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The Stock Market

An Emphatic Word of Caution

By M. S. BENJAMIN
Senior Partner,
Benjamin Hill & Co.

Market economist, abandoning previous bullish position, calls attention to numerous deflationary factors threatening industrial activity, prices and profits.

During the past 18 months boom factors, such as the demand for durable goods, the building of plant capacity to meet this demand, the armament program, and the ERP, have constructively dominated the economic scene. We have been fully impressed by these bullish elements and have continually advised the accumulation of common stocks. But now it is high time to pause and consider the "new look" of the market structure!

Maurice S. Benjamin

In the first place, it seems to us that the extent of the threat to our economy arising from the third round of wage increases is not sufficiently appreciated.

Last winter there were signs of growing buyers' resistance, but the subsequent drop in farm prices and the efforts on behalf of large corporations, such as Ford and International Harvester, to lower their prices in order to bring down the cost of living, promised hope. But now, as a result of these third

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Measuring Earnings Trends in Railroad Stocks

By WALTER F. HAHN
Railroad Specialist, Smith, Barney & Co.
Members of the New York Stock Exchange

Using as common denominator the number of shares of common stock, Mr. Hahn sets up the important items of railroad income accounts and in this way enables quick comparison of leverage position of individual stocks. Gives table of comparative data on 60 roads as a basis for calculating future earnings possibilities and the relative attraction of individual stocks. Stresses importance of basic railroad "arithmetic" in light of substantial changes in per share earnings occasioned by wage-price spiral.

The almost sensational differences in the earnings trends of individual railroad companies since the end of the war in 1945 to a large extent have been due to the upward spiral of wages and other costs and freight and passenger rates. There have, of course, been other factors—location, which may have meant more or less than pre-war share of total traffic; managerial efficiency, which may have meant more or less than prewar ability to translate gross into net; new investment in road and equipment in the past decade, which may have meant a smaller relative wage factor. But probably more important than all other factors combined has been the wage and price spiral, which for the railroads, has meant higher hourly wages, higher cost of materials and supplies including fuel, and higher freight rates and passenger fares.

Walter F. Hahn

From the standpoint of per share earnings alone, the railroad that began the present inflation-

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Redeemable Currency—Only Means of European Recovery

By WILLIAM CHAMBERLAIN*
Former President, United Light and Power Company

Asserting false premise of Marshall Plan is assumption that under existing monetary and fiscal practices it is possible to create prosperity and contentment in states to be aided, Mr. Chamberlain holds, until an honest medium of exchange is adopted, purpose of plan cannot be successful. Contends only honest exchange medium is one based on a material of value, and cites orgy of spending, instability and gambling in times of inconvertible paper currency. Sees $1 billion of U. S. gold sufficient to put Western Europe on gold currency basis.

Spokesmen for the State Department have announced that the Department's plans for European recovery have their origin in the belief that within certain states outside the Iron Curtain there does not exist that general material prosperity essential to political tranquility. The purpose of the several plans is to generate this prosperity as a means toward securing mass contentment and thus blocking a trend toward Communism. Like its predecessors, none of which has as yet succeeded in tranquilizing the people, the Marshall Plan is predicated upon a simple premise: that a major requirement is

William Chamberlain

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*An address by Mr. Chamberlain before the Graduates of the Harvard Business School, San Francisco, Cal., June 17, 1948.

EDITORIAL

As We See It

Maybe They All Will Learn

Perhaps the most surprising step the never-predictable Kremlin has taken for a good while past was the recent denunciation of Marshall Tito. We say the Kremlin advisedly, for although the action was taken by the "Cominform," which insists that it is an organization quite distinct from the Russian Soviet, no one who has cut his eye teeth has any doubt about the ultimate source of authority and power or about the origin of the action taken against the Yugoslavian dictator.

As to the real meaning of this unexpected action, there are guesses without end — none of them better than guesses. The fact that it was taken just at the moment that Russia is putting on its "big show" in Berlin with the outcome in doubt is taken by some observers to have a deep significance —a conclusion which may or may not be sound. But whatever the explanation of such things as these, certain facts stand out with great clarity, and from these a number of

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Our Economic System in the Unsettled World

By WALTER E. SPAHR*
Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

Dr. Spahr, in pointing out trend toward governmentally controlled economy since 1932, in line with the withering and blighting of economic science by the Keynesian-Socialist doctrines, deplores departure from competitive free enterprise system. Contends Socialism is road to retrogression and urges, in relationship between U. S. economy and that of Socialist Britain and Russia, we keep ourselves economically strong. Sees greatest danger in irredeemable paper money, by which government can run away with peoples' purse.

I.

The Present Condition of Our Economic System

Our economic system today reveals a relatively high degree of government management superimposed upon, or mixed with, the elements of private enterprise. This becomes clear if we view the present structure in the light of our past. We must, of course, except the periods of major wars when almost complete domination of people's lives, behavior, and property is characteristic of government.

Walter E. Spahr

Rapid movement toward a governmentally-managed economy since 1932—Beginning in 1933, this country was taken rapidly by our Federal government in the direction of a governmentally-managed economy. The policies adopted followed much more closely those recommended by the Socialist Party in its political platform of 1932 than they did the policies recommended by either the Democratic or Republican Parties in their political platforms of that year.

The reasons for this development probably cannot be summarized briefly and at the same time accurately. The direction of the movement, however, is a matter of relatively common knowledge.

This development revealed, apparently, the first case in our history in which a political party was ever willing to use the widespread and deep distress of a period of a business recession as a means of leading our people rapidly from a highly-developed private-enterprise-competitive system into a form of economy and political system characterized by such a high degree of government management.

The almost endless number and variety of government agencies, that developed and have perpetuated themselves with all the persistency that human ingenuity can reveal, stand as one of the monuments to this development of the last 15 years.

The fact that we have had an irredeemable paper money is perhaps one of the most noteworthy evidences of a highly managed economy, although it is perhaps the least understood by the public in general. An irredeemable paper money is an integral part of a governmentally-managed economy. A domestic gold-coin or gold-bullion standard and a high degree of freedom in a private enterprise system go together. A highly developed governmentally-managed economy could not function if the people retained the independence which a gold-coin or gold-bullion system gives them. If they can convert into gold upon demand the promises to pay issued by the Treasury and banks, they can put a sharp brake upon the volume of such promises that can be issued safely, they can maintain a rein on government spending, and they can keep the ultimate control of the government's use and abuse of the public purse in their own hands.

It is for these reasons that wherever one finds a highly-developed governmentally-managed economy one also finds this particular essential element—an irredeemable paper currency or a metallic money that is depreciated at the will of the government. With the people deprived of the right of private property in gold, and, consequently, of any effective control over the public purse, the government is free to issue its promises to pay as it sees fit and to buy with them what it chooses to buy.

When a people's monetary system undergoes this fundamental alteration, another far-reaching and subtle change takes place: It is in that nation's standards of ethics in respect to the right of any person or institution to issue promises to pay which he does not honor and does not intend to honor.

For example, in this country, our Treasury and Federal Reserve banks are now authorized to issue promises to pay which they do not redeem, do not intend to redeem, and under law cannot redeem. One minor exception is the redemption of silver certificates in silver; but none of our currency can be redeemed in gold. In these instances, it should be observed, we have slipped down to a standard of behavior in which we now grant great privileges—the right to issue promises to pay—without at the same time requiring these issuing institutions to assume the corresponding obligations to redeem their promises.

"Privileges or rights without responsibilities" has supposedly been, throughout our history, a concept that was unacceptable to us. It meant special privilege and dangerous power. It is an earmark of power to abuse and of dictatorship.

With our abandonment of a gold-coin standard and system, and with the infliction upon us of a system of irredeemable paper money and an overvalued silver, we have taken on this fundamental characteristic of a highly-developed governmentally-managed economy. We have acquiesced in the grant of power and privilege to issue promises to pay without at the same time establishing obligation to redeem. We have lost control over the use and abuse of the public purse. We have lost the right of private property in gold, a right that has a multitude of ramifications in so far as the independence of the individual is concerned.

There are many other ways some obvious, some subtle, in which the private enterprise system has been curbed and loaded down with government management. There is one development closely related to our drift toward Statism which deserves brief description because of its far-reaching significance. It is the development of recent years in the field of Economics.

The State of Economic Science—During the last dozen years, the science of Economics has been withered by the blighting wind of Keynesian-Socialist doctrines. Perhaps the chief characteristics of these doctrines are the attacks on the private enterprise system.

The groundwork for these attacks, aside from that laid by Karl Marx and others like him, apparently goes back in no small degree to the book, "Economic Consequences of the Peace," by John Maynard Keynes of England, published in 1920. The more direct and recent, attack was launched by Keynes in full-fledged form in 1935-1936 when his book, "The General Theory of Employment Interest, and Money," was published.

Following the appearance of the latter book, this country was, and still is, deluged with agitation and activities in behalf of the Keynesian-Socialistic philosophy by the "me, too" followers of Keynes. The Keynesian type of thinking appears to have been thoroughly in harmony with, and perhaps an important factor contributing to, England's plunge into Socialism.

The Keynesian-Socialist doctrines thoroughly permeated our Federal Government, and they soon reached into our colleges and universities and filtered down to the high schools, into the press and, in some degree, even into business circles.

These doctrines have gone into our Federal laws and policies in a multitude of ways. All of them have resulted, in one form or another, in a dissipation of our national patrimony to a degree never seen in this nation. The manner in which the savings of the people have been taken by the Federal Government or otherwise impaired, and blanketed by heavy mortgage is something new in the history of the United States but not in the history of the world. Governments have collapsed and nations have been left prostrate by pursuing courses similar to that implied in the doctrines of Keynes and his followers.

Since the Keynesian philosophy is in essentials the philosophy of Socialism, Socialists naturally embraced the more extreme forms of the so-called New Deal, which, after 1935, rested to such a great degree on the Socialist-Keynes theories; and even the Communists found the program acceptable and embraced it in practically all its forms.

The peace-time spending programs of our government, beginning roughly late in 1933, and considerable portions of expenditures during the war and since,

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*An address by Dr. Spahr before the Institute of International Relations, American Friends Service Committee, Whittier, Cal., July 6, 1948.

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Abnormal Factors Maintaining Business at Boom Level

By AUGUST HUBER

Market Analyst, Spencer Trask & Co.
Members, New York Stock Exchange

Mr. Huber, after analyzing present conditions and economic laws relating thereto, lists as factors maintaining present high peak in American economy: (1) greater resort to instalment buying; (2) expansion of credit and larger use of current income for corporate purposes; and (3) excessive government and foreign aid expenses. Says sufficient stimulus has been given to maintain general business for some time, but warns of change. Sees immediate stock market outlook relatively favorable.

The domestic economy continues at record levels. Gross National Product is currently running at an annual rate of about $245 billion, compared with $125 billion in 1941; $90 billion in 1937; and is more than twice the $104 billion of the boom year 1929.

August Huber

The paramount question is how long this record high level of prices and production will be sustained. Obviously, the foundation of a sustained economy is basic demand. Present indications still point toward a continued heavy demand for durable goods—automobiles, housing, heavy electrical equipment, railroad equipment, steel, virtually all kinds of machinery, etc. Activity in these heavier industries, which represent a major source of individual employment and wages, normally stimulates, in turn, the consumer goods industries.

In the more normal course of events experience has shown that effective demand can eventually be curtailed if prices get too high. Economic laws tell us that prices represent important equalizers of basic supply-demand factors. It is elementary to recognize that under normal conditions effective demand usually diminishes as prices advance. Each upward notch on the price scale would normally result in the elimination of another group of purchasers who would like to buy but find prices out of reach. Giving effect to such price adjustments, the supply-demand picture is at some point balanced. Eventually, high prices would stimulate production until more goods are available at a price level than there are people who can buy at that price. The next step in the normal course of events would be the start of price reductions to reach the other buyers who represent demand but at the lower price level. In all, other things being equal, the price fluctuations do much to balance available supply and effective demand.

In conjunction with the fundamental importance of price levels on basic supply-demand factors, the cost of production is a prime determinant of selling prices. When wage rates and raw material costs are high, selling prices are necessarily high. Since 1939 raw material prices have increased 150% and wage rates have advanced about 100%. Finished goods prices at wholesale are up 96%. If, at some point, effective demand is reduced through prices getting out of reach of a portion of consumers and competition becomes keener, it would result, of course, in lower corporate earning power. The alternative would be employee lay-offs unless labor productivity is increased substantially or other means are successfully effected to increase general operating efficiency. By the same token, a decline in raw material prices and reduced selling prices on finished products could mean inventory losses to many companies. This would be in contrast to the substantial inventory profits of last year and the other benefits accruing to over-all profits from a rising price level.

It has been established that prices under comparatively normal conditions largely govern the volume of production through regulating effective demand. Yet since 1939, the general price level in the United States has increased by 110% (U. S. Bureau of Labor Statistics). Since June, 1946, despite a decline early this year, the advance is 44%. For farm products alone, prices generally have increased 185% since 1939. Demand for goods continues largely unabated and over-all industrial production in the United States is at an all-time record peacetime level, 70% over 1939, and shows an equal gain over 1929. Similarly, farm production has been of record proportions.

Huge Money Supply

Forcibly exerting its underlying pressure on the domestic economy has been the huge money supply. This was created largely during the war years by heavy government deficits. During the war, huge sums were spent by the government for goods and services for war purposes. These war goods were not available to satisfy consumer desires but, nevertheless, the funds spent for them by the government went into the stream of money supply. Inasmuch as the government was spending far beyond its income, the deficit financing, in effect created huge amounts of new moneys without making available, by far, sufficient goods to be absorbed by the increased quantity of money. Measured by money in circulation and private demand deposits, the money supply today is about

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How to Buy Stocks and Bonds*

By DONALD L. KEMMERER
Associate Professor of Economics, University of Illinois
and
BURTON C. HURD
Investment Counsellor, Champaign, Ill.

Authors, claiming no intention to reveal secret shortcuts to making a fortune in investments, outline procedure in buying stocks and bonds and how and where to find information needed. Discuss investment problems of inflation or deflation, business and industrial trends, and intrinsic safety factors of various classes of stocks and bonds. Describe advantages and disadvantages of investment trusts and sum up successful investment policy as (1) get all the facts; (2) exercise patient study; and (3) act on your conclusions quickly and boldly.

This article will not reveal to you any secret shortcuts to making a fortune in investments. We do not know any shortcuts. Handling investments is not a black art but a matter of taking a few precautions, exercising constant care, and then using your common sense.

Admittedly there is also an element of luck involved, but it is our observation that the persons who use care and good judgment enjoy most of the luck.

You have worked hard to accumulate the savings you are planning to invest, or at least your father or your husband has


Donald L. Kemmerer Burton C. Hurd

worked hard. Don't invest the money on a tip or a hunch or because of an intriguing name. Make up your mind now that you must work to keep your savings. Use the same precautions in buying investments as you would if you were buying a farm, a house, a business site, or even a car. For example, if you were buying a farm you would have the soil tested; you would find out what crops the previous owner raised, what returns he got, on the average, over a period of years, the condition of the fences and farm buildings, whether the land was flat or rolling, its drainage, and much other information. If you were making a mortgage-secured loan to a farmer, you would make a similar searching investigation of the property and the borrower's character. If you intend to buy stock, which is the same as buying a share in a business, or if you intend to buy a bond, which is the same as making a loan to a business, you should make similar thorough investigations.

This article will outline a sensible course of procedure for you and tell you where and how to find the information you need. The basic questions to which you should have the answers are:

(1) For what purposes am I investing my money?

(2) Do I anticipate that the price level will rise or fall?

(3) What are the best industries in which to invest?

(4) Which are the best companies in those industries?

(5) What should I know about each of my investments?

(6) What should I know about ordering investments?

(7) How should I watch my investments?

Why Are You Investing?

For what purpose do you want to invest this money? That will determine in large part the type of investments you will select. You probably fall into one or more of four basic classes of investors.

First, you may be saving in order to have cash on hand for bargains when some future opportunity presents itself. Andrew Carnegie and John D. Rockefeller made some of their best purchases in a depression period. They always kept sizable cash balances and were in a position to buy cheaply when others were being forced to sell. Lest you find the analogy implausible though flattering, remember that anyone can do this on a modest scale. If you have such ideas in mind, you want an easily liquidated investment and should put your money into a savings account or short-term government bonds. The interest return is low but that is not where you expect to make your profit.

Second, you may be setting your money aside for your old age or for your children's education. You may be a widow and this is your "all." In that event you want more than anything else to conserve the principal. You should therefore prefer safe and presumably low-income investments. Do not for a moment permit the lure of higher income to attract you away from the haven of safety. You simply cannot afford the risk.

Third, you may wish to support yourself wholly, or in part, from the income that your savings yield. If this is true, you will tend to invest some of your savings in somewhat higher-yield and therefore somewhat less conservative investments. The more you are inclined to worry, however, or the more dependent you are on this income, the more you should be content with a modest income from safer investments.

Finally, you may be interested primarily in increasing your savings by buying investments whose value on the market is likely to increase. If this is your chief consideration, you will place some of your savings in somewhat riskier investments or investments which may offer low returns but good long-term growth prospects. But again, if you are easily worried, or would be helpless without the money, you should not consider this course of action, for even at best the planning for capital growth is difficult. Can you afford it? That is the question you must answer before taking these risks.

When you have decided in which of these groups you belong, you will be in a better position to decide what sort of investments to buy and what sorts of industries you should prefer. At the present time, however, another factor has an important bearing on the sort of investments and sort of industries you should favor. This is the risk of a noticeably changing price level.

Is There Inflation or Deflation Ahead?

Which direction do you believe the price level is going to take? Will we have rising prices for several more years, or do we face a depression and a period of falling prices such as has followed every war? Perhaps you reply that you are no expert, that better men than you seem to be guessing at that one, and that you feel unqualified to give a good answer. Unfortunately, you must make a decision, or at least you must decide whose answer to acccept on this controversial question. After all, it is your money and you cannot dodge the responsibility for it. Your decision will dictate in large part what type of investment you will choose.

If you think prices are going down, you will lean towards high-grade short-term bonds, or you may even consider keeping your funds in a savings account. Or you may prefer to hold cash and forego income in order to be in as safe and liquid a position as possible, reasoning that the increased purchasing power of the dollar will be ample return for you. You conclude that this is the surest way to increase the value of your principal. You avoid common stocks.

On the other hand if you think prices will continue to rise for some time, you will lean towards stocks. Stocks are a share in the ownership of a company. Thus if prices rise and business is stimulated, the return from dividends will tend to rise and the dollar value of your share in a thriving and more valuable business will tend to rise also. That is not to say that stock prices rise step by step with the price level—they do not — but over a period of time they will tend to rise. Stocks are better than cash, which returns no income and whose purchasing power declines as prices rise. Hoarding or relying on a savings account is, in reality, a bet that prices will not rise.

Perhaps you cannot make up your mind which way prices are going to move. At present, many people think that this year will usher in a depression, which belief indicates they should invest in bonds. Yet they fear they may be wrong and that the price level

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*Reprinted from "Opinion and Comment," May 17, 1948, published by the University of Illinois.

Export Control: Instrument of Foreign Policy

By J. MISHELL GEORGE
Deputy Director, Export Program Staff,
Office of International Trade, U. S. Commerce Department

After reviewing shifts in world trade resulting from war, Commerce Department expert gives basic role of export controls as: (1) protection of domestic materials; and (2) directing of U. S. materials where economic recovery can be most effectively advanced. Describes export control policy before and after ERP program enactment and sets forth procedures adopted for compliance with Export Control Act. Advocates full cooperation of foreign trade industry.

The end of the war three and a half years ago saw vast areas of the world laid waste. Industry, agriculture, and the channels of trade were crippled throughout the Eastern Hemisphere. With normal production of many critical commodities wholly or partially paralyzed, much of the world was forced to turn for economic assistance to the United States — the only country with productive resources adequate to furnish aid on the required scale. The pressure for American goods was not confined to Europe and Asia. Other areas, and particularly Latin America, which had formerly been large-scale importers from Europe, shifted their orders to American markets as their European sources failed. This shift, together with the huge domestic backlog of demand, placed a further strain on United States supplies.

J. Mishell George

A few key statistics will indicate the changing position of the United States in the pattern of world trade. In 1947, the dollar value of exports from all countries, including the United States, was about twice as high as in 1938. The physical volume of world exports was about the same in the two years, price inflation accounting for virtually all the increase in dollar value. Before the war, however, the Eastern Hemisphere contributed about three-fourths of the world total; in 1947, its share was estimated at less than two-fifths.

Europe alone accounted for 49% of total world exports in 1938 and Asia for 16%. Since economic recovery in both areas has been too slow to permit exports in prewar volume, a disproportionately large segment of world demand has been shifted to United States markets.

In 1947, the United States supplied over one-third of the goods moving in world commerce, as contrasted with only 14% before the war. In dollar value, the increase was more than fourfold. Total United States exports were about \$14.5 billion in 1947, as against a 1936-38 annual average of less than \$3 billion. In volume terms, our 1947 exports were approximately two and one-half times the prewar average.

This abnormally high level of foreign demand has been superimposed on the unprecedented domestic demand accompanying high output, employment, and income in this country. In spite of record production, some requirements of basic foods, agricultural supplies and industrial materials are not yet being met. To protect the domestic economy, and to influence the direction of overseas shipments in the manner most compatible with American foreign policy, the export controls extended under the Second Decontrol Act until Feb. 28, 1949, have been continued and in some instances strengthened.

Role of Export Controls

The role of export controls is basically twofold:

(1) They are used to protect the domestic economy from the impacts of heavy foreign demand for goods in short supply.

(2) They are used to influence the international distribution of scarce materials supplied by the United States, by assuring the flow of these materials to countries where needs are most urgent and where economic recovery can be most effectively advanced. Corollary to this purpose, export controls can play a strategic part in the European Recovery Program.

The application of controls therefore plays an important role in determining the commodities to be exported, the amounts to be exported, and their geographic distribution.

In terms of value, approximately one-fourth of the shipments from the United States to all destinations except Canada were subject to export control during both the third and fourth quarters of 1947. During the first quarter of 1948, however, 38 iron and steel mill products, as well as some other items, principally miscellaneous grains, were added to the Positive List. (The Positive List is the basic list of commodities whose export to any destination, except Canada, requires a validated OIT license.) In addition, on March 1, shipments of all commodities to Europe were placed under export control. As a result, the scope of export control has now more than doubled.

The value of total exports to destinations other than Canada rose from \$2.9 billion in the third quarter of 1947 to \$3.0 billion in the fourth quarter. Controlled exports showed a small change, from \$706 to \$712 million, of which almost 90% were foodstuffs, fuels and metals.

In spite of a sharp reduction in the allocation of meat products for export, foodstuffs constituted nearly half of the licensed exports in the fourth quarter. Nonmetallic minerals, principally coal and petroleum, accounted for 22% of the total value of controlled exports; and metals and manufactures for 18%.

Western Europe Largest Recipient of Controlled Goods

The distribution of licenses by country of destination shows Western Europe as the largest recipient, especially of controlled commodities, even though the fourth quarter reductions in the controlled export of certain commodities—meats, coal, petroleum, and sawmill products—fell most heavily on the countries of Western Europe, and caused their share of the total to decline somewhat from the previous quarter. The share of Latin America in the total, on the other hand, increased from 21 to 27% of controlled exports in the fourth quarter, largely as a result of the increased value of controlled exports of grains, edible fats and oils, and other foodstuffs. The non-ERP European nations received only 2% of licensed shipments in the fourth

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The State of Trade and Industry

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

As in previous periods over-all industrial output continued to hold at a very high level the past week with production in most lines exceeding somewhat that of the like period of 1947.

A continued slight increase in employment and payrolls was noted for the week with labor-management relations for the most part favorable. With respect to some raw materials, it was reported that they remained somewhat difficult to obtain, but most producers were able to obtain an adequate supply for current production needs.

* * *

It was reported on Sunday that the 35-member scale committee of the United Mine Workers unanimously approved on that day an agreement reached late Saturday night by John L. Lewis, United Mine Workers President, and the anthracite coal operators. The settlement provides an increase in wages for the Pennsylvania hard coal miners of $1 a day. It is understood from Thomas Kennedy, Vice-President of the union, that the operators already had signed the agreement. The new contract affects 80,000 miners and becomes effective on July 16.

From latest reports of the National Coal Association on Monday of the current week, it appeared likely that the big steel companies would be confronted with a strike in their "captive" coal mines on Tuesday, and, in keeping with their threat to strike if the union shop clause was not made a part of their contract, some 50,000 of the nation's 400,000 bituminous coal miners left the pits on that day. The companies' current supply of coal on hand, the Association states, is only sufficient for a 41-day period, which will not permit the mills to operate at full capacity during a prolonged walkout.

* * *

The most significant economic development of the past month, according to "Business Comment," monthly bulletin issued by the Northern Trust Company of Chicago, has been the confirmation of a third round of substantial wage increases. The amount of increase appears to be larger than can be absorbed without increasing prices in most instances, says the Bulletin. Already, continues the report, "a number of firms, particularly automobile companies, have announced price increases, and the movement in that direction appears inevitable as a result of rising costs. Farm commodities have also shown an upward price trend after the February break, led by livestock and livestock products. The all-commodity wholesale price index is now virtually the same as it was in mid-January. Farm products are still below the peak reached then, but other commodities are higher. In recent weeks only fruits and vegetables, grains, cereal products, hides and cotton goods have failed to participate in the advance. One hopeful factor is the prospect of large crops in this country and of a more favorable agricultural outlook in important areas throughout the world.

"The indexes of production and trade show no significant break in the fabric of good business. The public's income continues to expand and retail trade responds accordingly, except for seasonal shifts in the pattern of spending. Nevertheless the inflationary aspects of the boom are cause for concern and caution, the more so because the boom is now in its third year.

"An ever larger number of consumers are exhausing liquid assets held at the end of the war, and some are exhausting their credit. Business firms, also, are having similar experiences. Products that were in short supply a year or less ago are now abundant and there appears to be a tendency for new orders for capital equipment to fall off." These developments, the "Bulletin" concludes, "bear watching, despite the generally optimistic implications of expanded defense and foreign aid spending."

* * *

The demand for many types of seasonal merchandise increased considerably with the arrival of hot weather in many areas. The total dollar volume of retail trade increased moderately during the week and continued to compare favorably with that of the corresponding week a year ago. Budget and basement departments continued to be patronized by a very large number of shoppers.

Wholesale order volume decreased slightly in the week from the high level of a week ago. Favorable weather in many areas stimulated the demand for some seasonable goods. High prices in many lines caused some buyers to be cautious of long-term deliveries. There was a considerable number of orders for Fall merchandise.

STEEL OUTPUT SCHEDULED AT LOWER RATE DUE TO COKE OVEN CLOSINGS AND HOLIDAY

A prolonged shutdown at steel company captive coal mines would be a severe shock to domestic steel consumers, the nation's defense program and the European Recovery Plan. Unless the National Labor Relations Board acts promptly on the petition of the steel firms that they cannot legally, under the Taft Hartley Bill, sign a union shop clause without elections the country again faces curtailment in steel production which this week is far below the total demand, states "The Iron Age," national metalworking weekly, in its current survey of the steel trade.

One major problem still unlicked is scrap. Even with summer days when scrap is supposed to be moving fast this week supplies are dwindling, demand is high and the strait-jacket put on prices is cracking open at the seams, according to the magazine.

Heavy melting scrap prices are up this week for the first time in months in a major market. The break-through happened in the Chicago district where heavy melting steel is up an average of 75¢ a ton. This increase has moved "The Iron Age" steel scrap composite up 25¢ a gross ton—the first change in months. The composite now stands at $40.91 a gross ton.

This is one time the scrap brokers and dealers cannot be dragged into the scrap scramble on the basis that they are bulling the market or that they are holding back scrap supplies. They don't have them. They can't get them. And they are doing everything they can to get something that at least looks like scrap, the trade paper states.

The freight car program may run into an open switch by the first of next year. Despite all the talk and bombast in Washington

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Observations . . . .

By A. WILFRED MAY

The Flowering "Investor Cooperative"

A fine reflection of the continuing growth of the investment fund in this country is found in the just-issued annual edition of Arthur Wiesenberger's compendium on investment companies. (*"Investment Companies," by Arthur Wiesenberger, 1948 edition, 328 pp. $15. Arthur Wiesenberger & Co., New York.*)

A. Wilfred May

First issued seven years ago as a 69-page paper-bound pamphlet, it now appears as a 328-page encyclopedia of information, including an explanation of the function and various uses of the investment company to the investor; data on the background, management policy and salient features of the leading funds; detailed tabulation of portfolio holdings; and clear analyses of management results, income and dividend records, price ranges and comparative operating details. In line with the continuing 20-year growth of the movement in this country and the garnering of a million participants in the funds, this edition contains a wealth of new charts, a quadrupling of last year's chapter on the open-end type of company, full-length analyses of 79 funds, and summarized tabulations of 42 other units.

Under the assumption that the investment trust carrying forward from Scotland since the 1880's embodies an important instrument in today's market place, this book performs a constructive service in a number of ways—not the least of which is the liberal number of *caveats* which are included with unusual objectivity. In addition to pointing out the advantages of investment companies, such as availability of expert management to the small lay investor, diversification, some tax favors, marketability (of open-end funds), Wiesenberger lists the following counterbalancing disadvantages: possible deterioration of management through changes in personnel, tax laws' obstruction to accumulation of capital reserves, bad marketability of closed-end company shares, unwieldiness of portfolio holdings, and recurring management costs.

Unwieldiness in Illiquid Markets

To this columnist, continued examination of portfolios reveals unwieldiness as perhaps the paramount drawback in the present-day mutual fund technique—particularly under our contemporary condition of stock market illiquidity. Once the beaten path of the active stocks is left for actual or near special situations (which is really the *raison d'etre* for *professional* management), it is well-nigh impossible to "turnaround" with a sizable block of an issue excepting during rampant bull markets and then only by the special-offer method.

Management costs compose one of the most important factors to be weighed in American investment fund practice. For the open-end funds the average buying cost, or "load," is 7½% and the annual management expense while for the closed-end companies the annual expense is averaging of the assets. The loading charge or premium at the time of purchase of the open-end trust follows recognized business practice of incurring expenses in selling any merchandise, and is not excessive when related to stock exchange commissions and to the ordinary investor's incurrence of "leakage" between exchange bid-and-asked prices. Furthermore the annual management expense reflects no undue extravagance. But these deductions for "the kitty" must be recognized and taken into account. If they are related to the attained real investment income instead of to fortuitous capital gains, in accordance with investment rather than speculative purposes, then the loading charge must be looked on as using up two years income and management expense as consuming 15% of the ordinary income. At any rate, the Wiesenberger book renders a useful service in clearing breaking down ordinary income from capital gains for each fund.

The Investment Income Item

This brings up what is perhaps the greatest flaw in the investment company system, namely the fact that because of both partial un-investedness and management expenses, the ordinary investment income is reduced to a level considerably below what a true investor can get from his own direct investment in the equivalent securities. From closed-end funds in 1947 the net income was 4.6% and from open-ends 4%—against 5.6% from the Dow-Jones average. Thus, the average investment fund is forced to seek the difference from capital gains; which is all right if the trust-holder realizes it and makes allowances therefor by putting out other portions of his own capital for income. In the case of the closed-end fund, the discounts at which they customarily sell on the Stock Exchange provide partial or complete relief from these penalties.

Another wise *caveat* broached by Mr. Wiesenberger pertains to the appraisal of management. In cautioning against over-emphasis on past performance, and in stressing instead the importance of other facts such as investment policy, income-return, and degree of

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Dr. Palyi to Speak At Kiel University

Dr. Melchior Palyi

The University of Kiel (Germany, British Zone) has invited Dr. Melchior Palyi, Chicago economist, to deliver a public address on "America's Interest in Europe." Dr. Palyi flew from New York on July 5 for an extended trip to study financial, foreign exchange, and capital flight problems in Marshall Plan countries.

Two With H. O. Peet & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Claude I. Graham and William W. Humphrey, Jr., have become associated with H. O. Peet & Company, 23 West 10th Street, members of the New York Stock Exchange. Mr. Humphrey was previously with A. E. Weltner & Co.

O'Connor, Weller Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, FLA.—Perry L. Smith is now connected with O'Connor, Weller & Co., 248 Andalusia Avenue.

"Savings and Loan Associations Are Not Banks"

By WILLIAM A. KIELMANN*
Former President, New York State Bankers Association
President, The Peoples National Bank & Trust Co., Lynbrook, L. I., N. Y.

Holding it is misconception to consider savings and loan associations as banks, retiring President of the New York State Bankers Association points out distinctions between these financial institutions, and deplores fact that Federal Savings and Loan Associations pretend to operate as banks. Denies opposition of banks to savings institutions as such, but holds duty of bankers to clarify distinction between a bank of deposit and a savings institution.

It is my belief that as your president, I have a duty before turning over my office to my successor to apprise this association of anything of sufficient moment which has come to my attention during my administration. Such a matter is the public's misconception of Federal Savings and Loan Associations which has been taking form in recent years. It is my firm conviction that the public, through the advertising of these associations, has been led to consider them banks of deposit which they are not.


William A. Kielmann

People generally are also under the erroneous impression that the insurance of these associations is comparable to that of the Federal Deposit Insurance Corporation and is payable in cash.

At the outset I wish to make it clear that I, and I am sure all the bankers throughout the State of New York, believe that savings and loan associations have a definite place in our economy. They are, however, thrift institutions in which their customers make investments and they are not banks. Our primary concern in this matter should be for the people, the customers of savings and loan associations, who think that they are doing business with a bank whose resources are required by law to measure up to well-established banking standards.

Home Owners Loan Act of 1933

The Home Owners Loan Act of 1933 authorized the Federal Home Loan Bank Board to provide for the organization, operation, and regulation of Federal Savings and Loan Associations, giving primary consideration to the best practices of local mutual thrift and home financing institutions in the United States. Section 5 (b) of the Home Owners Loan Act of 1933 clearly shows that it was not intended that Federal Savings and Loan Associations should operate as banks of deposit, for it states "no deposits shall be accepted." Charter "K," a portion of section 8, reads, "The Association shall not accept deposits from the public or issue any evidence of indebtedness except for advances. It shall not represent itself as a deposit institution."

Accounts in Federal Savings and Loan Associations are share accounts. They represent ownership in such associations in contrast with a debtor-creditor relationship between bank and customer of a savings bank or commercial bank. The Federal savings and loan plan of operation provides for the repurchase of shares by an association, but an association cannot be forced into liquidation because of financial inability to promptly meet obligations for repurchase of shares.

The American Bankers Association has published a leaflet entitled "The Bank Customer Inquires." This leaflet has been revised January, 1948. It clearly sets forth the difference between a bank of deposit and a Federal Savings and Loan Association and I earnestly recommend it to any bank for distribution to its customers.

My comments do not apply to State Savings and Loan Associations, which are under the supervision of Hon. Elliott V. Bell, Superintendent of Banks of the State of New York, nor to some Federal Savings and loan associations, but they do apply to so many of the latter that I do not believe that banking can afford to remain silent longer.

I want to emphasize that banking has no quarrel with the Federal Savings and Loan Associations as such. I am certain that our banks believe that these associations are entitled to a position in the economic life of our country. We do, however, deplore the fact that many of these institutions are pursuing a policy of operating just as close as they can possibly get to the appearance of banks. They are using forms similar to banks' signature cards, forms similar to banks' deposit tickets, forms similar to banks' passbooks and in their advertising they are using words and language which leads the public to believe that the share investor is getting a bank deposit payable on demand. Even though these associations have not said so in so many words their advertising has led the public to feel that their accounts are payable on demand. They have used such language as: "Open a savings account where your savings are insured. Chartered and supervised by U. S. Government."

A newspaper advertisement from an association in Syracuse reads: "Systematic Savings Accounts." "Ordinary Savings Accounts." Then it recites some of their services, and it ends by saying "All accounts Federally insured up to $5,000.

You can see from most of their advertising and even from the bank-like passbooks which they are using that savings and loan associations endeavor to give the impression to their customers that they are in the nature of a savings bank while as a matter of fact the customer is actually now an investor.

Public Given False Impression

Is it any wonder that the public is under the impression that these associations are banks of deposit? I have seen thousands of inches of Federal Savings and Loan newspaper advertising. No-

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*An address by Mr. Kielmann at the Convention of the New York State Bankers Association, Bretton Woods, N. H., June 14, 1948.

Recommends More Liberal Bank Dividend Policy

Prof. Roland I. Robinson, writing in "Harvard Business Review," criticizes as unrealistic, unreasonable, and contradictory, policy of requiring retention of earnings or sale of additional stock to bolster bank capital.

A protest against "forced-draft sale of bank stock" and a plea that "banks be allowed to liberalize their dividend policies" are made by Roland I. Robinson, Professor of Banking, The School of Commerce, Northwestern University. Writing on "Bank Capital and Dividend Policies" in the July number of the "Harvard Business Review," Professor Robinson points out that considering the relative adequacy of bank capital for risk coverage, the policies of banking supervisors are unrealistic and unreasonable.


Roland I. Robinson

In furtherance of their policies, he points out "the supervisory agencies have urged two specific lines of action: (1) the retention of a large proportion of earnings; in other words, minimum dividends; and (2) the sale of additional stock. The first of these policies has been continuously urged since the banking holiday; the second has had more prominence during those periods when the market price of bank shares has approached or exceeded their book value. . . .

"Whether because of supervisory prodding or the natural conservatism of banks, the first of these policies has been very successful. About five-ninths of bank earnings of Federal Reserve members since the banking holiday have been retained and added to capital accounts. . . . The second policy has had little success. Since the banking holiday commercial bank capital has increased more than $3½ billion. . . . It appears that not more than one-tenth of the increase, probably much less, was due to sale of new capital shares. The reason for this situation is fairly evident. Except for short periods since the banking holiday bank shares have commanded a market price generally below book value. The share prices of larger banks, for which bid quotations are published, went above book value only during 1936-1937 and again, briefly, near the end of the war."

Professor Robinson contends that these two policies are contradictory. "It has not been directly recognized by the supervisory authorities that their policies of urging conservative dividend distribution and of encouraging market sales of new capital shares are essentially in conflict one with the other. A large majority of bank shares have come to enjoy an investment status in the market which is influenced by dividends paid. But dividends have been conservative, not only as a proportion of earnings but also on the basis of book value. For the period since the banking holiday, which included poor years as well as good ones, the profits of Federal Reserve member banks have averaged only about 7% of capital accounts, and dividends have been only about 3% of book value. . . .

"The present holders of bank shares face the dismal prospect that additional capital in banks cannot be expected to increase earnings appreciably. In this respect banks differ greatly from other types of enterprise in which new capital often can be expected to contribute *pro rata* to earnings and often will increase them more than proportionately. So when banks sell more capital, they dilute the earnings available to existing shareholders. The incentives, then, for market sales of added bank capital for going institutions are weak. It would take the greatest of compulsion to overcome this weakness."

The author therefore asks: "Which of the two contradictory policies should supervisors pursue? If the supervisory authorities really want more capital sold in the markets, would it not be wise for them to smile rather than frown on more generous dividend distribution? Certainly that would seem to be the one way in which they could make such a policy effective, short of rather dogmatic forms of control and regulation. At the same time, can the capital sale policy be pushed with fairness to existing stockholders? The damage to them of this policy is clearly evident. These are obviously relative questions, to be balanced against such further questions as: (1) Are present levels of capital adequate for risks? (2) Could banks be trusted to follow sufficiently conservative dividend policies if left free to pay out more dividends if they so desired?"

In answering the first question, Professor Robinson examines the history of banking difficulties in the past and comes to the conclusion that "inadequate capital never has been a leading or basic cause of banking difficulties. . . . To the extent evidence is available, it appears that banks which have failed had neither more nor less capital than surviving banks. It also appears that lack of liquidity was the more common proximate cause of bank closings. . . . The fact that so very many banks which were closed at the time of the banking holiday have paid out fully or almost fully to depositors is evidence that on a 'going concern' basis these institutions probably did have adequate capital."

Capital Position of Banks

With respect to the present capital position of banks, Professor Robinson argues that "Capital protection now enjoyed by banks is greater than it has been at any time in the past. The liquidity of the banking system has never been so great. . . . The relative quality of banking assets has never been so high. . . . The whole economy has become more liquid so that all debt obligations have an improved position; i.e., the absolute quality of credit assets has generally improved. The ratios of bank capital, net of fixed assets, to customer loans and non-governmental securities are now not far from the levels of the 1920's. . . . In addition, the accumulation of earnings is increasing capital at a very substantial rate. Although during the year 1947 bank loans increased more than during any year of record, the additions to bank capital from retained earnings appear to have equaled roughly 7% of the increase in loans. This is a substantial risk coverage. . . .

"If this is the case, it seems reasonable that banks might be left to choose their own dividend policies with a minimum of supervisory nagging. . . . If banks were freed from supervisory prodding, the past record does not indicate that they would overstep propriety in the matter. The profit and dividend record itself suggests this conclusion. During

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From Washington Ahead of the News

By CARLISLE BARGERON

Whatever chances Mr. Truman had for reelection—undoubtedly slim—have certainly been destroyed on the eve of the so-called Democratic conclave. I say so-called Democratic because Barnum at the height of his career never succeeded in bringing together such a conglomeration. There is scarcely a leader of the aggregation now that isn't on record to the effect that Truman can't win. There were few, if any of them with any hope, before the trek to Philadelphia got underway. But such men as the astute Frank Hague at least kept their mouths shut. However, under the spell of the recent Eisenhower boom, even he spoke out and joined those on record with the statement that Truman had no chance. This seems to make it unanimous.

Carlisle Bargeron

The importance of Hague stepping out from under the President cannot be minimized. It had been assumed that Truman's cockiness about his getting the nomination came from the realization that if the dissentients seemed to be getting the upper hand they could simply be denied their seats in the convention. Rump delegations could have been hastily organized and recognized by the credentials committee as the bona fide delegation. This is what happened in the famous Taft-Roosevelt set-to at Chicago in 1912.

That this was the plan was evidenced by the appointment of Hague's "man," Congresswoman Mary Norton of New Jersey, as chairman of the credentials committee. They don't make any more practical politicians than she.

So it was a matter of tremendous importance when Hague, who had been going along with Truman, threw in the sponge. The Eisenhower boom went into high gear. His nomination seemed on the way.

Then he pulled the rug out from under the boys. More than two-thirds of the so-called Democratic party and practically all of the leaders are left looking silly.

It is amazing that the general let the movement in his behalf go so far. He may not have felt it incumbent upon him to make another public statement before he did. But he could have told those who communicated with him in this period that he was definitely not available.

As it was, these people manifestly got some form of encouragement.

It was not a pretty spectacle. It seems to me that the General would have been fully justified weeks ago to express his resentment at the continued use of his name.

It is a little ridiculous for him to take the attitude that these people were highly honoring him and to express his gratitude. They were simply using him to knife in the back his former commander-in-chief.

Mainly they were the greatest plunderbunders this country has experienced in my time and who are now frantic in the realization that their racket is coming to an end. No despots in any land have lived more regally than have these people for the past 15 years. It is difficult for a man of Eisenhower's stature to consider it an honor that they should turn to him to bail them out.

Secondarily in the Eisenhower movement, and giving it the impetus it enjoyed as the time for the Philadelphia conclave approached are the Southern bolters. They are incensed at Truman for his so-called civil rights program.

So we had the spectacle of these two diametrically opposed groups moving together in their common misery. It is difficult to see just why the General should be flattered at all.

The picture of this great debacle, the complete collapse of the so-called Democratic party would not be complete without pointing to the activities of the Roosevelt boys. They have turned against the man whom their father imposed upon the country as his running mate. No one is responsible for Truman's being President today except their father. And the ironic thing is that most of his trouble is due to the mess he inherited from that father.

Eisenhower's statement that he may find the occasion to speak on certain subjects later is interesting. Apparently he is determined to have some influence in the campaign. He has already had some.

His shadow hung over the Republican convention. It had a bearing on the Presidential and Vice-Presidential nominees. The Republicans deliberated in the light of what the General might do or say. The propaganda throughout the meeting, apparently authentic, was that if either Taft, Bricker or Joe Martin became the nominee he would feel it incumbent upon himself to "warn" the country. This unquestionably was a potent argument against these three men.

Now, seemingly it is the General's intention to shape the conduct of the campaign. Dewey has said the foreign policy of the Administration will certainly be an issue. The global thinkers and spenders had hoped this would not be the case. It is a thing that can't stand full discussion.

Presumably Eisenhower would like to keep the Republicans in check. Don't go too far now, or Daddy will spank. I wouldn't be surprised if it didn't work to the extent of soft-pedaling the foreign policy issue.

Republic of Haiti Bonds Called for Redemption

Banque Nationale de la Republique d'Haiti, as fiscal agent, is notifying holders of Republic of Haiti Internal Loan (5%) series A bonds and bond certificates, due July 15, 1957, that, through operation of the sinking fund, $327,270 principal amount of these bonds and bond certificates have been called by lot and will be redeemed at 100% on July 15, 1948. Payment of the bonds and bond certificates will be made at either the Office of the Fiscal Agent, Port-au-Prince, Haiti, or at the head office of its New York agent, The National City Bank of New York.

A. P. Waterman Now With Commercial Inv. Trust

A. Perry Waterman, for many years associated with A. G. Becker & Co., Inc., investment bankers, has joined Commercial Investment Trust Incorporated as Assistant Vice-President in the bank relations department. Commercial Investment Trust Incorporated is a subsidiary of C. I. T. Financial Corp.

Wages, Prices, Profits—What Formula Determines Prosperity?

By ALFRED C. NEAL*
Vice-President, Federal Reserve Bank of Boston

Pointing out inflation spiral is continuing, Dr. Neal finds percentage of wages in national income is same as prewar level, but profits are still below level in 1929 or 1940. Holds it vital to end inflation and to maintain prosperity, and urges: (1) increased production; (2) less spending out of current income; and (3) a budgetary surplus.

It is well at the outset of this discussion for us to make sure that we are all talking about the same thing. From the title assigned to us it is clear that it was intended for us to discuss the question of what formula determines prosperity in terms of wages, prices, profits, and whatever other economic variables need to be brought into the program. It is clear, also, from this title that many people are afraid that the present formula in which wages, prices and profits are chasing each other upward in the spiral may not be the one which results in lasting prosperity.

A. C. Neal

I hope I shall get the discussion off on the right foot by reviewing what has been happening in the recent past. We are in the middle of an inflationary process. In my opinion—and the opinions I express are my own and not necessarily those of the institution with which I am associated—we are not yet at the end of that inflationary process.

The inflationary process arises because people want to buy more goods than are available at existing prices and furthermore they have the money to back up their desire to buy. Our friend representing the NAM will, I am sure, point out that logically, therefore we must increase the production of the things that people are able and willing to buy in order to keep prices from rising higher. This would be altogether desirable. However, when we explore the origins of this inflationary process we find that the principal impetus to higher prices arose from an expansion in the supply of money and of money incomes which provide the wherewithal to bid up prices. The truth of the matter is, we are now and have been for the last three years paying the price for not raising taxes high enough and not saving enough during the war. We financed too large a part of the war on the basis of a credit expansion arising from the purchase of government securities by the commercial banking system with newly created money. I want to emphasize that the banks were doing their patriotic duty at the behest of the Government in creating this new money to pay for a part of the cost of waging the war.

During the war, prices were held down by government controls and by patriotism and self-restraint on the part of labor, business, and consumers. When the war ended controls were removed without sufficient appreciation of the fact that 140 million people had high incomes and a large backlog both of unfilled wants and of money savings which they had accumulated during the war. When controls were removed the pent-up demand, supported as it was by a high level of current income and a backlog of liquid savings, was turned loose in a market in which scarcity and shortage was the rule. Prices rose, real wages began to fall, wages were increased, and despite the rapid increase in wages, profits increased also. In short, the current inflationary process derives fundamentally from the way in which we financed the war and from the policies followed during the reconversion period. I hasten to add that had the government controls been maintained through the period since V-J Day, the fundamental causes of inflation would have remained uncorrected. It is at least possible that we would not have been any better off than we are now.

How Far Inflation?

How far has the inflationary process gone so far? Wholesale prices have risen by 111% from 1939 to April of 1948, or to more than double the prewar level. Consumer prices have risen during the same period by 70%. Average hourly earnings of industrial workers have risen from 63 cents to 129 cents, more than 100%. A large proportion of the increase in prices and wages has come since June of 1946 when for all practical purposes price controls were removed. 65 points of the 111 percentage point rise in wholesale prices occurred after June, 1946. 36 points of the 70 percentage point increase in consumer prices occurred after June, 1946. And almost 21 cents of the 66 cents increase in average hourly earnings occurred after mid-1946.

Some of you may wonder why I do not carry through with statistics showing what profits have done in this same period. I should like to, but in truth there is no measure of profits comparable to the measures of prices and wages which I have given. The price of a package of cigarettes or a bar of soap can be measured. The pay for a given hour of work of a given kind can also be measured. What is the measure of profits comparable to the measure of prices and wages? Frankly I have never discovered one. Presumably it is the pay for the things which the people who receive profits do. The proper measure is not the percentage increase in total profits before or after taxes, nor is it the percentage increase in the ratio of profits to sales, nor is it the percentage of return on investment, all of which have been variously cited as being comparable with prices and wages. I will say this much about profits and wages as a form of income rather than as a price. The percentage of wages in the national income is about the same as it was before the war, although below the wartime ratio. The percentage of profits in the national income is below that which prevailed in 1929, and only slightly higher than it was in 1937 and 1940. Profits were 8.6% of the national income last year.

Those are the basic considerations and facts upon which I think we might agree before undertaking this discussion. Now the problem before us is what ingredients in what proportions will make this cake called prosperity last so that we can eat it and still have it.

Question Is Vital

This discussion far transcends the question of who or what group is right or wrong. The question to which we have been addressing ourselves is vital not just to labor, not just ot the manufacturer, not just to the coupon clipper. It is vital to the preservation of the private enterprise system and beyond that to the preservation of that way of life which emphasizes individual freedom and the dignity of the human personality. If the American system of personal freedom, political liberty and private enterprise cannot outperform the other systems which have come very nearly to dominate the world, then we shall all be engulfed in some kind of planned totalitarianism. That is why maintaining prosperity is such an important problem.

I do not know whether all the members of this panel will agree on a program which will at least slow down and which may stop the unhealthy inflationary spiral which is now whirling us around. I think, however, that we should give serious consideration to the following principles:

(1) There can be no lasting benefit to the people of this country from a continuation of the

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*Statement by Dr. Neal before a forum at the Summer Institute of Social Progress, Wellesley, Mass., June 29, 1948.

Status of Fuel Oil Availability

By JOHN W. BOATWRIGHT*
General Manager, Distribution Economics Dept., Standard Oil Co. of Indiana

Pointing out race between expanding demand and oil industry's effort to increase supplies is still nip and tuck, Mr. Boatwright predicts petroleum supplies will be tight for next 10 months. Notes shift from coal to oil for energy, and urges stock-piling of coal for national security and relief of growing demand for oil.

Today I shall discuss briefly what is happening in the petroleum supplies field, then review problems apparent in the total energy requirements market, and then present a brief review of recent happenings in the fuel oil burner market. From these brief reviews, I shall attempt to draw such conclusions as appear most justified. The statistical detail will be held to the minimum necessary to the interpretation of the market.


John W. Boatwright

Let us consider first the petroleum supply situation. Are the supplies of petroleum products brought to the market thus far in 1948 equal to or greater than was anticipated? In what way has demand changed? Is it behaving about as was expected? Does the inter-relationship of supply and demand during the early part of 1948 indicate that thus far the oil industry has properly advised the American public, the burner industry, the diesel industry, the farmers, and all others of what might be expected?

The Bureau of Mines, on March 25, 1948, issued its forecast of probable total U. S. demand, domestic plus exports, for the year 1948. That agency expected the demand for the four major products—gasoline, kerosene, residual and distillate fuels—to increase by 7.2% during the first half of 1948. The Economics Advisory Committee to the Interstate Oil Compact Commission anticipated that the demand would be slightly higher for these products during this time period. That Committee estimated that demand would be 7.7% higher than during 1947.

Now let us see what has happened. Take the first three months' actual experience as published by the Bureau of Mines, the next two months estimated from data supplied by the American Petroleum Institute, and, for the month of June, my estimate, and we have a preliminary appraisal of demand behavior for the first half of 1948. The results were:

Product	Estim. Incr. Over 1st 6 Mos. of 1947
Gasoline	7.8%
Kerosene	10.4
Distillates	18.0
Residual	3.6
Avg. Four Products	8.7%

The demand for the four principal petroleum products will show an increase of approximately 8.7% over the first six months of 1947. This is either 1 or 1½ percentage points over the estimates above referred to.

1½ percentage points increase in demand over that which was anticipated sounds like a very close approximation. Actually, it is in an economy where the supply side of the market has excess capacity. In an economy, however, where the supply side of the market has exerted every possible effort, a difference of this magnitude becomes of real significance as it can well mean dislocations of supply, unless the petroleum industry has been able to achieve an expansion over the anticipated requirements.

Supply Side of Market

Turning now to the supply side of the market, including domestic production of crude oil, natural gasoline, benzol and imports, the Bureau of Mines estimated an increase of availability of 10.2% during the first half of 1948 compared with the first half of 1947. The Economics Advisory Committee to the Interstate Oil Compact Commission does not estimate supply, but it does give an estimate of the minimum supply necessary to meet anticipated demands. Its estimate was 10.3%. This close concurrence would apparently indicate that both estimating agencies felt that at least this growth would be needed. Both estimating agencies recognized that a greater expansion of supply than of demand was necessary to restore industry stocks from the low levels reached at the end of the year. Our carry-over stocks were low because inventories had been pulled down sharply in 1947 and some restoration had to be provided.

Again taking actual data for the first three months as published by the Bureau of Mines, estimates for the next two months based on American Petroleum Institute's reports, and my estimates for June, it would appear that the oil industry will achieve an expansion of supplies of 9.9% during the first six months of 1948. Notice that even this remarkable growth achievement is slightly below estimated minimum needs based on the estimated demand. Supplies of petroleum are running 0.4 of a percentage point behind the needs as estimated, and the demand is running approximately 1½ percentage points over that foreseen. However, the oil industry has achieved a greater growth (9.9%) than the expansion of demand (8.7%). Stocks of crude and products therefore have improved over last year but they have not as yet improved as much or at as great a rate as the need estimated by oil industry economists.

So far, I believe it fair to conclude that the oil industry has properly advised the public concerning petroleum supplies. The race between expanded demand and the oil industry's effort to provide increased supplies is still nip and tuck. The race is not won, but some gain has been achieved. There still appears every reason for:

(a) Continuing to advise the American consumer of petroleum to conserve;

(b) Continuing mightiest efforts on the part of the oil industry to bring greater and greater supplies to the market;

(c) Avoiding over-optimistic estimates about adequacy of petroleum supplies for all possible wants.

Actually, in spite of an amazing expansion of the petroleum industry in a period of steel shortage the supply-demand relationship must continue to show considerabel improvement before we can assure the satisfaction of all possible desires. As it is, petroleum supplies will probably continue to be tight during the next ten months at least.

Shift in Total Energy Requirements

Now let us look briefly at the problem of total energy requirements. Consider the shift in the sources of our energy requirements in the United States since 1918. In that year, coal supplied in excess of 80% of our total energy requirements. Today coal supplies approximately 45%. This reduction in the ratio of requirements supplied by coal means that oil and natural gas output has absorbed approximately 95% of the tremendous increased energy requirements of the nation.

This shift creates both social and economic problems. The economic problem arises from the termination of conditions wherein the oil industry sought a market for its fuel oils on a by-product basis. Today the home owner, the diesel operator, the industrial processor, and all others using fuel oil now compete with each other and with the gasoline consumer for an adequacy of supplies. The obvious answer is that the home owner, the diesel operator, and others using the previously classified by-product fuel must bid up the price paid for these fuels to where they equal the value to the refiner for production of gasoline. This is happening and, as we all know, during the past winter when supplies of fuel oils were tightest, some opportunists in the oil industry charged even more than this.

The shift of demand also creates a social problem of tremendous significance. The energy needs of this nation are being supplied increasingly from a source with more limited potentialities and by a fuel that fights wars and propels certain forms of transportation for which there is no readily available substitute. Coal at the present stage of scientific and economic development cannot propel the planes, the automotive and diesel transportation and the tractors. A tremendous, expanding market must be supplied by petroleum and there is no readily available substitute. This fact must be recognized.

I have taken data published by the Department of Commerce on coal production, petroleum, natural gasoline, and water power. Each of these has been estimated for 1948 and 1949. These estimates were then converted to British thermal units. On this basis, if the energy requirements of the country continue to reflect a close correlation with industrial conditions, as has been the case in the past, then there need be no apprehension concerning the nation's ability to meet its energy requirements. To do so, however, coal will have to take its share of the increased load of fuel required. It will also have to stand ready to absorb any abnormal impact on the total energy availability of the nation. What are some of these possible impacts? They are infinite. We shall consider but a few of them.

(a) The Haifa refinery was processing approximately 90,000 barrels of crude oil a day. It has been shut down since the Near Eastern conflict started. This diminishes supplies of petroleum products for Europe, which results in greater demand upon the Western Hemisphere, which means either that exports from the United States will be increased or that imports into this country will be diminished. The net effect, however, can very readily be an impact upon the American economy of almost 90,000 barrels of petroleum per day. The domestic petroleum industry cannot absorb

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*An address by Mr. Boatwright at a meeting of National Heating Wholesalers Association, Chicago, Ill., June 28, 1948.

Dealer-Broker Investment Recommendations and Literature

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

Canadian Preferred and Common Stocks considered eligible for investment by Canadian Life Insurance Companies—14th edition of comparative brochure — Cochran, Murray & Hay, Dominion Bank Building, Toronto 1, Ont., Canada.

Cigarette Manufacturing Industry—Study—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is a memorandum on **Niagara Hudson Power Corp.**, and a leaflet of **Market Opinion.**

Insurance Stocks: Basic Investment Characteristics — Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Mid Year Outlook — Discussion of business activity and economic events and their possible future development — Bache & Co., 36 Wall Street, New York 5, N. Y.

Natural Gas Pipe Lines — Analysis of status of industry — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

New York City Bank Stocks—Quarterly comparison of 19 stocks —Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Realty Bond Price Averages—Index of 200 issues—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Tax Exempt Income — Memorandum—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Television—Review and analysis — Hirsch & Co., 25 Broad Street, New York 4, N. Y.

* * *

Air Products, Inc. — Circular—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

American Machine & Foundry Company — Circular—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

American Woolen Company, Inc.—Circular—Emanuel, Deetjen & Co., 52 William Street, New York 5, N. Y.

Associated Transport, Inc. — Memorandum—Homer O'Connell & Co., Inc., 25 Broad Street, New York 4, N. Y.

Bird & Son, Inc.—Memorandum —New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Central Illinois Public Service Company — Memorandum—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

Also available are data on **Wisconsin Power and Light Company.**

Connecticut Railway & Lighting Co.—Circular—Bittner, Edelmann & Co., 80 Broad Street, New York 4, N. Y.

Continental Baking Company—Analysis and Outlook—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available are analyses of **Paramount Pictures, Inc., Rail Divisional Liens, Southwest Gas Producing Company, Inc.**

Delaware Rayon Company — Circular—Schaefer, Miller & Co., 15 Broad Street, New York 5, N.Y.

Du Mont Laboratories, Inc. — Investment appraisal — Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

El Paso Electric Co.—Memorandum—Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Texas.

Also available are circulars on **Ideal Cement Co., Southern Union Gas Co., Southwest Gas Producing Co.,** and **Time, Inc.**

500 Fifth Avenue Corp.—Circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.

Also available are data on **Graham-Paige Motors** and **Tennessee Products & Chemical Corp.**

Fox Metal Products Corporation — Memorandum — Frank C. Moore & Co., 42 Broadway, New York 4, N. Y.

Gary Railways, Inc. — Memorandum—Collett & Co., Fletcher Trust Building, Indianapolis, Ind.

Great Northern Railway — Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, New York.

Heyden Chemical Corp.—Circular—A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Illinois.

R. Hoe & Co., Inc.—Analysis—Adams & Co., 105 West Adams Street, Chicago 3, Ill.

Hydraulic Press Brick Co. — Circular—Dempsey-Tegeler & Co., St. Louis 1, Mo.

Jarnel Lumber Co. — Data — E. W. Hoy, 110 East 42nd Street, New York 17, N. Y.

Also available is information on City of **Point Pleasant, W. Va.** Flood Wall Revenue Bonds.

Kingsburg Cotton Oil Co.—Data —Leason & Co., 39 South La Salle Street, Chicago 3, Ill.

Lakeside Laboratories, Inc. — Detailed analysis for dealers only —Loewi & Co., 225 East Mason Street, Wilwaukee 2, Wis.

Also available is a circular on **International Cellucotton.**

Marine Midland Corp.—Analysis —Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Metal Forming Corporation — Current bulletin — First Colony Corporation, 52 Wall Street, New York 5, N. Y.

Michigan Chemical Corp.—Data —Prescott & Co., Guardian Bldg., Cleveland 14, Ohio.

Muter Co. — Memorandum — Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Old Ben Coal Corporation—Illustrated brochure giving 13-year analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Illinois.

Parker Appliance Company — circular — du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

Philip Morris & Co. Ltd., Inc.—Memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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Outlines Steps Toward Currency Stabilization and Multilateral Payments

High official of International Monetary Fund sees no stable international exchange until Western Europe is restored and its deficit in international payments eliminated. Lists major steps required to enable European exports to compete successfully in world market.

A high executive official of the International Monetary Fund, who does not wish his identity to be revealed, recently commented on the European payments problem and the present impasse in seeking to restore stable convertibility and transferability of the leading currencies of the world. Despite the efforts and work of the International Monetary Fund, he did not foresee any achievement toward international currency stability, until Europe takes measures to prevent a wave of new inflation.

"The European countries are obviously not in a position to have their currencies made freely transferable now," the official remarked. "The war has impaired the balance of payments of the major trading countries of Europe with the rest of the world. They have sold a great part of their foreign investments and they have incurred large debts as a consequence of the war. They have lost an important part of their prewar earnings from services of various kinds. The destruction and dislocation of war have made of Europe a deficiency economy dependent upon an import surplus from the Western Hemisphere. Furthermore, the sharp rise in prices since the end of the war has magnified considerably their balance of payment deficit. Europe has carried through since the end of the war largely as a result of aid from the United States and Canada, some use of the International Bank and Fund, and by very heavy drafts on monetary reserves. The international payments of the countries of Western Europe still show a large deficit and their reserve position is critical. This is the problem that must be met before a system of multilateral payments can be restored.

"Just to indicate the magnitude of the problems faced by Europe: In 1947 the countries of Western Europe had a deficit in their balance of payments aggregating $7½ billion. European payments with the world as a whole, other than the Western Hemisphere, were in balance. The dificit with the Western Hemisphere, therefore, measures the magnitude of both Europe's over-all payments problem and its dollar problem. Somehow, during the next four years the European economy must reduce its dependence on imports and increase its supplies of exports and services by an aggregate of $7½ billion; and this must be done in terms of dollar payments and receipts.

"One of the major purposes of the European Recovery Program is to give the countries of Europe an opportunitiy to complete the rebuilding of their economies and to make the adjustments necessary in their international payments. For Europe itself, this will require a tremendous change in its economy and its relations with the rest of the world. Europe will be more populated than before the war and will need more food and raw materials from the Western Hemisphere. To pay for such a flow of imports, the volume of exports from Europe may have to be about 50% greater than before the war; and the increase in exports will have to be proportionately greater than to other regions.

"This is obviously a difficult, but I believe, a not impossible task. It will require a great cooperative effort on the part of the European countries participating in the European Recovery Program. It will require extensive aid from the United States and other countries. It will require the good will and cooperation of the Western Hemisphere countries, and of other regions of the world. But it must be done. Unless Europe succeeds in restoring its balance of payments the world will continue to be plagued by unstable currencies, by restrictions on exchange transactions, and by discrimination in international trade and payments. Unless a new and manageable international balance is established, there is no hope for a workable system of multilateral payments. There is no use, as we say in French slang, *de beler la convertibilite*, to 'bleat' the convertibility, that is just to preach it without acting. To restore convertibility, one must first make convertibility possible.

"The primary responsibility for taking the measure necessary to restore their international payments rests with the European countries themselves. While they may reasonably expect external aid and the cooperation of other countries, it is they alone that can put into effect the national measures for expanding production and trade and for establishing financial stability that will enable them to compete in world markets, particularly in the markets of the Western Hemisphere. The countries of Europe must take four major steps: First, they must increase their production; second, they must use more of their production in export; third, they must emphasize exports to the Western Hemisphere; and fourth, I might well have said first, they must pursue currency and financial policies that will enable their exports to compete successfully in world markets.

Increased Production

"The basic problem is to increase production in Europe. Agricultural production in Western Europe in 1947 was far below not only the prewar level but even that of recent years. The bad harvests account for much of the deterioration of European payments during the past year. On the other hand, Europe's industrial recovery has made remarkable progress since the war. Industrial production was about 10% greater in 1947 than in 1946. It has now reached approximately the prewar level. Probably an even higher level of production could have been reached in 1947

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Illinois Brevities

Floyd D. Cerf Co., Inc., Chicago, and a nation-wide group of investment bankers, on June 16 made a public offering of $1,943,800 15-year 6% convertible sinking fund debentures due May 1, 1963 of Segal Lock & Hardware Co., Inc., being the unsubscribed balance of $2,000,000 principal amount offered for subscription to stockholders. The debentures were priced at par. The net proceeds will be used to repay $250,000 bank loans, to expend approximately $300,000 for expansion of the Sumter, S. C., plant of Segalock Fasteners, Inc. (a subsidiary), and the balance for general corporate purposes.

* * *

On June 16, an underwriting syndicate headed by Lehman Brothers, New York, and Straus & Blosser, Chicago, offered to the public 300,000 shares of Kerr-McGee Oil Industries, Inc. common stock (par $1) at $16.75 per share. Other Illinois bankers participating in this offering, were: Bacon, Whipple & Co.; William Blair & Co.; Brailsford & Co.; Central Republic Co. (Inc.); Dixon Bretscher Noonan Inc.; Farwell, Chapman & Co.; First Securities Co. of Chicago; Holley, Dayton & Gernon; Kebbon, McCormick & Co.; Link, Gorman & Co.; Mason, Moran & Co.; Mullaney, Wells & Co. and Sills, Minton & Co. Of the 300,000 shares offered, 200,000 were for the Kerr-McGee corporation's account and 100,000 for account of certain selling stockholders.

* * *

Deere & Co., Moline, reports sales for the six months ended April 30, 1948 of $140,060,707, an increase of approximately 60% over sales for the first half of the 1947 fiscal year. Income of $9,659,282 for the first six months of 1948 was 39% over that for the corresponding period last year.

* * *

A nation-wide group of underwriters headed by Blyth & Co., Inc., on June 30 publicly offered 1,000,000 shares of Pacific Gas & Electric Co. 5% redeemable first preferred stock (par $25) at $26.50 per share and accrued dividends. The following Illinois banking houses were among the participants: A. C. Allyn & Co., Inc.; Bacon, Whipple & Co.; A. G. Becker & Co., Inc.; William Blair & Co.; Central Republic Co. (Inc.); Julien Collins & Co.; Farwell, Chapman & Co.; Harris, Hall & Co. (Inc.); The Illinois Co.; Kebbon, McCormick & Co. and Mullaney, Wells & Co. The net proceeds will be used to retire $12,000,000 bank loans and to finance, in part, the Pacific Gas Company's construction program.

* * *

Paul V. Galvin, President of Motorola, Inc., reported that sales for the six months ended May 29, 1948 were nearly $26,000,000, compared with $21,000,000 in the comparable period in the previous fiscal year. Net profits, after taxes and reserves, amounted to $1,550,769, equal to $1.94 per common share, as against $1,379,774, or $1.72 per common share, for the six months ended May 29, 1947.

* * *

On July 1, Halsey, Stuart & Co. Inc. headed a banking syndicate which publicly offered $30,000,000 Louisville & Nashville RR. first and refunding mortgage 3¾% bonds, series H, due April 1, 2003, at 100% and accrued interest. Also participating in this financing were: Bacon, Whipple & Co.; A. G. Becker & Co. Inc.; William Blair & Co.; Julien Collins & Co.; Dempsey & Co.; The Illinois Co.; Mullaney, Wells & Co.; Patterson, Copeland & Kendall, Inc. and F. S. Yantis & Co., Inc.

Another group of underwriters headed by Halsey, Stuart & Co. Inc., on June 24 offered to the public $28,000,000 of Southern Natural Gas Co. first mortgage pipe line sinking fund bonds, 3% series due 1968, at 100.75% and interest. Of the proceeds, $14,000,000 will be used to repay a like amount of 1¾% notes due 1949, and the remainder toward cost of construction of additions to the company's properties.

On June 25, Halsey, Stuart & Co. headed a group of investment banking firms which publicly offered $7,000,000 Gulf, Mobile & Ohio RR. Co. collateral trust 3¾% bonds due 1968 at 101 and interest. Included among this group were Dempsey & Co. and F. S. Yantis & Co., Inc.

Halsey, Stuart & Co. Inc., also on June 24 publicly offered $3,500,000 Sierra Pacific Power Co. first mortgage bonds, 3⅛% series due 1978, the net proceeds of which will be applied toward financing construction costs of the utility company, including payment of $1,000,000 of note issued to The National Shawmut Bank of Boston to obtain funds for such purpose, and for other corporate purposes.

* * *

Included among the investment bankers publicly offering on June 30 an issue of $90,000,000 New York Telephone Co. refunding mortgage 3% bonds, series F, due July 1, 1981, at 101⅛ and interest, were A. C. Allyn & Co., Inc., Glore, Forgan & Co., Harris, Hall & Co. (Inc.), The Illinois Co. and Kebbon, McCormick & Co.

* * *

Jewel Tea Co. Inc., sales in the four weeks ended June 19, 1948 amounted to $11,706,615, against $9,662,432 in the corresponding weeks of last year, a gain of 21.2%. In the first 24 weeks of the current fiscal year, sales increased 23.0% to $68,381,993, as compared to $55,587,819 in the same period last year.

* * *

An underwriting group, which included, among others, Central Republic Co. (Inc.), Kebbon, McCormick & Co., William Blair & Co. and Carter H. Harrison & Co., on July 1, publicly offered 55,606 shares of General Telephone Corp. common stock (par $20) at $25.12½ per share. These shares represent the unsubscribed portion of a new issue of 208,260 shares which initially were offered to holders of the common and 4.40% preferred stocks. Warrants for a total of 152,654 additional common shares were exercised during the subscription period which closed on June 29.

* * *

Included among those underwriting the offering to the public on June 23 of 100,000 shares of Beneficial Industrial Loan Corp. cumulative preferred stock, $4 dividend series of 1948 (without par value) at $100 per share were: A. G. Becker & Co., Inc.; Central Republic Co. (Inc.); Julien Collins & Co.; Ames, Emerich & Co., Inc. and Rogers & Tracy, Inc. The net proceeds will be placed in Beneficial's general funds.

* * *

The directors of National Lock Co., Rockford, Ill., a subsidiary of Keystone Steel & Wire Co., on July 2 declared a regular quarterly dividend of 25 cents per share on the capital stock, payable July 15 to holders of record July 8. This compares with 20 cents per share previously paid each quarter.

* * *

Among the group of Chicago investment bankers which on June 17 publicly offered 80,000 shares of Kansas City Power & Light Co. 4% cumulative preferred stock (par $100); at $101.25 per share and dividends, were: A. G. Becker & Co., Inc.; The Illinois Co., Martin, Burns & Corbett, Inc., Mason, Moran & Co., Mullaney, Wells & Co. and F. S. Yantis & Co., Inc.

* * *

During the fiscal year ended April 30, 1948 the Zenith Radio Corp., Chicago, transacted a record volume of peacetime business amounting to $79,406,133. This was an increase of 38% over the preceding fiscal year. Net profit amounted to $3,484,515 after all charges and Federal and Canadian income taxes. Current assets at April 30, 1948 amounted to $19,946,638, as against liabilities of $12,278,027.

* * *

In addition, A. C. Allyn & Co., Inc. and Central Republic Co. (Inc.) on June 30 participated together with a nation-wide group of investment banking firms, in the public offering of 600,000 shares of capital stock (par $1) of The Permanente Metals Corp. at $15 per share, the net proceeds to be used to augment working capital.

* * *

An underwriting syndicate headed by Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane, jointly, and including, among others, Central Republic Co. (Inc.), Kebbon, McCormick & Co., and The Illinois Co. on June 15 publicly offered 150,000 shares of Montana-Dakota Utilities Co. common stock, (par $5) at $12.50 per share, the net proceeds to be applied toward payment of the cost of additions to the electric and gas utility properties of the company.

D. M. S. Hegarly V.-P. Of E. H. Rollins & Sons

D. M. S. Hegarty has been elected a Vice-President of E. H. Rollins & Sons Inc., where he will devote his efforts to corporate buying and underwriting activities. Mr. Hegarty was a member of the Rollins organization in a similar capacity prior to his joining the Navy in 1942 in which he served during the war period as a Commander. Since January of 1947 he has been associated with Commercial Investment Trust, Incorporated, as a Vice-President.

D. M. S. Hegarty

COMING EVENTS

In Investment Field

July 9, 1948 (Cleveland, Ohio)
Cleveland Security Traders Association summer outing.

July 9, 1948 (Louisville, Ky.)
Bond Club of Louisville Annual Party at Sleepy Hollow Club.

July 9, 1948 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Annual Summer Outing at the Tavistock Country Club, Haddonfield, N. J.

July 9, 1948 (Philadelphia, Pa.)
Golf Tournament for STANY Cup at Philadelphia.

July 13, 1948 (Detroit, Mich.)
Security Traders Association of Detroit and Michigan Annual Summer Party at Lochmoore Country Club, Grosse Point, Mich.

July 16, 1948 (New York City)
New York Curb Exchange Employees Quarter Century Club-Exchange dinner at Freeport, L. I.

July 16, 1948 (Toledo, Ohio)
Bond Club of Toledo annual outing at the Inverness Country Club.

July 19-22, 1948 (Portland, Oreg.)
Annual Convention of National Association of Securities Administrators at the Multnomah Hotel.

Aug. 27, 1948 (Denver, Colo.)
Bond Club of Denver-Rocky Mt. Group of IBA joint Annual Party at Park Hill Country Club.

Sept. 10, 1948 (New York City)
Security Traders Association of New York Summer Outing at Travers Island.

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

Dec. 5-10, 1948 (Hollywood, Fla.)
Investment Bankers Association 1948 convention at the Hollywood Beach Hotel.

FRB Reviews and Forecasts Trends in Business and Finance

In its June "Bulletin," Board says 1948 profits are likely to be larger than 1947 and cash assets of public are ample, despite increased spending. Foresees larger outlays for plant and equipment.

The June issue of the "Federal Reserve Bulletin," published by the Board of Governors of the Federal Reserve System, contains an analysis and forecast of developments in business and finance. According to the article:

"The business enterprises of the country have now been operating for almost two years at practically full capacity and under conditions of rising prices. Over-all business expenditures have been in record volume. In part this has reflected the large operating requirements for inventories, customer financing, and the day-to-day expenses that are necessitated by an exceptionally large volume of sales. In part it has resulted from business investment programs undertaken at rising costs to provide increased facilities — plant and equipment — to meet large post-war demands.

"Business expenditures of the past two years have been financed in part by the large volume of available internal funds, and in part by substantial acquisition of funds from external sources. Funds obtained from internal sources averaged more than $15 billion a year in 1946 and 1947, or almost three-fifths of total corporate uses of funds. The internal funds were derived primarily from undistributed profits but also from the use of liquid assets —cash and United States Government securities — accumulated during the war.

"The large volume of undistributed profits has reflected chiefly the unprecedented volume of sales, but it has also been due to some extent to the reduction in taxes from high wartime rates. Prices have risen substantially, the dollar volume of business has been higher than ever before, and business profits, the residual element of the business sales dollar, have also risen sharply.

"Funds from external sources have been in large volume over the past two years and their cost has been exceptionally low. The total used by business concerns undoubtedly exceeded that of any previous two-year period. Over this period there has been increasing reliance on the security markets as a source of financing, although direct loans to businesses by banks and insurance companies expanded more, both in dollar amounts and percentage-wise, than in any other two-year period on record.

"The financial position of business corporations as a group today is still strong. This is true despite the use since the end of the war of a large volume of liquid assets for tax payments as well as for financing inventories, accounts receivable, plant, and equipment, and despite a large volume of debt financing. Business holdings of liquid assets in relation to sales are still somewhat above the prewar levels, and in relation to current liabilities they are substantially above such levels. The building up of the shareholders' equity through the large volume of undistributed profits, together with numerous stock issues, has resulted in an equity-to-debt ratio for business corporations in the aggregate that is slightly above that of 1939.

Uses of Funds

"The record rate of business operations that has prevailed since the latter part of 1946 has been the principal factor giving rise to the large volume of business expenditures. (Table I). Operations at approximately full capacity and at a high and rising price level necessitated a large volume of working capital. Business investment in plant and equipment to modernize operations and to expand capacity for probable future requirements has also been affected by the exceptional volume of postwar demand and by the high cost of such investment.

"Aggregate corporate sales in 1947 probably exceeded $300 billion, approximately a fourth larger than those in 1946 or 1944, the previous peak peacetime and wartime years. Sales last year in all broad industrial groups were the largest on record. The largest increases over 1946 occurred in industries manufacturing durable goods. Thus far in 1948 total business sales have continued high, although they are down seasonally from the level prevailing in the latter part of 1947.

"**Inventory accumulation:** Inventory accumulation is a business use of funds directly affected by the volume of sales. The percentage increase in such accumulation

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Table I
ESTIMATED PRINCIPAL USES AND SOURCES OF CORPORATE FUNDS*

Item	In Billions of Dollars 1947	1946	As Percentage of Total 1947	1946
Uses—				
Plant and equipment expenditures	14.7	11.6	56	43
Inventory accumulation	6.7	7.5	25	28
Increase in customer financing	5.1	5.4	19	20
Federal income tax payments in excess of allowances	0.0	2.5	0	9
Total	26.5	27.0	100	100
Sources—				
Internal, total	14.9	16.8	56	62
†Funds retained from operations	14.4	10.4	54	38
Reduction in liquid assets	0.5	6.4	2	24
External, total	11.1	9.0	42	33
Bank loans	3.0	3.3	11	12
Security issues and mortgages	4.8	2.7	18	10
Trade credit	1.0	3.0	4	11
Federal Govt. for income taxes due	2.3	0.0	9	0
Other net sources and statistical discrepancy	0.5	1.2	2	5
Total	26.5	27.0	100	100

*Excludes banks and insurance companies. Also, in contrast to certain figures quoted in later sections of the articles, excludes unincorporated enterprises. †Profits, after income taxes and cash dividends, plus depreciation allowances.

Source—Department of Commerce.

World Trade and World Stability

By HERBERT V. PROCHNOW*

Vice-President, The First National Bank of Chicago

Contending each succeeding generation will witness greater international trade despite economic uncertainties, Mr. Prochnow, after reviewing dependence of various nations on commerce, including U. S., asserts our dollars borrowed abroad must eventually be expended in American markets. Holds we waste our resources in exports unless we are willing to take raw materials and finished goods in return. Attacks economic illiteracy.

There is reasonably wide agreement that world trade is essential to world stability. One of the fundamental requirements of world stability is that men should be able to exchange the products of their skills, their energies, and their resources. A sensible utilization of the skills, energies and imaginations of men, efficiently combined with the resources of the earth, is accepted as sound philosophy within a nation. But men sometimes find it difficult to apply this sound philosophy across national boundaries.


H. V. Prochnow

There is a profound need to broaden our vision on these matters, for in an atomic age with Constellation airplanes, television, and fast global communication, it is inevitable that world trade will become increasingly important.

Times have changed and the world has grown smaller than it was in those days when Daniel Webster stood on the floor of Congress discussing railroads and said it was ridiculous to think that man could breathe travelling 15 miles an hour.

If there is any economic certainty in an uncertain world, it is the certainty that each succeeding generation will witness greater international trade.

It is difficult for us fully to comprehend the significance and importance of world trade because of the tremendous output of our industrial machine and the abundance of food, minerals, and natural resources within our boundaries. People living in other regions of the world, however, require no reorientation, no new perspective to understand the importance of trade between nations, for their general welfare, as well as the food necessary to sustain life daily, is dependent upon the continued flow of commodities between them and other peoples. There is an almost irresistible temptation on an occasion of this kind to indulge simply in the easy retailing of platitudes regarding international trade, but in order that this discussion may not be mired in generalities, may we proceed directly to a practical consideration of international trade as it relates to various nations.

Britain and International Trade

Great Britain, the greatest trading nation in the world, is a classic example of a nation whose existence is dependent upon world trade, for about 50 million people, better than one-third the population of the United States, live within an area of 68 thousand square miles, an area about twice the size of the State of Indiana (36 thousand square miles). With coal and iron ore the principal natural resources, this highly industrialized nation has been obliged to import great quantities of foodstuffs to feed her millions of people and also tons of raw materials for her processing industries, much of the output of which is subsequently exported. In the average prewar years, for example, Great Britain was the largest importer of food in the world, importing about two-thirds of her foodstuff requirements. During the war, diets became less varied, and acreage in Great Britain was increased, resulting in increased output which reduced import requirements, but large quantities are still required from abroad.

In 1938, Great Britain was the largest single importer in the world of food, raw materials and articles semi and fully manufactured combined. Thereby, she was the best customer for some 31 countries of the world, the prosperity of many of whom depended upon one circumstance — their power to find in Great Britain a ready market for their exports. Thus the 2% of the population of the world residing in Great Britain accounted for about 20% of the trade of the world, a per capita figure of $80, compared with a $15 per capita figure in the United States.

The Netherlands and Belgium are very similar to Great Britain, for each country has a high density of population engaged in industry and trading. The Netherlands, however, differs in one important respect in that the dairy output is sufficient to supply domestic needs and also to permit substantial exports. As a matter of fact, during prewar years dairy products accounted for about 20% of her total exports.

Like Great Britain, Belgium is obliged to import food to sustain her population, while both the Netherlands and Belgium import large quantities of raw and semi-processed materials for complete and final processing and reexport.

Thus, Belgium, in an average prewar year, imported 1,285 thousand (metric) tons of bread grains, or about 60% of her total

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*An address by Mr. Prochnow before the Export Managers Club, Chicago, Ill., June 16, 1948.

With Daniel F. Rice Co.

PALM BEACH, FLA.—Robert A. Cannon is with Daniel F. Rice & Co., 246 South County Road.

Mutual Funds

By HENRY HUNT

"If I Were a Retail Salesman"

The second article in this series was written by one of the youngest and best liked executives in the business, Robert E. Clark, Vice-President of Calvin Bullock, sponsors of Dividend Shares, Nation-Wide Securities, Canadian Fund, Ltd., The Bullock Fund, and Aeronautical Securities, Inc. With combined assets of approximately $100 million.

Where Will the "Dow" Go From Here?

In a statistical discussion of where the "Dow" **has** sold in relation to earnings and dividends, Edward E. Hale of **Vance, Sanders** concludes as follows:

On a Price-Earnings Basis

"A return to a price earnings ratio comparable to the **1929 peak** would result in a price rise of **almost 100%**.

"A return to a price-earning ratio comparable to the **1937 peak** would result in a price rise of **over 75%**.

"A return to a price-earnings ratio comparable to the **high of 1946** would result in a price rise of **over 60%**.

On a Price-Dividend Basis

"Stock prices would have to increase **over 60%** to equal the price-dividend ratio reached in **1929**.

"Stock prices would have to increase **about 20%** to equal the price-dividend ratio reached in **1937**.

"Stock prices would have to increase **over 50%** to equal the price-dividend ratio reached in **1946**."

Bank Loans of Affiliated Now $17,000,000

As of June 28, **Lord, Abbett's Affiliated Fund** increased its bank loans from $15 million to $17 million.

"The additional borrowing," it was stated, "was arranged so that the company might maintain its effective leverage at amounts deemed appropriate by the management at this level of the market with the outlook for business favorable.

"After the new borrowing, total assets of the Company, at present market prices, are approximately $73 million, of which $17 million constitutes borrowings and the remainder, $56 million, the equity."

Concentration

Fidelity Fund's new booklet called "Modern Investment Management" is laid out to catch the investor's eye, and says in part:

"Anyone who has ever had the responsibility of managing investment accounts knows the difficulty of keeping a number of different lists of securities constantly in mind. It is not the dollar size of each list, but the number and diversity of items that make it so difficult. Thus a single account of some millions of dollars, like **Fidelity Fund,** may be more easily kept in mind, managed and serviced properly than 10 separate accounts which might total a much smaller amount.

"The **Fidelity Fund** shareholder benefits by this concentration of the funds of many investors in one relatively simple form of trust, where sound supervision and direction can be expertly combined to secure satisfactory investment results."

'48 Dividends Up 36%?

Edwin P. Rubin, President of **Selected Investments Company of Chicago,** recently wrote as follows:

"It is interesting to observe that dividends last year were an abnormally low percentage of earnings. The following table gives the essential facts with respect to the Dow-Jones Industrials:

Year	Earned	Paid	% Paid	5 Yr. Period % Paid
1929	19.94	12.75	64	--
1930	11.02	11.13	101	--
1931	4.09	8.40	205	--
1932	.51 (d)	4.62	--	--
1933	2.11	3.40	161	--
1934	3.91	3.66	94	--
1935	6.34	4.55	72	--
1936	10.07	7.05	70	--
1937	11.49	8.78	76	81
1938	6.01	4.98	83	77
1939	9.11	6.11	68	73
1940	10.92	7.06	65	71
1941	11.64	7.59	65	70
1942	9.22	6.40	69	69
1943	9.74	6.30	65	66
1944	10.07	6.57	65	66
1945	10.56	6.69	63	66
1946	13.63	7.50	55	63
1947	18.86	9.21	49	58

(d) Deficit.

"It is, of course, difficult to say what a normal ratio of payments in relation to earnings might be. It is obvious that the current low ratio of payments is the result of increased capital needs at a time when it was not easy to finance. This condition may continue. It is also possible that the ratio of payments to earnings will not increase until the trend of earnings has turned downward.

"However, if one examines the table closely, he observes that in the five years from 1941 to 1945 inclusive (the war years) the Dow-Jones Industrials paid out, on average, about 66% of earnings. That was a period in which corporate managers were very conservative because they did not know what their postwar problems would be. We may, therefore, assume, with some justification, that managers of these corporations would normally consider the payment of two-thirds of earnings as conservative.

"If earnings were to stabilize at last year's level for this year and next, the present market level of approximately 190 for the Dow-Jones Industrials would be almost exactly 10 times earnings, which, historically, is abnormally low.

"If, with such stability of earnings the dividend rate were to creep back to a conservative 'normal' of 66⅔%, dividend payments would then reach about $12.57 per index share, compared with $9.21 last year. This would be a 36% improvement over last year's payments. It would also represent a yield of 6.6% on a price level of 190."

New Wiesenberger Manual Available

Arthur Wiesenberger's 1948 edition of "Investment Companies," a "must" for every mutual fund dealer who takes his responsibilities seriously, is now available at $15 a copy.

"The new 328-page volume has again been considerably expanded both in subject matter and in the number of individual companies reviewed," said Arthur Wiesenberger, its author. "This is the only book in the entire security field that details not only the wide variety of securities available, but also details the many possible advantageous uses to which they may be put. And we have made every effort to write all of it in such a simple and clear way that it can be understood by people who are totally unfamiliar with the subject, and at the same time be most valuable to those who know a great deal about investing."

The Investment Outlook

Hugh W. Long in his semi-annual report to the shareholders of "New York Stocks, Inc." writes in part as follows:

"In some important respects there has been improvement in the investment outlook since the end of your company's fiscal year on Nov. 30, 1947. Retail sales remain high; industry is continuing large expenditures to increase both capacity and operating efficiency. Contracts for new buildings have been averaging about 30% more than during the early months of 1947. The steel industry is operating at capacity but is still unable to supply its markets. Although the demand for automobiles as a whole continues to exceed supply, the auto companies are bringing out new models which further stimulate the desire to buy new cars. The petroleum industry is unable to meet fully the demand for its products and has launched an aggressive long-term expansion program. There are many other important industries for which the outlook is equally favorable. As a group, these industries have generally dominated the trend of business.

"Enactment of the European Recovery Program and increased appropriations for armaments have strengthened convictions that the country's economy will continue to operate at a high level for an extended period ahead. Recent tax reductions not only leave more of most people's income for saving and investment but also permit them to retain more of each dollar of investment income.

"Your management and the staff of Manhattan Research Associates, investment adviser to the company, are constantly studying both the unfavorable and the favorable factors which affect investments. At this time we believe that carefully selected securities are available at prices which offer attractive opportunities for the investment of money."

If I Were a Retail Salesman

(Second of a Series)

By **ROBERT E. CLARK**

Vice-President, Calvin Bullock

Let us suppose that you were suddenly made a trustee for an organization or estate and were charged with the responsibility for investing several million dollars. Without doubt you would promptly seek professional advice and retain a competent investment organization to help you keep watching the securities which were selected. The securities would, of course, be broadly diversified.

Such a course is traditonal with wealthy individual or institutional investors. Because it is time-tested, and sound.

Now, let us suppose you have some money of your own to invest. Are you as careful and conscientious?

Do you follow the same sensible investment formula?

You can do it—and it has been done by almost one million investors—whether you have a few hundred or many thousands of dollars to invest. It can be done economically, conveniently and soundly through the purchase of investment company shares.

Through ownership of these shares, investors, large and small, share proportionately in a broadly diversified investment portfolio, carefully selected by experts, and have equally at their disposal and services of professional management.

Moreover, the investment companies from which you can choose emphasize certain specific objectives and are managed accordingly. Therefore, if your need is for high income, you can select from companies giving priority to this feature. Other investment companies place greater emphasis upon capital gains; still others upon investment stability through a broad portfolio, including bonds and preferred stocks as well as equities.

Their records are public information. Their managements can be readily evaluated. Some are supervised by firms which have been serving investors for over 50 years.

Never before has it been so difficult to forecast the future of different industries and corporations. Seldom in recent history has the market performance of different stocks varied so widely. These are facts which expose to high risk the investors who buy but one or two stocks in the hope of high income or profit.

An investment company is designed to help investors solve these problems. As a cooperative venture in which many different investors participate it offers peace of mind and opportunity for adequate investment reward.

Why not follow the sound policy which you would adopt if you were charged with the responsibility of investing funds for others? Your own money deserves equal protection.

That is why we recommend that you consider investment companies as the logical and sound way to make your capital productive in these eventful years.

Canadian Securities

By WILLIAM J. McKAY

A Canadian financial problem that probably ranks next in importance to the correction of the Dominion's imbalance of trade with this country, is Canada's indirect U. S. debt in the shape of Dominion of Canada internal obligations in the hands of U. S. holders. In view of the recent announcement by Finance Minister Abbott that the Dominion's gold and U. S. dollar reserves have increased in the last six months from the December low level of $461 millions to $742 millions, it would appear that Canada's exchange crisis has now been successfully negotiated. Consequently it is logical to suppose that the thorny subject of the Canadian Government internal bonds held by non-residents should now receive more particular attention in Canadian official quarters.

Although the interest on these securities is payable on the basis of the official rate which is tantamount to payment in U. S. dollars at par, the principal on the bonds is convertible at maturity or at redemption date at ***the unofficial rate of exchange.** In view of the narrowness of the Canadian "free" dollar market in this country a considerable strain is placed on its resources whenever sales are effected of the proceeds of matured and called internal bonds. In turn the weakness of the free Canadian dollar on such occasions tends to give rise to doubts concerning the standing of the official dollar. This has been a frequent cause of embarrassment to the Canadian administration as the recurrent weakness of the "free" dollar has been of considerable propaganda value to the minority interests in Canada who have persistently criticized the revaluation of the dollar to its present parity.

To all intents and purposes the level of the "free" Canadian dollar has become the principal determinant of the value of the Dominion of Canada obligations in the hands of non-residents. The situation is further complicated by the fact that these securities fall into two categories. The bonds that were registered with the Foreign Exchange Control Board while this privilege existed can be liquidated on the Canadian market and the proceeds are disposable at the "free" rate. On the other hand the unrecorded bonds for all practical purposes are only eligible for sale at the prevailing market for the bonds in this country. Through the operation of switches between recorded and unrecorded bonds the value of the latter category of securities in the final analysis is likewise determined by the level of the "free" dollar.

In this way the standing in this country of the direct obligations of the Dominion of Canada is subject to the undesirable influence of the narrow unofficial Canadian dollar market. While this situation exists, the Dominion can not fully take advantage of its otherwise unblemished financial record. Therefore there is little doubt that as soon as it is practicably possible the Canadian authorities will take steps to remove the restrictions that now prevent the completely free movements of capital between this country and Canada.

During the week both the external and internal sections of the bond market were dull and inactive with little change in the price-level. Stocks were steady and the undertone was firmer as a result of better sentiment concerning the continuance of the current high level of business activity, particularly in the pulp and paper, machinery, agricultural equipment, and retail food sections. Western Oils provided the principal feature of the market following the report of the discovery by Imperial Oil of a new oil pool about 30 miles southeast of the Leduc field.

*In last week's column owing to a typographical error, it inadvertently appeared that the principal as well as the interest was payable on the basis of U. S. dollars at par.

Ronald Ledwell Joins Hancock, Blackstock

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA. — Ronald E. Ledwell has become associated with Hancock, Blackstock & Co., Chandler Building. He was formerly with Wyatt, Neal & Waggoner.

Ronald E. Ledwell

D. W. Woodruff With H. V. Sattley & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Donald M. Woodruff has become associated with H. V. Sattley & Co., Inc., Hammond Building. Mr. Woodruff in the past headed his own investment firm, D. M. Woodruff & Co., in Detroit.

Deveureux Josephs Dir. Of J. P. Morgan & Co., Inc.

At a regular meeting held today, the board of directors of J. P. Morgan & Co. Incorporated, 23 Wall Street, New York City, elected Devereaux C. Josephs to the board.

Mr. Josephs is the President of the New York Life Insurance Co.

Financial Problems of Railroads

By WILLIAM T. FARICY*
President, Association of American Railroads

Mr. Faricy, in pointing out three fold responsibility of railroads—to public, to employees and to investors—contends railroad managers cannot regard themselves as successful until their companies are in comfortable financial position. Cites rising operating costs, which in spite of greater use of improved equipment have been increasing faster than changes in railroad rates. Calls for larger margin of gross revenues for investors.

Railroad Management—of which the group I am addressing today is an important segment—carries a continuing responsibility for the physical condition, the efficient operation, and the financial welfare of the properties entrusted to it for operation. That responsibility lies in three directions: to the general public, whose patronage creates the need of railroad investment and the opportunity for railroad jobs; to the employees who man the railroads, and last but not least to the investors in railroads, including both the stockholders and the bond holders.

William T. Faricy

Looking at the matter in this broad way, we have three partners in this railroad enterprise: the 145 000,000 citizens of this country, whose economic welfare and national security are so greatly dependent upon an effective system of rail transport, the million and a third railway men and women who operate the plant, and the investors whose dollars provide railroad facilities and service. These are triple interests, each important in its own field. I want to consider with you these three aspects of the railroad managerial function.

Railroads do not comprise simply "another business" among the large and fundamental industries of the United States. They are much more than that. The railroads not only embody one of the nation's great industries, but, what is more important, they constitute one of the most essential elements of the national economy, vital to peacetime progress and stability and indispensable in time of war.

Railroad Performance

As almost everyone knows by now, the railroads handled the war load without congestion and delays, producing twice as much transportation per day as in the first World War. The railroad performance record, both in war and in peace, is an impressive one, and it is part of our job, yours and mine, to keep it that way. In the second World War, the railroads were called upon to perform just about twice as much service as in the first World War. This they did with one-fourth fewer freight and passenger cars, one-fourth fewer men, and one-third fewer locomotives. Since the war, there has been no let-down in railroad performance, even though the carriers have had to adjust their operations to the needs of a record peacetime demand for service. But this may not be enough for the next war, if we are so unfortunate as to have one; past achievements must and will be surpassed.

Railroad performance during the war was so impressive that it brought many persons to a recognition of what they had never thought of previously—the basic character of railroad service, and the importance to the public of maintaining that service in full vigor. Earlier this month this subject was considered by one of the most important committees of Congress, the House Committee on Interstate and Foreign Commerce, as a part of its national transportation inquiry. Busy as was Congress in the session just closed, that committee nevertheless devoted most of the first two weeks in June to hearings designed to develop the facts as to the readiness and ability of the nation's various forms of transportation to meet any defense traffic load. That speaks well for the foresight of the committee. In the course of those hearings, the principal emphasis was on the railroads, their past and present performance, and their requirements. Three representatives of the Association of American Railroads outlined the railroad situation to the committee, and were accorded the kind of hearing by the committee members that we had hoped for, one in which we were asked many questions, one that gave us an opportunity to cover the things in which the committee members really were interested.

One important task you and I have before us, as I see it, is to keep the public and its legislative and regulatory representatives informed of railroad problems, needs, and accomplishments, stressing at all times the vital nature of the service rendered by the railroads. Only an informed public can act intelligently in such matters as legislation, regulation, rates, and wage adjustments. Our first partner, the public, will act favorably in direct proportion as public opinion is kept informed of the facts about our industry.

The million and a third railway employees, who are our second partner, have fared well in this great enterprise. They work hard but not onerously; they are well treated as the good Americans that they are should be, and notwithstanding all the increases in the cost of living, railway employees, taken as a whole, are better off in terms of real dollars, that is, dollars of 1939 purchasing power, than they were in that year. In terms of the purchasing power of the prewar dollar weekly earnings of railway employees today are about 10% greater than they were in 1939. Their retirement system is unparalleled anywhere in the world, and Congress, with the concurrence of railroad management and the approval of the President, recently voted railway employees a merited 20% increase in pensions.

Responsibilities to Investors

One of our greatest responsibilities is to the railroad investor, the third partner in our enterprise It is he who is the first man in the process of making the wheels

(Continued on page 40)

*An address by Mr. Faricy at the Accounting Division of the Association of American Railroads, Cleveland, O., June 29, 1948.

Securities Salesman's Corner

By JOHN DUTTON

There is one thing that will waste more of anyone's time and effort than anything else—that is the inability to organize work. I know a man who keeps a loose-leaf notebook on every important piece of work in which he is engaged—sometimes his pockets are crammed full of them—and as he finishes a task he tears out each reminder and goes on to the next.

It is also good policy to spend the last 15 to 30 minutes of each business day reviewing what has been done and writing out plans for the morrow. Any salesman who systematically cultivates a group of prospects and continually maps out his plans for calls, appointments, telephone follow ups and letter writing, cannot fail to put in a good productive day's work. Another advantage of planned activity is that it leads to good solid work habits. Work that is planned is pleasant because it has defined objectives. There is absolutely no better method of building up a productive clientele than to see a certain number of new prospects and old customers every day. This is true because the thoughts and ideas that you will get from people when you are talking with them about securities WILL GENERATE POSSIBILITIES FOR DOING BUSINESS.

For example, one customer will ask you about a certain stock or a bond that he purchased from someone else a few years ago you just possibly may know something in the way of a new development (favorable or unfavorable) regarding either that particular security, or the industry in which it lies, and there you go—if you can seize your opportunity. Or he may ask you for a quotation, and you pick up his 'phone and obtain it for him. He says "Thanks very much, maybe sometime next week I'll call you and have you sell that bond, I may need some money." But you have always been accommodating and pleasant toward this customer even though you have never done much business with him. Then the thought strikes you and you says, "You know, I wish you had a little extra money right now, instead of needing some, because we have a special situation in a most attractive common stock that I wish you could buy. Quite frankly we think it is an excellent purchase at this time." So your friendly bond seller thinks a minute and says, "There is a fellow I know who has been buying quite a few securities lately and I think he might be interested." So you arrange to have your friend call him and tell him that you are going to give him a 'phone call tomorrow morning, which he willingly does. Much to your surprise you come to your office the next morning and you get a 'phone call from the new prospect—he tells you that his friend thinks so highly of you that he would like to hear about what you have to offer. You tell him and he gives you a nice order. (This isn't the sort of thing that only happens in the movies; it actually happened last week to someone with whom we are acquainted.)

These are everyday examples of how planned work leads to business. Consistent day to day planning to see the right people, knowing your securities and your job, and following through with service and a pleasant and optimistic outlook on life and people in general, will bring you business in ever increasing volume. I remember a salesman who sold one of the most difficult propositions of which I know—memberships in a Chamber of Commerce. Every night he would take out his prospect cards and set aside those which he had interviewed that day. He discarded those which were unpromising. He designated those who were to receive follow up letters. He set aside several for which he had offered to obtain certain favors, through his organization, and he arranged the calls for TOMORROW. During the depression this man made about $250 a week. When times improved he doubled that income. He used to tell me that his success was glandular—but it was more than that—HE PLANNED HIS WORK AND HE DID IT.

Stewart J. Lee Offers Texas Union Oil Stock

Stewart J. Lee & Co., New York, on June 30 publicly offered 800,000 shares of common stock (par 10 cents) of Texas Union Oil Corp. (Del.) at 37½ cents per share.

The net proceeds will be used to pay for organizational expenses, for equipment, for cost of drilling additional wells, and working capital. It is contemplated by the corporation to drill at least five or six more test wells.

William W. Long, who is President of the corporation, is also President of the Houston Real Estate Board.

Charles Bassett Joins Goodbody & Co. Dept.

Charles W. Bassett has joined the commodity department of Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange. For the past eight years Mr. Bassett has been associated with the International Statistical Bureau, Inc., and prior thereto, he conducted his own investment security business in central Pennsylvania.

With Chilson, Newbery

KINGSTON, N. Y.—Frederick P. Smith has joined Chilson, Newbery and Co., 48 Main Street, and will be identified with the Sales Department cooperating with E. A. Chilson and E. Graham in Southern Ulster and Sullivan Counties.

Gold Black Markets and Hoarding

Bank for International Settlements holds, although it is not possible to describe all sources and centers of clandestine movements of gold, there is no doubt that private markets have been fed by newly mined gold. Foresees no end of hoarding or black markets until currency inflation is stopped and a true balance in valuation of national currencies is established.

The Eighteenth Annual Report of the Bank for International Settlements of Basle, Switzerland, covering the year ending March 31, 1948, in addition to reviewing international trade, exchange rates and price movements, gives a clear cut analysis of gold hoarding and gold black markets since the beginning of the last World War. Regarding this topic, of universal interest in view of the efforts of the International Monetary Fund and the leading world powers to prevent speculation in gold bullion, the Report gives the following information:

"The postwar world has seen a recrudescence of the hoarding of gold, which has been intensified by monetary uncertainty and a desire to possess, for political or other reasons, durable and easily transportable assets which can be sold without difficulty in almost any market, and will thus retain their purchasing power under almost any circumstances.

"In the East, hoarding of gold (and silver) has been practised for centuries. In the fifty years before the first World War, shipments to India and China usually absorbed more than a quarter of the world's current production of gold—a welcome outlet when, after the discovery of the deposits in the Transvaal, the output became sufficiently abundant to cause a steady rise in prices, the level being pushed up by about 30% between, say, 1895 and 1914. But, when gold becomes scarce in relation to the value of the goods to be moved and the deficits in the balances of payments to be covered, then 'the sink in the East' puts a strain on the monetary system (though it should not be forgotten that dishoarding of Eastern gold in the years 1931-34 helped to ease the monetary conditions in the West during the critical period).

"In the course of the second World War, the demand for gold by Eastern countries began to increase, and some gold is reported to have been sold at the time by governments in the West, which found this a cheaper way of procuring local currencies than buying them via the exchanges. Since the war, Hong Kong, Alexandria, Bombay, Manila, Tangier, Macao and Beirut have emerged as important markets for gold, most of them applying a more or less highly developed technique of international arbitrage.

"But, in the West also, gold has been sold to the public, and there have been regular quotations for various kinds of coins and for gold in bars on free, semi-free or black markets."

"Chart I shows the quotations in Switzerland, Belgium, France, Italy and Portugal, in addition to the prices quoted in a number of Eastern markets (Bombay, Hong-Kong and Alexandria). Greece and Tangier are in a sense borderline cases: they serve partly as links between East and West in the movement of gold.

"It will be seen from Chart II that, in the European countries, quotations for gold fell steadily until the middle of 1947; the same was the case in many of the Eastern markets, with the exception, however, of Bombay, where prices stiffened appreciably in the Spring of 1947.

"At this point it may be asked where the free, semi-free and black markets obtained their supplies. The movements of gold from one country to another were rarely on a larger scale than during 1947 and the early months of 1948, but during this period nearly all the movements were on official account, being the outcome of direct arrangements between central banks and governments, without any dealings in private markets. In some cases, however, the monetary authorities (central banks and governments) have placed gold at the disposal of such markets out of their official reserves.

"At the end of 1945 a so-called 'export float scheme' was introduced by the Bank of England in order to revive the London gold market to some extent. An initial quota of about 50,000 ounces was put at the disposal of the market, the intention being that it should be exported, but only in the form processed and manufactured gold, which would yield a return in foreign exchange beyond the bare value of the bullion.[1] The 'float' was gradually increased to 100 000 ounces, but the original scheme was revised with restrictive effect at the time of the convertibility crisis in August, 1947, and, by the end of that year, a stricter system of allocating export licenses was in operation. By the Spring of 1948 the business transacted under the scheme is said to have become almost negligible.

"As a further measure, toward the end of 1946, the Bank of England began to permit purchases and sales of gold against U. S. dollars, provided that the London dealers acted as intermediaries between principals outside the sterling areas. Supplies for this traffic came largely from Mexico, from Central and South America and from prewar gold deposits still maintained in London by non-residents, while most of the demand came from the Middle and Far East. It is reported that gold could be bought from Central America at between 10 and 20% above the U. S. Treasury price of $35 per ounce, while the ultimate buyers in the Middle and Far Eastern countries at times paid premiums up to 50% on the U. S. parity. This traffic was considerably reduced in the latter half of 1947 as a result of a general pronouncement by the International Monetary Fund against international dealings in gold at other than official prices.

"Private gold business has also been handled in the New York market, often in conjunction with London. After pronouncement by the International Monetary Fund, the New York market was able to continue dealings for some months, until new regulations were issued by the U. S. Treasury, in November, 1947, specifically prohibiting the export of gold at increased prices.

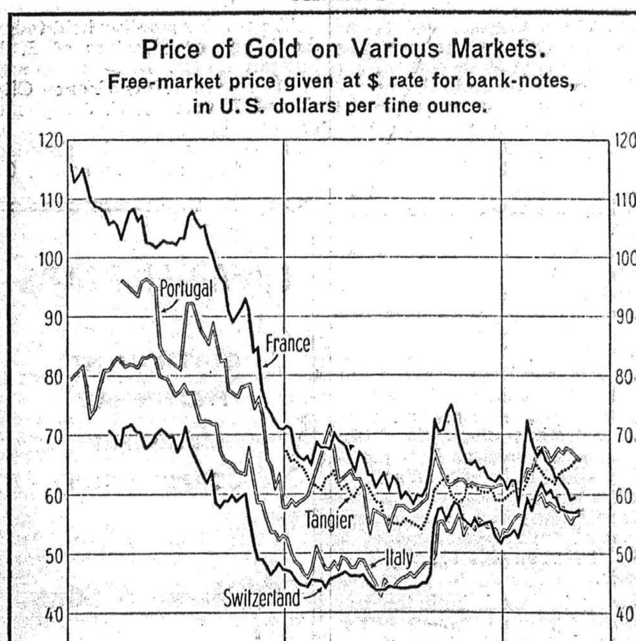
"The National Bank and the Treasury Department in Switzerland have sold gold, mainly in coins, on the market and to industry, as part of an anti-inflationary monetary policy, funds in Swiss francs being drained from the market by such sales. A little over Sw.fcs 1 milliard was sold up to the end of 1946 and a further Sw.fcs 480 million was sold during 1947.

"In Greece also, gold coins have been released to the market as an anti-inflationary monetary measure. In its half-yearly review for January, 1948, the Bank of Greece stated that it would certainly be preferable to meet monetary demand by offering goods and raw materials but that the country was going through a period of acute shortage of goods and, as long as the fear of banditry was most intense and a feeling of mistrust left behind by monetary devaluations in the past persisted, the government had to undertake the sale of gold coins as a short-term means of stabilization. It is admitted that intervention can have no permanent results as long as it is not combined with other essential economic measures. Without such measures, the sale of gold coins

(Continued on page 43)

1 See an article on "The Traffic in Free Gold" in the "London Economist" for 17th April 1948.

CHART I



The New Challenge in Industrial Relations

By EARL BUNTING*

Managing Director, National Association of Manufacturers

NAM leader pleads for teamwork in labor-management relations and wants both parties to be on "same side of table." Outlines plans of NAM to improve labor-management relations and to provide more jobs for the handicapped, as well as to install more effective communication with employees and expand employee benefit programs, with provisions for steady employment. Points out dangers of nationwide collective bargaining and calls compulsory arbitration unsound in principle.

The new challenge in industrial relations suggests a fight—and that is just what I mean. This is a fight to the finish. The greatest fight of our lives.

But it is a fight for—not a fight against.

To win through to America's goals for the whole American people, the ancient feud of Capulets and Montagues must be returned to the library. It has no place in American life today. A new and happier chapter in human progress is being started. It can only be written when management and labor go where they belong — to the same side of the table—with all the members of industry working together as an invincible team to serve our one big boss — the American public.

Earl Bunting

The job we face today is too big to handle any other way.

America's responsibilities have grown — are growing — enormously. Not just in our generation but in these last few postwar years.

The old concept of labor and management climbing wearily into the arena for one more round of the gladiatorial play to the grandstands never made sense. The two participants made monkeys of themselves by making a holy show of the fact that they didn't know how to get along with each other. But worse still, the long suffering public really took it on the chin. The public has never had anything to gain from industrial strife. That resulted in less national income — that much less goods — more hard feeling in the way of the teamwork that American progress takes.

No one would dream of suggesting that the problem of industrial relations has been settled. We wouldn't need to be here if the millenium had already arrived. But during the past year there has been a rapidly growing understanding that the public expects a very different type of performance from its industrial team than the old gladiatorial combat.

Time marches on. Our entire generation has too recently seen the whole world turned into an arena to be entertained by muscle-minded gladiators mugging to the grandstands while the productive job that they ought to be doing grinds to a halt and progress hits the skids.

Defense Outlays, Higher Wages And Inflation

If that happens the public — which adds up and often adds to whatever horse sense you and I and 145 million other Americans possess — has a hunch that certain other things will happen too. Such as:

(1) If America cannot muster the united understanding and man-by-man self-discipline it takes to build this country's productive might in peacetime, the odds are very long that aggression would force belated unity upon us. I do not believe any American is content to wait 'till the world is again aflame with war before we unite to do the great productive job that alone can put muscle and sinew and heart into the hope for a peaceful world.

(2) The American public knows what the inflationary score is. They have seen round on round of wage increases followed by round on round of rising costs. They are beginning to sense that the one way to halt inflation and to validate their consumer dollars is to rise to a new and greater level of productive power. Even the way in which this can be done is beginning to fire America's creative imagination. When tax policies are considered there is at least a growing awareness that the way toward new industries and the expansion of existing concerns' productive power lies through encouraging rather than confiscating the capital formation necessary to do the job.

What has happened is that the American people have gone along with their government in making major commitments for defense and the European Recovery Program. Having made these commitments, the public began to reckon up the costs and found that it faced two alternatives. Either it could tighten its belt, lower its living standards, and risk the danger of Soviet Russia's lumbering ox cart economy pushing by and blocking the road of human progress.

Or it could turn to management and labor in industry and say: "You've got what it takes to get us out of this mess. If anything stands in your way, let us know—now! But we don't want to hear any alibis from either management or labor that you didn't have the simple humanity and good will it takes to get along with each other as a hard hitting, fast moving team which gets results.

"Just one result when you come right down to it. A level of production that can get out of our economy all that it's got to give. Which is plenty.

"We don't want to wait for war to make another miracle of productivity possible. If you two can do it for war you can do it—and better — to make lasting peace possible. You can do it to knock the spots off of inflation which has been tearing at our pocketbooks too long. You can do it so that the American people's enterprise system eclipses its own best record—swings into decisive peacetime competition with the slave and serf and regimented economies of socialism and communism—and shows once and for all, for all the world to see, that freedom is the most valuable possession any land can borrow from us."

That is the challenge we all face. That is the American public, our big boss, speaking in no uncertain terms. It dwarfs any challenge from without into insignificance.

The public believes in the industrial team. Our one job is to fulfill that trust—in plenty, in peace and in full!

Industrial understanding and good will is the keystone of this man-sized job.

The National Association of Manufacturers believes that industrial relations are nothing more or less than human relations. And we know blame well that nobody ever got anywhere lecturing the other fellow. Good human relations are built by pitching in and doing our own share of the job.

Are we doing this? Or are we just talking about it?

NAM Plans Under Way

The answer to that question lies in the nature of the programs which NAM has underway. Some of these are:

(1) The great responsibility of business and industry to provide more jobs for those who are handicapped.

The brains and heart and top-flight constructive power of American management have done an outstanding job along these lines for handicapped veterans. And it is a continuing job.

The NAM has invited the U. S. Chamber of Commerce to join with us in a nation-wide program to channel the ingenuity and resources of all employers into adjusting more jobs to the very real abilities of those who are physically handicapped.

In its broadest application, jobs for the handicapped means that the free enterprise system exists for one purpose only: For people. For every individual. Not just for run-of-the-mill people—if they exist. And not just for people who can adapt themselves to rigid job requirements.

Experience in the field of jobs for the handicapped has shown that it is the burning desire to stand on one's own feet that matters. If that exists, the opportunity exists or will be made in American industry.

(2) The NAM is convinced that sound human relations in industry will require still more effective communication with employees.

Communication is a two-way street. It means the chance to talk with—not just to talk at. There never could be mutual trust in industry unless companies tell their story directly to their employees. Put yourself in their shoes. Could you do your job in the dark? Could you do your job well if you did not know how it ties in with what the other people on your team are doing? Could you put your heart and soul into it if you didn't know whether the team was scoring or being scored against? Who would your natural human loyalty go to if the news of everything about the company which concerned your welfare came to you from the shop steward? And how could we in management ever hope to provide an atmosphere in which the dignity and importance of the individual employee is fully recognized if we did not find out at first hand what the hopes and fears of our employees really are?

Good neighborliness, from the grassroots up, is also as close to the heart of all human relations as anything I know. This is also a definitely two-way relationship. It is up to management to keep its community informed on company policy, practice, and accomplishments. And it is equally up to management to take whole-hearted part in community life—sensing local sentiment and making friends for the enterprise system which they personalize.

In close cooperation with NIC state, trade and local industrial relations associations, NAM is holding meetings and clinics all over the country—to help individual companies more perfectly team-up with their employees and their communities.

(3) Another basic human problem which we face is sound non-discriminatory personnel practices.

The test of democracy is the day by day application of freedom of opportunity for all citizens. Personnel policies must provide opportunity and advancement for all—not just for some Americans, but for all. There is no easy solution of this problem. It must be worked out through human understanding in every community of our land. And no law can impose understanding upon any human heart.

(4) The NAM has worked long and hard for full opportunity for older workers in industry.

This group of people represents one of the most valuable assets in our land. The absolutely irreplaceable experience of older workers, their maturity of judgment, their seasoned skill and loyalty, are priceless to American industry.

Even in depression years, our studies showed that the majority of successful companies surveyed did not discriminate against older workers. They continued to employ them and to keep them as towers of dependability on the payroll. Whatever NAM does we are never going to take a licking on our conviction that neither industry nor this country can afford to shelve experience and loyalty. We are going to keep right on carrying this message to America.

(5) Another of NAM's many broad-gauge programs of better human relations with industry is building understanding and relationship with educational leaders.

For free enterprise to survive—for the whole American people to forge ahead, taking growing responsibilities in their stride—it is imperative that we give the educators of American youth every opportunity to find out how free enterprise works. And it is equally imperative for us to find out how the American way of life works for the individual teachers of America. Upon their enthusiasm for the opportunity system and their understanding of how it works the future of our land depends.

I am most happy that we have distinguished educators with us today. For many years one of NAM's important programs has been to build better mutual understanding between education and industry at every level—from the communities of our land to national leadership. We are intensifying this overall effort. And in the field of industrial relations we are especially concerned that those who teach personnel administration, industrial relations and labor - management relations should be given every opportunity to familiarize themselves with industry's principles, practices and achievements.

The programs I have touched on are only a few of the many activities NAM has under way to help meet the challenge that all

(Continued on page 47)

*An address by Mr. Bunting at the 15th NAM Institute on Industrial Relations, Highland Park, Ill., June 21, 1948.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

At this writing the second quarter statements of most of New York City banks have been published. Comparative results are somewhat mixed. Compared with the first quarter, and with 1947, commercial loans are up but investments in governments are down. Deposits are mixed, as also are earnings.

Table I shows deposits, loans and discounts, government securities and total earning assets for June 30, 1948 vs. June 30, 1947. Bank of New York's deposits and assets are higher than a year ago as might be expected, due to its merger with Fifth Avenue; the same is true of Chemical in view of its merger with Continental.

TABLE I

	June 30, 1947				June 30, 1948			
	Depos.	Loans & Discs.	U.S.G. Sec.	Total Earn. Assets	Depos.	Loans & Discs.	U.S.G. Sec.	Total Earn. Assets
		($000,000)				($000,000)		
Bank of Manhattan	1,005	415	356	817	1,034	426	338	812
Bank of N. Y. & 5th Ave.	328	79	142	240	369	102	165	291
Bankers Trust	1,341	505	603	1,175	1,305	539	519	1,118
Central Hanover	1,431	408	689	1,177	1,409	450	606	1,129
Chase National	4,445	1,203	2,169	3,680	4,155	1,461	1,633	3,317
Chemical Bank & Trust	1,169	369	464	959	1,361	529	440	1,084
Commercial National	195	42	126	171	178	51	98	153
Continental	181	52	76	145	†	†	†	†
Corn Exchange	768	72	512	606	752	79	470	571
First National	704	124	467	680	530	94	368	569
Guaranty Trust	2,418	679	1,406	2,197	2,352	870	1,123	2,097
Irving Trust	1,036	301	548	874	1,013	413	384	823
Manufacturers Trust	2,113	450	1,179	1,711	2,116	555	1,024	1,647
*National City	4,835	1,182	2,291	3,848	4,748	1,310	1,883	3,636
New York Trust	625	241	261	524	589	252	239	497
Public National	520	125	301	438	502	147	240	410
U. S. Trust	108	32	70	120	110	32	70	120
TOTALS	23,221	6,280	11,659	19,362	22,523	7,310	9,600	18,274

*Includes City Bank Farmers Trust. †Merged with Chemical.

The table shows that aggregate deposits of the banks listed are only moderately below their totals of a year ago. Loans and discounts are higher by $1,030,000,000 or approximately 16.5%; holdings of governments are lower by $2,059,000,000 or 17.7%, and total earning assets are lower by $1,088,000,000 or 5.6%.

Better than average gains in loans and discounts were made by Chase National (21%), Commercial National (21%), Guaranty Trust (28%), Irving Trust (37%), Manufacturers Trust (23%), and Public National (17.6%). Bank of New York's gain of 29% and Chemical's gain of 43% are obviously affected by their mergers with Fifth Avenue and Continental.

Table II presents 1948 earnings for the first and second quarters, and also for the first six months of the year compared with the similar period in 1947. Also book values for June 30, 1948 are shown.

TABLE II

	1st 6 Mos. 1947		1st 6 Mos. 1948		1948		
	Net Oper.	Indicated or Total Incl. Sec. Profits	Net Oper.	Indicated or Total Incl. Sec. Profits	Total or Indic. 1st Quar.	2nd Quar.	Book Values June 30, 1948
Bank of Manhattan	$0.94	$1.10	$1.38	$1.08	$.52	$.56	$32.73
Bank of N. Y. & 5th Ave.	----	10.90	----	----	5.36	[illegible]	569.67
Bankers Trust	1.25	1.32	1.63	1.63	.87	.76	50.98
Central Hanover	----	3.00	----	3.00	1.50	1.50	122.46
Chase National	1.11	1.24	1.27	1.06	.45	.61	43.77
Chemical Bank & Trust	1.39	1.73	1.48	1.59	.78	.81	43.84
Commercial National	----	1.74	----	1.71	.86	.85	59.52
Corn Exchange	----	2.49	----	2.45	1.21	1.24	59.18
First National	----	40.59	----	42.10	20.52	21.58	1,369.56
Guaranty Trust	7.70	9.74	8.32	9.18	4.89	4.29	363.85
Irving Trust	----	0.57	----	0.60	.30	.30	23.10
Manufacturers Trust	----	2.30	----	2.59	1.30	1.29	61.42
*National City	1.58	2.01	1.58	1.67	.78	.80	48.93
New York Trust	3.17	3.47	----	3.14	1.56	1.58	108.46
Public	----	2.09	----	2.33	1.13	1.20	55.58
U. S. Trust	----	18.12	----	18.85	8.96	9.89	733.17

*Includes City Bank Farmers Trust.

Wherever possible, net operating earnings exclusive of security profits are shown. However, this is feasible in only a few cases.

It will be observed that net operating profits were substantially better in the first six months of 1948 over 1947 for Bank of Manhattan, Chase National and Guaranty Trust, but that their total net profit, including securiy profits or losses, are somewhat lower. Total net earnings of Bankers Trust, Irving Trust, Manufacturers Trust, and Public National show improvement over 1947 first half results. Indicated six months' earnings of First National and United States Trust are above indicated for the similar 1947 period. In the case of Bank of New York, and also of Chemical, direct comparisons with last year are not possible due to mergers.

Somewhat lower earnings are reported by Commercial, Corn Exchange, National City and New York Trust.

Factors which will affect the rate of earnings during the second half of the year include: moderately rising operating expenses and increased reserve requirements on the minus side, with stiffening interest rates and high volume of loans on the plus side.

Wall Street Launches Information Drive

Joint Committee formed to grant fellowships to educators for studying all phases of security business.

The Wall Street Community has launched an all-out campaign to make known to educational institutions the general and detailed nature of the securities business. The specific plans were explained at a press luncheon by officials of the Joint Committee on Education on June 30 at the Stock Exchange Luncheon Club.

Amyas Ames

In explaining the project Amyas Ames of Kidder, Peabody & Co., chairman of the committee, said "the securities business is constantly changing and adjusting to new conditions, the last five years having been a period of particularly rapid change. Many of the problems confronting the business—questions involving money markets, cyclic movements, type and availability of capital, the effects of taxation and government control on free markets—are problems which affect the country as a whole. Meeting them intelligently benefits not only the securities business itself, but is to the advantage of our entire economy. Accordingly there are many aspects of the business that are of interest to economists, to teachers and to students.

"The Joint Committee on Education represents all phases of the securities business. The program of the Committee for 1948 is undertaken in the belief that it will be of mutual benefit to business and to colleges. The securities industry will benefit from the research, the interchange of ideas and the relationships resulting from the plan. Faculty members, on the other hand, will be in a position to acquire first-hand knowledge of the great financial centers. This program is being started in a small way in its first year. We believe that it has far-reaching possibilities."

Three educators from different parts of the country have already been awarded scholarships. They are: Paul Lloyd Howell, Assistant Professor of Finance at Northwestern University; Frank Maxwell Graner, Assistant Professor of Finance at the University of Wisconsin; and John T. O'Neill, Assistant Professor of Finance at the University of North Carolina.

The members of the Joint Committee are:

Association of Stock Exchange Firms — Amyas Ames, Chairman, Kidder, Peabody & Co.; Homer A. Vilas, President, Association of Stock Exchange Firms; Charles B. Harding, Smith, Barney & Co.; Walter W. Stokes, Jr., Stokes, Hoyt & Co.

Investment Bankers Association —Julien H. Collins, President, Investment Bankers Association; Robert W. Fisher, Blyth & Co.; Robert W. Clark, Jr., Educational Director, Investment Bankers Association.

New York Curb Exchange—Francis A. Truslow, President, New York Curb Exchange.

New York Stock Exchange—Emil Schram, President, New York Stock Exchange; Donald D. Hogate.

National Association of Securities Dealers—L. Raymond Billett, Chairman of the Board, National Association of Securities Dealers; Herbert F. Boynton, H. F. Boynton & Co.; Wallace H. Fulton, Executive Director, National Association of Securities Dealers; Dean G. Rowland Collins, New York University.

C. F. Meyer Promoted By Colonial Trust Co.

Arthur S. Kleeman, President of Colonial Trust Company, has announced the promotion of C. F. Meyer to Assistant Vice-President from Assistant Secretary and Assistant Treasurer, and Charles F. Bailey to Auditor from Chief Accountant.

A. vK. Rose With Mackubin, Legg & Co.

Mackubin, Legg & Co., members of the New York and Baltimore Stock Exchanges, announce that

Archibald vK. Rose

Archibald vK. ("Jack") Rose is now associated with their New York trading department, 76 Beaver Street, New York City. Mr. Rose was formerly with Fitzgerald & Co., Inc.

Kuhn, Loeb Places Equip. Issue Privately

General American Transportation Corp. announced July 7 that it has negotiated through Kuhn, Loeb & Co., the sale of $8,160,000 equipment trust certificates, series 43, to a small group of institutions. The certificates will mature serially in quarterly instalments to and including July 1, 1968. Maturities to and including July 1, 1953 bear dividends at the rate of 2%, the balance at a rate of 3⅛%. The equipment covered by the trust consists of a total of 1,246 new tank, refrigerator and hopper cars.

NSTA Notes

"AD LIBBING"

We must remind you of the following quotation which was advanced by the Wesleyan "Christian Advocate," "You can't stop people from thinking—but can you start them? That's what counts."

We think the above is most fitting at this time as we are certain a great number of our membership are not thinking about the work your Advertising Committee is endeavoring to do for them. To put it more frankly, this job is not an easy one and can only succeed when our membership looks upon this work as a necessary adjunct toward the progress of our National Organization. While it is true we have several months to go, nevertheless, we should be further advanced at this time.

* * * *

We are over $6,000 gross and this has been accomplished through the untiring efforts of Messrs Beck, Murphy, Reilly and Strickland, who represent the "Commercial & Financial Chronicle."

* * * *

How about your ideas? We the committee know these notes are being read as we do get comments, now may we ask for suggestions?

K. I. M. YOUR NSTA . . . "BUY ADVERTISING"
HAROLD B. SMITH, Chairman
Yearbook Committee, NSTA
Collin, Norton & Co.,
120 Broadway,
New York 5, N. Y.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York announces it will again hold a summer outing. It will be held on Friday, Sept. 10 at Travers Island, home of the New York Athletic Club.

A feature of the afternoon will be an all-star soft ball game which in itself should undoubtedly be worth the price of admission, especially as there will be FREE BEER.

Other highlights will include horseshoe pitching, golf, and a hatful of surprise contests. There will be prizes, prizes and prizes—for contest winners, contest loser, spectators and others.

As the capacity of the club is limited, STANY members are urged to make their reservations before the public announcement appears in the "sheets." The Arrangements Committee the same as for the STANY dinner. The price of $8 per person includes a sumptuous dinner, gratuities, use of lockers, etc., and FREE BEER before dinner.

Members of the Committee are: Arnold J. Wechsler, Ogden, Wechsler & Co., Chairman, Arrangements Committee. **Horseshoes:** Larry Wrenn, Allen & Co. and Frank McCall, Greene and Company. **Softball:** Joe Eagan, Frank C. Masterson & Co. and Joe Cabble, Abraham & Co. **Golf:** Jerry Kane, Luckhurst & Co. and Ted Plumridge, J. Arthur Warner & Co. **Cards:** Sam Gronick, Gilbert J. Postley & Co.

What Price Marshall Aid?

By PAUL EINZIG

Dr. Einzig notes some opposition in Britain to recent agreement with U. S. in the matter of Marshall Plan aid. Says policy of U. S. not to insist on European currency devaluations has had only temporary reassuring effect and there is growing feeling Britain will be forced to abandon principle of Empire Preference.

LONDON, ENGLAND.—The British Government's decision to postpone the debate on the terms of the bilateral pact on ERP aid was welcomed with relief in British political circles. It had been feared that the experience with the American Loan Agreement, which was rushed through Parliament in a few days without having been considered adequately, would repeat itself. The Lord President of the Council announced, however, in the House of Commons on June 24 that, rather than do that, the government prefers to postpone the signing of the pact until after the time limit of July 3, even if in doing so it will lose some of the benefit allocated to Britain under the Marshall Plan. Owing to the delay in the negotiation of the pact, it became evidently impossible to debate its terms before that date, and the government did not want to rush the negotiations. Rather than accepting unfavorable terms the government is prepared to lose an amount of aid proportionate to the delay between July 3 and the signing of the pact, which will not take place until after it has been approved by Parliament.

Dr. Paul Einzig

The publication of the terms of the pact were awaited with great interest in London. Many people preferred to reserve judgment until after they have become available. On the other hand, there are many supporters and opponents of the pact who had already decided to support it or oppose it, without knowing what it contained. The number of the former has increased materially during the last few days. Until recently the main argument in favor of accepting the pact was that without it Britain would stand no chance of meeting her trade deficit, and it would become impossible before very long to maintain vital food and raw material imports. This argument has now become powerfully reinforced by the threat of a war with Soviet Russia over the Berlin currency conflict. Many Conservatives who until recently were opposed to concessions affecting Empire Preference are now inclined to reconsider their attitude, on the "first things must come first" principle.

The political argument has failed to influence, however, a large number of the opponents of the pact. Their argument runs broadly on the following lines: "If the United States want to use Britain as their aircraft carrier in a conflict with Russia, it is to their interests to keep the aircraft carrier afloat. That being so there is no reason why Britain should accept costly conditions for the sake of aid which the United States have to grant in order to keep the aircraft carrier afloat." It is argued that the development of an acute conflict in Berlin should induce the United States to moderate their demands instead of expecting Britain to accept them for the sake of co-operation in face of the common danger.

The statement issued in Washington that the United States Government no longer insists on its original demand to reserve the right to have a say regarding the devaluation of European currencies produced a reassuring effect. But it did not last. On second thought the revised wording of the text was considered to be far from satisfactory. Moreover, the insistence of the American negotiators on the right of the Administration to stop Marshall aid deliveries at a moment's notice has caused widespread uneasiness. It is felt that this trump card would enable the United States Government to dictate its terms even in the absence of specific provisions in the pact about devaluation.

During recent weeks a number of British experts have expressed the opinion that sterling is decidedly undervalued in relation to the dollar, and that its undervaluation is likely to increase rather than decrease in the near future as a result of the contrast between the inflationary trend in the United States and the deflationary trend in Britain. Consequently, it is argued, the gold value of sterling should be raised rather than lowered. It is felt that if, for some inscrutable reason the United States should force Britain to devalue sterling, the disadvantages of such a decision would more than outweigh the advantages to be derived from E.R.P. aid.

What is causing even more concern than the fear that Britain might be forced into devaluation contrary to her best interests is the fear that under the pact she might have to abandon some of the escape clauses embodied in the Havana Final Act, with the result that she would have to give up quantitative discrimination and Empire Preference at a very early date. Concessions of this kind would provide the main ground for attacks against the pact. Opponents of the pact recall that the American Loan Agreement forced Britain to abandon some of the safeguards included in the Bretton Woods Final Act, and the result had proved to be disastrous. They are anxious to avoid the repetition of this experience.

There is a growing feeling that, from a purely economic point of view, Britain would now be in a much better position to reject the terms demanded by the United States than she was in 1945. For in the meantime British production has been converted for peacetime requirements, the war-weary British working classes had a rest, and stocks of consumers' goods have become replenished. Britain is now better prepared, both materially and mentally, to face a period of austerity. On the other hand, in the meantime the international political situation has grown incomparably worse. The trend and outcome of the debate on the terms of the pact is likely to be determined largely by the development of the conflict over Berlin. Should the tension ease between now and the debate, resistance to the pact would stiffen; should the tension grow worse resistance might become confined largely to the pro-Communist elements in Parliament.

Cohn With McDermott Co.

Peter P. McDermott & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, announce that Sidney D. Cohn is now in charge of the firm's investment service department.

Francis Schanck With Bason, Whipple & Co.

CHICAGO, ILL.—Bacon, Whipple & Co., 135 South La Salle St., members of the New York and Chicago Stock Exchanges, announce the association with the firm of Francis R. Schanck, Jr., as manager of the municipal bond department.

Mr. Schanck has been associated with First Boston Corporation since 1930, recently serving as manager of the municipal department of the Chicago office. During World War II, he served four years of active duty in the U. S. Naval Reserve from which he was released as a Commander, in December, 1945.

His war service consisted of various aviation activities on domestic and foreign stations as executive officer Air Transport Squadron Eleven and as Plans and Facilities Officer on Staff Commander Air Transport Service.

Mr. Schanck is a director of the Municipal Bond Club of Chicago and of the Hinsdale Federal Savings and Loan Association. He is a member of two School District Board of Education in Cook and Dupage counties and belongs to the Union League Club and the Bond Club of Chicago.

Kearns Trading For Harriman Ripley

Harriman, Ripley & Co., Inc., 63 Wall Street, New York City, announce that Richard T. Kearns, formerly of the staff of Spencer Trask & Co., became a member of their trading organization on July 1, 1948, and is conducting the activities of that organization in connection with preferred stocks.

Ernest Smith Co. Admits

Ernest Smith & Co., 2 Broadway, New York City, members of the New York Curb Exchange, have admitted Louis J. Newman to limited partnership in the firm.

Warns of Expanding Federal Budget

National City Bank of New York, in July "Monthly Letter," sees perilous trend in new projects for Federal spending.

In the July issue of the "Monthly Bank Letter" of the National City Bank of New York, the 1949 fiscal budget outlook is analyzed and a warning sounded that there is danger to our stability and principles of government in the trend of adding new items of Federal expenditures "from which never much is ever subtracted." Says the "Bank Letter":

Events of the past two weeks have raised new questions about the trend of the Federal budget and the country's capacity and willingness to meet its new obligations without inflation. With the combination of the tax cut, a much enlarged military program, the enactment of the foreign-aid program, and election-year pressures to loosen the purse strings, talk has been widely current that there will be a return to deficits in the 1949 fiscal year. As a matter of fact, high Treasury officials openly predicted a deficit in the new fiscal year when the tax bill was enacted. Since then, spending proposals of so many different kinds have been under discussion that many people have been led to conclude that the budget has got completely out of hand. The President's original budget proposals last January—which set a spending target of $39.7 billion—were swollen by supplemental requests that he filed chiefly for additional appropriations for national defense and international aid. To a lesser extent Congress itself has taken the initiative and responded to the pleas of department heads or constituents for more money.

At the adjournment of Congress, June 19, all the major appropriations bills had been passed and it is now possible to assess results in at least a preliminary way.

The pressure for enlarged spending—in almost every imaginable direction—has been intense. Yet Congress has made cuts, some of them running to substantial figures. For this no proof perhaps could be more eloquent than the attacks levelled against the Congress for "parsimony" and "penny-pinching." The experience bids fair to repeat what happened last year—only at a higher level of spending. It will be recalled that a year ago when the President proposed his $37.5 billion budget for the fiscal year ended June 30, 1948, the Congress set out to trim expenditures by some $4 to $6 billion. Actually, despite much valiant work by the appropriations committees, spearheaded by Chairman Taber of the House Committee, substantial economies effected in some directions were eaten up by increased outlays elsewhere—mainly in the area of foreign aid. The upshot was that total expenditures for fiscal 1948 came within $1 billion of the President's figure of $37.5 billion. This is exclusive of the provision of the European aid legislation charging $3 billion of the estimated cost of that program against 1948 expenditures even though the actual cash outlay will not be made until fiscal '49.

Notwithstanding this failure to achieve the hoped-for reduction in expenditures, the Treasury closed the '48 fiscal year with a whopping big surplus, in the neighborhood of $8 billion (not counting the charge of $3 billion reserve for '49 expenditures just mentioned). Revenues, which the President in January, 1947, estimated at $38 or $39 billion, actually turned out to be near $45 billion, second only to the peak in 1945 when both corporate and individual tax rates were at the wartime maximum.

Of the $8 billion surplus produced by this tremendous flow of revenue, approximately $6 billion was applied to reduction of the national debt, with the remaining $2 billion going to increase Treasury cash balances on hand.

The '49 Fiscal Outlook

For the new fiscal year, the starting point is the President's budget message of last January which projected expenditures for fiscal '49 at a total close to $40 billion. The Congress, under the Congressional Reorganization Act of 1946 calling for a "legislative budget," voted to cut this by $2½ billion to $37.2 billion. Now, already, practical observers recognize that this legislative budget goal is lost—this time mainly by increased military expenditures. Acceding to the recommendations of Air Force Secretary Symington, the Congress has approved a 70-group Air Force proposal which, in the first instance, commits the government to the expenditure of $3 billion over and above the President's original budget.

Unofficial tallies made since the adjournment of Congress show that direct and permanent appropriations for the fiscal year ending June 30, 1949, were $2.8 billion less than the aggregate amount the President sought in his January budget message and in his subsequent supplemental requests. At the same time, however, Congress voted pay increases for government employes, plus additional contract authorizations for military spending which, while not in the form of appropriations bills, nevertheless commit the government to appropriations when the money is needed.

The question as to whether enough has been cut out on balance to prevent actual expenditures from increasing in fiscal '49 above the President's original $40 billion figure cannot be answered until the figures are all available and can be carefully checked. The results, even then, will be tentative and subject to change under the force of events. The discretion allowed to administrators is generally broad, most notably perhaps in the case of the European Recovery Program.

The level of government revenues, in its turn, is subject to business fluctuations. The Treasury's revenue forecast for fiscal '49, of $39½ billion, was based on a national income level of $200 billion. The current level is nearer $210 billion and is generating revenues substantially above $40 billion a year on present tax rates. Evidently, therefore, an expenditure total held close to $40 billion might easily yield a moderate surplus, even apart from the carryback of $3 billion ECA expenditures to fiscal '48.

A Perilous Trend

How hard it is to get a control over government expenditures was demonstrated anew during the debate on the appropriations bill for rivers, harbors and flood control—traditionally an arena for "pork barrel" politics. Dramatic evidence was provided of the pressures behind big spending. The President's budget included $666 million appropriations in fiscal '49—a 60% increase over the current year's figure of $416 million and far and away the biggest figure ever proposed in a President's budget for these purposes. The House Appropriations Committee cut the total back to $539 million—still allowing a 30% increase. The Senate voted $640 million, nearly all the President estimated. A conference between committees of the two Houses resulted in a compromise on $573 million, a 38% increase over fiscal 1948 and a 14% decrease from the President's figure.

A minority report filed in the Senate minced no words:

"The action of the committee majority is totally inconsistent with the will of Congress as overwhelmingly expressed in the resolution finally adopted on Feb. 27, 1948, establishing the legislative budget for the fiscal year 1949. . . .

"If we must violate our pledge for curtailed governmental spending, certainly it should be for the purpose of strengthening our national defenses against the threats of the totalitarian powers. Above all, it should not be used to chew up the very materials which, should they be needed, are so vital to our national security."

In the debate on the floor of the Senate, Senator Byrd aligned himself with a Republican minority favoring a cut to $440 million or less. He presented projections of where the Federal budget is headed if a halt is not called to the drift to bigger and bigger spending, through the superimposition of new programs on top of the growing financial demands of programs already authorized or under way. The mounting revenue requirements, Senator Byrd declared, "will mean an increase in taxes which will shake the private enterprise system to its very foundations." As Chairman Bridges of the Senate Appropriations Committee stated in the same debate, "it takes guts" to vote for economy in the face of pressure and propaganda.

Many citizens will hope that this issue will receive the attention it deserves in the forthcoming election campaigns.

The real danger is not in how the budget results for fiscal '49 will turn out. It lies in the trend toward a budget to which new items are constantly being added and from which nothing much is ever subtracted. New projects, constantly put before Congress, have the fatal charm of the "easy payment" plan—the "down payment" of the first year's cost is very little. But when all these plans and programs are added together and projected into the future, the results raise the fundamental question whether American principles of life and government can survive the tax load, the progressive destruction of local and personal sense of responsibility and the dwindling value of the currency which goes along with a spendthrift government.

"All the costs of local, State and national government must be reduced without fear and without favor. Unless the people, through unified action, arise and take charge of their government they will find that their government has taken charge of them. Independence and liberty will be gone and the general public will find itself in a condition of servitude to an aggregation of organized and selfish minorities."

This statement, from a document signed by Alfred E. Smith and Calvin Coolidge, was quoted with approval by Franklin D. Roosevelt in the 1932 political campaign. It is true today as it was then.

Cleveland Bond Club Elects New Officers

CLEVELAND, OHIO.—The following officers were elected for the year 1948-49 by the Bond Club

Rudford K. Wilson

Orin Koeser

Stanley Eilers

Carl H. Doerge

of Cleveland: President R. K. Wilson, Curtiss, House & Co.

Vice-President: Orin E. Koeser, Blyth & Co.;

Secretary: Wm. Watterson, Fahey, Clark & Co.

Stanley Eilers, Hornblower & Weeks, was re-elected as Treasurer.

New governors chosen for a 3-year term were Carl H. Doerge, Wm. J. Mericka & Co.; Harry G. Kraus, Ball, Burge & Kraus; Wm. H. Watterson, Fahey, Clark & Co.

Investors Service Corp.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—Investor's Service Corporation has been formed with offices at 420 Lincoln Road. Officers are Manuel Hoffman, President; R. H. Struthers, Vice-President and Treasurer; Milton Feller, Secretary, and Sidney Wasserman, Assistant Treasurer.

Report More Confidence In Business Conditions

Business Survey Committee of National Association of Purchasing Agents, headed by Robert C. Swanton of Winchester Repeating Arms Corporation, sees beneficial effect of recent wage agreements and brighter political picture.

According to a composite opinion of the Business Survey Committee of the National Association of Purchasing Agents, headed by Robert C. Swanton, June business activity confirmed the trend of improvement reported by purchasing agents in the May Business Survey. Production increases were shown in 28% of the reports, while the number reporting production drops was the lowest since January. Back orders continue to build up at about the same rate as last month, and are close to the February level.

Robert C. Swanton

More confidence is expressed in general business conditions, as a result of coal agreement, the prompt adjustment of other wage controversies, and a brighter political picture. Purchasing agents point out, however, that material pipe lines are filling up; competition is growing; a switch to a buyers' market in several lines is approaching. The threat to orderly procurement, contained in the war powers' rider to the Draft Act, is giving buyers much concern. Caution is still advised.

Commodity Prices

Prices advanced over a wide range of commodities—no sharp spiral, but a generally upward adjustment reflecting increased wage and transportation costs. With many of the production-retarding influences of strikes removed, purchasing executives look for increasing supplies, resulting from stabilized employment and improved worker productivity, to create more competitive markets. Prices are being watched closely.

Inventories

The trend of reducing inventories has changed somewhat. While 60% report maintaining inventories at lowest operating requirements, 24% (slightly more than in May) indicate increases. Several comment that a satisfactory turnover rate is being obtained on their higher inventories, because of increased production.

Buying Policy

Buying policy continues within the three-month commitment range which has governed forward buying for the past five months. Offers of price protection, to induce large quantity orders for longer periods, are reported. Buyers are spot-checking markets more frequently. Some concern is expressed that the recent favorable labor and political developments may create a secondary boom and cause rash buying. There is no evidence in the current survey that this is happening; rather, a policy of extreme caution prevails.

Specific Commodity Changes

The number of commodities increased in price far overbalances the decreases. Though the overall price climb is not large, it has established a firmer tone in many markets.

Reported up: Acetone, alkalies, aluminum, ammonia, asbestos, babbitt, calcium carbide and tetrachloride; castings, many chemicals, coal, cocoa butter, diamond powder, fats, ferromanganese, frit, pig iron, lumber (mixed), magnesia, menthol, paper, pipe, printing, railroad ties, rosin, salamoniac, sand, sodas, heavy acids, steel, tallow, tin, titanium, zinc die castings.

On the down side: Alcohol, cotton and burlap bags, turpentine, some hardware, electrical supplies, office supplies, tung, linseed, castor and pine oils, cotton textiles.

Continuing hard to get: Aluminum, ammonia, brass fittings, cadmium, chrome, coal tar products, coke, copper, ferro alloys, fuel oil, glue, iron, steel, lead, methanol, nails, nickel, some papers, phenol, pipe and fittings, nylon, tin, zinc.

Better available: Bearings, steel balls, electrical supplies, fasteners, several mill supplies.

Employment

The June survey indicates generally continuing high employment, 61% reporting this condition as 22% report increased payrolls. Those reporting reduced employment have dropped from 34% in March to 17% in June. Skilled labor is noted scarce in many areas. Summer vacations will cut employment even more than last year. It is believed that employee loss through draft will be more than offset by June graduates.

Canada

Production and back orders holding about even with last month. Prices rising. Inventories static. Employment unchanged. Buying policy hand-to-mouth to 90 days.

Hancock Elected Director

The election of Grenville L. Hancock to the Board of Directors of Northeast Airlines, Inc., has been announced by Paul F. Collins, Chairman. Mr. Hancock is Eastern Representative of the Associated Plywood Mills of Eugene, Oregon, and Santiam Lumber Co., Lebanon, Oregon.

Grenville L. Hancock

Mr. Hancock was in the class of 1918 at M. I. T. He was associated with L. Sherman Adams from 1919 to 1930 and with Jackson & Curtis from 1930 to 1941. Mr. Hancock served as former director of Evans Products Co., Detroit — the late Colonel E. S. Evans of that company having played a direct part in the early financial history of Northwest Airlines.

During World War I, Mr. Hancock was a First Lieutenant serving as Officer in Charge of Flying at Post Field, Fort Sill, Oklahoma.

In addition to Mr. Hancock's election, the matter of the declaration of the dividend upon the convertible preferred stock of the company was considered and it was the sense of the meeting that no action be taken at this time.

Glidden, Morris to Admit

Glidden, Morris & Co., 72 Wall Street, New York City, have admitted John C. Glidden as a general partner. In the past he was with the firm as a limited partner.

Bolivia's Plan to Resume Service on Dollar Bonds

The Republic of Bolivia announced through its Minister of Finance, J. Ramono, on July 1 a proposed plan of service for its four issues of $56,278,000 outstanding publicly offered dollar bonds, following discussions earlier this month between Foreign Bondholders Protective Council, Inc., and a Delegation of the Republic. The proposed plan will be submitted to the Bolivian Congress by the Bolivian Executive Power. Following approval by that Congress, and upon completion of other formal requirements, an offer will be made to the bondholders which will provide generally as follows:

Past Due Interest will be compromised by the issuance of new bonds in the principal amount of $5,627,800; thus the holder of each $1,000 bond accepting the proposed plan will be offered a new and additional $100 bond for all interest in arrears to Dec. 31, 1948.

Current Service will begin as from Jan. 1, 1949, on the new principal amount of not more than $61,905,800 of dollar bonds.

(a) Bolivia will pay interest semi-annually at the annual rates of: 1% for 1949 and 1950; 1½% for 1951 and 1952; 2% for 1953 and 1954; and 3% for 1955 and thereafter.

(b) Bolivia will provide each year so long as any assented or new bonds are outstanding a sum of not less than $1,500,000 for service. The balance of service monies, not required during the years 1949 through 1954 for interest on the new principal amount of bonds covered by the offer, will be used for retirement of bonds, either (1) by purchase in the market below par, or (2) by redemption through call at par.

(c) Beginning with Jan. 1, 1955, the Republic will provide a total service of not less than 4% per annum on the total principal of all bonds stamped or issued in acceptance of the offer, and not repurchased or redeemed before that date, plus any bonds stamped or issued thereafter; this 4% service to be applied first to the payment of interest at 3% on all bonds outstanding from time to time, the balance constituting a cumulative retirement fund employed for purchase of bonds when available below par or redemption of bonds at par.

Public Utility Securities

Shawinigan Water & Power

Shawinigan Water & Power of Canada, one of the largest producers and wholesalers of hydro-electric power in the world, recently issued a brochure to commemorate its 50 years of achievement. The Shawinigan family includes Quebec Power, Shawinigan Chemicals Ltd., and Shawinigan Engineering, together with a number of smaller subsidiaries including transport and hotel companies.

The company was incorporated in 1898 and five years later had developed 10,000 h.p. The aluminum industry, then just getting under way, was the first to seek industrial power. The company now has 1,250,000 h.p. serving more than 217,000 industrial, domestic, farm and commercial users in an area of 25,000 square miles in the Province of Quebec.

Like most American companies, Shawinigan's rapidly increasing capacity remained well in excess of immediate requirements up to the wartime period, when demands became abnormally high By forming a power pool of the three great Quebec power systems—the Saguenay, the St. Lawrence and the Shawinigan—the company was able to meet all war demands.

The company's principal hydro units are on the St. Maurice River, which flows 240 miles through the Laurentian Mountains of Quebec to join the St Lawrence. It is estimated that one million additional horsepower can be developed on the upper St. Maurice, and a 384,000 h.p. plant (the Trenche development) is scheduled for completion in 1952.

The company's chemical business has enjoyed rapid growth in recent years. At the beginning of its history it entered this field through the Shawinigan Carbide Company, from which has been developed the largest carbide plant in the British Empire and also a large chemical industry based on acetylene. Shawinigan Chemicals Ltd. is now an important producer of vinylite, a plastic material which is used in a very wide range of everyday articles. The company also makes components of DDT and 2.4D (the new weed killer) plus many other products. Subsidiaries of the chemical company are jointly controlled with Union Carbide and Monsanto Chemical for development and research. The engineering subsidiary not only takes care of construction work for the system but also investigates power sites and builds hydro-electric and manufacturing plants throughout Canada, and in other countries.

The company's stocks (400,000 preferred shares and 2,178,250 shares of common) are owned by 20,000 stockholders of which 86% are Canadian. Earnings in recent years have shown substantial growth, due in part to the great activity of the paper industry, which supplied 41% revenues in 1946:

Year—	Earns.	Divs.
1947	$1.63	$1.20
1946	1.47	1.00
1945	1.06	0.90
1944	1.07	0.90
1943	1.09	0.90
1942	1.16	0.90
1941	1.07	0.90
1940	0.95	0.90

Shawinigan is currently selling on the Montreal Exchange at 23⅜, the yield based on the $1.20 dividend rate being 5.12%. The price-earnings ratio would be 14.4% based on published share earnings, but if the full equity in the earnings of the chemical subsidiary should be included the ratio would drop to 12.4. Earnings figures for the Chemical company have not been regularly furnished, but in 1947 the company grossed $13,166,000 and made a profit of $1,280,000, equivalent to 59¢ per share on the parent company stock; dividends of $703,000 were paid, equivalent to about 32¢ per share, leaving "hidden" earnings of 27¢. (There may be some hidden earnings for other subsidiaries, but they would probably not be very significant in terms of parent share earnings.)

Shawinigan sells currently on the New York Curb around 20 (the 1948 range being 20⅝-16). The difference of nearly 3½ points from the Montreal price reflects the 15% non-resident tax plus the discount in Canadian funds. As compared with most U. S. utility stocks, it does not afford a very high yield. However, its investment caliber is supported by a 40-year dividend record, a very strong cash position (presumably for construction), a 23% depreciation reserve, and a 41% equity ratio. The company's diversification in the growing chemical business doubtless also carries investment appeal.

Holds Public Exaggerates Concept of High Corporate Profits

Dr. Henry C. Link of the Psychological Corporation reports, as result of survey, only one-quarter of pubilc believes fact profits average under 10%.

According to Dr. Henry C. Link, of the Psychological Corporation, if large companies made profits as high as most people think they now make, most managers would consider themselves unscrupulous profiteers. If companies made as much profit as most people thought they should make, the managers would probably still think of themselves as profiteers. In a Psychological Barometer survey conducted by The Psychological Corporation with personal interviews in 148 cities from coast to coast and by 393 interviewers, one of the questions asked was:

Henry C. Link

"Out of every **dollar** which large business companies take in, about how many **cents** do you think they keep as clear profit?"

The same question was asked in a comparable Psychological Barometer survey made in May, 1946. The results in the two surveys were:

Cents per Dollar Companies Get as Profit	May 1946	April 1948
Under 10c	13%	24%
10c to 29c	29	37
30c and over	32	29
Uncertain	26	10

Continuing, Dr. Link reports:

"Only a quarter of the people believe that company profits average less than 10c on a dollar. And yet, according to government figures, their profits are less than 10c on a dollar even in a year of high profits like the present. A large majority, 68%, believe that these profits are anywhere from one to six times as great as they actually are.

"Many people today think that company profits are entirely too high. Thcherefore, we asked them this question:

"'How many cents out of every **dollar** do you think they **should** keep as a fair profit?'

Cents per Dollar Companies Should Have as Profit	May 1946	April 1948
Under 10c	17%	28%
10c to 29c	42	45
30c and over	15	17
Uncertain	26	10

"A large majority, 62%, said that they thought companies ought to earn anywhere from 10 to 60 cents profit on every dollar of goods they sold. In other words, these people think that companies ought to make much more money than they are actually making today.

"When the 1946 survey is compared with the 1948 survey, we see a slight change toward a more realistic appreciation of the profit which large companies are actually making. Also, people's ideas of what they should make are slightly nearer the truth. This improvement may be due to some of the educational measures which companies have been taking with their employees and through their public service advertising. The startling fact is that in both surveys people's ideas of the profits of big companies are so far out of line with the facts."

George Geyer, Pres. of NY Security Dealers

George Geyer, Geyer & Co., Inc., has been elected President of the New York Security Dealers Association to succeed Philip L. Carret, Grammack & Co.

George Geyer

Mr. Geyer, who is President of Geyer & Co., Inc., is Chairman of the National Quotation Committee of the National Association of Security Dealers, as well as being a member of its New York District committee.

Hermosillo to Attend Secur. Administrators Convention July 19

LINCOLN, NEB. — Announcement has been made that Praxedes Reina Hermosillo, Assistant General Manager of Nacional Financiera will represent Mexico at the annual meeting of the National Association of Securities Administrators in Portland, Oreg., July 19-22.

Two With J. A. Warner

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, announce that Thomas M. Abernethy and Sidney Ornstil are now associated with them in their New York Trading Department.

Stonier Stresses Dynamic Banking

In the course of his address to the graduating class of the Graduate School of Banking at Rutgers University in New Brunswick, N. J., on July 2, Dr. Harold Stonier, Director of the School and Executive Manager of the American Bankers Association, stressed the need of dynamic banking, always alert to succeeding generations amid changing economic conditions.

Dr. Harold Stonier

"Banking is not a static thing," Dr. Stonier pointed out. "It is an evolving service to business and industry, and beyond that, banking helps many millions of and women achieve economic stability and satisfy their wants. To perform these services satisfactorily to succeeding generations amid changing economic conditions means that banking must ever be on the alert and willing to adopt new methods, different approaches and advance with the changing times. Because American banking on the whole has been able to do this over a period of years, our type of banking remains unique among all banking systems of the present day.

"In recent years bankers have voluntarily assumed a new responsibility on behalf of the Federal government. We have urged our friends and neighbors to buy U. S. Savings Bonds. This has been a method by which it is said that many millions buy their share of liberty on the instalment plan. In this activity we act as agents of our government without compensation. On the other hand, our customers will undoubtedly hold us to share in the responsibility if, in the years ahead when these bonds become due, they receive weak and inflated dollars back for the stronger dollars they invested years before. For the rest of your lives, therefore, as bankers you will have a responsibility to discharge. You must take an interest in government, local, state and national, and in the general economic forces which determine the value of your bondholders' dollars. In the area of political action our fate as bankers may be determined. It would be shameful to lose that struggle by default or through neglect."

The class graduated this year is composed of 244 bank officers from 106 cities and towns in 33 states and the District of Columbia. Diplomas were presented to the men by the Chairman of the Board of Regents of the school, Loring L. Gelbach, who is President of the Central National Bank of Cleveland, Ohio.

Warns High Taxes Are Drying Up Chief Source of Capital

In the current issue of its "New England Letter," the First National Bank of Boston sounds a warning that high taxation, especially when levied on high income brackets, is threatening our economic system, which is dependent upon a steady flow of fresh capital.

"The perpetuation of our economic system is dependent upon a steady flow of fresh capital, which is the lifeblood of business," it is stated. "The chief source of this capital is the surplus earnings ploughed back into business, while most of the remainder comes from the surplus savings of the well-to-do. It is this money—used to purchase modern facilities which in turn lower costs, broaden markets, and create jobs—that is the fountainhead of progress. Largely as a consequence of the capital investment in this country, each succeeding decade witnessed a higher level of activity and well-being until the 1930's, when the near confiscatory taxation that was imposed reduced the capital flow to a trickle. Without this supply of capital, business became stagnant, unemployment reached staggering proportions, and this country which for decades had led the world in economic progress was the most laggard in emerging from the depression.

"The obsolescence and physical deterioration during the past decade and a half has created the greatest deficiency in capital facilities ever known, and will call for an estimated outlay of from $50 to $75 billion in order to place our economy on a healthy basis. Last year most of the money for this purpose came from funds ploughed back into business, while the greater part of the remainder represented bank borrowings or the sale of bonds. Only a small proportion came from the sale of equity stock, because of extortionate taxes and unfavorable business climate. The largest proportion of the equity money in the past has come from those in the higher income brackets. But because the government is siphoning the major share, this source of money is drying up as is clearly shown by the accompanying chart. It is interesting to note that whereas in 1945—the latest year for which this information is available—national income was nearly 110% more than in 1929, the aggregate amount of net income after taxes of those receiving more than $25,000 a year was about 58% less, based upon data furnished by the United States Treasury. In 1929 the net income after taxes of this group constituted over 8% of national income, but by 1945 it had been reduced to 1.7%.

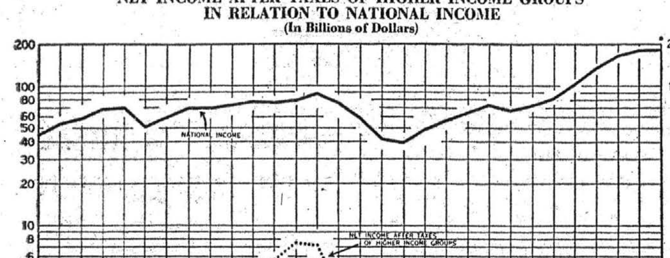
"We need not feel sorry for the rich as they can somehow manage to get along. Rather, our concern should be for the workers as they are the chief sufferers when there are not enough capital funds to provide the tools that are indispensable for new jobs and higher living standards. Not only are American workers incomparably better off than workers abroad, but also they receive by far the largest returns from industry. In consequence, the workers have more at stake than the capitalists in the preservation of American business enterprise. For that reason they should be deeply concerned about any action that would 'kill the goose that lays the golden eggs.'

"So 'soaking the rich' is like firing a shotgun into the crowd. It is a shortsighted policy as it jeopardizes all interests. Experience has indisputably shown that confiscatory taxation chills the spirit of personal initiative, discourages the accumulation of savings, and forces capital into hiding. Carried to its logical conclusion, confiscatory taxation destroys wealth and distributes poverty, as has been demonstrated over and over again by countries that have followed this course.

"The driving force behind our progress has been the spirit of private initiative in response to rewards for risk taking. A continuation of this progress is dependent upon the prospect of a reasonable return on capital investment and the safeguarding of property rights. As Abraham Lincoln in an address before workingmen at New York in 1864 said: "'Property is the fruit of labor; property is desirable, and is a positive good to the world. That some should be rich shows that others may become rich, and hence is just encouragement to industry and enterprise. Let not him who is houseless pull down the house of another, but let him work diligently and build one for himself thus by example insuring that his own shall be safe from violence when built.'

"While there is yet time, our national leaders and the workers should have a better understanding of what makes our economy tick, and the vital role played by capital and savings. Otherwise through ignorance and prejudice the 'temple' may be pulled down upon our heads."

NET INCOME AFTER TAXES OF HIGHER INCOME GROUPS IN RELATION TO NATIONAL INCOME
(In Billions of Dollars)



Advocates Changes in Type of Stockholder Reports

As result of survey made by Controllership Foundation, its President, Daniel J. Hennessy, presents recommendations for new type of statements to be issued to improve stockholder and worker-management relationships.

Most annual reports of the general type now being issued by corporations fail in their purpose of informing the people to whom they are sent about these companies, according to Daniel J. Hennessy, President of the Controllership Foundation, New York. Basing his remarks on a nationwide survey among shareholders, conducted for the Foundation by Elmo Roper, Mr. Hennessy went on to say, "Part of the large sums of money now being spent on company annual reports might well be directed into other channels if we wish to overcome misunderstanding and suspicion of business.

Daniel J. Hennessy

"This survey shows that the present type of annual report should be replaced by a different method of reporting," said Mr. Hennessy, who in addition to serving the Foundation as President and Chairman of the board is Vice-President and a director of the Jamaica Water Supply Co., Jamaica, N. Y. "Otherwise it is impossible to meet the varying needs of small stockholders, large investors, bankers, trustees, investment counselors, financial analysts, company employees and other groups."

The findings of the survey referred to by Mr. Hennessy are being published by the Foundation. Entitled "What People Want to Know About Your Company," the report prescribes a far simpler type of summary for the 50 to 75% of shareholders who are not interested in, or unable to understand, detailed statistics and accounting terminology, plus a full-scale annual report — designed primarily as a source document —for the more sophisticated large investors, financial experts, bankers and others who wish ready access to cold statistical facts. The study also disclosed a lack of interest on the part of both groups in such information as company labor policy, government relations and executive salaries — the last being labeled "least interesting" by the bulk of respondents. "For many stockholders, the present annual report falls between two stools," the Foundation's report on the findings observes. "It is neither good reading matter nor good source material."

The Foundation's project, conducted by Elmo Roper, disclosed that the average shareholder has little interest in corporation financial data, only 11% of those responding in the survey mentioning balance sheet items as things they need to know about in order to keep track of an investment. "A third of the respondents say they try first to find out about company earnings," the report avows, "but another 27% can name nothing they first look for. Asked about other things, beside earnings, which attract their interest, only about half the stockholders can name anything at all."

An appraisal of the value of reports brought out "no great enthusiasm," the Foundation's report declares, revealing that 40% of the total stockholder body profess to find no utility in the brochures they receive from their current companies, while 60% accorded them a "moderately useful" rating.

Concluding from such evidence that the run-of-the-mine stockholder is "not an avid consumer of information about the companies he owns stock in," the report goes on to say, "since he has paid good money to get his stock certificates, he is naturally anxious to get dividends, and he is interested to know what the chances are that 'his company' will remain strong enough to safeguard his capital and become profitable enough to pay the same — or a bigger — return on his money. To him these are simple questions that can be answered in a paragraph, and he says he will be satisfied if his company gives him these answers.

"If the company gives him more complicated tables prepared by accountants — pages of text describing the company's products, policies, problems, personalities and charts and pictures to show where the company's dollar goes or what its new factory looks like —he may or may not give these things a few brief moments of passing attention. But, remembering the limited interest with which he opens the annual report and his desire to get only two questions answered, there may be some danger of 'report indigestion.' If he has to look too far to find out what he wants to know; if he can't find any simple and believable statements about what his company is doing, he may throw the whole thing into the wastebasket and lament the inability of 'overpaid corporation presidents' to talk his language."

On the other hand, most of the large investors covered in the survey asked for more details, and their individual requests for added information that they would like to see included in annual reports embraced such topics as details on contingent liabilities; consolidated income statements and balance sheets going back ten years; reconciliation of the surplus and reserve accounts; existence and extent of hidden reserves; the back history of the company's earnings etc.

In order to satisfy the run-of-the-mine stockholders who crave simple, easy-to-read information and at the same time not to deprive the more sophisticated investors of the accounting facts and figures that they prize, the report recommends that the present practice of sending all stockholders the same type of annual report should be reconsidered. "For at least half of the stockholders, and possibly 75% of them," the document advises, "it might be more effective public relations technique to send them annually or semi-annually a one-page statement signed by the President, outlining earnings, dividends, general financial position and outlook for the company — and then offering a complete financial report on request."

Along with such a letter would go a condensed income and surplus statement and a balance sheet, in order to comply with stock exchange regulations. A second document advocated as a result of the survey would be something in the nature of a company newsletter telling — again in simple narrative prose — what the company is doing, including new products, new personalities, new problems, plus a running account of the corporation's month-to-month history.

"With this arrangement," the Foundation's report observes, "a self-selected public is left for the full-scale annual report, which can be redesigned to meet the needs of people who really want to dig into it, and who know what terms like 'surplus' and 'reserve' mean." Commenting on the large investors' reactions to annual report content and format, the study declares, "there seems to be general agreement that companies are giving out more information than they used to, and that this is all to the good as far as the sophisticated investor is concerned. However, a considerable and vociferous minority objects to the new trend toward glossy paper, pictures and expensive format in annual report preparation, terming them a waste of money. A second group of about the same size applauds the new format tendencies — perhaps not so much because of the added appeal to the respondent himself, but more because of a belief that it is a good thing for the less sophisticated stockholders."

Interviews conducted with financial analysts and bankers as part of the study — including stock brokers, trust officers, investment counselors and others in ten cities — prove that no annual preport issued for stockholders in general is likely to satisfy their needs, the summary brings out. Nearly all the people inter-

(Continued on page 27)

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The **Corn Exchange Bank & Trust Company of New York** announces the promotion of Silas A. Hayner, Assistant Secretary, to Assistant Vice-President.

* * *

BANK ITEM ONE 1 1

The **Colonial Trust Company of New York** in its windows on the Avenue of the Americas at 48th Street is showing an exhibit by Farrell Lines in recognition of the work that steamship company is doing in promoting world trade. The purpose of the exhibit is to tell Americans more of the Union of South Africa as a large stockpile of many basic raw materials needed in America. Samples of some of these raw materials are shown.

* * *

Manufacturers Trust Company of New York announces that Carl L. Mochwart and Karl Wolff have been appointed Assistant Secretaries. Mr. Mochwart is in the loan department at the bank's head office, while Mr. Wolff makes his headquarters at the branch office located at 84 Broadway, Brooklyn.

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Earl M. Harkness, President of the **Greenwich Savings Bank of New York** announces that the bank is observing its 115th anniversary this month. When the bank began its service to the public in July 1833, it was the first savings bank in Greenwich Village which then was a separate community some distance removed from the northern boundary of New York City. From its humble beginning in a small village store, the bank has grown to be a $265 million institution with three modern offices in Manhattan serving more than 175,000 depositors. "Throughout its history, the bank has endeavored to make saving as convenient as possible for the public," Mr. Harkness said. He notes that "for this purpose, the bank's offices have always been located at major shopping centers of the city." The main office is at Broadway and 36th Street; another office at 6th Avenue and 16th Street, is near the 14th Street center, and a third office on 57th Street near 5th Avenue is opposite the new branch building which the bank has constructed and will occupy in the near future.

* * *

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

	June 30, '48	Mar. 31, '48
	$	$
Total resources	4,551,331,951	4,675,876,956
Deposits	4,154,608,627	4,295,185,05[illegible]
Cash and due from banks	1,203,034,945	1,267,487,343
U. S. Govt. security hldgs.	1,632,762,061	1,725,308,801
Loans & bills discounted	1,461,069,554	1,405,956,863
Undiv. profits	58,940,689	57,389,075

* * *

NATIONAL CITY BANK OF NEW YORK

	June 30, 1948	Mar. 31, 1948
	$	$
Total resources	4,995,679,834	4,850,380,620
Deposits	4,645,527,278	4,507,009,250
Cash and due from bonds	1,461,486,097	1,289,461,435
U. S. Govt. security hldgs.	1,788,510,291	1,846,680,036
Loans and bills discounted	1,308,134,577	1,275,144,519
Undivided prof.	34,367,350	32,010,807

* * *

CITY BANK FARMERS TRUST CO., NEW YORK

	June 30,'48	Mar. 31,'48
	$	$
Total reserves	135,297,052	142,413,048
Deposits	101,847,428	109,656,253
Cash and due from banks	23,959,474	23,344,322
U. S. Govt. security holdings	93,665,485	102,842,577
Loans and bills discounted	1,085,986	1,165,976
Undivided profits	9,008,433	8,856,407

GUARANTY TRUST COMPANY OF NEW YORK

	June 30, 1948	Mar. 31, 1948
	$	$
Total resources	2,799,933,625	2,760,369,125
Deposits	2,352,216,496	2,332,835,818
Cash and due from banks	680,832,855	660,500,757
U. S. Govt. security hldgs.	1,123,217,847	1,158,058,374
Loans and bills discounted	870,076,684	810,899,655
Undivided prof.	63,848,493	62,552,224

* * *

BANKERS TRUST COMPANY, NEW YORK

	June 30, 1948	April 12, 1948
	$	$
Total resources	1,514,719,240	1,435,711,400
Deposits	1,305,093,022	1,208,560,200
Cash and due from banks	379,251,083	325,488,500
U. S. Govt. security hldgs.	518,954,817	482,045,500
Loans and bills discounted	539,227,594	551,268,000
Undivided prof.	42,941,766	42,428,000

* * *

MANUFACTURERS TRUST COMPANY, NEW YORK

	June 30, 1948	Mar. 31, 1948
	$	$
Total resources	2,265,689,164	2,231,881,921
Deposits	2,116,357,920	2,085,683,267
Cash and due from banks	602,840,245	558,277,393
U. S. Govt. security hldgs.	1,023,252,344	1,080,513,835
Loans and bills discounted	555,347,284	496,448,941
Undivided prof.	25,425,176	24,005,172

* * *

BROWN BROTHERS HARRIMAN & CO., NEW YORK

	June 30,'48	Mar. 31,'48
	$	$
Total resources	230,295,423	234,396,113
Deposits	194,572,786	198,452,741
Cash and due from banks	51,756,940	47,919,350
U. S. Govt. security holdings	50,929,970	59,302,764
Loans and bills discounted	59,263,764	57,957,941
Capital and surplus	13,885,284	13,865,284

* * *

CENTRAL HANOVER BANK AND TRUST COMPANY, NEW YORK

	June 30, 1948	Mar. 31, 1948
	$	$
Total resources	1,554,241,363	1,556,494,715
Deposits	1,409,010,546	1,417,743,347
Cash and due from banks	415,486,774	410,236,261
U. S. Govt. security hldgs.	606,485,001	643,385,515
Loans and bills discounted	450,287,764	418,155,809
Capital, surplus and undivided profits	128,578,640	128,053,265

* * *

J. P. MORGAN & CO. INCORPORATED, NEW YORK

	June 30,'48	Mar. 31,'48
Total resources	658,294,099	635,159,753
Deposits	586,791,761	564,159,814
Cash and due from banks	166,453,828	143,930,630
U. S. Govt. security holdings	308,925,722	315,055,076
Loans and bills discounted	143,282,710	130,786,454
Undivided prof.	18,742,686	18,382,864

* * *

CHEMICAL BANK & TRUST COMPANY, NEW YORK

	June 30, 1948	Mar. 31, 1948
	$	$
Total resources	1,515,183,172	1,317,248,763
Deposits	1,360,694,693	1,168,935,543
Cash and due from banks	407,904,968	329,201,051
U. S. Govt. security hldgs.	440,410,477	415,757,180
Loans and bills discounted	529,393,201	432,570,769
Undivided prof.	9,610,356	8,855,503

* * *

BANK OF THE MANHATTAN COMPANY, NEW YORK

	June 30, 1948	Mar. 31, 1948
	$	$
Total resources	1,169,109,532	1,138,737,965
Deposits	1,088,388,999	1,059,763,744
Cash and due from banks	345,495,520	292,265,877
U. S. Govt. security hldgs.	338,121,358	342,789,239
Loans and bills discounted	425,865,413	434,481,540
Undivided prof.	15,457,718	14,937,213

* * *

CORN EXCHANGE BANK TRUST COMPANY, NEW YORK

	June 30,'48	Mar. 31,'48
	$	$
Total resources	798,866,392	797,073,101
Deposits	751,545,208	750,630,988
Cash and due from banks	225,099,118	210,430,774
U. S. Govt. security holdings	470,252,197	486,340,985
Loans and bills discounted	78,963,531	73,765,375
Undivided profits	4,382,045	3,974,711

THE PUBLIC NATIONAL BANK AND TRUST CO. OF NEW YORK

	June 30,'48	Mar. 31,'48
	$	$
Total resources	539,509,389	549,381,107
Deposits	502,072,736	512,590,115
Cash and due from banks	127,191,132	116,996,457
U. S. Govt. security holdings	239,678,783	268,882,604
Loans and bills discounted	146,573,439	135,597,267
Undivided profits	8,567,038	8,187,973

* * *

COMMERCIAL NATIONAL BANK AND TRUST COMPANY OF NEW YORK

	June 30,'48	Mar. 31,'48
	$	$
Total resources	206,723,750	214,274,323
Deposits	178,357,126	188,093,289
Cash and due from banks	51,240,462	50,567,851
U. S. Govt. security holdings	98,126,577	103,035,794
Loans and bills discounted	51,277,417	52,643,856
Undivided profits	13,832,909	13,710,002

* * *

UNITED STATES TRUST COMPANY OF NEW YORK

	June 30,'48	Mar. 31,'48
	$	$
Total resources	141,322,296	142,608,437
Deposits	110,043,506	111,511,340
Cash and due from banks	20,904,201	27,883,839
U. S. Govt. security holdings	69,716,247	69,894,524
Loans and bills discounted	32,397,327	25,599,807
Undivided profits	1,326,944	1,281,450

* * *

GRACE NATIONAL BANK, NEW YORK

	June 30,'48	Mar. 31,'48
	$	$
Total resources	105,966,154	95,606,689
Deposits	92,519,756	80,742,820
Cash and due from banks	29,157,010	22,856,788
U. S. Govt. security holdings	44,888,820	42,407,282
Loans and bills discounted	24,728,853	21,335,762
Surplus and undivided profits	4,061,951	3,972,581

* * *

FULTON TRUST COMPANY OF NEW YORK

	June 30,'48	Dec. 31,'47
Total resources	$38,943,941	$40,243,734
Deposits	33,218,313	34,546,274
Cash and due from banks / U. S. Govt. security holdings	31,947,025	33,992,837
Loans and discounts	1,161,502	1,265,361
Undivided profits	1,372,209	1,357,471

* * *

J. HENRY SCHRODER BANKING CORPORATION, NEW YORK

	June 30,'48	Mar. 31,'48
Total resources	$76,867,743	$65,749,189
Deposits	54,234,094	45,512,523
Cash and due from banks	7,407,920	6,689,437
U. S. Govt. security holdings	38,266,979	30,736,005
Loans and bills discounted	9,897,939	11,915,025
Surplus and undivided profits	3,280,070	3,275,853

* * *

SCHRODER TRUST COMPANY, NEW YORK

	June 30,'48	Mar. 31,'48
Total resources	$34,984,975	$35,169,650
Deposits	29,973,233	30,207,733
Cash and due from banks	9,706,294	8,416,475
U. S. Govt. security holdings	18,185,832	19,272,319
Loans and bills discounted	6,266,280	6,731,681
Surplus and undivided profits	2,622,339	2,619,844

* * *

CLINTON TRUST COMPANY, NEW YORK

	June 30,'48	Mar. 31,'48
Total resources	$26,247,301	$25,835,927
Deposits	24,396,344	24,010,803
Cash and due from banks	7,257,230	6,664,167
U. S. Govt. security holdings and municipal bonds	10,697,023	10,991,007
Loans and bills discounted	6,854,572	6,431,350
Surplus and undivided profits	842,846	834,008

* * *

STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK

	June 30,'48	Mar. 31,'48
Total resources	145,900,832	143,628,618
Deposits	137,966,394	135,634,656
Cash and due from banks	38,172,004	35,278,309
U. S. Govt. security holdings	75,271,234	74,799,856
Loans and bills discounted	30,951,010	25,389,428
Undivided profits	701,035	685,272

* * *

KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.

	June 30, '48	Apr. 12, '48
Total resources	$57,501,545	$50,603,800
Deposits	47,914,055	41,208,400
Cash and due from banks	16,803,261	9,479,300
U. S. Govt. security holdings	23,636,290	23,526,000
Loans and bills payable	2,180,559	2,136,600
Surplus and undiv. profits	8,202,604	8,180,500

BROOKLYN TRUST COMPANY, BROOKLYN, N. Y.

	June 30,'48	Mar. 31,'48
	$	$
Total resources	230,418,156	229,830,132
Deposits	212,737,220	212,545,915
Cash and due from banks	62,590,067	57,277,948
U. S. Govt. security holdings	128,027,889	128,206,836
Loans and bills discounted	28,754,785	31,455,454
Undivided profits	1,735,531	1,854,052

* * *

It is announced that stockholders of the **First National Bank and Trust Company of Bayshore, N. Y.,** have purchased the entire offering of 4,000 shares of the bank's $25 par value common stock, at $50 per share. R. H. Johnson & Co. were the underwriters.

* * *

Edward Motley, Senior Executive Vice-President of the **Webster and Atlas National Bank of Boston,** was appointed its President on July 1. In 1902, Mr. Motley joined the investment firm of Curtis & Sanger, Boston, becoming a partner in 1911. He later joined the Webster and Atlas National Bank of Boston, of which he was elected a director in 1925. In 1929 he became a Vice-President and in 1943 Executive Vice-President, in which capacity he has served until his present appointment as President. Mr. Motley is also a trustee of the Warren Institution for Savings, Boston and a number of private trusts.

* * *

CORN EXCHANGE NATIONAL BANK AND TRUST COMPANY, PHILADELPHIA

	June 30,'48	Mar. 31,'48
	$	$
Total resources	280,447,829	274,845,657
Deposits	257,030,361	250,135,915
Cash and due from banks	72,951,493	70,469,744
U. S. Govt. security holdings	107,085,933	103,194,389
Loans and bills discounted	76,547,948	75,872,684
Surplus and undivided profits	12,663,274	12,550,224

* * *

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	June 30,'48	Mar. 31,'48
	$	$
Total resources	736,044,039	709,026,202
Deposits	669,566,082	641,156,370
Cash and due from banks	229,846,169	246,264,191
U. S. Govt. security holdings	295,568,929	251,995,942
Loans and bills discounted	150,793,244	157,858,969
Undivided profits	9,103,788	8,791,615

* * *

PROVIDENT TRUST COMPANY OF PHILADELPHIA

	June 30,'48	Mar. 31,'48
	$	$
Total resources	111,333,405	107,049,148
Deposits	94,597,034	90,224,477
Cash and due from banks	24,456,179	22,120,193
U. S. Govt. security holdings	53,464,033	53,591,205
Loans and bills discounted	22,032,028	21,618,805
Capital funds	15,333,774	15,260,367

* * *

John W. Brock, Trust Officer of **Land Title Bank and Trust Company, Philadelphia,** having attained the age of 65 retired on July 1 under the bank's pension plan. Mr. Brock has been with the bank since 1920. He attended Harvard, class of 1904, and is a graduate of the University of Pennsylvania Law School. He engaged in the active practice of law until World War I, during which he served as a Naval Reserve Officer and after which he joined the bank. He is President of the Edgemont Township School Board, a member of the Philadelphia Club and other organizations.

* * *

Howard E. Deily, Vice-President and Cashier of the **Tradesmen's National Bank and Trust Company of Philadelphia** announced with regret on July 2 the resignation of Herbert W. Goodall as Vice-Chairman of the bank effective July 1. Mr. Goodall will continue to serve the bank as a Director.

* * *

William J. Wallace has been appointed an investment officer in the personal trust department of the **Mellon National Bank and Trust Company of Pittsburgh,** it is learned from the "Post Gazette" of that city. The paper indicated, adds in its June 28 issue, that Mr. Wallace, prior to joining the bank was a captain in the Army Air Forces.

* * *

The election of E. Milton Smith as Vice-President of the **Fidelity and Deposit Company of Maryland at Baltimore** in charge of the contract department has been announced by Frank A. Bach, President, it was noted in the Baltimore "Sun" of June 27. Mr. Smith, who succeeds Sidney M. Hoyt, who has resigned, is a member of the Maryland bar. He has been associated with the Fidelity and Deposit Co. since 1910.

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CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST CO. OF CHICAGO

	June 30, '48	April 12, '48
	$	$
Total resources	2,275,210,573	2,193,605,354
Deposits	2,082,217,706	2,002,333,256
Cash and due from banks	629,772,380	571,430,086
U. S. Govt. security hldgs.	1,125,745,357	1,097,986,763
Loans and bills payable	438,146,895	426,652,281
Undiv. profits	30,547,998	27,856,775

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FIRST NATIONAL BANK IN ST. LOUIS

	June 30, '48	Apr. 12, '48
	$	$
Total resources	456,025,543	441,519,067
Deposits	423,401,310	409,024,975
Cash and due from banks	116,864,125	118,065,032
U. S. Govt. secur. holdings	150,810,702	137,352,283
Loans and bills payable	173,763,616	171,354,711
Undivided profits	7,890,061	8,268,117

* * *

Appointment of W. W. Turner as Vice-President, H. Fred Wilson, as Assistant Vice-President, and Russel A. Swaney as Assistant Cashier of the **Federal Reserve Bank of Chicago** was announced on June 30 by Clarence W. Avery, Chairman of the Board of the bank. Mr. Turner has been Assistant Vice-President and is in charge of the check collection functions of the bank. He has been with the Federal Reserve Bank of Chicago since 1918. He has been in charge of the credit department, was a loaning officer for several years, and was in charge of fiscal agency functions during the war. Mr. Wilson has been manager of the Bank and Public Relations Department since its organization in 1945. Prior to that, he was manager of the Research Department. Mr. Swaney is the Bank's representative in Michigan and has been with the bank since 1946. Prior thereto he was with the United States Treasury in charge of bond drives in Michigan during the war.

* * *

On June 30, Daniel J. Murphy retired as Vice-President of the **Crocker First National Bank of San Francisco** after serving the institution for 44 years. He will, however, continue as a member of the Executive Committee and the board of directors of the bank. Mr. Murphy will also continue to manage the various interest of the Crocker family as Vice-President of the **Provident Securities Company** and the **Crocker Investment Company,** positions which he has held for many years. He will also continue his membership on the boards of directors of a number of San Francisco industrial companies. Mr. Murphy started his banking career on Aug. 1, 1904 with the old Crocker National Bank which later merged with The First National Bank of San Francisco to become the Crocker First National Bank of San Francisco.

SEC Reports on Listed Corporations' Sales During the First Quarter of 1948

The Securities and Exchange Commission released on June 10, sales data for 1,070 corporations showing the net sales (including operating revenues) of these corporations for the first calendar quarter of 1948 and the first, second, third and fourth calendar quarters of 1947. Net sales of these companies for the first quarter of 1948 were $25,186,392,000, compared with $21,102,486,000 for the first quarter of 1947, an increase of 19.4%. Compared with the fourth quarter of 1947 when reported sales amounted to $25,566,992,000, there was a decrease of 1.5%.

Of the 1,070 corporations in the survey, 781 were manufacturing corporations with first quarter sales in 1948 of $20,438,179,000, an increase of 21.2% over the corresponding first quarter sales in 1947 of $16,866,992,000. Compared with the fourth quarter sales in 1947 of $20,663,717,000, sales in the first quarter of 1948 decreased 1.1%.

One hundred and seventeen other companies engaged in retail trade reported sales in the first quarter of 1948 amounting to $3,711,695,000, an increase of 13.6% over sales of $3,268,375,000 in the first quarter of 1947. Compared with the fourth quarter sales in 1947 of $3,783,586,000, sales in the first quarter of 1948 decreased 1.9%.

When using these data as an indication of business trends or possible profits, it should be noted that some of these reports are for companies or industrial groups having seasonal variations of sales.

How to Buy Stocks and Bonds

(Continued from page 4)

may continue to rise, and to rise noticeably for several more years. They would like an investment that would protect them against the worst effects of either of these possibilities. Investments known as convertible preferred stocks and convertible bonds are a partial hedge.

To understand the convertible preferred stock you must know how company earnings are distributed. Owners of the securities of a company are paid in the following order. Bondholders' interest must be paid first or the company will be threatened with bankruptcy. The preferred stockholders' dividends will be paid next if earnings are large enough. The rate of return on preferred stock is generally fixed. Last to be paid, but most favored when times are good and earnings are large, are the common stockholders. They get a big share of what is left after bondholders and preferred stockholders have been cared for. Now the advantage of the convertible preferred stock, assuming that it is high-grade, is that it provides partial two-way protection. If prices fall, the dividends on preferred stocks are more likely to be maintained than those on the common stock. Even if not maintained, they will be restored before dividends on common stock. Thus the market value of preferred stock does not decline as much as that of common stock although it will probably go below that of bonds. On the other hand, if prices continue to rise, common stocks will tend to rise in value, and in that event the fact that the stock is convertible into common stock will raise the value of convertible preferred. Convertible bonds also perform the same function, although at present there are not many good ones from which to choose.

Another way of resolving your uncertainty as to whether the price level is going to move up or down is to divide your holdings between bonds and common stocks. You may put half your money into bonds lest prices fall, and half in common stocks lest prices rise. If you have the courage to do so, you will be wise to hold to this proportion, or to whatever other proportion you select, rather rigidly. If prices continue to rise and common stocks go up in value, you can then sell some and put the money into short-term bonds or cash. Thus, if a crash takes you by surprise, you have saved some of the profits of the pleasant prosperity.

On the other hand, suppose that prices fall. While your high-grade bonds may decline, your common stocks will fall sharply. Later you can sell some of the bond and invest the money in common stocks at a more propitious level. Thus, when stocks start to rise again, as they eventually will, you will be among the first to profit. It takes courage, however, to follow such a program as this. It means you must do the opposite of what most investors are doing and you will be tempted to go with the crowd. Furthermore, it may take months or even years of patient waiting before you reap the gains of your rather contrary policy. Had you sold some of your stocks in 1928, you would have waited at least one year—until the 1929 crash—before the wisdom of your action would have been manifest. Meanwhile you would have had many day-to-day doubts. And had you bought stocks in 1932, you would have waited about a year before the wisdom of that action would have become apparent.

What Are the Best Industries to Invest In?

We have talked in generalities up to this point about the merits of bonds, common stocks, and convertible preferred stocks and bonds. Now the question is: What are the best industries to invest in? First of all, look over the economy of the nation. You should pick the businesses which are likely to do well in the future you foresee and which are not too risky for you to be involved in.

All that can be done here is to make a few suggestions about the industries to choose. If you expect that the price level will continue up for some time, then avoid industries whose prices are likely to be regulated or controlled. Their profits may be squeezed thin between rising costs and price ceilings. Railroads had been having a difficult time until recently, because the Interstate Commerce Commission did not increase their rates as fast as their costs went up. Public utilities faced the same problem. Choose instead industries the prices of whose goods or services may be raised without delay and without curtailing the demand appreciably. The automobile industry is a good example. Oil is another.

If you expect the price level to be fairly stable, then choose industries that make goods for which there is now a pent-up demand, such as building materials, automobiles, and perhaps railroad equipment. Also desirable are industries enjoying a rapid growth, such as the chemical and proprietary drug industries, or industries whose raw materials are scarce, such as oil or non-ferrous metals.

If you expect prices to fall, keep away from stocks and invest in short-term high-grade bonds, presumably governments.

If you see labor troubles ahead, such as occurred in 1946, it is wise to invest in industries in which labor costs are relatively small. In view of the growing strength of organized labor in recent times, some investors confine themselves almost entirely to such industries. In this category fall the tobacco, drug, food, beverage, chemical, utility and oil industries.

If you anticipate another war soon, then you should consider such wartime favorites as airplane manufacturing, automobiles, steel, non-ferrous metals, oils and chemicals. You should, however, bear in mind two probable characteristics of the next war. Parts of America may be destroyed and industries may be virtually "drafted" as men have been in the past. You should pick industries whose plants are scattered and you should actually not expect too much in the way of war profits. Stocks may be profitable in the preparatory period for war but once war is under way, fear, uncertainty and higher taxes tend to depress stocks.

Finally, you may be interested in a good income regardless of some risk. Fairly consistent performers in the past have been the better companies in the utility, insurance, food, soap, oil, proprietary drug and tobacco industries. Investments in the steel, non-ferrous metals, and railroad equipment industries may earn and pay even better dividends in good times, but their earnings can fall off alarmingly fast if economic conditions change.

It should be obvious that many industries have not been catalogued, but by looking into the records, which we shall tell you about, you can classify some of them yourself.

The Advantages of the Investment Trust

In general you should limit yourself to investments in a few companies in a few industries, so that you can watch them more carefully. Possibly you will object to this idea of a few investments on the ground that it is like putting all your eggs into one basket. There is, of course, a happy medium between too great concentration and too great diversity of investment. The danger of diversity lies in not being able to watch your investments; the danger of concentration is that you may be so unfortunate as to choose an unprofitable or less profitable company. If you are unwilling to try to strike this happy medium yourself, or are aghast by this time at the number of critical decisions you have to make, there is an easier way out for you. It is provided by companies known as investment trusts.

One kind of investment trust buys a wide variety of bonds, common stocks and preferred stocks and has a staff of experts to watch those securities carefully. The investment trust will sell you some of its own shares of stock. These represent a participation in its broad list of investments. If the trust's selection of securities is good, you should receive an adequate return. If the investment trust makes poor choices, the opposite will happen. Actually it is more likely to do well than badly because it has expert advice. Also, even if a few of the securities held by the investment trust prove disappointing, others will probably do better than anticipated. You will thus have the advantages of diversity.

A second type of investment trust stock gives you the opportunity to invest in one or more of several industries. Suppose you believe that the building materials industry has a great future ahead of it but have no idea which building materials companies have the best prospects. You may buy stock in the building materials group of an investment trust. This group may include the stocks of 10 to 20 companies, say two lumber companies, three cement concerns, a plywood company, a paint company, two or three roofing companies, a hardware company, a lock company, two or three furnace companies, and a few bathroom fixture companies. Such an investment will give you more diversification than you could otherwise afford with your modest savings or watch over with your limited time and knowledge of such matters. If one of the cement companies, as an example, began to experience poor earnings, the investment trust experts who are watching for such misfortunes would probably spot the trouble long before you would; they would sell the stock and buy something else in its place. Furthermore, you may invest in a few other industry groups—say oils, tobaccos, automobiles and chemicals—and obtain similar diversification, as well as the benefit of expert guardianship, in each of these.

The investment trust of course has a few disadvantages. Sizable costs for marketing and management are included in the purchase price. You will find also that it is expensive to shift your investments from, say, the building materials group to the oil group. And you do not have the fun of picking and watching your own investments; someone else is doing it all for you.

If the investment trust idea appeals to you after you have weighed the advantages and disadvantages, ask your broker to recommend a good one.

You may gain some of the advantages of the investment trust and still preserve your freedom to move cheaply if you invest in one of the nation's really big companies with diversified interests. For example, duPont de Nemours makes chemicals, nylons, fertilizers, gun-powders, and owns a quarter of General Motors. The big insurance companies also have their funds widely invested. Fire insurance companies have large holdings in common stocks and casualty companies favor fixed-income investments.

What You Should Know About the Bonds You Buy

By now, you may have picked four or five industries and are ready to look for one to three companies in each industry to invest in. We shall also assume that you intend to buy both bonds and stocks. Let us look at bonds first because they are usually considered safer. Bonds are a debt, and the stipulated interest must be paid on them on pain of bankruptcy. You will want some of your savings in bonds. The safest bond today is the short-term (one year) government bond. A government bond of somewhat longer maturity that is especially recommended by trust companies because of its many advantages is the Series G. Although the income on these is low, remember that you are buying them for safety, not income. In fact, so long as you are buying bonds for safety, buy only the best. There is no substitute for quality, and quality alone provides the protection that you are seeking.

We shall assume that the other bonds you buy are issued by industries, railroads, and utilities. There are certain other fundamental facts you should know about any bond that you buy. Several of these will be named and discussed briefly.

(a) What does the company make? How big and how old is the company? Has it a long history of financial success? Did it come through the previous depression satisfactorily? Is the management reliable and alert? Is the company still growing? Do not be misled by the company's name. For example, duPont is far more interested in automobiles than in gunpowder; Canada Dry Ginger Ale is not just a soft drink company; Bendix Aviation makes a wide variety of automobile parts, and no washing machines; and Seaboard Air Line is a railroad. You cannot guess intelligently as to your company's future, including its ability to pay its debts, unless you know the answers to some of these questions.

At this point you may be saying that all these questions are very fine, but after all where can the answers to them be found. You have only the vaguest idea where to look. You do not know the names of the best companies in some of the industries you have chosen. You will find the answer to this question and others in ponderous security manuals. These manuals are not so difficult to use as you may imagine, and you should learn where they are to be found and how to use them. They contain the most reliable information that is readily available. Since the information may save or make you many dollars, you should seek it out. There are two major houses that publish such manuals. One is Moody's Investors Service; the other is Standard and Poor's Corporation.

Moody's puts out a Railroad Manual, a Utilities Manual, an Industrials Manual, a Governments Manual, and a Bank and Finance Manual. Moody's manuals are published once a year but are supplemented with semi-weekly loose-leaf circulars that are alphabetized and periodically indexed. The circulars carry quarterly earnings statements and any news item of financial interest about the company. If a company gets a large order or borrows from a bank, that fact is promptly reported.

Standard and Poor's lumps railroads, utilities, banks, and other companies all together, alphabetizes them by industrial groups, and publishes the material in several loose-leaf manuals. This service keeps its information up to date by sending out new loose-leaf sections to replace the old ones.

Both these services are expensive, but it is not necessary that you buy them. You can probably find one, and perhaps both, of these sets of manuals in the office of your local broker or investment counsellor, or of your local trust company. If there is a college or university library in your community or a large public library, it also may have a set.

If you wish to look over the names of the companies in various industries, turn to the list of companies by industries in the blue-paged section in the middle of Moody's "Industrials." Next look up the company whose bonds you are thinking of buying. The manual will tell you when the company was founded, what it makes, what subsidiaries it has, who the principal officers are, when the company had its greatest growth, and how fast it is growing. The last can be determined by looking at the company's earnings statements for back years. The manuals contain a mass of facts by which you can judge the company and see whether it is as good, better, or worse than you supposed. But what are some of the other facts you want to know about the bond you are considering?

(b) Does the company ever have difficulty in earning the interest it must regularly pay bondholders? That is a crucial question. To answer it, look up in the manual the figure showing the number of times fixed charges were earned. Notice especially how well the company did this in the last depression. If you check on this in older manuals for the years 1929-33 and find the company did even moderately well, it is a good omen.

(c) Is your bond a senior security? If so, in case of bankruptcy or receivership, it will have a prior claim on the company assets. Since you are buying bonds for safety, you will presumably want only a senior security, or at least a bond that is virtually that. You can determine those facts from the manuals. Incidentally, along with bonds you may often see "debentures" mentioned. A bond is usually secured by a mortgage on some specific property of the company, whereas a debenture is merely the unsecured debt of a company. Thus any given company's secured bonds tend to be better than its debentures.

(d) Is your bond listed on the New York Stock Exchange's bond market? The investment manual will tell. If it is listed on this market, you will be able to follow it more readily. The daily quotations of the bond market reflect the judgment of the financial world as to its value and help keep you posted on what interested financial experts think of it.

Both Moody's and Standard and Poor's have rating systems for bonds. These ratings appear in the manuals, and also in monthly pocket-sized bond booklets for quick reference. Although the ratings indicate the experienced judgment of the manual companies' experts, they should be taken only as a guide and not blindly accepted. There is often a time lag before ratings are changed to reflect changes of conditions. Do not accept them without looking up the facts on the company yourself, for it is market prices, not manual ratings, that pay off in dollars.

(e) What is the yield on your bond? This is much more important than its nominal rate of interest. For example, if a $100 bond had no maturity, paid $3 a year, and sold for $50, its yield would be 6%, since $3 is 6% of $50. But bonds usually do have a maturity. A bond due in 30 years paying $3 a year, and selling for $69 has a 5% yield. (Incidentally, although bonds are quoted in hundreds, they are best bought in $1,000 units.) The matter of yield is complicated, and the simplest thing to do is to consult one of the financial weeklies, such as "Barron's" bond section. "Barron's" has each bond's yield all figured out for you. Standard and Poor's monthly bond guide also does this. Or your broker can figure it out for you from a book of bond yields.

Two basic economic factors affect the yield of a bond—the company's prospects and the general interest rate. If the company's financial prospects are good, the yield will be low; if they are poor, the yield will be high. Since you are buying bonds for safety, you will be suspicious of a high yield. You know that top quality and high income rarely mix. At present (1948) you should not expect more than 3% on safe corporation bonds of distant maturity, 2½% on long-term governments, and slightly more than 1% on one-year government notes or on top-quality corporation bonds about to mature.

The other economic factor affecting the yield is the general interest rate. As a rule, when the price level rises, the interest rate will likewise rise. In order for a $1,000 bond paying $30 a year to yield 4% to the investor, he must be able to buy it below $1,000. How much below depends, as already indicated, on how near to maturity the bond is. As we all know, prices have been rising, and interest rates are now tending to do likewise. If prices continue to rise, bonds will tend to fall. In short, a higher yield on bonds these days may be a danger sign of inflation. Stocks, not bonds, are to be preferred in such a period. Certainly, if you are going to hold some bonds, as of today, they should be the short-term variety—one to five years. Such bonds give you greater freedom of action.

(f) Is the bond near its maturity date? The newspaper quotation will tell you this. "Pennsylvania Railroad 3½ '85" will pay $35 on $1,000 each year and be paid off in 1985. If the bond has a distant maturity and for some reason its market value drops, you will be in the unpleasant dilemma of having to sell at a loss or of having your funds tied up in that security until maturity time approaches. When economic conditions are uncertain, it is best to buy one-year government bonds.

(g) Does your bond have a call price, that is, a price at which the company may buy it back from you on short notice? If so, do not, as a rule, pay more than the call price for the bond. Moody's or Standard and Poor's manuals will tell you at what prices the bonds may be called each year.

(h) Does the bond issue have a sinking fund provision? Your investment manual will tell. A sinking fund is a desirable feature, for it makes repayment of the bond more certain and tends to stabilize the market for the bond.

What You Should Know About the Common Stocks You Buy

Normally, savings invested in bonds represent your "defensive" capital whereas savings put in stocks are your "aggressive" capital. Lately stocks have yielded a better income, and so long as prices continue to rise, they are in some respects the wiser investment. In any event, we shall assume that you intend to buy some stocks. That would make you a part owner of the company in which you hold stocks, although you will have no actual share in the management. You should know many of the same things about the company in which you hold stock as you should about the company whose bonds you have bought. Moody's manuals and those of Standard and Poor's will provide you with the information. Another excellent service to consult is "Standard's Listed Stock Reports." These appear periodically, one for each investment. Your banker or broker probably keeps them filed in his office. They tell of the company's earnings and prospects, show graphically the trend of the market over recent years, the trend of the industry, and of the company within that industry. A sketchier picture of the company can be had from Standard and Poor's monthly pocket-size "Stock Guide." You can follow developments by means of a stock guide, but you should not rely on anything so inadequate in planning your investments.

These are some of the questions you should be able to answer about the companies whose stocks you decide to buy.

(a) Again, how big and how old is the company? What does it make? Is it still growing? How did it fare in recent depressions? The big manuals can answer all these. Another question that should interest you is whether the management is reliable and alert. You must rely on your powers of observation and your common sense to tell you that. Your broker, banker, or investment counsellor may be able to help you, too. You can pick up considerable information by reading the financial page of your metropolitan newspaper. More helpful, if you will read them, are financial journals like the "Wall Street Journal," the Chicago "Journal of Commerce," the "Journal of Commerce" (New York), "Barron's National Business and Financial Weekly," the "Commercial and Financial Chronicle," or "Business Week." All kinds of information about various companies are reported in these. Your authors especially recommend the "Wall Street Journal." "Fortune," also, has some fine write-ups of big companies, the products they make, and the men who manage them. And you must keep your ears open for such significant facts as that the X Mail Order House retires all employees at 60, or the Y Manufacturing concern has had no labor troubles for 25 years.

(b) Does your company also have several bond issues outstanding, has it obtained a large loan at a bank, or put out several issues of preferred stock? The holders of all these prior obligations will have to be taken care of before you receive any dividends. You are in the safest position if your company has no sizable bank debt and no bonds or preferred stocks. You will probably participate early in any siz-

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How to Buy Stocks and Bonds

(Continued from page 25)

able profits the company makes. Your manuals will tell whether your company has other securities outstanding. So will your stock guide booklet.

(c) Is your stock listed on the New York Stock Exchange or the New York Curb Exchange? These are the first and second most important markets for stocks in the nation. No other exchanges compare in importance with them. If your stock is listed on them, generally speaking, you can sell it more readily than if it were not so listed. You would do well to limit yourself largely, if not entirely, to stocks listed on these two exchanges. Your manuals or the stock guide will tell you where your stock is listed.

(d) What is your company earning? Your stock guide booklet, "Barron's," or the "Commercial and Financial Chronicle's" financial section will supply the current information. Most companies report their earnings quarterly about two or three months after the quarter is past. Such reports may be published in the financial section of your newspaper. What were your company's earnings over the past years? Consult your big manuals for this information. They will usually show you how the company fared in a depression. Have the earnings been consistently good? Does your company enjoy a feast or a famine in earnings as the steel companies do, or a more steady diet as the tobacco companies do? Are the earnings increasing or tending downward? Are dividends consistently paid? When did the company last fail to pay any dividends on its stock?

You should be especially interested in your stock's yield. A stock selling for $30 a share and paying $1.50 in dividends each year has a yield of 5% — $1.50 is 5% of $30. You can easily calculate the current stock yields yourself by dividing this year's estimated dividend by current price. If your stock has a high yield, that is a danger signal, for if speculators thought the dividends would continue they would bid up the price of the stock. You might do well to ask yourself what the average dividend was over the last 10 years. You can find this information in the big manuals. Then see what yield this would give in terms of the present price of the stock. If it is good, you will tend to buy; if not, you probably won't.

(e) What has been the market behavior of your stock? Is it steady or volatile? If the prices vary a lot, your chances of both profit and loss are greater. Your chances of loss are especially great if you are buying stock at a price near its high. The blue paper section in the middle of Moody's "Industrials" is a handy place to look up the high and low prices for all industrial stocks each year for the past 10 years.

Do not be tempted to buy low-priced stocks because they appear cheaper. Do not think that 80 shares of low-priced stock are necessarily better than eight shares of a high-priced stock. Low-priced stocks are more likely to be of poorer quality.

Of course the importance to you of some of the factors discussed here will vary with your purpose in investing. If you seek income, yield will mean a lot; if you seek safety, steady market behavior will count heavily with you.

What You Should Know About Preferred Stocks

First of all, you should have some good reason for buying any preferred stock at all. If it is safety you want, you should seek it in bonds. If it is income and capital growth you want, seek it in common stocks. Preferred stock is not so safe as bonds nor so profitable as common stocks. At present, there seem to be good reasons for buying high-grade convertible preferreds, as has alrealy been indicated. The ordinary preferred stocks, however, seem doomed to decline if a depression comes or if inflation continues. If interest rates rise, these stocks will fall for the same reason that bonds will fall—in order to give the buyer a yield to correspond with the higher interest rates. Any ordinary preferreds will not participate in higher profits if good times continue. Because convertible preferreds are more attractive at the time this is written, they tend to have lower yields—about 3½% for safe issues — whereas high-class ordinary preferreds currently yield around 4%.

If you still decide to buy some preferred stocks, or some convertible preferreds, you should know the answers to the same questions we have outlined for common stocks. Be sure the preferred stocks you buy are of top quality, for you are buying them largely for safety. You should not invest in the preferred stock of any company which has a sizable bonded indebtedness, for interest on this must be paid before your preferred stock gets anything.

There are other feaures of preferred stocks you should know about. For example, is the preferred stock cumulative? That means that if earnings do not justify a dividend in any year, the stock will pay you that back dividende later, before the common stock receives any dividend. That is obviously a desirable feature. Is the preferred stock participating? In other words, if earnings are high, does the preferred stockholder share in additional earnings along with the common stockholder? This also is a desirable feature, but few preferred stocks are participating. Is the prefered stock callable by the company? If so, at what price? Is it selling above that price? Is there perhaps a sinking fund set up to accumulate money to pay off the preferred stock? Preferreds with sinking funds tend to be rated higher than those without sinking funds. Finally, is the preferred stock convertible? Of late, many new preferred stock issues have been. The terms of conversion are usually complex; therefore have your broker or investment counsellor explain them to you. You should note especially whether the stock is selling above the conversion point—if so, it is virtually a common stock; or far below the conversion point—if so, conversion has little meaning. Observe also whether the privilege of conversion has expired. The answers to all these questions can be found in the big manuals.

Convertible debentures are even better as a partial hedge than is the convertible preferred stock. If prices fall, the convertible debenture has the protected status of a debt, albeit an unsecured debt. And if prices rise, it can be converted into common stock. Unfortunately, very few prominent companies have convertible debentures on the market at present. The near future, however, may see more of these companies issuing this type of security. Apply the same tests to them that you would to bonds and convertible preferred stocks. Ask your broker or banker to explain the terms of conversion.

How to Go About Buying Securities

You will buy your securities through your bank or through a broker. If you have not already consulted someone experienced in the selection of securities, you should do so at this point. If you buy through a bank, consult the person in the bank's trust department who buys securities; he will know most about them. Your broker may also give you some good advice. If he calls himself an investment counsellor, it means he is more than just a broker—he is a student of investment. He makes a business of studying investments, his clients' financial needs, and how best to correlate them. He charges a fee for this service, but if he is skilled and experienced, his advice may be worth many times the cost. For example, he may be able to tell you more about the character of the management of a company than the manuals will reveal. He can also interpret the company's balance sheet for you. This may show, for example, that the company's inventories may be dangerously high, or that it may soon have to resort to further financing (a bank loan or a bond issue) to secure adequate working capital. Such an analysis is just as important to you as the company's periodic earnings statements. Consulting with an investment counsellor does not mean, however, that you must take all his advice or that you should neglect to investigate the securities you finally decide to buy, because you feel that he knows more than you do.

In buying investments, timing is of the utmost importance. Timing may refer to the market as a whole or to the industry you have chosen cr to the company's investments you have picked. There is an old wheeze to the effect that making money on investments is easy, "all you have to do is buy at the low and sell at the high." The natural reply is: "True, if we only knew when." You can at least attempt to approximate that knowledge. If, when you are about to buy, the market, or the industry, or the company's stock is at or near the highest level it has reached for years, then the chances are excellent that a decline is more probable than a further rise. We told you about the "Standard's Listed Stock Reports." They have little charts at the top of each which are helpful from the standpoint of timing. They show the trend of the market over recent years, the trend of the industry, and of the company within that industry. A study of these three lines can be very meaningful. If, for example, all three are rising and higher than ever before, beware. It is obvious that you are not purchasing at an attractive level. On the reverse side of these Stock Reports are the actual statistics on earnings, dividends, and price range for ten years or more. We urge you to look at these. They may suggest an explanation for the price behavior of the stock shown on the chart and further justify its present position in relation to past performance. When you have finally decided to buy, hesitate no longer; buy promptly. If you wait, you may have the painful experience of seeing the investment go up and your carefully calculated gain lost so far as you are concerned.

When you are ready to place your order for stocks or bonds, do not be disturbed because others do not agree with your selection. Remember you are buying on a market. Someone else is selling the investment you are buying, either because he needs the money or because he thinks that investment not as good as some other. You think it is the best selection for your purpose. Such differences of opinion make the market. If everyone thought the same about any investment, there would be no market.

1948 High	1948 Low	Stock	Sales in 100s	Open	High	Low	Last	Net Change
[illegible]	50½	Gen. Motors 3 xd	22	56¼	56½	56	56½	—2¼

When you place your order, you may tell the broker to buy at whatever price it is necessary to pay—that is, "at the market"—or you may set a price and wait for some seller to accept. In general, the former procedure is recommended, especially if the investment is one that is actively traded. Once you have bought, the broker or banker expects you to pay promptly. He will then register the investment in your name, if it is a stock, and send in your address so that dividends and earning statements will be sent directly to you.

You should keep a careful record of your investment transactions. Ask your broker for a securities record book. He probably hands it out as an advertisement and will be glad to show you how to use it. Record in this the serial number on your bond or stock certificate, the day you bought it, how much you paid for it and through whom you bought it. Plan to keep a record in this book of the interest or dividends you receive. Meanwhile, put your stock certificate or bond in a safety deposit box or some other safe place.

How to Watch Your Securities

At first you will probably look at the financial page every day to see the latest market quotation on your stocks and bonds. It is fun, like watching the day-to-day standings of your favorite big league team. Since you will undoubtedly do this, you might as well understand how to read the market quotations that ordinarily appear in a newspaper. Let us interpret a typical common stock quotation for you. (See above.) The first two figures indicate highest and lowest sales prices for 100 shares or more for the year. The "3" after General Motors means that each share of that stock paid $3 in dividends the past year. The "xd" stands for "ex-dividend," and means that if you buy it now, the former owner, not you, will receive the impending quarterly dividend payment. The next four quotations are plain enough; each refers to the sale of at least 100 shares. Net change of minus 2¼ means that the last sale today was at the rate of $2.25 less per share than the last sale yesterday. For an explanation of other little signs, consult the footnotes at the end of the newspaper's stock quotation list. After a while the fun of watching will wear off, as it should, and you will look only occasionally to see what your securities are selling for. You should still look at least once a week. You should be interested in the month-to-month and year-to-year behavior of your investments, not their day-to-day fluctuations. If the investment is sound and pays what you expect, you can largely forget these daily ups and downs.

You will receive quarterly reports and other leaflets from all your companies. You will be interested in how their earnings per share this year compare with those of last year, in their expansion programs, if any, and in any securities senior to yours they may contemplate issuing. Once a year your company will send you a proxy to fill out and return. This simply means that the present management want you to let them vote your stock. It is by this device that they perpetuate their control even though in many cases they own only a small per cent of the total stock. When you analyze the situation, you have only three choices: (1) sign and let them vote it as they wish; (2) throw the proxy away, and thus not vote against them; (3) journey to the stock holders' meeting, where you can have no influence anyway. Your helplessness may annoy you. Forget it. You are only discovering that a small stockholder is not really much of an owner of the company after all. If you approve the policies of the management, so far as you are aware of them, do them the courtesy of signing the proxy and sending it in; if you disapprove, the best thing to do is sell the stock.

When your dividend checks come in, cash them promptly and enter the date and amount in the record book your broker gave you. You will need this record for income tax purposes. If you have a bond or debenture, you will have to clip the coupon on the due date. Your bank will cash it for you.

When You Should Sell Your Investments

You have been told repeatedly that you should investigate before you invest. Likewise, you should watch for news of your companies and of general economic changes after you have invested. Read the financial section of your newspaper, perhaps a financial journal, and the quarterly and annual statements of your companies. Consult new issues of "Standard's Listed Stock Reports." Ask the National City Bank of New York to send you its monthly letter on economic conditions. It is excellent and it is free. Do not sit back and assume that your job is done, now that you have invested. Keep posted on current developments. You will not want to make many changes, but changing conditions in the economy or in your company will sometimes indicate that you should make some shifts in your investments.

You will discover very early that it was far easier to buy than it is to sell. If your stock or bond has risen, you are so pleased that you will not think of selling. Yet the time to sell is after your stock has had a substantial rise. An old saying goes that "No one ever got poor taking a profit." After all, you cannot hope to know when it has reached its peak and then have the wisdom to sell it at just that point. The person who does so is just lucky, and such luck does not often repeat itself. The person who makes some profit on his stocks is the one who sells too soon; in other words, he is not greedy for all the increase. He sells after a substantial rise and is happy over his gains rather than unhappy over any further rise.

On the other hand, if your security goes down, you must decide whether to sell, accept some loss, and save the rest of your money, or hold on because the company is good and you think the security will recover. You will do best to let your judgment of the company's and the industry's soundness guide you and try to shut out any emotion emanating from the stock market.

All this suggests that you may be continually buying and selling. While occasional purchases and sales may be desirable, you should avoid frequent shifts. Presumably you are an investor, not a speculator. If you shift often, it becomes costly and your losses may mount. If you shift, you may lose dividend payments in the process. Every time you shift, you have to make two right decisions instead of one as when you first bought; the risk of wrong decision is thus multiplied. In short, choose carefully at the outset and thus avoid most of the necessity for shifting.

Conclusion

In conclusion we can do no better than to quote the investment advice of a man who has been eminently successful as an investor, who is famous the country over for his common sense, and who has probably given America more good advice in the last generation than any other citizen. We refer to Bernard Baruch. He sums up a successful investment policy under four headings:

(1) Get all the facts.

(2) Exercise patience in studying them.

(3) Use imagination in dealing with them.

(4) Be willing to act on your conclusions boldly and at once.

Export-Import Bank Grants Credit to Swedish Concerns

The Board of Directors of the Export-Import Bank of Washington on June 9 authorized participation to the extent of $2,155,000 by the Bank in a credit amounting in total to $3,330,000 to Aktiebolaget Aerotransport (ABA) and Svensk Interkontinental Lufttrafik Aktieboleg (SILA) to assist in financing the purchase from Douglas Aircraft Co., Inc. of DC-6 transport aircraft.

This credit is in accordance with the Bank's established policy of assisting American exporters to finance the sale of American equipment abroad particularly when such equipment will directly assist the borrowing country to earn dollars and other "hard" currencies.

Douglas Aircraft Co., Inc. for its own account and a United States commercial bank will also participate in the credit without recourse on the Export-Import Bank.

The notes of the Swedish borrowers will mature semi-annually over a period of four years, will bear interest at the rate of 3½% per annum, and are to be unconditionally guaranteed by the Sveriges Riksbank.

Advocates Changes in Stockholder Reports

(Continued from page 22)

viewed within this class had a variety of other sources of information, and many were in a position to go directly to company officials and get special questions answered whenever the desired information was not available elsewhere.

"Financial analysts and bankers," the report declares, "are more sophisticated than the large investors and are less likely to take annual-report figures at face value. They feel that many such reports try to paint company progress and prospects in the best light possible. For them, the annual report is a document which presents a particular point of view toward company financial operations — and one that must be checked as a routine matter, by reference to other sources of information, such as tax returns and SEC reports."

Annual reports at present do not rate high as an important channel of communication between management and worker the portion of the survey devoted to weighing employee-reaction brought out. "Seventy-one per cent. of the factory laborers queried, and 41% of the white-collar employees, state that the annual report of their company never reaches them," the study observes. "Another 10% and 17%, respectively, say they see, but never read, them. The relatively few who do see and read them — 40% white-collar, 16% factory — are inclined to think they tell the truth, and have few criticisms to make except that they are hard to understand in places.

"The brief version of the annual report, with tables expurgated, apparently appeals to employees the same way it does to stockholders. This type of report promises more comprehensible answers to the few questions both groups have about company finances and policies."

In most respects, the interest of the national labor union official in corporation reporting is similar to that of the financial analyst, the survey showed, although such leaders naturally desire information which will serve their special viewpoint in collective bargaining, such as breakdowns of the wage bill by separate bargaining units, data on depreciation and reserves, complete cost breakdowns, and information on dividends paid to stockholders. "The same detailed reports prepared for large stockholders and professional analysts would, with minor modification, suit union research directors and staff economists," the study concludes.

Local labor officials and shop stewards, on the other hand, professed little interest in the annual report, other than to emphasize the need for broad information on matters which bear on job security.

Redeemable Currency—Only Means of European Recovery

(Continued from first page)

an additional supply of both consumers' and capital goods from America; that for reasons of state the money for the purchase of these goods should be supplied promptly from the Treasury of the United States, for the most part free, in lesser part on long-time account. The amount deemed required is approximately $20 billion.

I

It is my position that these plans for promoting tranquility within the recipient states are predicated upon a demonstrably false premise and will fail because of it. This false premise is the assumption that under their existing monetary and fiscal practices it is possible to create general prosperity and popular contentment within the aided states. That the true requirement for general prosperity and consequent domestic tranquility within these states is not money from our Treasury to be used in purchasing goods from Americans. That the true **and indispensable** requirement is an honest medium of exchange to be provided for the people of these countries by their own government. That until such a medium of exchange is provided there never can be and never will be general prosperity or mass contentment. That the general unhappiness within these states which manifests itself in popular demonstrations of discontent is the natural consequence of the irredeemable paper money inflation from which they are suffering and is caused by it. That conditions within these countries are ripe for the agitator and promoter of revolution and will remain so until the causes are removed. That the causes are the restrictions and limitations upon production and trade and the cruel injustices inflicted upon the decent and law abiding elements of the population by the monetary practices of their own governments. That these restrictions will not be removed and the injustices corrected by offering more goods for sale. Only an honest medium of exchange in which the people possess confidence will remove them. And at this point permit me to point out that the people of a rich and productive country can become the victims of a paper money inflation as readily as the people of a poor one. As witness of this, rich and productive France and her poorer neighbor Italy both suffer from the same disease. And it is noteworthy that both France and Italy are richer than their neighbors: Luxembourg, Switzerland, and Portugal. Yet these poor adjoining countries adhering to honest monetary practices are financially stable and politically tranquil and require aid from no one.

Time and experience have proven the truth of the aphorism of Leinin, founder and great apostle of Bolshevism, that of all the methods of overthrowing a free capitalistic economy there is none so stealthy in its approach and so certain of success as the emission of irredeemable paper moneys. And of that of Daniel Webster that "Of all the contrivances for cheating the masses of mankind none has been more effective than that which deludes them with paper money."

And for the purposes of this discussion I offer it as a corollary to the Lenin and Webster theses that within a modern society with its great diversity of production and consequent wide and continuous distributions of the things produced, a medium of exchange in which the people possess confidence is as essential as tools in the construction of buildings. That without such a medium it is impossible either to create or maintain general prosperity, mass contentment, or political tranquility.

II

At this point you may wish to know precisely what I mean by an honest medium of exchange as distinguished from irredeemable pieces of paper. I will digress a moment to tell you. By an honest medium of exchange I mean a medium which within itself possesses a given quantity of a thing of intrinsic value or at the option of the owner is convertible into a specified quantity of a thing of intrinsic value. As example, gold coin of a given standard of weight and fineness is a medium of exchange possessing intrinsic value. Gold is a ductile metal of natural beauty. It is useful in the fine arts and throughout all time has been admired by mankind.

Whether in coins or bars or nuggets or dust, it possesses value because it is desired. Come war or revolution or repudiation, coins minted from gold or any other metal possess the value of their metallic content. To the extent of this value they are proof against repudiation. Paper certificates convertible into coin are not to be confused with irredeemable slips of paper convertible into nothing except another slip of paper. Nevertheless such convertible certificates are subject to repudiation as all who held them in the early part of the last Administration know.

Recent events graphically illustrate the difference between money possessing intrinsic value and irredeemable paper. Not many years ago it was the fashion in high political as well as in some academic circles to belittle gold as a monetary metal. It was said that once the people became aware of the blessings of managed paper money they would no longer desire gold coins. Demand for gold for minting would then disappear and as a consequence the nation's gold stock at Fort Knox would possess value only as demanded by the fine arts. Very little time has been required to prove the baseless nature of these fashionable prophecies. There is now a free gold market in Paris. It is regulated by the Government of France. In this market there is trading in gold and the transactions are reported. Here are some of the most recent. United States twenty-dollar gold pieces have been selling in this open market at from twenty to twenty-two thousand French francs. Upon the same market and during the same days United States twenty-dollar bills have been selling at seven thousand French francs. Now bear this in mind. The U. S. twenty-dollar gold pieces are identical with those Americans were forced to surrender to their government in exchange for the twenty-dollar bills. The twenty-dollar bills are the identical bills they were forced to accept. So today on a free market the U. S. twenty-dollar gold piece brings twenty to twenty-two thousand French francs, while U. S. paper of the identical denomination brings seven. A quick calculation shows that persons wishing to dispose of U. S. twenty-dollar gold pieces upon this open market are now able at times to get three twenty-dollar bills for each of them, and seldom substantially less than that. **A further calculation shows that U. S. paper dollars in terms of our own minted gold coin are now selling in the open market for from thirty to thirty-three cents each.** You may be curious as to the sellers of these twenty-dollar gold pieces. One must assume they do not come from Americans, since it would constitute a crime for an American to own them. Supposedly they come from foreigners who refused to surrender them to the American Government and who could not be compelled to do so by American law. It is not impossible, of course, that some of them come from forewarned American citizens or residents who succeeded in getting them out of the conutry. Had these persons held American gold certificates or American gold bonds they would have been helpless against the Act of Repudiation of the American Government. But of the gold coin there could be no repudiation. This fact and the prices quoted give answer to those fashionable prophecies popular alike in political and academic circles within the memory of all who are here. The answer is that Natural Laws can neither be shouted down by mobs, argued out of existence by doctrinaires, nor repealed by governments.

III

My major premise, to which I now return, is this: **that prosperity and political tranquility will never return to Western Europe until honesty returns to its money.** In proof of this premise I might with safety rely upon the record. It is one of ruin and disaster. In it there are to be found no exceptions. Not once in the troubled history of the world has paper succeeded as substitute for money. Not once have its manifestations been different than those to be observed today. That you may observe the similarity between the conditions of today within the inflation ridden countries and those during previous inflations, I propose to read you certain past and contemporary descriptions. Since it is impossible to describe conditions in all the countries, I will take France and Great Britain as examples. In respect to the character of their fiscal practices, they are neither the best of the countries nor the worst.

The figures I am about to quote are taken from the "Harvard Business Review" of May, 1948. They show the spectacular rise in the wholesale price index of France. This rise goes hand in hand with a continuous emission of irredeemable paper francs in satisfaction of budgetary deficits. It should surprise no one when he is made aware of the fact that since the liberation the French Government has issued more of these paper francs than did the Vichy Government during the Occupation. Taking the pre-war prices of a fixed date at 100, wholesale prices in France in October, 1944, stood at 265; in December, '45 at 469; in December, '46 at 842; in December '47 at 1217; in January '48 at 1456. These prices take no account of the enormous public subsidies which held down the prices of certain necessities. Nor do they take account of the black market prices although during that time the black markets of France were doing at least one-third of all the business. Nor do they take account of the scarcity which was experienced in the cities of France and more often than not made it impossible to purchase desired things at the established prices.

I now turn to a letter written by a San Franciscan and published in the "Argonaut" of October 24, 1947. This gentleman had just returned from a trip through Europe, a continent with which he was familiar. He says:

"These Europeans are not suffering although they appear broke. . . . Never, even in the hey-dey of the late twenties have I seen such spending, luxury, gambling, etc., as in France and Belgium. It's not like the old days when the Americans, British and Russians were the great spenders in Europe. Now it's the local people. . . . The exhibition of indecent riches I saw in French Summer Resorts have certainly not given tourists the impression she needs financial help. . . . At present France offers a strange picture. Her industrial production is equal to 1938, but she lacks essential manufactured commodities. Her agricultural output equals 1938 yet she goes begging for wheat and meat. The cause is hoarding for black market prices. Her cities go short of food and the countryside eats as never before."

In Paris, during the same month, last October, the American correspondent, Marquis Child, reported that expensive French restaurants were daily filled to capacity with French diners, while the French Riviera, the expensive gambling and resort center, had just closed its most profitable year. The reports are but two of many describing similar conditions.

Now permit me to quote from a report of a British Committee called "The Church's Committee on Public Gambling." This is a committee of the Church set up to investigate the alarming increase in gambling in Great Britain. According to its report recently issued covering the year 1947, the total money spent in public gambling in Great Britain during that year was $3,865,000,000. It was divided as follows:

Horse racing, pari-mutuel machines: $84,500,000.

Horse racing, bookmakers: $1,700,000,000.

Greyhound racing: $1,800,000,000.

Football pools: $280,000,000.

Assuming the population to be 40,000,000, this is approximately $100 per person and $400 per family of four. These represent increases over the previous year and reflect one of the causes of the tremendous increase in absenteeism the British are experiencing.

Having now called attention to present day conditions, permit me to read a description of conditions in France during the great Assignat Inflation of a hundred and fifty years ago. I read from "The Lectures of Andrew D. White," President and Professor of History of Cornell University. The subject is "Fiat Money Inflation in France." These lectures were delivered in 1878. After describing the great rise in prices and the confusion, discontent and disorder among the French people, Dr. White said:

"But these evils, though great, were small compared with those far more deep-seated signs of disease which now showed themselves throughout the country. One of these was the obliteration of thrift from the minds of the French people. The French are naturally thrifty but with such masses of money and with such uncertainty as to its future value the ordinary motives for saving and care diminished and a loose luxury spread throughout the country. A still worse outgrowth was the speculation and gambling. At the great metropolitan centers grew a luxurious speculating, and gambling body which, like a malignant tumor, absorbed into itself the strength of the nation. In the leading French cities now arose a luxury and license which was a greater evil even than the plundering which ministered to it."

Let me also read from the work of a distinguished French Scholar, Pierre Gaxotte. It is from his work "The French Revolution" published in the United States in 1932. Describing the conditions in

Paris during the Assignat Inflation of the 1790's he says:

"Never had the keepers of restaurants done such good business. While in the outskirts of the city none but emaciated, pale, and ragged figures were to be seen, the coffee houses and eating shops in the Palais Royal were filled with bursts of laughter, the glitter of diamonds, faces shining with good cheer, and women with next to nothing on. It was a case of overfed bellies on the one side and empty bellies on the other; and the latter were preparing to hurl themselves upon the former."

I have read these accounts describing the reaction of the people of today and that of the people of a century and a half ago under like conditions for the simple purpose of demonstrating the working of a natural law. In them are portrayed the economic and moral effect of paper money inflations. They manifest a moral and intellectual disintegration of government spreading throughout the entire population. It is a disintegration to be observed among the educated and highly placed as well as among the uninformed masses. It is a disintegration which feeds upon itself and grows steadily worse and never better until the most drastic and far-reaching reforms are effected. It manifests the refusal of the people to obey the mandates of their own government which they know to be based upon false pretense. It manifests their refusal to honor a medium of exchange which they distrust, or to save it, and their determination promptly to get what they can out of it either in things of material value or in pleasure or excitement. One can observe this attitude building up at a steadily accelerating pace among the people of our own country. And it carries an ominous note when one observes that our own paper dollar measured in terms of gold coins of our own minting is now selling in a free market at 30 to 33 cents, with no appreciable reaction to the significance of this grave fact upon the part of our own government. But no greater mistake could be made than to suppose the serious implications of this are not understood by informed persons throughout Europe and the world not excluding the watchful rulers of Soviet Russia.

IV

The ills from which these inflation ridden states suffer, as I have pointed out, neither evidence a want of material possessions within the country nor result from it. They are a direct reaction to destruction of the established medium of exchange and measurement of value. This destruction has brought confusion, uncertainty and unhappiness into every phase of the people's lives. While preserving the form it has altered the substance of every long-time contract. It has destroyed the savings of masses of honest and deserving people. It has reduced the real wage or salary of every employed person. It has inflicted cruel and unmerited punishment upon the innocent and helpless. Every law-abiding individual within the countries is its victim. As the price level rises with each succeeding act of inflation the people of these countries experience additional reduction of savings, wages and salaries. To suppose that contentment and political tranquility are to be found among a people rendered continually unhappy through a great imposture practiced against them by their own government is to abandon reason. It was a keen appreciation of this which prompted Lenin to utter the words to which your attention has been called.

Paper money inflation is a practice under which a government, to advance its own immediate political interest, unjustly despoils one class of its citizens and unfairly enriches others. It punishes the law-abiding and industrious and rewards the gambler and law violator. Its ills are intensified through the ensuing efforts of government to still the complaints of its primary victims by expropriations from others. Thus having robbed Tom, the wage earner or holder of obligations payable in money, and being alarmed by his outcries, the government makes hurried effort to rob Dick and Harry in Tom's interest. These secondary expropriations take the form of price and wage and exchange controls and rationing. Each seeks to take from someone a right to which under the customs and beliefs of the people he is rightly entitled, Thus price control takes from the owner of property the right to sell it to the highest bidder and from all others the right to pay for an article as much as they deem it worth. Wage control takes from the worker the right to receive for his service that which another is willing to pay and from an employer the right to pay that which he believes the service to be worth. Credit control takes from the owner of money the right to loan it as he chooses and from seller and buyer the right to arrange their own terms. Exchange controls take from all owners of money the right to dispose of it either at home or abroad for what they think it is worth. But it is important to bear in mind that each of these expropriations can take place in a wealthy country as well as in a poor one. And the disastrous effect upon the country's economy will be precisely the same.

As example there was no major war destruction in Germany during the first World War. Except for the expenditures incident to the war and some material reparations in the way of railway rolling stock, shipping, and war materials, the Peace of Versailles left the wealth of Germany unconsumed. Notwithstanding this fact, because of a paper money inflation deliberately practiced after the establishment of peace, the economic and political structure of this rich and cultured country came down in ruins, paving the way for the Nazi seizure of power.

V

It has been suggested that while the Marshall Plan does not require the establishment of sound mediums of exchange, nevertheless the grants make such establishment possible. This is not true. The suggestion itself demonstrates failure to comprehend the true cause of the failure of paper to serve as money. What is required is a medium possessing intrinsic value or convertible upon demand into such a medium. Increasing the publicly held wealth of these countries adds nothing of value to their irredeemable paper currencies. Publicly held wealth is not available to the holder of inconvertible paper money. The government of Russia owns all the wealth within Russia and commands at its own place and price the services and trade of every Russian. In all the history of nations no government has ever owned such incalculable wealth as is now owned by this government. Yet its irredeemable paper rubles have recently gone to the ashcan, having become a mockery because near valueless in trade. Even this unbelievably rich totalitarian state could not hold their value up. This is because of that immutable law of human nature which causes people to seek to dispose of a thing of lesser value for a thing of greater. It is because people cannot be forced, either by law or terror, to accept as true a premise they know to be untrue.

It is not more state owned property that is required to tranquilize the people of Western Europe. but restoration to the people of an intrinsically valuable medium of exchange. Rebuilding the state owned power system of France at the expense of the United States Treasury adds nothing to the value of the over issued inconvertible paper franc. Neither does the rebuilding of the state owned Renault automobile factory with funds provided from the United States Treasury. These instrumentalities do not become part of the purchasable wealth of the country. They add nothing to the worth or purchasing ability of individual Frenchmen. The requirement for general prosperity and contentment in France is not new state owned electrical systems or factories or tobacco or quickly disappearing consumers goods, but a medium of exchange of intrinsic and hence true and stable value. Clear demonstration of this is to be found in the great Assignat Inflation of France. The French Government had just become possessed of property of greater value than that we now propose to supply them. This consisted of the great estates of the nobles and all the lands of the Church. These estates and lands were appraised and made purchasable at appraised values. Any purchaser was entitled to pay for them with the newly issued assignats at face value. Yet the assignats of themselves possessing no value went the way of all paper money, and France was ruined because of them.

Both reason and the accumulated lessons of history prove it to be an indispensable requirement for reestablishment of contentment and tranquility within the disturbed countries of Western Europe that honest money replace the discredited paper now in circulation. This monetary reform must be general and will require additional gold which can be supplied only by the United States either by gift or loan. It has been estimated by a competent bank authority and economist that $1,000,000,000 should prove sufficient. But more than gold will be required. A return to honesty, intelligence and sobriety in government is as essential as gold. Without this, waste and extravagance will continue. Correct financial practices will be rejected because in conflict with immediate political interests. Budgets will remain unbalanced. The printing of money will be resumed. Restrictions of every kind will be enacted in hope of forcing acceptance of the government's printings at decreed values. Capital will continue to flee the country. The wage earner and salaried person will continue to see his real wage reduced, despite increase in his money wage. The owner of obligations payable in money will be forced to witness the daily destruction of his savings. Gambling will continue to be the chief interest of segments of the population. The decent and industrious people of the cities will continue to experience scarcity and privation in the very sight of the gaudy ostentation of the law violator, gambler and black marketeer. If restoration of contentment is required to combat communism within Western Europe the things must be done which will restore contentment by rebuilding a prosperous society. Because indispensable, the first of these is the restoration of honest money.

P. S. Russell, Jr., Heads NY Municipal Forum

Paris S. Russell, Jr.

Paris Scott Russell, Jr., Glore, Forgan & Co., was elected President of the Municipal Forum of New York at the annual meeting held June 14. Mr. Russell succeeds Leander L. Shelley of the Port of New York Authority. Robert T. Veit, Shields & Co., was chosen Vice-President; George T. Ragsdale, Lehman Brothers, Secretary; and Rudolph J. Harper was re-elected Treasurer. Frank Lucke, Laidlaw & Co., and Edward D. McGrew, Northern Trust Company, were elected to three-year terms on the board of governors.

Our Economic System in the Unsettled World

(Continued from page 2)

have, in large degree, rested upon the Keynesian theory that saving is fundamentally anti-social in its effects and that spending is virtuous. As a consequence, our spending has been profligate and our taxes and debt have become extremely high. The tax rates have been made sharply progressive, and the tax burden has become more characteristic of that under a totalitarian government than that of a republic. One of the basic purposes of these taxes has been to level down the large incomes of both individuals and corporations. The tax programs for the enforced distribution of corporate earnings have rested upon the notion that corporate surpluses and reserves represent a withholding of purchasing power from the needy. These various tax programs have had destructive effects on savings and the accumulation of capital goods.

Closely related to this anti-saving, pro-spending, program of our government was the concept of economic maturity which some of our economists and others were able to inject into our Federal policies. Since, so it was alleged, we had reached economic maturity, savers, it was claimed, could no longer find adequate outlets in investment and, therefore, it was now necessary for the government to step in, take surplus savings, and invest them in activities to be provided by the government. The assumption that government paternalism was superior to private enterprise was a companion notion of that of economic maturity.

The profligate spending and the wild accumulation of debt were fostered in part by the notion propagated by these same economists (and others) that government debt can do no harm and, indeed, has many virtues because, they said, "we owe it to ourselves"—as though that contention justified their policies. The alleged virtues of public debt were expounded vigorously by these economists. Practically none of them seemed to see any dangers in it. Taxpayers seemed to have no rights or virtues that called for protection; they were impersonal objects—automatons—fit for nothing except to be plucked.

As a part of this widespread attitude, there has been an almost uniform tendency among this group of economists, and others, who embraced such notions, to give away a very large portion of the savings of the people of the United States. All sorts of reasons have been provided, and are still being provided, for the expropriation and exportation of our wealth. Our prosperity and the welfare of other people were said to depend upon our spending and gifts and upon the maintenance by us of heavy exports of our wealth. Prosperity and depression were said to be "indivisible." This jargon spread as though it were a fundamental truth, although it was merely another device employed by those devoting themselves, in part, at least, to the dissipation of the national patrimony of the people of this country.

Artificially low interest rates were instituted and maintained to make it easier for the government to borrow and spend, and because savers were held to be essentially anti-social people who did not need, or deserve, any appreciable compensation in the form of interest when they loaned their savings. The unfortunate effects on our hospitals, colleges, universities, and other endowed institutions are painfully obvious.

These Keynesians and their philosophy, as they have thus far operated chiefly through our Federal Government, have cost the people of this country billions piled upon other billions of dollars. And the end is not yet in sight. They have dissipated people's savings domestically, and internationally they seem determined to give away our wealth until we are drained dry and lie prostrate. The Keynesians dominate the teaching of Economics in our colleges, and it will, apparently, require years before the methods of science can free us from the pestilential visitation.

The distinguished French economic scientist and government official, Jacques Rueff, writing on "The Fallacies of Lord Keynes' General Theory" in "The Quarterly Journal of Economics" (May, 1947), ends his discussion with this sentence: "Whom Jupiter wishes to destroy, he first makes mad." That is an observation that the Keynesians, and, of course the people of this country would do well to ponder with care.

The departures in this country from objective standards of appraisal of what is proper or just—In the light of the trend of events in this country in recent years, it obviously needs to be emphasized again and again that there are no objective standards by which we can measure what is proper in production, prices, profits, savings, investment, and in the distribution of wealth and income except as these matters are determined by the operation of the forces of free and fair competition. Any other decision in matters of this sort rests upon subjective appraisals; and these are always arbitrary.

In economics, let it be emphasized, there is no objective standard of fairness of prices and hence of profits except where prices and profits are determined under conditions of free and fair competition. Prices and profits thus determined are regarded as objective or natural in the sense that they are not controlled by the act of any individual buyer or seller or by the direction of any regulating authority. They are the result of the competition of all buyers and sellers in the market place. They are the result of that society's judgment; and there is no other better, no other objective, standard in so far as that society is concerned.

The element of fairness in competition means that the rules of the game, as in all forms of rivalry, have been defined and accepted, and are followed with general approval. These rules may be the result of the gradual evolution of standards which meet social approval, or of formal law. But where law lays down standards of fairness, these are presumably for the purpose of making competition work more smoothly, and they are presumably the results of social approval and applicable with equality to all. Examples are the sheltering of children from competition with adults, the protection of the ill and the aged, rules for horse racing and athletic contests, regulation of monopolistic practices and of what is deemed to be unfair methods of competition, repression of predatory activities of people, and so on.

When there are departures from practices that give us our prices under conditions of free and fair competition, the extent and nature of these departures should be measured against what it is supposed would be the situation if such competition were operating. Basically, the regulation of public utilities, if properly conceived, is designed to provide prices and profits of a kind and degree that it is supposed would prevail under competition. The standards used are the prices and profits in similar or related fields where competition in prices and profits and losses prevails. The standards for the regulation of other types of monopolies are implicitly the same. When the proper concept of these matters is employed, the general effort is to obtain the conditions which competition produces. This is because the greatest social good is obtained under competition and under regulations of other methods of procedure designed to bring them into line with what competitive conditions tend to produce.

A departure from an objective standard launches one upon a type of appraisal of values that is personal or subjective and, therefore, arbitrary, in nature. No person need accept another's subjective standard as "right" or objective. The science of Economics becomes useless.

Individuals cannot argue effectively about the rightness of prices or profits or losses that result from free and fair competition. The farmer's subjective value of his wheat may be above that indicated in the competitive market with the result that he may decide not to sell. But his withholding will not alter the market price. Neither he nor anyone else can appropriately say that the market price at that time is not the correct price. It is the proper price for the reason that that price reveals what all sellers and buyers of wheat say its market value is.

We have an endless number of departures from the objective standards fixed by competition. We have monopolistic powers in some degree on the part of many buyers and sellers. In time of war, the Federal government puts itself in the position of a powerful monopolist, chiefly as a buyer. As a monopolistic buyer it can fix the conditions under which it will buy. And since this monopolist is also our Federal government, there is no superior authority to act as a neutral regulator as between the helpless sellers and the monopolistic buyer in an effort to see to it that prices and profits are fixed at a level that would tend to prevail under competition.

Being a self-regulating monopolist, the government, like any unregulated monopolist, is free to do whatever it pleases. There is no standard of rightness beyond what it wills if it chooses to cut itself loose from objective standards. The departure of so many of our governmental officials and economists—particularly the Keynesian-Socialist brand — from these objective standards have affected this country most adversely. The ramifications of their activities are far-flung and the social consequences are serious.

But the desire to depart from a competitive system is not confined to government officials and the Keneysian-Socialist economists. Many people in positions of leadership are willing or active participants in those Federal policies and practices involving such departures. Pressure groups of almost every conceivable variety go to Washington for alms or for "their share" of the looting of the taxpayers. Agricultural leaders, labor leaders, owners of mineral resources, heads of big business enterprises, heads of little enterprises, leaders in education, leaders in fields of religion, and so on and on seek financial aid from the Federal government. They speak proudly of getting Federal help. It is now a respectable thing to do. It is, according to present standards of behavior, a manifestation of power and importance.

These people do not announce proudly that they are not believers in the competitive system in so far as they are concerned, or that they are attempting to force the helpless taxpayers to subsidize them. One of the basic tenets of Marxianism is "From each according to his ability, to each according to his needs." When individuals and groups go to Washington seeking subsidies at the expense of the taxpayers they are in fact demonstrating that they are no longer believers in the virtues of the competitive system but prefer the basic principle of Karl Marx. They want their needs met, as they see them, by the taxpayers.

When a government undertakes to substitute its judgment as to what is proper in the economic world for the results that flow naturally from competition, that government is substituting its power and will for the objective standards yielded by competition. When a government substitutes its subjective will for objective standards, the net results are artificial values, economic waste, and possibly a disastrous destruction and dissipation of a nation's wealth. We have seen much in this world in recent years, and throughout the history of the world, as to what happens to people when governments presume to tell them what they may produce, what they may consume, and what prices may or must be.

We would do well to weigh with care, and to consider the great wisdom in, Thomas Jefferson's warning of 1821. He said: "Were we directed from Washington when to sow, and when to reap, we would soon want bread."

Any defender of a governmentally-managed economy must of necessity take the position that the objective standards yielded by competition, in which all society records its judgment, are inferior to the opinion or desires of a few men in assuring the general welfare of the people of a nation. Such a position cannot be defended in science.

There is no judgment that can possibly equal the combined judgment of all buyers and sellers. Producers, buyers, and sellers all get their best and their proper guidance from free markets.

The widespread failure in this country to understand what objective standards of value mean, that these are the only reliable guides known as to what is good or bad, desirable or undesirable, in the economic world, and that they are the best possible guides to producers, consumers, buyers, sellers, savers, and investors, has permitted this country to go far astray and to drift into or to embrace a multitude of devices that are uneconomic in nature and are costing the people of this country a fabulous sum.

Along with this has come an almost general acceptance of the notion that a government can manage an economy better than can society acting collectively through the exercise of the judgment of all buyers and sellers operating freely and fairly in the market place.

We obviously need to remind ourselves over and over today that there is no sound basis for the notion that the judgments of government officials are superior to the forces of the market place.

When Sir George Paish, long a close student of business fluctuations visited the United States in 1937, he put the matter accurately and well when he said: "Long experience has caused me to come to the conclusion that the economic crises of the world which come from time to time are the result rather of political action than of economic action, and can be avoided only when the statesmen of all nations have a greater understanding of economic law and have some appreciation of the consequences of their own actions. . . . It may be said that the statesmen of the world, taken as a whole, have, since the war, and especially in recent years, acted in such a manner as to bring the world machine almost to a standstill."

The widespread failure of the people of this country to understand clearly the nature and value of standards determined by competition, and the drift to an increasing amount of governmentally-managed economy are probably the most dangerous tendencies involving the welfare of this nation that have occurred in our history. The impairment of our savings and the dissipation of our national wealth are parts of this development. Some of the other results seen thus far are a burden of taxes and a blanket of debt on our people and national patrimony, reaching far beyond anything of which we have ever dreamed. The effects that probably will flow from this exceedingly unhealthy situation appear not to be widely understood. We seem to be in the same general situation as the individual borrower who has borrowed almost to the limit and is busy spending the proceeds. He feels prosperous and has a sense of well-being. He sees the outward symptoms of prosperity—a large flow of money, large bank accounts, much buying, and great activity. But there are some sobering aspects of this picture: There are the matters of debt and taxes and of the situation in respect to our real wealth. Our real wealth is relatively scarce as our high prices and the absence of goods reveal. We cannot get, except at unusually high prices, if at all, a multitude of things that we would like to have. Our productive activities must be very great and persist at a high level for a long time if we are to overcome the nonproduction or underproduction of various commodities that characterized the years of the war and the preceding depression.

We are beginning to perceive a few of these sobering things, but the real days of reckoning have not yet arrived. We, like the profligate individual borrower and spender, are still in the stage of intoxication, pleased with our spending and its results and, therefore, wish to prolong it and to use the same devices to scatter our real wealth to the four corners of the world. We still seem to wish to borrow and to mortgage and to spend until the bitter end finally overtakes us—an end which we seem to think is nonexistent. Since we are acting as though we actually entertained the belief that God takes care of fools and the United States, and that it makes no difference how foolish we be, we would do well to remind ourselves that the history of the world is replete with chapters on the wreckage of peoples whose governments dissipated their wealth.

The people of the United States sorely need to understand the nature and implications of the Keynesian-Socialist doctrines which have afflicted this nation like a pestilence in recent years, and our distinct movement away from private - enterprise - competitive markets and toward governmentally-managed economy with its profligate spending, waste, and destruction of our national patrimony.

II

Socialism versus the private enterprise system—There are some very important and basic things about a system of Socialism versus a system of competitive private enterprise that the people of the United States need to realize.

Socialism is destructive in nature—politically, economically, individually. The subjective standards of the rulers of the people become the standards of right and wrong. The objective standards produced by competitive private enterprise, which are the only ones that can reflect the combined judgment of all the people as to what should be produced, exchanged, and consumed, and as to what prices and profits should be, are scuttled by government rulers under a system of Socialism. What every Socialist or so-called economic planner wants is to be able to enforce his plans and to overrule the plans of all other people. The only freedom that he really advocates is freedom for himself, and friends, according to his own standards as to what he wants.

Every advocate of the so-called Welfare State is an advocate of what he regards as his own welfare; he is a potential dictator. When people advocate government dictatorship in some form it is always dictatorship by their own clique.

Perhaps no lesson of history is more fundamental than that we must begin, in our thinking, with the importance of the individual and the equality of his basic rights with those of any other individual. These concepts have brought to enligtened people the rule of law in contrast with the "Thus I will, and thus I order" of the dictator. They have brought limited government, with the people safeguarded by bills of rights and constitutions. These are the earmarks of civilization.

Socialism means dictatorship based upon the will of the rulers. This fact is not altered by the tendency of many modern Socialists to write or speak of "democratic Socialism." That is a contradiction in terms. It is an attempt to sugarcoat bad medicine. The importance of the individual is in practice denied by the Socialists. Economic calculation by the conventional standards of the market place becomes impossible unless there is a competitive system in another country which provides such standards. As a consequence, results of past actions by the government planners cannot be measured by objective standards derived from Socialism and plans for the future cannot rest upon any worthwhile calculation. If Socialism were universal, there would be no objective standards anywhere against which to measure results. At the best, the Socialist government squanders scarce and valuable wealth and produces wastefully and foolishly. Chaos and poverty for all tend to be the final result. Socialism is, as Ludwig von Mises has said, planned chaos.

No economic and social system in the world has ever matched the private - enterprise - capitalist system based upon free and fair competition, with the government acting chiefly as umpire, regulator of monopolies, and the protector of the general interests.

But when economic distortions occur, due perhaps to wars, or unwise governmental policies, people tend, in recent years at least, to forget these basic facts and to seek government help. Politicians, endeavoring to please, attempt to meet the demands of these seekers of governmental protection. The use of irredeemable currency makes this easy. This procedure grows and grows. The new generation tends to pick up where the preceding one left off because, with ineffective schooling in these matters, they have a very small basis on which to reach independent judgments. Thus a national drift of this type becomes easy. It is like the silent thief in the night. Every college and university teacher can see the effects on the present generation of college students of one Presidency devoted to the development of Statism, lasting over a dozen years. These people lack experience with the variations which generally characterize different Presidents: they have a distinct inclination toward a governmentally - managed economy because they understand little else.

As a consequence of this drift of our country in recent years toward Statism, we have reached a stage in which we now think we must have government aid or protection or management of this and that, parity prices for agriculture, subsidies for the inefficient, price fixing to cover up great scarcities, "social enterprise" piled upon "social enterprise"—a steady, subtle march toward Socialism.

We need to remind ourselves over and over again, and to make ourselves understand, as we obviously do not, that Socialism is an arbitrary, inefficient, and destructive system; that under it the importance of the individual gives way to the importance of the State. When Socialism becomes as thorough-going as in Russia, freedom of the individual disappears as does freedom of speech and the press and indeed all freedom except to live and labor as a tonguetied wage slave ordered about as the dictators see fit.

To take the road to Socialism is to take the road to social retrogression. That is not what the struggles of mankind throughout the centuries teach us is the proper course to take.

We need to understand that no system of economy known to man can match or ever has matched the private-enterprise-competitive system in fostering the importance of the individual, in stimulating production, in providing a great volume, variety, and exchange of goods and services, in providing prices that are right, in distributing income and rewards in accordance with objective standards of justice.

III.

Foreseen Relationship Between Our Economy and Those of Socialist Britain and Communist Russia—There would appear to be no way in which one may estimate with any assurance as to accuracy what the future relationship between our economy and those of Socialist Britain and Communist Russia may be.

Perhaps all that may be said appropriately in respect to this matter is that we should keep ourselves strong in order that we may be as able as possible to meet eventualities which cannot be foreseen. There is, therefore, every reason why we should keep the undermining poison of Socialism and Statism out of our economic, political, and social system so that we may be strong.

The framers of our Constitution understood much better than do the critics of the private-enterprise-competitive system the proper functions of government, the needs and importance of the individual, and the freedom that is necessary if enterprise is to blossom and bear its natural fruits. With recognition of the fact that liberty and general well-being could not thrive except under a private - enterprise - competitive system, they wrote into our Constitutional system provisions for this liberty which embraced the right to private property, the right to engage in enterprise, the right to exchange goods freely, the right to enter into contracts. As a consequence, this nation, in the 160 years following the adoption of our Constitution, reached the highest level of living of any country on earth. Our people accomplished more and did it in less time than any other people in the history of the world. In addition, it is substantially accurate to say that it has been the great institutions of individual freedom and private enterprise in this country that have been employed twice in the last 30 years to rescue peoples and nations of Europe from the onslaughts of autocratic governments. In the face of these facts, we find vociferous groups urging that we replace these institutions with those of autocratic governments.

There are no lessons in history that justify autocratic governments or Socialism. And perhaps all that can be said profitably as to our possible future relationship with such governments and economies abroad is that we should not permit ourselves to be contaminated any further with the diseases that have afflicted those countries. They have been oppressed, weakened, and sapped of vitality by dictatorial governments.

IV.

Policy Needed to Rehabilitate the World — As to the policy needed to rehabilitate the world, apparently the first and most basic element required is world peace. But such peace is unattainable, it would seem, unless an international organization, earnestly dedicated to such peace, is properly organized and given the power—military, naval, and air—to enforce its decisions.

With international peace assured, each nation should then be in a position to proceed with the arts of peace—with reconstruction, production, trade, consumption, and better living.

Each nation should be allowed to have any type of economic, political, and social organization that the people desire or endure, without any interference from any other nation. Its sovereignty should not be invaded, and it should not be permitted to invade the sovereignty of another nation.

Just as free trade within a nation fosters prosperity so should free trade among nations tend to generate and spread well-being. International exchange under competitive conditions, as within a nation, should determine what is desired and not desired, and what should and should not be produced for foreign trade. Each nation should be able to regulate its foreign trade in accordance with its standards of fairness.

Capital investments in foreign countries and relief for foreign peoples should in principle be left to private enterprise; otherwise, governments engaging in such undertakings can, by compulsion, dissipate a people's wealth unwisely, if not to the point of disaster, if, because of the use of irredeemable money, it has removed the public purse from direct control by the people.

We have created government agencies to make investments and to send relief abroad. We also operate with a system of irredeemable currency. The government is, therefore, free to do substantially as it pleases in diverting the resources of the people of the United States to foreign governments, other institutions, and people; and there is little that thrifty and concerned people can do about the matter. The reason, in addition to that involving the loss of their direct power over the public purse, is that a government, so freed, can purchase the good will of pressure groups with sufficient votes to keep itself in power for a very long time. If the government is sufficiently ruthless it may not be possible to remove those in power except by revolution.

It is possible that private enterprise would not have provided the capital investment and relief sufficient to bring about a relatively rapid general recovery in the war-devastated nations. On the other hand, private enterprise might have done a better and even quicker job than our government may do. Apparently, there is no way as yet to estimate with any accuracy what the net results of the activities of these government enterprises will be. Even the final judgment will apparently be largely in the realm of subjective appraisal since the objective standards of attainment, provided by competitive enterprise, will apparently be largely lacking. There probably will be some objective standards against which these governmental programs can be measured, just as we measure the accomplishments in a Socialist country against objective standards that exist in other countries.

That there are prodigal waste and downright foolishness involved in many of the activities of some, if not all, of the government agencies designed to provide foreign aid seems beyond serious question. Although no one, apparently, can do more than guess at what the final results may be, some results are, of course, known: We know of the exportation of our wealth abroad, of our great debt and taxes, of our high prices.

We also know of certain types of reaction abroad as the result of our help or threat to reduce our so-called help. One type of reaction is illustrated by Socialist England, if a London dispatch in the New York "Times" of June 5 is reliable. That report said in part: "A further drop in Britain's living standard and the spread of unemployment were seen as inevitable by government officials here today if the House of Representatives vote cutting funds for aid to Europe won Senate endorsement."

An Associated Press dispatch from London, published in connection with the preceding report, adds: "The liberal Manchester 'Evening News' asserted that 'Mr. Taber seems to be claiming the right to use the Marshall Plan as a weapon to denounce—perhaps even oust—a particular government.' 'This is the kind of interference which Europe cannot tolerate,' it added." What the Manchester "Guardian" seems to be saying is that if Marshall Plan aid should be withheld from England because of her Socialist government and if that government should be ousted as a result "this is the kind of interference which Europe cannot tolerate." In still other words, this seems to mean that they regard themselves as entitled to our wealth regardless of what their government may do or be like, and that to withhold aid under any circumstances is an interference not to be tolerated. That is a novel variation of the "world - owes - me - a - living" doctrine. It is that "the United States owes Britain a living regardless of what she may choose to do politically or economically." The United States taxpayer is to pay what Britain requires, otherwise we are interfering with her so-called enlightened social experiments. That, it would appear, is symptomatic of the results of our profligate so-called aid to foreign countries.

The question would seem to arise as to why a people who must meet the standards of the private enterprise system should be taxed to support a people who tolerate a government that is strangling private enterprise. At least it would seem desirable to leave each individual free to decide whether he wishes to support such a system.

A free enterprise economy obviously is so strong in its fundamental nature that it can withstand severe abuse at the hands of bad government. The fact that our economy continues to function as well as it does in the face of the abuse to which it has been, and is being, subjected, is some indication of the virility of private enterprise. But although it is powerful, it also contains, like a large locomotive, many delicate, and delicately - balanced, parts which can be thrown out of balance very easily if tampered with by inept hands. Still further, there is a limit as to how far our government can go in the dissipation of our national wealth. During World War II and since, this dissipation has proceeded at a frightful pace, and it is not clear that we have yet learned anything of importance about the value of economy and thrift, and the desirability of persistent and great capital investment.

We are living recklessly and in a prodigal manner. Our government agencies, devoted to foreign investment and relief, do not meet the standards of the private enterprise system and are therefore wasteful of our people's substance. In some respects they are downright foolish. These institutions and their procedures rest chiefly upon the sands of emotion, guessing, and wishful thinking. It seems reasonable to suppose that the costs to the people of the United States will be all out of proportion to the returns whether these be measured in real wealth ultimately sent us or in the mere satisfaction to be found in our efforts to be helpful and generous.

The one thing that would seem to be definite and beyond dispute in this picture is that we are weakening our economy at an appalling rate to aid governments and people that are inefficient, and, that have, during the last 30 years, found ways to involve us in their international troubles and then to ask or even to demand that we support them in large measure while they reduce their hours of labor and continue to experiment with socialistic devices that stifle enterprise and foster waste and inefficiency.

It would appear that the people of the United States are destined to learn what should have been a relatively simple lesson in a very hard and expensive way.

Perhaps the most basic thing that we need to do is to return direct control over the government's use and abuse of the people's purse to the people themselves so that they can determine what they wish done in matters of this kind.

Governments can run away with the people's purse and ruin a nation. That is what an irredeemable paper currency, combined with a government that wishes to rule a people, permits. We need to face this basic fact and to get back on solid ground. We may be a Santa Claus for others, but there is no Santa Claus anywhere to save the United States from its foolishness if it dissipates its wealth, depreciates its currency, and weakens its social fibre sufficiently to make it, finally, a prey to the poison of Socialism or dictatorship in some other form.

John Haskell Heads Mission to Sweden

Emil Schram, President of the New York Stock Exchange, has announced that John Haskell, Vice-President, has been given a year's leave of absence to accept appointment by Paul G. Hoffman, Administrator, Economic Cooperation Administration, as Chief of that Administration's mission to Sweden. Mr. Haskell will make his headquarters in Stockholm. Mr. Haskell has been associated with the Exchange since 1938 and has been a Vice-President since March, 1939. A graduate of the United States Military Academy in 1925, Mr. Haskell served as a Colonel in World War II, entering active service in October, 1943. He served with the 27th New York Division in the Pacific as Chief of Staff and in the Logistics section of the Operations Division of the War Department General Staff. He was subsequently detailed to General William J. Donovan's Office of Strategic Services and served in Washington, North Africa, Italy, the Middle East, England, France and in Russia.

John Haskell

His next assignment was with General Omar Bradley as Deputy Chief of Intelligence with the 12th Army Group. While on this last assignment, in Germany, Colonel Haskell was wounded. He has been awarded the Purple Heart, Legion of Merit, the Bronze Star, French Legion of Honor and Croix de Guerre, Order of the British Empire, Czechoslovakian War Cross and service ribbons with six battle stars.

As We See It

(Continued from first page)

helpful truths should be deduced by a wide variety of peoples and governments.

The first of these is the now evident truth that to become or adopt communism — certainly if the country adopting it is within reach of Russia — is tantamount to accepting the role of vassal to the Kremlin. Even in those countries which are geographically distant from Russia, the communist elements quite obviously take orders from Moscow, and if they come into power, act accordingly. Communism and fealty to Lenin and Stalin have come to mean one and the same thing. It is, of course, conceivable that a country advantageously situated for the maintenance of its independence could embrace communism and remain free of Russia, but the feasibility of any such feat is yet to be established.

Communism Means Serfdom

Certainly any of the European countries now apparently toying with the idea of adopting the Marxian system, as expounded by Lenin and Stalin, can scarcely expect to remain free of foreign interference, if not domination, should they proceed in any such way. This much must be plain as a pikestaff to every thoughtful man on that troubled continent — now that the experience of Yugoslavia is before the world. Of course, most sensible men have long been quite aware of what Marshal Tito has now discovered, but apparently there have been a good many individuals and large elements in numerous populations which were not. That some such awareness is now beginning to take hold of the minds of Europe is strongly suggested by the several defeats the communists have suffered in Europe in the past year.

Certainly one would suppose that the people of Italy and France would ponder the Marshal Tito episode with great care. Communism as such, as is true of socialism, has not such terrors for many European minds as it has for us on this side of the Atlantic. There can be little doubt that in a number of countries, some of them traditional lovers of liberty, the communistic notion has taken real hold. Many in these countries argue that some such organization of society offers the best opportunity for advancement of the public welfare, and there are not so many, as in this country, who look upon these claims as ridiculous. But there are probably very few who would voluntarily and knowingly submit their economy, their belongings, their future, and indeed their lives to the whims of a body of foreigners sitting in high and secret council and claiming a monopoly of the knowledge of the real meaning of Marxian precepts. The Tito episode should, accordingly, place a restraining hand upon the spread of communism westward across Europe—now that it has been made dramatically clear that the spread of communism is the equivalent of the spread of Russian dictatorship and tyranny.

Russian Troubles

There are some elements in this situation which should give Russia pause, too — and certainly afford some wholesome food for thought to those who seem to suppose that Russia is about to swallow up the rest of the world in one big gulp and suffer no inconvenience after doing so. It may be true, no doubt it is true, that there are substantial elements in Yugoslavia who may be willing for Tito to strut his life out so long as he does not attempt to communize or collectivize them, but who would give trouble, once a rigorous program of collectivation of the whole society is undertaken. The Yugoslavians may or may not be more difficult to convert than other peoples in eastern Europe, but one thing is certain beyond any doubt, and that is that the people of that plucky little State do not want to be slaves of any foreign regime.

The Kremlin, if it undertakes to "march across Europe to the Atlantic," either literally or figuratively, must expect to encounter hostility among the peoples it subjects and continuous difficulties throughout the years to come. A Russia which extends in effect to the Atlantic could conceivably be a weaker Russia than the one that is now ruled from the Kremlin. It certainly would be risking a frittering away of its strength to try subjugating the hundreds of millions of people to the west of its domain.

Dangerous Strategy

Of course, it will be said that Russia has its own way of dealing with individuals and groups which do not fall into line readily and remain in their assigned niche. There can be no denying that such is the case, but it is one thing to effect its purges within its own territorial limits and among its own peoples; it is quite another to proceed in a similar way with foreign peoples stretched across a continent in large numbers and possessed of an almost infinite variety of backgrounds and speaking a dozen languages not heard within the boundaries of Soviet Russia. We should certainly not like to see the Kremlin reach out its deadening hand across the European Continent, but we believe that its troubles would be only beginning when it had done the marching — and we should suppose the shrewd men who sit in the smoke-filled rooms of Moscow would be well aware of the fact.

It may be added that the Tito episode has come on the heels of behavior elsewhere which has not strengthened respect, could not well strengthen respect for the Russian regime. We are, of course, responsible for permitting ourselves to be found in a position in which Russia can deal with us as she has been doing of late in Berlin. It was folly of the same sort that kept us sitting idly for days on end to permit the Russians to enter Berlin from the East. How we and the British could ever have been so foolish as to enter into an arrangement in which we are dependent upon the good will and the whim of the Politburo for almost everything in our sectors of Berlin, few will ever understand. The fact is, however, that we did so, and are now paying the price of the folly, but the outrageous behavior of Russia is certainly not adding either to her prestige or her popularity.

Perhaps the entire situation as respects Russia needs some reappraisal.

Abnormal Factors Maintaining Business at Boom Level

(Continued from page 3)

$110,000,000,000, or three times the figure of $37,400,000,000 in 1939. Thus, the pressure of these funds on the available goods produced has necessarily been reflected in a sharply higher price structure.

Factors Maintaining Prosperity

It can be readily seen that the normal influence of prices on production with regard to governing demand is upset by other circumstances, or forces, which at times exert a potent influence. More recently other factors, such as the following, have been having their effect:

(1) As prices go higher, with some incomes lagging, and many people unable to afford some of the things desired, they resort to credit and instalment buying. For a time this maintains demand at a high level in spite of prices, although eventually leading to an unhealthy situation. Although not out of line with the present peak level of national income, consumer credit is now at an all-time high of $13.4 billion.

(2) Record industrial activity and high prices also mean corporations must add to inventories, carry larger receivables, increase plant capacity, etc. Money is borrowed from banks, new bonds are issued or additional equity issues are sold. A larger proportion of current income is used for corporate purposes, which restricts dividend payments in some cases. Since August, 1945, when the war ended, commercial, industrial, and agricultural loans have increased from $6 billion to over $14 billion. The peak in 1937 was $4.8 billion. Last year total new capital issues by corporations amounted to $4,749,000,000, or the highest since 1929. Of this amount, 75% represented new debt. Mr. Aldrich, Chairman of the Board of the Chase National Bank, said in a talk recently: "Easy money means easy debt. Easy debt at a time of inflated prices means extremely burdensome debt when prices decline. A period of inflation is a period in which debt should be reduced, not increased."

(3) Government expenditures are a vital stimulant to the economy, particularly at this time. Today, and for some time in the past, huge sums of public funds have been used to purchase American goods, regardless of price, to be shipped abroad. Foodstuffs, steel, machinery, ad infinitum, are bought in this country out of American production and sent away. The normal equalizing effect of the price process on demand factors is thus largely nullified. Superimposed on the foreign aid program is the added government spending arising from a new policy of military preparedness. This represents another case of goods being bought largely regardless of the relative price level because of the apparent urgency of starting the program. Thus these demand factors effectively counteract, for a time at least, the more normal economic laws such as effective demand diminishing as the price level advances, thus eventually balancing effective supply and demand.

With this general situation currently prevailing, it is fairly well recognized, or should be, that the domestic economy, based on both the rate of production and the price structure, is at an abnormally high level. To that extent it is vulnerable to an eventual readjustment. However, underlying demand factors still continue strong, particularly in the durable goods industries. After declining moderately in January and February to 251, the index of new orders rose sharply to 264 in March, with all the increase in the durable goods group. New orders in the latter group reached a new peacetime high.

A later survey indicates capital goods manufacturers have enjoyed further gains in new orders during April and May. The placing of additional orders recently is said to have been stimulated by increased confidence in the business outlook arising, to a considerable extent, from the enlarged defense program, foreign aid expenditures, and this year's income tax reduction.

American business, exclusive of agriculture, plans to spend $18.7 billion in 1948 on new plant and equipment. This is 15% over the record expenditures of $16.2 last year and compares with only $5.2 billion in 1939 and $9.2 billion in 1929. The plans for this year are, of course, subject to change, should general economic conditions deteriorate, but viewed broadly, the impact of foreign aid spending and the preparedness program, together with the third round of wage increases initiated by General Motors and tax reduction already granted, should afford sufficient stimulus to maintain general business activity and the price structure for some time longer, possibly throughout 1948. Business confidence may also be heightened by the prospects of a Republican victory this fall.

The accompanying table indicates concisely the relationship of today's economy contrasted with that of previous peak years.

It is clearly evident that the American economy is at a level today which far exceeds the peak established in past years.

* * *

Stock Market Outlook

The recent technical performance confirms the existence of a primary bull market. In this connection consideration must also be given to the basic position of the general economy. Record production, peak price level, full employment, all-time high wage rates, and record corporate profits characterize the latter phase of a bull market rather than its inception. The latter phase of a bull market, however, is often the most dynamic. If fanned by the fears of further inflation through a renewal of government deficits and hopes of greater market recognition of current corporate earning power, this phase could at least extend through the summer. I believe it is important to keep strongly in mind, however, the general position of the over-all economy and our present position in the business cycle. Sight should not be lost of this important consideration from a longer view market standjoint. Meanwhile, the outlook for the intermediate period continues relatively favorable.

Psychology plays an important role at this stage of the cycle, and investment confidence has been bolstered by the recent technical performance of the market in reaching new high levels. Current prospects favor an encouraging outcome of the Presidential election. The general level of stock prices is still relatively low in comparison with corporate earnings and dividend payments. With improved speculative and investment sentiment, current corporate earning power could be capitalized at a higher rate over coming months and it appears that this current phase of the market movement should have further to run on the upside.

	1929	1937	1941	1948
Gross National Product (A)	$103.8	$90.2	$125.3	$244.3(F)
Money Supply (A)	27.3	30.5	50.1	110.0
General Price Level (B)	95.3	86.3	87.3	162.7
Farm Prices (B)	104.9	86.4	82.4	187.0
Industrial Production (C)	110	113	162	193
Total Civil'n Empl'm't (G)	46.3	45.3	50.4	58.4
Average Weekly Wages	$25.03	$24.05	$29.58	$52.0
Dow Jones Ind. Stock Prices (D)	381	194	133	188
Earnings Per Share (E)	$19.94	$11.49	$11.64	$20.00(F)
Dividends Per Share (E)	$12.75	$8.78	$7.59	$10.70(F)

(A) Billions of dollars; (B) 1926=100, Bureau of Labor Statistics; (C) F. R. B. 1935-1939=100; (D) High price for the year; (E) Earnings and dividends per share, on the Dow Jones Industrial Averages; (F) First quarter annual rate; (G) Millions of persons.

Urges More Liberal Bank Dividend Policy

(Continued from page 6)

the period 1919 to 1929 the record of banks was not a bad one; almost exactly a third of member-bank profits was retained. This was true even though supervisory pressure on this policy during that period apparently was moderate. The proportion of profits paid out by nonbanking corporations during this interval was higher. . . .

"Certainly flexibility among banks in dividend policy would be desirable, if it could be attained. Those with close-knit ownership could follow policies best adapted to the advantage of both the bank and its owners. Banks with wider distribution of stock ownership could afford, other things being equal, to consider a more generous distribution of earnings."

What Are Reasonable Dividends?

Professor Robinson concludes his article with a discussion of reasonable dividend standards for individual banks. "(1) Many banks, such as those in nonindustrial suburbs and in matured communities have limited loan opportunities. The major employment of funds for such banks is in investments. . . . Once this sort of program has been adopted, a fairly high proportion of earnings over the long run can be paid out. . . . (2) Banks with sizable loan opportunities may be justified in following the policy of retaining a great deal of earnings. In a few cases they may even find it advantageous to sell additional shares. . . . Any bank that has actually turned away loan business for lack of capital (it must be admitted that this rarely happens) probably could have earned a satisfactory return on the capital it needed to keep such loan business. . . . (3) Equalization of dividends over the various phases of business fluctuations has much to merit it as a policy. . . . Fluctuations in banking profits have been due more to nonrecurring losses than to changes in the net earnings from current operations. Since loan losses were greater than investment losses, and since loans are now relatively less important, bank earnings should flucutate cyclically less than in the past. . . .

"(4) Another factor to which individual banks must look forward in framing dividend policy is their growth prospects. For the banking system as a whole, growth of recent years has been almost wholly due to governmental fiscal policy. This growth has ceased. . . . There is some likelihood that rough deposit stability for the banking system as a whole may prevail. This prediction is made despite the fact that on a relative basis the share of business financing done by banks seems to be showing a long-term secular decline. . . . (5) Finally, the character of bank stock ownership must affect dividend policy. A bank with closely held shares can suit the convenience of these few shareholders. Many banks have found, on the other hand, that broadened stock ownership may be one way of improving public relations."

With Goffe & Carkener

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Christopher T. G. Manners is with Goffe & Carkener, Inc., Board of Trade Building. In the past he was with Herrick, Waddell & Co.

With Stix & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Donald E. Waldemar is with Stix & Co., 509 Olive Street, members of the St. Louis Stock Exchange.

The State of Trade and Industry

(Continued from page 5)

and other places over the inability to make 10,000 freight cars a month, some car-building shops are looking for orders for January of 1949, and, observes "The Iron Age," the voluntary allocation plan can be thanked for the smooth running of the freight car program.

Most independent freight car builders or private car-building shops have no orders for delivery next January. The 90,000-car backlog at independent car shops is misleading. Of that backlog one company holds 40,000. The rest of the industry has hardlly enough business to carry them through December.

With all the talk about the need for more freight cars, unless the railroads step up their orders within the next five weeks or so, the program next year will go far below the 10,000 goal and it won't be because of steel. It will be—of all things—because of no orders, the trade authority concludes.

The American Iron and Steel Institute announced on Tuesday of this week the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 90.3% of capacity for the week beginning July 6, 1948, a decrease of 4.9 points, or 5.2%, from last week. A month ago the indicated rate was 96.1%.

The institute stated that the fall in the rate was due to the closing down of beehive coke ovens and the Independence Day holiday.

It was said, however, that there was no indication that any further curtailment would be required this week as coal supplies are ample for the present.

This week's operating rate is equivalent to 1,627,600 tons of steel ingots and castings as against 1,716,000 tons last week, 1,732,200 tons a month ago, 1,380,700 tons, or 78.9% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, the highest prewar year.

ELECTRIC OUTPUT 90,873,000 KWH. LOWER IN LATEST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended July 3 was 5,165,825,000 kwh., according to the Edison Electric Institute. This was a decrease of 90,873,000 kwh. below the output in the preceding week. It was however 976,001,000 kwh., or 23.3% higher than the figure reported for the week ended July 5, 1947, which included the Independence Day holiday and was 1,424,819,000 kwh. in excess of the output reported for the corresponding period two years ago.

CAR LOADINGS DROP 2% IN LATEST WEEK

Loadings for the week ended June 26, 1948, totaled 888,582 cars, according to the Association of American Railroads. This was a decrease of 18,192 cars or 2% below the preceding week, but an increase of 42,441 cars or 5% above the corresponding week in 1947 and 9,038 cars or 1% above the same week in 1946.

AUTO OUTPUT UP SHARPLY IN WEEK DUE TO REOPENING OF ASSEMBLY PLANTS

Production of cars and trucks in the United States and Canada rose to 112,349 units from 95,027 (revised) units the previous week, according to "Ward's Automotive Reports."

The upturn noted the past week was due to the return to production of General Motors' Chevrolet division after a week's shutdown because of materials shortages.

Output in the similar period a year ago was 63,460 units and, in the like week of 1941, it was 96,457 units.

This week's output consisted of 78,438 cars and 29,643 trucks made in the United States and 2,724 cars and 1,544 trucks made in Canada.

BUSINESS FAILURES LOWER IN WEEK

Commercial and industrial failures in the week ended July 1 dropped to 103 from the preceding week's 111, Dun & Bradstreet, Inc. reports. Total failures were slightly more numerous than the 82 of a year ago; they were almost eight times as heavy as the 13 in the comparable week of 1946. Compared with the prewar level, however, failures were only one-half as numerous as in 1939.

A slight decline occurred in both large and small failures; those involving liabilities of $5,000 or more dipped from 89 to 84, while those with losses under $5,000 declined from 22 to 19.

Retail trade and commercial service failures declined a little this week, while mortality in all other industry and trade held steady or increased.

The Pacific States again reported 30 business failures; almost twice the 16 in this area last year. The next largest number of failures was 25 in the Middle Atlantic States. Only two other regions had more than 10 failures during the week; New England had 19 and East North Central had 12. Mortality was less heavy than a year ago in the Middle Atlantic and East North Central States.

FOOD PRICE INDEX DECLINE FURTHER IN WEEK

Irregular movements again featured leading food markets. The trend was generally lower and the Dun & Bradstreet wholesale food price index dropped 2 cents further to $7.14 on June 29, from $7.16 a week previous. The current level compares with $6.39 on the corresponding date a year ago, or a rise of 11.7%.

Moving upward in the week were sugar, bellies, cottonseed oil, cocoa, raisins, prunes, hogs and lambs. Lower prices were listed for flour, wheat, corn, rye, oats, barley, beef, hams, lard, butter, eggs, potatoes and steers.

WHOLESALE COMMODITY PRICE INDEX REVERSES UPWARD TREND

A rather sharp drop in the general price level in the latter part of the past week largely reflected weakness in grain and cotton prices. The Dun & Bradstreet daily wholesale commodity price index fell to 286.51 on June 29 from 290.45 a week previous. On the corresponding 1947 date it stood at 258.25.

Grain markets were irregular and prices turned sharply lower in the closing days of the current period.

Wheat prices sagged on hedge selling and liquidation, induced by expectations of heavy receipts in the Southwest and continued reports indicating larger-than-expected yields in the Winter wheat harvest areas. Heavy rains over the week-end were reported in Kansas where the harvest is about to begin. The corn belt received substantial general rains during the week and the outlook for both corn and oats was greatly improved.

Closing prices for both grains were sharply under a week ago. There was increased activity in export flour business last week.

Domestic flour buying remained at a low level as bakers and other large users held to the sidelines in the hopes of lower wheat prices.

Sugar prices in both the raw and refined markets displayed a firmer tone in the week and coffee and cocoa continued firm. Lard prices averaged slightly higher in relatively light trading.

Hog prices continued upward as the result of good demand and light receipts.

Cotton price movements were irregular last week with the trend generally downward.

Spot prices at New York showed a net drop of 79 points for the week.

Mill demand was slow and market activity was limited mostly to occasional inquiries, light offerings and scattered sales. The decline in values reflected heavy liquidation in the July contract, continued delays in export buying, reports of further curtailment in mill operations and selling induced by continued favorable advices as to the new crop. The market received some support at times as the result of price-fixing against recent sales of the staple to the CCC and expectations of good export demand early next season under the ECA program. Sales in the ten spot markets were reported at 31,700 bales for the week, against 48,200 last week and 23,600 a year ago. Textile markets were slightly more active with print cloths displaying a firmer tone at the week-end.

Transactions in the Boston raw wool market remained on the quiet side last week as many mills were preparing to close down their plants for vacations until July 19.

Some resistance to current high asking prices was noted in various quarters.

There was little interest shown in medium wools and woolen wools, but scoured wools were in fair demand. Imports of foreign apparel wools received at Boston, New York and Philadelphia remained in good volume, totaling 6,124,900 clean pounds in the week ending June 18, as compared with 5,249,900 in the previous week.

RETAIL AND WHOLESALE TRADE CONTINUES FAVORABLE COURSE

Hot summer weather in many sections of the country encouraged the consumer buying of many types of seasonal specialties. There was a moderate increase in retail volume during the week with dollar volume in most lines comparing favorably with that of a year ago, according to Dun & Bradstreet, Inc., in its current survey of trade. There were extensive promotional sales of some types of goods, though clearance sales were generally less frequent than a year ago.

A considerable increase in the demand for beachwear and sport clothing for both men and women was apparent. Summer nightwear attracted considerable attention and women's cotton dresses and suits sold well. Men's lightweight Summer suits were heavily purchased along with slacks and sport shirts. Numerous weddings continued to stimulate the buying of some types of jewelry and bridal apparel.

Food dollar volume increased somewhat and was moderately above the level of a year ago.

Cold cuts, confectionery, soft drinks and beer were in very large demand along with other picnic items. Both frozen and canned foods were steadily purchased with fresh fish and poultry continuing in large demand. Fresh fruits and vegetables were abundant and reasonably priced and substitutes for high-priced meats and butter continued to be sought.

The substantial demand for home hair-waving kits was accompanied by a moderate decline in volume at beauty shops.

Vacationers evidenced considerable interest in luggage and sporting goods; both new and used cars remained in very large demand.

There was a seasonal lull in the buying of conventional living, dining and bed-room suites and the demand for porch and lawn furniture was sustained at a very high level.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 7 to 11% above that of the corresponding week a year ago.

Regional estimates exceeded those of a year ago by the following percentages: New England and Middle West, 6 to 10; East, 7 to 11; South, 5 to 9; Northwest, 8 to 12; Southwest, 9 to 13, and Pacific Coast, 4 to 8.

Favorable weather in many sections of the country the past week stimulated retailer buying of some seasonal goods, but the dollar volume of orders was slightly below the level of a week ago. The volume of trading in many wholesale markets compared favorably with that of the corresponding week a year ago. The Fall buying season has been prolonged in many areas and some retailers continued to avoid commitments for long-term deliveries last week. Continued high prices in many lines restricted retailer buying to some extent.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 26, 1948, increased by 7% from the like period of last year. This compared with an increase of 21% in the preceding week. For the four weeks ended June 26, 1948, sales increased by 6% and for the year to date by 7%.

Sales of seasonal apparel stimulated by extremely hot days here in New York, in addition to the advantage of an extra shopping day this year as the fourth of July fell on Friday in 1947, boosted department store sales last week and retail trade in general.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to June 26, 1948, increased 8% above the same period last year. This compared with an increase of 18% in the preceding week. For the four weeks ended June 26, 1948, sales increased by 4% and for the year to date by 6%.

FRB Reviews and Forecasts Business Trends

(Continued from page 11)

was about half as great in 1947 as it was in 1946, but in the first-quarter of 1948 it again became large. The sharp rise in inventories thus far in 1948 may prove to be an important factor in the business situation, for it has occurred principally in trade as contrasted to manufacturing industries. Throughout the past two years, but particularly in 1947, the rise in prices has accounted for a large part of the increase in business inventories. (Table II).

Table II
MANUFACTURING AND TRADE INVENTORIES
(In billions of dollars)

Industry—	Mar. 31, 1948	Dec. 31, 1947	Mar. 31, 1947	Dec. 31, 1946	Increase in 1st Quarter 1948	Increase in 1st Quarter 1947
	On Hand					
Manufacturing:						
Durable goods industries	13.5	13.3	12.2	11.1	0.2	1.1
Nondurable goods industries	15.4	14.7	13.2	12.3	0.7	0.9
Total	*28.9*	*28.0*	*25.4*	*23.4*	*0.9*	*2.0*
Trade:						
Wholesale	8.2	7.5	6.7	5.9	0.7	0.8
Retail	11.7	9.9	10.0	8.7	1.8	1.3

NOTE—Monthly estimates of the Department of Commerce. For manufacturing and trade, figures are not additive since the former are on a revised, and the latter on an unrevised, basis of estimation. These figures, unlike those used in the gross national product tabulations for all businesses, are not adjusted for inventory revaluation.

"The expansion of inventories since the end of the war has resulted in a generally more balanced composition of such inventories for peacetime purposes, even though some concerns have undoubtedly overextended their inventory positions. Stocks of durable goods have generally increased relative to those of nondurable goods, and finished goods have increased relative to raw materials and goods in process.

"Business inventories as a whole and in most lines, though high, are still not excessive in relation to the scale of current operations as compared with such relationships in prewar years. Such relationships, however, according to experience in past business cycles, are not unequivocal guages of the adequacy or inadequacy of inventories. Inventory-sales ratios have not increased substantially recently, but this is only because large increases in sales have continued. Generally speaking, it is only when sales level off, or actually decline, that total inventories tend to become excessive. Moreover, the current inventory situation differs greatly among industries. In such manufacturing industries as iron and steel, nonferrous metals, and petroleum, for example, current inventories are undoubtedly low by whatever standard may be used, whereas in some lines of metal products, rubber, and textile manufacturing industries they may already be high.

"Plant and equipment expenditures: The dollar volume of business expenditures on plant and equipment, which had already reached a record level in the first-half of 1946, has grown considerably since then. Plans of businesses in the aggregate, according to Securities and Exchange Commission and Department of Commerce data, indicate expenditures for the year 1948 in excess of those of 1947; this would not be true for all lines of business. The rate of growth during the past 12 months, after taking account of seasonal factors, has slowed up somewhat.

"The plans of business enterprises to complete their postwar expansion programs as soon as possible have been facilitated since mid-1947 by high volumes of new construction and of machinery and other equipment production. Such construction and equipment, however, have been available only at steadily increasing costs.

"The total dollar volume of new plant and equipment expenditures of businesses for the year 1947 as a whole, as shown Chart I totaled $16.2 billion, about twice the amount expended in 1941 and more than 75% above 1929, the two prewar years during which expenditures were largest. Some increase in expenditures would probably be shown even if allowance were made for the rise in construction costs and equipment prices.

"Expenditures for plant, as compared to those for equipment, have represented a larger proportion of the total in the last quarter of 1947 and thus far in 1948 than previously in the postwar period. For the postwar period as a whole, however, equipment expenditures have constituted a higher proportion of total expenditures than in the prewar period, reflecting the substantial amounts that have been spent to modernize existing productive facilities and the expansion of plants in some lines during the war. Almost three-quarters of total expenditures since the end of the war have been for new equipment, and equipment prices have advanced relatively less than plant construction costs.

"Business plans call for a further increase in plant and equipment expenditures in 1948 of approximately 15% above the record 1947 volume. The postwar expansion programs of many companies in such important broad industrial groups as electric light and power, railroads, petroleum, chemicals, and food still involve sizable expenditures before they will be completed. In addition, expenditures of commercial and service establishments in 1948 are expected to rise above the 1947 levels reflecting in part the absence of restrictions on construction expenditures in these industries such as were in effect in the first-half of 1947.

Internal Funds

"Undistributed profits: The very high dollar volume of sales of the past two years has been accompanied by an unusually large volume of profits since profit margins have generally been maintained. A higher portion of these profits than in earlier years has been retained by business management, and undistributed profits, as in prior prosperous periods, have provided most of the new equity funds for business. In 1947, over 61% of profits after taxes was retained and reinvested, as compared to 55% in 1946 and only 31% in 1929. The ready availability of such funds in large volume not only facilitated business operations during this period but also undoubtedly led some concerns to increase their expansion plans.

"Aggregate undistributed corporate profits, as shown in Chart II, totaled approximately $11.0 billion in 1947, as compared to $6.9 billion in 1946, the previous annual high; $5.9 billion in 1943, the wartime peak; and $2.6 billion in 1929. Thus far in 1948 undistributed profits on an annual basis appear to have remained close to the high 1947 level.

"The rise in corporate profits in 1947 resulted in part from the increase in the dollar volume of sales discussed earlier and in part from continued high profit margins, particularly for manufacturing companies. A Federal Reserve compilation of financial data based on the published reports of 200 of the largest manufacturing corporations in the country indicates that the average (median) profit after income taxes was 7.8 cents per dollar of sales in 1947 as compared with 6.7 cents in 1946 and 7.2 cents in 1939. (Table III).

Table III
PROFIT MARGINS OF LARGE CORPORATIONS IN SELECTED INDUSTRIES
Ratios of Profits after Income Taxes to Sales or Operating Revenues
(In per cent)

Quarter—	Manufacturing— Durable Goods	Manufacturing— Nondurable Goods	Railroads	Electric Power	Telephone
1947—1st	7.4	11.0	4.4	17.8	8.3
2nd	6.8	8.9	5.7	16.1	4.4
3rd	6.7	10.1	5.1	13.2	4.9
4th	6.8	11.0	6.7	14.3	6.6
1948—1st	7.4	11.0	3.2	15.5	7.1

NOTE—The industrial groups are represented as follows: manufacturing—105 durable goods companies and 95 nondurable goods companies; Class I railroads (about 130 companies); Class A and B electric utilities (about 218 companies); 30 telephone companies.

Quarterly profits data for these same manufacturing companies and for large corporations in other selected industries, as are shown in the accompanying table, indicate that profit margins, for most of these groups of large corporations at least, reached a high point in the first quarter of 1947, declined during the spring and summer, but have since recovered a good part, if not all, of their mid-1947 declines. Estimates for all corporations as a group indicate an even more favorable comparison of current with prewar profit margins; this is due primarily to the exceptionally small number of unprofitable companies in business today as contrasted to prior years.

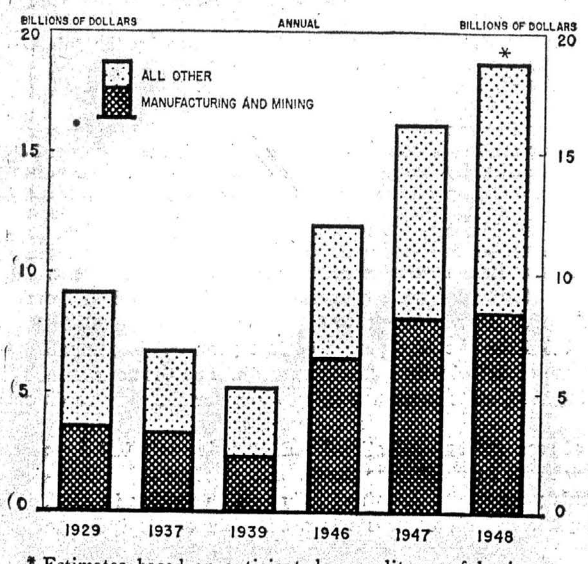
"These data on profit margins, it should be noted, relate to profits after all costs and taxes. Since corporate income tax rates are much higher now than they were before the war, the relationship between corporate sales and total costs exclusive of income taxes has probably been more favorable recently than in most previous prosperous years. One important factor affecting this relationship has been the smaller relative increase in overhead as against direct costs during the period of rising prices. Many concerns may of course be extremely susceptible to serious difficulties in the event of even moderate declines in the volume of production because of the lower profit margins that accompany such declines.

"For corporations in the aggregate the ratio of profits after taxes to net worth, which measures the book value of the owners' investment in corporations, rose sharply in 1947 to approximately 10.5%, about 1½ times the ratio in 1946 and 1943, the previous peacetime and wartime peaks, and more than double the rate in 1929. A compilation of annual corporate financial data prepared by the National City Bank of New York and based on the published reports of over 3,100 leading companies shows that the ratio of profits after taxes to net worth in 1947 varied from over 30% in such manufacturing industries as cotton goods, lumber, and household equipment to less than 5% in such nonmanufacturing industries as railroads and traction and bus transportation, and to deficits for the aircraft and parts manufacturing and air transport industries.

"Liquid assets: In addition to the funds retained from current operations, businesses have been able during the postwar period to

CHART I

BUSINESS EXPENDITURES ON NEW PLANT AND EQUIPMENT

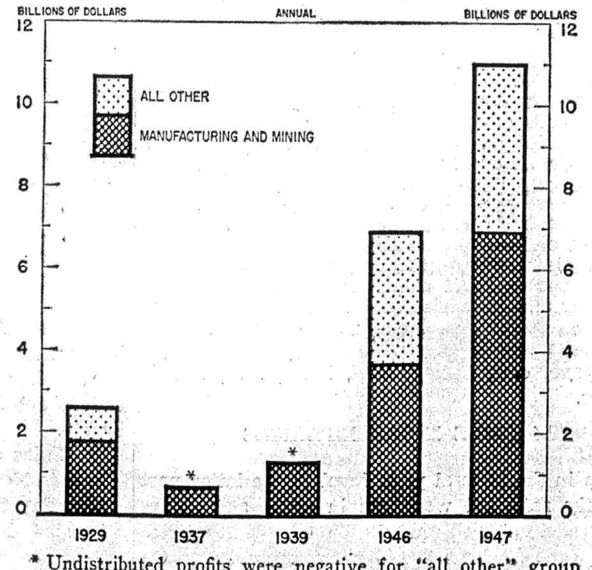


* Estimates based on anticipated expenditures of business.

NOTE.—Securities and Exchange Commission and Department of Commerce estimates. "All other" includes primarily railroads and other transportation, electric and gas utilities, communications, trade, services, and finance, but excludes agriculture.

CHART II

UNDISTRIBUTED CORPORATE PROFITS



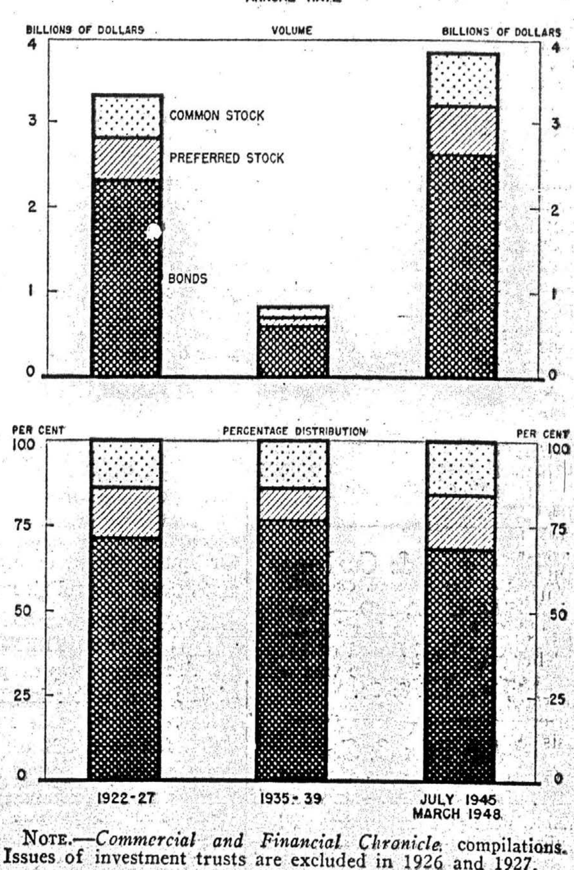
* Undistributed profits were negative for "all other" group in these years.

NOTE.—Department of Commerce estimates, except 1947, which is partly estimated by Federal Reserve. "All other" includes primarily agriculture, construction, trade, finance, transportation, communications, other public utilities, and serv-

CHART III

CORPORATE SECURITY ISSUES FOR NEW CAPITAL

ANNUAL RATE



NOTE.—*Commercial and Financial Chronicle* compilations. Issues of investment trusts are excluded in 1926 and 1927.

draw on liquid assets as a source of financing. These assets had been accumulated during the war years. In 1946 the liquid assets of business corporations in the aggregate decreased $6.5 billion. Since 1946, however, such assets have decreased only slightly, by approximately one-half billion dollars in 1947. Most of the decrease in 1946, it will be recalled, resulted from the liquidation of tax notes and other government securities to meet the high excess profits taxes payable that year on the previous year's income. The excess profits tax was no longer levied on 1946 corporate income. Since early 1947 corporate holdings of government securities have declined less rapidly and holdings of cash have increased somewhat.

"Changes in liquid asset holdings in these two years, and especially in 1947, have varied considerably among different lines of business. This is illustrated by the data for large corporations in 14 selected industries shown in the article 'Industrial Differences in Large Corporation Financing,' pages 623-33 of the Federal Reserve "Bulletin."

"No large additional reduction in the liquid asset holdings of business enterprises is likely even though current holdings are still large relative to those of prewar years. Business management is keeping a larger dollar volume of liquid assets on hand either to meet increased operating requirements for funds resulting from higher prices or to meet possible future contingencies. In fact, some increase in such holdings may be expected if sales and corporate income taxes payable continue to increase, thus raising the requirement for liquid funds for operating purposes, and if the disbursements of concerns that have completed their postwar expansion programs are substantially less than their receipts.

External Sources of Funds

"As the period of practically capacity operations and of high prices has lengthened, business enterprises have sought a somewhat larger proportion of funds from external sources, particularly from sales of security issues. Total external sources provided corporations as a group with 42% of their total funds in 1947 as compared with 33% in 1946.

"**Bank loans:** Commercial banks have been important sources of business funds since mid-1946. Outstanding total commercial and industrial loans of all banks increased over $8 billion during the two-year period, a much larger increase than had previously occurred in a comparable period of time. The major part of the increase took place during the last half of 1946 and the last half of 1947. Further increase in the use of bank credit by business appears likely in 1948 despite the decrease largely of a seasonal nature, in the first-half of the year. (Table IV).

Table IV

BUSINESS LOANS OF MEMBER BANKS

	Amount Outstanding (In Billions of Dollars)				Percentage Change		
Type of Bank—	June 2, 1948†	Dec. 31, 1947	June 30, 1947	Dec. 31, 1946	1st Half 1948‡	1st Half 1947	Year 1947
All member, total	*	17.0	13.8	13.2	*	5	29
Central reserve city	6.4	6.8	5.3	5.2	—5	3	31
Reserve city	6.9	7.1	5.7	5.5	—2	3	28
Country	*	3.1	2.7	2.4	*	13	27

†Estimated. ‡Through June 2. *Figures for country banks not available, but available data for country banks indicate a further increase in total loans during the first four months of 1948.

NOTE—Percentage changes computed from data in millions of dollars. Detailed figures may not add to totals because of rounding.

"Last year's new bank loans to business, like those in the previous year, were extended to concerns of all sizes and in all industries. Although comprehensive data are not currently available on the size and industrial character of businesses that borrowed from banks, there are some indications available. Thus commercial and industrial loans of banks in various classes of cities, as is shown in the table, experienced approximately the same percentage increases last year, indicating that the business loan demands of a variety of different-sized borrowers were involved. Petroleum, sales finance, and food, liquor and tobacco companies were important borrowers from large banks, while many small retailers and service enterprises borrowed from the smaller banks.

"New term loans to business—loans with a maturity of over one year — continued in large volume in 1947 but were probably less important relative to new short-term loans than in either 1945 or 1946. The lower cost of bank loans, as compared to security issues, caused some concerns to seek accomodations, at least temporarily, through banks rather than through public security issues.

"Thus far in 1948 the business loan volume of the large member banks of the Federal Reserve System that report on a weekly basis has fallen off somewhat from the end-of-1947 level. The decline has been greater at New York City and Chicago banks than at the banks located in other leading cities. This decline has been in part of a seasonal nature; in part the result of the abrupt commodity price decline in February and the incomplete price recovery from those lows; in part the result of some repayment of bank loans of large companies, particularly public utilities, with the proceeds from private and public placements of security issues; in part the result of high fourth-quarter profits of many concerns; and in part the result of a more restrained lending policy on the part of bankers who were influenced by anti-inflationary fiscal and monetary policies.

"**Security issues:** Net new money obtained by corporations through issuing securities—that is, the dollar volume of new issues less that of refunding issues and less cash retirements of securities—was a much more important source of funds for business corporations in 1947 and early 1948 than in 1946. In 1947 this volume totaled $4.5 billion as against $2.3 billion in 1946. Thus far in 1948 the volume appears to have been at an annual rate about equal to 1947. Strictly comparable data on net new financing are not available for all prior years, but if a rough allowance is made for the large volume of purely financial issues of the late twenties, the 1947 total is probably by far the largest annual volume of net new money ever obtained by corporations through security issues.

"Manufacturing companies and public utility companies other than railroads each received roughly one-half of the new money obtained through corporate security issues last year and thus far in 1948. Railroads as a group actually used more money to retire outstanding securities than they obtained from issuing new ones.

"The volume of new money obtained by manufacturing companies dropped off slightly after 1946, while that obtained by public utilities increased very sharply. In the case of the utilities such financing was divided almost equally between telephone companies and those in the electric light and power and gas group.

"The percentage of new corporate security issues, excluding refunding issues, represented by common stock, as is shown in Chart III, has been larger since the end of the war than it was in prior periods of prosperity. Since mid-1945, the annual average ratio of the dollar volume of common stock to total new issues has been 16% as compared to 14% in both the 1935-39 and 1922-27 periods; the years 1928 and 1929 cannot be compared because of the difficulty of allowing precisely for the numerous financial issues offered then. During the last quarter of 1947 the dollar volume of new common stock issues totaled over $350 million, the largest quarterly volume of such financing since the second quarter of 1930. The proportion of new issues represented by common stock, however, as is shown in Table V has been smaller since the decline in stock prices in the later Summer of 1946 than it was in the earlier part of the postwar period.

Table V

CORPORATE SECURITY ISSUES FOR NEW CAPITAL*

(Dollar volume in millions)

Quarter—	Total	Bonds	Stocks—Preferred	Stocks—Common	Common Stocks as a Percentage of Total
1946—1st	311	37	123	150	48
2nd	785	320	227	239	30
3rd	908	490	159	258	28
4th	1,552	1,237	233	82	5
1947—1st	740	610	62	68	9
2nd	1,102	750	245	106	10
3rd	873	606	175	92	11
4th	1,994	1,526	115	352	18
1948—1st	1,470	1,222	89	159	11

*Excludes refunding issues.

NOTE—*Commercial and Financial Chronicle data.* Detailed figures may not add to totals because of rounding.

"Private placements of new corporate securities, principally debt issues placed with insurance companies, continued in large volume in 1947; such placements reflected the availability of substantial amounts of institutional funds seeking investment. Privately placed bonds and notes, excluding term loans of banks but including refunding issues, totaled $1.8 billion in 1947, 38% of total debt issues; this represented the same proportion of the total as in 1946 when the dollar volume was slightly larger.

"Life insurance companies have recently provided some funds to business corporations by actual acquisitions of business plant and equipment that are subsequently rented to the seller on long-term lease. The legal power to purchase such property has generally been acquired only recently, and thus far has been used almost exclusively to purchase stores, offices, and factories from large profitable corporations. During 1947 life insurance companies invested in such property approximately $125 million, bringing their total holdings at the year-end to about $200 million.

Conclusion

"Prospects are for sustained large business investment in factories, machinery, and stocks of goods throughout the remainder of 1948 on the basis of orders already placed. Business enterprises anticipate spending more on plant and equipment in 1948 than they did in 1947, and aggregate business holdings of inventories and receivables still do not appear high relative to the volume of current and prospective sales although such is not the case in all lines of activity.

"Business profits are also likely to be larger in 1948 than in 1947. In such a case the volume of undistributed profits would continue high despite probable higher cash dividends and corporate income taxes. Business holdings of liquid assets in the aggregate, however, will probably not be reduced further.

"In view of their large planned expenditures, business concerns may increase their bank loans and make additional private as well as public sales of securities during the remaining months of 1948. Public sales of stock issues may be less costly as a result of the recent rise in the stock market. The major part of business external financing in 1948, as in 1946 and 1947, would probably occur during the last half of the year when business expenditures reach their seasonal peak."

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late John A. Salter to Charles Wohlstetter will be considered by the Exchange July 15. It is understood that Mr. Wohlstetter will act as an individual floor broker.

Interest of the late Carl F. Boker, Jr., in Fahnestock & Co., ceased on June 14th.

Trustees under the will of Morton D. Hutzler in Salomon Bros. & Hutzler, became a limited partner in place of Estate of Morton D. Hutzler, limited partner, on June 30.

Interest of the late Russell A. Ballou in Schirmer, Atherton & Co., ceased June 30.

On June 30 Farr & Co., retired as a stock exchange member firm.

Mrs. Aitken on Sales Staff of Greenway & Co.

OMAHA, NEB. — Greenway & Company, Farnam Building, announce that Mrs. Vina P. Aitken, who has been associated with the firm for some time, has been promoted to the Sales Department.

Mrs. Aitken has had considerable experience in the financial field having been in the Bond Department of one of the Omaha banks before joining Greenway & Co.

Wegener & Daly To Be NY Stock Exch. Member

BOISE, IDAHO — Don F. Daly will acquire the New York Stock Exchange membership of the late Arthur C. Weil on July 15 and Wegener & Daly, First National Bank Building, will then become members of the Exchange. Partners in the firm are Mr. Daly and Theo. H. Wegener.

On King Merritt Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Albert N. Mougin is with King Merritt & Co., Inc., Chamber of Commerce Building. He was previously with Slayton & Co., Inc.

Wages, Prices and Profits—What Is the Prosperity Formula?

(Continued from page 7)

process in which wages chase prices upward without a gain in the real income of the consuming public. The sound basis upon which an increase in income for any segment of our economy must be based is an increase in production for which that segment is responsible. Inflation can be stopped if we increase production proportionally more than we increase the income of the people who are responsible for the increase in production. This means that increased wages should depend upon more production per man hour, and increased profits upon increased production, the introduction of cost-saving machinery, new products, or the attainment of greater efficiency.

(2) We cannot stop the upward movement of prices if we continue to add on top of spending out of current income the additional spending which is supported by a further expansion of credit and particularly the expansion of credit which does not contribute to increased production. It follows that the expansion of consumer credit to buy automobiles and refrigerators and the like, which has been proceeding at the most rapid rate in history, adds only to the inflationary process. It follows also that increased saving in the form of savings bond purchases, or in any other form, will reduce the inflationary process. Many of us forget that business is itself responsible for more than half of the total savings made in the country, and that government is also responsible for a large part of it. Business savings will be most effective if accompanied by the postponement of business expenditures for plant and equipment which are not vitally necessary, and government savings will be more effective if accomplished by economies in government.

(3) It follows also that an increase in Federal Government spending for the European Recovery Program and for defense, both desirable from the standpoint of our national welfare, is not made less inflationary, but more so by the cut in the Federal income tax. It is essential to the management of our supply of money, a function with which the Federal Reserve System is entrusted, that the Treasury maintain in a period such as this an excess of cash receipts over expenditures. Such an excess during the first part of this year contributed in my opinion materially to the slowing down of inflation. That surplus has now been used up and there is little prospect for any further surplus this year.

The preservation of prosperity in this country and the continuance of those institutions which we all cherish dearly depends upon our clear recognition of some of these fundamental economic principles. It depends also upon our following the roads which they point out to us without detours dictated by political considerations.

With Daniel Reeves & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Joseph A. Field, Jr., has been added to the staff of Daniel Reeves & Co., 271 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

Byrne With C. A. Botzum

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John J. Byrne has become affiliated with C. A. Botzum Co., 210 West Seventh Street. Mr. Byrne was previously with Dean Witter & Co.

Railroad Securities

Bulls on railroad securities had a happy time of it in the first half of 1948. The Dow-Jones average of railroad stocks ended the period at 62.76, compared with 52.48 at the close of the year 1947. The six months' gain in the averages amounted to almost 20%. At the end of the half year the average had advanced more than 50% from the low of 40.43 established in May, 1947, and was only six points below the June, 1946, top. Moreover, the second half year started off auspiciously, with the average at 63.94 at the close of business last week.

Naturally, the action of the averages tells only part of the story. The rail market is almost invariably one of individual performances with wide discrepancies in the movements of the various stocks. The market of the past six months, as in the last half of 1947, has been no exception. While the Dow-Jones averages were going up 19.6% between Dec. 31, 1947, and June 30, 1948, a list of 40 representative common and speculative preferred stocks marked up gains ranging all the way from little more than 8% to more than 270%. At the same time, one of the old investment favorites, Chesapeake & Ohio, declined from 43½ to 37¾, a drop of 13.2%.

Of the 40 selected stocks that showed gains for the half year, nine showed smaller percentage rises than did the Dow-Jones averages. Two of these were preferred stocks (Chicago, Milwaukee, St. Paul & Pacific and Western Maryland 2nd) and two were the major eastern carriers, New York Central and Pennsylvania, which have been unpopular with the speculative and investing public for some time past. Surprisingly, the other five that failed to meet the performance of the averages were among the consistent and fairly liberal dividend payers. They were Atlantic Coast Line, Great Northern, Louisville & Nashville, Union Pacific and Western Pacific.

Action of Union Pacific is, of course, at least partially explained by the high price and the fact that it had a particularly sharp rise late last year on announcement of the large extra dividend and the proposed stock-split. Two other stocks, both now recognized as being in the investment class, were just about in line with the Dow-Jones average. Atchison, Topeka & Santa Fe and Southern Pacific were up 19.8% and 19.7%, respectively, in the first six months of the current year.

Out of the 41 stocks listed on the New York Stock Exchange which have been followed, the best performance was that of Central Railroad of New Jersey. The stock was up from 7¼ at the close of 1948 to 27 at the mid-year, a gain of 272%. This, however, was a special situation, centering around reorganization developments, settlement of the New Jersey tax claim, and the many rumors as to the possibility of a merger offer by Reading Company. None of the other stocks as much as doubled in price during the six months. As a matter of fact, during June, Central Railroad of New Jersey stock had climbed as high as 39¼, only to react sharply when the Reading merger rumors proved unfounded.

The next three on the list, all of which were up more than 75% during the period, were Chicago & Eastern Illinois, Chicago Great Western and Denver & Rio Grande Western common stocks. The last two named were up more than 90%. Chicago & Eastern Illinois and Chicago Great Western common stocks were in the lowest-priced group of rail equities so that sharp percentage gains were not too surprising. In the case of the Rio Grande common, however, the sharp rise may be attributed directly to the phenomenal operating performance of the road in recent months, a factor that may be accepted as contributing permanently to the worth of the company's stock.

There were 10 others that showed gains of 50% or more in price in the first six months of the current year. For the most part, these were in the highly speculative lower-priced group of issues. The two outstanding exceptions were Kansas City Southern and Nickel Plate common, both of which have a considerable degree of fundamental merit. All present indications are that the upward trend of railroad stock prices will continue for at least a number of months to come. Under these conditions the more speculative issues are apt to continue in the lead.

Measuring Earnings Trends in Railroad Stocks

(Continued from first page)

ary period with large revenues (particularly freight revenues) per share and low operating cost (particularly low transportation cost as measured by the transportation ratio) has been the greatest beneficiary of the wage-price spiral. On the other hand, the railroad that had relatively high operating cost and low revenues per share tended to have its per share earnings reduced by the inflation of costs and rates.

As between a company with large per share revenues and a high operating cost and a company with low cost ratio and small revenues per share, the latter fared better than the former, since the former's greater leverage does not operate to produce good results except under conditions where the gross expands (due primarily to increased volume) and the costs do not (as in the years 1941-1944).

The following figures constitute an attempt to help the railroad stock investor and speculator to understand better the "arithmetic" of railroad shares. Freight revenues, passenger revenues, operating revenues, transportation expenses, maintenance charges, total operating expenses for 1947 have been put on a per share of common stock basis. For example, Atchison, Topeka & Santa Fe had 1947 operating revenues of $462,-699,000, i.e. $190 per share on the 2,427,000 shares of common stock outstanding.

The three ratios in the right hand columns presumably speak for themselves.

"Load" per common share is the total of all income account items between net revenue from railway operations (operating revenues less operating expenses) and pre-Federal income tax net income after preferred dividends and Federal income tax applicable to the preferred dividend requirement. Non-operating income is credited as are net credits for equipment hire and joint facility rents.

In the case of Santa Fe, the "Load" is made up as follows:

	(Millions)
Taxes Other than Federal Income	$33.0
Equipment and Joint Facility Rents	1.1
Miscellaneous Deductions	0.6
Fixed Charges	6.7
Contingent Charges	2.0
Preferred Dividend	6.2
Federal Income Tax Applicable to Preferred Dividend Requirement	3.8
Total	53.4
Less Other Income	2.8
Balance	50.6
Per Share of Common Stock (2,427,000 shares)	$21.

Thus, last year's income account for Santa Fe on a per common share basis may be restated simply as follows:

	Per Share of Common
Freight Revenues	$153
Passenger Revenues	21
Total Operating Revenues	190
Transportation	65
Maintenance	62
Operating Expenses	140
Balance	50
"Load"	21
Balance	29
Federal Income Tax*	12
Earned on Common	17

*Except for tax applicable to preferred dividend requirement.

From the figures below it is relatively simple to figure the effects on per share earnings of changes in operating costs and rates and to understand better the substantial changes in per share earnings produced in the past several years by the wage-price spiral. As long as the latter persists, it will continue advisable to have as exact a knowledge as possible of the basic railroad "arithmetic."

Conclusions regarding the relative merits of individual stocks should not be based only on the following figures, since wages, rates and traffic have been changing. These figures may, however, be used together with more recent figures in attempts to calculate future earnings possibilities and the relative attraction of individual stocks.

	Revenues Freight	Revenues Pass.	Revenues Total	Expenses Trans.	Expenses Maint.	Expenses Oper.	"Load"	Pre Tax Bal. for Com. Stk.	Trans. Ratio	Maint. Ratio	Oper. Ratio
	Per Share of Common Stock										
Alabama Gt. Southern (2)	62	7	75	26	26	57	1	17	36%	35%	77%
Atch., Top. & Santa Fe	153	21	190	65	62	140	21	29	34	33	73
Atlantic Coast Line	117	27	156	66	59	137	11	8	42	38	88
Baltimore & Ohio	122	10	141	61	47	117	20	4	43	34	83
Bangor & Aroostook	78	4	86	26	33	63	12	11	30	39	74
Chesapeake & Ohio	37	2	40	14	13	30	3	7	36	32	74
Chic., Burl. & Quincy	106	11	130	44	36	88	15	27	34	28	68
Chic. & E. Illinois	63	11	83	37	27	71	15	D 3	44	32	85
Chic. Gt. Western	79	3	89	40	24	70	22	D 3	45	27	79
Chic., Ind. & Louisv.	70	4	80	33	24	65	18	D 3	41	31	82
Chic., Mil., St. P. & Pac.	88	10	109	45	35	88	21	--	42	32	80
Chic. & No. Western	161	30	216	95	72	181	35	1	44	33	84
Chic., R. I. & Pac.	100	16	126	48	36	93	20	13	38	28	74
Cinn., New Orl. & Tex. Pac.	68	6	78	23	24	52	8	18	30	32	67
Colorado & Southern (4)	33	4	41	17	13	33	9	D 1	41	32	80
Ft. Worth & Denver City (5)	38	6	48	17	13	34	8	6	38	29	75
Del. & Hudson (1)	91	4	98	38	33	76	9	13	38	34	77
Del., Lack & West.	38	6	48	22	13	38	8	2	46	28	79
Den. & Rio Gr. Western	150	9	167	62	51	125	32	10	37	30	75
Erie	55	3	62	27	17	49	11	2	44	28	79
Great Northern	53	4	63	22	20	46	7	10	36	33	74
Gulf, Mobile & Ohio	66	7	80	26	27	60	16	4	33	34	75
Illinois Central	141	19	178	65	60	136	26	16	36	34	76
Illinois Terminal	18	3	24	8	6	16	4	4	36	25	67
Kansas City Southern (7)	61	2	69	20	16	40	14	15	29	23	59
Kansas City Southern (8)	90	4	101	30	23	60	22	19	30	23	59
Lehigh Valley	53	4	30	28	18	50	11	D 1	47	30	83
Louisville & Nashville	69	7	81	34	29	67	5	9	42	35	82
Maine Central	162	20	195	77	67	153	33	9	40	35	78
Minneapolis & St. Louis	29	--	31	10	9	23	3	5	33	30	74
Minn., St. P. & S. S. Marie	41	2	46	19	16	37	6	3	42	34	82
Missouri-Kansas-Texas	72	6	85	34	25	66	23	D 4	40	30	78
Nash., Chatt. & St. Louis	104	9	124	52	42	104	15	5	42	34	84
New Orleans, Texas & Mex.	252	8	272	91	82	187	52	33	33	30	69
New York Central	77	21	109	50	38	94	16	D 1	45	34	86
New York, Chic. & St. Louis	263	5	274	105	78	199	48	27	38	29	73
New York, New Hav. & Hart.	79	52	145	62	43	118	32	D 5	43	30	82
Norfolk Southern	114	1	119	46	40	102	16	1	39	34	86
Norfolk & Western	27	1	29	9	9	19	--	10	30	31	66
Northern Pacific	50	3	57	21	21	45	5	7	36	36	79
Pennsylvania	51	12	69	33	23	60	7	2	48	34	87
Pitts. & Lake Erie	41	1	44	16	17	36	Cr 4	12	37	39	82
Pitts. & West Virginia	21	--	22	6	9	17	2	3	26	38	76
Reading	73	5	83	33	29	65	12	6	39	35	78
St. Louis-San Francisco	76	6	89	37	27	70	15	4	42	30	79
St. Louis Southwestern	302	5	318	96	78	194	54	70	30	25	61
Seaboard Air Line	111	18	140	56	47	114	21	5	40	34	81
Southern Pacific	113	16	140	56	41	107	19	14	40	29	76
Southern	143	16	171	67	56	132	27	12	39	32	77
Spokane International	63	1	68	23	21	49	14	5	34	31	72
Texas & Pacific	138	15	167	64	48	126	28	13	38	29	75
Union Pacific	149	21	184	66	55	135	14	35	36	30	73
Virginian	28	--	29	7	9	18	4	7	24	32	60
Wabash	138	9	158	61	43	116	26	16	39	27	73
Western Maryland	75	--	79	26	24	54	13	12	33	31	69
Western Pacific (3)	95	5	104	37	33	80	19	5	36	32	75
Western Pacific (2)	54	3	58	21	18	45	7	6			
Wheeling & Lake Erie	86	--	90	28	26	58	6	26	32	29	65
Canadian Pacific (6)	19	3	24	10	9	21	--	3	42	37	88
Class I Railroads	114	16	140	56	45	110	20		40	32	78

(1) D. & H. RR. Corp. figures; D. & H. Co. shares. Hudson Coal Co. excluded.
(2) Participating basis.
(3) Priority basis.
(4) Colorado & Southern Ry. Co. only.
(5) Fort Worth & Denver City Ry. Co. figures; Colorado & Southern shares.
(6) Figures not exactly comparable with the other roads.
(7) Kansas City Southern Ry. Co. only.
(8) Including Louisiana & Arkansas Ry. Co.

Dealer-Broker Recommendations

(Continued from page 8)

Portsmouth Steel Corporation—Data—Buckley Securities Corp., 1420 Walnut Street, Philadelphia 2, Pa.

Also available are data on **Central Illinois Public Service, Seminole Oil & Gas and Maryland Drydock.**

Richfield Oil Corp.—Memorandum—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Robbins & Myers—Memorandum—Lee Higginson Corp., 231 South La Salle Street, Chicago 4, Illinois.

Rudolph Wurlitzer Co.—Data—Scherck, Richter Co., Landreth Building, St. Louis 2, Mo.

Standard Oil Company of New Jersey—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Union Carbide & Carbon Corp.—Memorandum—Bennett & Palmer, 165 Broadway, New York 6, N. Y.

U. S. Finishing Co.—Analytical description—A. G. Woglom & Co., Inc., 49 Federal Street, Boston 10, Mass.

Winters & Crampton Corp.—Ask for memorandum No. 74—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Winters & Crampton Corp.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Also available is an analysis of **Miles Shoes, Inc.**

Wisconsin Power & Light Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

World Trade and World Stability

(Continued from page 11)

requirements, as well as 971 thousand (metric) tons of coarse grains, or about 55% of her total requirements. In addition, Belgium imported on an average about 30 thousand tons of dairy products.

The Netherlands, despite the export surplus of dairy products, is obliged to import some bread grains and substantial quantities of feed grains. In 1938, the Netherlands imported 755 thousand tons of bread grains, and 1,294 thousand tons of coarse grains, the latter accounting for about 73% of her total consumption.

The need for raw materials and manufactured goods is reflected by the following table of important imports in the Netherlands (1939):

	(In millions of U. S. dollars)
Iron, steel and articles thereof	$78
Implements, apparatus	64
Coal, coke, briquettes	32
Timber	31
Yarns	29
Dry goods and textiles	27
Vehicles	24
Chemical products	21

Mexico, a comparatively large country, one-fourth the size of the United States, with but 22 million people, most of whom obtain their livelihood from agriculture and mining, obviously differs from the countries already commented on. Yet Mexico, too, in order to maintain a more balanced economy, is obliged to import some foods and substantial quantities of machinery and manufactured goods in exchange for precious metals and minerals found within her borders. A list of the leading Mexican imports (1940) classified by commodity groups shows:

	(In millions of U. S. dollars)
Machines, apparatus and tools for agriculture, industry, mining and the arts	$22
Machines and apparatus for other uses and vehicles	25
Mineral products	21
Products of chemical industry	16
Vegetable products	17

Position of U. S.

Despite the fact that the United States is the most richly endowed nation in the world, possessing natural resources in great abundance, wide climatic variations, and a great industrial productive system, we are dependent upon world trade (1) to maintain our standard of living and (2) to maintain the efficient operation of our economic system. Without laboring over statistics, consider a list merely of the more important items, and note how common they are to all of us.

(1) **Coffee**—none grown in the United States. 2,498 million pounds imported in 1947 valued at $600 million.

(2) **Cane sugar**—4,180 thousand short tons (one short ton equals 2,000 pounds) imported in 1947 valued at $413 million.

(3) **Paper and manufactures**—imports in 1947 totalled $345 million.

(4) **Rubber**—no crude rubber produced in the United States. 1,567 million pounds imported in 1947, valued at $312 million.

(5) **Wood pulp**—imports in 1947 totalled 2,091 thousand short tons, valued at $245 million. Imports usually account for about 25 per cent of our domestic consumption.

(6) **Unmanufactured wool**—364 million pounds imported in 1947 valued at $225 million.

(7) **Copper and manufactures**—562 million pounds imported in 1947, valued at $159 million.

(8) **Burlap**—no production of jute fibers in the United States. 671 million pounds imported in 1947 valued at $131 million.

(9) **Furs**—about 50% of the domestic consumption is imported. In 1947, furs imported were valued at about $130 million.

(10) **Raw hides and skins**—imports in 1940 valued at $88 million.

(11) **Tin**—with practically no tin produced, we imported 103 million pounds in 1947, valued at $58 million.

(12) **Raw silk**—entire supply imported, which in 1947 totalled about 2 million pounds, valued at $23 million.

In addition, large quantities of cocoa, rugs, bananas, fish and other products are imported.

In the manufacture of steel, we are told over forty raw materials from 57 different countries are necessary. To make a ton of steel takes about fourteen pounds of manganese, and about 1¼ million tons per year of 50% ore are needed from abroad. Manganese comes from India, Russia, South and West Africa and Brazil.

About 60% of our tungsten must be imported, principally from China and the Straits Settlements. Chromium comes from South Africa and the Philippines. Almost all of it must be imported.

Without imports the industrial economy of this country would be seriously handicapped. In minerals alone we are dependent upon large imports to keep our plants operating. We are net importers of bauxite, antimony, cadmium, chromium, copper, lead, manganese, mercury, nickle, tin titanium, tungsten and zinc. In addition, we are dependent upon imports of vegetable oil, hemp, jute, industrial diamonds and many other commodities.

In all the countries we have examined, notwithstanding varied areas, populations, industrial development or the importance of agriculture and mining, imports are essential. In some instances, imports of basic foods are necessary to sustain life; in others, they lend a desired variety to diet. Raw materials are needed by industrial nations; machinery and manufactured goods are required by agricultural and mining countries. In all cases, however, imports of goods from abroad are the key to desired balances in the life and economy of peoples everywhere, with the added by-product, as it were, of the most productive utilization of the skills of men, and the resources at their command.

World trade, like a coin, has two sides. We have noted the need and desirability of **imports**; the other side of world trade is **exports**. In other words, every time one imports, or buys, there must, of necessity, be someone who exports or sells. This phase of world trade is as essential and vital to some peoples and nations as imports of food are to Britain, for example.

There are two major reasons for exports. First, the imports and exports of a nation must be equal in value. That is, what is bought must be paid for; the two must be equal. Thus, in world trade, the goods a country buys from abroad or imports must be paid for by:

(1) Exports
(2) Gold
(3) Income from investments
(4) Loans or gifts
(5) Services

We may obtain some idea of the importance of exports to the United States by noting that during the forty-year period from 1900 to 1939, over 57% of our cotton, 35% of our tobacco, 18% of our rice, 7% of our pork and 29% of our lard were exported, annually, on the average. The farmers of this country and the nations as a whole would have found it difficult to get along satisfactorily without this outlet for their agricultural production. Today we produce perhaps one-third more farm products than we did before World War II. Although we have increased our population and have raised our standards of living, our increase in farm production makes foreign markets an important part of our economy. In 1939 we exported 20% of our production of industrial machinery and implements, 16½% of our agricultural machinery and implements, over 20% of our motor trucks, more than one-third of our lubricating oils, and nearly one-fourth of our aircraft. In the same year, approximately 15% of the workers in the motor vehicle, industrial heating and equipment industries were working in one way or another on exports. The following figures indicate the percentage of the workers in some other industries which were engaged in producing exports: Nonferrous metals and products, 23%; chemicals, 16%; rubber, 15%; business and consumer services, 11%; food, tobacco and kindred products, 12%.

Great Britain, we have noted, is the greatest single importer in the world. We have noted also that in the average prewar years 31 nations found in Great Britain their best single customer. Now, to maintain such purchases, i.e., to pay for her imports of food and goods, Great Britain must export great quantities of commodities of which she has a surplus, and this she does as indicated by the following exports:

Iron and steel products.
Woolen and worsted yarn.
Woven woolen goods.
Cotton yarn.
Woven cotton goods.
Spirits.

Incidentally, prior to the war, the income Great Britain received from investments abroad and shipping and financial services amounted to about $1,720,000,000, which was sufficient to pay for about 35% of her total imports. During the war and post-war periods, however, Great Britain was forced to liquidate the bulk of her holdings abroad in order to pay for vital imports necessary for victory and subsequent reconstruction and rehabilitation. As a result, in 1947 her income from investments accounted for but 3% of her total imports, which, incidentally, were 25% less (in physical volume) than in prewar years. This fact makes it imperative that Britons produce more and export more than in pre-war times in order to maintain imports even at their present **reduced** level.

Thus, the production and export of commodities is essential in order to maintain the flow of desired imports of foods, raw materials and other goods from abroad. Akin, but differing slightly, and the second reason for the importance of exports, concerns those nations whose prosperity is directly dependent upon finding a foreign market for the bulk of the output of the principal industry. This condition probably is found most often in mining or agricultural nations where industry is relatively undeveloped or unimportant.

The Philippines is one example where agriculture is the principal occupation. About one-third of the cultivated land is planted in cash crops, chiefly for export. In 1940, sugar accounted for 40% of the total value of exports and copra for 20%. The Philippine output of copra is the largest in the world, and it is estimated that one-third the population depends on this industry for its livelihood.

The chief rural industries of Australia are sheep-raising, dairying and wheat. Australia produces one-fourth of the world supply of wool, which is the major item of Australian exports. In recent years, 55% of her total exports were accounted for by wool and wheat.

Agriculture is the basis of the Brazilian economy, with three-fourths of the people directly engaged therein, and the output of her agricultural products accounts for 80% of her total exports. The economy is characterized by the predominance of export crops, such as coffee, cotton and cocoa. At the time, there is a shortage in staple foods, such at wheat, rye, barley and oats. Brazil is the greatest coffee-producing country in the world, with practically the entire crop exported. In cotton output, Brazil ranks third in the world, with raw cotton bulking large in the export total.

Argentina is one of the great food-producing centers of the world. Thus, agricultural, dairy and pastoral products, and their by-products, usually exceed 80% of the total value of her annual exports. The prosperity of Argentina is related to these industries and to the subsequent export of their output abroad.

Prosperity Dependent on Exports

The prosperity of the nations we have just examined is closely dependent on the sale of goods abroad. Thus, in fact, the welfare of peoples everywhere is in an important measure determined by the extent and volume of world trade. Actually, in world trade there is a great fusion of the individual interest of nations into a common program of mutual economic cooperation helpful to all.

Finally, the more freely trade flows, the more it will grow in volume and the more efficient will be the utilization of the abilities of men and the resources of the world. It is a fundamental concept of economics that the more efficiently the factors of production are utilized, the greater will be the benefits accruing to society. Increasing the volume, as well as freeing the flow of world trade, tends to raise the standards of living of all people. World trade not only makes good neighbors; it makes healthy, richer and happier neighbors.

Conclusion

In conclusion, let us consider briefly some of the more general aspects of world trade.

When foreign nations borrow from us, the dollars they borrow must eventually be expended in the American markets. The loans enable foreign nations to buy goods, and our manufacturers, farmers and producers like to sell goods. Factories run, men are employed, and dividends are paid. But when the borrowed money is finally spent, we may face some economic problems.

When a nation has spent its dollars and gold, the internal economic pressures in that nation may become intense. In nations dependent upon the exchange of their goods for other goods they need, the internal economic problems may be very difficult of solution. In the absence of loans or credit, the way in which foreign nations can obtain dollars or gold in order to buy from us goods they need desperately is to sell goods or services to us, that is, for us to import from them.

It is said that when we buy goods from other nations, we help them to have employment and full production. We help them to survive. However, it is said we put our own workers out of work, we make our own factories idle, and we injure the American nation. Everyone agrees that would be bad. But we forget that whenever a foreign nation sells goods or services in our markets, for which it obtains dollars, these dollars must eventually be used in our markets. That is the essential, controlling fact. There is no other place in the world for the expenditure of dollars finally. They can be shifted from nation to nation, but eventually the dollars must be spent here. That means employment for us, factories in operation for us, sales for us of raw materials, farm products and finished goods. It means good busines for us. Simply stated, then, every dollar we buy from foreign nations does not make us poorer, for the dollars other nations receive must be spent here.

Consider our present procedure. As a nation, we make foreign loans and extend credit, which enables other nations to buy our goods and services. We send our raw materials and finished goods over the entire world. We are pleased to sell the world our goods. However, we do not wish to take raw materials or finished goods in return. We are willing to deplete our resources, use our manpower and wear out our productive capacity, in order to sell goods abroad. But under no conditions do we wish to take goods in return for the goods we have sent away, to build up the resources that have been depleted, to replace the manpower that has been used or the productive equipment that has been worn out. We wish only promises to pay and gold. It is an unbelievable philosophy for a great nation.

It is easy to be prejudiced on these matters. Prejudice is a great time-saver. It enables one to form opinions without getting the facts. That has some advantages, but they are not on the side of intelligence. The destiny of a world sometimes seems at the mercy of economic illiteracy. The most effective weapon that can be used against economic ignorance is not indignation but a wider diffusion of basic knowledge such as this conference provides. We need to bring some new thinking into our trade relationships with other nations. Nothing in life is so sacred as a rut and nothing is so annoying as the thing that jolts us out of it.

If World War II has brought nothing but world confusion, and if faith and hope are dead, then these discussions on international trade are futile. If, however, western civilization is now confronted with its supreme opportunity to organize its common interests under economic statesmanship for a period of unprecedented progress for all mankind, then this meeting becomes greatly important.

While the jungles of Africa may not go down tomorrow before an avalanche of Studebakers, Fords and Chevrolets, while the teeming millions of India may not eat a breakfast food tomorrow that "pops and crackles" as they pour on the cream, and, while the people of China may go through life ignorant of the social advantages of using Listerine and Lifebuoy, nevertheless, I believe we are agreed that world trade is imperative to a stable and peaceful world, where peoples can live and work and hope with faith in the future.

With Herrick, Waddell

(Special to THE FINANCIAL CHRONICLE)

BEATRICE, NEB.—Willard P. Sherwood has joined the staff of Herrick, Waddell & Reed, Inc., 55 Liberty Street, New York City.

Frederick Whitlock Dies

Frederick Simmond Whitlock, partner in Farr & Co., New York City, and a member of the New York Stock Exchange, died at his home at the age of 54.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market about over its resting period. Expect renewal of bull trend in immediate future.

* * *

Writing about the weather seems hardly appropriate for a column theoretically given over to a discussion of the stock market, what to buy and how to make/lose money. But with everybody talking about the weather, who am I to snub it?

* * *

Okay, now we've got the weather out of the way, we can go back to the market; what makes it tick and where it's going from here. Now, what makes it tick? H-m-m-m. That's a good question. There was a time when I could rattle off a dozen replies to that one, each one more erudite than the other. Now all I can do is stand off in dismay and either refer you to some standard textbook or simply shrug my shoulders. I've got it! Why don't you ask your broker? With market activity what it is, he should have lots of time to give you the answer. Alright, now we've got that taken care of, let's go to the next question. Where's it going from here?

* * *

At this point I should drag in a lot of technical stuff about line cuts, radiant lines, legs (not the kind you pay $10 to see), triangles and other terms familiar to chart readers. I would too, if I could place these words in their proper order. I'm afraid, however, I'll put one of these terms in the wrong place and some eager reader will hurriedly take me to task. That will lead to involved correspondence and discussions and I'm anxious to avoid both. So I'll just say I think the market is through resting, or whatever it has been going through, and will now go up. Reasons? I don't know. It's just the way the market looks to me now.

* * *

When I say I don't know, I'm merely sloughing it off. I do know, for example, that certain stocks and groups have met support in an area where if they weren't going into a tailspin, support was an urgency. When such a thing happens it means that buying of better than average quality is present. What was lacking in this picture was that this buying wasn't following stocks up. Instead there was a condition where the public (determined by odd lot transactions) was buying and then selling if moves didn't develop. This resulted in a general milling around usually at top figures where the public was most active on the buying side. Conclusion therefore was that stops were being distributed. It was the chief reason why I kept hammering on stops and repeated warnings not to do too much buying.

* * *

This distribution is still going on. What softens its effect is the accumulation going on during declines. It can best be seen in such groups as autos, auto accessories, tires, oils, coppers, steels and rails. On the opposite side, groups like air lines, building supplies, gold mining and amusements predominate as poor risks.

* * *

All this leads to the stocks you still hold. As individuals they act okay and so long as they do, they should be held. Of course the stops still apply. For a complete list of holdings, purchase price and stops, refer to last week's column.

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.]

Two With Peters, Writer

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Chappell Cranmer and Jack E. Ormsbee have become affiliated with Peters, Writer & Christensen, Inc., U. S. National Bank Building.

Max Nedwick Opens

CHICAGO, ILL.—Max Nedwick has opened offices at 211 West Wacker Drive to conduct a securities business.

With Schweickhardt-Landry

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—George P. Gagnet is with Schweickhardt, Landry & Co., Hibernia Building.

E. Phillip Lyon Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—E. Phillip Lyon has opened offices at 325 West Eighth Street, to engage in the securities business.

With Wm. S. Beeken Co.

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, FLA.—Claude J. D'Angio is now with Wm. S. Beeken Co., Guaranty Building.

"Savings and Loan Associations Are Not Banks"

(Continued from page 6)

where have I seen reference to the fact that the Association is not obliged to pay money on demand; nowhere have I seen their product advertised as share accounts and nowhere have I seen advertising which says that the Federal Savings and Loan Insurance Corporation insures by:

(a) Transferring the account to another Federal Savings and Loan Association which also will not be required to pay on demand.

(b) At the option of the insured member, by paying 10% cash and 90% in debentures of the Federal Savings and Loan Insurance Corporation, payable in one and three years in equal proportions without interest.

Please bear these two very important points in mind:

(1) The fact that a Federal Savings and Loan Association is not able to pay its shareholder on demand is no indication of insolvency.

(2) Even in the case of insolvency the insurance of the Federal Savings and Loan Insurance Corporation in no manner places the insured in a position where he can require more than 10% of the amount of his claim in cash.

In an article written by George A. Mooney in the New York "Times" on Sunday, May 30, 1948, he quotes George L. Bliss, president of the Century Savings and Loan Association of New York City as saying that "Bankers, faced with a slow-down in the rate of growth of their institutions, are embarking on a program of harassing savings associations by an attempt to belittle the value of the insurance of accounts provided by the Federal Savings and Loan Insurance Corporation." He made the assertion in a staff bulletin, copies of which were made available to the press.

It would be my opinion that nothing would be further from the truth. Banks are however, worried because they realize that the tide has been coming in, that the flow of money has been increasing for various reasons. They realize too, that there will come a time when the customer will draw more than he deposits and they realize that they must be prepared to meet it. With a high concentration in mortgages it may not be possible for some of these associations to continue to pay on demand, and this will hurt the public and shake confidence. It will react unfavorably against banks as well as against Savings and Loan Associations. I know of nothing in the law which limits the aggregate amount of mortgages which a Federal Savings and Loan Association may make. The Congress of the United States has limited National banks to place none of their demand deposits in mortgages and a maximum of 60% of their time deposits. In New York State, banks under state charter are similarly restricted, the yardstick being based on the population of the area in which the bank is located.

I have in my possession a Dec. 31, 1947, statement of an association in a suburban district that has grown to $22 million in 11 years and whose growth has been from $9 million in 1945 to $15 million in 1946 and to $22 million in 1947, a growth from $9 million to $22 million in two years. This same association on the statement date in question showed $19,180,000 in share accounts and $18,775,000 invested in first mortgages. This association shows $865,000 cash on hand and $2,851,000 in government bonds, but it also shows borrowed money in the sum of $2,200,000. Its dividend on Dec. 31, 1947, was at the rate of 2½%.

In listing the liability due to its customers in the statement there is nowhere an indication as to the exact nature of the accounts. The item reads:

"Savings and Investment Accounts," $19,187,767.05. This represents the savings of our members. The safety of your investment is insured up to $5,000 by the Federal Savings and Loan Insurance Corporation, an agency of the U. S. Government."

Let me give you a little more evidence of the fact that the public considers these associations banks of deposit. In a piece of advertising material issued by a local radio station, the radio station listed its advertisers, one of which is a Federal Savings and Loan Association: it was erroneously listed either by the radio station or by the printer as First Federal Savings Bank of Blank. On Jan. 22, 1948 a hold-up of the South Brooklyn Savings and Loan Association Branch took place. I am quoting the head-lines from two New York City papers:

"Thugs Get $8,000 from Queens Bank."

"Girl Clubbed in $8,000 Bank Hold-up"

Such illustrations can be found frequently and they definitely prove that the public actually is misinformed.

Misconception Widespread

To show you that the misconception of which I speak is not only present among our average people but also among those of higher education, I have in my posession a letter from a person who is a trustee in one of the outstanding universities of the United States and who, in writing to me about a certain matter, gives me the name of three "banks" in Nassau County. It so happens that two out of three of the banks quoted by the university trustee are Savings and Loan Associations. I hardly believe it necessary to further prove that the Federal savings and loan group is representing its merchandise as bank deposits instead of investment share accounts. I would, however, like to quote a bit from an article which appeared in the "American Banker" on Oct. 16, 1947, and which quotes Mr. Floyd Cramer, President of Washington Heights Federal Savings and Loan Association of New York City. Mr. Cramer, in addressing the convention of the New York State Savings and Loan League at the Chateau Frontenac at Quebec, is quoted as saying: "We are the only type of financial institution today that does not have a general name by which its section of the financial world is known. All the others not only have such a name but have the word 'banking' in it, even though most of them are not banks in a technical sense. I can see no reason why this industry should not call its business 'savings and loan banking'." I quote further from the same speech published in the "American Banker": "It is not necessary, for example, that an institution even put in print the fact that it is in the 'saving and loan banking business.' We do not do so in the association with which I am presently connected. We merely let the public know in little ways customarily employed by other financial institutions that we are in the banking business.

"There is, for example, lettering on the front doors which informs the public as to our banking hours. Small print on our financial statement tells the reader that we are a 'banking organization.' If anyone inquires as to what kind of banking we are engaged in, we tell him 'savings and loan banking,' and proceed to explain the purposes and functions of a Savings and Loan Association." (I wonder whether he explains that the customer is buying an investment consisting of a share account?)

The article in the "American Banker" goes on "Referring to the fact that the total resources of New York State Savings and Loan Associations are approaching the $1 billion mark, Mr. Cramer pointed out that their nearest competitors, the savings banks, have $10 billion, and that only about two generations ago they were nearly equal. 'Here is where we have not lived up to responsibilities,' he commented. 'There is no reason why the savings and loan assets of New York State should not be as great as the savings bank assets.'

"To 'correct' that situation, he suggested, better and more advertising, more presentable and business-like offices, more intelligent handling of customers, higher paid personnel, more aggressive managing officers and 'many more things along this line'."

What to Do About It

It is very well to criticize, but what to do about it is another matter. It would be most difficult to convince these associations of our sincerity and of the validity of our fears. Their supervisory authorities have done nothing or very little at best to curb the type of advertising that has been taking place. It is my conviction and feeling that our banks are only seeking what is right and fair and that an uninformed public is dangerous to all.

If Savings and Loan Associations at some time are unable to pay on demand, and if the public considers them banks, as I believe they do, the public can be hurt and serious results to banks could follow. When a day comes that a Savings and Loan Association elects NOT to pay on demand, as it has a perfect right to do, and John Q. Citizen walks down the street in the locality of your bank saying, "That BANK didn't pay me. I can't get my money out," it will make more trouble for banking than for Savings and Loan Associations because you are obliged to pay on demand. I also believe that, as bankers, we come pretty close to having a moral duty now to explain the difference of the two types of institutions to the public. Many people lean on banks for guidance and they might well have a right to criticize us if we remain quiescent.

I hope that this talk will be taken very seriously by our banks. I also hope that it may ultimately be followed by close cooperation between banks of deposit and Federal Savings and Loan Associations. I hope that our banks will find themselves at an early date to be in a position to suggest to their customers an investment in Federal Savings and Loan shares but this can of course only be accompanied by a clear understanding of the nature of the investment which the bank customer is buying.

I would recommend that our Association run dignified advertising acknowledging the place of the Savings and Loan Associations in the picture of finance, but definitely and clearly telling the public the difference between a bank deposit and a savings and loan share. If the public knows that it is buying a time investment and knows how the insurance is payable, there can be no danger to either the Federal Savings and Loan Associations or to the banks.

G. Brashears Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William A. Waitkus has joined the staff of G. Brashears & Co., 510 South Spring Street, members of the Los Angeles Stock Exchange.

Outlines Steps Toward Currency Stabilization and Multilateral Payments

(Continued from page 9)

were it not for the severe Winter and the critical payments problem which resulted in a restriction of imports. But this level of production is far from enough in the light of Europe's needs. Industrial efficiency in Europe must be increased and output expanded if Europe is not to remain a deficiency economy.

"The European countries are extremely conscious of the need for increasing their efficiency and modernizing their production. They have devoted a very large part of their current output to capital investment in agriculture and industry. Despite the fact that the standard of living in most of Europe is below, and in some countries considerably below, the prewar level, restrictions have been maintained on consumption in order to give preference to investment. Indeed, the exceptionally large volume of investment has been a major factor causing inflationary pressure in most European countries. In the past two years the ratio of investment to national income has been far greater in Western Europe than even in such countries as the United States and Canada.

"The continued expansion of production in Europe will require the completion of this program for rebuilding the European economy; and the flow of goods under the European Recovery Program should enable the European countries to do this. It remains necessary, nevertheless, for Europe to use these resources in projects that will increase output promptly. Preference must be given, first, to investment that will decrease the abnormal dependence of Europe on imports from the Western Hemisphere; and, second, to investment that will provide exports to the dollar area or to other areas whose capacity to earn dollars may be expected to increase.

Increased Exports

"Even a considerable increase in production, if it can be attained in the next few years, will not enable the European countries to raise significantly their present standard of living. Part of the increased production will have to replace their present abnormal imports. The European countries must give consideration to supplying themselves and each other with more of the goods which they have recently been getting from the United States and other Western Hemisphere sources. On the other hand, most of the increased production will have to be earmarked for export. There is no doubt that Europe has a will to do this. In 1947 the volume of exports of the countries of Western Europe increased by 30% as compared with 1946; it is now just below the prewar volume. The proportion of their exports to industrial production is slightly less than before the war. To strengthen their balance of payments, European countries must not only increase production, but raise considerably the proportion of output that is exported.

"I have said that in Europe there is a will to export. Nowhere are people more conscious that their ability to survive in the future depends on their capacity to export. The export drive in the United Kingdom has become something of a national crusade. And in other countries, too, the importance of exporting is recognized by government and business alike and the expansion of exports has become a major objective of national economic policy. But it is not enough for Europe to increase exports. The increase in exports must be to areas from which dollar payments can be expected. This means that the greater part of the increase in exports must go to the Western Hemisphere, although part can go to other regions that may be able to pay in dollars.

"During the past year almost none of the 30% increase in Western European exports went to the Western Hemisphere. Instead, the increased exports were used in trade within Europe and in trade with dependent and associated areas. Within Europe, to cope with active or latent inflation, some countries have found it desirable to keep goods at home and to attract imports from other areas as a means of dealing with the pressure of excessive demand at home. But even when full allowance is made for this factor and the fact that the European countries were eager to restore their customary trade connections, it still remains true that so large an increase in exports to these areas cannot be explained wholly by these facts. The higher-priced markets of Europe and other regions were undoubtedly more attractive than the more competitive, lower-priced markets of the Western Hemisphere. But it is no solution for the European payments problem to have a large dollar deficit with the Western Hemisphere and a large surplus with other areas if the surplus with other areas must be financed by credits from Europe—as has been the case—while the deficit with the Western Hemisphere must be financed by credits from the United States and Canada—as has been the case too.

Can Europe Export for Dollars?

"There is a wholly unwarranted pessimism in some European countries on their capacity to export to the Western Hemisphere. The Western Hemisphere provides far more receptive markets for imports from all countries than ever before. In 1947 the United States, Canada and Latin America imported about 30% more in volume than before the war. In fact, if supplies had been available more easily, and in the case of Canada and Latin America if the supplies could have been acquired without payment in U. S. dollars, the volume of imports would have been even greater. Such favorable markets willing and able to pay needed foreign exchange for European exports can be found nowhere else in the world. The task of European countries during the next few years is to get their share of these markets, to produce the goods that can be sold, and to offer them at prices that will attract buyers.

"I believe it can be done. In the five years before the war, 14 of the countries of Europe participating in the ERP (Turkey and Portugal omitted), supplied 20.5% of the total imports of the United States. In 1947 these same countries provided only 10.8% of the total. The experience in Canada and Latin America is much the same. If these countries could have supplied the same proportion of the imports of the Western Hemisphere countries as before the war their dollar exports in 1947 would have been about $1.8 billion greater than they were. I am fully aware of the difficulties to European exports as a consequence of the building up of industrial production in Canada and Latin America and of the expanded production of the United States and of the lack of raw material in Europe itself. I do not argue that there is anything magical in Europe's supplying precisely the prewar proportion of Western Hemisphere imports. I do believe that Europe can do far better in the next few years if it will concentrate on producing the right export goods and offering them at the right prices.

"I have myself seen businessmen from Western Europe who for more than two years had been selling to the Western Hemisphere as much textiles as they could export, I won't say at any price, but certainly at a very comfortable price. This was in the period just after the war, when the United States and Canada were in the process of reconversion. Everywhere there was an enormous demand for everything, one of the strongest sellers' market ever seen. This sellers' market has been gradually disappearing. The awakening was bound to come. I saw these same businessmen in New York six months ago, looking rather crestfallen. 'Business is becoming terribly difficult here,' they told me. I replied: 'Did you think the former situation could last forever?' In my opinion many European industries, by cutting down profit margins, by improving their technical organization and their distribution system, could come much nearer to competitive prices than they now are. Other steps may in some cases prove necessary but the first ones have to be taken anyhow.

"It has often been argued that Europe can never sell enough of its exports for dollars, and the United States is held up as the horrible example of a country that won't buy from Europe. Actually, in 1947 the failure of Western European countries to sell export goods to the United States was less significant than their failure to sell export goods to Canada and Latin America. In 1947 the exports of six Western European countries (the United Kingdom, France, Belgium, Netherlands, Denmark and Norway) to the Western Hemisphere were only 40% of their prewar proportion in these same markets. If these six countires had maintained their prewar proportion in the dollar markets they could have exported $625 million more of their products to the United States and $975 million more to Canada and to Latin America. As you see, the failure of Europe to maintain exports to Latin America and to Canada was even more marked than its failure to maintain exports to the United States.

European Costs and Prices

"I repeat, the big job for Europe is to produce and sell more goods in the Western Hemisphere. I do not say it is an easy job. A great many things are produced in the Western Hemisphere at very low prices, on account of the abundance of raw material and the large volume of production.

"What has made European competition possible, nevertheless, in the past? Specialization in some industries, and, in general, lower cost of production, due especially to low wages. A good deal of this advantage in costs has gone, for reasons—shall we say political or social? I do not advocate the elimination of these social services, we cannot go back in that, but other means of restoring Europe's cost advantage must be found and I am sure will be found.

"If the European countries are to achieve their objective to make of Europe a self-sustaining economy with internal balance between production and demand and with external balance between foreign exchange receipts and payments, they will have to find some way of making their exports competitive in the Western Hemisphere. The United States has never been more willing to buy import goods than today. Neither Canada nor Latin America has any special preference for importing from the United States goods that can be purchased in Europe. On the contrary, their own dollar position predisposes them to seek these goods from European sources. But if European countries are to sell in the Western Hemisphere they will have to lower their costs and their prices until they are attractive to their Western Hemisphere customers. And—as I mentioned earlier—if this should prove to be necessary, exchange rates ought to be adjusted until they are adequate to induce the flow of European exports to the American markets.

"But here again, I would utter a word of caution. Monetary adjustment—devaluation—is not, in every case, the only possible remedy; and sometimes it is not a remedy at all. **Devaluation is not a remedy unless it is accompanied or preceded by internal fiscal and credit reform.** For if a government devalues without having been strong enough to stop the current inflation, its action will only add to the existing inflation. It needs about as much energy to make a 'good' devaluation as to prevent the need for one.

"Coming back to the subject, I say that before anything can be achieved toward international stability, Europe must attain internal financial stability; it must take measures to prevent the generation of new inflation."

Status of Fuel Oil Availability

(Continued from page 8)

this impact and still meet full unrestricted domestic requirements.

(b) The oil industry cannot successfully assume the additional energy load that would be thrown upon it by another coal strike You know and I know that the strike in the early months of 1946 was one of the greatest stimulants to installation of oil heating. The oil industry has struggled valiently ever since, trying to catch up with that abnormal impact on demand.

(c) A war requiring substantially increased drains of petroleum products from the civilian market would require not only a restricted American consumption of petroleum, but would necessitate a correspondingly forced stimulus to the coal industry to meet energy requirements.

I ask you to continue the list of possible disrupting influences and consider the effect of a railroad strike tying up coal movement to markets, curtailed steel availability, another disaster like that at Texas City, a relaxation of export limitations of petroleum, an unusually severe winter as was experienced last year, a maritime strike, now in temporary suspension, etc., etc.

My whole thesis at this point is to call to your attention one inescapable conclusion—that the oil industry has and is straining to its utmost to bring to the American public every possible barrel of oil that can be made available. It cannot absorb any abnormal shock to the energy balance. Coal must, from now on, take its full share of the growth in energy requirements. Hence, it isn't only important in terms of national security that we stock-pile petroleum but that we also stock-pile energy sources that can be stored in piles above the ground—coal.

Petroleum Supplies and Domestic Oil Burners

The oil industry is deeply conscious of the fact that reports of the hard facts regarding petroleum supplies have a serious effect upon the market for domestic oil burners. The oil burner industry generally has recognized the serious nature of fuel supply problems and has cooperated to a tremendous extent. Your sales are registering what must be to you serious declines from last year both with respect to central heating installations and space heaters. The proportion going into replacement of older, less efficient units is encouraging to an oil man. These obviously are eliminating some of the worst oil hogs in existence last year. I do not believe the oil industry can advise how many additional installations it can serve, any more than it can advise all other manufacturers of petroleum consuming devices how much they should plan on. This is a responsibility beyond that which should be assumed in a competitive society. I do believe, however, that competitive conditions are working inexorably toward an improvement of last winter's fuel oil problem. Competitive alertness is keeping the oil industry in the forefront of this nation's industrial expansion. The production, transportation, and refining phases of the industry have achieved marvelous results. The oil burner industry is facing more serious competition from manufacturers of equipment designed to utilize other fuels.

The oil burner industry is making a direct contribution by devoting its sales and advertising emphasis primarily to the replacement market. Burner repair men are attempting to reduce fuel oil consumption by introducing greater efficiency in units previously installed. Further, I am informed that your engineers have made and are making strides in achieving greater burner efficiency. The results of these changes, worked out in a freely competitive market, will inescapably mean a reduced rate of growth of demand for distillate fuel oil in the future.

Conclusion

The conclusions of this brief discussion appear self-evident. The oil industry will provide almost 10% more petroleum in the first half of 1948 than it did during the same period of last year. Thus far, demand has grown by a lesser amount so that some restoration of abnormally low inventories has been achieved. Further inventory growth is needed to eliminate local supply problems at the peak of the winter season. Supplies will probably remain tight for some months to come.

Greater reliance must be placed on coal to carry its full share of the nation's energy load in the future. Coal today constitutes the cushion which must absorb any abnormal impetus upon energy requirements.

Joins Pearson-Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Charles A. Kent has become affiliated with Pearson-Richards & Co., 448 South Hill Street. He was previously with Leimert-Krieger & Co. and First California Company.

With Hayden, Stone Co.

William O. Pearson is now associated with the New York Stock Exchange firm of Hayden, Stone & Co., 25 Broad Street, New York City, as a registered representative.

Bateman, Eichler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert V. Carey has been added to the staff of Bateman, Eichler & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The mid-year investment demand failed to firm prices of Treasury obligations because the psychological and technical position of the market is still one of uncertainty. . . . The fear of lower prices for Treasury obligations that came with the offering of Savings Bonds to institutional investors, has not as yet passed. . . . The decline this time is attributed to concern over "pegs" and the international situation. . . . Quotations receded again on light volume especially in the eligibles. . . . The market for government obligations is about as "professional" now as it has been in a long time and this means sharp movement on both sides on restricted activity. . . .

RESERVE BUYING

The Federal Reserve Banks in their support operations last week bought some $23 million of bonds with a maturity of more than five years, and $7 million due in less than five years. . . . This is not too much to pay for stability in the market, when the stakes in the Savings Bond drive may run a billion more or less. . . .

However, purchases of marketable issues might be augmented in a sizable way near the end of the period, so that the payments for market equilibrium may not be as favorable as first reports indicate. . . . It is believed in most quarters of the financial district that the powers that be want a firm stable market through the 15th at least, so that subscriptions to Savings Bonds by institutions will not be affected by unfavorable price trends. . . .

NEW SUPPORT LEVEL?

A steady to buoyant Treasury market would seem to need no help from the authorities, since it is reported they come into the market only when support levels are approached. . . . Assuming this to be so, then there should be an answer to the purchase of $7 million of bonds due in less than five years, by the Federal Reserve Banks last week. . . . Acquisitions were supposed to have been mainly in the tap bonds, since they were down to pegged prices, but none of these securities matures in less than five years. . . .

Accordingly there is considerable talk that shorter maturities of the eligible taxables were taken on by the authorities in the weak days when bids were practically non-existent. . . . It could be that support levels of certain of the bank obligations have been revised, which might account for purchases of bonds due in less than five years by the money managers. . . .

CAUTION

Money market followers are giving more and more attention to short-range predicting in the government market because of the realization that the confused conditions make long-term prognostications not only very difficult but also of rather questionable value. . . . This applies mainly to the deposit banks, and it is resulting in a shortening of maturities, especially among the larger institutions in the group. . . .

They are expecting an increase in loans to maintain earnings but are not unmindful that another (the last) upping of reserve requirements is probably just around the corner. . . . Other mild credit restrictive measures are also anticipated such as 1¼% certificate rate in the not distant future. . . .

The election is a fall event that will probably not bring about any radical changes in debt management or money rates, but why take any chances at this time seems to be the attitude now. . . .

INSIDE THE MARKET

Traders and dealers, by nature, are short-range buyers and sellers and they too are giving greater consideration to near-term developments. . . . They are concerned at the moment with the period through July 15, since there may be an opportunity to make a fast turn in the market. . . . Some of the "professionals" are selling on strength, believing they should be in a position to rebuild holdings the last three days of the subscription period. . . .

They feel there should be selling of outstanding issues at that time, because of additional interest that can be picked up by holders of marketable securities that do not let them out until the last minute in order to pay for the Savings Bonds. . . . Again the bank-eligibles are getting most of the attention from this group, although less weakness is looked for in these securities because subscriptions are limited to $100,000. . . .

NOTES

Financial officers of many American corporations are looking for higher money rates in the future with short-term rates expected to go to 1¼% by the fall. . . . These concerns have substantial amounts to obtain in the market and they are of the opinion that the cost of getting these funds is going to increase. . . . They believe that greater pressure will be brought to bear on the inflation spiral which will result in a slightly firmer money market. . . .

Insurance companies continue on the sale side and no immediate reversal of this trend is anticipated as long as attractive corporate loans and marketable obligations are available. . . . This is the important reason why the ineligibles are not getting too much professional attention. . . . On the other hand, Savings Banks have been rather sizable buyers of the restricted bonds, and this accounts largely for the better tone in these securities. . . . Some of these purchases have been made from the proceeds of sales of intermediate and long eligibles that were bought the early part of the year.

Louisiana & Arkansas Equipments Offered

Halsey, Stuart & Co. Inc., on July 1 publicly offered $1,760,000 Louisiana & Arkansas Ry. 2⅝% equipment trust certificates, series C, at prices to yield 1.45% to 2.70%, according to maturity. They will mature $88,000 semi-annually Jan. 1, 1949 to July 1, 1958, inclusive.

The certificates will be issued to provide for not exceeding 80% of the cost, estimated at $2,200,296, of new standard-gauge railroad equipment consisting of two 4-1500 h. p. Diesel, electric freight locomotives, and eight sleeping cars.

Financial Problems of Railroads

(Continued from page 13)

go round. He supplies the wheels, without which we could not operate. He has invested $20,000 in railroad plant and equipment for each man or woman employed.

As representatives of the owners of the railroads, the investors in their securities, it is our task to see that there is enough money in the till after paying necessary expenses to compensate the owners and lenders adequately for the use of the funds they have invested. It is our duty to effect economies in operation, reduce debt and lessen fixed charges. It is our obligation to combat the onslaught on our traffic by competing agencies of transport, many of which are subsidized by public funds. It is our job, as owner representatives, to obtain from regulatory agencies fair rates of compensation for the services which the railroads render, all for the purpose of closing our books each year with a satisfactory record of net earnings.

Not Yet in Comfortable Financial Position

In striving for these objectives, we are faced with the fact that the railroads are not yet in a comfortable financial position, and until they are, you and I, as management representatives, can never regard ourselves as completely successful.

Railroad gross revenues are a product of volume of traffic times rates at which that traffic is carried. Volume of traffic is intimately identified with general economic conditions. In this year 1948, the gross revenues of American railroads may come close to $10 billion, the greatest gross in history. How does this record compare with the past quarter of a century?

From 1923 to 1941, the gross revenues of the railroads ranged from a low of $3,100 million in 1933 to a high of $6,400 million in 1926. In 1929 gross revenues amounted to $6,300 million. But in that same year the net income of the railroads amounted to $897 million, the greatest net income for any year prior to the second World War. In that same year, 1929, for each dollar of gross revenues taken in, the railroads were able to translate 14⅓ cents into net.

During the war year 1942, the gross revenues of the railroads exceeded the prior peak, and the net income reached $902 million, or 12.1% of gross. In 1943, gross revenues increased to $9,100 million but net declined to $873 million, or 9.7% of gross. In 1944, gross increased again to $9,400 million but net dropped to $667 million, or 7.1% of gross.

Since the close of the war, gross revenues have increased beyond even the high levels attained during the war, and, as previously stated, may reach $10 billion in 1948. But the operating ratio will also be above the war levels, probably exceeding 77%. On such a basis, it is expected that not more than 6½ cents per dollar of gross will carry through to net income, and this assumes that there will be no shutdowns in major traffic-producing industries the rest of this year.

To such an audience as this, it is hardly necessary to point out that this 6½ cents in net income per dollar of gross revenue is not to be confused with the rate of return on investment. For every dollar the railroads take in in gross operating revenues each year, there must be maintained a permanent investment of nearly $3 in railroad plant and equipment. If in 1948 we do succeed in carrying through to net income 6½ cents per dollar of gross, the net railway operating income, before fixed and miscellaneous charges, would be about 10 cents of each dollar of gross revenues and would represent a return of only about 4¼% on net investment under current conditions. This return will be insufficient to attract the inflow of new investment which we should have if the railroads are to continue to make the improvements necessary to keep themselves abreast of national needs.

Costs of rail operation have increased at a much faster pace than have the rates for transportation services. Since 1939, the average wage rate of all classes of railroad employees has risen 75% and the cost of railroad materials and supplies has increased 94%, while payroll taxes are now about 9% greater than they were in 1939, after taking into account the recent reduction in unemployment compensation tax rates from 3% to ½ of 1% which will remain in effect for several years to come. The weighted average increase since 1939 in these operating cost factors has been calculated at 77%. Such a relative increase in operating costs means an addition to the operating costs of the railroads of more than $3¼ billion per annum.

As a partial offset to the increased costs, the Interstate Commerce Commission has authorized increased rates and fares but they are less than $3 billion and fall short of offsetting the increased costs.

And this may not be the end of the story on increased costs. The railroads are faced with demands from most classes of employees for even further increases in wage rates. With the present wide disparity between gross and net income, any addition to the present high operating costs will aggravate the already serious financial problem.

Here is where the public should be aroused to a recognition of the fact that the railroads are not simply an aggregate of private enterprises to be regulated as a measure of protection to the public. There must be public appreciation of the fact that the railroads constitute a priceless economic asset and an important arm of our national defense, to be preserved and permitted to prosper in the public interest.

Financial Stability Means Low Cost Transportation

It is evident to any thoughtful observer that only a financially stable industry can produce low cost transportation. Lower costs can be attained only through improved operating methods and technological progress. These beneficial developments can be had only through plant improvements which cost large sums, and such funds cannot be had unless the railroads can earn them or attract them as investments. To accomplish low cost transportation, earnings must come first; lower transportation costs and still more efficient service certainly will follow.

The present peacetime performance record of the railroads is in earnest of what they will do in the years to come. The railroads last year, 1947, moved more tons than were ever loaded before in any one year. They moved more tons more miles than in any year of peace—46% more than in the prewar peak year of 1929. They moved more tons of coal than ever were moved before. They successfully moved, without loss or spoilage, the greatest wheat crop in the history of the world. And right now they are beginning to move the second greatest wheat crop ever known.

And this is not all. The railroads now have a larger number of serviceable freight cars, more passenger cars, and better motive power—in short, greater carrying capacity—than they had at the time of Pearl Harbor. And they are gaining in efficiency and carrying capacity with every day that goes by.

Despite the gloomy predictions of the uninformed, the railroads have not broken down, and they are not going to break down.

You accounting officers head the departments charged with the protection and conservation of the revenues of the railroads. Stringent control of the accounts, in order that a larger portion of railroad gross revenues will find its way into net is the watchword of the day in your great part in railroad management. The cloth must be so cut that there will be a greater margin between intake and outgo. The accounting officer who is able so to budget the income and expenditures of his railroad as to detect the first sign that the planned day by day cutting of the cloth may leave too small a margin performs a significant service. If he has the confidence and backing of his chief executive officer, so that any required cutting of expenditures will be done before the margin narrows, and not afterwards, he becomes one of the most effective forces in securing a fair return to the man who put up his money to build the plant or buy the tools. The margin for the investor must become greater than it is today. To the accomplishment of that objective, budgetary controls which really control can constitute one of the most important steps. Your wise and experienced group can, and I believe will, do much to make it a reality.

Bennett, Spanier Co. Contest Closes

CHICAGO, ILL.—The experiment of Bennett, Spanier & Co., 105 South La Salle Street, with a new type of appeal to the trading fraternity seems to have had a very gratifying response.

In an oversized postcard, circulated generally among investment dealers, they offered several prizes, totaling $200, calculated to make the statisticians thumb their manuals with renewed vigor.

Up to this writing, no claimant has appeared for the first prize of $100, which was offered for the name of any steel stock with better prospects than Portsmouth Steel.

Three other prizes were offered for letters entitled "Why Portsmouth Steel, common, is an outstanding purchase."

A number of very interesting replies have been received, and a copy of the winning letter will be furnished on request after entries have been judged.

SEC Invites Views on Proxy Changes

The Securities and Exchange Commission has made public several proposed changes in its proxy rules and has invited comments and criticisms from all interested parties to be submitted before July 30.

The suggested changes of the SEC would permit a corporation management to reject a stockholder's proposal if it is determined that such proposal was made merely for personal motives. It would also relieve management of the requirement to consider a proposal if less than 3% of votes at a previous annual or special meeting favored substantially the same proposal. Another proposal is an extension of the data already in proxy statements regarding officers' and directors' remuneration to include information on public payments made to them for services in other capacities by the corporation.

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)	July 11	90.3	95.2	96.1	78.9
Equivalent to—					
Steel ingots and castings produced (net tons)	July 11	1,627,600	1,716,000	1,732,200	1,380,700
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	June 26	5,493,900	5,492,350	5,451,650	5,109,100
Crude runs to stills—daily average (bbls.)	June 26	5,674,000	5,566,000	5,715,000	5,101,000
Gasoline output (bbls.)	June 26	17,938,000	17,648,000	17,827,000	16,161,000
Kerosine output (bbls.)	June 26	2,350,000	2,149,000	2,144,000	1,928,000
Gas oil and distillate fuel oil output (bbls.)	June 26	7,200,000	6,758,000	7,054,000	5,532,000
Residual fuel oil output (bbls.)	June 26	8,858,000	8,963,000	9,508,000	8,262,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 26	104,178,000	104,603,000	107,185,000	90,806,000
Kerosine (bbls.) at	June 26	18,436,000	17,575,000	15,250,000	14,481,000
Gas oil and distillate fuel oil (bbls.) at	June 26	45,166,000	43,783,000	38,641,000	39,196,000
Residual fuel oil (bbls.) at	June 26	58,812,000	58,726,000	55,146,000	48,718,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 26	888,582	906,774	904,848	846,141
Revenue freight rec'd from connections (number of cars)	June 26	703,067	710,847	710,489	682,226
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 1	$160,923,000	$160,248,000	$135,055,000	$105,599,000
Private construction	July 1	74,643,000	96,319,000	91,229,000	30,372,000
Public construction	July 1	86,280,000	63,929,000	43,826,000	75,227,000
State and municipal	July 1	64,477,000	48,395,000	37,338,000	45,190,000
Federal	July 1	21,803,000	15,534,000	6,488,000	30,037,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 26	12,775,000	*13,435,000	13,670,000	8,130,000
Pennsylvania anthracite (tons)	June 26	1,116,000	1,180,000	1,198,000	1,105,000
Beehive coke (tons)	June 26	143,900	*140,000	139,000	80,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 26	262	310	297	245
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 3	5,165,825	5,256,698	4,845,458	4,189,824
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	July 1	103	111	91	82
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 29	3.24473c	3.24473c	3.24473c	2.85664c
Pig iron (per gross ton)	June 29	$40.53	$40.53	$40.53	$33.15
Scrap steel (per gross ton)	June 29	$40.66	$40.66	$40.66	$35.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 30	21.200c	21.200c	21.200c	21.225c
Export refinery at	June 30	21.800c	21.750c	21.425c	21.425c
Straits tin (New York) at	June 30	103.000c	103.000c	94.000c	80.000c
Lead (New York) at	June 30	17.500c	17.500c	17.500c	15.000c
Lead (St. Louis) at	June 30	17.300c	17.300c	17.300c	14.800c
Zinc (East St. Louis) at	June 30	12.000c	12.000c	12.000c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	July 6	100.86	100.79	101.50	103.76
Average corporate	July 6	112.75	113.12	113.31	116.80
Aaa	July 6	117.40	117.80	118.00	121.88
Aa	July 6	115.63	115.82	116.22	120.22
A	July 6	112.00	112.37	112.56	116.41
Baa	July 6	106.74	106.92	106.92	109.42
Railroad Group	July 6	109.06	109.24	108.88	111.62
Public Utilities Group	July 6	113.31	113.50	114.27	118.40
Industrials Group	July 6	116.41	116.41	117.00	120.84
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	July 6	2.44	2.45	2.39	2.25
Average corporate	July 6	3.02	3.00	2.99	2.81
Aaa	July 6	2.78	2.76	2.75	2.56
Aa	July 6	2.87	2.86	2.84	2.64
A	July 6	3.06	3.04	3.03	2.83
Baa	July 6	3.35	3.34	3.34	3.20
Railroad Group	July 6	3.22	3.21	3.23	3.08
Public Utilities Group	July 6	2.99	2.98	2.94	2.73
Industrials Group	July 6	2.83	2.83	2.80	2.81
MOODY'S COMMODITY INDEX	July 6	433.1	434.5	425.1	403.1
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	July 3	242.2	242.9	238.8	219.6
Fats and oils	July 3	286.5	287.8	285.4	208.2
Farm products	July 3	275.5	278.4	267.6	249.5
Cotton	July 3	349.6	348.3	357.5	351.1
Grains	July 3	254.0	266.5	266.1	256.7
Livestock	July 3	276.7	277.8	259.2	234.0
Fuels	July 3	231.4	231.4	231.4	172.2
Miscellaneous commodities	July 3	176.9	176.6	175.5	159.6
Textiles	July 3	214.3	214.6	213.7	219.7
Metals	July 3	166.0	165.9	165.2	148.8
Building materials	July 3	223.4	228.5	229.9	185.7
Chemicals and drugs	July 3	157.1	158.8	158.6	151.5
Fertilizer materials	July 3	136.6	134.6	134.2	126.2
Fertilizers	July 3	142.9	142.9	143.8	134.6
Farm machinery	July 3	140.2	139.4	139.4	126.6
All groups combined	July 3	226.7	227.6	224.0	198.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 26	160,314	173,264	180,297	152,741
Production (tons)	June 26	187,408	182,205	191,650	176,814
Percentage of activity	June 26	97	97	100	102
Unfilled orders (tons) at	June 26	336,183	369,348	352,013	461,226
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	July 2	146.9	146.9	147.1	143.2
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	June 26	166.7	165.3	164.4	147.6
Farm products	June 26	193.4	194.5	193.0	179.0
Foods	June 26	183.0	180.7	178.0	162.2
Hides and leather products	June 26	188.6	187.7	187.6	170.0
Textile products	June 26	149.1	148.5	149.5	138.4
Fuel and lighting materials	June 26	134.0	134.0	133.8	104.5
Metal and metal products	June 26	158.8	157.6	156.6	141.4
Building materials	June 26	197.4	197.2	196.9	175.4
Chemicals and allied products	June 26	135.5	136.0	134.8	123.2
Housefurnishings goods	June 26	145.0	145.1	144.7	131.0
Miscellaneous commodities	June 26	121.2	121.1	121.0	115.8
Special groups—					
Raw materials	June 26	185.2	182.7	180.8	161.6
Semi-manufactured articles	June 26	153.9	153.6	152.6	142.1
Manufactured products	June 26	160.5	159.5	159.1	142.7
All commodities other than farm products	June 26	159.7	158.8	158.1	140.8
All commodities other than farm products and foods	June 26	149.9	149.5	149.3	132.0

*Revised figure.

	Latest Month	Previous Month	Year Ago
ALUMINUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of May:			
Total shipments (thousand of pounds)	133,285	138,967	106,779
AMERICAN GAS ASSOCIATION—For Month of May:			
Total gas sales (M therms)	2,470,358	2,831,944	2,312,585
Natural gas sales (M therms)	2,204,179	2,539,553	1,998,796
Manufactured gas sales (M therms)	182,003	202,306	185,051
Mixed gas sales (M therms)	84,176	90,085	128,738
AMERICAN PETROLEUM INSTITUTE—Month of April:			
Total domestic production (bbls. of 42 gallons each)	176,213,000	179,889,000	160,031,000
Domestic crude oil output (bbls.)	164,509,000	167,593,000	149,228,000
Natural gasoline output (bbls.)	11,676,000	12,268,000	10,753,000
Benzol output (bbls.)	28,000	28,000	50,000
Crude oil imports (bbls.)	9,757,000	8,682,000	7,276,000
Refined products imports (bbls.)	5,048,000	5,966,000	5,913,000
Indicated consumption—domestic and export (bbls.)	182,950,000	193,262,000	171,184,000
Increase—all stock (bbls.)	8,068,000	1,275,000	2,036,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S.—U. S. DEPT. OF LABOR—Month of April:			
All building construction	$711,513,000	$631,621,000	$446,222,000
New residential	417,875,000	326,241,000	241,830,000
New non-residential	195,330,000	222,565,000	129,474,000
Additions, alterations, etc.	98,308,000	82,815,000	74,918,000
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of May	$168,900,000	$456,000,000	$174,000,000
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS RECORD — Month of June:			
Total U. S. construction	$596,332,000	$535,184,000	$517,175,000
Private construction	330,830,000	247,018,000	251,909,000
Public construction	265,502,000	288,166,000	265,266,000
State and Municipal	207,255,000	223,644,000	159,445,000
Federal	58,247,000	64,522,000	105,821,000
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	6,300,757	4,736,912	6,173,700
Oven coke (net tons)	5,722,659	4,490,766	5,561,900
Beehive coke (net tons)	578,098	246,146	611,800
Oven coke stocks at end of month (net tons)	796,942	646,281	670,500
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Estimated short-term credit in millions as of May:			
Total consumer credit	$13,804	$13,596	$10,934
Instalment sale credit—			
Automobile	1.559	1.476	816
Other	1.725	1.665	1.112
Instalment loans	6.957	6.736	4.735
Charge accounts	3.255	3.259	2.835
Single-payment loans	2.654	2.673	2.400
COTTON SPINNING (DEPT. OF COMMERCE)			
Spinning spindles in place on May 31	23,742,000	23,807,000	23,927,198
Spinning spindles active on May 31	21,723,000	21,694,000	21,624,002
Active spindle hours (000s omitted), May	10,080,000	10,667,000	9,927,708
Avge. spindle hours per spindle in place, May	450	475	415
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of April (000's omitted)	19,400,000	19,369,400	17,664,962
Revenue from ultimate customers—month of April	$346,644,500	$354,599,500	$310,762,400
Number of ultimate customers at April 30	39,094,482	38,899,580	36,794,388
EMPLOYMENT AND PAYROLLS—U. S. DEPT OF LABOR—Month of April:			
All manufacturing	12,791,000	*13,132,000	12,772,000
Durable goods	6,683,000	*6,792,000	6,669,000
Non-durable goods	6,108,000	*6,340,000	6,103,000
Employment indexes—			
All manufacutring	156.1	*160.3	155.9
Durable goods	185.1	*188.1	184.7
Non-durable goods	133.3	*138.4	133.2
Payroll indexes—			
All manufacturing	346.5	*358.2	317.6
Durable goods	392.2	*401.7	359.0
Non-durable goods	301.8	*315.7	277.2
Estimated number of employees in manufacturing industries—			
All manufacturing	15,896,000	*16,269,000	15,750,000
Durable goods	8,141,000	*8,258,000	8,068,000
Non-durable goods	7,755,000	*8,011,000	7,682,000
MAGNESIUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of May:			
Shipments (in pounds)	448,000	516,000	420,000
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of June:			
Copper (per pound)—			
Electrolytic, domestic refinery	21.200c	21.200c	21.346c
Electrolytic, export refinery	21.696c	21.554c	21.642c
Lead (per pound)—			
New York	17.500c	17.500c	15.000c
St. Louis	17.300c	17.300c	14.800c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	74.625c	74.625c	66.810c
Silver, London (pence per ounce)	45.000	45.000	41.298
Sterling Exchange (Checks)	$4.02750	$4.02738	$4.02560
Tin (per pound)—			
New York Straits	103.000c	94.000c	80.000c
New York, Chinese or 99%	102.400c	93.500c	78.900c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$76.000	$74.160	$84.000
¶Antimony (per pound) (E. & M. J.)	38.170c	36.722c	35.940c
Antimony (per pound), bulk, Laredo	35.000c	33.560c	33.000c
Antimony (per pound), incases, Laredo	35.500c	34.060c	33.500c
Antimony (per pound), Chinese, Spot	Nominal	Nominal	Nominal
Platinum, refined, per ounce	$82.154	$98.000	$55.640
†Cadmium (per pound)	$1.750	$1.750	$1.750
‡Cadmium (per pound)	$1.775	$1.775	$1.775
§Cadmium (per pound)	$1.800	$1.800	$1.800
Aluminum, 99% plus, ingot (per pound)	15.115c	15.000c	15.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
Zinc (per pound)—East St. Louis	12.000c	12.000c	10.500c
NEW BUSINESS INCORPORATIONS—DUN & BRADSTREET, INC.—Month of May	8,246	9,223	9,179
RR. EARNINGS—CLASS I ROADS (ASSOC. OF AMER. RRS.)—Month of May:			
Total operating revenues	$796,402,811	$728,968,958	$725,387,748
Total operating expenses	616,231,264	585,625,470	557,617,846
Operating ratio—per cent	77.38	80.34	76.87
Taxes	$75,966,676	$75,356,189	$76,893,851
Net railway operating income before charges	90,178,066	53,104,072	76,818,499
Net income after charges (est.)	63,700,000	27,100,000	49,000,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot, packed in cases, f. o. b. New York.

Export Control: Instrument of Foreign Policy

(Continued from page 4)

quarter, a drop from 4% in the previous three months.

Export Control for European Shipments

Even before the European Recovery Program was made law, the Commerce Department adopted the far-reaching control measure known as the Country Group R Procedure, incorporated in Current Export Bulletin No. 434. This program, which became effective March 1, 1948, is specifically designed to implement our foreign policy in three important respects. First, to prevent the movement to any European destination of goods whose shipment would not contribute to our national interest; second, to speed to Western Europe the materials needed for recovery in a manner calculated to avoid the uneconomical use of limited European purchasing power; and, finally, to insure an adequate flow of certain essential imports from Eastern Europe to Western Europe and the United States by arranging for specific exchanges of commodities.

The licensing of all shipments to Europe now subjects to control important additional segments of our export trade. Unlicensed shipments to Europe in the fourth quarter (which, if shipped now, would be subject to the new procedure) constituted about a third of our uncontrolled trade, and accounted for about a quarter of our total exports. The most important commodity groups affected by the Country Group R Procedure are textiles and machinery. On the basis of the fourth quarter export pattern, 30% of our machinery and vehicle exports would now require licenses, as against less than 1% actually controlled in fourth quarter 1947. Similarly, the extent of control over textile exports would be increased from 0.3 to 24%.

There are a number of other commodity groups, including rubber, over which the Department of Commerce exercised little or no control before March 1. Since a large share of our exports of these items goes to Europe, the Country Group R Procedure brings a considerable degree of control over shipments of these items, amounting to over 40% of U. S. exports in the case of rubber.

Country Group R Procedure

During the initial period of Country Group R control, most commodities in easy domestic supply were permitted to move freely to Western Europe. License applications for such destinations have been speedily processed—generally within a week or ten days after receipt.

At the same time, the Department of Commerce has concentrated on the control of shipments to Eastern Europe. A newly established subcommittee of the Department's Interdepartmental Advisory Committee has reviewed license applications for Eastern European exports on a case-by-case basis. Its purpose has been to determine general working criteria for licensing to Eastern Europe which will be flexible enough to meet any change in the international situation. Although the subcommittee has moved as rapidly as possible, many cases have necessarily been delayed pending major policy decisions.

By the end of May, however, the log jam on licenses for Eastern Europe — disturbing to the Department no less than to the trade—had been broken. The major policy issues concerning such shipments have been clarified, and action on licenses should continue at a rapid rate.

In addition, the Department has taken several steps to simplify Country Group R Procedure. The licensing staff has been increased. Single licenses (multiple consignee licenses) are now being issued to exporters who hold firm orders for the same non-Positive List commodity from two or more importers in a single European country. On June 22 the validity period of licenses for most non-Positive List commodities for European shipments was changed from 90 days to six months. Finally, the Department has published in Current Export Bulletin No. 452 a list of commodities which may be shipped to Europe under general license, that is, without filing a license application. These are commodities in easy domestic supply whose export will not be counter to the foreign policy of the United States. Typical commodities on this list are tobacco and processed motion picture film.

Export Control Under the European Recovery Program

At the same time that policies and procedures were being developed to handle shipments to Eastern Europe, the Department of Commerce has been working in close conjunction with the Economic Cooperation Administration to establish procedures which will facilitate shipments under the European Recovery Program. While the administrative details have not yet been completed, the proposed organization of exports under the program will permit and even stimulate genuine private trade.

Exporters will continue to do business in the same way as in the past. The European Recovery Program is *not* another Lend-Lease, with the Federal Government buying all the goods and shipping them to Europe. Nor is it a plan whereby foreign government procurement will be substituted for private trade.

Only a few commodities, such as certain bulk foods and medical supplies, will be purchased by the U. S. Department of Agriculture and the Bureau of Federal Supply and sent by these agencies direct to Europe. The rest will be ordered by the private importer in Europe and supplied by the private exporter in this country. All arrangements for the soliciting of orders, the requesting of export and import licenses and exchange permits, the shipping and storing of goods, and the payment for individual shipments will be initiated and carried through in private channels of trade.

Exporters who have been doing business with Europe in the past will continue to solicit business through their regular agents and distributors abroad. The European importer will consult with his government regarding the need for a particular product as part of the recovery program. Then the European government will consult with the ECA and other agencies of the U. S. Government and decide which commodities can be paid for with funds made available by the United States to stimulate European recovery. The European importer will obtain permission from his government to exchange his own francs, or kroner, or lira for U. S. dollars that have been furnished by ECA to his government for buying goods from the United States under the recovery program.

A system will be set up so that the Economic Cooperation Administration in the United States and the European governments will be enabled to keep account of the funds that are spent. The details of this plan are now being worked out. The important thing to remember is that whatever method of accounting and disbursement of funds is worked out, the European importer—not the U. S. exporter—will initiate the first action in requesting permission to use ECA dollars to pay for a shipment.

It should be emphasized that the United States exporter who receives a contract under the European Recovery Plan from his importer in a European country will make a conventional export license application to the U. S. Department of Commerce showing his evidence of order from the European importer, including the number of the ECA import authorization. Neither the ECA nor any other government agency will guarantee the granting of an export license simply because an importer in an ERP country has received permission from his government to pay for a shipment with dollars. In granting export licenses for shipments to these countries, the Office of International Trade will adhere to its established standards.

The European Recovery Program is more than a plan for building up the factories and farms and transportation systems of Europe. One of the purposes of this effort is to reconstruct the network of international trade that was in large part destroyed by the war. International trade can be rebuilt only if private businessmen in all parts of the world learn once again to do business with one another.

The one sure way to delay the rebuilding of the structure of international trade would be to place all the ERP business in the hands of the participating governments. The Congress recognized the danger of this action, and the legislation clearly calls for the use of "private channels of trade" to the greatest extent possible. We must continue to avoid reliance on government procurement, whether by foreign governments or our own. It sometimes appears to be the easy and efficient way to carry on a grant-in-aid or a loan program, and for that reason it is insidiously tempting. The ERP legislation is based on the belief that the use and strengthening of private channels of trade is an important part of economic recovery, not only for Europe but for the rest of the world.

Export Controls and Non-European Countries

Although this discussion has been primarily directed to export controls as they affect the economic recovery of Western Europe, the foreign trade needs of the rest of the world are also closely watched by the Department of Commerce. When export quotas are established for scarce commodities, the Office of International Trade acts as claimant for the needs of the countries not participating in the European Recovery Program.

In order to carry out the assurances given by the then Secretary of Commerce Harriman at the inter-American conference at Bogota, a new position of Special Assistant for Latin American Supply Problems has been created in the Office of the Assistant Secretary of Commerce. That official is to be specifically responsible for assisting members of other American states in their efforts to obtain material, equipment, machinery, etc. in short supply.

In acting as claimant for the non-European countries, the Office of International Trade emphasizes the importance of *balanced* exports in the economic recovery of the world.

Price Criteria in Licensing Policy

Another major innovation in export control policy this year has resulted from the rising pressure of inflation. In Section 3(b) of Public Law 395, approved on Dec. 30, 1947, Congress authorized the use of price criteria in licensing exports, "either by giving preference among otherwise comparable applications to those which provide for the lowest prices, or in exceptional circumstances, by fixing reasonable markups in export prices over domestic prices."

Three counter-inflationary aspects of export control are facilitated by this legislation. First, protection of the domestic economy from an unwarranted drain of scarce commodities. Second, conservation of limited dollar exchange abroad (much of it provided by the American people under the European Recovery and other aid programs), by preventing exports at clearly out-of-line prices. And third, the tendency toward reestablishment of a greater degree of competition in foreign trade.

The use of price criteria, which were applied to Positive List commodities promptly after Congressional authorization, has unquestionably aided in the campaign against inflation. It has eliminated many gray market export transactions, and has retarded the export of goods abroad at excessive prices.

Since price criteria became effective at the beginning of the year certain administrative difficulties have become clear. At first it was believed that, other things being equal, price would be a major factor in selecting license applications for approval. Administratively and technically it has proved both difficult and burdensome to use price in this manner.

At the same time, however, it became evident that price criteria can be used very effectively to eliminate license applications which show clearly out-of-line prices. After rejecting such applications, the Commerce Department has used other criteria for determining which exporters should get licenses. Among these criteria are the use to which the commodity will be put when it reaches its destination and the historical position of the exporter in the trade.

A revised version of this regulation, published on May 19, 1948, as Current Export Bulletin No. 457, states clearly and accurately to the trade the government's policy of preventing exports at out-of-line prices, and calls on the trade for continuing advice on what constitutes a clearly excessive price.

Consultation With Industry

In preparing Current Export Bulletin No. 457, as in the development of its other policies and procedures, the Office of International Trade has benefited by consultation with private industry. Commodity advisory panels have been and are being established, from which small working committees, on a commodity-by-commodity basis, will be selected to advise the Department on the administration of export controls in their respective fields. By mid-May many panels were in process of formation, and meetings had been held by representatives of about 20 commodity groups. Additional panels are being organized as problems develop in other commodity fields.

To assure equitable trade representation on the panels, nominations are requested from national associations, regional bodies, and interested individuals. The panels are then selected in such a manner that adequate representation is given to merchant exporters as well as producer exporters, small, medium, and large firms, traditional exporters as well as newcomers, trade association members and independents, and exporters in various geographic areas of the country. Every effort is being made to inform the entire trade of current problems to be discussed at the meetings of these panels, and the names of the representatives through whom the trade may present its views.

These panels supplement but do not replace the long-established Export Advisory Committee, which in recent months has met with increasing frequency to discuss the broader aspects of export control which cut across commodity lines.

Compliance

If the export control policies required by the present domestic and international situation are to be effective, there must be compliance with the control regulations. Peacetime enforcement of export controls involves a number of difficulties not present during the war, when shipping controls, the blockade, the Proclaimed List of Blocked Nationals, and censorship all helped to prevent unauthorized diversion of exports.

Although controls and enforcement were both minimized in the early postwar period, the extension of export controls to Feb. 28, 1949, made it necessary to develop procedures for more effective enforcement. The Department of Commerce is developing procedures to:

(1) Provide a proper legal basis for both administrative and criminal action under the Export Control Act, by broadening the authority of the Commerce Department and the Customs Bureau to investigate and dispose of alleged violations. Sanctions of the export control law may then be applied to many of the documents used in the export trade, such as export declarations, manifests, and bills of lading.

(2) Establish more secure licensing practices by reducing the possibility of forgery or alterations in the license document, and by keeping closer control of the document within the Commerce Department and the Customs Offices.

(3) Establish an export "code of ethics." Export licensing privileges may then be denied to deliberate violators of the canons of proper administrative practice.

(4) Develop a more effective system of destination control to prevent transshipment. Such action is particularly important in connection with the European Recovery Program.

(5) Expand, insofar as funds permit, the enforcement activities of both the Commerce Department and the Customs Service, and recruit trained enforcement personnel. Naturally, enforcement of export control requires the closest cooperation between the Department of Commerce and the Customs Service.

Even with the limited facilities in the past few months a number of serious violations of regulations have been uncovered, and prosecutions of such violations have begun. The measures now being instituted should eliminate loopholes in existing procedures, and result in more general adherence to the letter and spirit of the regulations in the future.

In the current unsettled condition of the world, export control remains an indispensable instrument for protecting the domestic economy from the pressures of abnormal foreign demand, and for systematic distribution of those scarce materials available for export.

The full cooperation of the foreign trade community is required to achieve the broad objective of export control — a balance between the needs of the domestic economy and the requirements of our foreign policy.

Two With Herrick Waddell

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Albert D. Becker of Columbus and Clarence H. Wittmann of Fremont are connected with Herrick, Waddell & Reed, Inc., 55 Liberty Street, New York City.

A. E. Weltner Co. Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Charles A. Fordyce has been added to the staff of A. E. Weltner & Co., 21 West Tenth Street.

Two With Gill Associates

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO—Paul R. Hathaway and Ray H. Miller have been added to the staff of Gill Associates, Inc., Hotel Secor.

Observations

(Continued from page 5)

risk involved, he corrects what has always seemed to the writer as a miscomprehension by many security analysts. The very elaborate detailed and clearly set-forth Wiesenberger data on management results should be particularly appreciated because of the SEC's pronouncement of last April alleging that certain trust sales literature have been misleading in containing charts and graphs which balloon the trusts' real actual financial performance.

Combining a Timing System With Selection

Copious space is devoted by Wiesenberger to a detailed explanation of two mechanical "systems" for timing in the buying and selling of stocks: "Dollar-averaging" and "Formula-timing." They are chosen because they are most suitable for use with investment company shares, in their aim to combine good timing with diversification in the choice of the securities bought. Dollar-averaging is particularly suitable for the investor with regular rather than irregular income. Formula-timing, apart from its many variations, may be said to have as its main purpose the conferring of self-discipline to avoid the great psychological temptation to follow the crowd in the up and down swings of the market. Space does not permit our detailing of the weaknesses of both of these techniques, some of which are characteristic of all mechanistic systems for "beating the market" by catching the swings. But it may be pointed out that they offer a wonderful psychological "escape" to the many inexperienced investors and speculators who have previously burned their fingers in using the more usual methods. In fact one of the greatest attractions of the entire mutual investment fund method is the offering of an "escape" in "letting George do it," that is, throwing one's realizedly difficult problems into the convenient laps of the experts.

This writer's conclusion regarding the hiring of these experts' services through the investment fund technique is that because of the sizable discounts at which the closed-end funds usually sell on the market, "the price is right."

* * *

Incidentally, the question of nomenclature should be considered by the profession. The traditional generic term of *investment trust* was abandoned for *investment company* at the time of the institution of SEC regulation. This name seems unfortunate, for there is little question that to much of the public investment company denotes merely a firm practicing some indefinite role in the field, as perhaps investment banking. A far more descriptive term would be *investment fund* or *investing company*—or perhaps even *investment cooperative*, if the word *trust* be frowned on.

Gold Black Markets and Hoarding

(Continued from page 14)

could do nothing more than create a superficial economic stability concealing an economic invalidism due to continuous gold bleeding; but intervention could check sudden rises in the price of sovereigns—rises which would create a still greater demand for gold and further price increases.

"The Bank of Greece mentions that the U. S. State Department agreed to unfreeze $1.2 million worth of gold ingots which had been given by Greece as a pledge against a loan granted by the Federal Reserve Banks.

"The Bank of Mexico has sold gold coins at a high price in order to obtain foreign currencies (mainly dollars) relatively cheaply. The gold sales were at first reported to be for domestic use, but much of the gold found its way to the Near and Far East.

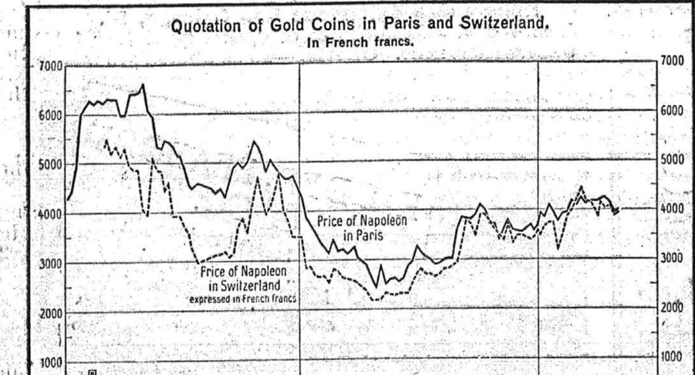
"Further, there is no doubt that private markets have been fed by newly-mined gold. Part of the current output of the Philippines is reported to have been sold at premium prices and most of the newly-mined gold in Ethiopia appears to have found its way to the Alexandria market, to which gold is also exported by Syria and Lebanon. Part of the gold output of Latin America has gone to London and part has probably been sent to other markets, including New York.

"The Reserve Bank of South Africa has emphasized its abstention from sales of gold on free and black markets; but some newly-mined gold may have been smuggled out of the country, the main destinations being India, Egypt and South-Eastern Europe.

"It is not possible to describe all the sources and centres of clandestine movements of gold since, for obvious reasons, transactions of this kind are not officially reported. While in some countries gold sales, acting as an antidote to inflation, undoubtedly had a salutary effect, it was often felt that the whole economy of the countries concerned was suffering certain disadvantages from the disappearance of the gold—especially when private hoarding of gold increased at the expense of more important imports, or savings were sterilized instead of being put to more productive use.

"In a number of countries steps began to be taken against sales of gold to the public. Thus, at the beginning of 1947, the Chinese Government published a drastic currency law by which, *inter alia*, trade in gold and foreign currencies was prohibited. In March the Indian Government imposed a ban on private imports of gold bullion. In April of the same year the Hong Kong Government prohibited the importation of gold into the Crown Colony, in order to protect the foreign exchange reserves and to prevent premium sales and smuggling of gold to China.

CHART II



"Furthermore, a most important move was made on June 24, 1947, by the International Monetary Fund, which asked all member countries to take steps to end transactions in gold at premium prices:

"'A primary purpose of the Fund is world exchange stability and it is the considered opinion of the Fund that exchange stability may be undermined by continued and increasing external purchases and sales of gold at prices which directly or indirectly produce exchange transactions at depreciated rates. From information at its disposal, the Fund believes that unless discouraged this practice is likely to become extensive, which would fundamentally disturb the exchange relationships among the members of the Fund. Moreover, these transactions involve a loss to monetary reserves, since much of the gold goes into private hoards rather than into central holdings. For these reasons, the Fund strongly deprecates international transactions in gold at premium prices and recommends that all its members take effective action to prevent such transactions in gold with other countries or with the nationals of other countries.'

"This announcement by the International Monetary Fund had an immediate effect on the policy of several countries. As already mentioned, the authorities in London placed a ban on dealings in foreign gold at a price above the official parity.

"As also indicated, the monetary authorities in the United States appealed to individuals, banks, etc., to assist in stopping speculation in gold on foreign markets and, in the course of the Autumn of 1947, they introduced strict control over the movement of gold from the United States into foreign markets; only semi-processed refined gold could be exported, and then only if the country of destination permitted the importation of such gold.

"In Mexico, the authorities suspended export sale of gold bars and coins, but manufactured gold (e.g.) in the form of statuettes may be exported upon payment of a duty of 30 centavos per kilo plus 5% of the value of the article. Under direct or indirect pressure from the International Monetary Fund, several smuggling centres (and among them Hong Kong and Manila) imposed restrictions on private movements of gold; such steps made it more difficult to smuggle gold into and out of the respective territories.

"As a consequence of all these bans and abstentions, the current supplies of gold became more restricted. But the public's demand for gold persisted, the result being a general upward movement in quotations for gold in free and black markets in the autumn of 1947.

"The higher prices represented an increased temptation to resort to smuggling, either directly, in contravention of the regulations, or by using such loopholes as dealings in semi-manufactured or manufactured gold. Hence the need for further clarification of the position. Not all countries are members of the International Monetary Fund, but non-members would seem to have generally fallen into line. It is important to note that the International Monetary Fund's policy statement in this matter is specifically directed against international transactions in gold, thus leaving each country free to sell gold, even at premium prices, on its domestic markets. France availed itself of this freedom in enacting, by a law of Feb. 2, 1948, the establishment of a free market for gold, side by side with a free market for certain currencies: the dollar, the escudo and, later, the Swiss franc. By that law holding of, transport of, and trade in, gold was made free on French territory; persons who had contravened previous regulations could deposit their gold or convert it into French francs upon payment of a charge which was fixed at 25% up to the end of June 1948 (afterwards to be increased by 1% per month).

"On the free market, prices were quoted which were well above not only the official prices fixed for gold but also the prices corresponding to even the highest market quotation for the dollar. Moreover, different prices were quoted for different kinds of coins and also for gold in bars. Chart II gives, however, an impression of the general tendency: the increase in the quotations in March (at the time of the Czechoslovak crisis) and the drop in the quotations round about May 12 1948, when it was believed that negotiations would be resumed with the USSR, show to what an extent political events are apt to influence the quotations.[2]

"In Italy the black market for gold, as well as the black markets for foreign currencies, was gradually legalized; the price of gold fell in the summer and autumn of 1947 by 25-30%, moving parallel with the quotation for the dollar. This strengthening of the purchasing power of the lira in relation to gold greatly helped to increase confidence in the national currency; the public in more than one country is inclined to place greater faith in the movements of free—or even black—market quotations than in any official price lists. For that reason monetary authorities have often looked with a certain amount of favor on sales of gold on black markets, such sales helping to keep down the unofficial price of gold.

"Regulation of free markets and, especially, bans on the flow of gold to such markets will, at best, only deal with a number of symptoms of the prevalent monetary malaise. To get rid of the real causes of hoarding, it is imperative to put a stop to inflation and also to find a true balance in the valuation of the different currencies. Fear of war is a further motive for hoarding but, as a rule, it is not too difficult to deal with once the fear of inflation is conquered.

"History shows that conditions making for hoarding and dishoarding vary from time to time not only in the West but also in the East. Especially in the present abnormal situation, it is clearly impossible for any immutable rules to be laid down, and those responsible for dealing with these problems may, indeed, find it necessary to adapt their policies to the circumstances of individual countries and the needs of the times."

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2 It is usually impossible to give even an approximate figure for the value of gold hoarded in individual countries. For France the equivalent of $3 milliard has often been quoted as a likely figure for the amount of gold hoarded by the beginning of 1947. A close examination of available data would seem to show that the influx of gold from 1938 to 1947 cannot have been on a very large scale (but that there was some influx is certain, and it may well have amounted to several hundred million dollars in the two and a half postwar years). The size of present-day hoards will thus depend upon how much gold was in fact in the hands of the French public before the second world war. Judging from information which has become available in connection with the settlement of estates and on other occasions, many families in France have been in long-standing possession of gold.

So far (May 1948) no great proportion of the existing hoards would seem to have been sold on the free gold market set up in France on 2nd February 1948 but, with the restoration of monetary confidence, a part of the gold hoarded may be expected to reach the markets.

The Stock Market

(Continued from first page)

round wage increases, prices are going up sharply, and this is a bad sign. Salaries and wages are set, through bargaining, by contract. Once set, they become fixed, and may be impervious to a shrinkage of revenues.

At the same time, the supply of money is tapering off, instalment buying and other forms of credit are soaring, and recent reports show that one quarter of our families are priced out of the markets.

Capital expenditures, which have been at the rate of $23 billion a year, may suffer a sharp decrease, when costs that are triple prewar have to be faced. Ths upward rise in prices, necessitated by the third round wage increase, may well be the straw to break the camel's back.

Deline in Commodity Price Expected

This comes at a time when scarcities are disappearing, pipelines are filling up in more and more categories, and when farm prices are about to extend further the break experienced last winter, as a result of the favorable world crop figures to appear this Fall. This may make people conscious of a lower farm income and of sympathetic declines in the price of other commodities.

Also, there appears to be a decline in individual savings and in corporate surpluses. The soldiers' bonuses will soon be past history.

The coming change in the Administration at Washington is correctly interpreted as very optimistic for the long pull. But, in order to benefit by a sound and honest Republican philosophy, the economy must suffer temporarily as the result of a promised thorough house cleaning. The curtailment of extravagant and wasteful expenditures will cut government spending.

Even in our bi-partisan foreign policy, where the presently existing course will be followed, there is a probability that in attempting to make this course straighter and more efficient, expenditures for ERP might be somewhat curtailed. The Russians, having lost the cold war with us, will probably dictate the extension of their "one foot backward" policy; in other words, their peace offensive. This may cause a lessening of armament expenditures.

England, rather than Russia, might furnish us with the surprise shock. The Labor Government, as a last resort to avert bankruptcy, may drastically devalue the pound. The repercussions throughout the world could be of catastrophic proportions.

Business Facing Squeezes

From many sources we learn of numerous businesses that are undergoing readjustments to lower levels of operations. Costs of labor, of materials and of shipping are becoming inflexible shackles to profitable operations. Break-even points are at so high a level that a decline in gross can create substantial damage. A good markdown in record inventories could have a similar effect in many cases. Low times-earnings ratios for stocks could disappear.

In citing the current readjustments that are taking place, and in calling attention to some of the problems ahead, we are not attempting to time a stock market break. Maybe second and third quarter earnings, the confidence engendered by a Republican victory and the undoubting faith of the chart followers will push the market higher. However, we do not think this will happen to any extent because many businesses need financing and would like to issue more stock or senior obligations convertible into stock. These issues will act as ceilings on prices.

The reasons given above bring us to the conclusion that investors should accumulate cash.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

American Bosch Corp. (7/19)
June 2 filed 535,882 shares of class B ($1 par) common stock. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and Lehman Brothers (jointly); Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Bids for the purchase of the stock will be received up to 3:30 p.m. (EDT) July 19 at office of Department of Justice, Office of Alien Property, 120 Broadway, New York.

● **American Fidelity Fire Insurance Co., New York (7/16)**
July 2 (letter of notification) 20,000 shares 80c non-convertible preferred stock (par $5). **Price**—$14 per share. Stockholders of record July 15 will be given the right to subscribe to the stock. Rights expire Sept. 9, 1948. Expand fire insurance business. No underwriting.

Ampal-American Palestine Trading Corp., N. Y.
April 7 filed $10,000,000 10-year 3% sinking fund debentures. **Underwriter**—Name to be filed by amendment, if any is used. **Proceeds** — $5,000,000 in mortgage loans for construction of housing in Palestine, $2,500,000 in loans to transportation and industrial cooperatives, and $2,200,000 in loan to Solel Boneh, Ltd., for public works.

● **Armstrong Rubber Co., West Haven, Conn.**
June 30 (letter of notification) 1,000 shares of 4¾% cumulative convertible preferred stock, ($50 par) and 2,000 shares of class A common stock. To be sold at $44 and $11.75, respectively. This stock is being sold by James A. Walsh, President of the Company. **Underwriter**—F. Eberstadt & Co., Inc., New York.

Batesville Telephone Corp., Batesville, Ind.
June 25 (letter of notification) $200,000 of 4½% first mortgage sinking fund bonds, due July 1, 1973. **Underwriters**—City Securities Corp. and Engineers, Inc. **Proceeds**—To redeem outstanding 5% first mortgage bonds and to pay for improvement program. **Price**—Expected at par.

● **Bay Petroleum Corp., Denver, Colo.**
June 29 (letter of notification) 6,000 shares ($1 par) common stock for company and 3,000 shares of the same stock for Charles U. Bay, Josephine P. Bay and the First National Bank of Bridgeport and C. U. Bay as trustees. Offering to be made at $30 each. Proceeds from the company's sales to be used for working capital. No underwriting.

Borderminster Exploration Co. Ltd., Ottawa, Canada
June 2 filed 500,000 common shares ($1 par). **Underwriter**—Mark Daniels & Co. **Price**—40c per share Canadian funds. **Proceeds**—For exploration of properties.

● **Bowling Green (Ohio) Provision Co.**
June 29 (letter of notification) 1,000 shares (no par) common stock of which 800 shares are to be sold at $100 per share and 200 shares are to be retained in company's treasury. To put meat packing plant into working condition and purchase livestock. No underwriting.

● **Central Maine Power Co., Augusta, Me.**
July 1 filed $5,000,000 first and general mortgage bonds, series Q, due 1978. **Underwriters**—Names to be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co. and W. E. Hutton & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. **Proceeds**—To reduce outstanding short-term construction notes payable to the First National Bank of Boston, the proceeds of which were used for additional construction and other corporate purposes. **Offering**—Expected in July.

Central Vermont Public Service Corp.
March 30 filed $1,500,000 Series E first mortgage bonds and an undetermined number of common shares (no par). **Underwriters** of common—Coffin & Burr. Bonds to be placed privately. Common stock will be offered to common stockholders through subscription rights and to common and preferred stockholders through subscription privileges. **Proceeds**—For a construction program and repair of flood damages. Expected by mid-July.

● **Chieftain Products, Inc., Brooklyn, N. Y.**
July 2 (letter of notification) 50,000 shares of common stock and 30,000 warrants entitling the holder to purchase common stock. **Price**—$2.75 per unit consisting of one share of common and 1½ warrants. General corporate purposes. **Underwriter**—Dunne & Co., New York.

Clinton (Mich.) Machine Co.
April 15 (letter of notification) 10,000 shares of stock to be sold at $5⅛ each (market price), for selling stockholder. **Underwriter**—Charles E. Bailey & Co., Detroit.

● **Coleman-Chance Publishers, Inc., Portland, Ore.**
June 29 (letter of notification) 10,000 shares of 6% cumulative preferred participating stock. To be exchanged for non-assessable common stock two years from date of issuance at $10 a share. To provide working capital in connection with publishing a monthly magazine called "Business Opportunities." No underwriters.

● **Commerce Loan Co., St. Joseph, Mo.**
June 28 (letter of notification) 1,000 shares of class A preferred stock. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—To expand its net worth and working capital.

Commonwealth Edison Co., Chicago, Ill.
June 29 filed $50,000,000 first mortgage bonds, series N, due June 1, 1978. **Underwriters**—Names to be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp. **Proceeds**—For working capital to be used for construction.

Consumers Cooperative Assoc., Kansas City, Missouri
Oct. 16 filed $3,000,000 non-dividend common stock ($25 par); $6,000,000 of 3½% five-year and 4½% 10-year cumulative certificates of indebtedness; and $2,000,000 of 1½% demand and 2½% 6 months cumulative loan certificates. No underwriting. **Offering**—Offered only to stockholders and patrons and members. **Price**—At face amount. **Proceeds**—For acquisition of additional office and plant facilities.

● **Corn Belt Livestock Feeder, Inc., Chicago, Ill.**
June 30 (letter of notification) subscriptions for 240 4% cumulative preferred shares ($100 par) of the company, which is still to be organized. To be sold at par. For paid-in and working capital. No underwriters.

Dayton Consolidated Mines Co., Virginia City, Nevada
May 14 (letter of notification) $100,000 first lien sinking fund convertible 5% bonds due 1953 and 300,000 common shares reserved for conversion of bonds. **Price**—$1,000 per bond with 1,000 common shares. **Underwriter**—S. K. Cunningham & Co., Pittsburgh. To receive current obligations, working capital, etc. Being placed privately.

● **Dively (H. G.) Industries, Inc., Colorado Springs, Colo.**
June 28 (letter of notification) 10,000 shares of 7% cumulative preferred stock (par $10) and 10,000 shares of common stock (par $1). **Price**—Par for both issues. **Underwriter**—Company is offering the stock in its own behalf, listing underwriting discounts on both issues. **Proceeds**—For machinery and expenses.

Equitable Gas Co., Pittsburgh, Pa.
May 6 filed $14,000,000 first mortgage bonds, due 1973. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co.; White, Weld & Co. **Proceeds**—$14,000,000 of proceeds, plus 563,000 shares of new common stock, will be delivered to the Philadelphia Co. in exchange for natural gas properties now under lease, outstanding capital stock of Equitable, notes and other claims owed to the Philadelphia Co. and to the Pittsburgh and West Virginia Gas Co. Sale originally planned for July 7 postponed.

Exeter & Hampston Electric Co., Exeter, N. H.
June 24 (letter of notification) 8,125 shares of common stock (par $20). **Price**—$33 per share. **Underwriter**—None. **Proceeds**—For additions, extensions and improvements to plant and to pay present short-term notes totaling $130,000.

First Guardian Securities Corp., New York City
June 4 filed 36,000 shares of 5% cumulative convertible preferred stock ($25 par) and 172,000 shares ($1 par) common stock. (72,000 shares of common to be reserved for conversion of the preferred.) **Underwriter**—None. **Price**—$25 a share for the preferred and $10 for the common.

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 replace funds used to retire 7% preferred stock; to repay short-term bank loans; to modernize six stores, and for working capital. Business: "Super Markets" in Los Angeles, Riverside, Colton and San Bernardino County.

Flaks Merchandise, Inc., Denver, Colo.
June 23 (letter of notification) $300,000 of 5% serial debentures. **Underwriters**—Peters, Writer & Christensen, Inc. and Sidlo, Simons, Roberts & Co. **Proceeds**—To pay off bank loans and for working capital. **Price**—Expected at par.

Flotill Products, Inc., Stockton, Calif.
March 6 filed 385,000 shares of 60 cent convertible preferred stock (par $5) and 325,000 shares of common stock (par $1). **Underwriter** — Floyd D. Cerf Co., Chicago. **Price**—preferred $10; common $6. **Proceeds** — Stockholders will sell 260,000 preferred shares and 250,000 common shares and company 125,000 preferred shares and 75,000 common shares. Company's proceeds will be used for general corporate purposes. Effective May 5.

General Plywood Corp. (7/20-30)
June 25 filed 100,000 shares of 5% cumulative convertible preferred stock (par $20). A firm commitment has been entered into with a group of underwriters covering half of the shares, and these, together with the balance of the stock, will be publicly offered. **Underwriters**—F. S. Yantis & Co., Inc., W. L. Lyons & Co., H. M. Byllesby & Co., J. C. Bradford & Co., Crowell, Weedon & Co., Cruttenden & Co., Martin, Burns & Corbett, Inc., Berwyn T. Moore & Co., Inc., Mullaney, Wells & Co., William R. Staats & Co., Van Alstyne, Noel & Co., Dempsey & Co., A. G. Edwards & Sons, Herrick, Waddell & Reed, Inc., Hickey & Co., Mason, Moran & Co., O'Neal-Alden & Co., Inc., Wilson-Trinkle & Co., Inc. and Holton, Herrington, Farra Co. **Proceeds**—To reimburse the company's treasury for expenditures made in connection with the building and equipping of their new veneer and plywood plant at Savannah, Ga., the cost of which was approximately $1,650,000. **Price**—At par. **Offering**—Expected at end of July.

Globe-Wernicke Co., Norwood, O.
June 11 (letter of notification) 42,410 shares of common stock (par $3.50) to be offered to common stockholders of record June 18 on the basis of one new share for each six shares held. Rights expire July 22. **Price**—Par. **Underwriter**—None. **Proceeds**—To redeem part of preferred stock.

Hawaiian Electric Co., Ltd., Honolulu (8/2)
June 29 filed 50,000 shares of series D cumulative preferred stock (par $20) and 100,000 shares of common stock (par $20). **Offering**—To be offered common stockholders at the rate of one additional common share for each 3½ shares held and one share of preferred for each seven common shares held. **Price**—Par in each case. **Underwriters**—Dillon, Read & Co. Inc. and Dean Witter & Co. **Proceeds**—To pay off short-term promissory notes and the balance for construction.

Heidelberg Sports Enterprises, Inc., Pittsburgh, Pa.
June 25 filed 2,041 shares of class A common stock and 5,000 shares of class B common stock (par $100). **Price**—Par ($100 per share). **Underwriter**—None. **Proceeds**—$600,000 to be used for spectator grandstand and balance for related purposes.

Heyden Chemical Corp., New York, N. Y.
June 29 filed 59,579 shares of cumulative convertible preferred stock (no par) to be offered common stockholders of record July 13 in the ratio of one share of preferred for each 20 shares of common stock held. **Price**—By amendment. **Underwriter**—A. G. Becker & Co. will acquire the unsubscribed shares. **Proceeds**—To be used in part for improvement and expansion of manufacturing facilities.

Hunt Machine Works, Inc., Greenville, S. C.
June 21 (letter of notification) $300,000 of 5½% serial sinking fund coupon debentures (convertible). **Price**—At par. **Underwriters**—Frank S. Smith & Co., Inc.; Alester G. Furman Co.; McAlister, Smith & Pate, Inc.; H. T. Mills; W. F. Coley & Co.; V. M. Manning; McCarley & Co.; G. H. Crawford & Co.; and Thos. L. Lewis. **Proceeds**—To fund present unsecured bank indebtedness and for additional working capital.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
May 17 filed 100,000 shares of 4% cumulative preferred stock ($100 par) and 500,000 shares ($10 par) common stock. **Underwriter** — Tom G. Taylor & Co., Missoula, Mont. **Price**—$300 per unit, consisting of two shares of preferred and 10 shares of common stock. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

Illinois Bell Telephone Co., Chicago, Ill.
June 4 filed 389,995 shares of capital stock (par $100). Underwriter, none. **Offering**—To be offered pro rata for

NEW ISSUE CALENDAR

July 9, 1948
New Jersey Power & Light Co.——Bonds

July 13, 1948
New Jersey Bell Telephone Co., 11:30 a.m. (EDT)——Debentures
Northern States Power Co. (Minn.), 10:30 a.m. (EDT)——Bonds & Preferred

July 14, 1948
National Fuel Gas Co., Noon (EDT)——Debentures
Roosevelt Oil & Refining Corp.——Pfd. & Com.

July 15, 1948
Kansas Soya Products Co.——Pfd. & Com.
Tanner & Co.——Preferred
Westinghouse Electric Corp.——Debs. & Com.

July 16, 1948
American Fidelity Fire Ins. Co.——Preferred

July 19, 1948
Kresge (S. S.) Co.——Common

July 20, 1948
General Plywood Corp.——Preferred
New England Power Co.——Bonds
Shoe Corp. of America——Preferred

July 22, 1948
Old North State Ins. Co.——Capital Stock

August 2, 1948
Hawaiian Electric Co., Ltd.——Pfd. & Com.

August 3, 1948
O-Cel-O, Inc.——Pfd. & Com.

August 4, 1948
McCall Corp.——Common

August 17, 1948
Central Illinois Public Service Co.——Common

subscription by shareholders of record June 2. American Telephone and Telegraph Co. (parent) will purchase 387,295 shares. **Proceeds**—To pay advances from American Telephone and Telegraph, its parent; any remainder of proceeds will be used in improving telephone plant.

Illinois Power Co., Decatur, Ill.
June 30 filed 690,098 shares of common stock (no par value). To provide for conversion of 345,049 shares of outstanding 5% cumulative convertible preferred stock (par $50) which the company intends to call for redemption at $52.50 per share and accrued dividends. Each preferred share is convertible into two common shares. Public offering is contemplated of the common stock not issued in conversion. Underwriting and offering price to be filed by amendment. Probable underwriter: The First Boston Corp. **Proceeds**—To redeem the preferred stock and for construction.

Indiana Gas & Water Co., Inc., Indianapolis, Indiana
June 21 filed 60,000 shares of additional common stock ($10 par) to be offered to its stockholders on the basis of one new share, at $12.50 per share, for each 10 shares now held. The company's parent, Public Service Co. of Indiana, plans to acquire only 62 of the 26,701 shares to which it would be entitled, but has agreed to purchase all shares not otherwise subscribed for by stockholders. Stockholders, other than Public Service Co., will be entitled to buy the additional 26,639 shares of Public Service at the rate of 9/50 of a share for each share held on the record date, July 2. **Proceeds**—For construction.

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.

Irwin-Phillips Co., Keokuk, Iowa
June 1 (letter of notification) 10,000 shares of 5% cumulative participating preferred stock ($10 par) to be sold on behalf of three stockholders. Price, par. **Underwriters**—Slayton & Co. have been employed as agents to sell the issue.

Keller & Co., Inc., Boston, Mass.
May 28 (letter of notification) 9,300 shares of cumulative participating preferred stock and $200,000 of 20-year 5½% debentures, due 1968. **Underwriter**—General Stock & Bond Corp. **Proceeds**—For working capital and other corporate purposes.

Kent-Moore Organization, Inc., Detroit, Mich.
June 29 filed 56,000 of common stock (par $1). **Price**—$7.50 per share. **Underwriter**—George A. McDowell & Co. **Proceeds**—To certain principal stockholders.

Kool-Aid Bottling Co., Inc. of Calif., Sheboygan, Wisconsin
March 22 filed 1,500,000 shares ($1 par) common stock. **Underwriter**—Heronymus & Co., Sheboygan, Wis. **Proceeds**—To open and equip bottling plants in California cities. **Price**—$1 per share.

Kresge (S. S.) Co., Detroit, Mich. (7/19-20)
June 29 filed 167,955 shares of common stock (par $10), of which 27,955 are for account of the company and 140,000 shares for account of the estate of Anna E. Kresge. **Price**—By amendment. **Underwriters**—Lehman Brothers and Watling, Lerchen & Co. **Proceeds**—Of 27,955 shares, for general corporate purposes.

Kullman Dining Car Co., Inc., Harrison, N. J.
June 21 (letter of notification) 1,500 shares of $5 cumulative preferred stock (no par value). Purchaser of each five shares will be entitled to a certificate entitling him to a credit of $100 against the purchase of a new dining car manufactured by the company, or against repair work or alterations performed by the company for the purchaser. Credit certificates issued to any one purchaser of said preferred stock shall be limited to a total of $1,000. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For expansion of manufacturing facilities.

Lawrence Warehouse Co., San Francisco, Calif.
June 18 (letter of notification) 10,000 shares of 6% cumulative convertible preferred stock (par $25), and 4,000 shares of common stock (no par), to be reserved for conversion of said preferred stock on the basis of one share of common for each 2½ shares of preferred. **Price**—At par for preferred stock. **Underwriter**—Wagenseller & Durst, Inc.; Bingham, Walter & Hurry, and Lester & Co. all of Los Angeles. **Proceeds**—To retire bank loans.

McAleer Manufacturing Co., Rochester, Mich.
June 15 (letter of notification) 7,000 shares of common stock (par $1). **Price**—$5.50 per share. **Underwriter**—C. G. McDonald & Co. **Proceeds**—No purpose given.

McCall Corp. (8/4)
June 24 filed 87,167 shares of common stock (no par value) to be initially offered to common stockholders of record July 20, 1948 on basis of one new for six shares held. Warrants will be transferable and will expire Aug. 3. **Underwriter**—White, Weld & Co. **Price**—By amendment. **Proceeds**—With a $2,500,000 20-year 3% bank loan, to pay bank loans, to restore the working capital position of the company and to provide funds for expansion.

Masco Screw Products Co., Detroit, Mich.
June 4 (letter of notification) 141,600 shares ($1 par) common stock. **Price**—$1.75 per share. Offered to stockholders of record May 22 in ratio of one new share for each 2½ shares held. Rights expire July 10. Unsubscribed shares are to be offered to public at current market price then prevailing on the Detroit Stock Exchange. **Underwriter**—None. **Proceeds**—To repay a loan and for working capital.

● **Memphis Trust Co., Memphis, Tenn.**
June 30 (letter of notification) 150 subordinated debenture bonds of $1,000 each, 75 bearing 4¼% interest and 75 bearing 5% interest. To develop loan business. No underwriting.

Midwest Packaging Materials Co., St. Louis, Mo.
June 25 (letter of notification) 3,500 shares of common stock (par $5). **Price**—At market. **Proceeds**—To selling stockholder. **Underwriter**—Edward D. Jones & Co.

● **Morning Glory Mines, Inc., Spokane, Wash.**
June 23 (letter of notification) 250,000 shares of non-assessable common stock. To be sold at 10 cents each to stockholders only. For mine development and installation of machinery. No underwriting.

● **N. R. R. F. Associates, Inc., New York**
July 2 (letter of notification) 10,000 shares of capital stock (par $10). **Price**—$10 per share. Working capital. No underwriting.

National Electric Products Corp., Pittsburgh, Pennsylvania
June 23 (letter of notification) 2,000 shares of common stock (par $50). **Price**—$37.50 per share. **Underwriter**—Singer, Deane & Scribner. **Proceeds**—To executors of an estate.

National Fuel Gas Co., New York (7/14)
June 4 filed $13,500,000 sinking fund debentures, due 1973. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co., Glore, Forgan & Co., Goldman, Sachs & Co. and Lehman Brothers (jointly); and White, Weld & Co. **Proceeds**—To purchase 320,000 additional shares of United Natural Gas Co. common stock ($25 par), and to purchase 48,500 additional shares of Iroquois Gas Corp. **Bids**—Bids will be received by company at Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on July 14.

New England Power Co. (7/20)
June 22 filed $11 million first mortgage bonds, series B, due 1978. **Underwriters**—To be determined by competitive bidding. Probable bidders include—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Proceeds**—To purchase properties of the Bellows Falls Hydro-Electric Corp., to purchase that portion of the New Hampshire section of the Bellows Falls-Pratts Junction line owned by the Connecticut River Power Co. and for repayment of bank loans. Expected about July 20.

New Jersey Bell Telephone Co. (7/13)
June 11 filed $55,000,000 40-year debentures, due July 15, 1988. **Underwriters** — Name to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—To pay off advances made by American Telephone & Telegraph Co. (parent) for construction and general corporate purposes. **Bids**—Bids will be receiced at Room 2315, 195 Broadway, New York, N. Y., up to 11:30 a.m. (EDT) on July 13.

New Jersey Power & Light Co. (7/9)
June 8 filed $6,000,000 first mortgage bonds, due 1978. **Underwriter**—Halsey, Stuart & Co. Inc. **Proceeds**—For construction and improvement of property. Awarded July 7 on bid of 101.319 for a 3% coupon. **Price**—To be offered at 101.75.

North Canadian Oils Limited, Calgary, Alberta
March 11 filed 903,572 shares (no par) common stock. **Price**—70 cents each. **Underwriter**—F. H. Winter & Co., New York. **Proceeds**—875,000 shares being sold by company and 28,572 by stockholders. Proceeds for purchase of property and drilling.

North Inca Gold Mines, Ltd.
March 10 filed 666,667 shares of common stock (par $1). **Underwriter**—Transamerica Mining Co., Ltd., Toronto. Proceeds for exploration and development.

Northern States Power Co. (of Minn.) (7/13)
June 3 filed $10,000,000 first mortgage bonds, due July 1, 1978, and 200,000 shares of cumulative preferred stock (no par). **Underwriting**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); Smith, Barney & Co. (stock only); Lehman Brothers and Riter & Co. (jointly both issues); Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. (bonds only); Kidder, Peabody & Co. and White, Weld & Co. (jointly on bonds). **Proceeds**—For acquisition of not more than 60,000 additional common stock (par $100) of Northern States Power Co. (Wis.) and to pay off bank loans. **Bids**—Bids will be received by the company at Room 1100, 231 So. La Salle Street, Chicago, Ill., up to 10:30 a.m. (CDT) on July 13.

Nuera Products Co., Denver, Colo.
May 10 filed 100,000 shares ($10 par) 6% preferred stock, and 20,000 shares (1 mill par) common stock. **Underwriting**—None named. **Price**—10 shares of preferred and two of common will be sold for $100. **Proceeds**—To build, furnish and tool a factory and apply close to $500,000 to working capital.

O-Cel-O, Inc., Buffalo, N. Y. (8/3)
June 24 (letter of notification) 3,000 shares of preferred stock (par $45) and 6,000 shares of common stock (par $1) to be issued in units of one share of preferred and two shares of common to be offered pro rata to common stockholders of record July 2, 1948, at $50 per unit. Rights expire Aug. 2. Corporation will also offer pro rata to the common stockholders who exercise said right any units offered but not purchased by other stockholders. **Price**—Preferred at $45 per share and common at $2.50 per share. **Underwriter** — None. **Proceeds** — For expansion of plant facilities for the manufacture and sale of cellulose products.

Old North State Insurance Co. (7/22)
June 24 filed 100,000 shares of capital stock (par $5). **Price**—$15 per share. **Underwriter**—First Securities Corp., Durham, N. C. **Offering**—26,667 shares will be initially offered on a "when, as and if issued" basis; 13,333 shares will be purchased by underwriter for public or private offerings; and the remaining 40,000 shares will be publicly offered on a "best efforts basis" on completion of the subscription of the first 40,000 shares and the company's receipt of a license to do business in North Carolina. **Proceeds**—For general business purposes.

● **Pacific Associates, Inc., San Francisco, Calif.**
June 29 (leter of notification) 8,000 shares 6% cumulative prior preferred stk. ($25 par); 16,000 shares ($1 par) common stock, and 16,000 shares of common to be issued upon exercise of warrants held by owners of the prior preference stock. All stock to be sold at par value. Proceeds to pay off a bank loan, make advances to a wholly-owned susbidiary, Klamath Machine & Locomotive Works, Inc., and for additional working capital. Hannaford & Talbot, San Francisco, will be selling agents.

● **Pacific Paper Materials Co., Portland, Ore.**
June 29 (letter of notification) 122,459 shares ($1 par) common stock. **Price**—Par. To retire a like amount of current and past due accounts. No underwriters.

Pacific Telecoin Corp., San Francisco (7/12-16)
June 10 (letter of notification) $300,000 4½% equipment trust certificates, series A, dated July 1, 1948, and due July 1, 1951. **Underwriters**—Gearhart & Co., Inc., and Paul D. Sheeline & Co. **Proceeds**—For equipment, to retire debt and for working capital.

Pacific Telegraph & Telephone Co., San Fran.
May 28 filed 601,262 shares ($100 par) common stock. Underwriting, none. **Offering**—Holders of preferred and common stockholders of record June 15 are given rights to subscribe on or before July 7 at $100 per share to the extent of one share for each six shares of preferred or common held. **Proceeds**—To reimburse company's treasury for additions, etc.

Pacific Western Oil Corp., Los Angeles
May 21 filed 450,227 shares ($10 par) capital stock. **Underwriting**—None. **Offering**—To be offered by the owner, J. Paul Getty, President of the Company, from time to time on the floor of the New York Stock Exchange, or "to specific persons, firms or corporations," in sales outside the Exchange. **Price**—At approximate market. (Effective June 23.)

Pennsylvania Industries Corp., Pittsburgh, Pa.
June 24 filed 214,987 shares common stock (par $10) to be exchanged for the stock of Pennsylvania Industries, Inc. (old company), viz: 21,190 shares in exchange for old company common stock (one for each 28 of old) and 193,797 shares to the holders of outstanding $6 cumulative preferred stock on basis of three common for one preferred.

Philadelphia Suburban Transportation Co., Upper Darby, Pa.
June 24 (letter of notification) 6,000 shares of 5% cumulative preferred stock. **Price**—At par ($50 per share).

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Underwriter—Wright, Wood & Co. **Proceeds**—To Acquire common stock of Philadelphia & Western RR.

Plymouth Rubber Co., Inc.
June 18 (letter of notification) 1,000 shares of common stock. **Price**—$5.12½ per share. **Underwriter**—John B. Dunbar & Co., Los Angeles, Calif. No public offering planned. **Proceeds**—To selling stockholders.

Plywood, Inc., Detroit, Mich.
June 17 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$3.12½ per share. **Underwriter**—Baker, Simonds & Co. **Proceeds** — To go to John C. Emery, Jr., selling stockholder.

Portsmouth Finance Co., Portsmouth, Va.
June 23 (letter of notification) $25,000 of 4½% 10- year income bonds, due June 1, 1958. **Underwriter**—Virginia Securities Co. **Proceeds**—For working capital. **Price**—Expected at par.

Powder River Oil Co., Denver, Colo.
May 11 (letter of notification) 400,000 shares (10¢ par) common stock. **Price**—25 cents. **Underwriter** — R. L. Hughes and Co., Denver. For working capital.

Public Service Electric & Gas Co.
June 11 filed 200,000 shares ($100 par) cumulative preferred stock. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: Morgan Stanley & Co.; White, Weld & Co. and Union Securities Corp. (jointly). **Proceeds**—For property additions and improvements. **Bids**—Bids were asked to be submitted July 7, but company postponed sale for two weeks.

● **Real Estate Equities, Inc., East Orange, N. J.**
July 1 (letter of notification) 3,000 shares of $6 cumulative preferred stock (no par). **Price**—$100 per share. To obtain capital to transact business. No underwriting.

Republic Aviation Corp., Long Island, N. Y.
June 4 filed 42,000 shares ($1 par) common stock, issuable upon the exercise of stock options. Options for this stock, exercisable at $7.25 per share, are held by eight individuals and the estate of another, now deceised. Certain optionees may reoffer shares purchased. **Proceeds**—For general funds.

● **Research Foundation, Inc., New York**
June 30 (letter of notification) eight shares of common. **Price**—$1,000 per share. New equipment and expansion. No underwriting.

● **Riddle Aviation Co., Coral Gables, Fla.**
June 30 (letter of notification) 3,000 shares 6% cumulative preferred stock and 15,000 shares of common stock. To be offered at the rate of one share of preferred and five of common for $100. Proceeds are to be used to increase physical properties. No underwriting.

Riley Stoker Corp., Worcester, Mass.
June 3 (letter of notification) 7,000 shares ($3 par) common stock. **Price**—$11¾ per share. **Underwriter**—Hanrahan & Co.

Roosevelt Oil & Refining Corp., Mount Pleasant, Michigan (7/14)
June 22 filed 135,000 shares of 6% cumulative convertible preferred stock (par $12.50) and 242,000 shares of common stock (no par value). **Offering**—All of the preferred shares and 44,000 common shares are to be offered publicly, 135,000 common shares to be resumed for conversion of preferred stock and the remaining 63,000 common shares are to be purchased principally by officers and employees. **Underwriter**—F. Eberstadt & Co. **Proceeds**—Plus a $1,300,000 bank loan to acquire 168,422 shares of $1 par Roosevelt Oil Co. common stock at $9.04 per share, 2,500 shares of Simrall Corp., no par capital stock, at $444.45 per share, and 1,000 shares of C. L. Maguire, Inc., no par common stock, at $631.45 per share, for a total consideration of $3,265,110. Expected about the middle of July.

● **Sangamo Electric Co., Springfield, Ill.**
June 29 (letter of notification) 8,500 shares (no par) common stock, (stated value $8 a share). **Price** — $33.625. **Underwriter** — Paul H. Davis & Co., Chicago. Proceeds will be used to partially reimburse the treasury for expenditures in connection with a new $1,000,000 plant at Marion, Ill.

Sanger Bros., Inc., Dallas, Tex.
June 25 (letter of notification) 2,000 shares of common stock (par $2.50). **Price**—At market (about $11.25 per share). **Underwriters**—Walker, Austin & Wagener and Stifel, Nicolaus & Co. **Proceeds**—To selling stockholder.

Savoy Oil Co., Inc., Tulsa, Okla.
June 8 filed 150,000 common shares (25¢ par). **Underwriting**—None. **Offering**—Stockholders of record June 30 are given rights to subscribe at $2.50 per share on or before July 16 for 100,000 new shares at the rate of two-thirds of a share for each share held. The other 50,000 shares will be issued to officers and others at $2.50 per share upon the exercise of warrants. An unspecified number of shares may or may not be offered for sale to the public. **Proceeds**—To be added to general funds of company.

● **Schuster (Ed.) & Co., Inc., Milwaukee, Wis.**
July 2 filed 15,000 shares of cumulative preferred stock (par $100). **Underwriters**—Name by amendment. **Proceeds**—For general corporate purposes.

Shoe Corp. of America, Columbus, Ohio (7/20)
June 28 filed 25,000 shares of cumulative preferred stock (no par), with class A common share purchase warrants attached and 25,000 shares of common stock reserved for warrants. **Underwriter**—Lee Higginson Corp. **Proceeds**—For general corporate purposes.

● **Southern Radio Corp., Charlotte, N. C.**
July 1 (letter of notification) 2,500 shares of 6% cumulative preferred stock ($50 par). **Price**—Par. **Underwriter**—R. S. Dickson & Co., Charlotte. Proceeds to purchase real estate, construct warehouse, office and display space. (Company will also sell the underwriter $25,000 of its common stock at its book value as of June 30, 1948, but the underwriter will not offer this publicly at this time.)

● **Southwest Enterprises, Inc., Prescott, Ariz.**
June 29 (letter of notification) 60,000 shares of common stock and 240,000 shares of 8% non-cumulative preferred stock. To be offered in units of four preferred and one common at $4 a unit. To purchase a tourist court, build homes and develop a dude ranch. No underwriting.

Squankum Feed & Supply Co., Inc. Farmingdale, N. J.
May 24 (letter of notification) 1,000 shares $5.50 cumulative preferred stock (par $100). Price, par. **Underwriter**—Fidelity Securities & Investment Co., Inc., Asbury Park, N. J. Working capital.

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.

● **Sun Finance & Loan Co., Cleveland**
June 30 (letter of notification) 3,000 shares of class A 6% preferred stock. **Price**—$100. To open three new branch offices. No underwriting.

Tabor Lake Gold Mines, Ltd., Toronto, Canada
April 2 filed 300,000 shares (par $1) preferred stock. **Underwriter**—Mark Daniels & Co., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—For mine developments.

Tanner & Co., Indianapolis, Ind. (7/15)
June 15 (letter of notification) 3,000 shares of 5½% cumulative preferred stock (par $100). Holders of 492 shares of presently outstanding 6% cumulative preferred stock will be offered in exchange 492 shares of the new 5½% preferred stock, share for share. **Price**—Par and accrued dividends. To be offered in Indiana only. **Underwriter**—City Securities Corp. **Proceeds**—To retire $225,000 of promissory notes and for working capital.

Television Fund, Inc., Chicago, Ill.
June 24 filed 4,987,500 shares of common stock (par $1). **Price**—At market. Proposed maximum aggregate offering price to the public, $48,927,375. **Proceeds**—To invest in securities of companies in the field of television, radio and electronics. **Underwriter**—Television Shares Management Co.

United Air Lines, Inc., Chicago
June 7 filed filed 369,618 shares ($10 par) common stock. **Underwriter**—Harriman Ripley & Co., Inc., New York. **Price**—By amendment. **Offering** — Temporarily postponed on June 22. To be made to common stockholders of record on the basis of one share for each five now held. **Proceeds** — Expenditures for equipment and facilities, retiring bank loans and debentures.

● **U. S. Grant Mining Co., Butte, Mont.**
June 21 (letter of notification) 70,035 shares (10c par) capital stock. **Price**—25 cents each. For machinery, equipment and development of mining properties. No underwriting.

United States Television Mfg. Corp.
June 16 (letter of notification) 10,000 shares of common stock (par 50¢). **Price**—At market (about $3 per share). **Underwriters**—Willis H. Burnside & Co., Inc., and Mercer Hicks & Co. **Proceeds**—For account of three selling stockholders. Statement effective.

● **Victor Products Corp., Hagerstown, Md.**
June 28 (letter of notification) 42,800 shares of common stock, of which 21,503 shares will be sold to single holder of the majority of the outstanding voting stock and 21,297 shares will be offered publicly. **Price**—$7.50 per share. **Underwriter**—None. **Proceeds**—To increase working capital.

Westinghouse Electric Corp. (7/15)
June 24 filed $80,000,000 of 25-year convertible debs. and 900,000 shares of common stock (par $12.50). **Price**—By amendment. **Underwriter**—Kuhn, Loeb & Co. (for debentures). Stock will be offered to employees of company and its subsidiaries under an employees' purchase plan. **Proceeds**—Of debentures to be applied to prepayment of bank loans, stock proceeds for general corporate purposes.

Yeakley Oil Co., Alamosa, Colo.
April 30 filed 10,000 shares of common stock (par $10). **Underwriting**—None. **Price**—$10 per share. **Proceeds**—Mainly for development.

● **Young Brothers, Ltd., Honolulu, Hawaii**
June 30 (letter of notification) 2,000 shares of common stock. **Price**—$100 each. To pay bank loans and furnish working capital. No underwriters.

Zonolite Co., Chicago, Ill.
May 24 (letter of notification) 22,000 shares common stock (par $1). **Underwriter**—Wm. C. Roney & Co. **Price** by amendment.

Prospective Offerings

● **American Buslines, Inc., Chicago**
July 2 company applied to ICC for authority to issue (a) $1,500,000 15-year debentures (to be sold privately to institutional investors); (b) 100,000 shares of new cumulative preferred stock, no par value (of which 45,817 shares will be offered in exchange for present outstanding 10,413 shares of $100 par preferred stock on basis of 4.4 new shares for each old share held, and the remainder sold to a group of underwriters); and (c) 349,930 shares of additional no par value common stock (of which 249,930 shares will be issued to present common stockholders on the basis of two additional shares for each share held, and 100,000 shares to be sold at $10 a share to holders of preferred stock warrants). Net proceeds ($2,854,570) will be used to retire outstanding loans, finance improvements and provide additional working capital.

● **American Metal Products Co.**
June 28 stockholders approved an increase in the authorized common stock from 500,000 shares to 1,000,000 shares. No definite plans have been made for utilizing the additional stock.

● **Bigelow-Sanford Carpet Co., Inc.**
Aug. 16 the stockholders will vote on approving the creation of an authorized issue of $6,000,000 cumulative second preferred stock which will be convertible into common stock for a period of approximately 10 years. Issuance is planned in the late summer or early fall. **Underwriter**—F. S. Moseley & Co. **Proceeds**—For plant modernization and additional working capital.

● **Central Illinois Public Service Co. (8/17)**
July 1 reported that approximately 574,000 shares of common stock owned by Halsey, Stuart & Co. Inc. and Middle West Corp. will be put up for sale at competitive bidding around Aug. 17. Probable bidders include Glore, Forgan & Co.; Blyth & Co., Inc., The First Boston Corp. and Central Republic Co. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); A. G. Becker & Co.

● **Greer Hydraulics, Inc.**
Common stockholders of record Aug. 2 will vote on authorizing a class of convertible preferred stock to be issued in series.

● **Kansas Soya Products Co., Inc. (7/15)**
An offering of approximately 2,130 shares of $5 cumulative preferred stock and 78,000 shares of common stock is planned shortly. **Price**—$95 a share for the preferred and $1.25 a share for the common. **Underwriter** will be Kenneth Van Sickle, Inc., Emporia, Kan. Offering expected about July 15.

● **Lakefront Dock & RR. Terminal Co.**
July 1 reported company will be in market, possibly late in July, with $9,250,000 first mortgage 20-year bonds dated June 1, 1948. 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.; Morgan Stanley & Co.; The First Boston Corp.; Shields & Co., White, Weld & Co. and R. W. Pressprich & Co. (jointly).

● **Manhattan Coil Corp.**
The stockholders will vote July 16 and 17 on authorizing issuance of 300,000 shares of new 6% cumulative convertible preferred stock at par ($100 per share) and on eliminating the present authorized but unissued employees stock and 12,000 shares of 5½% cumulative convertible preferred stock, par $25.

● **Metropolitan Edison Co.**
July 1 reported to be planning issuance of $3,500,000 first mortgage bonds, 40,000 shares of preferred stock and $2,000,000 common stock. Bonds and preferred stock to be sold at competitive bidding, and common stock to parent. Probable bidders—Halsey, Stuart & Co. Inc. (bonds only); Kidder, Peabody & Co. (alone on bonds and with group on preferred); Drexel & Co. (on bonds and preferred); Smith Barney & Co. and Goldman, Sachs & Co. (preferred only). **Proceeds**—For construction.

● **Missouri Pacific RR.**
Guy A. Thompson, trustee for the road, has been authorized by the Federal District Court in St. Louis, Mo., to apply to the ICC for authority to issue $4,700,000 equipment trust certificates, series KK, to be dated Aug. 1, 1948, and to advertise for competitive bids. Court set a hearing for July 29 on question of issuance of certificates. Proceeds would be used to finance part of cost of $6,279,730 for Diesel-electric freight locomotives. Probable bidders—Halsey Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.)

● **New England Telephone & Telegraph Co.**
Stockholders on July 14 will vote on increasing the authorized capital stock (par $100) from 2,000,000 shares to 4,000,000 shares.

● **Public Service Co. of New Hampshire**
July 6 the company asked the SEC for authority to borrow up to $5,500,000 by Oct. 31. By that date it expects to issue $5,000,000 of bonds.

● **Richmond Water Works Corp.**
June 24 reported considering refunding of outstanding bonds and preferred stock. Traditional underwriter, W. C. Langley & Co.

● **Taylor-Wharton Iron & Steel Co.**
Stockholders will vote July 23 on increasing authorized common stock, no par value, from 150,000 shares to 250,000 shares. Company has no present plans for marketing additional stock.

● **Texas Gas Transmission Corp.**
Stockholders on June 28 increased authorized capitalization from 2,000,000 shares of capital stock of no par value to 3,000,000 shares of common stock (par $5) and 100,000 shares of preferred stock (par $100), issuable in one or more series. There are no present plans for issuing the preferred stock. One share of new common was issued in exchange for each of the 1,265,383 no par shares outstanding.

The New Challenge in Industrial Relations

(Continued from page 15)

industry faces—the fact that the American public trusts industry to show the leadership it takes to lift productive teamwork to a great new level of human achievement.

Challenge to Individual Concerns

Let us look at what this ringing challenge means to individual companies in the months ahead.

How your individual companies solve their labor relations problems can make or break the individual competitive enterprise system by which all Americans live and thrive.

American industry is wholeheartedly against monopoly wherever it shows its ugly head. It is sometimes said, and perhaps witn reason, that in the past the NAM earned the reputation of being against. You will find that if this ever was true, it is no longer characteristic of us. If we have one overall policy it is to take a positive and vigorous stand for the goals of the whole American people—concentrating our efforts on the practical means to attain those goals.

But monopoly is a horse of another color. We have always been against it. We now oppose it root and branch. And we shall everlastingly continue to do so. So we stand convinced that every decision of management in the field of labor-management relations must stand the test of its effect on competition.

The dust kicked up by past instances of industrial strife, and the imperative need for increased productivity must not be allowed to obscure sound thinking and a positive stand on fundamental principles.

Muddled Thinking on Labor-Management Issues

In recent years there has been a good deal of muddled thinking and divided counsel on certain labor-management issues. The gradual expansion of the area for collective bargaining has brought in its wake results that demand our closest examination. I refer to industry-wide and mass bargaining, which have led to the shattering experiences of industry-wide and nation-wide strikes in industries that critically affect the public health and safety. This demands public attention and the most careful examination. Should this trend continue and the public be left at the mercy of such crises, we can expect such drastic, radical and undemocratic results as:

(1) Prohibition of the right to strike.

(2) Compulsory arbitration with government setting wages and imposing its decisions in the field of employer-employee relations. And

(3) Rapid extension of government intervention and control of our economy.

All of these are dangerous. They threaten the very fabric of our economic life. To avert such dangers we must safeguard the right of each individual company to bargain with its own people, or with the union that its employees have chosen of their free will to represent them.

Another issue on which management must devote hard-headed thinking is arbitration. The fundamental principle of arbitration as a device for resolving industrial disputes has much to contribute to industrial peace. But, it is essential that management understand the significance and implications of arbitration. Properly safeguarded, and limited to the interpretation of an existing labor agreement, it is a tool that has much to offer both labor and management.

Properly safeguarded, with the jurisdiction of the arbitrator clearly stipulated, it can clear up the terms of a collective bargaining agreement. That is sound and good. But to put any question of management's responsibility, obligation, duty or function in question through the process of arbitration is to invite decisions by a third party who is unqualified by experience or responsibility toward the business. This may well destroy management's ability to run the business efficiently or successfully. Too many times we have seen basic issues of management's responsibilities subjected to arbitration as a result of outside pressures, misinformed public opinion, or government intervention. Management must stand firm on this issue if industry is to fulfill the unprecedented tasks and responsibilties demanded by our nation.

Concerning compulsory arbitration I need say no more than that:

It is unsound in principle.

It has failed in practice.

It destroys genuine collective bargaining.

It threatens Americans' way of life by replacing the flexible, adaptable system of free enterprise by a government-controlled economy.

Providing Steady Employment

At the heart of the American people's hopes and fears there is a question by which all that we believe in stands or falls. This is:

Can our free enterprise system provide steady work and steady pay?

For two years now the NAM has been driving ahead an intensive campaign to help companies moderate and eliminate wide swings in production and employment. Industry has made great strides in this direction. But there is much more that needs to be done. Individual companies have the continuing responsibility of doing everything within their power to provide an ever-increasing degree of regular work and pay for their employees. Many ways have been worked out and used successfully by individual companies to eliminate or modify seasonal factors. Through this approach many short-term layoffs have already been eliminated. I can think of few greater contributions that any company can make to America's greatness than to study its own operations and correct every factor within its control which prevents steady work and setady pay the year round.

Employee Benefit Programs

Another area in which industrial management must take constructive action is that of employee benefit programs and industrial health measures. Many companies have done a fine and constructive job of providing protection to their employees against the hazards of sickness, disability, old age and death. But you know as well as I do how much more needs to be done.

For one thing progressive management is concerned with the welfare and health of its employees. Plans are needed to help employees to weather their personal emergencies.

One of the fundamental desires of employees — one that looms very large in their thinking—is the quest for security in sickness, in old age, and for their families when death strikes. Management can help to provide this protection. It is a responsibility that management cannot ignore. Closely allied to this problem is the matter of greater health protection for industrial employees. Expanded health and medical programs in individual companies, and attention to the conservation of employees' health are essential to good industrial operations.

These are issues which need prompt attention. They can be handled in two ways. One: through cumbersome, impersonal and restrictive legislation which lumps individual needs and differences into an indiscriminate grab bag. Or, two: through individual companies leading the way to a personalized, localized, humanized identification of their employees' well-being with industrial progress. This progress is real — and rapid. I remember when I was almost fired for inaugurating twice-yearly complete health examinations, including fluorscope equipment, for O'Sullivan employees. I felt that if we had any occupational hazards, we wanted to know it—at once. And I was convinced that in the very nature of a repetitive process even such factors as eyestrain and physical fatigue lead directly to serious accidents. By the second year in which our program of health examinations had been operating we had proved its usefulness to the hilt. Why for one stretch of 275,000 hours of direct working time we operated without a single lost time accident. That year alone we saved more than $17,000 on workmen's compensation. You can pay for a lot of fluoroscope equipment with that kind of money.

Role of Foremen and Supervisors

Let's close this list of management's next moves with something so basic and so obvious that it is too often overlooked.

This is the fudamental principle that all arms of management, including foremen and first line supervisors must be given the support that they need to represent the company.

Someone who now holds a very high position once took me off guard at a meeting like this and asked how many of us treated foremen and supervisors as arms of management. We all did — thought we did — were almost sure we did. Then he asked two more questions which sent me hotfoot home.

He said, "How many of you can say with complete truthfulness that your foremen and supervisors are paid like management? Or does their pay stop as soon as there is a hitch in the delivery of material to work on?" I was off base on that one. But we fixed that up—fast.

His second question was: "Whom do your employees get their information from about any change in their rate of pay, hours and working conditions? Do they get it first from their foremen? Or from the shop stewards?"

I'll be hanged if I wasn't caught flatfooted on that one too. But I can say now that we have an ironclad agreement with the union that no change in the hourly wage, working conditions, or incentive plans are to be announced before the employee's own foreman announces them.

I can also point with most immodest satisfaction to the front page of our little company magazine. There we list the directors, and the various arms of management—including our foremen—all together.

These are the kind of things that we can buckle up—and go beyond—everlastingly hitting the pace that American leadership requires today.

The public has put us on the spot. The American people expect both management and labor to stop squabbling, get down to workable human principles, forget any petty differences and rise to the new productive pace our times require as a united, wholehearted team. The public is our one big boss. And there is no mistaking its voice in our land. It wants freedom—more freedom. It wants more production, more teamwork, clear-cut responsibility and teamwork from the grass-roots up. It wants us to set the pace — full steam ahead — right down the middle of the big road. Not staggering to the left or jibing to the right, but in the full current of our dynamic republic and of our intensely human, free competitive enterprise system.

Our Reporter's Report

Bankers who took last week's offering of $30,000,000 of Louisville & Nashville RR.'s 55-year 3¾% first and refunding mortgage bonds on their lone bid for the issue encountered a brisk demand for the obligations.

This was the offering for which it had been indicated three groups would be in the running. But as time for opening of tenders rolled around it developed that two syndicates had decided to forego the business because of the restrictions imposed on bidders by the railroad.

Paying the company a price of 98.26991, the group, which bid the bonds in, proceeded with reoffering at a figure of 100 to yield the buyer a return of 3.75% to maturity in 2003.

The issue moved out in good style prior to the long holiday weekend and the selling group was reported to have had only $4,500,000 remaining on its hands at the close of business on Friday.

With the resumption of business on Tuesday this balance was said to have moved out quickly and the selling group soon was "all out of bonds" leaving only reportedly small amounts held by dealers.

Relatively Quiet Week

Evidently because of the protracted holiday the new issue market slowed down almost to a complete halt this week with only a handful of issues, including several railway equipment trust loans making up the roster.

Largest offering due up for bids was Public Service Electric & Gas Co., 200,000 shares of $100 par, cumulative preferred stock, for which two bids were scheduled.

In fact New Jersey utilities pretty much monopolized the new money market, what with New Jersey Power & Light Co., opening bids for $6,000,000 of new 30-year first mortgage bonds.

Next Week More Active

Next week gives promise of providing underwriters with considerable more in the way of activity, not so much by reason of the number of issues in prospect but because of their larger proportions.

Westinghouse Electric Corp.'s $80,000,000 of debentures, a negotiated deal, tops the list for the period with the proceeds to be applied to prepayment of bank loans. The company also plans to offer to employees 900,000 shares of common stock, receipts from which would be added to general corporate funds.

Close behind comes New Jersey Bell Telephone Co. with its offering of $55,000,000 of 40-year debentures up for competitive bidding. At least two banking groups, headed by dyed-in-the-wool rivals since competitive bidding made its debut, are expected to fight it out for this one.

Northern States Power Co. (Minn.) will open bids for its $10,000,000 of first mortgage 30-year bonds and 200,000 shares of no-par cumulative preferred stock with five groups already in the running, some for bonds, some for stock and a few for both issues.

Bankers to Sell Utility Issue

Halsey, Stuart & Co. Inc. is reported planning to market, through competitive bidding, soon, its entire noldings of 574,087 shares of Central Illinois Public Seivice Co. common stock.

The firm is expected to go into registration on the block before the close of the month which would mean that bids would probably be solicited and opened on or about Aug. 17 next.

Business Man's Bookshelf

Complicated ABC's of Changes in Class Railroad Rates—Mignon Morton—University of Kansas Publications, Lawrence, Kans.—Paper.

Conference Leader's Guide—Waldo E. Fisher—Industrial Relations Section, California Institute of Technology, Pasadena 4, Calif.—Paper—$1.00.

Freight Rate Applications—Definitions, Interpretations, Constructions, explained and clarified—Glenn L. Shinn—Simmons-Boardman Publishing Co., 30 Church Street, New York 7, N. Y.

Strange Death of Franklin D. Roosevelt, The—History of the Roosevelt-Delano Dynasty—Emanual M. Josephson—Chedney Press, 127 East 69th Street, New York 21, N. Y.

DIVIDEND NOTICES

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—If one were prevented from having the slightest chance of winning the half mile race because he had a slight case of tuberculosis, the additional handicap of a broken ankle wouldn't be too serious—because he couldn't win anyway.

That is the way the politicos view Mr. Truman's statement last week that the Southern revolt, in his opinion, is not serious. Should there develop a close election, then the Southern revolt would prove to be something, perhaps the thing that would actually preclude Mr. Truman from getting his first elected term as President. On the other hand, if the whole business represents a cyclical swing away from the New Deal and toward more conservative policies, the Southern revolt could become no more important than the coup de grace administered to the condemned man after the political firing squad had finished.

It is too early, nevertheless, to write off the Southern revolt. Between Presidential electors already nominated in primaries in Alabama and Florida and the large prospect that Mississippi electoral votes will be cast for anyone but Truman, there at this writing, appear to be 52 electoral votes pledged against Truman. If the Southerners next week at Philadelphia take a walk and nominate a Southern Democratic candidate, the number of electoral votes which might be cast against the incombent President, might be somewhat larger. In a close election this could be important. Right now Democrats and Republicans alike don't think it will be a close election, but Nov. 2 is too far away to make it a gilt-edged security.

* * *

On the other hand, should the election become one of those big sweeps for the GOP, then the significance *to the election* would be superfluous. It would just make the defeat greater.

There is a significance to the Southern revolt, however, which is far greater than its possible effect upon an election. The significance is that the Democratic party not only goes into the 1948 election a disunited party, but it will be a disunited party in opposition. If there is a rump convention of Southern Democrats at Philadelphia next week and they nominate their own "Southern Democratic candidate for President," then the split will be open and unmistakeably understood. The split is there, nevertheless, even if there is no rump convention.

For the Democrats, the sanest hope was that, anticipating defeat, the Northern left-wing and the Southern conservative wings of the party could get together on a leader. It was not so important that this leader win the election as that he be able to bring about some unity in the party so as to develop its strength in opposition. He would nominally run for President, even if defeated, but be the real active leader of the party. If he is defeated, Mr. Truman will be, while the titular leader, as lacking in influence in all probability as Mr. Hoover in relation to the Republican party after 1933.

The two wings, however, did not get together on the reconstruction problem. Instead the southerners concentrated on their revolt and the left wingers in trying to tease General Eisenhower to throw the lifepreserver.

* * *

To those who pooh pooh the significance of the Southern revolt, a knowledgeable Democrat here said: "If it wasn't for a past Southern revolt Henry Wallace would be President of the U. S. today." It was Southern opposition to taking Wallace again as Vice-President which circuitously led Mr. Roosevelt eventually to take Harry Truman.

* * *

Weakest chink in the GOP armor at this moment appears to be the Senate. Republicans have a majority of six in the Senate. In other than three of the border States, the prospects seem to be fair that Democrats will hold seats in Democratic States and Republicans in normally Republican States, barring a big sweep. The three border States are Kentucky, Oklahoma, and West Virginia, where three seats are in some jeopardy.

Should the GOP lose all three, seats then the Senate membership would come out a tie. If the Democrats won all three, and also picked up one more, they would control the organization of the Senate, which means that Democrats would head committees and control the course of legislation in the 81st Congress. This is a consummation devoutly to be desired by the Democrats and much to be abhorred by the Republicans.

Republicans remember the last two years of the Hoover Administration, when the Democrats controlled the House. Under the leadership of one of the country's most able political artisans, John Nance Garner, then Speaker, the Democrats made monkeys out of the Hoover Administration by burying everything requested by the then President and substituting their own program. It was John Garner's skillful maneuvering probably more than the late Charley Michaelson's political propagandizing, which gave the impression Mr. Hoover was a man without a program and with no ability to act—because Garner had Hoover, as it were, hog-tied.

Also, when in opposition—up until selecting a new Presidential candidate becomes necessary—Southern Democrats can become quite united in opposition. The first sign of this already has appeared. All the Democrats on the House Banking Committee backed the TEW housing bill, including some who would have opposed it vigorously had they been in control of the House, and responsible for its enactment. In the main, however, the view here is that as of the present the chances are that the GOP will not lose control of the Senate. If there is a Republican sweep they may pick up Senate seats in three or four states, even if losing one or two of the contests in the border states.

* * *

Here is a list of those who have active hope for being selected as the running mate for Mr. Truman next week. Former House Majority Leader John W. McCormack of Massachusetts, Senator Joseph C. O'Mahoney of Wyoming, Rep. Mike Monroney of Oklahoma (leader in the House for the public housing fight), Senators Scott Lucas of Illinois and Millard Tydings of Maryland, Supreme Court Justice William O. Douglas, and former Senator Jackson of Indiana.

* * *

In connection with Mr. Truman's main campaign strategy, old timers recall 1932 again. Stopped, frustrated, and stultified in all his programs by the Garner leadership of the House, Mr. Hoover took to writing diatribes against Congress. Eventually the idea got across in 1932 that maybe even the President did not have superior judgment to the 500-odd men of Congress. Mr. Truman is thought to be taking a political chance with the same kind of an offensive.

* * *

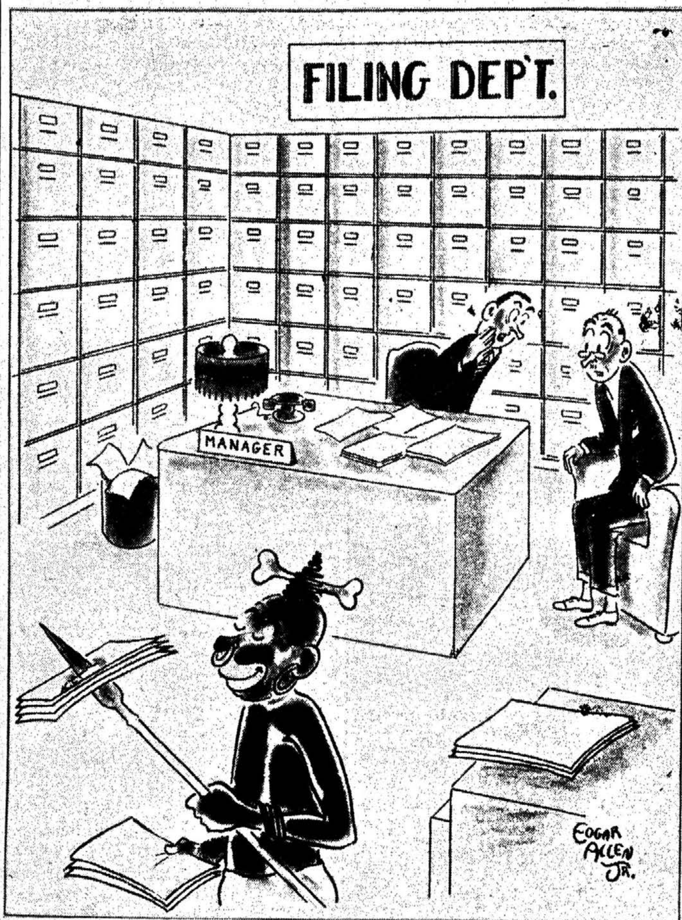
It is now becoming clear that what the Congress did with housing was all but cut it clear of the some supports enacted since the war. Title VI, which provides for FHA insurance of loans at "necessary current cost," was allowed to lapse. The secondary market was retained by Congress for only those loans which finance housing under the relatively conservative construction standards of FHA.

Veterans can still get GI loan guarantees, however, to make it possible for them to finance the purchase of a home without a down payment, provided the price of the house isn't too high and lenders will go along — which many will not.

FHA can still insure 80 to 90% of a loan, and the appraisal standard probably will be much higher than in the past if not as high as under Title VI.

Thus the inflation bloom has been taken off from home financing. Its effects, however, probably will not be felt until later in the year. Construction of rental housing with unused Title VI guarantees probably will sustain building until well into the fall. As a result the inflation of building costs will not be reversed, even if price rises are less rapid. When Congress meets in January it will have an idea what can be done in building and at what cost, without the extensive commitments included or proposed to be added to by the defeated housing bill.

BUSINESS BUZZ



"In Africa, in a moment of weakness, I promised I'd bring him back here as my assistant."

With Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Cyrus B. Johnson has become affiliated with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges. He was formerly with Schwabacher & Co. and Dean Witter & Co.

Wilson, Johnson Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Olga M. Poulsen, formerly with Hannaford & Talbot, is now with Wilson, Johnson & Higgins, 300 Montgomery Street.