories) have further benefited from the opening up of new farm lands through irrigation projects incidental to the government's hydro-electric projects.

Probably the outstanding example of a basic change in the character of an individual road because of territorial factors is to be found in the Denver & Rio Grande Western. Formerly this was largely an agricultural and local freight road. During the war the steel mill facilities in the Provo-Geneva district of Utah were expanded sharply by government agencies. These facilities have since been taken over by a subsidiary of United States Steel and will be a permanent factor in the economy of the territory. Denver & Rio Grande Western handles all of the coal going to the expanded steel mills as well as a share of other raw materials and the finished products moving out. Denver & Rio Grande Western, therefore, has taken on the characteristics of a heavy industry road. This one development alone may well add as much as 10% to 15% to normal revenues.

Study of Individual Railroad

It is obvious from my foregoing remarks that it is impossible to generalize as to the traffic trends or potentialities of the railroad industry. Each railroad must be studied individually in the light of its location as well as its past or probably future vulnerability to competition. Just as it is impossible to generalize on traffic or revenue performance and trends, it is impossible to generalize on the question of expenses.

Earlier in this talk I pointed out that on an industry basis the wage cost had remained remarkably stable in relation to gross revenues over a long period of years. These wages are not, however, uniform throughout the industry. For want of a better yardstick, I will look upon 1941 as a normal prosperous year. In that year wages and payroll taxes in relation to gross ranged all the way from 52.1% for Chicago & North Western and 49.2% for New York Central, to less than 35% for Chesapeake & Ohio. The other two Pocahontas roads were even lower than Chesapeake & Ohio. Roads such as Great Northern, and New York, Chicago & St. Louis were also among those paying out less than 40 cents of every revenue dollar for labor, including payroll taxes.

It is apparent even to those who have never studied railroad operations and railroad securities that a road originally paying out 52.1% of its gross in wages and payroll taxes is far more adversely affected by hourly wage increases than a road that originally paid out less than 35%. The spread in favor of the low wage road widens progressively as hourly wages go up. There are quite a number of considerations that affect labor costs, and again many of them are the same as those affecting traffic and revenue trends.

Passenger business and l.c.l. freight both involve disproportionately heavy labor forces. Unfortunately, also, these are the two fields in which it has been impossible to realize economies through mechanization. Length of haul enters the picture again in its influence on wage costs. A large share of the cost involved in handling freight or passenger business is in terminal operation. Naturally the cost of originating or terminating freight or passenger business is the same whether the movement is 50 miles or 400 miles. In the latter case the revenue is eight times as much so that relatively the same dollar terminal cost is much lower.

I have recently had occasion to make a comparison of two of the Pocahontas bituminous coal carriers and it brought out some interest points in this connection. Neither Virginian nor Chesapeake & Ohio is a passenger carrier and neither does much l.c.l. business. Virginian, however, has even less interest in these two phases of the business than Chesapeake & Ohio. Virginian has virtually no passenger business whereas the combined Chesapeake & Ohio and Pere Marquette in the prewar year 1941 received more than 3% of gross revenues from this source. Virginian gets less than 1% of its revenue from l.c.l. business while Chesapeake & Ohio runs higher than 4%. In 1946, the latest year for which full details are available, wages for station employees absorbed 4.0% of the combined Chesapeake & Ohio-Pere Marquette gross compared with 2.1% for Virginian. Similarly, wages for yard service employees absorbed 6.7% of the Chesapeake & Ohio system gross and only 3.5% of the Virginian gross. In these two categories alone, and without considering the higher payroll taxes of Chesapeake & Ohio there was a difference of 5.1% of gross revenues. Had Chesapeake & Ohio's ratio in only these two items been the same last year as Virginian's it would have added, after Federal income taxes, $1.25 a share to Chesapeake & Ohio's common stock earnings. Actual earnings were $4.44 a share.

The Management Factor

The factors I have just mentioned as influencing the relative expenses of individual roads are all largely without the sphere where they may be controlled by management. There are other cost influences that may be corrected by management. They are largely physical. Heavy grades and excessive curvature, which are important in determining the profit margin because of their influence on train length, speed, motive power, etc., may in a number of instances be changed by heavy capital expenditures. Chicago, Rock Island & Pacific has done a particularly good job in this respect during trusteeship. There are a number of instances, however, where such drags on operations can not be eliminated, either because of the nature of the territory transversed or because of the lack of funds to finance such major projects.

I think I have pointed out in sufficient detail just why it is impossible to look upon the industry as a single investment unit and why it is absolutely essential to look carefully into the various traffic and cost influences as they affect individual railroads before arriving at any investment or speculative program. To emphasize the importance of what I have said I might cite the differences in tranportation ratios of a number of roads. Transportation costs are particularly important because they represent the heaviest cost burden (50%, or more, of total operating expenses). Also, they are less subject to changing management whim than are maintenance costs which make up most of the balance of operating expenses. The industry as a whole last year had a transportation ratio of roughly 40%. Ratios for individual roads ranged all the way from 49.9% for Central of Georgia to 24.5% for Virginian. There were six roads whose transportation ratios were above 45% and five of them, including New York Central and Pennsylvania, were eastern carriers. Thirteen of the 45 roads studied had transportation ratios between 40% and 44.9%. Ten of these have gone, or are undergoing, reorganization.

There are heavy expenses other than transportation costs, such as maintenance, hire of equipment, joint facility rents, property taxes, etc. As a final measure of the efficiency of the individual property, therefore, we determine just what proportion of gross revenues it can bring down to net operating income before Federal income taxes. To get a true picture it is naturally necessary to make this test over an extended period. Individual years may be influenced by over maintenance, skimping on maintenance, etc. For the purposes of this talk, however, it is only necessary to cite the single year 1947. Taking 45 roads, which account for more than 90% of the industry gross, the carry-through of gross to net operating income before Federal income taxes ranged all the way from 37.5% for Virginia to 2.2% for the Chicago & Eastern Illinois. One road, Central of Georgia had a deficit net operating income before Federal income taxes.

I would like to close with a comment on the fallacy of putting too much stress on the mere mathematical coverage of fixed charges as a measure of the strength of a bond. You might have two roads with gross revenues of $100 million each. One carries 20% of gross through and thus covers fixed charges of $10 million two times. The other carries only 10% of gross through but as its charges are only $5 million it also shows a coverage of two times. If expenses of both roads increase 10% the first road will still cover its charges 1.2 times while the second will earn only 20% of its charges. The margin of safety is much larger in the case of the road bringing the larger proportion of gross through to available income even though the actual coverage is identical in both cases.

I trust that I have been able in the foregoing sketchy outline to point out the impossibility of mapping out any railroad investment program without carefully examining the status of, and prospects for, the individual company. I am a complete bull on the railroad industry as such, believing that net income this year could run from 50% to 100% above last year. I am not, however, a bull on every individual railroad. In fact, there are fewer strong ones than weak sisters, in my opinion. You just have to work hard to pick the sheep from the goats.

Put Call Brokers Nominate

The Nominating Committee of the Put & Call Brokers and Dealers Association announce that S. D. Harnden has been nominated for the Presidency of the association for the seventh consecutive time. Mr. Harnden, L. G. Botts and Charles S. Godnick were named for directors.

Shields Named Director

Cornelius Shields, partner in Shields & Co., and Wheelock Whitney of the Whitney Land Co. were named directors of Devoe & Raynolds Co., Inc.

A New Look at Inflation

(Continued from first page)

future of banking and general business.

While we cannot face the future with certainty, we can and must keep well informed about current developments affecting our operations and regularly weigh the likely alternatives which may confront us. Never before have bankers and other business leaders needed to appreciate more fully the importance of their decisions as they affect both their own businesses and the economic stability of the nation as a whole. Reckless bidding up of prices or unwarranted contractions will be equally dangerous for us all in coming months.

The past year has witnessed the greatest peacetime prosperity yet attained, and especially in the Seventh Federal Reserve District where the goods and services of industry, agriculture and commerce overwhelmingly include the items in heaviest demand in domestic and foreign markets. Virtually every barometer of business established a new all-time high during 1947, particularly in dollar terms. Some clouds appeared on the business horizon last spring, but the outlook improved sharply during the summer because of settlement of several major wage issues, persisting food shortages, and the prospects for larger-than-expected Federal expenditures for foreign relief and rehabilitation. The second half of 1947 witnessed one of the most spectacular instances of rampant inflation in the history of this country—an inflation from the effect of which none of us escaped. The driving forces of expanding purchasing power and willingness to spend on the part of business firms and consumers proved much more dominant than the concurrent distortions brought about by spiraling wages, costs, prices, and profits. The disease spread rapidly, but the patient, although reeling, remained on his feet.

Symptoms of Inflation

The symptoms of advance stages of inflation are easily distinguishable. During the past year total employment increased by about 2%, and physical production less than 5%. Personal income, however expanded much more, roughly 12%, but most of this increased dollar purchasing power was offset by the 10% rise in cose of living during the same period. In short, as the result of a year's effort, we achieved little more than the ability to pay higher prices for roughly the same volume of goods. The Midwest and the nation clearly have been "caught" in an inflationary spiral which has reached all-time record heights for this country. Invariably, as our history reveals, intense inflationary periods are followed by severe setbacks for business and employment. There is no reason at present to believe that this worst of all American inflations will end otherwise. Our principal hope is that we can adjust to more normal conditions in successive stages rather than all at once. The sooner the end of inflation, the sooner we can make forward strides for prosperity on a more stable and enduring basis.

Whenever economic distress impends, spokesmen for various groups engage in the popular pastime of seeking a scapegoat as the basic cause for the trouble. As prices have spiraled upward, all major groups — Government, farmers, labor and business—have been pointed to as the underlying cause of inflation. However, if there is any primary cause of our war and postwar inflation which deserves emphasis, it must be the increase in our money supply as the public debt mounted because of unprecedented expenditures for defense and war.

In a broad sense, changes in prices are the result of changes in the volume and use of the money supply and in the output of goods and services. Since 1939 the money supply in this country has approximately tripled. Physical production, however, has expanded 75%, and living costs have risen about 65%.

War Swollen Money a World-Wide Phenomenon

We must remember that inflation resulting from war-swollen money supplies is a world-wide phenomenon. In France, for example, an eightfold increase in currency, accompanied by no increase in over-all production since 1939, lifted the French price level about eight times prior to devaluation. In Finland, the money supply and prices are up five times with no gain in output. A fivefold increase in the Mexican money supply has occurred since before the war, but a 40% rise in industrial production has kept the price level from more than tripling. The Russian government, sensing that its money supply was too great and its production of goods too small, recently by direct action took away nine-tenths of the people's cash in an effort to rid that country of inflation.

Any appraisal of business prospects, it can be seen must consider carefully the size of available purchasing power and the supply of goods being produced. Since under conditions of full employment, such as at present, the possibilities of expanding output appreciably are quite limited, most attention must be focused upon purchasing power. It should not be overlooked, moreover, that any increase in production generates a commensurate gain in income. Hence, whether we face more or less inflation in the period immediately ahead will depend more than anything else upon the quantity of purchasing power and what we as businessmen and consumers do with it.

Increase in Private Debt

In recent months the new upsurge in inflationary power unquestionably has been supported by a sharp rise in private debt. Whereas, as shown, employment and physical production have shown little gain, and incomes and consumer prices advanced markedly, the rise in all types of credit has been still greater. During 1947, business credit from banks increased 30%; consumer credit, 35%; and mortgage credit, 40%. Our money supply in effect has been expanded by superimposing a good deal of private debt upon an enormous public debt. A large-scale contraction in our money supply or in its rate of turnover obviously can have important depressing effects upon the outlook for banking and business in general.

While the very recent price breaks in the commodity and security markets are properly viewed as danger signals, there is to date no conclusive evidence that the basic confidence of consumers in their expectation of steady income or business managements in their production-sales prospects has been seriously shaken. It is common knowledge that more and more consumers are experiencing difficulty in meeting rising costs of even the most essential items. Nevertheless, consumers as a group in the Midwest appear to be maintaining their over-all dollar expenditures. Consumer optimism—willingness and ability to buy—is perhaps the most undervalued single economic force since the end of the war.

High Consumer Spending

Long experience has shown that consumer spending is linked directly to employment and personal income—to a much greater extent than to accumulated savings. Under these circumstances, we can expect a change in overall consumer buying to appear when some appreciable rise in unemployment occurs. While scattered instances of layoffs are now being reported, no sharp rise in the number of idle workers seems imminent. The demand for many types of workers is still widely reported to be strong.

In short, consumers do not expect, and realistically we must add, are not prepared for, an interruption in their incomes. With their wartime savings commonly depleted, they are in many respects more dependent upon their regular wage and salary checks today than at any time in recent years. Moreover, as seen, their basic confidence in the future has led them to assume increasingly large credit obligations. Even conservative buyers during 1947 showed a reluctance to postpone purchases of certain badly needed goods and services in the face of still rising prices and low personal inventories.

While the present tendency is still for consumers to spend heavily, we cannot ignore the equally apparent trend for increasing selectivity in consumer purchases. Marked shifts have been occurring in types of goods purchased and in the particular stores in which such purchases are being made. The shift toward living essentials and away from luxury and semi-luxury items is quite apparent, dictated largely by personal budget considerations. Rising expenditures for fuel and food, following sharp price increases in these fields in the past few months, have meant reduced buying of goods and services to which consumers now assign a lower demand priority.

Volume of Consumer Credit

Here is evidence of a budget "squeeze" which has many important implications for outstanding credits held by banks and others and for the future volume of instalment and open account buying. The principal task of those who are immediately concerned with consumer credit now is to see—as most are—that undue use of such credit is not made in further upbidding of prices or in over-extending the presonal financial resources of individuals who fail to recognize that they have reached the limit to which they can supplement their income with credit. While credit is a highly essential and convenient aid to income, it nevertheless depends upon, and must be paid for out of, income. Purchasing power in the hands of consumers remains a dominant economic force, even though more and more individuals are being "priced out" of markets for particular goods.

These consumer buying trends obviously have been reflected in the sales and profits of individual business firms in recent months. Total retail sales have continued to set new all-time dollar records and business profits have been unusually large, but there also has been a record demand for funds by business firms of all sizes and in most industry groups.

This seeming paradox of record profits and record business demands for money is another result of postwar inflation. Current high profits are being derived primarily from a combination of unprecedented dollar sales and relatively small unit profit margins. Stated another way, break-even points in business have moved up rapidly in recent years, so that an unusually large sales volume is necessary to cover the essential costs of any firm's operations. On the whole the record profits of the last year have not resulted in substantial strengthening of the financial position of businesses which have earned them. On the contrary, in many instances these are "paper" profits inasmuch as they had to be plowed back immediately into higher priced inventories.

The reasons why more money is required to operate any given business under present conditions than even a year or two ago are quite apparent. Price—including wage cost—increases alone mean that working capital requirements now are from 10 to 15% higher than at the outset of last year to conduct roughly the same physical volume of business. The increase in credit purchases noted for consumers has had a counterpart in rising business credit and allied financing. Outstanding receivables of most firms are substantially higher than at any time since the outbreak of war. Fewer firms, moreover, are taking customary discounts for cash payment, about 50% now compared with 75% taking such discounts during the war. Business credit once again appears to be in use as a competitive weapon to expand or maintain sales of individual firms. Although inventory accumulation has leveled, substantial expansions in inventory holdings occurred during the past year. Anticipation of continued heavy sales after mid-1947 lifted many inventories and hence the financial requirements for these purposes in most business fields.

High Plant and Construction Costs

A highly important drain on the financial resources of business establishments as a result of inflationary forces has occurred in expenditures for plant and equipment. Not uncommonly, actual payments have exceeded original cost estimates from two to five times as "cost-plus" contracts have quickly reflected the spiraling upward trend in construction and equipment prices.

While no one can be sure how much of the war and postwar inflation will become permanently imbedded in our price structure, it is highly unlikely that the nation will return to prewar price levels. Under these circumstances, many business firms face critical problems of acquiring permanent increases in both working capital and fixed capital. Since the initial postwar decline in the stock market in September, 1946, it has been increasingly difficult for all but the most financially secure corporations to obtain such new funds in the capital markets.

Business Financial Position Still Strong

The over-all financial position of business still appears to be strong. Most well established firms have large quantities of purchasing power and evidence a willingness and desire to spend. Nevertheless, high break-even points make most concerns vulnerable to even small, 10 to 15%, declines in sales. Rising prices have helped contract the liquid assets holdings of business firms and reduced the effective buying power of whatever cash and Government securities remain on hand. Lending institutions, in a concerted effort to beat down inflationary forces, are becoming more and more reluctant to lend funds, particularly where there is any question of financial strength. No single barometer of business health will bear more careful watching in coming months than the financial position of individual business firms. Until the inflationary turning point has clearly been reached, judicious restraint in business spending in all forms is in order.

Volume of Exports

An important contributory factor to postwar inflationary developments, of course, has been the volume of exports. Here Government purchasing power has been at work. Although shipments overseas account for only 3% to 5% of the total U. S. production, these shipments, particularly of foodstuffs and scarce materials, have had a highly important marginal influence upon domestic prices. The unprecedented overseas needs for essential foods and manufactures continues. Two basic questions, however, remain: (1) how large should these exports be, and (2) how will they be financed? With U. S. imports currently offsetting only about 40% of the value of our exports, to maintain this export volume will require a substantial further drawing down of foreign dollar balances and, still more important, large-scale credits and foreign aid in the form proposed under the Marshall Plan. Furthermore, the devaluation of foreign currencies, e.g., Italy and France, raises the price of American goods in such countries, and, although of minor importance now, also clouds the longer-run export outlook.

Total Government expenditures in peace as well as in war have become a major factor in determining the level and course of business trends. Under inflationary conditions, rigid economy in Government is particularly essential. All of us will watch with interest the decisions made by Congress in coming months on such critical and controversial issues for inflation as foreign aid, defense expenditures, veteran benefits and tax reduction.

From its all-time peak of $279 billions in February, 1946, the public debt has been gradually reduced to approximately $255 billions, with a decline in the marketable debt of $35 billion. At the present time, the Treasury is carrying out its announced policy of retirement of a portion of the public debt through the use of surplus tax funds. Since January 1 of this year, over $3 billion in the public debt comprising Government security holdings of Federal Reserve Banks, have been retired. The purpose of this policy has been, and is, to restrain bank credit extension.

Limitation on Bank Loans

Additional restraints upon the size and use of purchasing power in this country are also operative or scheduled to become effective soon. Voluntary limitations on bank loans are being sponsored nationally and locally by banker associations. Discount rates at the Federal Reserve Banks have been raised in recent weeks throughout the nation. Interest rates on private borrowing and credit standards are rising generally. On February 27, reserve requirements for central reserve city banks in New York and Chicago will be advanced 2% to 22%. The fight against inflation, in short, is not yet considered at an end.

The end of the present inflation —and we must not forget that even after the recent spectacular break in commodity prices most other prices remain at or near their all-time records—will come primarily as a result of two conditions: (1) saturation of the markets through stepped-up output of goods, and (2) expectation of or actual financial stringency. At the present time it appears that the latter condition, financial stringency, is a much more dominant force than the former. In certain industries goods are being produced now in sufficient volume to fill or exceed immediate needs at current prices. Nevertheless, basic shortages of automobiles, agricultural implements, railroad equipment, electrical equipment, petroleum, many building materials, and a host of other items, persist with little immediate expectation of demand and supply balance.

7th Reserve District Conditions

In concluding, I want to give a few advance highlights from the just completed 1947 study of operating results from member banks in the Seventh Federal Reserve District. This report is prepared annually by the Research Department of the Federal Reserve Bank of Chicago, and is widely followed by bankers and others as an accurate reflection of bank operations and earnings.

The effect of mounting inflationary pressures upon Seventh District member banks during 1947 is very evident in these results. Gross earnings advanced slightly more than 7%, chiefly as a result of the substantially larger loan volume and some slight upward movement in interest rates charged. The expansion in loans as more and more businesses and consumers came to banks to borrow was the key development on the income side of 1947 bank operations. Operating costs rose 12% during the year, reflecting not only higher wages and salaries but larger expenses in carrying on virtually every phase of operations. Total net current earnings, however, held even during the year as these larger gross earnings just balanced the rising expenses.

Also symptomatic of recent inflationary trends, security profits were lower during 1947 than 1946, and losses from loans increased. As a percentage of total earnings, net recoveries and other profits declined 5.5 points. The resulting ratio of net profits to total earnings was 26%, the lowest since 1942. Net profits to total capital accounts dropped to 10.5% from 12.5% in 1946.

Nineteen hundred and forty-seven, on the whole, was a very good year for Seventh District member banks, but a year in which new and increasingly difficult problems had to be faced. The year ahead calls for still greater financial statesmanship. Nothing is more vital to the economic life of this country at the present time than the financial soundness of its industry, agriculture, and commerce. At no time have banks and other financial institutions had more responsibility before them.

It is still not clear whether recent price declines actually indicate that the tide of the inflationary battle finally has turned. We cannot assume that it has. Such sharp price breaks as recently experienced, however, are a sobering warning of still more adjustments to be faced. We must take all possible steps to prepare for them. Continuation of price declines in the commodity and security markets, however, does not necessarily mean corresponding drops in such other measures as employment, income, and expenditures. In many sections of the Seventh District, recent price breaks are being judged as "healthy," "long overdue," and "hope for consumers." To the extent that price and other adjustments are expected and provided for in making business and consumer plans, they need not touch off a deep downward spiral, particularly among the numerous Midwest industries which still appear to have strong demand prospects. The greatest danger lies in the possibility that continued spectacular declines in some goods will have a cumulative unfavorable effect upon business expectations generally and induce unwarranted fears and liquidation.

The objective is clear. We must together seek to promote the greatest possible economic stability through banking policies and practices. We are not currently experiencing such stability. Further inflation or serious deflation will have severe and far-reaching implications for our nation and our banking system.

Arthur C. Knies Dead

Arthur C. Knies, general partner in Vilas & Hickey, members of the New York Stock Exchange, died on Feb. 27 at the age of 47.

The State of Trade and Industry

(Continued from page 5)

large carbon steel bars. This situation, the paper states, will have to be corrected in the near future.

The Federal Bureau of Investigation swoop-down on steel companies last week had all the earmarks of a bee swarm. While the investigation was originally intended to determine whether or not the semi-finished steel rises were simultaneous, it is understood the whole phase of the timing in steel price increases was gone into, the trade paper concludes.

"The Iron Age" scrap composite this week is unchanged at $40 per gross ton, which also represents the low for the year to date. Supplies are easier but there was no indication of any wide open break in scrap quotations. Nor were some large consumers anxious to cause a severe test of the current price level.

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 94.6% of capacity for the week beginning March 1, 1948, an increase of a point or 1.1%. This compares with 93.6% one week ago. A month ago the indicated rate was 94%, while an operating rate of 94.4% was shown a year ago.

This week's operating rate is equivalent to 1,705,100 tons of steel ingots and castings as against 1,687,100 tons last week, 1,694,300 tons a month ago and 1,651,900 tons one year ago.

FREIGHT LOADINGS ADVANCE 9.7% ABOVE PRECEDING WEEK

Loadings for the week ended Feb. 21, 1948, totaled 805,376 cars, according to the Association of American Railroads. This was an increase of 71,114 cars, or 9.7% above the preceding week due largely to an improvement in weather conditions which have been interfering with industrial and railroad operations. It represented an increase of 28,687 cars, or 3.7% above the corresponding week in 1947, and an increase of 82,095 cars, or 11.4% above the same week in 1946.

ELECTRIC PRODUCTION SHOWS VERY LITTLE CHANGE

The amount of electrical energy distributed by the electric light and power industry for the week ended Feb. 28, 1948 was 5,251,935,000 kwh., according to the Edison Electric Institute. This was only 2,067,000 kwh. below the output reported for the preceding week and 184,495,000 kwh. less than that produced in the week ended Jan. 24, 1948 when the peak was reached. It was, however, 454,836,000 kwh., or 9.5%, in excess of the 4,797,099,000 kwh. turned out in the week ended March 1, 1947. The Feb. 28, 1948 week was the eighth consecutive week that production exceeded the 5,000,000,000 kwh. mark, and the 16th such week in the history of the industry.

AUTO OUTPUT CLOSE TO POSTWAR PEAK IN LATEST WEEK

Production of cars and trucks in the United States and Canada again reflected substantial gains the past week.

Estimated output of cars and trucks in the United States and Canada the past week amounted to 119,425 units, or only 1,200 short of postwar record set in mid-December last year, "Ward's Automotive Report" states. This compared with a revised total of 110,536 units in the preceding week and 126,550 units in the same week in 1941.

Last week's total comprised 84,138 cars and 29,897 trucks built in the United States. Canadian assemblies totaled 5,210 units the past week.

BUSINESS FAILURES OFF SLIGHTLY IN HOLIDAY WEEK

Declining a little in the holiday-shortened week ending Feb. 26, commercial and industrial failures numbered 93, reports Dun & Bradstreet, Inc. Concerns failing fell off from the preceding week of last year. While failures were over six times as numerous as in the same week of the low years of 1945 and 1946, businesses closing with probable loss to creditors were only a third as heavy as in the corresponding week of prewar 1939.

Most of the week's failures involved liabilities of $5,000 or more and totaled 79 against 14 failures with losses under $5,000. In both liability classes, a moderate decline from a week ago was evident.

Manufacturing had the largest number of failures this week and was the only industry or trade group in which an increase in mortality appeared during the week.

The number of manufacturers failing rose from 34 to 40 which compared with 36 in the same week of 1947. Retail trade was the only other line of business with a large failure total. Thirty-six retailers failed, down from last week's 45, but up sharply from a year ago when only 22 concerns in this trade closed with loss to creditors.

The middle Atlantic and Pacific States continued to have the heaviest failure toll, accounting for 22 and 18 respectively. In both these regions business mortality was considerably lower than a week ago when 32 concerns failed in the Middle Atlantic States and 27 in the Pacific. Despite the low number in most regions, failures were consistently heavier than in the corresponding week of 1947 in six of the nine geographic regions.

WHOLESALE FOOD PRICE INDEX AT SIX-MONTH LOW

Fluctuations in prices for foods continued irregular this week with the general trend again downward. Twelve of the commodities entering into the Dun & Bradstreet wholesale food price index moved lower as against eight advances, bringing the Feb. 24 figure to $6.61. Off 15 cents, or 2.2%, from $6.76 a week ago, the current index represents the lowest level since Aug. 19, 1947 when it registered $6.57. It is, moreover, practically unchanged from the $6.62 recorded at this time last year when the trend in food prices was sharply upward.

The index's chief function is to show the general trend of food prices at the wholesale level.

WHOLESALE COMMODITY PRICE INDEX TAPERS OFF IN LATEST WEEK

The Dun & Bradstreet daily wholesale commodity price index registered a mild drop in the past week, from 277.23 on Feb. 17, to 276.81 on Feb. 24. The index moved in narrow range during most of the period. At this time a year ago the figure stood at 250.58.

Price trends in leading grain markets were highly irregular last week although there were some evidences of a steadying movement.

Corn displayed marked strength, rising about 14 cents per bushel during the week on the Chicago Board of Trade, in contrast to the severe declines of the two previous weeks. The rise reflected improved shipping demand and continued small country offerings of cash corn. Wheat showed further moderate declines as the result of selling induced by reports of snow and rain in parts of Kansas, Oklahoma and Nebrask, and a continued absence of Government buying of cash wheat or flour. Trading in grain future on the Board of Trade declined to 233,037,000 bushels, or a daily average of about 24,000,000 bushels, against a daily average of 52,000,000 bushels the week before. Domestic and export demand for flour continued slow. Business in lard was quiet with prices again tending lower. Heavy market receipts pushed hog values downward following last week's recovery movement. Sheep prices also declined rather sharply with cattle prices fairly steady.

Following the sharp setback suffered during the two preceding weeks, spot cotton prices fluctuated in a fairly narrow range in the past week with closing prices only slightly below those of a week ago.

Inquiries in spot markets were fairly numerous but traders were cautious in making commitments. Total sales reported in the ten spot markets amounted to 97,900 bales in the latest week, compared with 95,800 in the previous week and 136,600 in the same week a year ago. The market was stimulated to some extent by short covering and commission house buying and the expectation that the Army would re-enter the market soon for cotton for Japan. Consumption of cotton during January totaled 860,000 bales, according to the Census Bureau. This compared with 753,000 bales in December and 950,000 during January, 1947. Consumption per working day during January averaged 40,000 bales, the largest for any month since last April, and compared with 34,200 in December and 42,200 in January a year ago. Textile markets were inactive with buyers holding aloof pending further price developments.

Trading in the Boston raw wool market was dull last week. Although the price tone appeared firm there was a strong feeling of caution visible due to the slump in other commodities and fears of a possible revalution of the pound sterling.

Contracting in the West was much slower than in recent weeks. Business in foreign wool markets was reported quiet but prices remained firm to higher. Imports of foreign apparel wools received at Boston, New York and Philadelphia in the week ending Feb. 13 represented 4,832,800 clean pounds, as compared with 6,360,400 in the previous week.

RETAIL AND WHOLESALE TRADE TURNS MODERATELY HIGHER

Consumer interest in Spring and Easter merchandise increased as the weather in many sections of the country improved. Favorable response to promotional sales generally resulted in a moderate increase in consumer buying during the period ended on Wednesday of the past week, Dun & Bradstreet, Inc., reports in its survey of trade. Retail dollar volume was moderately above the level of the corresponding week a year ago. Some clearance sales stimulated the buying of Winter apparel and house furnishings.

There was a considerable increase in the demand for Spring clothing with items suitable for Easter drawing particular attention.

Millinery departments were crowded with shoppers and interest in handbags and fancy blouses was very favorable. Men's good quality worsted suits and Spring coats sold well, as did pajamas and haberdashery. There was a slight decline in the buying of jewelry and the response to clearances of fur coats was slow.

Grocery dollar volume was steady at a high level. Housewives continued to seek substitutes for high-priced meats and butter; slight declines in the prices of some foods generally had little effect on buying.

The over-all decline in food prices during the past two weeks was estimated at not more than 3%.

There was a slight increase in consumer purchasing of dried and shredded fish for Lenten use and dairy products continued to sell well.

Spring cleaning and household repair items were sought in some sections of the country. While interest in cheaper upholstered furniture was slight, good quality dining and bedroom suites were heavily purchased. There was an increase in the buying of hardware and small electrical appliances and the supply of branded major appliances improved in some areas.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 9 to 13% above that of a year ago. Regional estimates varied from those of a year ago by the following percentages; New England 6 to 10, East 14 to 18, South 5 to 9, Middle West and Southwest 7 to 11, Northwest 8 to 12 and Pacific Coast 5 to 9.

Mild weather in many sections of the country was accompanied by an increase in retailer buying. The dollar volume of wholesale trade rose moderately during the week and continued to compare favorably with that of the similar week of last year. While buyer attendance at the wholesale centers declined considerably, there was a substantial increase in mail and telephone orders. Deliveries generally were more prompt than in previous weeks.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 21, 1948, increased by 15% from the like period of last year. This compared with a decrease of 3% in the preceding week. For the four weeks ended Feb. 21, 1948, sales increased by 7% and for the year to date increased by 6%.

Retail trade in New York last week dropped below the level for the corresponding period last year, due mainly to the fact that the week this year had five selling days against six last year, because Washington's Birthday was celebrated on Monday.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Feb. 21, 1948, increased *32% above the same period last year. This compared with an increase of 1% in the preceding week. For the four weeks ended Feb. 21, 1948, sales increased 13% and for the year to date rose by 8%.

*In using year-ago comparisons allowance should be made for the fact that stores were closed in many cities on Saturday of this week last year in observance of Washington's Birthday.

As We See It

(Continued from first page)

feasible to advance their interests by the creation of puppet states aflame with slogans of Utopia, not only Russia but the other imperialistic nations would not have been slow to make use of the device. Indeed, they have in fact at times moved in closely similar fashion, and those in this country who seem to suppose that the Russian technique is wholly new could well read our own history with profit.

Typical Imperialism

What we are faced with in Europe and Asia, then, is, so far as Russia is concerned, nothing particularly new. It is a typical case of imperialism which takes full advantage of the fact that mankind across the globe is in a sort of philosophical ferment, deeply if blindly dissatisfied with the old order, and too ignorant of history to realize that these prophets of a new and glorious order are but advocates of age-old fallacies long ago tried and found wanting —tried either in actual practice or in the crucible of careful, dispassionate logic.

But tactically and even strategically, we have permitted ourselves to be maneuvered into an awkward position. Consider the matter, first, in the ordinary terms of world politics. For many decades the situation on the Continent of Europe was held in balance, relatively speaking, by the existence of two rival powers too nearly matched in strength for either to wish to prod the other to the point of actual armed conflict. The one, of course, was Russia and the other was Germany.

Prior to World War I each of these two arch rivals had support from other countries — so that when hostilities finally broke out in 1914 the fighting was between a group of so-called Allied Powers and the Central Powers, precursors of the "Axis" and those nations opposing it. Germany was badly damaged if not crushed in that earlier conflict, but so was Russia. The other European participants, chiefly France, England and Italy, certainly emerged without much taste for further conflict on the Continent of Europe. A considerable breathing spell consequently followed during which Russia and Germany, both still harboring their age-old ideas of expansion at the expense of the other, prepared for the day when their armies must inevitably clash.

Earlier Blunders

Germany took the initiative in making use of her position; Russia doubtless feeling that time ran in her favor. For reasons which in retrospect appear almost beyond understanding, Britain and France — yes, and, in practical effect, the United States of America — felt it necessary to try to stop the eastward march of Hitler's legions. All three led from incredible weakness, as they say in bridge, and one result was that France was completely overrun, and Britain about finished before we could gather our strength and bring it to bear.

Meanwhile the inevitable break between Russia and Germany had taken place. Russia was taking a fearful beating, but it was also evident that German operations were not going according to plan. By this time, however, the United States had gotten so involved both in Europe and Asia, that Japan, deciding that the time had come for her to act, struck first at us. From that moment, we were, of course, in the mess, and had no choice but to act with vigor until our enemies were brought to their knees. That, as the world knows, we did with reasonable dispatch, despite the fumbling and the dark, early days.

But in the process we became amazingly artful in deceiving ourselves. Germany and Japan had already become demons of the first order — as they were in point of fact. But now Russia, an arch conspirator with Germany, and by far the world's outstanding totalitarian, authoritarian and tyrannical regime, suddenly became in our eyes apparently a champion of "democracy" and individual "liberty," a sturdy co-worker in the task of freeing mankind from the tyranny represented by Germany, Italy and Japan!

It was, of course, sheer bosh, but it took hold of the imagination of a great many Americans, and apparently furnished the basis for much of the secret dealing between the then President of the United States and the head of the Soviet absolutist State. One must suppose that it controlled a number of vital decisions which have as one end result the strength of the Russian position in Europe and Asia today. Indeed the more documentary information becomes available to the general public the clearer this fact becomes. At all events what has happened is that with our help, one of the mighty rivals in middle and eastern Europe, and one of the imperialist powers of great strength in Asia has been killed off, leaving the other — which happens to be the same in both spheres — relatively speaking, strong beyond all comparison with the past. And certainly not any less inclined to make use of the advantageous position in which she finds herself.

What to Do?

The question now, obviously, is what to do about it? It helps little to say that it should have been foreseen — except in the degree that such retrospection enables us to understand the true inwardness of the existing situation. It appears obvious to us that the danger is more real than in those days when some of us had Hitler landing in New York on almost any Wednesday. Yet the actual danger to us is plainly indirect and a considerable distance in the future. It is certainly not inconceivable that the whole of it may pass before there is any clash of real interests between the two countries.

Meanwhile, certain truths are evident enough. Merely "getting tough" on the air and in the newspapers accomplishes nothing except to goad the Russian leaders. It would be equally futile and foolish for us to fritter away our strength in trying to defend indefensible areas. It is moreover essential that we take care not to strengthen Communist notions among our own people by preaching ideas closely akin to theirs.

In all such respects our current policies are in need of careful review. Who will take the lead in correcting this situation?

The Banks, Inflation And Credit Control

(Continued from page 6)

have been following the pattern of the economy—not leading it.

While bank loans have increased substantially, everything borrowed-money is used for has increased in price. Business requires more money or credit to maintain or increase its volume of production while there are steadily increasing wages and increasing prices of everything purchased. A great deal of the expansion in loans is the result of the present high volume of business activity carried on at increasing price and wage levels, and the inability of business to obtain new equity capital in the present investment market.

While banks have not created the present inflationary problem, they do have a vital interest in it, and they do have responsibilities connected with it. They should use every effort within their power to modify and control it and, specifically, they can not under any circumstances permit an excessive expansion of bank credit for unnecessary or unwise purposes which can be pointed out as a substantial contributing factor in an accelerating inflation.

Banking Responsibility

The field of action in banking is a most important one. This is because credit extended by banks can be used so as to add to the inflationary pressures; and also, because of the close and widespread relationship of banks with all of the elements of the economy and their influence on the money and credit affairs of all phases of life and business. Banks represent and do business with the savers, the conservators, the accumulators, and the producers of wealth. They have a vital interest in the security of the future of depositor and borrowing customers. What happens to them has a direct effect on banking.

Today every reasoning person has a deep concern about the future. The real problem is to protect the fundamental interests of everyone and, in doing that, protect the American system of living, enterprise, and progress, as we know it. For these reasons, banks and bankers must do everything they can to keep the situation from becoming worse. Our primary interest and the primary interest of everyone, is in the National objective of a sound prosperity and an economic stability, which can and will extend over a long period.

There is another reason, equally important. The greater the inflation, the more disastrous its possible later effect. The inevitable depression which follows an inflation creates great demands on the banking business, it creates losses; and the manner in which the banking business meets a recession or a depression, when it comes, can affect the whole future of banking.

In addition to these obligations to the public, the economy, and to our customers, there is another fundamental problem. That is: Are the banks going to meet their responsibility for the wise direction and use of bank credit, which is a matter of fundamental banking policy, or are they going to encourage and permit the government to assume it? The answer to that also will affect the future life of the banking business.

Every banker should understand why this problem of credit control is so important. The elements of it are very simple. While our borrowers are both friends and customers, also they are part of many thousands of borrowers, all over the country, who are competing in the open market for a limited supply of goods and services, and helping to push up the prices of these by bidding against one another. Loans made, not offset by the payment of other loans, add to the general purchasing power and, as a result, can add to the inflationary pressure. Our production machine is operating about at capacity, so many loans may tend to increase demand without increasing production. It is this which stimulates government proposals to establish controls over the use and expansion of bank credit.

Proposals for More Banking Controls

For the past several years we have had to meet continuing proposals to establish new government controls over bank credit and investments. That danger will continue to exist unless the bankers of the country prove that voluntary credit control will work. If we do this successfully, we will maintain the advantages arising from voluntary action, based on the judgment of informed men experienced in the banking business as they apply sound principles to varying local conditions. It will protect bankers and borrowers alike from suffering or struggling under imposed and arbitrary rules, which will apply to everyone alike, whether appropriate or not.

I believe it is extremely dangerous to tamper with the bank credit mechanism of the country at any time, and particularly at this time. We know we are faced with the necessity to have a continued high rate of production to increase the supply of goods as against the over-supply of money. We know we have to produce to meet not only the requirements of the United States consumer, but also the needs of hundreds of millions of foreign consumers. Under these conditions, if absolute credit controls are applied to bank lending, they can easily do more harm than good.

Laws are not flexible. Controls always have to be applied to everyone alike. They may restrain a few unwise lenders, but in restraining those few, they may serve to prohibit the lending necessary to maintain our present high level of production. The law passed to cure inflation may turn out to be all that was needed to assure unemployment or to push the economy into a depression. We have just as much reason to avoid a deflation as inflation. Every economist knows the methods of stopping inflation. The problem is to select a remedy for the illness which will not kill the patient.

And, we must not forget that government controls do not change as rapidly as conditions. The year 1947 began in an atmosphere of pessimistic comment by business and economic forecasters. But the freely predicted over-production and business recession did not occur. In the first six months there was a small drop in commodity prices, in bank loans, and in industrial production. For a while it looked as if the pessimists might be right. Then, in the last six months there was a sharp reversal of trend. We rediscovered a demand greatly in excess of supply. Fear of a continuing inflation replaced fear of the possibility of a business depression. We go into 1948 with the country alerted to the dangers of inflation.

If this proves anything at all, it proves that, as usual, a year is a long time. Also that this is no time to try to outguess the future. This is especially true when the government can call the turn and when the government has the power to inflate or deflate at will. I only need to remind you of the recent lowering of the support prices for government bonds and its effect on the investment security market.

The banks have always been willing to take aggressive action to meet national problems. This was done in the Food-For-Freedom Campaign, War Bond sales, Ration Banking, V Loans, Reconversion Loans, and in the program of the Small Business Credit commission. As a free enterprise, we have in the past and can in the future rapidly adjust our attitudes and acts to the circumstances, just as we are doing now. The government can not, and does not do this easily. For that reason, our voluntary anti-inflation program is essentially sound. It has been received by government officials, members of Congress, the press, and the public with approval. The President, the Secretary of the Treasury, the leaders of the Senate and House have all given it their endorsement.

In the Economic Report of the President, transmitting to the Congress on Jan. 14, President Truman said: "Within the last fortnight the leaders of our commercial banking system have taken positive organized action to secure the curtailment of inflationary expansion of bank credit by their members. I commend this far-sighted action. If they succeed in this voluntary effort, they will be curtailing credit at the points where it is most likely to exercise inflationary influence and further general action might not be required."

We can not ask for more in the way of official encouragement. From here on, the issue is in what we do about it, individually and collectively. Your Association has assumed an aggressive leadership in meeting this problem, and it is depending on you for complete support.

Points Emphasized

To summarize the problems, I wish to emphasize these points:

(1) I remind you again that the banking business has a substantial stake in properly meeting the inflation problem. We must not feed inflationary pressures by contributing to over supply and improper use of purchasing power, under these circumstances. At the same time, we must continue to extend the credit necessary to support and increase production. We must maintain sound assets and retain our liquidity and an adequate reserve of lending power to use when and where it is most needed. These, in brief, are the objectives of the American Bankers Association Program of Credit Control.

(2) I have my own expression for what I believe is required under these circumstances. I call it—**"The need for selective and effective inaction."** Selective inaction emphasizes the limiting of credit which adds to the consumption demand for goods, while granting credit for purposes which add to the immediate supply of goods. It is just as necessary for banks to have credit freely available to maintain a high level of production as it is to restrain the use of credit which has an inflationary impact on the economy. Our future welfare depends on production, operating at its full power in a sound economy.

Today every loan should be required to meet two tests instead of one; not merely the traditional test of whether the loan is good, but also a test as to whether the proceeds of the loan will be used to contribute to already existing inflationary pressures.

(3) For 14 years there has been no test of borrowers. Everyone, including the banks, has been riding on a manufactured prosperity. Just how fictitious and dangerous it is, is only now becoming apparent. This is a time for caution. We can not assume the present level of activity will be maintained indefinitely, the odds are piling up against it. High costs plus even a modest decrease in sales volume will throw many businesses below the break-even point. Losses will occur with a level of sales still much higher than in any prewar peacetime year.

(4) Cautious lending at this point will protect every interest the banks represent. This is true because what we do today to modify and control inflation is at the same time a defense against all the penalties of a recession or depression which again will affect every interest related to banking.

(5) When we talk of taking action to prevent a continuing inflation, it is well to remember that we are also talking about preventing the subsequent and inevitable depression which follows an inflation. Any methods we may use to avoid an excessive expansion of bank credit will tend to reduce or eliminate the later need for an excessive contraction of bank credit. An attack on one is an attack on the other. Both excessive expansion and excessive contraction are dangerous and in the past have had serious effects.

(6) Fundamentally, the answer to all our problems is in the same type of action, which greatly simplifies our task. It also has another effect. As we restrain inflationary expansion of bank credit we insure having adequate reserves of credit for future use. We maintain sound assets and the credit flexibility necessary to assist and maintain the level of production and consumption, upon which the long-term stability of our economy depends. Too often in the past we have run out of credit when it was most needed because the banks were frozen with loans made at or near the peak of a rising market.

(7) We can not repeat the mistakes of former periods when banks contributed substantially to the inflation itself, in the amount and nature of the credit granted and then when a depression followed, made the situation worse by calling loans and being unable or unwilling to extend credit. Just as we are not using our effort to modify inflation on the upside, we must be prepared to step in and modify deflation on the downside with ample reserves of available credit. This is what credit control means. That is the difference between banking and mere money lending. It can be voluntary and cooperative, or it will be imposed. You have an opportunity now to make your choice.

(8) As a matter of fact, there are forces already at work to assist this accomplishment. For example:

The future ability of banks to expand loans already has been squeezed down. Total loans have increased and the rate of deposit increase has declined. Some banks are already over-loaned, particularly if proper allowance is made for future borrowing needs of their customers. The government money policy has been changed to the extent of allowing interest rates to approach free money market terms. Of itself a rising interest rate will tend to restrain credit expansion. The Federal Reserve rediscount rate has been raised to 1¼%. Reserve requirements have been increased 2% in New York and Chicago, and can be increased 4% more.

One effect of the Federal Reserve System's lowering of the support price of government securities has been to freeze the curities has been to freeze the holdings of government bonds purchased at high premiums. There will be no incentive to sell these at a loss to create the reserves necessary to carry increased deposits resulting from new loans, in a market in which losses must be taken with no certainty of offsetting profits.

There are estimates of a large Government Budget Surplus before July of this year. If the government should decide to pay off large amounts of the national debt over the next few months, this will be a definite deflationary action. It will have a direct and marked effect on the banking system in terms of reduction of bank reserves, deposits, and security holdings, and the availability of loanable funds.

Wise bankers will view this possibility as a notice to be extremely careful about their lending and stay in a strong position to meet this move. They will anticipate the Treasury and the Federal Reserve using every power at their command to bring pressure on the availability of loanable funds. All bankers should look carefully at what may be ahead of them from the impact of government action which can affect reserves, deposits, and holdings of government securities.

Question of Bank Liquidity

The combined operation of these forces will make it more difficult for banks to maintain the extremely favorable liquid position of the past. From now on a more careful management of the reserve, investment, loan and deposit relationships in the banks will be needed, if the future credit requirements of established customers are to be readily met. This suggests that every bank should carefully forecast its possible loan demands and cash position over the months ahead.

(9) In fighting inflation a major objective is to slow down borrowing and spending and consumption to within reasonable limits, if we are to insure the future stability of our economy. Therefore, we should make every effort to increase savings which also reduces money spending.

This will be greatly assisted by a strong program of public education to save more and spend less. It should include encouragement to postpone capital expenditures and public expenditures of a capital nature, not vitally needed and immediately productive. The pending intensified campaign for the sale of Savings Bonds should be supported wholeheartedly by the banks.

(10) I firmly believe that if we are to maintain the American system of independently owned and operated banks it will be necessary for all bank managements and bank directors to know the working rules of banking's fundamental relationship to the health of the American economy and conduct the individual bank accordingly.

These principles are well known to every economist, financial analyst, and statistical expert (particularly in the government), and to bank supervisory agencies and their technical staffs. On the other hand, they are not understood and recognized by enough bankers.

The dangers multiply if the problem is not understood or if it is ignored for reasons based on what may be done by a banking competitor or a competitor with an entirely different form of liabilities or merely for selfish reasons of institutional profit or prestige.

We must not forget that the sum of what the banks do and its effect is subject to constant statistical measurement and interpretation. Also, that it is being increasingly used, publicly and privately, to further demands for additional controls over bank lending and investment.

This can only be offset by a cooperative understanding and action which substantially achieves the results which might otherwise be obtained by law or regulation.

And, do not overlook the fact that while there may be some penalties and problems attached to what is done now to achieve these objectives they will be temporary and at a modest cost, compared to the possible penalties arising for everyone if the inflation should continue to accelerate and if the banks can be shown to have been substantial contributors to it.

As you know, on every possible occasion I have been emphasizing that the only way to retain a maximum of our personal and business freedom is to recognize more of our national responsibilities and assume these ourselves. These principles have been formalized in this American Bankers Association Anti-Inflation Program. Every banker and every bank director has a responsibility to help meet these problems by being willing to act in tune with requirements of the business and the economy which extend beyond the mere operation of an individual bank for profit. Many banks have already adopted these principles, and have already taken appropriate anti-inflation action. What is needed now is a coordinated action on the part of all banks, directed at the same problem.

If the bankers are to do their part, each and every one of them must have a realistic appraisal and appreciation of the fundamental problem and they can not subscribe to the principle that nothing can be done about it. In its early stages, it is always possible to modify or stop the pressures which are causing acceleration in the velocity of the inflationary forces. This requires sufficient knowledge to appreciate the common dangers and enough self-discipline to act—in terms of common interest. Coordinated action can be effective—but, in this action, the immediate objectives will have to be placed above selfish personal and institutional interests.

It is not enough to understand and agree with what has been said here and then do nothing about it. I ask you not to go back to your business with any thought that this applies to everyone but you. It does apply to you—to everyone of you. We are depending upon you to do something about this problem, and to stimulate others to do something about it.

What we propose is not limited only to what is done in banks. It is not limited only to the wise use and direction of credit. It includes using the widespread influence of banks and bankers in money matters on the public to stimulate its thought along the lines of constructive anti-inflation action.

We are trying to mass right thinking and right action within the banking business and, at the same time, make the banks of the country centers of leadership in their communities by putting the whole force of organized banking to work to do its part in modifying the seriousness of this inflation problem.

And, be sure you realize that the public discussions and the constructive way you do this, and the psychological effect of your efforts is just as important as the technical answers you may arrive at with respect to individual inflationary credits.

This ABA program is part of proving that free enterprise can understand its problems, and can work out its solutions. The success of this voluntary action by the bankers of the country will help preserve a principle, fundamental to the American way of life, and as old as the country itself.

The Stock Market in 1925 and Today

(Continued from page 3)

$22,000,000,000 in 1925 to $31,000,000,000 now.

In 1925, when margin requirements were flexible, at 20% to 25%, stock market quotations were affected by a degree of speculative interest impossible today when requirements are 75%. However, the competition offered by bonds for the high-grade investment dollar was incomparably greater in 1925, when yields on A1+ bonds averaged 4.9% as compared with the meager 2.9% available now after the recent rise in interest rates.

Points of Difference From 1925

This table would be misinterpreted if it were taken as meaning that 1925 and 1947 may be compared at all points. In some respects comparison would be impossible. For instance, there is no way of comparing today's international tensions and risks of war with those of 1925. Unquestionably, however, the present position is more conducive to poor confidence than was the earlier position. At the same time our emergence from a Fight war to a Cold war admittedly is one of the factors tending to keep business pressures upward. Another difference between 1925 and the present is the various industries and prices occupying a somewhat inflated position, and in line at least for selective downward adjustment. On the other hand, in 1925 leading industries such as textiles and bituminous coal already had collapsed, and contained no promise of revival.

Sometimes the stock market's performance correctly forecasts future business trends. On other occasions, and this has been true increasingly in recent years, the business man who has let his policy be influenced by stock market trends has made a rather large mistake. The market only operates through the decisions of fallible human beings, and thus for protracted periods has been under the spell of one or another illusion. Investors will remember the period from September, 1939 to April, 1942, two and a half years in which the Dow-Jones Industrials declined from a high of 156 to a low of 93 primarily because of fear of war and a belief that war would be injurious to American corporations. This belief proved erroneous, and the market spent the four years following April, 1942 in correcting, perhaps finally over-correcting, the previous error. It is an interesting question whether our current bear market, now two years old, and flourishing still in an atmosphere of apprehension over corporate finances and corporate profits, will prove to have been influenced in substantial measure by over-pessimism.

Conclusions

Selective business declines are occurring now, and a general business downturn is sure to occur some time. The questions of when, and how well discounted already, are essential but still unanswered questions. Regardless of what view one takes toward business, it seems obvious that the market is heavily spotted with bargains. In the thought that we are in a broad buying range, investors might do well to engage in selective equity purchase operations, with emphasis on deflated quality stocks, and avoidance of marginal situations likely to feel pressure even during a period of continued favorable business. *Recently the market has been substantially divorced from earnings and dividends. It cannot be overemphasized, however, that over the longer term almost the only thing that matters in stock investment is earnings and dividends, and their quality, dependability and trend in light of balance sheet development, changes in interest rates and similar basic factors.*

Investment Outlook For 1948

(Continued from page 7)

terest rates resulting in lower bond prices.

Conclusion

In closing, I would like to strike a note of basic confidence in the future of our nation. For the remainder of 1948 America's role in the international drama will become more significant, more colorful, more dominant than ever before. The hungry peoples of the world will continue to look to us for help. The weak will depend upon our strength. Management and labor, radicals and conservatives, farmers and industrialists, Republicans and Democrats—all must join forces to secure and maintain a vigorous, healthy economy. As long as this nation enjoys good health and harmony, it will serve as a symbol of the independence and personal courage which are the trademarks of democracy and of freedom.

Industrial Application of Nuclear Energy

(Continued from page 4)

underway and progress is to be expected within a few years!

The consumption of uranium fuel in a reactor necessarily produces a variety of ash-called fission products. These products consist of several dozen elements having about half the atomic weight of uranium. Many of these substances have deleterious effects because they absorb the neutrons required to maintain the chain reaction. Their production also modifies the crystalline structure of the solids within which they are generated.

I might illustrate this by what might be called the alchemists' nightmare. Alchemists spent a lot of time trying to transmute low elements into gold, and a fraction of this time was spent on the transmutation of mercury. We can now do this and we can even undo the alchemists' dream by converting gold into mercury. In fact, there are scientists—strange people — who want the mercury more than the gold.

If we place a piece of gold in the reactor it will absorb neutrons and slowly be converted into mercury. Just when does it lose the characteristics of gold and achieve the characteristics of mercury? Likewise, uranium would slowly be converted to fission products having completely different properties.

It is apparent therefore that the nuclear fuel must be reprocessed at intervals to remove the ash. By present techniques this involves elaborate chemical and metallurgical processing which must be conducted behind thick concrete walls entirely by remote control.

Other problems confronting us have to do primarily with fissionable material economy. I have here a sample of uranium metal. When freshly prepared it does not look different from steel. This piece has a layer of black oxide in it. As you know, only one atom in every 140 atoms is the isotope U-235 which undergoes thermal neutron fission. The other 139 are all U-238 which absorbs neutrons to make plutonium.

At the present time the principle reactors throughout the country are based on the fission of U-235. Our utilization of uranium is therefore less than 1% efficient; while thorium, the other potentially useful element, is not used at all. Even though uranium is as abundant in the earth's crust as lead, high grade deposits are scarce.

To make a large scale power industry possible, we must learn to use U-238 as well as thorium. When this is possible we shall have enough raw materials to operate the nation's power plants for many centuries to come. Once again experiments, now underway, will tell us in a few years whether this is possible.

The efficiency of a power plant will be judged to a large extent by the power generation rate for a given inventory of nuclear fuel. Since the fuels are very costly and scarce, the economic feasibility of competitive atomic power will be determined by the efficiency of the power plant design.

Even under the most optimistic circumstances it is going to be exceedingly difficult to compete on a straight cost basis with coal as a source of power. At Brookhaven National Laboratory, where we are constructing a reactor for peacetime research, we will *use* a lot of power. The incremental power cost on Long Island is 0.6 cents per kwh. Under these circumstances, I am quite confident that our nuclear reactor will not put the Long Island lighting company out of business.

This reactor is designed as a research tool for producing neutrons and has little similarity to the future power plant. If, however, it were possible to sell generated power at 10 cents kwh., we *could* generate enough power to pay for the whole installation in about ten years.

Under these circumstances, because of the excellent coal resources in the United States, it is quite possible that atomic power will become economically sound in other countries before it can compete with other sources here. We know that England is directing her development toward power to relieve her coal shortage. They already have a reactor in operation from which they expect to extract power on an experimental basis.

The industrial rehabilitation of France will depend in large measure on her ability to build up a power industry. At the present time a large fraction of the coal consumed is imported at a cost of $20 per ton. Atomic power has greater urgency for these nations than it has for us.

The unique charactertistics of atomic power plants will undoubtedly permit them to compete with other power sources under special conditions. As a mobile power source it is unique for it will be the first engine which is not dependent upon the earth's atmosphere. Both the steam engine and the internal combustion engine depend upon the oxidation of a fuel by air. Fission being a nuclear reaction is not dependent upon such chemical reactions. The application of this power source to the submarine is obvious.

The small weight of fuel required will mean atomic-powered ships and, perhaps, even airplanes will refuel only at rare intervals.

The low cost of fuel transportation permits the use of atomic power plants to advantage in inaccessible places having no local power sources. It should be possible to irrigate and place under cultivation desert areas which are now useless.

Other industrial applications of reactors may avoid the generation of electrical power. Reactors are admirable heat sources and, as such, may some day be used in industries like the metallurgical industries which require very high temperatures.

The fission products earlier compared to ash are an abundant source of useful radioactive elements. In quantity they exceed by hundreds and thousands of times the radium used in commerce. At the present time radium is used for therapy, for industrial radiography, and for the preparation of luminous paint. We even have radioactive spark plugs. It is at least possible that radium will be replaced eventually to some extent by one or another variety of artificially prepared material. Radiocobalt, for instance, makes a very acceptable substitute for radium for therapy and radiography.

It is not easy to see exactly where radioisotopes will be useful in the consumers' market. The uses of greatest importance are likely to come in connection with the production, and particularly the development of marketable goods.

The logging of oil wells by neutrons as well as gamma ray sources is an established technique. I understand that an instrument is in use at present in the petroleum industry which measures (by means of gamma rays) the wall thickness of a steel pipe or plate without using calipers or drilling holes.

Instruments for the control of liquid densities, liquid levels, the homogeneity of mixtures and the thickness of production items may all be developed with a little ingenuity from our present stock of knowledge.

At some time in the future it may be possible to maintain process control by means of appropriate radioisotopes. As an example, in the steel industry the addition of a small quantity of short-lived radio silicon to the charge entering an open hearth furnace would permit minute by minute control of the silicon content of the steel. Analysis for silicon would then be done by means of a Geiger counter without the time-consuming process of chemical analysis.

A word of caution must be injected here, for industries using such methods must insure the purity of their product. For this reason the radioisotopes used should be short lived — disintegrating into stable, non-radioactive elements before the product leaves the processor's hands.

The examples just mentioned illustrate the uses of these new radioactive materials in existing industries.

The development of radical improvements in present industries and completely new industries will inevitably follow the use of radioisotopes in research. This statement may be made with certainty even though it is impossible to specify what these developments and industries will be. radical changes in technology have always followed fundamental scientific discoveries. The radio industry proceeded from the early studies of Marconi, deForest and Armstrong. The automotive and aviation industries followed the development of the internal combustion engine.

As an example, again in the steel industry, radio sulphur and radio iron are being used to study the interchange of sulphur between molten metal and slag. It appears likely that information thus obtained may improve one of our most basic industries.

One of the earliest uses of radioisotopes was to trace the use of phosphorus by a growing plant. Radiophosphorus was incorporated into a commercial fertilizer and was used in this form to fertilize experimental plants. The way in which phosphorus was absorbed and distributed in the plant was followed by means of the radioactivity. Information obtained by this technique is valuable in determining the most economical and efficient use of fertilizer.

Carbon-14 might perhaps be called the queen of the radioisotopes. The range of problems which may be studied by its means is limitless. Many industrial organic chemical reactions are very poorly understood and much development is done on a purely empirical basis. In almost every case an understanding of the mechanism of the reaction leads to better production methods.

Carbon-14 is in use at the present time at several universities to study carbohydrate, fat and protein metabolisms. From these and other studies we may achieve a whole new concept of the living process.

Photosynthesis has often been called the most important chemical reaction in the world. It is the process by which every green living plant, using the magic substance chlorophyll, makes sugars, starches and cellulose from carbon dioxide from the air, water from the ground and sunshine.

Many scientists have spent untold hours trying to fathom its complexity. By this time there is a rather general understanding of the number and sequence of the various steps in the process. It is to be hoped that with the aid of radio carbon the remaining puzzles will be solved. With such knowledge, it may sometime be possible to manufacture food on an industrial basis from water and limestone.

Friction is both the friend and enemy of the mechanical engineer. He uses it in brakes, he avoids it in bearings. But does he understand it? The study of bearings is most often made by time-consuming service tests. I do not intend to belittle service tests Our experience on the project with rotating machinery has caused us to be extremely conservative in bearing design. The development of new types of bearings and the testing of bearing materials is extremely slow by conventional techniques. It has not been possible to measure the loss of bearing material to the lubricant until there is a measureable turbidity. By using radioactive bearings it is now possible to measure the transfer of as little as a millionth of a millionth of a gram of bearing surface either to the other bearing surface or to the lubricant. Fundamental studies of the phenomenon of friction are being carried out at the present time.

In atomic energy, as in other industries, there are by-products having only an incidental relation to the main work. One of these has been the new materials called fluorocarbons. They cover a complete range from volatile refrigerants and lubricants of all viscosities, to plastics. They are amazing materials. They have new and unusual properties and should find applications in many fields.

The welding of aluminum by means of an argon arc, first developed on the Manhattan Project, is now is use for the production of seam welds of many varieties including drums for shipping special materials.

Other industrial developments include new varieties of valves and pumps and fabrication processes of many varieties.

I have avoided more than passing reference to the bomb in order to show you that there is much more to atomic energy than the development of new and more devastating weapons.

The bomb is always with us however and we can rarely discuss a subject completely without infringing on the territory posted "SECRET."

You who are technically trained, and who understand the fundamentals of nuclear fission for war and peace, realize that bottling up the whole enterprise behind a solid wall of secrecy, far from fostering, may well jeopardize the nation's security. The bomb and the reactor are products of scientific cross fertilization during the 1930's. Unless we have scientific and industrial intercommunication now we will find ourselves, years hence, in a static position—without the industrial background and development that may be our strength in the future.

Widespread industrial cooperation under the Atomic Energy Act is somewhat difficult. Before revealing classified information we are required to obtain security clearance on the individual concerned. He, of course, must handle the information he receives in accordance with the established security regulations.

The Atomic Energy Commission is determined to encourage industrial participation. To this end a board of industrial advisors is at present studying methods for this purpose. This group, headed by the President and General Manager of the Detroit Edison Company, Mr. James W. Parker, and includes among its 11 members such well-known engineers as Oliver E. Buckley, President of the Bell Telephone Laboratories; Robert E. Wilson, Chairman of the Board, Standard Oil Company of Indiana; Isaac Harter, Executive Vice-President and Director, The Babcock & Wilcox Tube Company; Donald Carpenter, Vice-President, Remington Arms Company; Bruce K. Brown, President, Pan American Petroleum and Transport Corporation; Gustav Egloff, Director of Research, Universal Oil Products, Company; Paul Foote, Executive Vice-President, Gulf Research and Development Company; Gabriel O. Wessenauer, Manager of Power, TVA; and Jerome C. Hunsaker, Chairman, National Advisory Committee for Aeronautics: So that they may work effectively the Commission has taken the unusual but necessary step of giving the members of this group access to restricted data and an inside look at the problems that face the Commission.

Until this industrial board has made its recommendations, it is not possible to state specifically the nature of the arrangement most appropriate to a given individual or industry. In 1946 the Commission instituted a one year course on reactor problems for engineers at Clinton Laboratories in Oak Ridge, Tennessee. Between 50 and 100 engineers attended, receiving theoretical and applied training from the best authorities in the country.

Brookhaven National Laboratory considers industrial cooperation as one of its functions. Since the Laboratory facilities are still in process of construction, no definitive arrangements have yet been made. Brookhaven will implement to the fullest degree policies announced by the Atomic Energy Commission.

The development of atomic energy since the war has taken a new direction, focusing attention upon beneficial, peacetime application. It has reached a point at which a widespread industrial technology is possible and is required if the nation is to maintain its preeminent position and is to benefit to the fullest extent from the new developments of a new field in a new world.

German Monetary Disintegration And Reform Possibilities

(Continued from first page)

tries from the viewpoint of monetary relations. The existing restrictions on monetary transfers from one zone to another would have to be strengthened, and the two currencies that would emerge would become subject to foreign exchange restrictions. Authorities in the East, with considerable justification, fear that monetary reform in the Western zones would induce black marketeers in that area, in order to avoid revealing their hoards, to transfer their reichsmarks to Eastern Germany, with the result that prices in the black markets in the East would skyrocket, unless a new currency is also issued in the Soviet zone.

The Progress of Monetary Disintegration

Meanwhile monetary disintegration has made further progress in Germany. Many of the symptoms of this disintegration, while most disagreeable to every German except the new and growing (both in numbers and in influence) class of profiteers, have something fascinating to the outside observer who is interested in what might be called the "pathology" of money. It is indeed a strange world in which one finds oneself if one probes below the surface of Germany's economic life.

It is no exaggeration to say that in a very large sector of the German economy the Reichsmark is thoroughly discredited and simply rejected. To a considerable extent the German economy operates without any money at all. The coming of a monetary reform, under which the bulk of all money holdings will be simply confiscated, is no secret in Germany. No wonder that people will accept money only to the extent that they have an immediate outlet for it. Since little can be purchased at legal prices, its acquisition is no longer a stimulus to effort in the legal sector of the economy. Manufacturers are more interested in protecting and expanding their inventories than in selling their production for money at legal prices. Goods are acquired if available in gray or black markets, regardless of whether they are of use to the buyer or not—which has, of course, a very damaging effect on economic life, as it leads to a misdirection of scarce resources.

As the Reichsmark has lost usefulness during the last 2½ years, there have been frequent instances of creditors refusing payment of debts contracted years ago. A large number of contracts concluded recently contained clauses protecting the creditor against further depreciation or devaluation of the Mark. But a directive issued last summer by the U. S. Military Government ruled that it is illegal to deviate from the principle "Mark equals Mark." Irrespective of whether outstanding debts are payable in Reichsmarks or gold Marks, or how they are guaranteed, creditors are legally bound to accept repayment in Reichsmarks.

The Spread of Black Markets

As practically all goods produced in Germany possess either barter or investment value, the quantity of goods available on the retail level for sale to consumers at their legal value remains negligible. This state of affairs is advantageous to those who are skilled in "greasing" the palms of corrupt officials and to those who excel in acquiring, selling, and transporting goods illegally. But the aged and invalid, those who weaken in the incessant battle with the bureaucratic machine, and those who lack the energy constantly to search for semilegal and illegal means of obtaining a pound of butter or an electric light bulb here, a few hundred pounds of coal or wood there, fall quickly by the wayside and soon lose out in the fight against ill health and hunger. The disintegration of the monetary system has real meaning in the everyday life of the average German.

At the same time, there are tens of thousands in Germany who have greatly benefited from the breakdown of the modern money economy, and whose living standards compare favorably with prewar. They are the "blacketeers". Black markets have served to pauperize the lower-income and middle classes and to bring about a significant shift of wealth to farmers, traders, and to artisans disposing of scarce skills. Black markets operate like a powerful pump which sucks up first the liquid reserves and then the movable wealth of the public. As black marketeers accumulate huge profits, they look for investment outlets which offer themselves readily as the public disposes of its valuables in order to continue illegal purchases. Part of the money spent in black markets thus flows back to consumers in exchange for their valuables, and then returns to the black marketeers. This vicious circle has by now resulted in a decline of black market prices for currently produced goods, since monetary and material wealth has congealed so to speak within a relatively small group, and since the public has less money left for illegal purchases and fewer possessions to sell to black marketeers.

Black market profits that are not spent for second-hand goods which can serve as hoarding media are usually left uninvested. The absence of spiral inflation in Germany may in part be explained by the fact that the liquid funds of the public are transferred through the black-market mechanism to groups who either invest them in second-hand goods or retain them in cash hoards.

While it is true that black markets in Germany have at times served to bring out of hiding urgently needed goods and enabled people to secure services that are simply unavailable if compensated at authorized rates, their stimulative qualities, though not to be neglected, appear less attractive in the light of the economic distortions and inequities resulting from the diversion from legal channels of a substantial part of total goods and services. Black markets usually emerge in lines of business that can be supervised only with difficulty. The utilization of resources tends to be faulty and wasteful in an economy where the ease of evasion determines to a large extent the use of capital and labor. As black markets spread through the economy, a new and numerous group of intermediaries is superimposed on all levels of the existing distribution system, absorbing manpower needed elsewhere.

The Emergence of Gray Markets

While there are still many people in Germany who look askance at black market trading, barter deals, chiefly between consumers and farmers, and compensation trading—i.e., contracts calling for delivery of goods in exchange for other goods—are widely considered legitimate business. Without an effective medium of exchange, the Germans have developed barter and compensation trading to a fine art. Barter is a form of trade that has been officially sanctioned by the establishment of barter shops and syndicates operating under governmental supervision. Originally, barter deals covered mostly second-hand goods, such as furniture, rugs, pictures, and jewelry. This type of transaction is now less common, because most consumers have run out of supplies of this kind. However, new barterable goods are now coming into circulation as workers insist that their employers, in lieu of wages or as supplemental compensation, furnish them food and consumer goods, a demand the latter are forced to comply with if they wish to retain their employees. Few lawyers, doctors, artisans, or hotels in Germany are willing to sell their services unless paid at least in part in consumer goods.

The emergence of compensation trading is a reflection of the bargaining strength of sellers, who, under conditions of acute scarcity and as the modern exchange money economy is breaking down, prefer to hold goods rather than additional cash balances. Paid in goods rather than in cash, the seller is relieved of the need of searching for outlets for his money and of employing intermediaries for locating goods he may have use for. Compensation trading, from the viewpoint of the seller, serves to prevent the depletion of inventories and equipment and enables him to accumulate goods having investment value. In the Bizone, more than one-half of the entire trade in industrial products is now believed to be covered by compensation arrangements. The system is becoming more widespread simply because if industrial firms were to rely on what they can obtain through official allocations and on what they can buy at legal prices, they would soon have to fold up.

Barter and compensation transactions are a wasteful and expensive method of resource utilization. Manufacturers are forced to locate a plant that not only has the goods they require but also has use for the goods that they themselves can furnish. In some cases, manufacturers, merely in order to have on hand something barterable, are forced to shift their facilities to the production of goods that they can turn out only at relatively high costs. Firms producing barterable consumer goods enjoy a decided advantage in the acquisition of raw materials and labor over enterprises engaged in producing primary goods that are urgently needed for reconstruction, but lack the quality of easy divisibility and direct usefulness to the ultimate consumer, and, for this reason, cannot be distributed among the working forces in place of wage payments. Public utilities and transporation enterprises labor under the same disadvantage. All this makes for undesirable shifts in the utilization of resources, weakens allocation and rationing controls, and contributes to inability to sell at legal prices. Without a functioning money and price system, however, barter and compensation trading are bound to gain in importance.

There have been several official attempts in Germany to legalize barter and compensation trading, but the Bipartite (Anglo-American) Economic Control Group rejected a directive issued last May by the Bizonal (German) Administration for Economics in Minden under which such transactions would have been permitted within certain limits. Since then some of the German state governments in the Bizone which had tolerated, if not fostered, such deals have tried to discourage this type of trading.

The Problem of Monetary Reform

One pitfall to beware of is to attribute all of Germany's ills to the huge money excess. There is a tendency among many observers of the German economic scene to believe that removal of the monetary overhang is a cure-all. A stable medium of exchange can be obtained only if at least a minimum of wants can be satisfied by making use of it. Farmers, unless they can acquire farm implements and consumer goods with their earnings, will continue to resist attempts to make them sell their produce for money rather than barter it for manufactures. The revival of a functioning money depends on increased production of German industry, which in turn presupposes that the volume of coal available for German needs is greatly increased and essential requirements of raw materials and food are covered by corresponding imports.

Financial rehabilitation in Germany calls not only for a scaling-down of the money supply, but also for the settlement of the huge unpaid claims on any future German government stemming from war damage, dismantling, and various other losses. The satisfaction of these claims may well threaten financial stability in Germany. What claims to recognize, and how and to what extent to meet them, is an issue that a comprehensive scheme for monetary and financial reform in Germany must satisfactorily solve.

An analysis of the proposed solutions of the problem shows that they provide for the following not always mutually exclusive courses of action: (a) the cancellation of a stated percentage of currency in circulation and of deposit liabilities of banks; (b) the withdrawal of all outstanding currency and the blocking of part of the resulting, as well as of part of the preexisting, bank deposits; (c) the conversion of most of the money supply into non-interest-bearing and non-redeemable government bonds, a variant of method (b); (d) the absorption of large amounts of money by a capital levy; and (e) the raising of all prices and wages by a large multiple.

Alternative (a) is part of most reform plans put forward in Germany. While this approach has definite administrative advantages, it is not particularly equitable. The invalidation of a straight percentage of each person's money holdings, regardless of aggregate size, is in effect a regressive tax. It is true that the cancellation feature of a reform program need not apply to holders of small amounts of currency and small depositors, but, while this and other discriminatory provisions would introduce an element of equity, it would also make the reform scheme more complex.

Those in favor of alternative (b) and (c) are fearful of an illiquidity crisis resulting from a sharp contraction of the money supply. This contingency is very much in the minds of the business community. Moreover, a very rigorous scaling down of the money supply would tend to eliminate most of the savings of the old and sick, and thus put an additional burden on the social security system. Blocking opens a way out of this dilemma since it would serve to impart an element of flexibility to a monetary sanitation program. Some experts, however, view the blocking and certificate device with misgivings. They fear that if an economy passing through a deflationary process is permitted to retain semiliquid assets, there will be strong pressures for their early conversion into immediately disposable funds. Unless rigorously handled, a blocking or certificate scheme will be exposed to an attrition process and will be gradually whittled away.

One of the most popular proposals for the execution of a monetary sanitation program is the imposition of a capital levy. However, the many technical problems connected with a capital levy have persuaded most of its proponents to advocate use of this device not for the removal of the monetary overhang, but as a means of compensating war-loss claimants and of accomplishing a more equitable distribution of the losses arising from a financial rehabilitation program.

Alternative (e) aims at closing the gap between the volume of money and the volume of goods by price increases. This particular solution of the problem, while having the advantage of simplicity, has gained few friends, except among the beneficiaries of the prevailing monetary chaos. Some observers appear fearful that once the whole price structure is permitted to move, the psychological shock will be such that the remaining controls, which must be maintained so long as shortages persist, will be washed away.

Outlook

The implementation of a scheme for the financial rehabilitation of Germany will immediately bring forth a large number of new problems. Until now, excess liquidity has permitted German manufacturers to resume and continue production, even though they suffer severe monetary losses. Following the monetary reform, unless its deflationary impact is mild, they will no longer be able to disregard traditional standards of cost-price calculations. The loss of working capital will bring forth heavy demands on the credit mechanism. If the rate of reconstruction is raised from its present low level, the struggle of the various classes for the inadequate national product will gain in intensity. With severe shortages and a tremendous backlog of demand likely to persist, voluntary savings will remain very low. Heavy taxation will be required to maintain aggregate expenditures at an appropriate level, but if incentives to produce are to be strengthened, the tax burden will have to become much less onerous than that imposed by the Allied Control Council in 1946. The maintenance of monetary stability will call for much wisdom and financial statesmanship on the part of the Allies and of the German officials in charge of monetary and fiscal policy.

Business Man's Bookshelf

International Financial Statistics—Monthly magazine issued by International Monetary Fund, 1818 H Street, N. W., Washington, D. C.—Subscription $5.00 per year.

Marshall Plan, The—Sidney S. Alexander — National Planning Association, 800 Twenty-first Street, N. W., Washington 6, D. C. —Paper—50¢.

Marshall Plan and European Economic Policy, The—Friedrich A. Lutz — International Finance Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—Paper.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market now in indeterminate stage. No breakout in either direction indicated for immediate future. Hold all positions.

For the past two weeks I've been acquiring a Florida tan to make my acquaintances envious. The sunshine is about the only thing one can get in that land of lotus eaters without going into hock. The rest: living, eating, recreation and incidentals, come so high, one has to float a loan to come home on.

* * *

But though I was away from my desk I wasn't away from the market. It looked the same under a tropical sun as it did under a New York snowstorm.

* * *

Since the first week in February, when the advice was given here about a number of stocks, the market has kind of wallowed in a trough. After breaking down to about 164 in the Dow averages, it managed to trudge back to about 168-170, where it is at present. During this process a few stocks acted better than the market, a few not so well, and the rest just drifted along with the tide. All in all it was a prosaic market, giving no cause for excitement to either the optimists or the pessimists.

* * *

The major news developments are still tied in with the coming elections and increasing tenseness abroad. From the action of the tape it is apparent that neither factor has been sufficiently weighed to make any dent in the market.

* * *

This means that the evaluation of the market's future must rest entirely on its technical action. Looking at it dispassionately, it seems as if the averages have slowly worked themselves into a corner with stock for sale just under the 170 level and some support around the 165 figure. A breakout in any direction could well be the clue for the immediate trend. The breakout may come out of news or anticipation of it. But until it comes it will call for a policy of holding all positions until the stalemate is broken.

* * *

In the advice to buy stocks you were also given the levels under which stocks were not to be held. So far none of these was broken. This is no guarantee that they won't be. It is one of the risks venture capital has to take if it seeks profits.

* * *

So until next week the list remains as follows:

	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.]

Buckley Bros. Adds Plant And Sibley in Los Angeles

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—James R. Plant and William A. Sibley have been added to the staff of Buckley Brothers, 530 West Sixth Street. Both were formerly with John B. Dunbar & Co. and Cruttenden & Co.

Loewi & Co. Adds Barlow

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS. — Harold G. Barlow has become connected with Loewi & Co., 225 East Mason Street, members of the Chicago Stock Exchange. In the past he was with Thomson & McKinnon and Shields & Co.

Martin L. Coyne Opens

(Special to THE FINANCIAL CHRONICLE)

GREENFIELD, MASS.—Martin L. Coyne is engaging in a securities business from offices at 24 Franklin Street. He was formerly with R. M. Horner Co.

With McDonald & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Russell J. Cook has joined the staff of C. G. McDonald & Company, Guardian Building, members of the Detroit Stock Exchange.

Watling, Lerchen Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Truman H. Newberry II is now with Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

Two With Abbett & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—David B. Mautner and Thomas H. Nicholson have become affiliated with C. E. Abbett & Company, 3277 Wilshire Boulevard.

The Outlook for the Steel Industry

(Continued from page 2)

which, in 1947, failed to better its 1929 attainment.

The Outlook for 1948

That brings us to the present. What of the future?

At the moment, the industry still is under pressure from all sides to produce material. Because of weather, and the shortages of scrap and good quality coking coal, January production was held to 93.5% of an increased capacity. The rated capacity was raised at the beginning of this year to 94,000,000 tons, or 3,000,000 tons larger than at the beginning of 1947. The February rate to date is holding the January line. If we could assume that the rate would be maintained for the balance of the year, production for 1948 would total 88,000,000 tons, close to the wartime peak of 89,600,000 tons made in 1944, and 3,000,000 tons above the 1947 output.

What is the prospect for holding this rate? At the moment as far as I can see, there has been no slackening in demand pressure at the mill level. All of us have heard or seen reports suggesting an impending curtailment of demand, but as yet none of these apparently has made itself felt in steel buying. Perhaps they may in the future, but that we cannot foretell too clearly at the moment. Conversely, one of the best indicators of the rate of present steel demand is the fact that a so-called gray market still flourishes in certain steel products. While conversion deals at present are said to be somewhat less active than they have been, this probably is a temporary phenomenon brought on by the fact, so reports tell us, that integrated mills recently have become much more "choosey" about sources from which they will accept ingots. In other words, the urge of consumers to make conversion deals apparently has not lessened, which means only one thing—that demand is in excess of the capacity of the normal producing set-up. Finally, allocation still are being planned to aid certain essential industries.

At the same time, we can look forward to some probable slackening in demand from certain consumers' durable goods lines, such as washing machines, refrigerators, vacuum cleaners, radios and others, which have or soon will pass their initial postwar production peaks. However, even while we anticipate some slackening in demand from these sources, I think that we can look forward with confidence to the prospect that the capital goods industries and exports will take up any that so occurs. Accordingly, I feel that this year's production will be conditioned primarily by the supply of metallics, rather than by demand.

At present, scrap is in somewhat easier supply than it has been, although it still is far from plentiful. Increases in pig iron production, on the other hand, remain difficult to obtain because of poor quality coking coal and virtual inability to expand ore supplies. I would say, under the circumstances, and barring a coal strike or other labor interruptions, that we can look forward to 1948 production at least equal to that in 1947.

Given that volume of production, what is the outlook for profits?

I think it is interesting at this point to go back and review the 1947 results for a better understanding of the present position. The year 1947 was a rather odd one from the standpoint of the industry's profit margin and profits. By far the best quarter was the first quarter, during which virtually all companies were benefiting from the use of low cost inventories previously accumulated to make products sold at the advanced prices posted at the start of the year.

With that favoring set of circumstances, plus high production, a selected group of companies, six in all, showed an average profit margin, before income taxes, of 14.2% of sales. In the second quarter, there was the wage advance, and the average profit margin before taxes dropped to 9.7% of sales. It remained more or less stable for the balance of the year; 9.9% in the third quarter and 9.8% in the fourth. Thanks to the influence of the first quarter, the year's average was 10.8%. It is interesting to compare that attainment with the showing in 1940, the previous peacetime peak year in production, when the pretax margin of these companies averaged 10.9%, and 1937 when it was 9.2%.

It is readily apparent that the industry entered 1948 fighting a rear guard defensive action against costs. Even today, costs are still rising. Freight rates have been advanced another 10% since the turn of the year. Various materials and supplies also have risen in price during the recent past and, looking ahead, there does not seem to be any major relief from this trend in sight.

Higher wage rates are indicated. How much that wage increase will be is pretty much anybody's guess. I would not attempt to anticipate a settlement that may be made between the steel workers' unions and the major producers. Up until recently the concensus seemed to be that the workers would demand something in the vicinity of 25-30 cents an hour increase in the basic rate but, after the usual arguing, and agreement in the range of 10 to 15 cents per hour would be reached. Then, first, there was the break in farm commodity prices, and it immediately became popular to assume that the CIO was being put on the defensive with respect to its probable demands. Immediately thereafter, however, the steel industry began to receive considerable publicity for the price increases made most recently, although not necessarily the most important. The balance of power, accordingly, seems to have gone back into *status quo ante*. Thus, for the purposes of our thinking, perhaps we had better adopt the thought originally most widely held that a wage increase of somewhere between 10 and 15 cents per hour will be granted.

In other directions, it looks as if ore prices are going up another $2-$3 per ton this spring. If Mr. Lewis gets another wage increase for his coal miners, unquestionably coal costs are going higher. The industry's freight bill would also rise again if the ICC acts favorably on the railroads' petition for still higher rates. Scrap however, seems to have stabilized. Currently, the "Iron Age" scrap price composite although still 10% above its 1947 average, is about $2.50 per ton under the peak reached in October.

I have already mentioned the fact that, as an offset, the steel industry has begun to adjust prices. Leading companies began to make some adjustments late last fall, and have applied them with increased vigor since the turn of the year. We have read a great deal in the course of the past week of the so-called concerted action of steel makers in raising prices for semi-finished steel. It is interesting but not really too important from the standpoint of the industry's revenue. Far more important, and given far less publicity, were the increases such as that in the price of tin plate, effective Jan. 1, some rather substantial changes upward in prices for various wire products including nails, barbed wire, and fence, increases in prices for pipe and tubular products about two weeks ago, revision in the extra schedules on structural steels, changes in extra schedules on alloy bars, and upward price revisions on skelp, long ternes and other lines. The sum total of all these, including the advance in semi-finished steel last week, probably will increase the industry's revenue, based on 1947 tonnages, by almost $200,000,000.

Price Situation

I might also, at this point, take up the question: "How high are steel prices?"

At the present time, the "Iron Age" composite of finished steel prices is approximately 40% above the 1939 average. That would seem to be a relatively small increase, compared to the average for all commodities. However, the actual increase is much more than that. As a rough indicator of how much more, let us review the dollar sales of eight of the largest companies. We find that in the final quarter of 1947, when the "Iron Age" steel price composite was 38% above the 1939 average, the sales of these eight companies were at annual rates averaging 188% above 1939.

Of course, the gain was largely the product of increased tonnage and higher prices. Over the span, the industry's tonnage was up 85%. If we adopt a very arbitrary procedure and multiply finished steel tonnages for the respective periods by the "Iron Age" price composites, we find that the indicated gain is 157%, compared with the actual gain of 188%. The residual of 31% very probably is mostly in prices.

There are three reasons why actual prices have risen far more than the "Iron Age" finished steel composite would indicate: First, discounts, which were prevalent in 1939, have been eliminated. Second, extra schedules throughout the product list have been revised upward. As you know, steel prices are made up of base prices, plus varying extras, and the price composites are made up from the base prices only. Third, prices received by steel makers have been upped by selective selling, both by product and by market, the latter including the refusal in several instances of mills to absorb any freight charge.

I think it only fair to say, therefore, that steel prices realized by most mills are up substantially more than 40% as compared with 1939. How much more than 40% it is difficult to tell. It might be as much as 60%.

I feel, too, that if, when and as another wage advance occurs, it is not unlikely that steel companies again will advance their prices. They have indicated that, on most of their lines, the existing profit margin is not excessive, and a review of their fourth quarter profit margins would seem to bear out that observation. After all, a pretax margin of something less than 10% of sales, from which 38% plus must be reserved for the government, is not abnormally high.

Profits Outlook

Looking at the profits outlook for 1948, therefore, and recognizing that the probable wage advance will not be effective in the first quarter, I expect that first quarter profits will be somewhat better than those indicated for the final quarter of 1947. However, they probably will be well below the first quarter of 1947. For the year as a whole, with my assumption that volume will be pretty much the same as in 1947, we can anticipate that the dollar sales of the industry will be larger because of the higher average prices to be prevailing.

Conversely, with due regard for the fact that the average 1947 profit margin was tilted upward by the unusually good first quarter, and for the fact that the pressure of costs still is strongly upward, I think we can anticipate that the profit margin in 1948 as a whole will average something below last year. Combining these considerations, I believe we should be well satisfied if 1948 profits for the steel makers are much, if any, better than 1947. My feeling is that they will be about the same or possibly slightly lower.

Despite that prognastication, and the fact that the industry this year will be expending its peak amount for capital purposes, I feel that we can expect somewhat larger dividends from many of the leading companies. There seem to have been moves in that direction in the recent actions of Bethlehem in raising its regular rate, and of Republic in increasing its extra.

So much for 1948.

Position of Industry Safe

Looking ahead, I believe in the first place that steel's place in the family of industrial materials is comparatively safe. We are having, and we will probably continue to have some substitutions of other materials for steel because of acute shortage of some forms of the latter. I think some of these substitutions may well be permanent. Indeed, they may pave the way for others. Nevertheless, when the supply stringency in steel finally is past, I think we will find resumption of the previous tendency to adopt steel more widely. There are probably as many, or more, instances in the past where steel has won markets from other materials than vice versa, and this is likely again to be the case when more normal conditions prevail.

In short, I am not particularly concerned about the future of steel from the standpoint of its economic place in industry. It is still by all odds the most versatile and workable of the low-priced industrial materials.

In trying to gauge prospective future demand for steel, it is my opinion that the brightest spot is the evidence that the nation's economy in the years ahead will be a much better balanced economy than it was during the 1930's. At that time, as you recall, the primary dependence of this economy was on consumers' goods with capital expenditures at a relatively low level. We should see, of necessity, a much higher level of capital expenditures in the years ahead than we had during the 1930's.

Reviewing prospects for some of steel's major consumers, we may by the latter part of this year have reached, or possibly passed, the peak in postwar industrial construction. On the other hand, I believe that there is equally good possibility that, coincidentally, residential and public works could be picking up and could readily maintain the high rate of overall construction activity. In the meantime, it certainly is true that the use of steel by the petroleum industry will increase when the amounts needed are available. The public utilities' plant expansion program is definitely established, and presumably will require three or four years to complete. Prospects for the automobile industry suggest that it could maintain a high rate of operations for some time. The container industry still shows definite secular growth tendencies which, at present, are being held back only by the shortage of steel.

The export market could be more active, if and when the material is available, and if and when the dollars are available to pay for that material. Perhaps the Marshall Plan will take care of that.

Finally, in this armed camp which we call the world today, it would behoove this country, I believe, to keep its military strength at high levels, and such seems to be the intention. Just how much that would benefit the steel industry is difficult to foretell because it is not certain how far reaching the rebuilding and maintenance of our armaments would be. Whatever the nature of the task, however, we can be reasonably certain that it would not do the steel industry any harm.

One factor which most of us tend to overlook in analyzing our postwar economy as compared with prewar, is that during the war the nation's capacity to consume or cut up steel was increased far more than the capacity to produce steel. The capacity to produce steel at the end of 1948, as projected, will be about 18% above 1939. A survey by the Government's Census Bureau shows the following increases in the number of establishments by various steel consuming groups: electrical equipment and appliances, 93% increase over 1939; machinery builders, 80% over 1939; transportation equipment including automobiles, 75% above 1939; fabricated metal products, which include practically everything not previously covered, up 66% from 1939.

Bear in mind, of course, that these data reflect the increase in the number of establishments, not in their capacity. By the same token, however, they do not reflect the increased capacity of establishments existing in 1939. We can only guess the amount of the increase in steel consuming capacity in this country. Notwithstanding, I think it is a fair assumption that, as compared with 1939, it has risen at least twice as much as steel producing capacity.

Taking another fundamental view, it is interesting that in the face of an underlying trend toward increasing use of metal in this country, the fact is that the capacity to produce steel has grown but relatively little more than population. In contrast from 1900 through 1940 the amount of steel in use in this country increased about three times as fast as population. That relationship, plus the tremendous amount of steel now in use—far over a billion tons, it is estimated—suggests to me that under more normal business conditions, the steel industry will have working in its behalf a factor of rising replacement demand.

High Rate of Steel Output Anticipated

By way of conclusion on the outlook for steel production in the years ahead, I think that unless this country is stricken with economic collapse we can anticipate a relatively high rate of steel output for some time. We have seen from time to time in the press comments that the maximum production of steel in this country in peacetime has never been much above 1,000 pounds per capita per annum. That is true. It is equally true that production of steel in those quantities is not terribly unusual, if the 1930's are excluded. Our prewar peak in steel production was 1,040 pounds in 1929; output was 1,020 pounds per capita in 1940; and we closely approached 1,000 pounds per capita in 1937, 1926, 1923, and one or two others.

Just as a statistic, without meaning it as a forecast, production of 1,000 pounds of steel per capita with the population in prospect during the next few years would mean an ingot output of around 75,000,000 tons per annum, or about 78% of the capacity to be in existence at the end of 1948.

Future Profits Prospects

Assuming a relatively high rate of production for the industry for some time ahead, what can we anticipate as profits performance?

First: All of us clearly recognize that the so-called break even point in the industry has been raised considerably by the events of the past seven years. There seems to be no valid reason to anticipate major relief in this respect for the visible future, although it seems equally logical to doubt further extension of the trend which has prevailed. Just what the break even rate for the leading companies now is, I do not know. If I did, it would be largely meaningless for it probably would be different tomorrow. Yet, again for the sake of a statistic, I think it probably is reasonable to assume that, at present prices and costs, it is in the vicinity of 75% of capacity for most producers. This is substantially above the generally accepted "average" of 50% to 55% prewar.

Second: I believe that with relaxation in the present extreme pressure of demand current practice of selective selling by product and market, including refusal in some instances to absorb freight, will be loosened to the detriment of mill realized prices. Either that, or operating rates at some mills will suffer. The practice of selling f.o.b. mill is something that the FTC has been trying to bring about by legal means for some time, and without conspicuous success except insofar as the industry has voluntarily established multiple basing points. Actually, the ICC, through increasing freight rates, is accomplishing what the FTC had hoped, and is still hoping, to do through court order. The explanation is ready; as freight rates rise it becomes increasingly difficult for steel companies to reach out over any great area to sell products at a profit.

It seems, apparently, that higher freight rates are here to stay; in fact, we may see further increases. Under more normal market conditions, that situation would leave steel makers with the alternative of either absorbing freight to maintain their sales volumes, or by one means or another changing their product list to permit marketing the output more or less locally. This latter is possible to a certain degree but probably not enough to make up the total difference. The net result under more normal conditions should be for the steel companies to resume absorbing larger amounts of the delivered freight bill, to the detriment of average price realizations at the mill.

There probably will also be at that time the elimination of many of the extreme seller's market practices now being used, designed to increase the mill price realization. While these are not major in the overall situation today, they are some consideration and should not be overlooked in trying to anticipate the shape and size of steel companies' income accounts two or three years from now.

Looking at the cost picture, from the standpoint of materials, I think it is obvious that prices for scrap and, possibly, some other supplies may decline substantially when the extreme demand pressure is relaxed. At the same time, it is difficult to visualize major declines in cost at the mill of the major materials, ore and coal. Also, it probably would require an economic collapse to bring labor rates down.

As an offset to the latter's high level, the industry has only one alternative — heavy expenditures designed to reduce the man-hour content of a ton of steel. It has made marked strides in that direction already.

It is quite interesting in this connection to review the payroll statistics from the American Iron & Steel Institute, and relate them to data on production. In the fourth quarter of 1947, payroll costs to produce a ton of finished steel were, on average, $29.15, according to my calculations. This compared with $22.97 per ton in 1937, and $19.77 in 1940. In other words, the payroll cost of making a ton of steel was up about 27% in the fourth quarter of 1947 as compared with the year 1937, and up about 48% as compared with the year 1940.

This showing was quite remarkable inasmuch as the average wage rate paid in the industry in the fourth quarter of 1947 was 91% above the average for the year 1937, and 85% above the average for the year 1940. The difference, obviously, was in the reduction in the man-hour content of a ton of finished steel.

In that regard, the fourth quarter of 1947 indicated the best showing on record. In that period, according to my computations, approximately 17.8 man-hours were required to produce a ton of finished steel, against 25.9 in the year 1937 and 21.3 in the year 1940. In other words, the decline in the last three months of 1947, as compared with the year 1937, was 31%; it was 16% as compared with 1940.

We certainly can expect the industry to continue seeking improvement in that direction, and we can expect that the huge expenditures which have been made on plant since the end of the war, and which are in prospect for the next year or two and beyond, will work in that direction. The leading companies still are examining, and experimenting with, a variety of cost-saving ideas, such as the use of low-purity oxygen in blast furnaces and for steel-making.

Nevertheless, it is rather difficult to anticipate any sharp reduction in steel-making costs, other than in the price of scrap and, possibly, a few other supplies, over a comparatively short period. The change downward, if and as it comes, probably will be evolutionary rather than revolutionary. Thus, under more normal competitive conditions, it would seem to me that we cannot expect steel makers in coming periods to improve materially, if at all, their profit margins as compared with the present and early prospective future.

Peak Profits Passed

It is my opinion, in conclusion, that we have seen the peak in steel company profits for some time. However, I believe that there are some years of good business still ahead of the industry; years in which the profits can be relatively substantial, even though in percentage of the sales dollars, they may not be large. I think, too, that as the industry gets farther along with its program of plant expansion, we can expect a gradual liberalization of dividend policies.

Finally, what does this mean in terms of steel stock prices? In this connection we should, first examine the record, which shows that by 1942 the steels had dropped well behind the industrial averages—as portrayed by the Standard & Poor's stock price indexes. The group stayed well behind the industrial averages until about 1944, when their relative performance began to improve. By 1946 and throughout most of 1947, the steels were well ahead of the industrials, and they are there today. Considering the profits outlook as I have outlined it, and the present relative position of the steels in the market, I arrive at only one conclusion: this group of stocks certainly is not as attractive as it was in comparison with the industrials, yet conversely cannot be considered unattractive.

Fairless Defends Rise In Steel Prices

(Continued from page 19)

ticular customers, most of them large and profitable concerns.

"It seemed to us that we had the alternative of doing one of two things: either to raise the price of such semi-finished material so as to permit us at least to break even on such sales, or to abandon the marketing of semi-finished steel entirely and use that steel for the production of our own finished steel products. We chose the first alternative, as it did not seem that we should cut off the source of supply of raw steel for these particular customers.

"The total amount of semi-finished steel sold commercially by the entire steel industry is so small—less that 9% of the industry's total steel shipments, according to the figures of the American Iron and Steel Institute — that I cannot see how such an increase in the price of these few products can have any substantial effect upon the prices of finished steel products in general."

Regarding the effect of further wage increases on steel costs, Mr. Fairless added:

"I have a suggestion to make, which I hope may be helpful in the public interest. It is that American industry and labor should do everything in their power to avoid further increases in costs. If steel costs continue to go up, steel prices must also go up. That is inevitable. If this country experiences a third round of wage increases, it must also expect to experience still higher prices for most of the products of industry.

"Is it necessary to have a third round of wage increases? I don't believe it is. Furthermore, I don't believe such a further wage increase will in the long run bring benefit to anyone. In my opinion, it will only result in further inflation and distress for many of our people.

"When United States Steel finds that costs are no longer on the upward trend, I can assure you that it will give earnest consideration to a reduction in the selling prices of its various steel products."

Halsey Stuart Offers Missouri Pac. Equip.

Halsey Stuart & Co. Inc., was successful bidder Feb. 25 for $4,330,000 equipment trust certificates, maturing March 1, 1949-1958, naming a price of 99.181 and a rate of 2¼%. Reoffering was made (subject to ICC approval) at prices to yield from 1.45 to 2.55%, according to maturity. The certificates are secured by new standard-gauge railroad equipment estimated to cost about $5,784,030. Participating in the offering are R. W. Pressprich & Co.; Hornblower & Weeks; Otis & Co., Inc.; Freeman & Co.; William E. Pollock & Co., Inc.; First of Michigan Corp., and Milwaukee Co.

B. Ellsworth Radcliffe Now Is with Christopher Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—B. Ellsworth Radcliffe has become associated with B. C. Christopher & Co., Board of Trade Building, members of the Chicago Stock Exchange. He formerly had his own investment business in Kansas City and prior thereto was an officer of John J. Seerley & Co.

The Bank and Inflation

(Continued from page 7)

cation between individual management, on the one hand, and supervisory responsibilities, on the other. Competent management in banking is as necessary for the preservation of the private enterprise system, as red corpuscles are to the human body. I trust, therefore, that I will not be misunderstood in my remarks which I am addressing to management on this important subject.

The unusual conditions under which banks have operated in recent years, due to the peculiarities of the war-stimulated economy, and the influences arising from the conversion to peacetime commerce and industry, are now a part of the background; however, the hazards of the present inflationary trends must be faced, first, before the course of a normal peacetime economy can be finally determined.

The crossroads have been reached, but the direction ahead appears uncertain, hazardous and fraught with many problems. A proper solution to the national and world problems, is controversial and varied, and the resulting influences have not, as yet, determined the proper course to be taken. It is certain that the effects of these, on banking, will greatly determine the pattern of our future operations.

The recognition of all these forces and their relationship to each other demands that concerted action be taken by all. A reduction in the Federal budget is imperative. Government expenditures at the state and municipal levels should, also be held back, so that the competitive pressure of such dollars in the spending stream can be reduced. Business expansion for plant and equipment should be restrained except where needed production would result. Industrial production should be increased and this means a larger per-man output by labor. Corporate profits at present heights foster demands for higher wages and thus maintain and even increase prices. Individuals must appreciate the benefits of saving rather than spending, not only because of the contribution they would be making to the mitigation of the present situation, but, in addition, because of the reserves they would be building up for the coming readjustment.

Position of Bank Supervisors

The special interest of the bank supervisor in this present picture is to do what he can, within his particular province, to see that sound loans are made and sound banking policies followed. While it is true that an unlimited and indiscriminate extension of credit adds to inflationary forces, the supervisor, as such, is concerned principally because such extension of credit is unsound. I do not believe that bank supervision should ever be made a tool for the monetary or fiscal policies of government. To attempt to make it such an implement would, at the very least, confuse the purpose of supervision and, under some conditions, cause it to act contrary to what it should be doing, thus weakening, if not actually destroying, its effectiveness. The fundamental purpose of bank regulation is protection for the public—a protection found in the administration of reasonable laws and in the judging of asset quality and management policies in relation to the condition of the individual bank and in relation to general economic conditions.

The coordinated views of the supervisory authorities and their attitude toward this perplexing problem, I believe, have been very carefully set forth in the joint statement regarding bank credit policies, released under date of Nov. 24, 1947. I am sure you have all read it, but, I trust you will bear with me while I again read it to you.

"Bank Credit Policy During Inflation

"Our country is experiencing a boom of dangerous proportions. The volume of bank credit has been greatly inflated in response to the needs for financing the war effort. Domestic and foreign demands for goods and services are exerting a strong upward pressure on prices in spite of the high volume of physical production. These demands would be inflationary without any further increase in the use of bank credit, but the demand is being steadily increased through continued rapid expansion in bank loans, in addition to other factors outside the control of the banking system.

"A substantial increase in production, agricultural as well as industrial, would be highly beneficial. However, increases can only take place slowly and to a limited degree. In industry, they are dependent on correspondent increases in the available supply of basic raw materials, plant capacity, and the number and productivity of the labor force. Therefore, a further growth of outstanding bank credit tends to add to the already excessive demand and to make for still higher prices.

"The Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Executive Committee of the National Association of Supervisors of State Banks are unanimously of the view that present conditions require the bankers of the country to exercise extreme caution in their lending policies. It is at times such as these that bad loans are made and future losses become inevitable.

"It is recognized that a continued flow of bank credit is necessary for the production and distribution of goods and services. The banks of the country have adequately met this important need in the reconversion period. Under existing conditions, however, the banks should curtail all loans either to individuals or businesses for speculation in real estate, commodities or securities. They should guard against the over-extension of consumer credit and should not relax the terms of instalment financing. As far as possible extension of bank credit under existing conditions should be confined to financing that will help production rather than merely increase consumer demand.

"The bank supervisory authorities strongly urge directors to see that their banks follow these policies and maintain adequate capital in relation to risk assets."

It is my belief that the majority of the commercial bankers of this nation are and have been fully aware of their responsibility in the proper use and control of bank credit. They have met the credit demands of business and productive enterprise and must not be prevented from extending credit that is necessary to maintain the nation's economic wellbeing. Even though the total of bank credit has risen to a high level, this expansion has been necessary to supply working capital needed by business to maintain or increase production at rising costs for materials and labor.

Role of Banks

Our banks, of course, cannot win the fight against inflation single-handedly. It is a battle that requires the understanding and the effort and the cumulative force of every individual of this nation. Nevertheless, the banks as credit reservoirs for their areas, and the individual bankers, as outstanding citizens of such communities, can do much by precept, by example and by patient education to convince our people that inflation cannot be allowed to go its heady way unchecked.

Clearly, the main battles against inflation must be fought in fields other than credit controls. The objections to the adoption of severe credit controls, however, impose upon bankers themselves a grave responsibility. We are in a highly dangerous inflationary situation and every possible precaution must be taken to curtail any credit expansion which might increase buying power without increasing production.

The Los Angeles Times in a recent editorial on Credit Control, said in part, as follows:

"If ours is to remain a free economy government, credit controls of all sorts must be resisted. It cannot be part free and part controlled and work, and it cannot be entirely controlled and work very well. The world at present contains several notable examples of fairly complete control, and they do not recommend themselves. Advocates of state control put out their hands first for the banks and the credit mechanism—the sinews of the economy. Lenin thought his revolution would be secure with seizure of the banks and in a country of greater industrial and commercial development than Russia, he probably would have been right.

"A free economy apparently must always be preoccupied with the rhythm of prosperity and depression. But the controlled economy knows nothing but the climate of depression."

These Regional Pilot Meetings sponsored by the American Bankers Association, throughout the country, are indicative of the bankers' forethoughtedness and their sincere desire to adopt a program without duress by which they may cope with the inflationary problem. As supervisors, we believe that your President, Joe Dodge, and his fellow officers, are deserving of words of commendation for their untiring efforts, which are being expended. The merits of the purposes underlying these meetings, certainly are not debatable, but, in the words of Rev. Marshall, mentioned earlier in my remarks I hope we do not talk too much and do too little about it.

I believe that the bankers are fully cognizant of the hazards of unwise credit expansion and their adherence to the policy of making only those loans which meet sound credit standards for purposes of productivity and for increasing supplies of basic raw materials will in the long run, have a salutary effect on inflationary tendencies, as well as a beneficial effect on national morals.

In view of the attention which has been focused on the expansion of bank loans, which has occurred in the past year, it might be appropriate to express our opinion that, in a major sense this has been a result instead of a cause of inflation, inasmuch as business in many instances has been obliged by the prevailing high prices to secure additional working capital to finance a given physical volume of production. To the extent that these loans have assisted in the productive and distributive process, they have promoted the ultimate solution of our problem, which is to bring the supply of goods into balance with the demand. I believe that the present situation calls for the pursuit of a conservative loan policy, and the discouragement of speculative loans of all types. Not only is this desirable to avoid further expansion of our money supply, but, also, to minimize the losses which are inevitable in the aftermath of inflation.

To combat inflation, it is axiomatic that purchasing power must be reduced without a corresponding decrease in available goods or available goods increased without a corresponding increase in purchasing power. An increase in production is not enough; there must be an increase per man hour, or per dollar wage, and the goods or their equivalent, made available in this country. Even then, we might have continued inflation if the consumer reduced his rate of savings, or spent that which he had previously saved. Efforts to control inflation by means which do not recognize these basic principles, are merely attempts to conceal the effects and any effort to foretell the results, would be purely a guess, at best.

Prerequisites to the maintenance of a sound structure, seem to be embraced in the same conservative rules of the horse and buggy days, but which may have been clouded somewhat, if not lulled into a sense of security by the times through which we are passing. I am sure there is little doubt, if any, in your minds that American banking has fully measured up to expectations, nor is there the least doubt in my mind that the present system of banking is the best, the soundest and the most servicable yet known. However, I believe it is the task of all bankers to keep the masses of our people convinced of these truths. Scientific analysis of public opinion, unfortunately, shows that a considerable minority of our people is not of the same opinion. In light of these facts, the importance of preserving the present sound state of our banking structure must be our constant care. This tremendous responsibility, with the paralleling greater opportunities for leadership among the bankers in this country, today, will unquestionably be met and the challenge is the big job ahead for American banking.

Canada's Exchange Disorders and the Remedies

(Continued from page 16)

the contrary. As I have stated, in 1946 we had a handsome surplus in our accounts with the rest of the world and in 1947 we were still better than in balance, even though our export prices were below the inflated world level. In 1947 production and employment in Canada reached heights never before achieved in peacetime and a tremendous expansion and improvement of our capital equipment is taking place. This high rate of capital development—it is higher even than your own here in the United States—has involved heavy imports, but it will bring its return in due course, in the form of increased Canadian production. Even so, we could have managed this heavy investment program if our customers had not had to draw on our credits to them at such an accelerated rate, as a result of recent severe setbacks to European recovery.

The position occupied by the United States in the world today makes it impossible for her to ignore that story. Indeed, it is evident that the extent and character of the further aid which the United States may give toward the rehabilitation of countries under a European Recovery Plan is not only the most important question before your people at the present time, but it is probably the most important question confronting the world.

Must Reduce U. S.-Canadian Trade Imbalance

With or without a European Recovery Program, it is obvious that the heavy unbalance between our imports from the United States and our exports simply must be reduced. In 1947 we bought $2 billions worth of goods from the United States, which is almost twice your purchases from us notwithstanding that there are just about 12 times as many people in the United States as in Canada. Including travel and other services the figures work out to this result, that each Canadian individual on the average spends about $220 in the United States, while each American individual on the average spends about $12 in Canada. Even a small increase in that $12 would make a very great difference to Canada.

It is also good common sense, while scarcities remain in certain fields, to maintain the wartime principle that each of our countries should share with the other those commodities which are in short supply. Continuation of this principle will help us to make the maximum contribution to the recovery of Europe and to a strong and expanding North American economy.

I have also mentioned the evidence provided in the war years that Canadian production was a powerful strategic force. Although we recoil from the notion that it may be called into play again, yet it is only prudent to realize that Canadian industrial potential is more important strategically now than it ever was. This is surely another reason for mutual concern with the health and vigor of the Canadian economy.

Also, businessmen have learned that public attitudes affect the attainment of their considered objectives. If American business is convinced of its primary interest in the Canadian market and the Canadian economy, then it follows that some attention might be profitably directed to the education of the American public along these lines. For example, it is important that American visitors to Canada realize that their expenditures help to pay for our American imports and are thus related to jobs in the United States. Further, prospective American visitors should be enabled to detect the falsity of rumors that Canadian so-called "austerity" has a bearing on their possible reception in Canada. We were never better able to meet the travelers' needs than we are at present. As a matter of fact, perhaps one of the easiest ways to increase the present $12 figure of American per capita spending in Canada would be a substantial increase in the present rate of receipts from your tourist traffic.

Increase Canadian Imports

However, it is also clear that some means will have to be found whereby Canada may have better access to the volume market of the United States. This, in turn, will enable us to keep our purchases from the United States at a maximum and maintain our position as your best customer. Surely it is best that we develop our trade with each other on a basis of frankly recognizing our respective skills and energies and under the stimulus of honestly competitive assessments in the market place, of our respective products. Surely this must be better than a dependence upon restraints and restrictions upon the free will of consumers and producers with all that they mean in the growth of vested interests in uneconomic enterprises, the continued interference and control by governments and the suspicions and bitternesses which are sure to develop in such an atmosphere.

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)	Mar. 7	94.6	93.6	94.0	94.4
Equivalent to—					
Steel ingots and castings produced (net tons)	Mar. 7	1,705,100	1,687,100	1,694,300	1,651,900
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Feb. 21	5,342,325	5,347,175	5,336,287	4,786,150
Crude runs to stills—daily average (bbls.)	Feb. 21	5,399,000	5,378,000	5,446,000	4,858,000
Gasoline output (bbls.)	Feb. 21	15,807,000	15,429,000	16,747,000	14,666,000
Kerosine output (bbls.)	Feb. 21	2,520,000	2,508,000	2,403,000	2,335,000
Gas oil and distillate fuel oil output (bbls.)	Feb. 21	8,127,000	7,694,000	7,718,000	5,890,000
Residual fuel oil output (bbls.)	Feb. 21	9,199,000	8,742,000	9,182,000	8,658,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 21	109,886,000	107,763,000	100,586,000	101,832,000
Kerosine (bbls.) at	Feb. 21	9,731,000	10,408,000	11,997,000	11,629,000
Gas oil and distillate fuel oil (bbls.) at	Feb. 21	34,004,000	36,195,000	42,402,000	39,929,000
Residual fuel oil (bbls.) at	Feb. 21	49,782,000	50,038,000	51,094,000	44,037,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 21	805,376	734,262	771,992	776,689
Revenue freight rec'd from connections (number of cars)	Feb. 21	719,990	669,847	666,119	680,578
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	Feb. 26	$128,741,000	$88,555,000	$99,683,000	$91,704,000
Private construction	Feb. 26	49,139,000	42,912,000	46,614,000	45,141,000
Public construction	Feb. 26	79,602,000	45,643,000	56,069,000	46,563,000
State and municipal	Feb. 26	27,712,000	30,751,000	43,115,000	42,213,000
Federal	Feb. 26	51,890,000	14,892,000	9,954,000	4,350,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 21	12,840,000	11,230,000	12,200,000	13,030,000
Pennsylvania anthracite (tons)	Feb. 21	1,229,000	1,038,000	1,180,000	1,050,000
Beehive coke (tons)	Feb. 21	137,700	*135,200	130,600	120,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Feb. 21	249	238	226	216
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 28	5,251,935	5,254,002	5,429,202	4,797,099
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Feb. 26	93	107	91	74
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 24	3.23940c	3.23940c	*3.19411c	2.86354c
Pig iron (per gross ton)	Feb. 24	$40.37	$40.37	$40.17	$30.15
Scrap steel (per gross ton)	Feb. 24	$40.00	$40.08	$40.83	$34.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 25	21.200c	21.200c	21.200c	19.400c
Export refinery at	Feb. 25	21.600c	21.600c	21.550c	20.550c
Straits tin (New York) at	Feb. 25	94.000c	94.000c	94.000c	70.000c
Lead (New York) at	Feb. 25	15.000c	15.000c	15.000c	14.000c
Lead (St. Louis) at	Feb. 25	14.800c	14.800c	14.800c	13.000c
Zinc (East St. Louis) at	Feb. 25	12.000c	12.000c	12.000c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Mar. 2	100.72	100.70	100.69	104.46
Average corporate	Mar. 2	111.25	111.25	110.70	117.20
Aaa	Mar. 2	116.41	116.41	115.63	122.09
Aa	Mar. 2	114.85	114.85	114.27	120.02
A	Mar. 2	110.52	110.34	109.97	117.0
Baa	Mar. 2	103.64	103.80	103.80	110.52
Railroad Group	Mar. 2	105.69	105.52	105.34	112.75
Public Utilities Group	Mar. 2	112.93	112.93	112.37	118.20
Industrials Group	Mar. 2	115.00	115.24	114.85	120.84
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Mar. 2	2.45	2.45	2.45	2.20
Average corporate	Mar. 2	3.10	3.10	3.13	2.79
Aaa	Mar. 2	2.83	2.83	2.87	2.56
Aa	Mar. 2	2.91	2.91	2.94	2.66
A	Mar. 2	3.14	3.15	3.17	2.80
Baa	Mar. 2	3.53	3.52	3.52	3.14
Railroad Group	Mar. 2	3.41	3.42	3.43	3.02
Public Utilities Group	Mar. 2	3.01	3.01	3.04	2.74
Industrials Group	Mar. 2	2.90	2.89	2.91	2.61
MOODY'S COMMODITY INDEX	Mar. 2	414.3	407.1	444.1	416.8
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Feb. 28	227.0	227.6	238.8	222.2
Fats and oils	Feb. 28	239.1	243.5	278.9	301.0
Farm products	Feb. 28	250.1	248.2	271.9	251.4
Cotton	Feb. 28	310.3	303.3	331.0	324.4
Grains	Feb. 28	263.2	263.8	310.2	223.2
Livestock	Feb. 28	242.3	240.5	259.1	253.8
Fuels	Feb. 28	220.8	220.8	220.8	159.4
Miscellaneous commodities	Feb. 28	172.7	169.7	181.4	157.1
Textiles	Feb. 28	211.1	211.7	219.1	208.4
Metals	Feb. 28	163.5	*163.5	162.1	142.0
Building materials	Feb. 28	232.8	232.8	233.6	212.5
Chemicals and drugs	Feb. 28	157.0	157.0	155.3	155.3
Fertilizer materials	Feb. 28	137.6	137.6	138.0	125.6
Fertilizers	Feb. 28	143.0	143.0	142.9	133.7
Farm machinery	Feb. 28	138.1	137.2	137.2	126.3
All groups combined	Feb. 28	214.6	*214.3	224.5	197.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 21	160,330	158,637	188,717	147,458
Production (tons)	Feb. 21	171,191	163,376	188,002	177,282
Percentage of activity	Feb. 21	99	101	104	103
Unfilled orders (tons) at	Feb. 21	436,430	450,393	423,160	565,571
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Feb. 27	147.0	146.9	150.0	152.2
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Feb. 21	159.2	159.7	164.4	144.3
Farm products	Feb. 21	181.7	180.9	199.2	171.7
Foods	Feb. 21	170.3	173.3	177.4	162.5
Hides and leather products	Feb. 21	193.3	196.2	201.5	175.8
Textile products	Feb. 21	146.9	146.7	145.5	135.4
Fuel and lighting materials	Feb. 21	131.6	131.6	130.4	98.6
Metal and metal products	Feb. 21	155.5	154.8	153.9	138.4
Building materials	Feb. 21	191.9	192.0	191.3	172.6
Chemicals and allied products	Feb. 21	134.9	134.0	139.3	129.2
Housefurnishings goods	Feb. 21	143.6	137.7	137.2	125.3
Miscellaneous commodities	Feb. 21	119.1	120.2	123.6	110.7
Special groups—					
Raw materials	Feb. 21	173.6	173.4	184.8	156.2
Semi-manufactured articles	Feb. 21	155.9	155.6	156.5	141.3
Manufactured products	Feb. 21	153.5	154.5	156.5	140.0
All commodities other than farm products	Feb. 21	154.1	154.9	156.7	138.3
All commodities other than farm products and foods	Feb. 21	147.5	147.5	147.6	128.3

*Revised figure.

	Latest Month	Previous Month	Year Ago
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FED. RESERVE BANK OF NEW YORK—As of January 31—			
Imports	$168,108,000	$159,268,000	$171,740,000
Exports	53,198,000	63,323,000	34,986,000
Domestic shipments	11,081,000	9,757,000	12,033,000
Domestic warehouse credits	15,657,000	15,210,000	14,928,000
Dollar exchange	1,450,000	2,850,000	13,000
Based on goods stored and shipped between foreign countries	72,537,000	10,861,000	7,736,000
Total	$262,031,000	$261,269,000	$241,436,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Jan. 30	$290,000,000	$287,000,000	$236,000,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES—			
Lint—Consumed Month of January	860,202	753,406	949,994
In consuming establishment as of Jan. 31	2,222,254	2,153,547	2,270,764
In public storage as of Jan. 31	5,116,954	5,478,623	5,228,327
Linters—Consumed Month of January	101,832	101,645	94,564
In consuming establishments as of Jan. 31	233,579	215,506	290,774
In Public storage as of Jan. 31	73,514	71,522	75,832
Cotton spindles active as of Jan. 31	21,450,000	21,412,000	21,919,000
COTTON SPINNING (DEPT. OF COMMERCE)—			
Spinning spindles in place on Jan. 31	23,786,000	23,730,000	23,858,244
Spinning spindles active on Jan. 31	21,450,000	21,412,000	21,919,363
Active spindle hours, January	10,802,000	9,544,000	10,587,614
Average spindle hours per spindle in place, January (000's omitted)	454	402	444
EMPLOYMENT AND PAYROLL—U. S. DEPT. OF LABOR—Month of December:			
Estimated number of production workers in manufacturing industries—			
All manufacturing	12,960,000	*12,881,000	12,514,000
Durable goods	6,640,000	*6,577,000	6,393,000
Non-durable goods	6,320,000	*6,304,000	6,121,000
Employment indexes—			
All manufacturing	158.2	157.2	152.8
Durable goods	183.9	182.1	177.0
Non-durable goods	138.0	137.6	133.6
Payroll indexes—			
All manufacturing	356.6	*345.0	303.2
Durable goods	399.3	*384.6	337.4
Non-durable goods	314.8	*306.2	275.3
Estimated number of employees in manufacturing industries—			
All manufacturing	15,951,000	*15,871,000	15,348,000
Durable goods	8,055,000	7,986,000	7,731,000
Non-durable goods	7,896,000	*7,885,000	7,617,000
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX 1935-39=100 (COPYRIGHTED) AS OF FEB. 1:			
Composite index	139.7	138.7	133.4
Piece goods	142.0	140.5	136.7
Men's apparel	138.7	137.5	130.8
Women's apparel	135.3	134.1	129.6
Infants' & children's wear	128.7	128.4	122.4
Home furnishings	146.3	145.5	139.9
Piece goods—			
Silks	128.6	126.6	134.7
Woolens	136.9	135.5	135.1
Cotton wash goods	164.7	163.7	140.2
Domestics—			
Sheets	176.2	174.6	162.6
Blankets and comfortables	140.4	139.5	136.1
Women's apparel—			
Hosiery	107.0	106.8	116.7
Aprons and housedresses	147.0	146.1	140.3
Corsets and brassieres	133.1	132.9	129.7
Furs	155.5	154.1	146.0
Underwear	135.7	133.8	125.1
Shoes	138.0	136.5	126.9
Men's apparel—			
Hosiery	139.3	138.9	131.8
Underwear	151.2	148.3	138.7
Shirts and neckwear	132.0	130.6	126.9
Hats and caps	126.8	126.8	127.3
Clothing, including overalls	130.7	130.0	125.1
Shoes	166.1	164.3	146.6
Infants' and children's wear—			
Socks	130.2	130.2	122.9
Underwear	120.3	119.7	116.2
Shoes	142.9	142.6	134.3
Furniture	150.2	149.5	144.1
Floor coverings	153.0	151.0	146.2
Radios	123.5	123.8	121.6
Luggage	130.5	129.9	128.7
Electrical household appliances	137.3	137.5	130.6
China	131.7	131.4	126.0
NEW YORK STOCK EXCHANGE—			
As of Jan. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$568,643	$577,877	$533,033
Credit extended to customers	56,409	60,997	69,007
Cash on hand and in banks in U. S.	415,294	400,702	442,533
Total of customers' free credit balances	623,307	613,121	687,378
Market value of listed shares	66,090,349	68,312,500	69,626,679
Market value of listed bonds	136,232,046	136,206,807	140,965,964
Stock price index, 12-31-24=100	73.9%	76.8%	82.4%
Member borrowings on U. S. Govt. issues	$63,062	$57,276	$107,025
Member borrowings on other collateral	222,255	243,585	186,900
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD — Month of Dec. (000's omitted):			
Savings and Loan Associations	$302,275	$295,256	$246,114
Insurance companies	79,345	71,029	52,155
Banks and Trust Companies	253,110	238,334	230,492
Mutual Savings Banks	61,581	55,111	44,761
Individuals	165,973	164,973	160,297
Miscellaneous lending institutions	144,342	129,866	113,224
Total	$1,006,626	$954,569	$847,043
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of November:			
Net railway operating income	$65,577,488	$76,433,363	$64,122,214
Other income	19,616,070	16,909,777	18,293,375
Total income	85,193,558	93,343,140	82,415,587
Miscellaneous deductions from income	3,339,542	3,997,711	2,948,450
Income available for fixed charges	81,854,016	89,345,429	79,467,139
Income after fixed charges	47,321,421	52,760,954	41,842,326
Contingent charges	3,774,370	3,857,363	3,021,352
Net income	43,358,051	48,903,591	38,820,974
Depreciation (way & structures & equip.)	29,916,237	29,341,103	28,655,240
Amortization of defense projects	1,266,977	1,355,393	1,235,291
Federal income taxes	24,558,625	32,706,844	1,711,353
Dividend appropriations:			
On common stock	41,320,936	12,551,813	30,981,567
On preferred stock	8,620,008	7,915,305	9,274,950
Ratio of income to fixed charges	2.36	2.44	2.11

*Revised figure.

Have U.S.-Soviet Accord and Avoid World Crisis!

(Continued from page 17)

cities, railways and wheat fields. Let us make the even more unlikely assumption that we could force a Russian surrender without invasion of Europe and Asia by our own ground forces. And let us then picture what the world would be like after this great American victory.

You must have at least some idea of the economic desert and the moral morass which World War II has made of Germany. You are not unaware of the fact that this condition of Germany is one of the chief reasons why all of Europe is today in the throes of an economic crisis and why we, in our own self-interest, are compelled to pour billions of dollars into relief and reconstruction. Picture to yourselves all of Europe in a condition far worse than that in which Germany is today, with its cities in ruins, its population decimated and infected, and its food crops poisoned. Picture all of Russia in the state in which the Germans left the region from the Vistula to the Volga. Imagine the results of a similar campaign against the Red Army in the Far East involving the destruction of crops and cities in northern China. And then imagine us, victorious and triumphant amidst the ruins created by our atomic and bacteriological weapons.

Can you visualize what it would be like to be an American in such a world? Can you envision what it would mean to keep such a world in permanent subjugation lest it rise up some day against the American master race and turn its own weapons of pestilence and destruction against the United States? Can you see this country remaining as an island of prosperity in such a world? And, if this seems impossible, can you picture the job of reconstruction we should have to undertake in order to save our own prosperity?

This is the harvest we should reap from the cheapest victory imaginable. I leave it to you to draw the picture if atomic and bacteriological weapons were likewise turned upon us.

War Not An Alternative

That is why I say that war is not an alternative and that any policy which does not begin with this assumption will lead to catastrophe. It will lead to catastrophe because it will not be a wholehearted policy for peace, and anything less than a wholehearted search for peace will not find the road to peace.

It is in this context of faith or the lack of it that we must, I think, examine our present course of action in dealing with the economic and political aspects of the world crisis. The first step in any such examination must be the realization that the world economic crisis and the world political crisis, while closely related, are in fact two separate problems. Neither can be solved without the other. Yet each requires its own separate diagnosis and cure.

Much of our anguished confusion at the present time derives from the fact that we do not see that in our policy of economic reconstruction we are pursuing the path to peace, while simultaneously, in our attempt to deal with the world political crisis, we are drifting down the road to war. Our instinctive and well-founded distrust of the Truman Doctrine as applied in Greece, the Middle East, China, Korea and Japan make us unjustifiably doubtful of the wisdom of the Marshall Plan for European Recovery. If we were able to separate these two contradictory trends in our present policy, we should be able to escape from our present paralysis of frustration and fear.

Our current approach to the world political crisis rests upon the oversimplified notion that Soviet expansionism is the sole cause of the present threat to peace. We have not tried to understand the causes of Soviet expansionism. Nor have we faced the fact that there would be a very similar threat to the world's peace if power had become concentrated in the hands of any two super-powers—quite irrespective of the nature or intentions of either. Failing to take account of anything more than the surface phenomenon of the obvious Russian desire to enlarge the Soviet orbit, we have developed a policy of trying to arrest the phenomenon—which is like trying to cure a case of measles by applying ointment to the rash. To make matters worse, we have applied an ointment which contains a number of strong irritants.

Proceeding in this manner, we have acted on the assumption that our major aim must be to arrest or contain Soviet nationalism and its handmaiden, the communist ideology. This has led us into strange and dangerous ways. It has caused us to ally ourselves with any and all governments, or groups within nations, which oppose communism and are hostile to the Soviet Union, no matter how corrupt or anti-democratic they might be. I need cite among governments only the examples of Greece, Turkey, China and—in our own hemisphere—Argentina. And, as illustrations of groups within nations, I would mention our backing of the reactionary elements in Germany, in Korea and, to a lesser extent, in France and Italy. Everywhere we are drifting, as the prisoner of our own policy—and to some degree as the prisoner of our unconscious predilection—into a course of backing the restoration of discarded prewar systems, disinherited prewar power groups, and discredited prewar leaders. In so doing, we have discouraged the moderate progressive forces everywhere and driven the peoples of the world to a forced choice between totalitarian terror and anti-democratic reaction. The tragedy which has just occurred in Czechoslovakia should at last make us realize that, in failing to support democratic socialism, we are giving the Russians the powerful advantage of a growing political vacuum. It was the weakness and insecurity of the Czech Socialists which opened the door for the communist seizure of power.

Our Policy Undermines Peace Machinery

In carrying out this policy of seeking to accomplish containment of Soviet expansion, we began by thinking that we could accomplish our purpose through furnishing arms and dollars to those who stood on the periphery of the Soviet orbit. When this operation failed lamentably—as it has in Greece and China—we began to add military bluff and bluster. When this too fails—as it surely will—we shall come face to face with the unpleasant choice of putting up or shutting up—of actually employing our own military power, or pulling out with considerable loss of face. We are not very far from that dilemma today.

A continuation of our present policy will not only bring us nearer and nearer to war and prevent the making of the long-overdue peace settlements in Europe and Asia; it will also fatally undermine and destroy the machinery for the maintenance of peace which we have been struggling to erect through the United Nations. At present we are acting as if we considered the United Nations expendable in the interest of arresting Soviet expansion. We render lip service to the United Nations but we, who hold most of the world's military and economic power, now brandish or use that power outside of the United Nations and often without consultation with any of our fellow members. We have done this with regard to China, Greece, Turkey and even Italy. In our frantic anxiety to stop Russia, we are tending more and more to set ourselves up as the world's policeman.

It is perfectly true that the Soviet Union is pursuing a very similar policy. That is what makes the game doubly dangerous. The Soviet Union wants to stop us, fears us, and understands us as little as we understand Russian motivations. Neither of us wants to fight the other. Yet each of us is afraid that war may become unavoidable. And so each of us tries to take out insurance against the failure of the effort to maintain the peace. In taking out insurance—by pushing out frontiers, expanding spheres of influence or acquiring far-flung bases—each of us lends reality to the fears of the other.

This is the road to war. Never mind who started it. What matters is that only we can stop it, for we could right now attack Russia, and Russia could not right now attack us.

A Two-Handed Game

Moreover, this two-handed game of trying to avoid war while at the same time taking out insurance against its coming, is a silly as well as a dangerous game. It is silly and useless because most of the insurance we and Russia are taking out is actually insurance against the last war—not against the next one. In an atomic and bacteriological struggle waged largely by air across the polar regions, what good will it have done us to have armed Senor Peron? What good will it have done Russia to have pushed its sphere of influence into Central Europe? If war comes, we shall be swept out of Europe overnight, and the Red Army is not going to sail up the River Plate and land at Buenos Aires. We are both buying worthless expired policies and paying for them by mortgaging the heritage of the entire human race.

The time and energy we and the Soviet Union are wasting in bluff and bluster—the resources we are each devoting to building up our respective military potential—should be devoted instead to reaching an understanding with each other and to building up the prestige and power of an effective world organization for peace. The United Nations is merely a beginning. It must develop—and soon—into a world government endowed with the sole right to use force, if this peace is to be something more than an uneasy armistice. Many of the nations of the world have already committed themselves to support such a development. We have not. Neither has the Soviet Union. We, the two strongest members of the United Nations, are lagging behind most of our fellow members in willingness to subordinate our power to the will of the united peoples of the world.

Must Remove Soviet Mistrust

Here again—we cannot expect Russia to make the first move. We cannot expect the Soviet Union to subordinate its power to a stronger United Nations, so long as the Soviet Union fears and distrusts its most powerful member and so long as that member controls a majority of votes in the Assembly and Security Council. It is our move: our move to declare ourselves for world government, if we want peace; our move to stop taking unilateral action if we want world government; our move to find out what fears are the mainsprings of Soviet aggression, and to remove these fears wherever we can without taking foolish risks with our own security.

There are those who would agree with much of what I have said, and who then come to the strange conclusion that we must oppose the Marshall Plan for European recovery, because the Marshall Plan does not flow through the United Nations machinery and is tainted with the surrounding aura of the Truman Doctrine. This, to my mind, is like dumping out the baby with the bath. There is nothing the matter with the baby just because the water in its tub was too cold There is nothing the matter with the Marshall Plan just because the Truman Doctrine which surrounds it is too hot.

This is not quite a true parallel because there is something wrong about the Marshall Plan. It should flow through the United Nations. But it cannot flow through the United Nations until that body becomes something more than an arena for the battle of votes and vetoes. And this, in turn, cannot happen until we find a totally different approach to the problem of U. S.-U. S. S. R. relations and to the even more fundamental problem of national sovereignty and power politics, in a world where power is concentrated in only two focal points of superpower.

We are not dealing with a theory. We are dealing with an acute practical problem. We cannot afford to ignore the factor of time. The economic crisis is such that even a few weeks of delay in putting the European Recovery Program into effect could produce such widespread suffering and despair—such a deterioration in the condition of an already seriously weakened patient—as to confront any subsequent plan with a problem of entirely different magnitude and complexity. The consequence of rejecting the Marshall Plan because it does not flow through the machinery of the United Nations is to ensure that there will be no plan for aiding European recovery, until such time as the overall problem of U. S.-U. S. S. R. relations is resolved. By that time it may well be too late. The counsel of perfectionism thus becomes the counsel of defeat.

Our Domestic Scene

The same thing is equally true on our domestic scene in this year of decision. Let me give you an illustration. In Illinois, Senator Wayland Brooks comes up for reelection next November. He is the creature and the candidate of Colonel McCormick's Chicago "Tribune." Against him the Democratic party has nominated an outstanding liberal and progressive, Paul Douglas. The newly-emerging Third Party is reported to be planning to put its own candidate into the field, for the sole reason that Paul Douglas supports—while the Third Party opposes—the Marshall Plan. The result of this action, if it is taken, will be to split the progressive vote and re-elect to the United States Senate one of its most outstanding reactionaries and irreconcilable isolationists. Does that make sense?

I can fully understand the disgust with which Mr. Wallace and his followers view much of the present leadership and performance of both of our two major parties. I not only understand but share it. But I cannot sympathize with the advocacy of a procedure which holds out no practical alternative and which can lead only to the magnification of the very evils against which the protest is justly directed.

It seems to me that there is an essential difference between making judgments that affect only our private lives and making judgments as citizens which affect the lives of others. In our private decisions we have the right to perfectionism, for there we alone pay the price for it. As citizens, where we ask others to share in paying for the price of our judgments, it seems to me that we must remember that "politics is the art of the possible," and that the uncompromising advocacy of perfectionism may satisfy the individual conscience but may also lead the community straight to disaster.

The Sum and Substance

The sum and substance of what I have to say to you is this:

Let us not permit our justified misgivings to blind us to the fact that part of what we are doing—or trying to do—is right and leads to peace. The Marshall Plan is the right way to go about meeting the world economic crisis. Let us support it, stick to it, and not lose our faith in it because it is at present encumbered with dangerous political barnacles.

On the other hand, let us not permit our justified enthusiasm for the Marshall Plan to blind us to the fact that—though sound in itself—the Marshall Plan will fail unless it is given a chance to operate in the context of an entirely different approach to the world political problem. Let us learn to understand where and why we are on the wrong track in our present political approach. Let us not be afraid to make known our opposition to our present course of action in Greece, in China, in Germany—or wherever we feel that we are backing the restoration of the past or helping to shore up its rickety remnants.

Let us work together as citizens to see that our great nation supports governments, groups within nations, or even individuals because of what they are striving for—and not because of what they are striving against. Let us, above all, stop acting out of fear and act instead out of faith and hope and calm confidence.

What Benjamin Franklin once said of the Thirteen Colonies is true of the whole world today. "Let us all hang together," he said, "for, if we do not, most assuredly we shall all hang separately." If the men in the Kremlin are not yet prepared to recognize that truth, then let us proclaim it to them by word and deed, until the time comes when they too stop acting out of fear and stop using fear as an instrument of power. This will take courage, patience and forbearance in the face of continued intransigence and provocation. Nevertheless, it is the only road to peace. The advice of Abraham Lincoln to a young officer holds good for national conduct as well. "No man resolved to make the most of himself," said Lincoln, "can spare time for personal contention. Still less can he afford all the consequences, including the vitiating of his temper and the loss of his self-control."

The world waits for us—not to choose and direct the pattern of its future—but to lead in the direction in which the masses of mankind desire to move. That direction is certainly not toward totalitarian dictatorship. But neither is it toward an "American Century." Our power of attraction for the masses of mankind is not what we are, but what we have always believed in being, and have tried—not too successfully—to be. The more we reconcile our daily lives here at home with the beliefs and principles upon which this nation was founded, with the faith which we profess but often fail to practice, the simpler will become our problem of dealing with the world beyond our borders.

Finally—let us not be confused by slogans. There is all the difference in the world between a policy of conciliation and a policy of appeasement, just as there is all the difference in the world between humility and cowardice. Appeasement is the child of weakness and fear. Conciliation is the child of strength and humility.

Marshall Plan Will Aggravate Communism in Europe

(Continued from page 18)

viet Republics, not Union of Communist Soviet Republics.

The basic concepts of communism and socialism completely identify themselves with each other, as does also this common ideology with New Dealism. The difference between these isms is essentially one of degree only. All substitute a politically planned and managed economy for a privately planned and managed economy; political capitalism for private capitalism; politically forced cooperation for voluntary cooperation; political profit motive for private profit motive; political laissez-faire for private laissez-faire; political promise to pay money for real money, gold.

England is outstandingly the most important country with which the so-called Marshall Foreign Aid Plan is concerned. It is officially a socialist state. It has already gone far in expropriating the industries of that country and regimenting its citizens. The central policy of the political authority of that country is to indefinitely extend political ownership of and control over industry and the life of the individual citizens. Is the Marshall Plan intended to be used to stop further communitarian ownership of property in England and the regimentation that necessarily goes with it?

France is the next important country to receive aid under the Plan. Who would presume to claim that France is a free enterprise nation? That the political regime of that country has adopted an all-out program for a planned economy system will hardly be disputed. The difference between the de Gaulleists and the faction referred to as "Communists" is not one of kind, but degree; and the wall that separates them is thin and fragile indeed. Both are essentially communitarian. Every indication is that conditions in that country favor further development in the direction of the absolutist state.

But why dwell upon the obvious, since every country in Europe, as Virgil Jordan, President of the National Industrial Conference Board, says, "is already a collectivist dictatorship, of some shade or color . . ." which makes ridiculous the claim that the Marshall Plan is even intended to halt the growth of communism in Europe.

Not one of the political authorities that would receive aid under the Marshall Plan has asked this country to save it from communism, or in any way indicated it wants to be saved from communism. Indeed, if any one of them had even the faintest idea that there was any thought on the part of the political authority of this nation to use the Marshall Plan aid for that purpose, it would bitterly resent it.

But the political authorities of the countries scheduled to receive aid under this Plan have not the slightest suspicion that it is being provided them for any such purpose. Why should they?

They know of the great headway made by political forces of this nation in undermining constitutional government and freedom of contract, of the planned and dictatorial mode of life such forces are imposing upon our citizens.

And have not the political authorities of the countries to receive aid under this scheme been given express assurance that their ideology will be religiously respected? But did they need this, considering the sympathetic and helpful attitude this political authority has displayed toward communism throughout the world during the last 15 years?

Birds of a feather flock together. Communitarian minded political regimes are no exception to this rule. They may, and indeed are very apt to, fall out with each other, not, however, on grounds of doctrine, but on who shall rule the roost.

Checking Russian Expansion

To stop communism in Europe or elsewhere is one thing. To check Russian expansionism is something else. Since all of Western civilization has become inured in communism, and there are some who believe immutably, it is a deception, if not an outright fraud, to claim the purpose of the Marshall Plan is to arrest the growth of communism. The Marshall Plan, instead of curing communism, will aggravate it both in Europe and at home. We ought to tell our people the truth, that whatever else may eventuate from this foreign aid plan, stopping of communism anywhere will be no part of it. Indeed, we ought to go a little further and apprise them that the plan, if adopted, will fan the flames of communism, not only in the countries receiving the gratuity, but in our homeland as well.

Self-preservation being the first law of every political authority, be it designated socialist, monarchial, republican, New Deal, or what not, as it is of life itself, we should recognize the cruel fact that the political authorities receiving the aid and the political authority dispensing it would inevitably use it primarily to enhance their power over their respective peoples.

That is the natural thing to be expected. It is exactly what has happened in connection with the flow of foreign gifts from this country to other lands since 1914.

We should not overlook the fact that the transactions and procedures involved in carrying out the foreign aid schemes are in their very nature themselves communistic. The transactions are not between private enterprisers of this country and private enterprisers of foreign countries, but between this political authority and the political authorities of other countries.

The procedure used by the political authority of this nation to obtain the wherewithal for effectuating the scheme, and the manner by which the foreign political authorities distribute such goods are communistic. Let us briefly look into the matter and see if this is not true.

Promoting Prosperity Illusion

Top officials point with gleeful pride to the high income of farmers, to the increased rate of pay of wage-earners, to the great savings, and to the roaring business in general. They tell us that exports, huge amounts in excess over imports, are an important factor in producing prosperity and that if such exports are not kept up, the economy will collapse and we will all lose our shirts. Hence, one of the imperatives for adopting the Marshall Plan, and the solemn warning that failure to do so will mean economic paralysis.

No doubt many who make this allegation believe it to be true. The motley crew of "economists" in the service of the political authority—not the government, for, that is something else — whose brains are cluttered up with "multiplier" and "compensatory spending" concepts and other Keynesian hallucinations seem to believe it too.

Of course, the political authority in Washington loses no opportunity to exploit the prosperity illusion to promote the Marshall Plan as it does everything else it believes will help keep it in power.

Let us briefly trace, in a general way, the transactions that are involved in expropriating the produce of American labor for foreign political authorities and note some of their more important implications.

From whence does the political authority derive the funds to pay for the wheat and other products it purchases from farmers and makes available gratis to foreign political authorities? As yet, from one source and one only, taxes. Taxes either from levies made directly on incomes, excises, capital gains, etc., or by resort to printing press money.

Those taxes are paid by every producing segment of the economy, including, of course, the farm community itself and each person pays in proportion to his share of the taxes that make up the total sum levied for all purposes.

In turn, farmers and all other producing groups are taxed to pay for the non-farm products purchased for foreign shipment. So on through the whole gamut the individuals comprising every group are compelled to contribute toward the purchase of the articles produced by the individuals of every other group for export under the foreign aid program.

In this reciprocal or merry-go-round fashion the political authority taxes the farm worker and the white-collar worker and the factory worker and all the other workers to pay for the goods it buys from the farm worker and the white-collar worker and the factory worker and all the other workers.

The whole business simply adds up to a minus quantity for all the workers. The pie goes to the political authorities of other countries, but not all of it. Some, quite a sum, of it is reserved for our home politicians as handling charges.

The high priests of the "new era" have assured us we need not worry about the size of the public debt because, "We owe it to ourselves." It would be nice if they could allay the concern, workers of this nation have, over the goods they give away to the politicians abroad and at home by making them believe they themselves pay for producing them.

Since the close of World War II hostilities, the political authority has expropriated and is authorized to expropriate roundly $25 billions worth of goods, the vast bulk of which it has already freely handed over to the political authorities of other countries. With what results? Surely, no one will argue that the goods supplied to foreign political authorities has had any effect in checking the communist menace in the countries receiving the goods. No one is even going to contend that the political authorities having the disposition of the goods had any intention of using them to combat communism.

Have the political authorities receiving the goods used them to produce productive facilities as was so vehemently alleged would be done by the leading proponents of foreign aid?

The economic condition of the producing population of England, measured by her yardstick of well-being, namely, her foreign trade balance condition, has greatly deteriorated since the gift loan was made available to her political authority.

The most recent offical statement shows that Britain will have an adverse trade balance for 1947 of $2,700,000,000, as against $1,400,000,000 in 1946.

The very basis of the arguments put forth to promote the foreign aid plan under consideration belies that the foreign political authorities have used the gifts supplied them for increasing production capacity; for are those gifts not allegedly predicated on the proposition that the peoples of the countries to whom the Marshall Plan aid would go are in a more desperate condition than they have been since the close of hostilities?

First it was UNRRA which was given $1,300,000,000. It was to do the job of rehabilitating the war-torn countries and putting them back on their feet. That was later run up to $2,700,000,000 and another $332,000,000 for post-UNRRA and still an additional $135,000,000 for pre-UNRRA in Italy.

That international agency became a notoriously colossal political scandal, and about the only thing it rehabilitated was communism, especially in the Soviet Union and its satellites.

Then came the International Monetary Fund and Bank, which we were told was the real panacea for curing just about all the monetary, financial and economic ills the human race is heir to, besides serving as a pillar for permanent universal peace.

The International Monetary Fund was to eliminate trade barriers, empire preferences, bilateral trading, multiple currencies, etc. It was to stabilize the currencies of practically the whole world. It failed to achieve any of its alleged objectives, as it was bound to do. The currencies of practically every country participating in it, including that of our own, were much more debauched when the International Monetary Fund was discredited by one of its principal members, France, a few days ago, than when it was put into operation.

When the International Monetary Fund was being proposed, its proponents strongly protested that there would be no further requests for funds for international projects. That was to be the last. But the ink on the paper for establishing it was hardly dry before the $3,750,000,000 gift loan to Britain was being proposed. When this was being put through Congress, its promoters solemnly avowed that it would rehabilitate Britain's production tools and start the people of England back on the road to self-sufficiency.

The $3,750,000,000 was to be drawn down over a period of five years, but the political authority of Great Britain sunk much the greater part of it within about one year, and with her economy in a more weakened condition than before receiving the gratuity.

Let Private Enterprise Into Marshall Plan!

(Continued from page 19)

sands of entrepreneurs of the day and of tomorrow.

And that's where we come in, because it is primarily a banking job.

It's a job of money and credits and imagination and initiative. Aid from government to government, as I see it, is necessary, but it's emergency pulmotor and transfusion stuff. I'm suggesting a job for us in the banking business as something on the level of a high velocity vitamin diet over a long period—for a brisk convalescence and a permanent recovery.

So I ask this question: Why don't the banks of America start lending money to sound business enterprises abroad?

I maintain it can be done.

It can be done in many instances in conjunction with banks abroad which know the character, reputation and ability of the borrower.

I want to propose tonight a program by which the American banking profession can play a vastly vital part in European recovery.

A Maximum Amount of Private Aid

I propose we take a new look at the Marshall Plan in terms of injecting a maximum amount of private enterprise aid from America into the whole picture of helping Europe recover.

There's a proviso in the Marshall Plan before the Congress which needs a long, new look.

In substance, it provides that the United States Government—within certain limitations—will facilitate American production loans to private European enterprises.

The idea is not revolutionary. It means simply using government machinery to facilitate private production loans as we did before in the days of war. There is good precedent for this kind of productive and profitable help to private business. And I lean on that word profitable deliberately, because, of course, American investors must make a profit. Some people shy from the word profit like a colt from a fire engine, as if profits were shameful. I don't. Private enterprise must have profits as the human system must have food.

Look—during the war, we had a War Production Board. It passed on the worth of projects for war production by private businesses and then loans were made, either directly by the Reconstruction Finance Corporation or by private banks with RFC guarantee up to 90%. The loss to the government was an amazingly small percentage—a fractional item.

A Peace Production Board

So—I'll give my proposal a name. I'll call it a Peace Production Board:

I propose the inclusion of a Peace Production Board within the framework of the Marshall Plan. It would pass on the worth of the projects for American investors acting in co-operation with European investors and entrepreneurs.

As I envision it, the lending bank in America would take 5% of any loss. The borrowing bank or the intermediary bank abroad would take the other 5% of loss in those cases where loss occurred. Our government would guarantee 90% of the loan.

I venture to say that we would find that the total loss would be little, if any, greater than that under loans made for war production.

Thousands of private enterprises in Europe, as I see it, are like healthy men who have been tied up hand and foot. What they need is a sharp knife in the hands of a friend. The friend is us, and the knife is our capital.

Let me give you an illustration: Recently, there were available 10,000 tons of ingots in Austria. The Fiat Motor Company of Italy wanted them to roll into sheets. A deal could have been made to finance those 10,000 tons of ingots, ship them to the Fiat Motor Company and had them rolled into sheets.

The Italians would have kept half the steel for their own productive purposes. The remaining 5,000 tons would have been made into pipe with a ready market in the Arabian oil fields and a contract waiting from an American oil concern which wanted a pipe line.

But there was no money available to finance this deal.

As a result, there are fewer

(Continued on page 40)

Let Private Enterprise Into Marshall Plan!

(Continued from page 39)

jobs in the Fiat Company than there might have been, because the ingots are not there to roll. There are fewer jobs in Italy because new Fiat jobs would have stimulated others. And the American oil company doesn't have the pipe.

We missed an opportunity not only to provide steel for American pipe lines, but we missed an opportunity to increase production where production is needed above everything else.

And if we want to think of the ideological concept of our action —or lack of action—we missed an opportunity to give gainful employment and to put a new gag in the mouths of the clamoring communists.

Could government to government do a job like this? Of course it couldn't. Governments are too tangled in red tape, tied in knots by bureaucrats, even to see opportunities like this. We've been running to government ever since the drab days of the deep depression. And the more we run to government, the more we help to forge the tools of socialism. The more we as individuals can do, the more we will encourage and re-develop fresh initiative and private enterprise abroad.

Problem Not Solved Without Private Aid

Don't you see that a dozen Marshall Plans without the aid of private businessmen will never solve the real problem?

Don't you see that the only way to get free enterprise in Europe is to kindle it anew from over here? That's a job for the flint of American know-how and the steel of American determination.

Happily, not every opportunity such as I have described has gone by the boards. Some have been snapped up. They encourage me to look to the future. I know of a case where American dollars are buying pulp in Sweden, which is shipped to France, converted to rayon and the rayon sold abroad —to everybody's satisfaction. That is enterprise. That, gentlemen, is git-up-and-git.

Multiply it ten thousand times over, and what have we?

Recovery Based on Self Help

I say we've got a real European recovery program based on self-help; we've got a real promise of a peaceful, stable world, and we've got a new string to the bow of the American economy.

We bankers wring our hands in futile inaction because we say currencies are unstable, and how can we carry on trade without a stable exchange? I say that if we must wait for that before stimulating the flow of merchandise, then we must admit we are all through.

After all, trade was invented before anybody heard the word money.

What is exchange? It is simply an easy medium for the payment of goods. It is a convenience acquired through years of understanding and effort. But any commodity is good whether it is exchanged or not. That commodity can be exchanged for a commodity some place else if there are people around with the ingenuity to turn the trick.

I call this idea of hooking up American capital and American know-how with European capital and European manpower — partnership capitalism. And it's in partnership capitalism I place my greatest hope for world reconstruction and for lifting the living standards of people throughout the world. Partnership capitalism in the form of productive loans is a far cry from old-time capitalistic adventuring abroad. That kind sought to exploit peoples and countries. It was killed off because it was an affront to natural laws and human rights.

Partnership capitalism is just the opposite, and that's why it will work.

It recognizes natural laws and human rights.

I see a chance for vital expansion of partnership capitalism through a Peace Production Board. It is my opinion that through the plan we can create a climate for a steady growth of partnership capitalism. I think it is a chance for all of us in industry to be veritable paladins of American democracy and American free enterprise, exerting a leadership based on mutuality and reciprocity.

This we know for a certainty: If we want partners in peace, we must build partners in prosperity.

It will be just so much talk without action, so I summarize my proposal:

(1) A Peace Production Board within the framework of the Marshall Plan. This Board would pass on worthy private investments abroad by American investors. The lending bank in America would assume 5% of any loss, and the borrowing bank another 5%. The 90% remainder of the loan would be guaranteed by the government as in the days of war production.

(2) The guaranteed loan proviso of the Marshall Plan as it rests before Congress should be strengthened and broadened to include a Peace Production Board. The proviso is played down in the bill. It needs to be talked up.

Economic Means Political Stability

And let's never forget this: Economic stability is a favorable atmosphere for political stability. Our busy, hustling acquaintances behind the iron curtain know that, and they don't like it. They won't like whatever we do about it.

Every time the economic barometer in a western European nation goes up, the fortunes of Communism in that country go down. We've seen that happen. I saw it myself on a recent tour of Europe.

Production — Production which helps to get rid of despair and misery is the quickest way to get rid of Communism. We don't get rid of Communism by chucking a few Communists in a concentration camp. We get rid of it by making our system work better than theirs; by giving more things, more security and more freedoms to all people. If we perform, the beguiling promises of the Communists won't win converts.

But there's this to be said for the Communist. He gives more than lip service to his cause. From a capitalist's point of view, he may be a crackpot, but he's an energetic one. His trade is making capitalists unhappy, and he goes at it with the fire and zeal of a crusader. No sacrifice or inconvenience is too great for him when he's bent on winning converts or sabotaging his enemies.

We free enterprisers—all of us —have been too smug and too complacent in believing that we could have free enterprise in the world largely by talking about it. We've got to step out of our panelled offices and work up a sweat in a crusade for free enterprise and acquire some new callouses. We've got callouses, all right, but they're in the wrong places. We need to have them where they show. Most people want to be free enterprisers. It's human nature. But we've got to give them a helping hand. In doing it, we'll find we aren't making any great personal sacrifices. We'll find it to be a good business risk.

Bank's Foreign Business

I would like to see every bank of every size in America with its foreign department eagerly seeking out men with intiative, resourcefulness and integrity to get Europe back in production. Free enterprise must sow its own seeds of its own kind. Just as American labor unions are trying to help labor reestablish free unions in Europe, American business must help European business regain its footing. The caravan of private trade in Europe is mired in the mud. What we need to do is to hitch on our draglines.

We won't do it by just talking about it. Lip service doesn't move pig iron. We don't do it by sitting on our hands and sitting on our dough.

The lifeblood of trade is credit and money. A restoration of private trade in Europe will be the breath of life to a continent in shambles. It will be an elixir for the spirit of man as well as for his body.

We are about to embark on an entirely new type of world leadership. We embark on it reluctantly, but we have almost unanimously made up our minds to exercise it the best we can and for the good of the world.

We aren't interested in conquest, in exploitation or in war. We are interested in peace and prosperity, and partnership is the key word in this policy.

America's Third Great Contribution

This is the third great contribution of America to the betterment of the world. The first was the concept of the dignity of man as a citizen. We have gave that idea political embodiment, writing his inalienable rights into a binding constitution with which law must conform. Then we gave the world the technique of mass production. We touched the machine with magic, and to the idea that man could have free will and free choice, we added the idea that man should have abundance with which to enjoy them. We proved it would work.

The third great contribution is a corollary of the other two. In a foreign policy based on partnership, we recognize that political freedom and economic freedom cannot survive anywhere unless they have a chance everywhere.

In pursuit of this adventure, we will export a thousand different things, but the biggest one of all is the idea and the ideal of partnership—a working partnership for peace and a prosperity in which all peoples are partners.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

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."

• Associated Grocers, Inc., St. Joseph, Mo.
Feb. 24 (letter of notification) $150,000 unsecured 6% debentures and 7,350 shares ($100 par) common stock, both to be sold at par to associated store owners. Proceeds will finance cooperating buying operations. No underwriting.

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.

• Brockway (Pa.) Glass Co., Inc.
Feb. 26 filed 5,000 shares of 5% cumulative preferred stock (par $50) and 7,150 shares of common stock (par $50). **Underwriting**—None. **Offering**—Both issues will be offered at $50 per share. **Proceeds** — Construction and purchase of new equipment.

• Brown Radio Productions, Inc., Nashville, Tenn.
Feb. 24 (letter of notification) 1,250 shares ($1 par) common stock. **Price** — $8.75 each. To be sold by Charles H. Brown and S. W. Brown, Jr. No underwriting.

Cameron Aero Engine Corp. (1/8-12)
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.

• Challenger Airlines Co., Salt Lake City, Utah
March 1 filed 600,000 shares ($1 par) common stock, of which 400,000 are being sold for the company and 200,000 for the account of Claude Neon, Inc. **Underwriting** —None. **Price**—$2 a share. **Proceeds**—For equipment purchase and general funds. **Business**—Feeder air line.

• City Title Insurance Co., New York
Feb. 25 (letter of notification) 5,000 shares of capital stock. **Price**—$9. To be offered stockholders of record Jan. 20 for subscription in ratio of one new share for each six shares held. Rights expire 3 p.m. March 23. Unsubscribed portion will be taken up by Chilson Newberry Co., Inc., Kingston, N. Y. General corporate purposes.

Columbia Gas & Electric Corp. (3/23)
Feb. 20 filed $45,000,000 of debentures, due 1973. **Underwriters**—To be determined under competitive bidding. **Probable Bidders**—Morgan Stanley & Co.; The First Boston Corp.; Halsey, Stuart & Co. Inc. **Proceeds**—To finance a construction program. **Bids**—Company plans to invite bids to be opened March 23.

• Consolidated Edison Co. of N. Y., Inc. (3/25)
March 1 filed $57,382,600 of 3% convertible debentures, due 1963. Convertible at the rate of one common stock share for each $25 of debentures. **Offering**—Common stockholders of record March 25 will be given right to subscribe for debentures in ratio of $5 of debentures for each share held. Rights will expire 3 p.m. (EST) April 15. **Underwriting**—Unsubscribed debentures will be offered at competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; The First Boston Corp. **Proceeds**—To redeem on May 1 at $105 a share a total of 273 566 shares of outstanding $5 cumulative preferred stock and to reimburse treasury for expansion expenditures.

Crampton Manufacturing Co. (3/8-12)
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.

NEW ISSUE CALENDAR

March 5, 1948
Chicago Burlington & Quincy — **Equip. Trust Ctfs.**
Southwestern Gas & El. Co. — **Bonds**

March 8, 1948
Cameron Aero Engine Corp. — **Common**
Crampton Mfg. Co. — **Bonds**
Public Service Co. of Oklahoma 11:30 a.m. (CST) — **Bonds**

March 9, 1948
Central Pacific Ry., noon (EST) — **Bonds**
Parkview Drugs, Inc. — **Preferential Stock**

March 10, 1948
New York Central RR. Noon (EST) — **Equip. Trust Ctfs.**

March 11, 1948
Chesapeake & Ohio Ry. Noon (EST) — **Equip. Trust Ctfs.**
Minnesota Power & Light Co. — **Common**

March 15, 1948
Louisiana Power & Light Co. — **Bonds**

March 16, 1948
Chicago Ind. & Louisville Ry. Noon (CST) — **Equip. Trust Ctfs.**
Louisville Gas & El. Co. — **Bonds**

March 19, 1948
Wilson-Jones Co. — **Common**

March 22, 1948
West Penn Power Co. — **Bonds, Pref. & Common**

March 23, 1948
Columbia Gas & Electric Corp. — **Debentures**
Denver & Rio Grande Western — **Equip. Trust Ctfs.**

March 25, 1948
Consolidated Edison Co. of N. Y., Inc. — **Debentures**

March 27, 1948
Wisconsin Power & Light Co. — **Preferred**

March 29, 1948
Texas Electric Service Co. — **Bonds and Debs.**
Utah Power & Light Co. — **Bonds and Debs.**

April 1, 1948
Schenectady Discount Corp. — **Debentures**

April 6, 1948
Southern Counties Gas Co. — **Bonds**

May 4, 1948
Southern California Gas Co. — **Bonds**

● **Cross Country Air Service, Inc., Farmingdale, N. Y.**
Feb. 26 (letter of notification) 130 shares of capital stock. **Price**—$300 per share. **Underwriting**—None. Purchase of three aircraft and working capital.

Dallas (Texas) Power & Light Co., Dallas
Feb. 26 filed 68,250 shares of common (no par) $4,000,000 25-year sinking fund debentures, due 1973. **Underwriting**—Debentures to be offered competitively. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Equitable Securities Corp.; Harriman, Ripley & Co.; Glore, Forgan & Co., and W. C. Langley & Co. (jointly). **Offering**—Debentures will be offered publicly. Stock will be offered present stockholders on basis of one new share for each four held. **Price**—Common stock, $60 a share. **Proceeds**—Construction program.

● **Englishtown Cutlery, Ltd., New York**
Feb. 20 (letter of notification) 1,000 shares series A preferred stock. **Price**—$50 per share. **Underwriting**—None. Increased working capital.

● **Equipment Finance Corp., Chicago, Ill.**
Feb. 26 filed 15,000 shares ($100 par) preferred stock. **Offering**—To be sold to employees and officers of the company and its parent, Curtiss Candy Co. **Price**—$100 per share. **Proceeds**—To be used for trucks in connection with the Curtiss' franchise method of distribution. **Business**—Owns a fleet of trucks for leasing purposes.

● **Federal Electric Products Co., Newark, N. J.**
Feb. 27 filed 150,000 shares ($1 par) common stock. **Underwriting**—To be filed by amendment. **Proceeds**—To repay loans made by the company and a subsidiary, Cole Industries, Inc. **Business**—Electric equipment.

Federal Industries, Inc., Detroit
Feb. 18 (letter of notification) 300,000 shares ($1 par) common. **Price**—Par. **Underwriter**—C. G. McDonald & Co., Detroit. For 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.

● **Florida Power Corp., St. Petersburg, Fla.**
March 2 filed 40,000 shares ($100 par) cumulative preferred stock and 110,000 shares ($7.50 par) common stock. **Underwriting**—By amendment. **Offering**—Common stockholders may purchase the new common stock at the rate of one new share for each 10 held. **Proceeds**—Construction expenditures.

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. Registration statement effective Jan. 16.

● **Girard Investment Co., Philadelphia**
Feb. 25 (letter of notification) 20,000 shares of 6% cumulative preferred stock. **Price**—$10 per share. **Underwriting**—None. Working capital.

● **Highway Safety Appliances, Inc., St. Paul, Minn.**
Feb. 24 (letter of notification) 20,000 shares ($1 par) common stock. **Underwriter**—Irving J. Rice and Co., Inc. For working capital.

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 $150,000 will be used to reduce outstanding short-term bank loans and balance to further company's construction program.

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.
Feb. 5 filed $20,000,000 first mortgage bonds, due 1978; $5,000,000 sinking fund debentures, due 1968 (to be placed privately), and 1,500,000 shares ($3.50 par) common stock (only such amount to raise $3,635,500). **Underwriter** — Smith, Barney & Co., New York. Price and interest rates by amendment. **Proceeds**—To permit consummation of the company's reorganization plan. Expected at early date.

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); Shield & Co. and E. H. Rollins & Sons (jointly); Harriman Ripley & Co.; White, Weld & Co. and Kidder, Peabody & Co. **Proceeds**—For construction and other corporate purposes.

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 March 2 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.

Louisiana Power & Light Co. (3/15)
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. Expected March 15.

Louisville (Ky.) Gas & Electric Co. (3/16)
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.; 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. Expected about March 16.

● **Massachusetts Investors Trust**
Feb. 24 filed 716,074 shares of beneficial interest. **Underwriter**—Vance, Sanders & Co., Boston. Price based on market. **Proceeds**—For investment.

Michigan Consolidated Gas Co., Detroit, Mich.
Feb. 26 filed $7,000,000 first mortgage bonds, due 1969. **Underwriters**—To be determined by competitive bidding. **Probable Bidders**—Halsey, Stuart & Co. Inc.; Lehman Brothers; Dillon, Read & Co. Inc.; Glore, Forgan & Co.; White, Weld & Co.; Harris, Hall & Co. (Inc.). **Proceeds**—Construction program.

Minnesota Power & Light Co., Duluth (3/11)
Feb. 3 filed 100,000 shares (no par) common stock. **Underwriter**—Kidder, Peabody & Co. **Price**—By amendment. **Proceeds**—Toward financing a $6,000,000 construction program. Expected in March.

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. **Offering**—63,785 shares are to be publicly offered (25,000 on behalf of company and 38,785 for account to 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.

● **New Stages, Inc., New York**
Feb. 19 (letter of notification) 200 shares of common stock (par $10). **Price**—$10 per share. **Underwriting**—None. Working capital.

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.

● **Ohio Power Co., Canton, Ohio**
March 2 filed $40,000,000 first mortgage bonds, due 1978. **Underwriting**—To be determined by competitive bidding. Probable bidders: Dillon, Reed & Co. Inc.; the First Boston Corp.; Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Harriman Ripley & Co., and Stone & Webster Securities Corp. (jointly). **Proceeds**—To be applied toward the retirement of 6% gold debenture bonds, due 2024, prepayment of $9,500,000 of notes floated for construction purposes, and $31 million to be deposited with the corporate trustee under the mortgage securing its first mortgage bonds.

Oklahoma Gas & Electric Co., Oklahoma City, Oklahoma
Feb. 20 filed 65,000 shares of cumulative preferred stock, ($100 par). **Underwriters**—To be determined under competitive bidding. Probable bidders: The First Boston Corp.; Harriman, Ripley & Co.; Lehman Brothers and Blyth & Co., Inc. (jointly). **Proceeds**—To be applied toward construction program.

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. (3/9)
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.

● **Passiflord Mining Co., Canon City, Colo.**
Feb. 24 (letter of notification) 2,500 shares (no par) preferred and 2,500 shares common (1c par). To be offered at $100 per preferred share, with a bonus of one share of common. For mining operations. No underwriting.

● **Pennsylvania Manufacturers' Association Fire Insurance Co., Philadelphia**
Feb. 27 (letter of notification) 2,000 shares of capital stock (par $100). **Price**—$100 per share. **Underwriting**—None. Stock will be offered for subscription by stockholders on the basis of two new shares for each share held. Proceeds will be added to company's general funds.

● **Pennsylvania Telephone Corp., Erie, Pa.**
Feb. 26 filed 40,000 shares $2.25 preferred stock (no par). **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., New York. Price by amendment. **Proceeds**—To reimburse treasury for expenditures and finance improvements.

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.

Public Service Co. of New Hampshire
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 (3/8)
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. **Bids**—Bids will be received up to 11:30 a.m. (CST) March 8 for sale of the bonds at office of Middle West Service Co., Chicago.

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.

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.

(Continued on page 42)

(Continued from page 41)

● **Salmon River Mines Co., Callahan, Calif.**
Feb. 17 (letter of notification) 81,475 shares of non-assessable common stock ($1 par). **Price**—Par. **Underwriter**—Albert W. Shaw, Oakland, Calif. For machinery, equipment and supplies.

San Diego Gas & Electric Co.
Feb. 17 filed $10,000,000 first mortgage bonds, series C, due 1978. **Underwriters**—Names to be determined through competitive bidding. 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; White, Weld & Co. and Shields & Co. (jointly). **Proceeds**—To reimburse company's treasury for expenditures and for purchase of new facilities.

● **Schenectady (N. Y.) Discount Corp. (4/1)**
Feb. 26 (letter of notification) $100,000 20-year subordinated debentures. **Price**—$100. **Underwriting**—None. General corporate purposes.

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.

● **Silver Bell Mines Co., Denver**
Feb. 26 filed 125,000 shares ($1 par) capital stock. **Price**—$2.50 each. **Offering**—To be made to present stockholders on a pro rata basis during first 10 days of sale. **Proceeds** — Exploration work, working capital and indebtedness. **Business** — Gold, silver, copper and lead mines in Ophir, Colo.

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.

● **South Star Mining Co., Midland Park, N. J.**
Feb. 24 (letter of notification) 5,300 shares of capital stock (par $10). **Price**—$10 per share. **Underwriting**—None. Payment of mine property, development, etc.

● **Southern Counties Gas Co. of Calif. (4/6)**
Feb. 26 filed $7,000,000 3¼% first mortgage bonds, due 1978. **Underwriting**—To be determined by competitive bidding. 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. **Proceeds**—To reimburse treasury for capital expenditures, including construction costs. Expected April 6.

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. (3/5)
Nov. 5 filed $7,000,000 30-year first mortgage bonds series B. **Underwriting**—Issue awarded March 2 to Blyth & Co., Inc. and Stone & Webster Securities Corp. as 3⅛s. Reoffering at 101.467 expected March 5. **Proceeds**—To finance construction program.

● **Sperti Foods, Inc., Hoboken, N. J.**
Feb. 26 (letter of notification) 30,000 shares 5% cumulative convertible preferred stock, ($10 par). **Price**—$10 each. **Underwriters**—White, Noble & Co., Detroit, and Clair S. Hall & Co., Cincinnati. To operate pharmaceutical division and for general corporate purposes.

Standard Accident Insurance Co., Detroit, Mich.
Feb. 19 filed 140,750 shares ($10 par) common stock. **Underwriter**—The First Boston Corp. **Price**—By amendment. **Proceeds**—Additional capital funds. **Offering**—To be offered for subscription by stockholders of record March 10. Rights expire March 24 on basis of one new share for each 2½ shares held.

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.

● **Taylor Food Co., Raleigh, N. C.**
Feb. 24 (letter of notification) 100,000 shares ($1 par) common. **Price**—$1 each. To retire bank loan and for working capital. **Underwriter**—Griffen & Vaden, Inc., Raleigh.

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. Expected early in March.

Texas Electric Service Co. (3/29)
Feb. 20 filed $5,000,000 first mortgage bonds, due 1978, and $5,000,000 of sinking fund debentures, due 1973. **Underwriters**—To be determined by competitive bidding. **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). **Proceeds**—Finance construction program. Expected about March 29.

● **Time Finance Corp., Brockton, Mass.**
Feb. 24 (letter of notification) 12,500 shares (no par) common. **Price**—$20 each. To finance the instalment business. No underwriting.

● **U. S. Toy Co., Inc., Newark, N. J.**
Feb. 24 (letter of notification) 10,000 shares of common stock (par $2). **Price**—$2.50 per share. **Underwriting**—None. Purchase of merchandise, equipment, etc.

Utah Power & Light Co. (3/29)
Feb. 19 filed $3,000,000 first mortgage bonds, due 1973, and $3,000,000 of sinking fund debentures, due 1973. **Underwriting**—To be determined by competitive bidding. 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. **Proceeds**—For corporate purposes, including construction. Expected March 29.

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.

● **Virginia Iron, Coal & Coke Co., Roanoke, Va.**
Feb. 24 (letter of notification) 25,000 shares of common stock. Not a public offering.

● **Wagner Drilling & Producing Co., Sterling, Colorado**
Feb. 24 (letter of notification) 60,000 shares (one mill par) capital stock. **Price**—$5 each. **Underwriter**—Audley P. McCallie. For drilling program.

Warren Petroleum Corp.
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. Issue to be withdrawn.

West Penn Power Co. (3/22)
Feb. 20 filed $20,000,000 Series M first mortgage bonds due March 1, 1978; 50,000 shares of Series B preferred stock ($100 par) and about 2,000,000 shares (no par) common stock. **Underwriters**—To be determined under competitive bidding. Probable bidder: Halsey, Stuart & Co. Inc. (bonds only); W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Smith Barney & Co. (preferred only). Common stock will be offered under a subscription plan, with details to be filed by amendment. **Proceeds**—To be applied toward the payment of $4,000,000 of bank loans and toward construction expenses. Expected about March 22.

● **Whipple Bros., Inc., Laceyville, Pa.**
Feb. 24 (letter of notification) 30,000 shares ($10 par) preferred stock. **Price**—$10. For bank loans and working capital. No underwriting.

Wilson-Jones Co. (3/19)
Feb. 25 filed 32,937 shares of common stock (par $10). **Underwriters**—None. **Offering**—To be offered for subscription by stockholders of record March 19 in ratio of one new share for each eight shares held. Rights will expire on or before April 30. **Price**—$12 per share. **Proceeds**—Plant additions and purchase of securities and assets of other companies.

Wisconsin Power & Light Co. (2/27)
Dec. 29 filed 30,000 shares ($100 par) 4.80% cumulative preferred stock. **Offering**—Stock offered for subscription by holders of record Feb. 16 of 4½% preferred stock at $100 per share (flat). Rights will expire 5 p.m. (CST) March 1. **Underwriters**—The Wisconsin Co. and associates will offer unsubscribed shares. **Proceeds**—To pay bank indebtedness and for construction costs.

Prospective Offerings

● **Allegheny Ludlum Steel Corp.**
April 30 stockholders will vote on authorizing an indebtedness of up to $20,000,000. Company currently has no founded debt. Proceeds would be used in company's improvement program.

● **American Optical Co.**
March 4 stockholders to vote on authorizing issuance of 54,064 additional common stock and $10,000,000 20-year debentures. Probable underwriters: Harriman, Ripley & Co. and Estabrook & Co.

● **Associated Telephone Co., Ltd.**
Feb. 26 company applied to the California P. U. Commission for authority to sell 75,000 shares ($20 par) 5% preferred stock under a tentative sales agreement with Paine, Webber, Jackson & Curtis and Mitchum, Tully & Co. Proceeds for extensions, etc.

● **Botany Worsted Mills**
Feb. 26 reported company negotiating with Van Alstyne Noel Corp. on plans to refinance preferred and class A stocks. Reported considering placing privately a debenture issue and issuance of convertible preferred and common stocks.

Central Pacific Ry. (3/9)
Bids for the purchase of $37,396,000 first mortgage bonds, series B, due Feb. 1, 1968, will be received up to noon (EST) March 9 at Room 2117, 165 Broadway, New York. Probable bidders: Kuhn, Loeb & Co.; Halsey, Stuart & Co. Inc.

Chesapeake & Ohio Ry. (3/11)
The company will receive bids up to noon (EST) March 11 for the sale of $4,750,000 of serial equipment trust certificates maturing annually from March 15, 1949 to March 15, 1958. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman, Ripley & Co. Inc., and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.); The First Boston Corp.; R. L. Day & Co.

Chicago Burlington & Quincy RR. (3/5)
The company will receive bids up to March 5 for the sale of 7,260,000 15-year equipment trust certificates, series E. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); The First Boston Corp.; Harriman, Ripley & Co.; Kidder, Peabody & Co.; Blyth & Co., Inc.; Kuhn, Loeb & Co.

● **Chicago Indianapolis & Louisville Ry. (3/16)**
The company will receive bids up to noon (CST) March 16 for the sale of $1,800,000 equipment trust certificates, dated April 15, 1948 and maturing annually April 15, 1949-1963. Probable bidders: Halsey, Stuart & Co. Inc.; Solomon Bros & Hutzler; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co. and Dick & Merle-Smith (jointly).

● **Columbus & Southern Ohio Electric Co.**
Feb. 25 company expects to apply to Ohio P. U. Commission for authority to sell in the near future $8 million 1st mortgage bonds. Proceeds for electric construction program. Dillon, Reed & Co. headed an investment group in 1940, underwriting an issue of 1st mortgage 3¼s.

● **Denver & Rio Grande Western RR. (3/23)**
The company has issued invitations for bids to be received March 23 for 4,530,000 in equipment trust certificates dated May 1, 1948, and maturing semi-annually over a period of 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **East Tennessee Natural Gas Co.**
The FPC has approved company's construction program to cost $11,470,592. Plans call for issuance of preferred and common stocks and a first mortgage bond issue. F. S. Moseley & Co. may head the underwriting group.

● **Jeannette (Pa.) Glass Co.**
April 22 stockholders will vote on increasing indebtedness from $250,000 to $500,000. If approved company will ask stockholders for authorization to borrow not in excess of $500,000 from a single institution. Proceeds would be used to repay an existing debt of $193,750; to apply $100,000 to construct new warehouse and balance for working capital.

● **Lakefront Dock & RR. Terminal Co.**
Feb. 27 reported company will be in the market, possibly in April, with a new money bond issue for $10,000,000. The company is controlled jointly by New York Central RR. and Baltimore & Ohio RR., and it is expected that the contemplated bond issue will bear the guarantee of the two proprietary roads. Probable bidders to include Halsey, Stuart & Co. Inc.

● **Mountain States Power Co.**
Feb. 26 reported company plans $5 million new money financing later this year. Probable bidders include W. C. Langley & Co. and Glore, Forgan & Co. (jointly).

● **New York Central RR. (3/10)**
Company will receive bids up to noon (EST) March 10 at its office 466 Lexington Avenue, New York City for the sale of $12,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman, Ripley & Co., and Lehman Brothers (jointly); the First Boston Corp.; Kidder, Peabody & Co.; Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly).

Ohio, State of (3/16)
On March 16 the State of Ohio will open bids for the sale of $200,000,000 Veterans' Bonus bonds due 1949-1963.

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.).

Southwestern Bell Telephone Co.
Feb. 16 Missouri P. S. Commission authorized company to issue $100,000,000 additional debentures. Probable bidders: Morgan Stanley & Co.; the other by Halsey, Stuart & Co. Inc. Expected May 4.

● **Wisconsin Michigan Power Co.**
March 3 reported company may be in the market, possibly about the end of April, with a bond offering for approximately $14,000,000. The new issue will be designed to replace at lower cost the company's outstanding $12,500,000 of first 3¾s, due 1961. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Glore, Forgan & Co., and Harriman Ripley & Co., Inc. (jointly); Shields & Co.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Harris, Hall & Co. (Inc.) and The First Boston Corp. (jointly).

Begging the Question

"There are, in effect, two possible courses which the United States might follow in the pursuit of national security. On the one hand, we might cooperate fully with the other nations in an earnest attempt to establish and maintain those economic conditions in the world which are essential to international peace and prosperity. This is the purpose of our participation in the European Recovery Program.

* * *

"If, on the other hand, the road of international cooperation is abandoned, then the United States would have no alternative but to greatly expand and strengthen its military establishments so as to be ready for any eventuality in a divided and uncertain world.

* * *

"Viewed in this light, the cost of the European Recovery Program may be compared to the premium of an insurance policy. Certainly it would be far less expensive than if the United States were to stand alone in isolation in a chaotic world."—The Senate Foreign Relations Committee.

This is quite the usual "argument," but does it not beg the question?

Of course, if the alternatives are really as stated we should get off much cheaper by handing out a few billions during the next few years.

But are these the alternatives, and how can we feel very confident that we should not in the end have to bear all the costs so often cited—and more—if we persist in our present course? As to this very little is being said.

Our Reporter's Report

The seasoned corporate bond market is a trifle better pricewise than it was just after the turn of the year, in the wake of the Treasury's pre-Christmas action, lowering the "peg" on its long-term issues.

But bond men who have been in the Street for years will tell you that it is necessary to thumb the records back for a long stretch to find the equivalent of the prevailing dullness.

That, of course, refers to the high-grade market in which interest lies chiefly with institutional investors. But it applies as well to second grade by and large, since, when institutions won't look at top-ratings it is more than difficult to interest them in lesser grades.

Just now, it appears, privately negotiated transactions are taking up the time of the insurance companies. And, combined with the potental outpouring of new issues due later in the month this has served to bring their inquiries in the market virtually to a standstill.

Best grade corporate bonds are now averaging around a 2.90% basis as against about 3% six weeks or so back. But portfolio managers are still inclined to hold out for the higher yield.

That explains, in part, their disposition to take it easy in the open market and await the influx of new emissions in the hope of obtaining the more liberal return, according to observers.

N. Y. Bonus Bonds

New York State's fiscal authorities, on whose shoulders fell the task of timing the market for its huge $300 million veteran bonus issue, appear to have turned in a "bang-up" job.

Sold to bankers on Tuesday, the issue was placed at a net interest cost to the State of 1.79375%, viewed in market circles as a very satisfactory basis considering recent conditions in the municipal market.

New York State's credit rating ranks high, however, because of funds piled up during the war-enforced period of political economy and the bonds were made the more attractive since they are backed by definite and segregated revenues.

The single group of 250 odd banks and dealers who placed the issue apparently did a good job of placement since only a few of the intermediate maturities failed to achieve a premium in the first trading day.

Although virtually the entire underwriting fraternity put its shoulder to the wheel in putting across the State's big issue, a goodly segment of its members found time to compete for a small utility issue which was up for bids the same day.

Southwestern Gas & Electric Co.'s offering of $7 million 30-year first mortgage bonds drew a total of nine bids, all for a $3\frac{1}{8}\%$ coupon, with almost a full point separating the winning tender, 101.07 from the lowest offer of 100.109.

Reoffered at a price of 101.467 to yield 3.05%, the issue attracted liberal investor interest.

Consolidated Edison took another stride toward flotation of its projected $57,382,600 of new convertible debentures by going into registration with the Securities and Exchange Commission for the issue.

Earlier, it had applied for necessary authorization by the New York Public Service Commission. But this issue may not hold too much interest for the banking fraternity.

The latter will have to wait and see to what extent the company's stockholders, who get first, opportunity to subscribe, exercise their privilege. They may take up the new debentures in the ratio of $5 principal amount for each share held.

Dayton Power & Light Co. turned in a real performance in its offering of 170,000 shares of additional common to its shareholders.

Expiration of the subscription rights disclosed that the company had received bids for stock equal to 147% of the total of 150,000 shares offered.

Through employment of the additional subscription privilege approximately 100,000 shares were subscribed for. The balance were purchased through stockholders' exercise of the regular rights.

Wall Street Riders Annual Gymkhana

G. H. Struckmann of the Bank of the Manhattan Company, President of the Wall Street Riding Club, announces that the Club's annual Gymkhana will be held at the New York Riding Club at 6:30 p.m. on Saturday, March 6. Participating in the events this year with the Wall Street riders will be riders from the Circle Club and the Stirrup Club. Included on the program of Gymkhana events are mounted races open to both men and women, as well as an event for Ladies Only—the Egg Relay Race—and for Men Only, the Rescue Race.

Following the mounted games, members of the Wall Street and Circle Clubs will be the guests of the Stirrup Club at a cocktail party.

Later in the evening the three Clubs will hold a Supper-Dance at the Allerton House on East 57th Street.

Financial Notice

The Reybarn Company, Inc.

Time for stockholders to file claims to their share of Federal tax refund amounting to approximately $0.20 per share has been extended to 1 April, 1948. Stockholders who did not file with Caleb R. Layton, 3rd, former Receiver, should file at once with the present Receiver, Henry M. Canby, 4072 duPont Building, Wilmington, Delaware.

Meeting Notice

The Borden Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Wednesday, April 21, 1948, at 11:00 o'clock A.M. (Eastern Standard Time) at 43 Park Avenue, Flemington, Hunterdon County, New Jersey.

Only stockholders of record at the close of business on Tuesday, March 23, 1948, will be entitled to vote at said meeting, notwithstanding any subsequent transfers of stock.

The stock transfer books will not be closed.

The Borden Company
THEODORE D. WAIBEL, *Secretary*

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn 22, New York

The Board of Directors of the American Manufacturing Company has declared a dividend of 25c per share on the Common Stock, payable April 1, 1948 to Stockholders of Record at the close of business March 8, 1948. The stock record books will be closed for the purpose of transfer of Common Stock at the close of business March 8, 1948 until March 24, 1948.

ROBERT B. BROWN, *Treasurer.*

ANACONDA COPPER MINING CO.
25 Broadway
New York 4, N. Y., February 26, 1948.
DIVIDEND No. 159

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Seventy-five Cents (75c) per share on its capital stock of the par value of $50 per share, payable March 30, 1948, to holders of such shares of record at the close of business at 3 o'clock P. M., on March 8, 1948.

C. EARLE MORAN, Secretary & Treasurer.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY
New York, N. Y., February 26, 1948.

The Board of Directors has this day declared a dividend of One Dollar and Fifty Cents ($1.50) per share, being Dividend No. 141, on the Common Capital Stock of this Company, payable June 2, 1948, to holders of said Common Capital Stock registered on the books of the Company at the close of business May 6, 1948.

Dividend checks will be mailed to holders of Common Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

AMERICAN LOCOMOTIVE COMPANY
30 Church Street Alco New York 8, N. Y.

PREFERRED DIVIDEND No. 159
COMMON DIVIDEND No. 91

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of thirty five cents (35¢) per share on the Common Stock of this Company have been declared payable April 1, 1948 to holders of record at the close of business on March 13, 1948. Transfer books will not be closed.

CARL A. SUNDBERG
February 26, 1948 *Secretary*

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 168
Common Dividend No. 156

A quarterly dividend of 75¢ per share ($1\frac{1}{2}\%$) on the Preferred Stock for the quarter ending March 31, 1948, and a dividend of 40¢ per share on the Common Stock have been declared. Both dividends are payable April 1, 1948, to holders of record March 8, 1948. The stock transfer books will remain open.

W. F. COLCLOUGH, JR.
February 25, 1948 Secretary

DIVIDEND NOTICES

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY
Dividend No. 62

A dividend of ten cents ($0.10) per share will be paid on March 19, 1948, to holders of the outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business March 5, 1948. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

J. H. ELLIOTT, Secretary.
Boston, Mass., February 26, 1948

EATON & HOWARD BALANCED FUND

The Trustees have declared a dividend of twenty cents ($.20) a share, payable March 25, 1948, to shareholders of record at the close of business March 15, 1948.

24 Federal Street, Boston

EATON & HOWARD STOCK FUND

The Trustees have declared a dividend of ten cents ($.10) a share, payable March 25, 1948, to shareholders of record at the close of business March 15, 1948.

24 Federal Street, Boston

C.I.T. FINANCIAL CORPORATION

Dividend on Common Stock

A quarterly dividend of 50 cents per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable April 1, 1948, to stockholders of record at the close of business March 10, 1948. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, *Treasurer*
February 26, 1948.

CHEMICALS
TEXTILES
PLASTICS

CELANESE CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK $4.75 SERIES

The regular quarterly dividend for the current quarter of $\$1.18\frac{3}{4}$ per share, payable April 1, 1948 to holders of record at the close of business March 16, 1948.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable April 1, 1948 to holders of record at the close of business March 16, 1948.

COMMON STOCK

40 cents per share, payable March 31, 1948 to holders of record at the close of business March 16, 1948.

R. O. GILBERT
Secretary
March 2, 1948

DIVIDEND NOTICES

GUARANTY TRUST COMPANY OF NEW YORK
New York, March 3, 1948.

The Board of Directors has this day declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending March 31, 1948, payable on April 1, 1948, to stockholders of record at the close of business March 10, 1948.

MATTHEW T. MURRAY, Secretary.

HOMESTAKE MINING COMPANY
DIVIDEND No. 867

The Board of Directors has declared dividend No. 867 of fifty cents ($.50) per share of $12.50 par value Capital Stock, payable March 19, 1948 to stockholders of record 3:00 o'clock P. M., March 9, 1948.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*
February 17, 1948

United States Plywood Corporation

Weldwood

For the quarter ended January 31, 1948, a cash dividend of 25c per share on the outstanding common stock of this corporation has been declared payable April 12, 1948, to stockholders of record at the close of business April 1, 1948.

SIMON OTTINGER, Secretary.
New York, N. Y., March 3, 1948.

IRVING TRUST COMPANY
One Wall Street, New York

February 26, 1948

The Board of Directors has this day declared a quarterly dividend of 20 cents per share on the capital stock of this Company, par $10., payable April 1, 1948, to stockholders of record at the close of business March 8, 1948.

STEPHEN G. KENT, *Secretary*

OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND No. 197

A quarterly dividend of $1.50 per share on the Preferred Stock has been declared payable March 19, 1948, to stockholders of record at the close of business on March 8, 1948.

Checks will be mailed.

C. A. SANFORD, *Treasurer*
New York, February 25, 1948.

International MINERALS & CHEMICAL CORPORATION
General Offices
20 North Wacker Drive, Chicago

★

Dividends were declared by the Board of Directors on February 26, 1948, as follows:

4% Cumulative Preferred Stock 24th Consecutive Regular Quarterly Dividend of One Dollar ($1.00) per share.

$5.00 Par Value Common Stock Regular Quarterly Dividend of Forty Cents (40¢) per share.

Both dividends are payable March 30, 1948, to stockholders of record at the close of business March 19, 1948.

Checks will be mailed by the Bankers Trust Company of New York.

Robert P. Resch
Vice President and Treasurer

★

Mining and Manufacturing
Phosphate • Potash • Fertilizer • Chemicals

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

There is a substantial danger that the present Congress will go off the deep end on housing legislation before the summer adjournment. This legislation could obligate the government to make some hundreds of millions—perhaps even a billion or so—of loose loans. It also could raise hob with conventional financing outlets.

What has happened in the past few weeks is that at least two key Congressional leaders and some of the rank and file have developed a minor panic on the housing question. They have come to the view that "something must be done."

This panic has been caused by the realization that urban mortgage credit shows signs of slackening up. Insurance companies are reported here to be dissatisfied with the 4% interest they get from the GI loans. They are cutting down on servicing fees to primary lenders who originally handle these loans. The savings and loan associations are not expected to have the funds to maintain in 1948 the lending volume they worked up in 1947. Commercial banks, already skittish about Administration proposals to boost their reserves, are backing off GI loans, requiring more careful scrutiny of the personal credit of the borrower, and are requiring down payments. All this commercial bank hesitancy seems lately to have the blessing of the Federal supervisory officials, who continue to spot urban mortgage inflation as the No. 1 inflationary spot.

What is involved in this outlook is that the prospective construction this year of more than 900,000 housing units may be jeopardized for lack of credit. This prospect is something more than politicians can bear in an election year. And it is probable they will do something about it.

Until recently the expectation was that Congress would extend FHA's Title VI (mortgage credit for builders at necessary current cost) for another several months or a year, with additional dough. The language of the extension might be pitched at promotion of more rental construction. There was a possibility that the secondary market for GI loans, killed by Congress, might be revived. Public housing and funny finance, however, were ruled as unlikely — then.

* * *

It is beginning to be felt in Congress by those whose thinking is important, that extension of Title VI and revival of the secondary market are not enough. There is fear that this will not maintain the present large volume of home building.

As between raising the interest rates on mortgages to the voting customers and not raising them, there is not much doubt about the Congressional decision. As between letting the easy money dry up and killing off the housing boom, and ballooning the present mortgage credit inflation, there also is no doubt in this election year.

It is very likely that if the big mortgage lenders and their representatives report that they cannot continue on the 4% basis, that Congress will put Uncle Sammy into the mortgage financing business in a bigger and fancier way. It is hard going, but this is an election year.

* * *

It can't be said, yet, what kind of funny mortgage finance will come out. That is because those who will have the deciding voice have not yet made up their minds. The one "housing" shortage which doesn't exist is the supply of ideas about housing. There is a glut of ideas. Harry Truman has them. The special Senate-House Committee on Housing has ideas. The key leaders have some ideas. The Housing and Home Finance Agency, the top Administration housing bureaucracy, has them.

While there are innumerable ideas, there is no amplitude of time in which to consider them. A "national housing policy," the personal objective of the Chairman of the special housing committee, would take more time to work out, considering the differences of opinion, than the foreign aid program. Yet Title VI expires at the end of this month. What housing financing agencies are threatened with is either the direct competition of direct government lending, or the development of some form of subsidy-insurance program that would tie their operations into a government strait-jacket.

* * *

You can take it for granted that the one-month extension of rent control was aimed at giving more time for framing a better bill than the Senate proposed. If possible the new bill will achieve a greater measure of decontrol and still avoid extreme increases in rents where they would hurt —politically.

* * *

Southerners have always talked revolt against the racial equality ideas of the national Democratic Administration, so why are they getting away with it this time? In the first place, President Truman is not politically as strong as the late President Roosevelt. Southerners feel that Mr. Truman can be "knocked over" politically. Second, the present Chief Executive does not have the power that his predecessor had in peace times to threaten the bosses of state Democratic political machines. There are no vast relief appropriations which can be used for this purpose, and the existing President would not now dare, as did Mr. Roosevelt, to attempt to purge conservative Southern Senators. Finally, the war is over. The revolt might have been launched in earnest against Mr. Roosevelt, despite his greater political strength, but for the war.

* * *

Road builders appear to have lost their fight for a permanent annual authorization of $500 million of U. S. funds for Federal aid highways. Even the economizers recognize that road building generally lapsed during the war, and that traffic has grown far beyond expectations. Chances now are that Congress will approve a two-year, rather than an indefinite, Federal highway authorization program.

* * *

Two Republican Representatives, Ben Jensen of Iowa and Walter Ploeser of Missouri, last year launched a program to put semi-federally owned government corporations under the Bureau of the Budget. These included such agencies as the Federal Deposit Insurance Corporation and the Banks for Cooperatives, which have wet-nursed the cooperative movement with facility and commodity loans since the first New Deal.

Jensen and Ploeser lost their battle as the commercial banks squealed over "political control" of deposit insurance. Out went the Banks for Cooperatives, also. However, Jensen and Ploeser did not altogether lose their battle. The B's for C's customers, even though not forced to, are now planning to get legislation setting up a system by which their borrowers can buy out the government of its capital investment. This is the objective the two Congressmen really were aiming at.

* * *

Agriculture Secretary Clinton P. Anderson is trying to worry the Congressional majority into hurrying through this year a revision of farm legislation, the so-called "long-range" farm legislation so much discussed.

If Mr. Anderson fails, however and the Congressional majority has time to fight its left-wing boys, here are some of the salient policies they will attempt to include in the new legislation next year:

(1) The market place rather than the government should fix the values of crops.

(2) Government support prices should be substantially lower than market prices generally, so that prices will be fixed by supply and demand rather than by distortions of government policy.

(3) The function of supports should be "to keep the bottom from falling out from under the farm business." "Farm prices drop farther and faster than even other raw material prices. Our job is to protect farmers against the bottom dropping out," said one key leader.

(4) "Parity" prices should not be based upon the relative value of farm crops in the 1910-14 period, but should be based upon a "moving average" of prices in the last 10 years.

* * *

It is now beginning to look more and more like the opponents of the Reciprocal Trade Agreements program will succeed with their strategem of just letting the Trade Agreements Act die June 30 by failing to report out continuing legislation. President Truman's belated effort to apply the pullmotor is not expected to save this program.

* * *

It was reported here that the U. S. film industry avoided a slap from Canada by a neat deal with Ottawa. Canada is also dollar-starved. She discussed with the U. S. film people her exchange problem. In return for no curbs even mildly resembling the British 75% tax on earnings, the film people agreed to "cooperate" in advertising the advantages of Canada as a vacationland. And U. S. vacationers bring Canada U. S. dollars.

Incidentally, Canada is not going to heave a sigh of relief and figuratively say, "wonderful" just because Congress (if it does) makes possible the expenditure of $1.3 billions on Canadian goods for ERP. Ottawa is telling Washington that is not enough. The U. S. must do something of a permanent nature to correct the "imbalance" whereby Canada buys, as she lately has been doing, twice as much merchandise as the U. S. acquires from the Dominion.

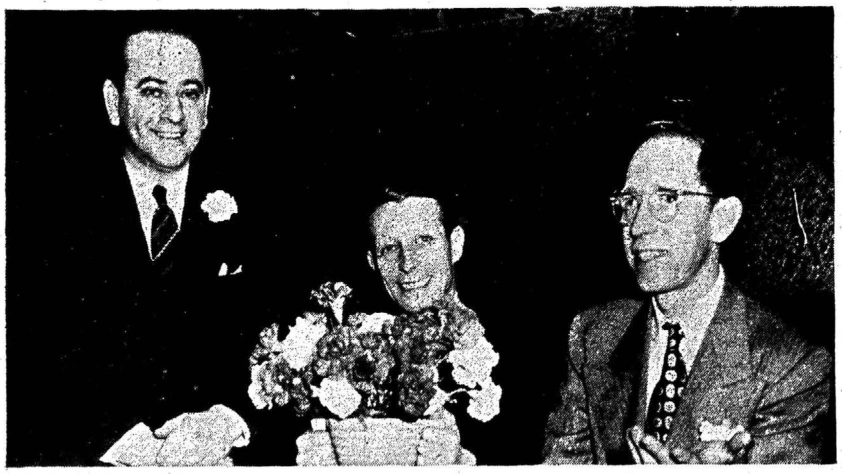
BUSINESS BUZZ

"Well, don't look at me! It's my wife's idea!"

Investment Traders Association of Philadelphia

Jack Swann, *Lilley & Co.;* John Hudson, *Thayer, Baker & Co.;* Vic Mosley, *Stroud & Co., Inc.*

Herbert Gallager, *Yarnall & Co.*, Philadelphia; Al Rauch, *Kidder, Peabody & Co.*, Philadelphia; Walter Schmidt, *Schmidt, Poole & Co.*, Philadelphia; Dave Callaway, *First of Michigan Corp.* New York



Geo. Muller, *Janney & Co.;* Henry Warner, *E. H. Rollins & Sons*, Philadelphia; T. J. Meaney, *Wellington Fund, Inc.*

Harry Fahrig, *Reynolds & Co.;* Floyd D. Cerf, Jr., *Floyd D. Cerf Co.*, Chicago; Tom O'Rourke, *Stroud & Co., Inc.;* Charles A. Taggart, *Chas. A. Taggart & Co.*

Don Homsey, *du Pont, Homsey Co.*, Boston; Sumner Wolley, *Coffin & Burr, Inc.*, Boston; Arthur Engdahl, *Goldman, Sachs & Co.*, Boston

Lou Walker, *National Quotation Bureau*, New York; John Meyers, *Gordon Graves & Co.*, New York; Al Fensternacher, *M. M. Freeman & Co.*, Philadelphia

Gentry Daggy, *H. M. Byllesby & Co.*, Philadelphia; Hilda Williams, *Lewis C. Dick Co.;* Bill Kumm, *Dunne & Co.*, New York

Ned Phillips, *S. K. Phillips & Co.;* Rudolf Smutny, *Salomon Bros. & Hutzler*, New York; "Duke" Hunter, *Aetna Securities Corp.*, New York; Joe Conlon, *E. H. Rollins & Sons, Inc.*, New York

John Bradbury, *Dolphin & Co.;* Bill McCreary, *B. J. Van Ingen & Co.*, New York; Jim Musson, *B. J. Van Ingen & Co.*, New York; George E. Lestrange, *Arthurs, Lestrange & Klima*, Pittsburgh; Leo Dolphin, *Dolphin & Co.;* Walter Schumann, *Dolphin & Co.*

Twenty-Fourth Annual Mid-Winter Dinner

Fred Fischer, *H. N. Nash & Co.;* John Butler, *Geyer & Co., Inc.,* New York; Harry Heffelfinger, *S. K. Phillips & Co.*

Bob McCook, *Buckley Bros.,* New York; John Cantwell, *Buckley Bros.;* Graham Walker, *National Quotation Bureau,* New York

Nat Krumholz, *Siegel & Co.,* New York; Herb Lax, *Greenfield, Lax & Co.,* New York; Tom Greenberg, *C. E. Unterberg & Co.,* New York

Charles Wallingford, *Harrison & Co.;* Mike Heaney, *Jos. McManus & Co.,* New York; Stanley Roggenburg, *Roggenburg & Co.,* New York

Allan Foard, *Stroud & Co., Inc.;* Jack Gessner, *Mabon & Co.,* New York; S. K. Phillips, Jr., *S. K. Phillips & Co.;* Joe Nugent, *Mabon & Co.,* New York

Harry Maneely, *Montgomery, Scott & Co.* (dancing); Bill McCullen, *W. H. Newbold's Son & Co.;* Chick Bradly, *E. W. Clark & Co.* (with the Murphy Sisters)

Harry Peiser, *Ira Haupt & Co.,* New York; Russ Dotts, *Hess & Co.;* K. C. Ebbitt, *Ryan & Moss,* Newark; Edmund C. Byrne, *Campbell, Phelps & Co.,* New York

Oliver Kimberly, *J. K. Rice & Co.,* New York; Doc Williams, *Kennedy & Co.;* Joe Barnes, *Kennedy & Co.;* Charley Downs, *Kennedy & Co.;* Bert Pike, *Troster, Currie & Summers,* New York

F. E. Maguire, *Stroud & Co.;* Ted Plumridge, *J. Arthur Warner & Co.,* New York; G. E. Williams, *Pennsylvania Company for Banking and Trusts;* Al Leek, *Coffin & Burr, Inc.,* New York City

At the Ben Franklin Hotel

Jim Cleaver, *Goodbody & Co.*, New York; Mrs. Raymond Trigger, New York

Bill Russell, *Mabon & Co.*, New York; Edmund Davis, *Rambo, Close & Kerner;* Harold J. Williams, *Boenning & Co.*

George Leone, *Frank J. Masterson & Co.*, New York; Joe Eagan, *Frank J. Masterson & Co.*, New York; Frank Fogarty, Philadelphia

Michael Rudolph, *Stroud & Co., Inc.;* Bill Macdonald, *Paul & Co., Inc.;* Philip Carret, *Carret, Gammons & Co., Inc.*, New York; Charles Gross, *Harry M. Sheeley & Co.*, Baltimore

Al Willis, *H. M. Byllesby & Co.;* Philadelphia; Geo. Dietrich, *Blair F. Claybaugh & Co.*, New York; Harold Scattergood, *Boenning & Co.;* Chas. Zingraf, *Laurence Marks & Co.*, New York

William C. Roberts, Jr., *C. T. Williams & Co.*, Baltimore; Ed Caughlin, *Edward J. Caughlin & Co.;* Sam Magid, *Hill, Thompson & Co.*, New York; Jack O'Brien, *Edward J. Caughlin & Co.*

Stew Terrill, *J. D. Topping & Co.*, New York (standing); Harry Snyder, *Yarnall & Co.;* Fred Barton, *Eastman, Dillon & Co.*, New York; Doug Hansel, *Wertheim & Co.*, New York

Bert Burbank, *White, Weld & Co.*, New York; Leo J. Goldwater, *Goldwater & Frank*, New York; Mark Aiello, *Spencer Trask & Co.*, New York

Walter Fixter, *Buckley Bros.;* Jack Weller, *Buckley Bros.;* Lud Strader, *Strader, Taylor & Co.*, Lynchburg, Va.; Taber J. Chadwick, *Chadwick & Slaight*, New York; Russ Ergood, *Stroud & Co., Inc.*

Is Pronounced Huge Success

Bill Thompson, *Ralph F. Carr & Co.*, Boston; Irving Feltman, *Mitchell & Co.*, New York; A. McCaulley, *R. H. Johnson & Co.*, Philadelphia

Herb Blizzard, *Herbert H. Blizzard & Co.;* Harry Arnold, *Paine, Webber, Jackson & Curtis*, New York; Connie Miller, *E. W. & R. C. Miller & Co.*

Wallace Runyan, *Graham, Parsons & Co.;* Fred Underwood, *Boenning & Co.;* Joseph Carson, *Kidder, Peabody & Co.*, Philadelphia

Vincent Gowen, *E. W. Clucas & Co.*, New York; Almon Hutchinson, *Buckley Bros. & Co.*, New York; Arthur C. Sacco, *Detmer & Co.*, Chicago; Carl Lachman, *Eastman, Dillon & Co.*, New York

Barney Nieman, *Carl Marks & Co.*, New York; Irving Manney, *Eisele & King, Libaire, Stout & Co.*, New York; Joe Markman, *E. W. Smith Co.*, Philadelphia; Sid Siegel, *Siegel & Co.*, New York

Herbert Singer, *Luckhurst & Co.*, New York; Ray Allen, *Hecker & Co.;* John Milburn, *Hecker & Co.;* Joe McNamee, *Hopper, Soliday & Co.*

Thomas B. Krug, *Bioren & Co.;* Frank Whitley, *Bioren & Co.;* Bert Seligman, *Ward & Co.*, New York; Chas. A. Taggart, *Chas. A. Taggart & Co.*

Carrol Williams, *Laird, Bissell & Meeds*, New York; Frank Murray, *Day, Stoddard & Williams*, New Haven, Conn.; David Coxe, *Laird, Bissell & Meeds*, Wilmington, Del.

Caryl Le Fevre, *Reynolds & Co.*, Philadelphia; T. C. Anderson, *Chas. A. Taggart & Co.;* Cal Henry, *Fidelity Philadelphia Trust Co.*

John A. Murphy, *Reynolds & Co.*, Philadelphia; John K. Ruckdeschel, *Boenning & Co.;* Robert P. Morrissey, *Jones, Miller & Co.*