ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 168 Number 4720 | New York, N. Y., Thursday, July 29, 1948 | Price 30 Cents a Copy

Truman Asks Congress To Act on Inflation And Public Housing

President, in message to special session of Congress, also urges reimposition of excess profits tax and consumer credit controls, increase in minimum wage and old age benefits, in addition to rationing and price control authority.

In his personally delivered message to the special session of Congress on July 27, President Harry S. Truman renewed his previous requests for legislation affecting inflation and public housing. In addition, he also requested authority to impose rationing and price controls, reenactment of an excess profits tax, restoration of consumer credit controls, and new Federal Reserve Board authority to curb bank credit and speculation. Mr. Truman's program also calls for an increase in the legal minimum wage and amplification and enlargement of social security benefits.

President Truman

The full text of the President's address follows:

Mr. President, Mr. Speaker, Members of the 80th Congress:

The urgent needs of the Amer-

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Why the Pessimism?

By ANTHONY GAUBIS
Investment Counselor

Stock market economist terms pipe-line filling, high break-even points, and similar bear arguments as exaggerated bug-a-boos. Expecting sales and earnings of permanently well-situated businesses to remain far above their prewar levels. Mr. Gaubis predicts that the stock market will fluctuate at least 50 to 60% above the Dow-Jones Averages 1935-45 zone of 93-194.

In a series of articles which have appeared in the "Chronicle" starting in January, 1947, I have repeatedly expressed the conviction that the decline experienced in the stock market in the summer and fall of 1946 was a perfectly normal "correction" of the preceding advance, and that the 160-170 area in the Dow-Jones Industrial Average was likely to prove to be the base of a third "leg" of the 1942-1949 bull market. I have also held steadfastly to the view that the 1946 Dow Theory "bear market" did not foreshadow a business recession, and that the probabilities definitely favored well-sustained business activity throughout 1948 and at least well into 1949. In spite of the more cautious note appearing in many letter services and brokerage house bulletins during recent weeks, I see no reason for changing this appraisal of the outlook for both business and stock prices.

Anthony Gaubis

It is necessary, of course, to check constantly the premises underlying any conclusions which have been allowed to influence business and investment decisions, as well as to reappraise the arguments which could be advanced

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Analysis of the Varied Factors Influencing Foreign Trade

By HERBERT M. BRATTER

Washington observer analyzes foreign trade prospects in the light of rising domestic and foreign prices and ECA operations. Sees no substantial increase in U. S. exports because of ECA, but points out character of shipments will be altered. Says steel will be key commodity with exports of freight cars and trucks important items. Cites declining dollar resources of Europe as factor reducing exports

As seen by foreign trade experts in Washington, it is unlikely that 1948 merchandise exports will run much more than nine-tenths of the all-time peak they attained in 1947. Important factors which affect the figures, in addition to price changes in a time of inflation, are the rate of this country's purchases of foreign goods and services, the depletion of foreign reserves of gold and dollars, the ECA program and other American loans and gifts.

Herbert M. Bratter

Having in mind the large degree of inflation which has affected prices around the world since before the war, here is what happened in our foreign trade according to Commerce Department summation of customs figures. (Note that these figures do not include postal shipments or the disposal of surplus military property abroad, property which is not recorded in the commercial export data, but that for the war years they do include Lend-Lease shipments.) In the prewar period

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EDITORIAL

As We See It

Emergency in Perpetuity?

When the President called Paul Porter back into his Administration to contrive measures to stop "inflation," he supplied conclusive evidence, if any were needed, of the general type of ideas about prices which the Administration has in mind. On the record, Mr. Porter has one remedy for all ills—or what he regards as ills. That is: "Thou shalt not." If he has any other prescription, it would not go beyond an occasional: "Thou shalt."

Whatever they may say now, the fact is indisputable that Mr. Porter, Mr. Bowles and a long list of their supporters and fellow travelers were rather more than sure of themselves two years ago — sure that they knew what was needed to "ease" this country back into peacetime operations without further rise in prices. And what they said we needed, indeed must have, for that purpose was strictly temporary since it had for its object the bridging over the period required for the peacetime economy to get into its full stride and the "back-logs" filled. When this had been accomplished prices would no longer show any tendency to rise and could accordingly, with safety and assurance, be left to themselves. All these controls they were so sure in their own minds

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The Automobile Industry in Postwar World

By K. T. KELLER*

President, Chrysler Corporation

Prominent business executive reviews auto industry development and points out: (1) more time, money and research is spent each year in creating convenience and satisfaction to owners of new cars than in creating revolutionary changes in design; (2) production of new models now costs five times as much as in prewar; and (3) nation's tax policy threatens to exhaust resources of industry, particularly in inadequate provisions for depreciation in terms of inflated costs. Sees shortage of car output for long period.

As with all consumer goods industries, we are concerned with making things people will buy and use. The motor industry is distinctive in the rate of improvement of its product, historically expressed in annual model changes. A good portion of this change is style, as also expressed in women's clothes, in choice of furniture, in the architecture of private homes and public buildings. It is very important.

K. T. Keller

In our company, however, we have been convinced for a long time that important as style may be to the buyer, the fundamental thing is the goodness of the product, goodness from the standpoint of performance and comfort, convenience and safety of operation.

Automobiles are looked at and admired. The buyer is proud of his car's symphony of line; its coloring and trim express his taste; he welcomes the applause of his friends and neighbors. But he bought the car to ride in, and for his wife and children, and friends to ride in.

His satisfaction in the product finally depends on whether or not it is pleasant to sit in the car while it is moving. This means the sum total of many things: that the seat is at a comfortable angle, not too soft, not too hard, not too low; that he can see out conveniently; that the steering action is easy, and the brake action is too; that the car holds the road well, so the speed he can make with comfort is adequate to his needs; and that the acceleration is good.

Though at times one might wonder, even headroom is important. Many of you Californians may have outgrown the habit, but there are parts of the country, containing millions of people, where both the men and the ladies are in the habit of getting behind the wheel, or on the back seat, wearing hats. If the last word in millinery is knocked off the little woman's head, and a superb hairdo is disarranged, the standing of the car that does it is impaired.

The comforts I have mentioned must be about equally available to persons of all physical dimensions. Maximum attention is given to the sizes and shapes that are most usual, but we give all possible consideration to the outsize individual as well.

It might surprise those who are not intimately familiar with automotive research, to discover how much laboratory study of human structure is required for successful development of an automobile. Even the quality of a seat is not determined just by how it feels when you sit down, but by the effect of the resulting posture on relaxation of muscles and freedom of blood circulation. The action of a spring is developed to avoid rhythms that affect people susceptible to motion-sickness.

Allied to the factors of personal comfort, are those of mechanical integrity. There will not soon be a totally trouble-free car, because mechanical things eventually wear and get out of adjustment, but owner satisfaction is increased in direct ratio to the infrequency with which he has to bother with mechanical maintenance, and by the ease with which the maintenance is accomplished. Reasonable consumption of fuel belongs in this same family of owner satisfactions.

Wide as our research interests range, you may be sure that more time and attention, and more money, is spent, year in and year out, on these quiet means of individual satisfaction than upon creating revolutionary vehicles and power plants.

If this discussion of the factors that tend to control the progressive improvement of the car seem detached from the economics of the industry, their cost might be considered.

The money that Chrysler Corporation alone is going to have to lay out for new dies, tools and equipment needed when the time comes for our next line of body models, will be in the neighborhood of $75 million.

Even after all the years of huge expenditures for war, for relief, for boondoggling, that still is important money.

The commitment for it, and its expenditure, must be made before a single car is produced. Its recovery, let alone the continued production of a modest profit, depends on public acceptance of the resulting product.

Under prewar conditions, a comparable new car program would have cost between $15 and $20 million.

That change, in itself, is a most significant thing, but it acquires fuller meaning as the conditions of the enterprise as a whole are brought into perspective.

I can deal with these things best by talking in terms of the company with which I have been associated now for a good many years.

In relation to the automobile industry as a whole, Chrysler Corporation is a relative newcomer, not quite 25 years of age. It came up from a start in 32nd place in 1925, to second place in the entire industry in the last years before the war.

As formed from the assets of the Chrysler-rehabilitated Maxwell Company, it started life with eight plants, employing 10,000 people, and its assets were valued, without undue conservatism, at $37 million.

By purchase of the Dodge Brothers' business it acquired the machine shop facilities to permit a vigorous invasion of the lower price volume market. By construction and acquisition, it has now rounded out its physical facilities to 30 plants in the United States alone. These give employment to about 90,000 people. The book value of its stockholders' equity has become $330,000,000.

The value of its physical properties is carried on the books at $105,000,000. Just by contrast, the Dodge-Chicago plant, built during the war for us to make B-29 engines, cost $170,000,000 all by itself. I know it could not be built and equipped for that figure today, despite all the costly penalties that affected wartime construction. That government plant, of course, is not now in our hands, but the point is that its costly space and equipment could be lost in the middle of the plants which we do own and operate, and carry on our books at a much lower figure.

What the owners of the business actually have put into plant and equipment, from 1925 on, is a round $415,000,000.

From the standpoint of what it takes to get into the automobile business and stay there—unless of course it is done with government-furnished plant and capital—this figure I have just given you still is an understatement.

Our company acquired assets of predecessors whose lack of success at the business was sufficiently pronounced to warrant their getting out. Certainly the original cost of their investments, in plants and equipment, was a great deal higher than what we paid, but we have no way today of establishing what it was.

So we have to stick with the cost to us, which was $415,000,000. In the automobile business huge quantities of special tools are used which serve only one model, and we modernize plants as rapidly as new processes obsolete the old. So we find $180,000,000 of the original investment already used up and written off. The balance is partly amortized and written down to the book figure.

We computed last year that at current costs we could not re-

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*An address by Mr. Keller before Seventh Stanford Business Conference of the Graduate School of Business, Stanford University, Stanford, Calif., July 22, 1948.

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Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 8, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, July 29, 1948

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $35.00 per year; in Dominion of Canada, $38.00 per year. Other Countries, $42.00 per year.

Other Publications

Bank and Quotation Record—Monthly, $25.00 per year. (Foreign postage extra.)
Monthly Earnings Record — Monthly, $25.00 per year. (Foreign postage extra.)
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

The Guardians of Individual Liberty

By JIM HOWARD

Veteran and engineer lauds various members of Congress who played major roles in opposition to conscription bill as champions of individual freedom in America. Outlines steps deemed vital to restoration of personal liberty and preservation of representative government in America. Says primary elections now in progress or scheduled constitute excellent opportunity for voters to insure election to Congress of legislators having the capacity to make honest, independent decisions.

Members of the Eightieth Congress exhibited an unhealthy tendency to follow the leaders rather than reach their decisions on national issues, such as the draft, by a study of the facts with a view toward the welfare of the majority.

The preservation of freedom for those Americans who will not be deprived of their liberty by the present conscription law, depends upon careful study by the voters of the record in the Eightieth Congress of their Representatives and Senators, and the exercise of their privilege of selecting as party nominees only those men who have shown a basic faith in American traditions of individual liberty and freedom from any type of regimentation.

The past custom of Americans of failing to register their choice of elected officials by active participation in the primary registration of candidates and the subsequent primary balloting is responsible for the unduly large number of irresponsible legislators uninterested in the will or the welfare of the majority of their constituents. It is natural that a Congressman of average ability and character would be disinclined to represent the will of the majority of his constituents when only a small minority of the people in his district take any part in the primary balloting, which is far more important under our party system in determining the ultimate results than is the election, especially in our one-party states. Special interests, such as the groups composed of Federal officeholders, professional officers and their friends, find it easy to nominate men committed to vote for any measure designed to promote the welfare of the special minority group when the majority in a Congressional district are lethargic and inactive at the primary.

Congressman Dewey Short

At the forefront of the ranks of our great Congressmen fighting those internal forces that are driving the American way of life from this nation's government is a man of outstanding ability, courage and insight into our political problems.

One of the few members of the House of Representatives whose speeches draw his fellow members from lobby and cloakroom, packing the galleries with earnest and interested citizens, Dewey Short, of Missouri, is one of the best educated men in Congress.

Born at Galena, Mo., April 7, 1898, he graduated from Marionville College, 1917, received an A.B. degree from Baker University in 1919; studying at Boston University, Harvard, Oxford, and the Universities of Berlin and Heidelberg. He received the degree of LL.D. from Drury College, Springfield, Mo., in 1930 and the LL.D. from Boston University in 1941.

His long years of specialized training did not destroy the native individualism nor homespun traits of this intensely-human "Ozark hill-billy." In the words of the editor of the "Wichita Beacon": "Representative Short has attained nationwide reputation as an orator, because of a rare combination of talents as a logician, a humorist, and a statesmen." A keen student of economics, foreign affairs and military matters, this Missouri representative has become a powerful influence for the preservation in our legislature of the basic rights of the individual citizen against the ever-growing powers of a bureaucratic centralized Federal Government.

First elected to Congress in 1928, Mr. Short served a term from the old 14th District. After the redistricting of Missouri, he was elected in 1934 from the 7th District and has served continuously since that time. He was the only Missouri Republican in the 74th, 75th and 76th Congresses.

In 1940, Dewey Short received 108 votes as a candidate for Vice-President of the United States at the Republican National Convention. He is ranking member of the Committee on Armed Services and will on reelection to the 81st Congress, with a Republican majority in the House, become Chairman of the Armed Service Committee.

In this position there is no man who can serve his country with greater distinction and merit. The Eightieth Congress was characterized by the domination exercised through the Armed Services Committee of the powerful appointed heads of our military establishment. A budget of $11 billion provided for 1947-48, representing one-third of the total expenditures of the Federal Government, was employed by our military departments so injudiciously that our Secretary of Defense termed his establishment "a hollow shell."

Representative Robert F. Rich, of Woolrich, Pa., outspoken opponent of the peacetime draft on the House Rules Committee, merits the gratitude of those Americans who recognize that America's best hope for defeating Communism is by safeguarding liberty for American citizens and not by adopting the methods of

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Problems and Responsibilities of Securities Administrators

By HAROLD JOHNSON*

Retiring President, National Association of Securities Administrators

Mr. Johnson outlines progress and objectives of Securities Administrators and points out their duties and responsibilities. Advocates more uniformity in procedures of regulation and calls for elimination of needless "red tape" in registrations of new securities. Calls attention to growth of investment companies and warns against penalizing securities industry because of infractions of a few. Concludes "we stand at threshold of a new relationship between industry and administrators."

Members of the National Association of Securities Administrators, representatives from the Canadian and Mexican governments, representatives of the United States Securities and Exchange Commission, representatives of the Securities Industry, and other honored guests:

Harold Johnson

We welcome you to the 31st Annual Meeting of our Association. Every effort has been put forth to present to you a full four-day program which will be informative, interesting and entertaining. A review of the printed program at once reveals that many of the nation's top financial men and leaders in other fields have kindly consented to participate in this conference. They will bring to us messages of timely importance. This is greatly appreciated.

We have set aside, this year, additional time for an open forum for the discussion of all subjects of mutual interest. Your participation in and deliberation of the various topics under consideration is solicited. Open discussion and exchange of ideas is the only satisfactory method for the solution of mutual problems. This is the democratic way. The exchange of ideas in the forum session should develop our thinking and help guide both the industry and administrators to the benefit of the securities business. Again we urge your attendance and expressions.

With your permission I would like to comment briefly concerning the attendance by our Association members and the importance of our Association. It is observed from the roll call that there are 27 states represented out of a total membership of 46 states. As compared with the past eight years, which has had an average of 26 states in attendance, the number which are here today is very gratifying. Our original goal and confirmation of 36 members has not been reached because of some last minute cancellations brought about by illness on the part of some and unforeseen emergencies which have arisen in several states. Your President, by this explanation, is not attempting to alibi for the failure of reaching the set goal.

This year is the first time in the history of our Association that a meeting has been held on the Pacific Coast. Most of the meetings have been held East of the Mississippi River. The administrators and the industry in the West have gone all out to demonstrate their ability to handle a meeting of this kind and to extend to you a real Western hospitality. It is pleasing to see such a large attendance on the part of both the administrators and industry representatives.

It is our duty to properly inform non-attending administrators of the advantages of our meetings and urge their future attendance. It is up to those present to do the job. Let each of us put forth a little more effort this coming year so as to have a 100% attendance at our 1949 meeting.

To the members present I personally wish to thank you for your attendance here today. You have shown sufficient interest to take time away from your other duties to give attention to Association affairs. We value your advice and recommendations and hope that you will take an active part in our deliberations during the next several days. We will all gain by your frank discussions.

We have with us several members attending the Association meeting for their first time. We welcome each of you. We desire that you will take an active part in these meetings. The older members will be most willing to help you in any way possible. It is hoped that you will find the conference of such value as to warrant your return in future years.

We convene for the purpose of conducting the business of our Association, the main objectives being:

(1) To provide a forum for the exchange of information, ideas and experiences among public officials having charge of the administration of the securities laws.

(2) To develop standard and uniformity in forms as nearly as possible.

(3) To co-ordinate the efforts of individual states toward the determination of sound policies with respect to the supervision of the securities industry.

(4) To perform such other services or undertakings that will contribute to the improvement of the securities business.

We as administrators should forever keep these objectives in mind and refer to them as our guide in the performing of our duties.

At this time I wish to personally thank each member of the Association, each and all officers, and the members of each committee for their untiring help, support, cooperation, and assistance rendered during this past administrative year. It is tremendously appreciated, I assure you.

The securities administrators of the various states work together very closely in the performing of their duties. Their respective functions mesh very closely in order to have most efficient nationwide performance. Perhaps there is no other association of state officials that is as closely interwoven in interest as that of the National Association of Securities Administrators. This is due to the nationwide registration of securities, the registration of dealers doing a national business, and the investigation, apprehension and prosecution of stock fraud operators working throughout the nation.

I now wish to comment upon the attendance at this meeting by the industry representatives. Your presence in such large numbers is gratifying and appreciated.

These joint sessions where the industry is represented on the one hand and the regulatory agencies represented by the administrators is the only proper method to handle our various problems. We are working for the same end. Government and business should sit down together and work out common sense rules and operating procedure.

The securities industry and the administrators have one common goal, which is the marketing of securities in a legitimate, fair and equitable manner at as low a cost as possible. This responsibility rests upon you gentlemen in the securities field, the Federal agencies, and us as State Securities Commissioners or Administrators. We all must do our respective parts.

The Responsibility of the Industry

You will all agree that in the early days there were certain undesirable operators in the field bringing disrepute upon the entire business. This was the reason for the enactment of legislation, both state and national. Since that time the industry has come a long way through the improvement of its standards and conduct.

You gentlemen as operators are very well acquainted with your duties and responsibilities. I will briefly mention a few of these:

(1) Confine your operations not only within the legal aspects, but the intent and spirit of the law.

(2) Elevate and maintain high advertising standards so as to convey factual information without misleading or deceptive phrases.

(3) Extend your education and publicity program so as to reveal the true story about the securities business.

(4) Conduct your operations so as to eliminate any chance of deception to the investor.

(5) Maintain better cooperation and unity among yourselves in your own industry.

(6) Encourage a better spirit of cooperation with your administrators.

It is conceded that the above recommendations do not apply to 99% of the securities industry representatives. It is only to the few marginal operators that the message should be directed.

The industry leaders have expended considerable effort to elevate the business and place it at the top of our business or professions. This has been a long, hard job. You are to be complimented for your efforts. Let us keep it in number one position. The downfall of, or misconduct by one operator brings bad repute to all. Adverse publicity is very detrimental to the industry as a whole. This has been demonstrated by the recent publicity appearing as headlines in all of the papers from Coast to Coast concerning the Kaiser & Otis Co. event. By this reference I want it understood that no opinion or judgment is being expressed as to the rights or wrongs of either. It is only mentioned because it demonstrates the damaging effect against the securities business. It has destroyed public confidence which took years to build. Extreme caution should be used to avoid future cause or publicity of this nature.

Education and Publicity

It has only been in recent years that the real story of the securities business has been properly told to the public. It is most interesting and encouraging to see

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*Presidential address of Mr. Johnson at 31st Annual Meeting of the National Association of Securities Administrators, Portland, Ore., July 19, 1948.

Wheat Prospects and Bakery Company Stocks

By ROGER W. BABSON

Mr. Babson, commenting on prospects of record wheat crop, says only government support holds up price. Contends, were it not for parity price guarantee, price next year could go back to dollar per bushel. Looks for lower bread prices or rise in price of bakery stocks

Returning from the wheat growing states, I must report that with one exception we should have our largest new crop on record, plus a sizable carry-over. Hence, there is good reason why the cash price should have dropped at Kansas City from $3.30 per bushel in 1947 to $2.26 per bushel now.

Roger Babson

Only the present so-called Parity Legislation, passed last month by Congress, holds up present prices. This law enables wheat growers to "borrow" from Uncle Sam an amount nearly equal to present prices. If the price later goes up, the farmers can sell at the market and pay off Uncle Sam. If the price later goes down, then Uncle Sam is stuck because these farmers' notes read "without recourse." This means that the government cannot collect the deficiency even if the farmers are millionaires, as many now are.

Next year, after the Europeans need no more of our wheat, the price should be even lower; in fact, were it not for this guaranty it could go back to one dollar per bushel. Of course, the big question is what will Uncle Sam do with this wheat which it takes on "loans" from the farmers. Will it sell same to the flour mills at much reduced prices and absorb the loss or will it dump or burn it as it did with millions of bushels of fine potatoes.

Price of Bread

One of two results are certain to happen during the next few years. Either the price of bread will drop or else the price of break stocks, on the New York Stock Exchange, will go up. Perhaps both things will happen. Pegging wheat prices is like damming a stream of water. You can stop the flow for a certain time, but ultimately the water will flow over the dam or else the dam will break. Neither Republicans or Democrats can fool nature's laws. Both farmers and investors who realize this and act accordingly make money in the end.

The price of flour is determined by the price of wheat. The price of bread is determined by the price of flour. As the price of wheat goes up, the profits of the bakers shrink as there is a lag between higher wheat prices and higher bread prices. When, however, wheat prices are going down, the lag is in favor of the bakers who do not reduce their bread prices immediately.

Investments for Farmers

Farmers can hedge against declining wheat prices by "selling futures"; but this is risky at times. A far safer hedge would be to buy flour mill and making stocks just now. The leading flour and feed company is General Mills; the stock sells on the New York Exchange for about $49 and pays $2.37 per year. This is a wonderful company, although there are other good ones.

There are hundreds of good baking companies, but the four largest with which I am acquainted are:

(1) Continental Baking Co. common sells about $17 and pays $1 per year.

(2) General Baking Co. common sells about $11 and pays about $0.60 per year.

(3) Ward Baking Co. common sells about $16.50 and pays about $1.35 per year.

(4) Purity Bakeries Corp. common sells about $33 and pays about $2.55 per year.

These common stocks should sell for more someday and—in the meantime—pay dividends to yield about 6% on your money. If you want security, then you can buy the preferred stocks of these companies, but they give you no speculative advantage. Both the common and preferred stocks offer exceptional protection in case of World War III. This especially applies to Continental Baking.

Sees Investor Confidence in Republican Regime

Staff of National Securities & Research Corporation analyze effect of possible political changeover on general and specific economic trends as well as on credit and finance, and concludes election of Republican Administration would end a period in which pendulum swung too far to left.

In a recent bulletin issued by the National Securities and Research Corporation of New York, compiled by its staff, an examination is made of the probable effects on the American economy and on the securities markets of a Republican Administration taking office. According to the bulletin: "Since psychological influences in the securities markets, particularly as regards equities, are a major factor often equaling or exceeding actual fundamentals, the effect of a political change should be very marked. This favorable effect would of course be most felt in common stocks and least in high-grade bonds, with lesser-grade bonds and preferred stocks falling in between roughly in proportion to the influences of money rates on the one hand and corporate earnings and credit standing on the other.

"Owing to the fluctuations that take place in the stock market and which are sometimes quite substantial even in a relatively short period of time, it is necessary to qualify any opinion as to the influence on securities prices to a degree not applicable in most other fields. The qualification is that the impact on the stock market of a change in administration would be importantly dependent on the level of the market at the time the effect began to manifest itself.

"Corporate Earnings: While corporate earnings are the end result of business operations, they are the most important fundamental factor in the stock market. The enhancement of the probability of a better balanced economy, the lessening of governmental interference in business, the prospect of some relief from restrictive

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The State of Trade and Industry

Steel Production
Electric Output
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Business Failures

Physical output per man-hour now exceeds that of a year ago for slightly more than two-thirds of all companies cooperating in the latest survey of business practices conducted by the National Industrial Conference Board. Only 10% of the companies surveyed report a decline.

Compared with the prewar period of 1939 to 1941, slightly more than three-fifths of the companies surveyed report increased productivity, while slightly more than one-fourth indicate a decline. Many factors have contributed to the higher level of productivity, the survey points out, but the most frequently menioned is improved equipment and tools. The trend generally is toward better-quality products which often require additional man-hours per unit, although instances of simplification are mentioned.

Some leading industries heavily represented among the 67% of the companies reporting higher labor productivity are automobiles and equipment, industrial machinery, machine tools, office equipment, paper and steel. Prominent among the 23% of the companies reporting no change from a year ago are leather and products and textiles. The 10% reporting lower productivity are scattered among different industries.

Incentive wage plans are credited with having been "largely responsible" for increased output in some cases. In a few instances, the survey notes, "fairly accurate comparisons are possible between day work and piece work and each time the results of the former are regarded as "unfavorable." Another reason is a reduction in labor turnover. High-quality supervision, good labor relations and union cooperation combined are credited with being the principal cause of increased output by a few firms.

PRODUCTION IN JUNE NEAR PEACETIME HIGH

The Federal Reserve Board reported on July 23 that industrial production edged up slightly in June and neared the peacetime peak set in February.

The Board's index of production, which takes into account seasonal influences, showed June output of the nation's factories and mines as 92% above the 1935-39 average.

That is a gain of one point over the revised figure for May and three points over April. But it was still two points short of the February top. Early July production followed the June pattern, the Board said.

Summarizing business conditions across the country, the Board observed:

"Department store sales were at record levels for this season. Prices of meats and steel increased sharply in July, while cotton and grains declined."

SUBSTANTIAL PRICE INCREASES PREDICTED FOR STEEL ARTICLES

Sharp general increase in steel prices, announced last week by subsidiaries of the United States Steel Corp. and followed within a day or two by most of the independent steelmakers, has jolted consumers more severely than for many a moon, according to "Steel" magazine. The fact new price schedules are not uniform among producers also is a factor lending to confusion in the market.

Coming on top of added freight costs resulting from abandonment of basing point pricing, the price hike, averaging over $9 per ton, and in case of some specific products being as much as $17, in the view of some steel buyers, may result in pricing some manufactured articles out of the market. This, they say, is especially true considering the continued rise in wage and other costs which the metalworking industry is experiencing.

Substantial price hikes can be expected on any article made of metals reflecting the impact of recent and current wage and raw material costs. While in the case of automobiles and refrigerators, for example the increased cost of steel is estimated at $1.25 to $1.50 and $10 to $15, respectively, other costs, including third round wage increases, have not been passed on to consumers. Consequently, increases of $10 to $20 in refrigerators, $50 to $100 in automobiles and similarly higher prices on dozens of other products would not be surprising. Exact figures as to the increased steel bill to consumers is impossible to determine as yet, but it will run into the hundreds of millions of dollars.

In the midst of the confusion and excitement in the steel market attending the application of higher product prices and abandonment of the basing point method of quoting, the scrap market is erupting again. Scrap is scarce and reports have been current for several weeks past of material moving above mill formula prices. Last week a definite break in the steel mill formula developed with an advance of $2.50 per ton reported at several leading market centers with the formula ceilings under pressure from consumers who have been

(Continued on page 23)

Observations . . . .

By A. WILFRED MAY

Wallace's Kiss of Death on New Dealism

In previous weeks this column has tried to show the great dangers besetting our democracy as a result of the current pre-election maneuvers of all the political parties. We have held that even worse than the confusion of the public and the economic illiteracy arising from the party platforms and the run of campaign speeches, are the "strategic" uses of his office by an incumbent Chief Executive for his selfish partisan purposes.

A. Wilfred May

The possible result of political benefit to Mr. Dewey from the special session is irrelevant What is relevant is that the halls of Congress, properly usable for the supposedly solemn process of constructive law-making, are now being devoted, at the President's direction, cost-free to an election-campaign arena; and that proposals for legislation and their handling are being made without the slightest semblance of good-faith. If anyone doubts that the purpose of Mr. Truman is to put his political opposition in a hole and garner votes, let him turn to the President's words uttered to his party in convention when he announced the Congressional call: "They're (the Republicans) going to try and dodge their responsibility, they're going to drag all the red herrings they can across this campaign. But I'm here to say to you that Senator Barkley and I are not going to let them get away with it."

And the President's message delivered Tuesday surely gave additional substantiation to the conclusion that he is interested in political maneuvering rather than in accomplishing constructive legislation. His recommended excess profits tax would actually promote inflation; the plea for regulation of speculation on the commodity exchanges deals merely with the thermometer of inflation and is wholly irrelevant to its causes; and both recommendations together with all his others are sugar-coated pills for the populace deliberately overlooking all fundamentals which might be more distasteful to impose as well as to receive.

Mr. Wallace's Educational Service

In the opinion of this writer, the nauseating and utterly disgraceful diatribe of Mr. Wallace in the Philadelphia baseball park last Saturday night had the unintended effect of highlighting the phoney economics contained in the platforms of both major parties. This came about not through any affirmative clarification or sense in Mr. Wallace; on the contrary, his exhibition set an all-time high in cheap demagoguery and outright lying. The constructive result came about through the public's psychological coupling of his arguments on the domestic front with his easily-recognizable lies and ranting in the foreign field; and his consequent discrediting in both fields.

There are many points relating to the home front at which Mr. Wallace, that self-styled Thomas Jefferson-Lincoln-FDR, repeated the misinformation previously broadcast by the New-Dealish Democratic platform. In their invectives again "inflation" and the endeavor to put the opposition in the hole on the naturally-popular price-reduction slogan, the misrepresentation of the course of preceding events as well as of the economic facts, is similar. Both these election-contenders who are pleading for more for "the poor," themselves approved or actually promoted the inflation-spiral by pronouncing that the second-round wage increases did not necessitate higher prices.

Mr. Wallace is the self-styled champion of "the poor." . . . "The old parties foster the concentration of economic power. They replace as government officials the progressive supporters of Franklin Roosevelt with spokesmen of big business. Never before have so few owned so much at the expense of so many," says his platform. Mr. Truman, on the other hand, stated in his acceptance speech that never have certain classes had *so much*, the farmer and the wage and salary-earner; but only over the vile opposition of the "special interest" Republicans. "The Republican party favors the privileged few and not the common, every-day man," said the President in Philadelphia, holding out his party as "the haven of the ordinary people of this land and not of the favored classes or of the powerful few."

Worldwide Economic Line

This fairy tale that there is a small, sinister clique of businessmen and capitalists who are the actual rulers of their countries are indigenous to the Socialist and New Deal as well as Communist press throughout the entire world. Thus in a recent issue of the Norwegian Communist paper *"Friheiten,"* the completely false assertion is made that Norway's three biggest banks control most of that country's large industries as "a group of about 60 men rule the USA."

Both parties have already hauled out the old electioneering

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MacCallum a Director

Harry MacCallum, Jr., Vice-President of Peabody, Tyner & Co., Inc., has been made a director

Harry MacCallum, Jr.

of the Plume and Atwood Manufacturing Co.

The Plume and Atwood Co., established in 1869, a leading brass manufacturing company, has plants in Waterbury, Conn., and Thomaston, Conn.

With Olson, Donnerberg

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Louis F. Byrne is with Olson, Donnerberg & Co., Inc., 418 Olive Street.

Current Responsibilities of Securities Industry

By JULIEN H. COLLINS*
President, Investment Bankers Association of America
President, Julien Collins & Company, Chicago

After reviewing activities of IBA in promoting investment education and soundness Mr. Collins summarizes events affecting nation's economy and makes some statements on what appears to be business outlook. Says need of regulatory acts is recognized but warns against unnecessary obstacles in conduct of legitimate business. Holds, despite fears of further inflation, there is danger of rapid deflation and outlines principles of sound Federal fiscal policy. Points out vast amount of new capital needs of industry and stresses importance of capital flow into equities.

I should like to review some of our Association activities, especially those in which you may be interested. Then I shall summarize briefly some of the events of the day which affect the whole economy, and finally I will venture a few predictions on what appears to be the outlook for our business.


Julien H. Collins

Education Program

In recent years, we have developed a program of education and training. In doing this, we had two major objectives. One was to populate the investment business through the recruitment of promising young men seeking gainful employment.

Our second objective, and by no means the less important, is to provide these young men with adequate training and understanding of the securities which they will sell to the public.

We recognize that the individual investor in many instances is not fully informed about the securities he purchases. For that reason it becomes increasingly important that salesmen prepare themselves to assume the trust and responsibility for their recommendations.

This they are better able to do if they have been carefully trained in an investment house which sets a good example.

In the past, too many securities have been distributed by sales representatives who were not as well informed as they should have been about the issues they were selling.

It was my privilege to speak before this association in Chicago about three years ago, and at that time our education program had not yet taken form. Since then, however, we have organized schools in 22 separate cities and more than 1,600 men have been trained.

This program of education has been enthusiastically received by our members because they believe in its aims and purposes and because they know that, if our business is to grow and prosper, our customers should have the benefit of sound advice from carefully trained sales representatives.

We are confident that this formal training plus the excellent on-the-job training being offered to new sales representatives by our members will result in improved investment advice and service to all investors.

We have long realized that education within our industry was not our only problem and that we should find ways of acquainting the public with the services we perform.

Upon his retirement as Chairman of the Securities and Exchange Commission, James Caffrey declared: "Investment bankers are performing a necessary function, but they have not told the public exactly what they accomplish or why they should be paid for it."

The association is now developing a modest program of public education designed to familiarize our citizens with some of the many investment banking services which we provide, most of which affect their everyday experiences and frequently their occupations.

Need and Purpose of Regulatory Acts

It is generally agreed now among those in the security business that the regulatory acts were passed by the states and the Federal Government because there was need for them.

Certainly as a group the Investment Bankers Association wants to continue to work with you as we have in the past to make these acts more effective and at the same time to remove every unnecessary regulatory obstacle to the conduct of legitimate business.

It is, I believe, a too common public impression that the principal or only duty of the Federal and state securities administors is to police the investment industry.

While I would be the last to suggest that this resopnsibility is unimportant, I feel that the emphasis is unfortunate because your functions and your opportunities for service to investors, to the securities business and the whole economy, transcends that limited responsibility in both theory and in practice. Your own association's activities supply many examples of the service and opportunities to which I refer. Your work in the past on uniform laws, uniform application forms, and the like, have facilitated the functioning of the capital markets without reducing protection to investors. As you know, there is room for further work in this field.

Your continued cooperative effort on special problems with our committees and individual members of our association, offers further evidence of this larger purpose. Perhaps the best example of all is your annual convention to which you traditionally invite all interested groups to discuss with you problems common to us all.

The Current Economic Situation

Now, a few words about the current economic situation.

World-wide inflation is the result of war-created shortages,

(Continued on page 27)

*An address by Mr. Collins before the 31st Annual Meeting of the National Association of Securities Administrators, Portland, Ore., July 20, 1948.

Case for Competitive Bidding

R. S. Peterson, of Halsey, Stuart & Co. Inc., in "Vanderbilt Law Review" article, holds competitive bidding demonstrates a proved and tested method of sale whereby issuer can most effectively canvass broadest range of market.

More has been written in opposition to competitive bidding for corporate securities than in support of it. The case in support of competitive bidding is included in the June issue of the "Vanderbilt Law Review," in an article entitled, "Negotiated vs. Competitive Debt Financing," by R. S. Peterson of the firm of Halsey, Stuart & Co., Inc. The article concludes that the record of competitive bidding amply demonstrates a proven and tested method of sale, whereby either a public or private issuer can most effectively canvass the broadest range of market opinion and obtain binding bids, in accordance with its own specifications, for the marketing of its securities on terms most advantageous to it.

The record to which the author refers is based on his study of all competitive sales and negotiated public offerings of new public utility, railroad (except equipment trusts) and industrial debt issues of $2,000,000 and over sold during the calendar years 1941 to 1948. The study covers 504 issues aggregating $11,976,680,000 face amount, of which 217 issues totaling $3,689,356,000 were sold through negotiation, and 287 issues totaling $8,287,324,000 were sold competitively.

The author determined that absence of competition on the negotiated volume of $3,689,356,000 either cost the issuers over $26,000,000 because of less proceeds or the investors paid over $26,000,000 too much underwriting profit.

The explanation, he points out is in the fact that the spread between the price paid to the issuer and the initial public offering price is greater under negotiated financing than under competitive bidding. For the three classes of issues combined, this spread, figured as a percentage of the face amount sold each year, averaged 1.572% of negotiated sales compared with an average spread of .845% on the $8,052,710,000 sold competitively, a difference of .727%.

A study of the difference between the highest and lowest bids Mr. Peterson points out, offers conclusive evidence that the pricing of securities is not an exact science but is subject to a varying range of investment opinion.

On 245 issues, or $7,082,826,000 of securities on which the range of bids could be computed, the difference between high and low bids amounted to over $55,000,000 or an average of .778% of the face amount.

"Such difference in price views," the author states, "makes it imperative that the issuer obtain the broad judgment of the entire market through competitive bids instead of the more limited views of the traditional banker in a negotiated transaction."

The article further determines that competitive bidding has not been restricted to the highest grade standardized issues, that it has not encouraged irresponsible bidding, that it has worked on both small and large issues, and that it has not restricted underwriter's investigation or eliminated the small dealer.

"Even the most case-hardened critics of competitive bidding have grudingly admitted that it produces better prices and lower spreads—sometimes," the author says. "When the record shows a range of bids amounting to over $55,000,000 on 245 issues coupled with the fact that the traditional banker was the successful bidder on less than one-third of those issues, then even the 'sometimes' qualification wilts.

"The results under competitive bidding for municipal, public utility and railroad securities have contradicted every argument of opponents," Mr. Peterson concludes. "This leaves industrial securities as the last stand of the traditional bankers in their attempts to resist extension of competitive bidding to such securities. There is no question that competitive bidding will benefit industrial issuers, stockholders and investors. The only question is—how long can industrial management afford to ignore those benefits?"

Price Controls Won't Work Without Wage Controls: Olds

Chairman of U. S. Steel Corporation scores Truman's proposals and ascribes easy money policy as a "real cause" of inflation.

At a press conference, following the release of the second quarter financial statement of the United States Steel Corporation on July 27, Irving S. Olds, Chairman of the Board, asserted imposition of price controls without at same time placing controls on wages and other cost items in production would end in disaster. "If price controls alone were imposed," Mr. Olds said, "the effect would be most disastrous. Price controls will not work without controlling wages, transportation costs, and all of the other factors that enter into production," he added. Mr. Olds attacked the "easy money" policy of the Administration and stated it is one of the real causes of inflation, adding, "increases in prices are only the symptoms of inflation, not the cause of it."


Irving S. Olds

Harold Pearson With Walston, Hoffman Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Harold A. Pearson has become associated with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Pearson was formerly a partner in Pearson-Richards & Co.

Malcolm D. Crawford has also been added to the staff of Walston, Hoffman & Goodwin.

Graham & Co. Offers NY Branch With Victorson

Graham & Company of Pittsburgh have opened a branch office at 82 Beaver Street, New York City, under the direction of P. Vincent Victorson, who was formerly with Mercer Hicks & Co.

Oertel With Bartling & Co.

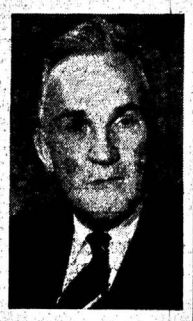
(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Daniel T. Oertel has become connected with Bartling & Co., 650 South Spring Street. He was previously with First California Company and Nelson Douglass & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

If the people of this country are to be taxed to support a military establishment to the tune of $15 billion a year, there should be some way in which they can keep the politicians from destroying it. Led by Mr. Truman, this they seem determined to do. In the vicious struggle for votes which has reached the lowest plane which this country has ever known, he has now announced his determination to abolish segregation of whites and Negroes in the armed forces. Oh, he doesn't do this in his executive order. What he does do would seem to be worse. He sets up a committee of kibitzers over the military command. The committee does not supersede the military command. It is simply empowered to stand over it, so to speak, and harrass it.



Carlisle Bargeron

This at a time when we are supposed to be on the verge of the most devastating of all wars. We have been on that verge practically ever since the last war's end.

Not to tamper with the military at such a time is something that Stalin learned long ago. With his army in Finland early in the war he sent commissars and what the Finns did do it is well known. With our troops Mr. Truman figuratively intends to send a group of "social minders" than whom for sheer deviltry, for mischief making, there is none worse. Undoubtedly our military commanders would prefer the commissars.

While showering the military with money, he has been tampering with it ever since he assumed office. First, there was the agitation for the unification of the armed forces. In time of emergency there was this agitation to do away with life-long traditions. There was to be no rivalry between the Army, the Navy and the Air forces, none of the traditional pride of units. Men were to be simply members of the armed forces, wearing the same uniform.

In my time of soldiering the commanders considered it an essential part of the training to instill an aggressive enmity between State units, say; between the cavalry and the artillery; on a larger scale between the Army and the Navy. When we got to France, we Americans quickly rallied together in a brawl against the "furriners," the British, the French or the Canadians. In this wider arena, the Canadians and the Americans came to get together. Eventually, of course, in the natural evolution we all ganged up together against the Germans.

Our theoreticians apparently don't understand that what mostly carries a man along in battle is not the high falutin' slogans which are coined but the pride in one's own particular unit. The inner urge not to let your immediate fellows down is what propels you along.

The unification agitation apparently did no great harm because we never got unification. The net result of all this to-do has been to create more civilian jobs, to increase the costs of maintaining the military, not reducing them. Inasmuch as there had to be a motion of turning the military upside down to satisfy the clamor, we apparently got off cheap.

We are not likely to be so lucky with the new agitation that has been introduced. We are now dealing with very serious business, indeed.

We have the spectacle of a famous Negro publicly urging the younger members of his race not to respond to the draft. The answer of the Commander-in-Chief to this is to promise to carry out the wishes of this man as to how the armed forces should be formed.

There is apparently no place for the average American to turn for relief in this serious situation. The Southerners will shout with rage. But they are helpless to do anything. The Republicans, if anything, will try to go the President one better. It is a very sordid picture, indeed.

The amazing thing about this indecent bidding for the votes of minority groups is that no politician with whom I have talked, of any race, thinks that the minority racial groups will have a decisive bearing upon the outcome of the Presidential race.

It is in this particular city in this particular Congressional district, here and there, that they will have a bearing upon the election of a Congressman. The big city bosses at the Republican convention, at the Democratic convention, based their whole argument for the civil rights program upon this. At the Republican convention no doubt was ever entertained about the defeat of Truman; at the Democratic conclave, no hope was ever entertained that anything he might do would save him. But here and there a Congressman might be picked up. It's a pretty cheap return for the price that is being paid.

With Dean Witter Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Irvin H. Rudolph has been added to the staff of Dean Witter & Co., 632 South Spring Street.

The Regional Stock Exchange

By W. G. PAUL*

President, Los Angeles Stock Exchange

Contending regional stock exchange is valuable and effective factor in fostering administration of securities laws and in maintaining high standards in securities business, Mr. Paul traces growth of these local organizations. Points out adverse effect of the Securities and Exchange Act of 1934 on regional "listings," and says Act had led to diverting their efforts to developing markets in widely known national securities. Advocates revival of function of regional exchanges to affording markets for local securities.

I do not propose to attempt a profound dissertation on any moot or abstract phase of the securities industry or its regulations. Instead I have elected to discuss the unit in the industry with which I am most familiar, The Regional Stock Exchange, for in my opinion this increasingly significant factor in the securities industry merits broader recognition and greater appreciation.

W. G. Paul

I hope my appraisal of the origin, development, present and future potentialities of the Regional Stock Exchange may prompt you to agree with those of us who believe the Regional Exchange not only contributes substantially to the economic progress of its area and the nation, but that it is a valuable and effective factor in fostering the adminstration of securities laws and regulations as well as the development and maintenance of high standards in the securities industry.

Nature of Regional Exchange

Historically an exchange located outside New York City was generally referred to as an "outside" exchange and in its own area as the "local" exchange. With the advent of the Securities and Exchange Commission in 1934 the title "Regional Stock Exchange" was conceived and is now used to designate anyone of the National Securities Exchanges located outside New York City. The title is an excellent one. It aptly identifies such an exchange and properly dignifies its position in the industry.

Regional Exchanges, for the most part, were organized as logical units in the growth of the securities business in their respective areas. Many were stimulated by and some were purposely formed to participate in the financial activity incident to the development of industries or natural resources in their areas. My own Exchange was organized as the Los Angeles Oil Exchange to foster capital investment in Southern California's infant petroleum industry and provide a market for its securities. In less than a year its present name was adopted to meet the demand which had already arisen, for an exchange with a wider scope of activity.

The early development of most Regional Exchanges appears to have been quite similar. Each became the public market for the growing list of securities of enterprises in its area. Each thereby grew, in a measure at least, in proportion to the development of its area. Each saw some of its securities attain national recognition and become listed on the New York Stock Exchange. But, each remained essentially local in scope and activity until the late twenties.

There is little need to dwell on the fantastic and fateful twenties except to note their long-range effect on Regional Exchanges. It was during this period of boom and bust that they experienced the early stages of a metamorphosis which was to transform them from convenient local securities markets to important area units in a remodeled stock exchange industry. The mounting migration of their securities to the New York Exchanges created competitive markets and new problems for the Regional Exchanges. The increase of their trading volume to unprecedented levels necessitated the discarding of old and the adoption of new concepts of functions and techniques. These and other factors gave Regional Exchanges no alternative but to abandon the comfort of complacent isolationism and prepare for the challenge of a new era or face obscurity if not oblivion.

Effect of Changes in Securities Business

To appreciate properly the Regional Exchange of today as contrasted with its ancestor the "outside" or "local" exchange of the twenties it is necessary to understand the changes which took place in the other segments of the securities industry and their effect on the Regional Exchange. When I entered the business in 1919 it had three fairly well defined divisions: The Underwriter who originated issues; the Dealer who distributed them, and the Broker who dealt in them thereafter, primarily on the exchanges. A firm might engage in any or all the divisions but the functions of each were fairly well established and to a great extent they were neither conflicting nor competitive. The underwriter negotiated the issuance of securities with the issuer and then with the dealer associates distributed them to investors. Thereafter the market for the securities became the Brokers' province primarily for they were usually and promptly listed on one or more exchanges unless their size or other considerations did not warrant that step. The statement "Application will be made to list this security on the XYZ Stock Exchange" was a familiar one in the normal prospectus of the twenties. Thus, each division had its functions and so long as the flow of new issues provided ample merchandise for the underwriters and dealers, brokers and exchanges in turn had ample merchandise through the listings of previously distributed securities. The Regional Exchanges, of course, received their share of new listings during this period and at its height were functioning as a public market for the securities of enterprises in their respective areas to a degree they may never attain again for as a result of the depression and the ensuing advent of Federal regulation the securities industry underwent changes which created conditions adversely affecting stock exchanges.

The depression reduced to a minimum the issuance of new securities. Underwriters could not function. Dealers were deprived of their principal source of merchandise. Underwriters and dealers had to engage in other phases of the securities business and seek other sources of merchandise if they were to survive. It was natural and logical that they should turn to the redistribution of outstanding securities for it was a function they had always performed in varying degrees. But, in concentrating their efforts on what had formerly been somewhat of a "side-line" they converted it into a major activity and established a new concept of the division of functions in the securities industry which was to have a marked effect on brokers and stock exchanges — especially the regional exchanges.

Underwriters and dealers no longer encouraged the listings of securities on exchanges. Instead, in increasing numbers, they actively discouraged the step and even fostered delistings. Their transactions in listed securities were effected off the exchanges and over the counter whenever possible. Thus exchanges were confronted with aggressive competition not only for merchandise (listings) but for business (securities transactions) as well. The result was a challenge to the stock exchange segment of the securities industry, particularly the regional exchanges and the challenge became more threatening upon the advent of Federal regulation which created added deterrents to listing.

Effect of SEC Act

The Securities Exchange Act of 1934 and regulations thereunder established requirements to be met by an issuer of a listed security, its officers, directors and 10% stockholders. They also limited the amount of credit which could be extended on a listed equity security and through the regulation of exchanges regulated

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*Address by Mr. Paul before 31st Annual Meeting of the National Association of Securities Administrators, Portland, Ore., July 20, 1948.

NSTA Notes

NSTA CONVENTION

The Dallas Bond Club has announced that Rogers Ray, Rauscher, Pierce & Co., Mercantile Bank Building, Dallas, is Chairman of Reservations and all information regarding reservations for the convention may be obtained from him.

James Walker Davis, E. F. Hutton & Co., Magnolia Building, Dallas, is publicity chairman for the convention.

Securities Arising from Reclassification Reorganization and Recapitalization

By HERBERT A. SMITH*
Chief Assistant Commissioner
Department of Securities, California

State securities administrator, in pointing out Federal and State securities acts place emphasis on protecting public in cases of original sale of securities, stresses need for same protection in connection with reclassification and exchange of securities emanating from reorganization and changes in corporate structure. Holds courts of equity have failed in affording protection in such cases, and advocates giving power of protection to public administrative agency.

The subject of my discussion this morning is "The Issuance of Securities Resulting From the Reclassification, Reorganization or Recapitalization of Corporate Structures." My wife, when I told her the proposed subject, remarked with the usual candor of wives, "My, can't you find an interesting subject for discussion?"

To some the subject may seem dry and academic, but to securities administrators it is a pressing problem that needs a solution in the public interest. It should also be of interest to those engaged in the distribution of securities as they are often called on to advise clients with respect to reclassification.

I believe the history and experience of the various securities commissioners together with the record of the Securities and Exchange Commission clearly demonstrate that in the last 30 years tremendous strides have been made in preventing frauds on the public in the sale of securities.

The emphasis of the protection afforded the public, however, has been on the original sale of securities. In many States little or no attention has been directed to the reclassification of securities, that is to changes in the rights, preferences, privileges and restrictions of securities, after they are issued and outstanding.

Indeed, the Securities Act of 1933 and many State blue sky laws specifically exempt the sale of securities to existing shareholders of a corporation where no commission is paid in connection with the sale.

I refer to reclassification in a broad sense to include securities resulting from a voluntary reorganization as well as a recapitalization, excluding, however, bankruptcy reorganizations.

Please bear in mind that anything I may say in criticism of recapitalizations is directed only to those plans in which advantages are sought for one class of shareholders to the detriment of another.

Opportunities for Fraud

There are great opportunities for fraud, discrimination and unfairness in the various forms of recapitalizations, whether by reclassification accomplished by amendment to articles or charter or by statutory merger with a wholly owned subsidiary.

It is common knowledge that the public relies upon the representations made to it. The ordinary preferred shareholder does not have the financial interest, the means, the opportunity or the knowledge to make an independent investigation into the fairness of a proposed plan of recapitalization or reorganization. He must of necessity rely upon the management chosen by the equity or common shareholder to guide the way. A preferred shareholder may not realize that the common shareholders have an interest in the corporation adverse to his own interest. Management, although it should stand in a fiduciary relationship with all shareholders, too often is representative of common shares. Holders of preferred shares have a position senior to the holders of common shares. A reduction of preference rights necessarily redounds to the benefit of the holders of common shares.

The problem of fairness in recapitalizations has been particularly acute in connection with amendments and other schemes for the elimination of accumulations of arrears of dividends upon preferred shares.

Some corporations, possibly for sound business reasons, permitted arrearages to accumulate during prewar years. In many of the corporations war and postwar prosperity led to the accumulation of surpluses available for dividends. Many managements did not desire to pay out such surpluses on account of the arrearages in preferred dividends, but chose to seek some means of wiping the arrearages out so that dividends might be paid on common or management stock.

Examples

As an example of this type of situation I can cite several applications for permits that were filed with the California Commission.

In one case the applicant corporation had sold to the public 200,000 shares of cumulative preferred at $15 per share. Unpaid dividends had accumulated to the amount of $8.87 per share. The aggregate arrearage on the preferred shares was $1,637,888.54. The company proposed a merger with a wholly owned subsidiary for the purpose of restating its capital. On the proposed merger the surviving corporation was to issue to the preferred shareholders a share of preferred in the new corporation for each share in the old corporation. The common shareholders were to receive share for share of common stock. All arrearages of dividends on the outstanding preferred shares were to be eliminated on the consummation of the merger. On the basis of the financial statements presented to the commission it appeared that the claim against the assets of the corporation of the outstanding preferred shares including unpaid cumulative dividends exceeded the corporate net worth by $1,145,000. In other words the common or management shares were under water or had a negative value of that amount. After the consummation of the merger the common or management shares would have had a book value on a liquidation basis of $315,000. By the transaction the common shares stood to improve their position to the extent of approximately $1,460,000 at the expense of the preferred shareholders.

Example 2—This company has outstanding 28,890 shares of Class A cumulative preferred having a liquidation value of $722,250 and unpaid cumulative dividends amounting to $671,692.50. Each preferred share had a total claim against the assets of the company equal to $48.25 per share. The company proposed to offer for three shares of Class A cumulative preferred one $50 face amount debenture together with nine shares of common stock. The company at the time of the application also had outstanding 170,164 shares of common. According to financial statement filed with the application it appeared that the tangible net worth of the company equaled approximately $800,000. It followed that the outstanding common shares of the company were submerged to the extent of approximately $585,000. If the permit issued as prayed and the company succeeded in exchanging all of the outstanding preferred shares for debentures and common stock the position of the outstanding

(Continued on page 32)

*An address by Mr. Smith before the 31st annual meeting of the National Association of Securities Administrators, Portland, Ore., July 21, 1948.

Dealer-Broker Investment Recommendations and Literature

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

Airline Record 1948—Analytical reference book of the airlines—Roy R. Roadcap, 208 South La Salle Street, Chicago 4, Ill.—$7.50.

Bonds Legal for Savings Banks and Trust Funds in New York State—Annual edition of list of bonds—R. L. Day & Co., 14 Wall Street, New York 5, N. Y.

British Securities—Circular—Stern & Co., 25 Broad Street, New York 4, N. Y.

Inflation—Folder—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Iron Ore Position of U. S. Steel Companies—Analysis—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is an analysis of **Hudson Bay Mining & Smelting Co.**, a leaflet of **"Bond Comment,"** and a discussion of the **Market** outlook.

Leading Banks and Trust Companies of New York—65th consecutive quarterly comparison—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Market Survey—Circular—Abraham & Co., 120 Broadway, New York 5, N. Y.

Market—Circular—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Natural Gas Industry—Outlook with comments on 11 leading issues—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is an analysis of **Southern Railway** common stock and a leaflet of **Railroad** news.

Natural Gas, "The Coming Industrial Giant"—Analytical brochure—Scherck, Richter Company, Landreth Building, St. Louis 2, Missouri.

New York City Bank Stocks—Comparative figures to June 30, 1948—First Boston Corp., 100 Broadway, New York 5, N. Y.

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

Oil Industry—Reappraisal and summary—Bache & Co., 36 Wall Street, New York 5, N. Y.

Public Utilities Bulletin—List of currently recommended utility commons and discussion of the current investment situation in utilities—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Yield—Memorandum on interesting situation yielding 15%—George Birkins Company, 40 Exchange Place, New York 5, N. Y.

* * *

Abitibi Power & Paper Co.—Circular—Pitman & Co., Alamo National Building, San Antonio 5, Texas.

Arkansas Western Gas Co.—Detailed information available to dealers and other financial institutions—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

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

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

Canadian Pacific Railway Co.—Study—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

Central Arizona Light & Power Co.—Memorandum in the current issue of the **"Public Utility Stock Guide"**—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Dominion Steel & Coal Corp. Ltd.—Analysis of the asset value and market appreciation potentialities of the corporation and its affiliated companies—Fairbanks, Kirby & Co., Royal Bank Building, Montreal, Que., Canada.

Douglas Oil Company of California—Analysis—John B. Dunbar & Co., 634 South Spring Street, Los Angeles 14, Calif.

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

Long Bell Lumber Company—New analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Maine Central Railroad—Descriptive Analysis—A. G. Woglom & Co., Inc., 49 Federal Street, Boston 10, Mass.

Manhattan Company—Analytical study—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.

New England Public Service Co. plain preferreds—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

Pittsburgh Coke & Chemical Co.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Puget Sound Power & Light—Report—Buckley Securities Corp., 1420 Walnut Street, Philadelphia 2, Pa.

Also available is a report on **El Paso Electric Company.**

Ray-O-Vac Co.—Memorandum—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

St. Louis-San Francisco Railway—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a leaflet of **Railroad Developments** of the week.

Verney Corp.—Descriptive analysis—A. G. Woglom & Co., Inc., 53 State Street, Boston 9, Mass.

Also available are descriptive analyses on **United States Finishing** and **Maine Central Railroad.**

Winters & Crampton Corp.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Also available is an analysis of **Miles Shoes, Inc.**

Blyth & Co., Inc. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Grosvenor Farwell, Jr., has been added to the staff of Blyth & Co., Inc., Russ Bldg.

Warns Labor Radicals, Whether Communist or Not, Are Menace to Nation and Workers

Major Benjamin H. Namm tells Education and Labor Committee of House of Representatives, labor radicals, through threats and coercion, are seeking to destroy free enterprise.

In an interview with a reporter of the "Brooklyn Eagle," on July 12, Major Benjamin H. Namm, President of the Namm Store, restated some of his testimony given recently before a subcommittee of the Committee on Education and Labor of the House of Representatives, which has been investigating Communistic activities among department store employees in New York City. In his interview, Major Namm is reported to have said:

Benjamin H. Namm

"I have no means of knowing whether this labor radicalism is communistic or not. From a business standpoint it does not make much difference—they both add up to the same thing."

"Labor radicalism," he said, "is 'agin the management' and 'agin the stockholder' and, in the last analysis, 'agin the employee.' It resorts to coercion and intimidation. It has no respect for the profit motive in business, which motive is the keystone of our American system of free and private enterprise.

"American business is like the old-fashioned three-legged stool. One leg is ownership, representing a fair return to stockholders. Another leg is management, which must have authority commensurate with its responsibility. The third leg is labor, which must have fair wages and proper working conditions.

"If you break any one of these three legs," Major Namm said, "the stool is bound to collapse. Right now labor radicalism is concentrating its fire upon the second leg—namely management. It seeks to destroy through coercion and intimidation, the basic right of management to hire and fire. It has already impaired, by use of 'class hate psychology' and 'smearing' methods, much of the good feeling between employee and employer, without which good feeling no business can endure for long."

Calls Direct Price Regulation Dangerous

Guaranty Trust Company of N. Y. sees danger in its potential effects of restraining supply and stimulating demand. Says it tends to aggravate rather than correct causes of inflation.

In a discussion of the current aspects of the price problem, the July issue of "The Guaranty Survey," published by the Guaranty Trust Company of New York, traces the growth of inflationary tendencies following the last two wars, and comes to the conclusion that the proposals announced by President Truman to the special session of Congress to reimpose price controls would not only be ineffective but also dangerous, since such measures would "tend to aggravate rather than correct the causes of inflation."

"Discussion of the problem of controlling inflation seems to have resulted in increasingly widespread acceptance of the view that prices are too closely related to demand, production and employment to be safely tampered with," the "Guaranty Survey" notes. "Direct price regulation is a superficial device aimed at symptoms, not causes; it is of very doubtful efficacy in peacetime; and it is too dangerous in its potential effects for anything more than temporary use during compelling emergencies. By restraining supply and stimulating demand, it tends to aggravate rather than correct the causes of inflation.

"More thoroughgoing measures designed to affect total demand or total supply offer little better promise," the article continues. "With the working population fully employed, increases in supply must come mainly from technological improvement and changes in working rules. The elimination of 'featherbedding' practices and other arbitrary restrictions on output would be excellent in its effects, but there is no present sign of great progress in that direction. Credit restrictions, rationing, allocation of materials, inventory control, or a combination of these devices could theoretically fix total demand at the point where it would match production at a desired price level without stimulating inflation on the one hand or precipitating depression and unemployment on the other; but this is a theoretical dream, not a practical possibility.

"Credit controls that might otherwise be undertaken with relative safety seem to be barred by the peculiar needs of the current financial situation. Large-scale demonetization of the public debt or reduction of central-bank credit seems impossible as long as the government bond market must be supported in order to protect present holders of securities.

"The difficulty is not to restrain inflation but to restrain it without bringing on depression, which is even more feared. No solution of this difficulty has yet been found, and it seems likely that existing influences on demand and supply will be allowed to remain dominant in default of a practicable alternative."

Business Man's Bookshelf

Exchange Media of Colonial Mexico, The—Wilbur T. Meek—King's Crown Press, Columbia University, New York—paper—$2.50.

Need of the Railways for Additional Fixed-Plant Capital and Possible Means of Its Attainment, The—James Garnett Lyne—Simmons-Boardman Publishing Co., 30 Church Street, New York 7, N. Y.—paper—$2.50.

Tests for Truth — Truth vs. Myths About Profits—George H. Cless, Jr.—Eddy-Ruckner-Nickels Company, Harvard Square at Brattle Street, Cambridge 38, Mass.—paper—50¢.

White-Collar Workers—A Comprehensive Plan for Automatic Cost of Living Wage Adjustments—Kerr & Co., 704 South Spring Street, Los Angeles 14, Calif.—ask for Monograph No. 101—$1.00 per copy.

Sale of Primary Mining Securities

By CARL J. TRAUERMAN*

Secretary-Manager, Mining Association of Montana

Western mining engineer, after stressing highly important position of mineral industry in American economy and the need of developing and preserving small mines by investment of new capital, pleads for friendly cooperation of state securities commissioners in easing financing of mining projects by legitimate sale of securities within their jursidiction. Says Western States, not having sufficient capital, must look to other areas for funds. Concludes present restrictions on sale of mining stocks are hampering mining development.

When your President, Honorable Harold Johnson, invited me to address this august gathering on the financing of primary mining ventures through the legitimate sale of securities to the public, I felt honored and privileged to be granted the opportunity to tell you, first, of the highly important position of the mineral industry in our American economy; second, why, to perpetuate our industry, we must have small mines before we have large ones; third, why most of these small mines depend upon public financing outside of the state in which the mines are located and how you can help us in financing our ventures.

Carl J. Trauerman

My good friend, Allan S. Richardson, formerly Securities Commissioner of the State or Colorado and for a number of years Secretary of your organization and head of your mining securities committee, made several able mining securities reports to your members, especially at your conventions in St. Louis in 1944 and in Chicago in 1945. Mr. Richardson was your representative at the small mines finance conference held in Butte, Montana, on Nov. 10 and 11, 1944, and he presented a detailed report of the Butte meeting to your members.

I don't think anybody, especially a mining man, can improve on Mr. Richardson's statements. His reports gave thorough comparisons of mining investments with investments in other industries. Mr. Richardson's conclusions evidently backed up the opinion of the late George Hearst, who made most of his large fortune in mining and who was the father of William Randolph Hearst. George Hearst stated: "If you will go into mining with the same good judgment you would use to succeed in any other line of business, you will make more money in mining than in any other line of endeavor." I am under the impression that all of you gentlemen have copies of Mr. Richardson's reports in your files and I urge you to read them once more when you return to your offices.

Broad Aspects of Mineral Industry

I am going to try to supplement Mr. Richardson's reports with some of the broader aspects of the mineral industry of this country. A new book on this industry with the paradoxical, but well thought out title, "From the Ground Up," has been written by Paul M. Tyler, Executive Officer of the Massachusetts Institute of Technology's metallurgical laboratory. It is just off the press and is one of the most thorough expositions of the technical and economic phases of the mineral industry ever put into a short book and written in language that any layman will understand. I advise all of you, especially those who pass judgment on mining securities, to read that book. I am going to read several paragraphs from Mr. Tyler's book, to show the important position of the mineral industry in our American economy.

By any yardstick, mineral extraction is an outstanding factor in our national economy. As reported by the Bureau of Mines, the total annual value of all primary products of the mineral industries ordinarily ranges from $5 to $7 billion and in 1944 rose above $8.5 billion. Thus it roughly equals the value of all our railroad and other transportation services. In most years it exceeds the total farm income from sales of crops and amounts to from one-third to one-half the value of our entire agricultural output (cash income from all farm products plus value of home consumption). It is equal to about one-fourth the value added by all our manufacturing industries above the cost of their materials.

* * *

Crude or semifinished products of mines (including oil wells) comprise more than one-half the tonnage of revenue freight handled by our railroads. Almost one-third of all freight-car loadings ordinarily consist of coal, coke and crude ore alone. If we add liquid fuels, sand and gravel, stone, and the tonnage processed

(Continued on page 28)

*An address by Mr. Trauerman at the 31st Annual Meeting of the National Association of Securities Administrators, Portland, Ore., July 21, 1948.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Total net operating earnings of fire insurance companies comprise four principal items, viz: statutory underwriting profit or loss, change in premium reserve equity, net investment income and Federal income taxes. The accompanying table shows these figures for 25 fire insurance companies, per share of stock, as reported for the year 1947, compared with the respective average of each for the five-year period ending with 1946.

TABLE I

	5-Year Averages 1942-1946 Incl.				1947			
	Net Und.	Net Inv. Inc.	Fed. Taxes	Total Net Op.	Net Und.	Net Inv. Inc.	Fed. Taxes	Total Net Op.
*Aetna Insurance	$1.20	$2.88	$0.47	$3.61	—$0.83	$2.93	+$.03	$2.13
Agricultural Insur.	0.34	4.80	0.78	4.36	—10.00	5.44	+.04	—4.52
*American Equitable	—1.63	1.76	---	0.13	0.10	2.31	.82	1.59
†Boston Insurance	—0.01	3.33	0.19	3.13	0.43	3.54	--	3.97
Continental Insurance	1.80	2.74	0.98	3.56	2.17	3.61	.28	5.50
Fidelity-Phenix	1.86	3.12	0.99	3.99	1.91	4.18	.23	5.86
‡Fire Association	—0.48	3.65	0.49	2.68	0.94	4.63	.15	5.42
*Fireman's Fund	4.21	4.67	2.21	6.67	4.47	6.62	+.50	11.59
Franklin Fire	—0.37	1.43	0.20	0.86	—0.30	1.54	--	1.24
*Glens Falls	2.61	2.35	1.12	3.84	2.22	2.25	.03	4.44
Great American	0.69	1.82	0.42	2.09	0.75	2.13	+.01	2.89
Hanover	—0.02	1.71	0.24	1.45	—0.68	2.23	.01	1.54
Hartford Fire	6.70	4.30	3.17	7.83	7.14	5.40	.67	11.87
Home Insurance	0.63	1.62	0.59	1.66	1.84	1.97	.33	3.48
*Ins. Co. of No. Amer.	—3.54	4.77	1.73	6.58	1.25	6.21	+.25	7.71
National Fire	—1.23	3.22	0.08	1.91	—5.93	3.79	--	—2.14
*National Union	1.63	11.43	1.11	11.95	0.26	1.86	--	2.12
New Hampshire	0.46	2.40	0.16	1.78	—1.16	2.89	.01	1.72
North River	0.27	1.17	0.24	1.20	0.13	1.42	.03	1.52
Phoenix Insurance	0.70	3.96	0.54	4.12	1.54	4.61	.12	6.03
*Prov.-Washington	0.97	1.97	0.33	2.61	—0.09	1.80	--	1.71
§St. Paul F. & M.	3.40	3.22	1.31	5.31	5.59	3.80	.32	9.07
Security Insurance	—0.83	2.26	0.15	1.28	—1.55	2.52	+.42	1.39
*Springfield F. & M.	0.70	6.36	0.37	6.69	0.35	2.20	--	2.55
U. S. Fire	0.96	2.66	0.48	3.14	0.78	3.27	.07	3.98

*Effected capital changes as explained in text matter. †Adjusted for 10 for 1 split. ‡Adjusted for 20% stock dividend. §Adjusted for 5 for 1 split, 1944.

Eighteen of the 25 companies reported 1947 earnings above their five-year averages, while seven companies reported 1947 earnings below the five-year average, viz: Aetna, Agricultural, National Fire, National Union, New Hampshire, Providence-Washington and Springfield Fire & Marine.

There is some distortion in certain instances, however, due to capital changes, so that direct comparisons between the per share figures for 1947 vs. five-year average is not strictly possible. The companies concerned are marked with an (*) and are discussed as follows:

Aetna Insurance increased capital shares for 750,000 in 1942-46, to 1,000,000 shares in 1947. The $2.13 of 1947 on 1,000,000 is equivalent to $2.84 on 750,000 shares.

American Equitable earnings are on 200,000 shares in 1942-43, and 300,000 shares in 1944-47. No fair per share adjustment is possible.

Fireman's Fund earnings were on 508,000 shares during the five-year period and 528,000 shares in 1947. The difference is only minor.

Insurance Company of North America increased its capital 25% in 1945, from 1,200,000 to 1,500,000 shares. No adjustment is made for this higher capitalization, which would show an even more favorable 1947 per share comparison with the average.

Glens Falls increased its capital 30% in 1947, from 500,000 to 650,000 shares. On the former capitalization the $4.44 of 1947 is equivalent to $5.77.

National Union's five-year earnings are based on 55,000 $20 par shares; in 1947 they were split 4 for 1 to 220,000 shares and 180,000 additional shares were issued.

Providence-Washington's five-year figures are based on 300,000 shares; in 1947 capital was raised 33⅓% and shares increased to 400,000. A straight adjustment for this would make 1947 earnings the equivalent of $2.28 vs. $2.61 five-year average.

Springfield Fire & Marine's five-year earnings are on 200,000 $25 par shares; in 1947 the shares were split 2 for 1 to 500,000 and 200,000 additional shares were issued.

In practically all cases 1947 net investment income is moderately to substantially higher than the five-year average. Comparative net underwriting results, however, are mixed. Four companies showed losses in 1947 against five-year profits, while four others continued their five-year average loss record into 1947. On the other hand, American Equitable, Boston, and Fire Association moved from five-year losses to profits in 1947. Underwriting results in 1947 were better than the five-year average with 13 of the 25 companies.

On the whole, the record is very promising, especially considering that fire losses in 1947 reached an all-time peak and that recent rate increases have not yet had time to be reflected except to a minor degree. Barring damage and losses of disaster proportions, further improvement should be experienced in 1948.

Anti-Union Legislation of 80th Congress

By JOHN W. GIBSON*
Acting Secretary of Labor

Administration's spokesman scores Congress for its attacks on Labor Department. Says reduced appropriations have crippled work of the department, and removal of Employment Service from it has stripped it of most important aid to wage-earner. Calls for total repeal of Taft-Hartley Act and denies it protects individual workmen. Lists nine recommendations to be comprised in new labor program.

At no time in the previous history of our country has there been a greater need for a strong, progressive labor movement to keep us moving squarely down the road of human rights, individual welfare, and freedom. These are some of the things that I want to talk about and, because I am among friends, I intend to speak frankly and freely of the situation as it appears to me.


John W. Gibson

But a short time has elapsed since the death of the late Secretary of Labor Lewis B. Schwellenbach. During that time the responsibilities and duties of administering the affairs of the U. S. Department of Labor have fallen upon me.

I say that with a deep feeling of humility and not a little frustration, because the person who has to run the Department of Labor, or what is left of it today, has the responsibility, but not the tools, to carry out what is still one of the most important functions of the Federal Government:

"To foster, promote and develop the welfare of the wage-earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment."

When the late Lewis Schwellenbach was appointed Secretary of Labor on July 1, 1945, he dedicated his administration to a program:

That would work to bring all the labor and manpower functions of the Federal Government under the Department and thus make it a more efficient humanitarian and potent force for public service.

That would work to promote and improve the democratic process of free collective bargaining as the best means of bringing about labor-management harmony and peace.

I am proud to have taken part in the fight that was made to create a better Department of Labor for the wage-earners of the United States.

All the people of our great country benefit when the workers enjoy full freedom to exercise their hard-won rights to organize, join unions of their own choosing, and bargain collectively. The prosperity which we enjoy today with its unprecedented level of national income and employment is the fruit of 16 years of free collective bargaining. The economic security and stability which have resulted, undermined as they have been in some respects by our failure to harness the mad horses of runaway inflation, depend to a large degree on this balanced relationship between labor and management. If this relationship had not existed, and organized labor did not have the ability to maintain some degree of balance between wages and prices during the past two years, the gap between them might be much greater than it is now. The resulting shrinkage in purchasing power would mean a decline in business activity and a weakening of the foundation under our economy.

Labor Department Wrecked

Despite the support of the President of the United States, and the efforts of the union movement and progressive Americans in all walks of life to stave off the kind of reaction that cast us into economic darkness and despair after World War I, we were bound to fail in our mission to strengthen the Department of Labor. We in the Department did everything possible to give the people a good Department and we did our best to convince Congress this was so. But the powers of special privilege, the fat cats of special interests, were, after years of plotting, planning and propagandizing, again having their day.

I could not help but contemplate the extent of the shambles as it fell my lot to take over as Acting Secretary of Labor what was left of the wreckage. Nor could I forget the savage fury and efficiency with which the foes of the Department had ripped it apart, piece by piece.

The budget for the fiscal year which ended June 30 was cut 44% by the House Appropriations Committee. We were successful in convincing the Senate that at least a part of our operating funds would have to be restored if we were going to provide wage-earners, employers, and the public with a bare minimum of services which they had come to regard as essential.

Nevertheless, our implacable foes in the House refused to go along with this restoration and a compromise had to be worked out in conference. As a result, the Senate restorations were cut 50%, and many services had to be reduced or eliminated.

Failure to provide adequate funds made the following necessary:

The program of the Bureau of Labor Statistics to provide workers, employers and the public with the latest and most complete information about the rising cost of living had to be curtailed. The number of cities for which the Consumers' Price Index was issued monthly had to be cut from 21 to 10.

The BLS wage statistics program had to be substantially curtailed in scope. Comprehensive national industry surveys of wage rates in key occupations were greatly reduced.

Three regional offices of the Bureau of Labor Statistics where labor unions could come for facts and figures had to be closed.

Veterans who were unable to find jobs because of special problems and conditions were hit by these appropriation cuts. Four hundred field assistants of the Veterans Employment Service who devoted their full time and energies to these problems had to go out and find other jobs for themselves.

The Workers Education Service in the Bureau of Labor Standards which the previous year had been given a modest appropriation of $35,000 to inaugurate its program was given nothing at all and its staff and operations were liquidated.

While the Bureau of Labor Standards was allowed $200,000, the expenditure of these funds was limited by the appropriation act to the "distribution of reports and material for information exhibits in connection with the promotion of health, employment stabilization, safety and amicable industrial relations."

Under its appropriation, the Wage and Hour and Public Contracts Divisions could not inspect more than 7% of the 550,000 covered establishments in the United States during any year. In other words, the same Congress that passed the Portal-to-Portal Act which wiped out all back wage claims after two years made it impossible for the Division to visit any given establishment more than once every 12 to 14 years. This does not take into consideration the fact that approximately 50,000 new establishments started business each year and an equal number of establishments ceased business operations.

This year's appropriation was 13% under budget requests which had been made for those services which were to remain in the Department.

The $500,000 which the Congress "economized" will cost the people two field services. The Women's Bureau was forced to close its field offices in New York, Philadelphia, Boston, Chicago, St. Louis and San Francisco. And the Bureau of Veterans Reemployment Rights, given new duties under the Selective Service Act of 1948, had to close 20 of its 35 field offices and drop 50 of its 85 employees.

While the House cut the appropriation of the Bureau of Labor Statistics 53%, the BLS finally got the same amount it had the previous year.

However, with the additional $121,800 which it had requested BLS would have been able to expand its Consumers' Price Index to meet today's needs for the best possible information about retail prices. I believe that you will agree with me that this is a small price to pay for a service that plays so important a part in our economy and is used so widely by unions, employers, researchers, government agencies, and the Congress itself.

Kidnapping the Employment Service

As its final act of emasculation, the Congress overrode a Presidential veto of an appropriation rider kidnapping the U. S. Employment Service from the Labor Department and placing it in the Federal Security Agency.

This action, with unconscious irony, was taken as Lewis Schwellenbach was fighting a losing fight for life. He died without learning that this cause, like so many of the others on which he had been forced to spend his strength, was lost.

And the Department of Labor, which three years before, although it always has been the smallest executive department, had 7,000 employees, was finally reduced as of July 1 to barely 3,500 employees.

Surely this action cannot be explained away on the ground of economy or logic.

For what could be more logical, sound and practical than keeping within the Labor Department the responsibility for the promotion and development of the nationwide network of free employment offices which had been establish-

(Continued on page 34)

*An address by Mr. Gibson before the Fourth Constitutional Convention of the United Gas, Coke and Chemical Workers of America, Milwaukee, Wis., July 22, 1948.

Can America Prosper Without Foreign Trade?

By ALEXANDER WILSON

Pointing out foreign trade is but 10% of the nation's total business, Mr. Wilson contends billions of American exports may now well be considered as "gone with the wind," since payments for them will not be made. Cites domestic scarcities existing in face of increased exports and objects to abolishing tariffs as causing us to compete with low foreign wages. Questions whether America is world's greatest "Samaritan" or world's "biggest sap."

Prosperity in this country comes mainly from our domestic trade and not from our foreign trade notwithstanding the belief of some people who think that the United States is dependent on its foreign commerce for prosperity. The time-honored 10% export differential, more or less, was supposed to be the irreducible minimum which separated prosperity and depression in America.

Alexander Wilson

Amazing as it may seem to many of us, our domestic trade of $203,000,000,000 for 1947 was over 14 times the $14,427,400,000 exports we sold to foreign countries or nearly 23½ times the balance of trade for that year in our export and import shipments.

That our foreign trade takes up the slack in business, is an outlet for this country's surplus goods, and consequently, prevents wide unemployment, these are old and familiar arguments.

There is no denying that our foreign commerce is desirable and even necessary, but it should be a "two-way street" and not a "one-sided show" as it has been during and since World Wars I and II.

Purpose of the $17 Billion ERP

The six billion dollar appropriation of European Relief authorized by Congress for the forthcoming year has been made necessary to offset the difference in our export and import business and thus put the world's trade with us in balance.

We should make up our minds that ERP (or Economic Cooperation Administration as it is called now) is after all a resuscitation measure to aid the business economies of 16 Western European countries and aside from its economic aspects is ostensibly devised to stop the spread of Communism. But as such, ERP is a pure gift as our exports may never be fully repaid either in cash or in kind.

Comparison of Our Export-Import and Domestic Markets

In order to get a graphic idea of how the greatest domestic market in the world—our own—compares with our foreign trade, the following brief summary should be helpful:

INCOME AND TRADE OF U. S. A.
(In millions of dollars—000,000 omitted)

Calendar Year	Net Income of U.S.A	Foreign Trade of U.S. Exports	Imports	Exc. of Exports over Imports	Foreign Trade	Per cent Ratio of Exports to Domest. Comm.
1890	$9,300	$858	$823	$35	$1,681	+9
1900	12 900	1,478	829	649	2,307	+11
1910	30,500	1,863	1,563	303	3,429	+6
1920	69,500	8,228	5,278	2,950	13,506	+4
1930	68,900	3,843	3,060	783	6,903	+5
1940	81,347	*4,021	2,625	1,396	6,646	—5
1947	203,000	*14,427	5,733	8,694	20,160	+7

*Includes Lease-Lend shipments but not supplies to our armed forces abroad; the 1947 exports also include UNRRA shipments.

Thus it will be seen that the total net income (from all business transactions) in U. S. A. in 1890 was about $9,300,000,000, while our export business of $858 millions was less than 10% of our domestic business. In 1900 the ratio between exports and our domestic market was slightly over 11%; in 1910, a little over 6%; in 1920, just over 4%; in 1930, a fraction over 5%; in 1940, less than 5%; and the 1947 exports of $14,427 000,000 were only a little over 7% of our domestic business.

It should be noted, however, that our exports in that period included "Lease-Lend and Give" goods shipped to the United Nations as follows:

1941	$739,000,000
1942	4,933,000,000
1943	10,358,000,000
1944	11,298,000 000
1945	5,562,000,000
1946	653,626,000
1947	*

and also included UNRRA shipments valued at

1944	$609,000
1945	355,266,000
1946	1,015,246,000
1947	*411,300,000

*Combined lend-lease and UNRRA shipments, exclusive of personal or individual gifts of the American people.

Our population in 1890 was almost 63 million and is now (1948) about 145 million. In the same period (1890-1947) domestic consumption rose from $148 per capita to $1,400, a gain of $1,252 per capita, while our export trade increased from $858 million to $14,427,000,000.

It may be of interest to some folk to know that 61% of the goods imported into this country in 1947 were duty free and only 39% of all imports were dutiable.

Should U. S. A. Let Its Tariff Bars Down?

There is a school of thought which harbors the belief that if the tariff wall is removed the repayment of international loans by foreign borrowers and nations would be made easier. Some good people would, wittingly or unwittingly, sacrifice certain American industries requiring protection as well as interdependent and interrelated industries with their millions of wage earners now employed at extraordinarily high wages.

The writer cannot see how it would better conditions in America or abroad if our country were turned into a dumping ground for cheap foreign-made merchandise, so that the none-too-secure international loans may be repaid in foreign goods at the expense of our industries and the high living standards of our working men.

It is far more imperative that these foreign countries should endeavor to raise their standard of living to the American level by increasing their production than for us to remove the sensible existing tariff duties.

Are We Our Brothers' Keeper?

The people of this blessed land of ours may be said to have done more for mankind than any other Power on earth.

We need not go further back than the conclusion of the World War I to find that the United States of America was owed over $11 billion by our Allies (or $15,142,151,747 principal and unpaid interest up to 1948) and expended over $66 billion of "Lend-Lease and Give" to help the World Powers in World War II which opposed Adolph Schickelgruber (alias Hitler), Mussolini, Hirohito and Tojo. Where would Russia have been if the U. S. A. had not helped her with $11,681,000,000 of war munitions to repulse the Germans, in addition to what Britain did to save the Soviet Union from Hitler's armies?

Billions and billions of American dollars have been expended on exports shipped to foreign countries during and since World War II, repayment of which, if we are realistic, we may as well consider as "gone with the wind."

These exports have been obtained on American credit and will never be repaid during this generation.

If Necessary, Can We Consume the Exports We Ship Abroad?

Now practically everything U. S. A. can spare is being shipped to Europe. The excess of exports over imports, from 1941 when we entered the War to the end of 1947, totaled the huge sum of $46 billion.

So the question naturally follows that in the event that "if and when" our foreign trade fades out, can we consume at home the value of the exports which we annually sell abroad? Yes, I believe we could, for to do so only requires that the 145,000,000 men, women and children in U. S. A. would have to buy and consume $99 additional per person yearly, an increased spending of 27 cents per day per capita, to offset the $14,427,400,000 of American products shipped abroad last year!

In a post-war period such as the present, during which so many scarcities have developed, does anyone suppose for a moment that the American people, who have denied themselves a thousand and one things of their own production, would not consume more of everything if they were available and not needed abroad for the restoration of our foreign brothers' economy?

A Trade Expert Reviews the Situation

In a scholarly address delivered before the Annual International Convention of the National Association of Purchasing Agents, June 2, Mr. George M. Wolfe, President of the United States Steel Export Company, referred to the dependence of this country upon foreign sources of supply and listed the following items as vital necessities: Sugar, coffee, tea, quinine, spices, silk, flax, wool, wood pulp, leather, hides and skins, vegetable oil, rubber, tin, managanese, tungsten, chrome nickel, bauxite, diamonds, lead, petroleum, zinc, mercury, cobalt and other items.

Mr. Wolfe says that these imports are imperatively needed to complete our economy:

"Let us first consider those vital imports necessary and essential to our economy. Before doing so, it would be well to pause to consider the fact that today the United States with but 6% of the world's population and a mere 7% of its area possesses **one-third to one-half of the world's industrial power. This is our very strength and, at the same time, it is our vulnerability."**

In no uncertain language, Mr. Wolfe admonishes that we must import more foreign merchandise:

"Today, when exports exceed imports by billions of dollars, with no near future prospect of reducing such imbalance, it is more important than ever that we, as a nation, give serious thought to the importance of imports and do all we can to stimulate the flow of goods and services to this country.

"Otherwise, our foreign trade will remain a one-way route 'outbound,' and the whole purpose of such trade—in so far as our national well-being is concerned—will be nullified. To continue the prodigal expenditure of our productive and national wealth at the current rate can but lead to economic bankruptcy and exhaustion."

Will Abolition of Our Tariff Duties Remedy Present "Im-Balance"?

The writer is not one of those Utopians who would be happy to see this country abolish (or almost abolish) tariff levies on foreign imports and thus risk hurting our home industries and working men and our present living standards.

Everything being equal, it is a self-evident fact that Americans cannot compete with the low foreign wages and the low foreign standards of living no matter how much we may wish to reduce the excess of our exports over our imports.

Yet there are many sincere free-trade advocates who favor lifting the bars in the interest of freer trade, like former Secretary Cordell Hull.

But this writer ventures to say that these advocates would sing quite a different tune if they were responsible for the ownership and

(Continued on page 34)

With August Lorenz

COLUMBUS, OHIO—Daniel J. Lorenz has joined the staff of August Lorenz, 17 South High St.

Mutual Funds

By HENRY HUNT

"If I Were a Retail Salesman"

The fifth article in this series was written by Mr. James W. Bridges, a partner of the Keystone Company of Boston, National distributors of Keystone Custodian Funds with assets in excess of $180 million. Jim Bridges, whose friends are legion, is an extensive traveler. In fact, if a map of the United States were marked to show all his trips, it would look like a Texaco road map. If you missed Mr. Bridges' excellent article on "Formula Investing," we suggest that you look it up in last week's issue of the "Chronicle" on page 4.

Nebraska Speaks

We recently ran across a pamphlet titled, "A Security for the Average Investor," written four years ago by Mr. Harold Johnson, Director of the State of Nebraska Securities Bureau. Its contents are simply expressed and still pertinent, as will be noted from the following excerpts:

"These 'Boston-type' investment companies are in the nature of cooperative or mutual investment enterprise. There is nothing mysterious about their procedure. They have been founded on the simple principle that a group of investors by intelligently pooling their capital together on a cooperative basis can obtain at relatively low cost the same advantages of safety through diversification and continuous supervision that large financial institutions and very wealthy investors enjoy.

"In essence these companies operate like mutual savings banks in that investors may at any time pay in whatever sum they may have available for investment to one of these companies, and thereafter have the right to withdraw their proportionate shares at any time. The essential difference is, of course, that when money is paid in to one of these companies, it is paid in on the basis of the valuation of shares of all the other shareholders at the time of investment, and when it is withdrawn, it is withdrawn at the value at time of withdrawal. Thus, if the portfolio valuation has increased during the period when the investor is a shareholder, the value of his proportionate shares will have increased. If, on the other hand, the portfolio valuation has decreased, his proportionate shares will have decreased accordingly.

"Realizing that some risk is unavoidable in every form of investment, these companies, aim to help the average investor reduce the ever present risk in his investments, by spreading that risk over a large group of securities, just as a progressive, intelligent farmer diversifies his crops so as to minimize the chances of total loss in a particular year from any particular crop. Diversification of investments also strengthens the chances for uninterrupted income just as a stream which is fed by many tributraies is less likely to go dry than one which is fed by a single stream.

"For example, the oldest investment company of this type now has spread its risks over more than 100 different securities and has paid to its shareholders 80 consecutive quarterly dividends without interruption.

"Diversification is not, of course, the sole answer to the investor's problems; no matter how attractive an individual security may appear at any one time, subsequent events are bound to affect the quality and prospects of the security for better or for worse. Accordingly, the managements of these companies maintain full time staffs whose sole job is to follow carefully the activities of all of the companies whose securities are owned, making changes in the portfolio whenever they appear to be necessary or desirable. Mistakes are bound to be made, of course, in connection with such changes, but by and large, the value of such constant vigilance cannot be overestimated by an investor whose full time is required to operate his own business or profession successfully.

"As the character of the securities generally owned by these companies, plus the broad diversification of investments, produce greater safety of investments, miracles by way of speculative risks cannot be anticipated. Nevertheless, experience has proved that the adoption of a sound conservative investment program is apt to produce better results in the long run, than will be obtained by speculation in individual securities.

"In recognition of the value of sound investment companies of this type to the average investor, Congress has accorded them special tax advantages. In order to obtain these advantages, the company must qualify as 'regulated' investment company, and comply with a number of standards set up in the Revenue Act. If these standards are all complied with, and if dividends are passed on in taxable form to the shareholders, the Federal Government has stipulated that these companies shall be exempt from all normal Federal income taxes. The President of the United States, recognizing that these investment companies perform useful functions, stated in his message to Congress on June 19, 1935, 'Bona Fide investment trusts that submit to public regulation and perform the function of permitting small investors to obtain the benefit of diversification of risk, may well be exempt from this tax'."

One Reason for Liquidations

We were discussing the rather heavy liquidations of mutual fund shares with an executive of a leading sponsor corporation the other day and he admitted they had had their share, quite a few of which were in fairly large individual blocks.

In tracing down the sources of the larger liquidations they found that in several instances they came from the administrators of estates of recently demised owners. The reason for the liquidations—the administrators needed cash for inheritance taxes and the mutual fund shares were the only securities which could be liquidated at the market at no sacrifice and without depressing the price.

Definition of a Racetrack

Where the windows clean the people!

Diversification Essential

Citing the case of a $75,000 trust fund set up in 1926 that was completely dissipated by 1942 due to investing the entire sum in a single factory mortgage, "National Notes 461" issued by **National Securities & Research Corp.** comments as follows:

"The above case in which the assets of a trust account became a **complete loss** was not the rule, but likewise **was not an exception.** Unfortunately there have been innumerable cases where trust funds suffered large or complete loss from the **same general causes.**

"The Judge summed it up completely when he stated: **'The fatal error of judgment in the case was on the part of the trustee in failing to diversify investments at the outset.'**

"Actually the errors included not only lack of diversification but also **lack of continuing supervision** and **lack of liquidity.**

"Many of these unfortunate cases arose because people set up trusts for their heirs with insufficient funds to permit proper diversification. Likewise legal restrictions frequently prevented trustees from doing an intelligent job. Such trusts in actual fact lacked the very element of safety they were supposed to afford to their beneficiaries.

"Complete loss of capital assets, or even unusual loss, is practically **impossible** under the set up of the modern mutual investment fund. The degree of market fluctuation in the shares of these funds of course depends upon the investment character of the different fund portfolios. There are, however, a number of mutual funds the investment character of which makes them available and suitable for the majority of trust funds."

If I Were a Retail Salesman

(Fifth of a Series)

By JAMES W. BRIDGES

Partner, The Keystone Company of Boston

First—I would be proud of my position and responsibility as acting trustee of the capital of my clients and would recommend to any client no action inconsistent with the highest principles of trusteeship.

James W. Bridges

Second—I would recognize the fact that approximately one-half of the time we are in a major bear market and would equip myself with a definite program designed to protect the capital of my clients against the hazards of major declines as well as to assure them reasonable participation in major rises.

Third—I would establish my progressiveness, conservatism and insistence on quality by using only broadly diversified lists of professionally selected and supervised securities in the management of my clients' accounts. I would confine my efforts to planning the best policies for the accounts of my clients giving consideration to their needs for income, ability to assume risk and other such factors, and would enlist, as my co-trustee, the services of a well organized professional research organization.

In this fashion, I could combine my personal knowledge of the clients' investment needs with the professionally selected securities best suited to meet those needs into a simple, practical form of co-trusteeship. Such a concept would combine personalized investment planning and management with the obvious advantages of a large central research organization.

It is a concept made possible by the mutual investment fund.

Britain's Nationalized Coal Industry Reports on First Year's Results

Despite increase in output of 6 million tons, National Coal Board reports deficit of £23,250,000 in 1947.

According to the British Information Services, the annual report and statement of accounts of the National Coal Board for 1947, submitted to the Minister of Fuel and presented by him to the British Parliament on July 13, show that in the industry's first year under public ownership there was a net deficit of £23,250,000, but that output of mined coal improved by 6,000 000 tons, manpower was increased, stocks were built up and Britain became again a coal exporting country.

Lord Hyndley, Chairman of the board, said, after the presentation of the report, that in the first quarter of this year the collieries had made an operating profit and that, after meeting accrued charges, the board would be left with a small and promising surplus.

"We are presenting to the great British public a case which I believe . . . history will say is good," he declared.

The report shows that losses on colliery working alone (i.e., excluding interest payments, compensation and the cost of imported coal) amounted to £9.2 million during 1947. The average cost of producing a ton of coal was about 4s 3d (equivalent to about 85¢) more than in 1946, of which 2s 6.4d (equivalent to about 51¢) is attributed to increased wages and other benefits to workmen.

Capital expenditure during the year was £19 million and at the end of the year the board's commitments on capital account amounted to £36 million.

On the operational side, the report says that the increase in output, which with 10 million tons from opencast sites totalled 197 million tons, compared with the target of 200 million tons, was due to several factors. The number of workers in the industry increased by 26,000 during the year, compared with a decrease of 4,000 during 1946. The number of workers at the coal face went up by 11,000. Secondly, absenteeism decreased from nearly 16% in 1946 to about 12½% in 1947 for all workers, and from 19% to 15% for face workers. Thirdly, output a manshift (all workers) for the year was 1.07 tons, compared with 1.03 tons in 1946, and output a manshift at the coal face rose from 2.76 to 2.86 tons.

It is calculated that the net increase of 6 million tons in output is the result of an increase of 5 million tons due to increased manpower, of 9.5 million tons due to better attendance, and of 5.5 million tons due to greater output a manshift, less a loss of 14 million tons from the reduction in the number of working days. The loss of the Saturday shift in the summer was therefore more than offset during the year as a whole by better attendance and greater productivity.

Much of the increase in costs is attributed to concessions to workmen, designed to promote cooperation and attract recruits, which will cost £62.5 million in a full year. The total cost in colliery costs is calculated in the following rough proportions:

Increased wages and other benefits to workmen	60%
Increased cost of materials, stores, repairs and power	23
Superannuation & other benefits to officials and staff	8
National Insurance (statutory increase)	3
Recruitment, training, hostels, and scientific expenditure	3
Net balance of other increases and decreases	3
	100%

It is pointed out that not only were materials and repairs more costly in 1947 than in 1946 but more of them were needed because many collieries had big arrears of repair and maintenance work to be carried out.

The report also points out that the increase in costs of 4s 3.1d a ton, representing 12.6% of the total costs in 1946, is no more than the general increase of costs in British industry in 1947, in spite of the special expenditure which the board had to incur.

Dealing with colliery losses, the report recalls that the duty of the board under the Nationalization Act is to cover costs over an average of good years and bad. If the whole rise in costs in 1947 had been recouped during that year by raising the price sufficiently in the closing months, there probably would have been surpluses in later years. In deciding what increases in price to recommend to the Minister, the board assumed that the loss should be recovered not in a few months but over a period.

Although the collieries made a net loss of £9.2 million, many made big profits. Total colliery profits amounted to £22 million and losses to £31.2 million. "If the board had been free to close unprofitable collieries it would have been easy to improve the financial results, but for several reasons — not the least the need to produce as much coal as possible—this could not be done. For some years before nationalization some collieries made big profits, while others suffered heavy losses—the final results being evened out by the operation of the Coal Charges Account. Through this account the industry was subsidized by the Exchequer to the extent of £27.5 million between 1942 and 1946; the deficit arose mainly because of delays in authorizing increases in price."

On the total deficit of £23.25 million, the report comments that it is not a charge on the taxpayer. It has been met from the board's resources and must be overtaken in later years. An ordinary commercial corporation could have covered part of the deficit by not distributing dividends. The board, however, must make repayments to the Government of capital and interest each year, whether good or bad. In 1947 the board had thus to pay the Government about £15 million for interest on compensation stock and for "interim income" to be passed on to former owners.

Turning to the task of long-term planning, the report says that the reshaping of the industry will be an immense problem involving heavy capital equipment. Nothing comparable to it in size and complexity will ever before have been attempted in the industry. Reconstruction schemes might cost up to £3 million each and take up to ten years to complete. Altogether 52 major capital schemes (each costing more than £100,000), to a total value of £22.7 million had been approved by the end of 1947.

Wayne Estes Named For Gov. of I. B. A.

KANSAS CITY, MO.—Wayne Estes, President of Estes, Snyder & Co., Topeka, Kansas, has been nominated as a governor of the Investment Bankers Association of America to represent the Southwest, succeeding A. E. Weltner of A. E. Weltner & Co. Nomination to the term is tantamount to election.

Britain's Policy Seen Based on Slogan: "Charity Begins Abroad"

By PAUL EINZIG

Dr. Einzig, in commenting on recent agreements of Britain with India, Egypt and other Sterling Area nations, allowing heavy withdrawals of blocked sterling, criticizes this policy as increasing difficulties of attaining balanced international payment position of nation.

LONDON, ENGLAND—The publication of the terms of the agreement just concluded relating to the wartime sterling balances of India was followed by a burst of criticism of the government's entirely unwarranted generosity. Several newspapers attacked Sir Stafford Cripps for agreeing to allow India to withdraw £15,000,000 in hard currencies within the next 12 months and £160,000,000 in "unrequited" British exports within the next three years. These amounts do not include the allocations to Pakistan which are expected to be announced shortly. They indicate an amazingly rapid liquidation of the wartime balances, at a time when Britain's international account shows a big deficit, so that every debt repayment must be reborrowed from abroad.

Dr. Paul Einzig

The agreement with India includes the settlement of British claims for government property left behind, at a figure that is generally considered very low, and arrangements for the payment of pensions of some British-India officials. India has been treated with a generosity that Britain cannot afford. And there is no indication that the government intends to press Britain's counterclaims for the expenditure incurred in the defense of India against Japanese invasion. Mr. Churchill raised this subject and tried to elicit from Sir Stafford Cripps an assurance that he has reserved Britain's right to raise the matter of counterclaims when the renewal of the present agreements comes to be negotiated. But the Chancellor of the Exchequer refused to give any explicit assurance. While his predecessor, Mr. Dalton, paid at least lip-service to Britain's determination to obtain a drastic scaling down of the balances, Sir Stafford Cripps appears to be reluctant even to talk about it. Yet it is difficult to see how Indian public opinion can be prepared for an eventual scaling down unless British statesmen seize every opportunity for reaffirming their determination to insist on Britain's moral right to present counterclaims.

The agreement with India is but one of the long series of financial agreements in which Britain made unwarranted sacrifices. Sir Stafford Cripps has established a reputation for believing that "charity begins abroad." And, recently, when the subject was raised in Parliament, one of his critics, inspired by Canning's famous epigram: "In matters of business the fault of the Dutch—is giving too little and asking too much," shouted across the floor: "In matters of war claims the great fault of Cripps—is giving away all and asking for nix!" However, such strong feelings are seldom expressed in the House of Commons, where the overwhelming majority of members take but little active interest in any international financial arrangements. There has so far been no debate on the subject of wartime sterling balances and Sir Stafford Cripps has for all practical purposes free hand for indulging in his quixotic generosity.

Compared with their maximum figure of £1,400,000,000, the present agreement with India and the impending agreement with Pakistan will reduce the war balances to something like £700,000,000 by the middle of 1951. Debt repayment on such a scale is entirely without precedent in international relations. And India is by no means alone to receive repayments. The claims of Egypt are being reduced at an equally rapid pace, while those of Iraq will be repaid completely by 1952. Other claimants, too, are given generous treatment.

Yet Britain would have every moral right to insist on a complete moratorium on the repayment of war balances for at least five years. Such a moratorium would give her a breathing space during which to bring her balance of payments in order. If after the end of that period the British balance of payments should show a surplus then, and only then, a start could be made with the repayment of war debts. But to make gigantic repayments while there is a vast import surplus is clearly the height of folly. In the absence of adequate pressure in Parliament, Sir Stafford Cripps can afford to ignore criticisms of his policy that appear from time to time in the British press. With doubtful consistency, he makes public statements in frequent intervals against "unrequited exports." But he never follows up his words with action and a very large percentage of Britain's exports is wasted month after month, as no goods or foreign currencies are received in payment for it.

The absence of adequate criticism of the unduly generous agreements materially increases the difficulties of British negotiators to make a firm stand. For this reason, the government should welcome any such criticism instead of treating it as if it were "lese-Majeste" and sacrilege combined. On the rare occasions when an opposition member of Parliament attempts to raise the matter he is greeted with a chorus of sneers by the government's supporters who have no idea what it is all about, but who consider it their duty to cheer Sir Stafford Cripps when he gives his usual evasive lawyer's replies.

So long as the British Government pursues its present policy of unwarranted generosity there seems to be little hope for achieving equilibrium. Its extravagance is financed partly indirectly out of Marshall aid, partly through the sale of the remaining British investments abroad, as a reult of which the solution of Britain's long-term problem is becoming increasingly difficult, and partly through the sale of British warships, resulting in a dangerous decline of Britain's power and prestige.

Securities Salesman's Corner

By JOHN DUTTON

The Boston Investment Club has released a study entitled "Salesmanship In The Securities Business." The club's President Robert G. Gerrish, of Whiting, Weeks and Stubbs, has sent us a copy and we have found many important points of interest to those who are engaged in the merchandising of securities. Carrol J. Hoffman, a partner in Draper, Sears and Co. of Boston, prepared a letter which asked the following questions, and which was sent to a number of investment trusts:

Question 1—Have you made any study of the insurance and advertising fields and applied sales policies used there successfully?

Question 2—What do you consider the *musts* of successful salesmanship in the retail investment business?

Question 3—Is enough emphasis placed upon selling or, are high pressure sales methods out of place in the investment business?

Question 4—Would you care to express yourself more fully on this subject, without further specific questions?

In September 1947 the Boston Investment Club issued a report dealing with the large number of casualties among the young men who entered the investment business. We covered this report in summary in this column. It is also noted that the security business suffered a loss after taxes in 1946 of $22,000,000, while the national income was at its speak. Another observation is made that a poll was conducted in Canada which showed that less than 10% of the population had any clear idea of the function or value of the investment dealer.

The answers to the questions vary considerably. As to question No. 1, one view was that the insurance and advertising business were not progressive in their sales efforts. Others think the insurance business has done a good job, etc. On question No. 2, the opinion seems almost unanimous that there is only one real *must* so far as successful salesmanship is concerned and that is the determination to work. We would agree but would add, "Work with your head and not with shoe-leather alone." Too many new men in this business do not receive intelligent, sympathetic and encouraging guidance. As to question No. 3, the opinion is also unanimous that high pressure methods are entirely out of place in the investment business. We say, amen! The expressions of opinions regarding the entire subject are most enlightening and they seem to point out the following observations:

It is important for the new man who enters the securities business to have certain qualifications. If he doesn't have them he will probably not make good no matter how much assistance he receives at the beginning. He must be resourceful—energetic, and ambitious—willing to do things for himself, such as writing letters and digging up his own leads. He must be versatile, have a pleasant personality and also have the ability to think quickly. He must have creative ability of his own. And if he is not willing to work hard everything else is unimportant. The securities business is a demanding occupation—those who will not put in intelligent effort, and plenty of it, had better stay out of it.

The letters reproduced in this report are full of good selling ideas. They are written by men who have sound convictions because they have lived through this business and know what makes it tick. Most of them seem to agree, however, that the field has hardly been scratched when it comes to preparing our market through the intelligent use of direct mail, newspaper advertising and general publicity.

We have said it many times (along with many others) that our industry has completely missed the boat when it comes to encouraging good public relations. It is only occasionally that a concerted effort is made along the lines of better public understanding of the functioning of the securities markets and the exchanges, such as has been conducted by the New York Stock Exchange. The average American still doesn't know very much about investments, practical economics, or the place of our investment industry in the nation's economic life and its vital part in supplying capital for industry and jobs for people.

This report is a step in the right direction. Before you can find out what to do in order to correct a bad situation you must first discover the causes of the difficulty. At least up in Boston they are trying to do something constructive, and most certainly there is plenty of opportunity everywhere for improvement in our selling operations and our public relations.

Lays Inflation to Government Spending

George L. Bliss says inflation began with deficit financing in the '30s and has been intensified by increased government spending.

Placing the blame for inflation on the Federal Government, George L. Bliss, President of the Century Federal Savings Association, New York City, writing in the current issue of the association's magazine, "Talk of the Century," declared that government spending must be reduced in order to stop inflation.

George L. Bliss

"What we call inflation is, in reality, a cheapening of the dollar," Mr. Bliss asserted. "Its happening is no accident. It was caused by our national money policy. That such a policy would cheapen the dollar was well known by the officials who established it."

Mr. Bliss declared that the present effort of "some of our office-holders" to lay the blame or business and the profit sytem is a "deliberate passing of the buck."

"The fact is that it is the profit system which has made our country the leading and the wealthiest in the family of nations," he asserted. "The fact is that the policies which have cheapened the dollar were established against the advice of businessmen generally."

Inflation began, Mr. Bliss explained, with the "deficit financing" of our national budget in the '30s. Intlation was carried on by an artificial control of the money market, its purpose being to provide cheap credit "to make i easier for our government to raise money to finance the war," he said.

Inflation continues, he declared, because of continued government expenditures at a rate of $40 billion or more per year, against approximately $6 billion a year just before the war. The present rate of government spending is the principal cause of continued inflation, he asserted.

Mr. Bliss condemned the politicians who make speeches in which "wailing complaints about inflation are followed by a long list of recommended policies for governmental action whose adoption would simply bring about further inflation."

The way to stop inflation is to end the causes of inflation, he declared, and the method closest to the hands of the office-holders is to reduce government spending.

With Barclay Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—D. A. B. Carter is with Barclay Investment Co., 39 South La Salle Street.

The Price Outlook

Study by Dr. F. C. Mills shows by far largest price advances since prewar have occurred in soft goods such as foods and farm products, and have hit pockets of final consumers to unprecedented extent. Expects decline from postwar peak, with sharp initial decline and subsequent stabilization.

Up to the recent further advance of consumer prices in the American economy, prices in wholesale markets had doubled and living costs had risen two-thirds since 1938-39 in the same accelerating price advance that has characterized previous wartime expansions. This is shown in a study of postwar prices published July 26 by the National Bureau of Economic Research.

In this study, "The Structure of Postwar Prices," Dr. Frederick C. Mills, member of the research staff of the National Bureau and Professor of Economics at Columbia University, and former President of the American Economic Association and of the American Statistical Association, notes that the pressure on the price system reflected world-wide shortages of urgently-needed goods. Pressures arising from foreign needs were accentuated by marked gains in the purchasing power of domestic consumers. Rising costs of materials and labor contributed to these forces. The pressures of these demands, amply implemented by a volume of money and credit that has expanded more rapidly than the physical volume of production, are expressed in a continuing upward push of prices.

Although the consumption sector of the economy is usually the most stable, in the present rise foods have outstripped every other major category of goods. The price increases of 1939-48 struck sharply on the pockets and against the budgets of final consumers more immediately and more heavily than do the price rises that accompany the usual cyclical expansion, Dr. Mills points out.

Consumers are closer to the strategic center of the present price rise, and the fortunes of consumers as buyers of goods are more immediately involved than in the customary price advances of the business cycle, he notes.

Soft Goods Score Largest Advances, Hard Goods the Smallest

Foods and farm products gave marked leadership to the price advance and the increases in the prices of consumer goods were relatively large. The largest advances were scored by soft goods such as foods and farm products. Metals and durable goods in general and the broad class of nonfarm products lagged in the general price rise of the last nine years.

The difference is small between producer goods and consumer goods, but this has been due to diverging movements in two classes of producer goods. Those intended, after fabrication, for human consumption have shown relatively large price advances, while those entering into capital equipment have experienced relatively smaller ones. Foods at the producer goods stage advanced 196%, goods for use in capital equipment rose only 59%.

"Our economy remains one that is uptilted, with soft goods—foods, producer goods for human consumption, and farm products—at the high-priced end of the market spectrum," Dr. Mills declares.

Pattern of Price Changes Follows Wartime Movements

Dr. Mills points out that the pattern of price change since 1939 accords with that of wartime movements, rather than that of peacetime business cycles. In peacetime expansions, the increases are most rapid in the first stages. During the rise since 1939, as in the advances occurring during the Civil War and the first World War, the most explosive upward movement came in the closing months.

What distinguished the price movements during the second World War from those during the first World War was the delayed advance in prices, notably in industrial prices. This was a point of strength in the period immediately following the end of fighting in 1945.

The monthly rate of advance in general wholesale prices between August, 1945, and January, 1948, however, exceeded the monthly rate from November, 1918, to the peak of prices in May, 1920.

Of the elements of the price structure, ranked in order of the relative size of their price movements, farm prices are at the top with a rise of almost 200%. Rents are at the bottom, with an increase of only 11%. The prices of equity shares in industrial corporations, which advanced only 26%, are near the bottom. The general cost of living for urban workers, which was held down by the stability of rents, rose 68%. Seven of 11 major classes of commodities and services are in a central group, the price increases of which ranged from 90 to 126%. This group includes wholesale prices, general retail prices, and prices paid by farmers, construction costs, and wages, both hourly and weekly.

Large Rise in Quantity of Production Counters Inflation

Because of the advances in unit prices, dollar gains in production and trade substantially overstate the actual increases in physical volume, Dr. Mills emphasizes. However, consumer expenditures more than kept pace with rising prices. The flow of goods into actual consumption appears to have been 40 to 50% greater in 1947-48 than in 1939. Practically all types of goods and services commonly bought by families shared in the general elevation of living standards; expenditures for food, clothing and durable consumer goods rose most.

In the most recent months studied, volume increases had been checked in some lines and in the broad field of consumer goods they were tapering off. Increases in expenditures reflected, mainly, rising selling prices. This is a situation that had its close counterpart in the 1919-21 cycle, Dr. Mills points out.

The gains in industrial output between 1939 and 1948 have been one of the major defenses against unbridled inflation. These amounted to 82% in manufacturing production. Corresponding gains of 70% were scored in manufacturing employment, 118% in volume of freight carried by railroads, and about 27% in agricultural output.

In almost every field except, particularly, revenue freight, the gains in total value far outstripped quantity advances. The monetary value of goods produced or services rendered increased more than 200% in agriculture, manufacturing and manufacturing employment, retail sales had increased on the same order, and monetary values increased more than 100% in mineral production, construction, consumer expenditures and employment in mining.

With increases of considerable size in both prices and production, the economic expansion here between 1939 and 1948 has no exact historical parallel. During the first World War, prices advanced similarly but output gains were less notable. During the Twenties there were output gains on the same order, but the general level

of commodity prices suffered merely minor shifts.

Farmers and Factory Workers in the Van of Benefited Groups

Farmers have gained substantially. The gains in their total purchasing power, in terms of goods and services, are 47% greater than the gains in total farm output since 1938-39, and 28% greater since 1924-27. The per capita real income of farmers increased about 100% from 1939 to 1947. Among other primary producers, those turning out forest products gained at about the same rate as farmers.

Manufacturing labor had a gain of about 21% in real hourly earnings between 1939 and 1948. Prior gains amounted to about 50%, so that the gains in real hourly earnings from 1924-27 to February, 1948, were 85%. The per capita gain in real weekly earnings from 1939 to 1948 was about 34%.

Only four of 18 groups of nonmanufacturing labor had gains in real hourly wages exceeding those of manufacturing labor. These were bituminous coal miners, workers in hotels and in quarrying and non-metallic mining, and common labor in roadbuilding. For three groups, telephone, electric light and power workers and skilled labor in construction, real hourly wages declined.

In the gains made since 1924-27, the hourly earnings of manufacturing labor outrank all other elements of the price structure. Per capita weekly earnings of workers in manufacturing industries, like farm prices, made high gains. Wholesale prices made middling gains. Rents, industrial stock prices and the consumer price index show the lowest advances over the long period.

During the 20 years, as during the eight years that span the war, Dr. Mills reports, the net shifts in price relations were such as to improve materially the exchange position of farmers and manufacturing labor.

Some Decline from Postwar Peak Is to Be Expected

In his analysis of various aspects of recent price movements Dr. Mills notes that "some decline from a postwar peak is, of course, to be expected," although no attempt is made to set a date marking the end of the present inflationary movement. The past record of price recessions suggests the possibility of a sharp initial drop in prices when the peak has been passed, perhaps accelerating in the early stages of the decline. Thereafter, slackening of the rate of fall is to be expected, with prices stabilizing as the forces of revival gather strength.

The extent of the decline and the pattern of change will be affected by the special circumstances of the present period and by recent institutional changes in the American economy, such as government support of farm prices and the increased strength of labor organizations, he points out.

If price movements should follow the pattern suggested by historical records, the more swiftly prices were realigned and the more rapidly adjustments in agreement with them were made elsewhere in the economy, the smaller would be the disturbances to the production and distribution of goods and services, Dr. Mills believes.

Securities Administrators' Tasks

(Continued from page 4)

a forward step taken along that line. The investment Bankers Association of America is to be highly complimented upon the publication of their recent book entitled "Fundamentals of Investment Banking." This is not only helpful from a public relation point of view, but is very valuable to both the oldtimers in the business and the new men taking up the securities business as their profession. It serves as a textbook and a guide.

In my opinion the national publicity given by the New York Stock Exchange during the past two years in their advertisements has done more to crystallize correct thinking concerning investment banking in the minds of the public than any previous action on the part of the industry. It has been most effective. It has revealed the true story. I have personally heard many persons comment upon the advertisements, stating that their conception of the stock exchanges and securities business had changed from that of a gambling house to that of a true market place. Mr. Schram and the other officials of the Exchange are to be highly commended for this forward step.

Your education and publicity program should be carried on by all members of the industry; should not only continue, but should be expanded. There is always a certain amount of bad publicity which you must counteract. For instance, I was recently in Detroit and attended the show "Life with Mother." This is produced and cast by the same talent as was in the show "Life with Father." I resented very much the slanders and slurs throughout the show directed against the securities industry. The gag writers made great sport in their reference to the sale of some securities by a dealer, which securities later decreased in price. This type of comedy is detrimental to the industry.

Again, I recently read an article in a trade magazine which stated in part as follows:

"Since starting in business 26 years ago my experience indicates that it is not a good policy to gamble in business. As businessmen we should be interested in making a profit from our operations only. If we choose to gamble such gambling should be done on the stock market with personal funds."

You can readily see that the writer of that article was comparing the stock market and the securities business in the same category as horse racing or gambling houses.

You, the members of the industry, have a big task ahead to properly carry out your education and publicity program. All efforts should be directed in a systematic way to properly convey your message to the public.

Investment Companies

During the last 25 years a new type of securities business has come into being. It is the investment companies. It is still in its infancy but is growing rapidly. It is estimated that investment company stockholders number more than a million at this time. At the end of 1947, the total assets of open-end companies alone reached a new high of approximately $1,400,000,000, with 675,000 shareholders. These companies are rendering a valuable service to the average investor as well as to institutions.

Since so many investors have expressed their confidence in this type of investments it is most important that such companies respond with proper operations, proper selling methods and proper information so as to retain this trust of confidence.

Responsibilities of Administrators

All that has just been said has been directed to the men in the securities business. This is not a one-sided affair. The administrators or commissioners must realize their duties and responsibilities and govern themselves accordingly. Our Association has made a brief survey of the different types of applications, annual reports, rules and regulations and laws of the various states. It is astounding to discover the great variance. It is easy to visualize the tremendous burden and cost added to the securities industry due to the lack of uniformity. This naturally raises the ultimate cost of the merchandise to the investor. What is the solution? It is to cut out all needless red tape as far as possible, eliminate useless rules and regulations, adopt uniform applications, obtain as much uniformity in our laws as possible, and standardize the filings of reports, both as to material and periods covered.

We all know that many of our securities laws are outmoded and should be rewritten or revised in order to keep up with the changing of times and conditions. This immediately brings a clash of opinion as to the type of law wanted. This difference varies all the way from a most stringent law down to no law whatsoever. It is a matter of give and take in order to arrive at a proper solution.

In considering these changes of laws we must, of course, discard our personal prejudice and give the question careful consideration and sound thinking. We should draw our conclusions in conformity with the best interest of the investor, which naturally is the best interest of the industry.

A few years ago our Association adopted the uniform application for the registration of securities where such securities were registered with the Federal Securities and Exchange Commission. It is disappointing to learn that only about 12 states use the uniform application. This is a very simple document which permits the applicant to mimeograph and use the same filing for each state accepting such form. There are only eight simple questions to answer and the attachment of a copy of the SEC registration statement. This is a great departure from the old system of executing lengthy application for each state, no two of which are alike. The reports come to us constantly of the accepted approval by the industry of the simplified application form. We urge all states to give favorable consideration to the adoption of the simplified uniform application.

As to the matter of reports filed by issuers, brokers and dealers, it is shocking to find the great variance in such reports and the period covered. This would keep a separate staff busy complying with the requirements of each state. A review of the state requirements reveals the filing of such reports covering fiscal years ending with practically each month of the year. One state may call for the year ending in January, whereas another one in April, August or October. The material required varies to a greater degree. The industry is required to file certain reports with Federal agencies. I would like to be advised of any worthwhile reason why all of these reports could not be coordinated and the preparation of one report serve for 47 states having securities laws, the Federal authorities and industrial agencies.

Rules and regulations are the "by-words" which have been used most extensively during the last 10 to 15 years. All governmental agencies have volumes of rules and regulations, many of which are no doubt unconstitutional, many obsolete and many unjustified. It is urged that each Securities Administrator study and review their respective rules and regulations so as to bring about uniformity, simplification and elimination of obsolete material.

At times we become disgrunted over a violation or the misconduct by one operator. We immediately set out to enact stringent safeguards so that such violation will not re-occur. We forget about the many operators doing a just business and thereby penalize all to correct one situation.

At times we overlook the real purpose of our positions. We become prejudiced. In some cases our good judgment may be altered through some political pressure brought either for the registration of a security or for the prevention of such registration. If this prevails and continues then it is high time that the regulation of the securities business be removed from political controls and placed in disinterested hands. It is not to the advantage of the investor or our business economy to permit our judgment to be persuaded by political or pressure groups.

It must be realized that there is a constant turnover in public officials administering the securities law. It is the duty of the other administrators to extend to the newer commissioners a guiding hand so that they will not go astray. Misconduct on the part of one administrator brings disrepute to us all. We must cooperate with each other.

The problems of the securities administrators today are not only interstate, but international. The same problems confront not only the administrators in the United States, but the securities administrators of our neighbors to the north and to the south. We have been receiving splendid cooperation from the securities administrators of the Provinces of Canada. We have representatives from both Canada and Mexico with us at this meeting. We extend to them a warm welcome and invite them to participate in the entire conference. The exchange of ideas will be beneficial to all. We hope that they will continue their attendance to these meetings in years to come.

In this short time I have attempted to review briefly the duties and responsibilities of both the representatives of the industry and the administrators of the securities act. We need each other's sympathetic understanding of our vast problems. We need interchange of thoughts and opinions through contacts by you with us, and exchange of thoughts and views. Above all we need each other's support, exercised in every way for the advancement of the common cause. We stand at the threshold of a new relationship between industry and administrators. If we are successful in a joint quest, as I am sure we shall be, the material joint benefits are sure to increase steadily, thus insuring a stable securities business for you and us.

By working together we should be able to obtain a broader view of present and future problems, so as to solve them in the best method possible which would be advantageous to all concerned. We believe that with these joint meetings we can accomplish our objective or common goal and thereby raise the standards of the securities industry and make the business one of which we can all be proud.

Canadian Securities

By WILLIAM J. McKAY

Canada's hydro-electric development has lately come in for a good deal of comment, and the latest issue of the "Monthly Commercial Letter," published by the Canadian Bank of Commerce, discusses the prospects for new projects and their relation to the rate of industrialization in Canadian national economy.

"There is a natural connection in Canada between the rate of material progress and the degree to which the country's unique natural advantages have been converted to general use," says the Canadian Bank of Commerce. "This conversion of mineral, vegetable, forest and other products from a raw to a finished state has been contingent upon the successful exploitation of yet another raw material—the power in the innumerable lakes and rivers, so widely and favorably distributed throughout the country. Energy now plays such a fundamental part in our everyday lives and in all forms of productive activity that its source must rate high, if not actually at the top, of the long list of natural resources with which this country is endowed. The value of water power to a country whose physical resources far outstrip its population is another aspect which might be overlooked. A healthy man working steadily for eight hours is capable of an output about equal to one horse power. On this basis, the present hydro installation represents the labor capacity of over 100 million workers."

Continuing its analysis of the situation, it is stated:

Present-day conditions do not provide an altogether suitable basis for comparison, but figures for prewar electrical production show how close is the relationship between ample power and industrial output. In 1938-39 the United States, Germany, the USSR, the United Kingdom, Japan and Canada, a group whose industrial output led the world, also produced the bulk of the world's electrical energy, in the order named. At the same time, abundant water power offset to a considerable degree the shortage of mineral fuels in Italy and Switzerland, and of population in Norway and Sweden. Thermal (steam-generated) installations predominated in the United States, Germany, the USSR and the United Kingdom, while Canada, Japan, Italy, Switzerland and Scandinavia derived practically the whole of their electrical energy from water power. Available figures for the postwar years are not strictly comparable, but it is clear that the production of electrical energy in the United States far outstrips that of any other country in the world, about 30% being hydro- and the balance steam-generated. Canada places an easy second in world hydro-electric development. This country and Great Britain generated approximately the same amount of power in 1947, the bulk of that in Great Britain being steam-generated. The long-term economy of hydro-driven generators as opposed to steam-driven is hardly open to question, since coal deposits are a wasting asset, and it is even found economical in certain areas to use hydro-electric power in the mining of coal itself.

The temporary curtailment in the use of electric power in Central Canada during the past winter and the threatened shortage of other sources of energy, largely coal and petroleum imported from the United States, have made Canadians generally more conscious of the tremendous asset which this country possesses in its water power resources.

As *individuals*, the inconvenience resulting from even such brief suspensions of service as were experienced in some sections sharpened our appreciation of the amenities made possible by cheap and widely distributed power. As a *nation* we had reason to be grateful for an industry without which we might have had to import an additional 26 million tons of steam coal to provide the equivalent of the developed water power energy at a cost in United States funds of well over $100 million, and at a time when there was a shortage both of the coal itself and of the requisite United States exchange.

New Projects

During the past year, and for the first time in the present century, the rate of industrialization outstripped that of new hydro development, which has hitherto not only set the pace, but to a very large extent influenced the choice of locale for industrial expansion. Contrary to expectations, the consumption of primary power in 1947 set a new record, 20% above that of the previous year, the expansion being common to practically all areas. Almost unabated industrial activity, increased commercial use following the lifting of restrictions, considerable extension of service to rural districts and of farm electrification, and greater domestic use as additional appliances came on the market, all combined to bring about this unanticipated result. The two million horse power added to generating capacity during the war years was expected to provide adequate power for the early postwar years, and partly for this reason and partly because of scarcity of labor and materials for such large-scale construction projects, total new installations since 1945 amount to only 206,500 horse power, an annual average only about one-third of that in prewar years. The current program of expansion, one of the greatest ever undertaken is, however, well under way and will provide a total new capacity of one million horse power, perhaps half of which will be in operation this year. Preliminary work on other sites capable of producing several millions of horse power (including the international rapids section of the St. Lawrence River) is being carried out as part of a long-range plan.

Of the 178,000 horse power brought into operation in 1947, the largest installation, one of 70,000 horse power, was in Ontario, with British Columbia, Quebec and the Prairie Provinces contributing the balance in the order named. Quebec is expected to bring in the heaviest new installation of the present year, two new units totaling 245,000 horse power, while Ontario should complete about 145,000 horse power and British Columbia about 97,000. Manitoba has a sizable program under construction which may add nearly 50,000 horse power to its present installation by the end of the year. Construction is also progressing on new units in northern Saskatchewan and the North West Territories to serve the local mining areas. In addition to these new hydro developments, the total of available power is being steadily augmented by new plants and extensions to old installations in areas deriving their power from the substantial local coal deposits, namely, southern Saskatchewan and Alberta, and Nova Scotia and New Brunswick. This source of power, while of great local importance is an insignificant part of the national total, over 97½% of all the electricity produced by central stations being generated from water power. Auxiliary or "stand-by" steam generators for use during periods of peak utilization, or when the water flow is at a low level, are now projected to serve certain highly industrialized areas of Ontario.

Large Undeveloped Resources

While the utilization of water power resources is constantly being extended, there remain enormous sources of energy as yet untapped. Many of these are in remote sections, but the technique of long-distance transmission is improving and the frontier is being steadily rolled back by the exploitation of mineral and forest wealth in areas where this is economic chiefly by reason of adjacent power. The following table is an official computation of available and developed water power in Canada as at the end of 1947:

Province—	Available 24-Hour Power at 80% Efficiency at Ordinary Six Months' Flow	Turbine Installation H.P.
British Columbia	10,998,000	917,024
Alberta	1,258,000	106,560
Saskatchewan	1,082,000	90,835
Manitoba	5,344,500	458,825
Ontario	7,261,400	2,749,740
Quebec	13,064,000	5,878,872
New Brunswick	169,100	133,347
Nova Scotia	128,300	133,384
Prince Edward Island	5,300	2,617
Yukon and Northwest Terr.	813,500	19,719
CANADA	40,124,100	10,490,923

As it is regarded as sound practice to install hydro-electric equipment 30% in excess of the power equivalent of the six-month flow, the figures in the first column of the above table do not indicate correctly the amount of power remaining to be developed. The available power would thereby be increased 30%, making a total of over 52 million horse power, on a conservative basis, and indicating a present turbine installation amounting to a little more than 20% of the potential.

Canada's huge investment in central electric stations ($1,750 million in 1943 and probably well over $2,000 million at the present time) is greater than that in any other branch of manufacturing, but the dividends in terms of the successful development of natural resources, the diversification of industry and the attainment of a high standard of living have been incalculable.

With Fairman & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Richard H. Miller has been added to the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

COMING EVENTS

In Investment Field

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. 13, 1948 (Chicago, Ill.)
Bond Traders Club of Chicago Luncheon for members of NSTA passing through Chicago on way to the Convention.

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.

First Boston Offers Commonwealth Edison First Mortgage Bonds

The First Boston Corp. headed an investment banking group which offered to the public July 28 a new issue of $50,000,000 Commonwealth Edison Co. first mortgage 3% bonds, series N, due June 1, 1978. The bonds were priced at 100.99 and accrued interest to yield 2.95% to maturity. The issue was awarded to the group at competitive bidding July 27 on its bid of 100.6399.

Proceeds from the sale will be used to finance part of Commonwealth Edison's five-year construction program. The company and subsidiaries plan to spend an estimated $400,000,000 for additions to electric generating stations, transmission and distribution equipment, gas plant and distribution facilities and on general plant and equipment. Of this amount it is estimated that approximately $327,000,000 will be applicable to electric plant and equipment, $48,000,000 to gas plant and equipment and $25,000,000 to general plant and equipment.

The new bonds will be subject to call at 103.99% during the 12 months beginning June 1, 1948, and thereafter at prices ranging downward to 100% on or after June 1, 1977.

Commonwealth Edison Co. is engaged in the production, purchase, transmission, distribution and sale of electricity. It does substantially all of the electric public utility business in Chicago. The company's subsidiaries, controlled through direct stock ownership, include Public Service Company, Western United Company and Illinois Northern Company which distribute and sell electricity in territory adjacent to Chicago. These subsidiaries also distribute and sell gas.

Halsey Stuart Offers Western Md. Equips.

The Western Maryland Ry. on July 28 awarded to Halsey, Stuart & Co. Inc. $5,800,000 of equipment trust certificates on their bid for 2¼s. The issue matures $580,000 anually from Aug. 15, 1949, to 1958. Reoffering is being made at prices to yield from 1.50 to 2.55% according to maturity.

With G. A. McDowell Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Karl F. McClusky has joined the staff of George A. McDowell & Co., Buhl Building, members of the Detroit Stock Exchange. He was formerly with Crouse & Co.

Dr. G. Rowland Collins Named Acting Dean of School of Commerce

Dr. G. Rowland Collins, dean of the New York University Graduate School of Business Administration, has been appointed Acting Dean of the University's School of Commerce, Accounts, and Finance, effective immediately, Chancellor Harry Woodburn Chase announced.


Geo. Rowland Collins

Dean Collins, who will assume the duties of the late Dean John T. Madden who died July 2, was assistant dean and later associate dean of the School of Commerce for 16 years before becoming head of the Graduate School of Business Administration in 1943. He will continue as administrator of the graduate unit.

Born in Hubbard, Ohio, Dean Collins attended Macalester College, St. Paul, Minnesota, where he received his Bachelor of Arts degree with honors in 1916. Four years later he earned his Master of Arts degree from Harvard University, and in 1922 was granted the degree of Master of Business Administration by New York University.

Macalester College, of which Dean Collins is now a member of the board of trustees, awarded him its honorary Doctor of Laws degree in 1935.

Joining the faculty of New York University's College of Arts and Pure Science as an instructor of English and Public Speaking in 1920, Dean Collins transferred to the University's School of Commerce two years later as assistant professor of Marketing. He was promoted to associate professor in 1925 and received his full professorship the following year. In 1927 he was named assistant dean of the School of Commerce and four years later raised to associate dean.

He was formerly editor in chief of the United States Department of Agriculture and was a partner in the sales promotion firm of Lawrence Swan and Associates. He was also formerly the director of research for the Food Marketing Council of the New York Port Authority.

Dean Collins is at present a director of The National Safety Bank and Trust Co., New York; consulting economist for Dade Aircraft Corp., Mineola; educational counselor to the Education Committee of the Investment Bankers Association of America; director of the Annual Educational Conference for senior executives of the Mortgage Bankers Association of America; and a member of the Educational Policy Committee of the American Institute of Banking, the Education Committee of the Chamber of Commerce of the State of New York, and the Joint Committee on Education of the Stock Exchange, Curb Exchange, Investment Bankers Association, Association of Stock Exchange Firms, and the Association of Security Dealers.

He is the author of six books on such subjects as public speaking, business, marketing, and salesmanship and has contributed articles to several encyclopedias as well as to business and trade journals.

Reports Sharp Rise in Construction Loans

Ralph M. Smith, President of U. S. Savings and Loan League, announces new home financing is running ahead of last year, and Savings & Loan institutions are concentrating on low cost structures

A sharp upward trend in new construction loans and an increase in the amount of mortgage credit extended in the first five months of 1948 were reported by the nation's savings and loan associations and co-operative banks. A summary by the United States Savings and Loan League, trade organization for more than 3,300 thrift and home-financing institutions, disclosed that savings institutions have financed 203,000 homes with loans totaling $1,156,000,000 since the beginning of the year. This compared with 198,000 loans amounting to $1,428,000,000 in the first five months of 1947.


Col. Ralph M. Smith

Of homes financed thus far in 1948, the League said, new homes numbered 70,000, an increase of 34.6% over the corresponding period last year, while the total of existing homes financed was 133,000, down 8.9% from a year ago.

For the single month of May, latest month for which statistics are available, the saving associations issued 44,500 loans, of which 15,500 were used for the construction of new homes and 29,000 for the purchase of existing dwellings.

But far and away the most important development currently taking place in the home-financing field is the fact that new home construction lending is running far ahead of last year, in the opinion of Ralph M. Smith, League President.

This was regarded by Mr. Smith as evidence that savings associations across the country are determined to make sure sufficient credit is available to keep the current home-building program rolling at its present momentum.

Mr. Smith also stated that the drive for financing low-priced housing, recently inaugurated by the League's Executive Committee, was playing an important part in stimulating the flow of money into new construction. The Committee's program called upon members of the League to concentrate their lending on homes priced between $4,000 and $10,000.

According to Mr. Smith, there are increasing indications that prices of existing structures are tapering off in the face of the present record volume of home building. He said "scarcity premiums" for older homes had virtually disappeared.

Bath With Rollins Co.

(Special to THE FINANCIAL CHRONICLE)

IRON MOUNTAIN, MICH.—Russell J. Bath has become associated with E. H. Rollins & Sons, Inc. He was formerly representative for Loewi & Co. and the Milwaukee Company.

Whipple to Be Partner

James T. Whipple will become a partner in Tuller, Crary & Ferris, 63 Wall Street, New York City, members of the New York Stock Exchange, on Aug. 1st. He was formerly a partner in Dunham & Fletcher.

CIO Says Corporations Controlled by Few

Claims a "handful" of six million owners of stock in corporations have complete control. Contends, with "proxy-democracy," only wealthiest of stockholders can ever hope to contest a board of directors' election.

In an article, entitled "Who Owns Corporations?" contained in the Congress of Industrial Organizations' publication "Economic Outlook" for July, the claim is made that a "handful" of wealthy stockholders, owning large blocks of stock, have complete control of corporations. Because of its significance in indicating organized labors' attitude, the text of the full article is reprinted below:

"Of every $3 spent in America, $2 goes to corporations. Except for the small farmer, the professional, and the disappearing small business man, corporations *are* the economic life of our nation.

"About 5% of the adult population, less than 6,000,000 people own stock in corporations. A handful of these 6,000,000 own a great deal of stock. Most of the stockholders own only a few shares.

"Corporations are supposed to be controlled by all the stockholders; but, in practice, the handful who own the large blocks of stock have complete control.

"Corporation advertisements and radio speeches tell how thousands of people from all walks of life own stock in the corporations. They even tell us the average number of shares stockholders own.

"The American Telephone & Telegraph Company, the largest corporation in the world, with more stockholders than any other, is proud of the fact that on the average each stockholder owns about 30 shares. They forget to say that each of the 30 largest stockholders owns an average of more than 35,000 shares. Quite a difference between 30 shares and 35,000. The latest over-all estimate available shows that 5% of the stockholders own more than half of the total shares.

"The most authoritative source for the huge ownership of stock by a relatively few is in Treasury Department figures taken from income tax returns. Unfortunately dividend income is lumped in with interest from bonds. Since bonds are more widely held by middle and lower income groups than stocks, these figures understate the concentration of stock ownership. The latest figures available are those for 1945.

"The 38,000,000 people with yearly incomes under $3,000 received on the average $17 a year from interest and dividends. This amounts to 32¢ a week. The 71 people with a yearly income over $1,000,000 received on the average over $750,000 a year from interest and dividends. This amounts to $14,423 each week. Thirty-two cents — as compared with over $14,000 each week!

"In 1945 there was one individual who received $8,595,000 in income just from dividends and interest. That is equal to $165,000 each week! If this individual had his money invested in Chrysler stock, to receive $8,500,000 in dividends, he would own two-thirds of the entire stock, or 2,865,000 shares. The average stock owner whose income is less than $3,000 receiving $17 from dividends and interest would own less than six shares. Six shares—as compared to 2,865,000 shares!

"The huge wealth that a relatively few people have is certainly startling. But the control over our economy by these few people is many times greater than their ownership. By controlling

(Continued on page 31)

British Gold & Dollar Reserves Continue Decline

Despite ERP payments of £22 million in second quarter, reserves dropped to £473 millions on June 30, compared with £552 on March 31, 1948.

In commenting to the House the Anglo-American ERP agreement, Sir Stafford Cripps, British Chancellor of the Exchequer, released figures of Britain's dollar and gold reserve and emphasized that there must be no relaxation in Britain's efforts.

The actual result of the first six months' operation in 1948, according to the Chancellor of the Exchequer was that the net drain on Britain's reserves, disregarding ERP aid, was £254 million ($1,016 million). In the first quarter the drain was £147 million ($588 million) and in the second quarter £107 million ($428 million), or more than 25% less than in the first quarter of 1948. If ERP payments so far received were taken into account, the second quarter's drain was £85 million ($340 million) and that for the whole of the half year £232 million ($928 million).


Sir Stafford Cripps

Britain's reserves of gold, United States and Canadian dollars stood at £552 million ($2,208 million) on March 31, 1948. During the second quarter Britain drew nearly £2 million ($8 million) on the Canadian credits, but apart from an amount of £4 million ($16 million) which India drew from the International Monetary Fund, there was no further reinforcement of the reserves.

British Gold and Dollar Reserves

(In £ million)

Reserves on March 31, 1948	552
Drain during 2d quarter	107
Net reserves on June 30, 1948	445
ERP payments during 2d quarter	22
Canadian credit	2
Indian draft on IMF	4
Gross reserves on June 30, 1948	473

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

In spite of reports in financial circles that the **Pan American Trust Company of New York** would be merged with another bank, the stockholders, at a recent meeting, according to an announcement from the company on July 21, rejected 14 different offers from banks and financial groups and resolved to increase the capital structure by $1,000,000 and to begin an intensive promotional campaign to extend operations. The Pan American Trust Company has its main office at 70 Wall Street and branches at 45 Fourth Avenue at 9th Street and 590 East 187th Street. The total resources of the bank on June 30 of this year were $19,081,747.

It is announced that the number of directors of the bank will be increased from six to twelve. Eloy S. Vallina will be Chairman of the board and two of the new directors will be Ercole L. Sozzi, Chairman of the board of the American-Italian Chamber of Commerce and President of Fontana Hollywood Corp., and Edward J. Leon of Leon, Weill & Mahony, Attorneys. The Pan American Trust Company is an international bank specializing in domestic and foreign trade with 70% domestic deposits and 30% foreign deposits. It is owned by American and Mexican stockholders. The bank intents to open immediately departments for personal loans, consumer credits and special checking accounts at the Main Office and to install an additional one thousand safe deposit boxes at the branches. Under the expansion plan a new Operating Vice-President will be named to assist Mr. Glenn. The trust company acts as Fiscal Agent for the Government of Mexico on both the Federal and railway bonds and is a New York correspondent of practically every large bank in all of the Latin-American countries.

* * *

N. Baxter Jackson, Chairman and Chief Executive Officer of the **Chemical Bank & Trust Company of New York**, has been elected a director of the French American Banking Corp. Mr. Jackson is also a director of the Home Life Insurance Company of New York, General Reinsurance Corp., North Star Reinsurance Sorp., American Chicle Co., McCrory Stores Corp., United Stores Corp., Cedar-Temple Realty Corp., Phelan Realty Corp. and Chemical Safe Deposit Co. He is also a member of the Association of Reserve City Bankers.

* * *

On July 1 the New York State Banking Department approved a certificate providing for an increase in the capital stock of the **Glen Cove Trust Company, of Glen Cove, Long Island, N. Y.**, from $200,000 to $300,000. The stock is in shares of $50 each.

* * *

The election of Albert T. Hardick as a Vice-President of the **Marine Midland Group, Inc.**, was indicated in the Buffalo "Evening News" of July 23, which further said:

"He has been Assistant Vice-President in charge of the operations department. Mr. Hardick began his banking career in Buffalo in 1913 with the Marine National Bank, now the Marine Trust Company, rising to Assistant Treasurer of the Marine Trust before becoming associated with Marine Midland Group in 1932."

* * *

Horace B. Merwin, President of the **Bridgeport City Trust Company, of Bridgeport, Conn.**, died on July 23. He was 60 years of age. Mr. Merwin started as a runner for the Bridgeport Trust Company in 1911, and after working in various departments he became Secretary of the institution in 1914, a director in 1917, Vice-President in 1920; and in 1929, when the Bridgeport Trust merged with the City National Bank, he was elected President of the new institution. Associated Press advices from Bridgeport, appearing in the New Haven "Evening Register" from which this is learned, stated that during World War I Mr. Merwin served 18 months with the Army Ordnance Department, receiving a Captain's commission before his discharge. During World War II he was active in civilian defense.

A son, Horace Merwin, is a Vice-President of the Bridgeport City Trust Co.

* * *

Col. Hugh A. Kelly was elected President of the **Bergen Trust Company of New Jersey, at Jersey City**, on July 19. Col. Kelly, who is Chairman of the board of the Hudson & Manhattan RR., succeeds as President of the trust company the late William J. Dwyer, whose death on July 9 was reported in these columns on July 15, page 216. Bernard Rodesky is successor to Col. Kelly as Vice-President of the trust company, and Eugene Lora has been chosen to fill Mr. Rodesky's post as director.

* * *

Joseph J. Gibson has been made Assistant Trust Officer of the **Fidelity Union Trust Company of Newark, N. J.** The Newark "News" of July 21 stated that Mr. Gibson started with Fidelity Union in 1932 and has held various positions in the trust department the last 16 years.

* * *

Plans whereby the **National Bank of Charleroi (Pa.) Bank & Trust Co.** will become a branch of the **Mellon National Bank and Trust Company of Pittsburgh** are announced, subject to the approval of the stockholders at the end of August. Announcement of the plans was made on July 21 by Richard K. Mellon, Chairman of the Mellon Bank, and Lloyd Littrell, President of the Charleroi Bank. Total resources of the latter are reported as exceeding $6,500,000. The taking over of the **Butler County National Bank of Butler, Pa.**, by the Mellon institution was noted in these columns July 22, page 321.

* * *

Stockholders of the **Potter Title & Trust Co. of Pittsburgh, Pa.**, will meet Sept. 16 to vote on a proposal to increase the authorized stock of the company from 150,000 common shares of $5 par value to 200,000 shares. In reporting this in its issue of July 22 the New York "Times" added that the 50,000 additional shares will be first offered to stockholders on a pro-rata basis at $10 per share.

* * *

Alan R. Tyler, heretofore with the **Merchandise National Bank of Chicago**, was on July 16 elected a Vice-President of the **Upper Avenue National Bank of Chicago**, Hiland B. Noyes, President, announced. The Chicago "Tribune" noting this stated that Mr. Tyler, active in banking circles in Chicago since 1934, will take over Upper Avenue's new busines department.

* * *

William B. Pollard, who was named Executive Vice-President of the **National Bank of Commerce in Memphis, Tenn.**, on June 8, was elected President and director of the bank on July 20, succeeding Richard B. Barton, the late President, whose death on July 12 was noted in our issue of July 22, page 321. In its issue of July 21 the "Commercial Appeal" of Memphis said:

"Mr. Pollard at the time of his recent selection by the bank was Vice-President of the Federal Reserve Bank of St. Louis and Manager of the Memphis Branch of the bank.

"Born and educated in Mississippi, he served in World War I. He became associated with the Federal Reserve in 1933 and, after having risen to Assistant Director of Examiners, was named Manager of the Memphis Branch in 1946."

* * *

Paul E. Schroeder, who was recently named Manager of the **Memphis Branch of the Federal Reserve Bank of St. Louis**, assumed the duties of his new post on July 21, on which date he was tendered a luncheon by the members of the Memphis Clearing House Association. It is learned from the July 22 issue of the "Commercial Appeal" of Memphis that present at the luncheon was Chester C. Davis, President of the St. Louis Reserve Bank, who announced Mr. Schroeder's appointment the previous week to succeed W. B. Pollard, who resigned to become Executive Vice-President of the **National Bank of Commerce in Memphis**, and since has been made President of that bank.

It is stated that in addition to being made Manager of the Memphis branch, Mr. Schroeder was elected a Vice-President of the Reserve Bank at St. Louis. Until recently Mr. Schroeder was Executive Vice-President of the **Owensboro National Bank of Owensboro, Ky.**

Weseman Now Partner In Frank & Company

Ralph H. Weseman has been admitted to partnership in the firm of Frank & Co., 39 Broadway,

Ralph H. Weseman

New York City. Mr. Weseman who has been with Frank & Co. in charge of public utility and industrial bonds and stocks, in the past was with P. J. Steindler & Co.

San. Fran. Exch. Honors

SAN FRANCISCO, CALIF.—S. W. Netherwood, Assistant Auditor of the San Francisco Stock Exchange, was presented with a gold wrist watch July 26 in recognition of his 25 years as an employee of the organization. Originally employed in the Clearing House, he later went to the San Francisco Curb Exchange when it was organized as its Secretary. Upon the merger of the Curb Exchange into the Stock Exchange in 1938, Mr. Netherwood was appointed Assistant Manager of the Clearing House and two years ago was promoted to Assistant Auditor.

V. C. Walston, Vice-Chairman of the board of governors, made the presentation at a special meeting of the board.

With Sloan & Wilcox

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE.—Arnold C. Borho has become connected with Sloan & Wilcox, Cascade Building.

Holds Task of Labor Relations Is Higher Output

Lawrence A. Appley, President of American Management Association, says a proper program of personnel management is more important in determining success of a business than technological skill.

Addressing the Southern Industrial Relations Conference at Blue Ridge, N. C., on July 21, Lawrence A. Appley, President of the American Management Association, stressed the factor of increased individual productiveness of personnel as the most important objective in arranging a personnel program.

Lawrence A. Appley

"The challenge is right in the laps of every individual management today," Mr. Appley remarked. "Will they make accurate inventories of the human resources which they now have and need, and will they find ways and means of increasing the individual productiveness of those whom they have on their payrolls, or will they decide to neglect the human element and spend most of their time and effort on the physical resources, and stand by while 'isms' run rampant throughout the country threatening and destroying the private enterprise system."

Continuing his remarks further, Mr. Appley stated:

"That management which says that when business activity falls off, personnal activities must be reduced or eliminated, or which says that because of a change in government attitude toward labor it is no longer necessary to maintain present programs of sound industrial relations and personnel administration, is taking on the characterictics of an ostrich. In this day and age there could be no more short-sighted, uneconomic or reactionary proposal than that.

"The basic activities of a sound industrial relations program have been proven on the balance sheet. They are needed more in time of trouble than in time of prosperity and high profits. That management which saves a hundred thousand dollars or a half million by the reduction or elimination of well administered personnel programs will lose millions as a result.

Personnel Programs Increase Productivity

"The long and short of it is that competitive survival in the future depends upon the skill with which a management can increase individual productivity of workers. Industrial relations activities and programs of personnel administration are directed more than any other management function toward that end.

"Technological skill will no longer determine the future of a business. While it is essential to the future it is not the determining factor of success. Skill in human relations will determine the capacity of a company to produce and distribute successfully the products which it has at a price which the consumer can pay, and from which a fair return will come to investors of capital and of mental and physical effort.

"Skillful managements are and must in the future be capable of determining the proper organizational structure with which they can operate most efficiently; determining the qualifications of individuals to fill the positions in that organization; making accurate and intelligent inventories of the human resources which they have; discovering ways and means by which they can secure greater productivity from the individuals on their payrolls; developing and maintaining adequate sources of competent human resources for the future; maintaining adequate supplies of supervisory and executive material; maintaining a high degree of morale which is frequently called the will to produce.

"A review of the commonly accepted activities of industrial relations and personnel administration would indicate that they are all for the purpose of accomplishing the objectives just outlined. The operating management is responsible for good industrial relations and personnel administration. The personnel or industrial relations department is responsible for developing and perfecting the personnel tools which that management needs to do the job. The carpenter uses a saw but he doesn't perfect or manufacture it. Secretaries type but they didn't discover, invent or manufacture typewriters.

"That management which asks and expects the line supervisors, foremen and executives to carry out the responsibilities of personnel administration without the help of a carefully selected and highly trained personnel department will soon be observing the farmers at work with oxen-drawn wooden plows. You can't have better human relations without greater skill in the development of better and better methods anymore than you can have better products without a research laboratory and bureau of standards.

Human Development Necessary

"The time has come to face this issue and face it squarely. Each management must ask itself whether it is to keep up with human development or soon find itself in the Stone Age. There was a time when an organization could get away with the latter decision but that time is passed. That company which does not keep up with modern methods of management in dealing with both human and physical resources will not survive."

Thomas Shortell Is Now With Marx & Co.

Marx & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, an-

Thos. O. Shortell

nounce that Thomas O. Shortell, formerly with Newborg & Co., is now associated with the firm.

Joseph H. Seaman Dead

Joseph H. Seaman, a former governor of the New York Stock Exchange, died July 21st at the age of 83 after a brief illness. Mr. Seaman served as a partner in William A. Read & Co. from 1905 to 1929 and then became a partner in Shields & Co.

Rockford Securities Dealers Entertain Illinois Association

Back Row: Arthur H. Anderson, *King, Olson Surprise & Co.*, Rockford, Ill.; S. A. Sandeen, *S. A. Sandeen & Co.*, Rockford, Ill.; Robert G. Lewis, *Robert G. Lewis Co.*, Rockford, Ill.; Paul E. Conrads, *Conrads & Company*, Rockford, Ill.; Robert B. Strauss, *Strauss Bros.*, Chicago, Ill.; William H. Sills, *Sills, Minton & Co.*, Chicago, Ill.

Front Row: David L. Heath, *Heath & Company*, Elgin, Ill.; Milton J. Isaacs, *Straus & Blosser*, Chicago, Ill.

Back Row: F. S. Yantis, *F. S. Yantis & Co.*, Chicago, Ill.; Boyd J. Easton, *Boyd J. Easton Company*, Rockford, Ill.; Joe Houston, *Calvin Bullock*, Chicago, Ill.; Milton J. Isaacs, *Straus & Blosser*, Chicago, Ill.; Carroll H. Starr, *Paul H. Davis & Co.*, Rockford, Ill.

Front Row: Richard G. Olson, *King, Olson, Surprise & Co.*, Rockford, Ill.; Ralph W. Davis, *Paul H. Davis & Co.*, Chicago, Ill.; John C. Ralston, Jr., *Ralston Securities Co.*, Rockford, Ill.; Claude B. Franz, *Paul H. Davis & Co.*, Rockford, Ill.

ROCKFORD, ILL.—The Rockford Securities Dealers Association entertained on July 16 officers and directors of the Illinois Securities Dealers Association and guests at golf at the sporty Mauh-Nah-Tee-See Country Club.

It is reported that some weird golf was played and some even weirder prizes distributed in recognition of this. Paul R. Soulé of A. R. Hughes & Co., Chicago, hasn't yet figured out what to do with one of the prizes which he received. M. G. H. (Manny) Kuechle, Sills, Minton & Co., passed around his trick bank which he received for doing the most outstanding job of kibitzing and made himself a small fortune.

The Chicago boys agreed that it would be profitable gastronomically to move to Rockford if they could consistently obtain the kind of food which was served to them at the dinner.

After dinner on the veranda of the Club House the evening was devoted to a discussion of Illinois State laws as they affect registration and qualification of issues. The meeting was conducted by William H. (Bill) Sills of Sills, Minton & Co., Inc., who is President of the Illinois Securities Dealers Association.

Boyd J. Easton is President of the Rockford Securities Dealers Association and John Ralston, Ralston Securities Co., is Secretary.

Public Utility Securities

Central & South West

Central & South West Corporation is a holding company representing about half of the old Middle West System. In February, 1947, Central & South West Utilities Company merged with its subsidiary holding company, American Public Service Company, and changed its name to Central & South West Corp. At the same time, in a complicated deal which included a public offering of part of the new common stock, several preferred stocks with substantial arrears were retired and Middle West received new common stock which it subsequently distributed to its own stockholders. The capitalization of Central now consists of $4,000,000 serial notes and 6,600,000 shares of common stock, all held by the public.

The company controls through full ownership of common stocks four interconnected electric operating companies in Texas, Oklahoma, Arkansas and Louisiana—Central Power & Light, West Texas Utilities, Public Service of Oklahoma and Southwestern Gas & Electric. Some of the principal cities served are Corpus Christi, Laredo and Texarkana in Texas, Tulsa and Bartlesville in Oklahome, and Shreveport in Louisiana.

This territory is basically agricultural, the principal products being cotton, corn and other grains, live stock, dairy products, fruits and winter vegetables. The East Texas oil field and many other oil and gas producing fields are located in the territory, and industrial development has been largely associated with oil and gas and related products. In recent years the region has produced a wide variety of products including chemicals, carbon black, zinc, glass, cotton seed products, canned fruits and vegetables, gypsum products, building stone, ceramic materials, clay tile and brick. With favorable climate, plentiful raw materials, cheap fuel and power, and adequate labor and transportation facilities, the continued development of the areas served by subsidiary companies seems assured. Such companies as Aluminum Company of America, duPont, Corn Products Refining and Celanese have either located plants in this area or plan to do so.

System KWH sales more than doubled in 1940-47, and the current rate of growth is about twice the national rate. This growth plus the advantage of using natural gas as fuel has resulted in sharp gains in share earnings. Thus on a pro forma basis share earnings jumped from 66 cents in 1945 to $1.22 in 1946, $1.38 in 1947 and a currently estimated $1.50 for the calendar year 1948. The dividend rate was recently increased from 70 cents to 80 cents (still conservative in relation to earnings), and payments have been made quarterly instead of semi-annual (two payments have been declared for the balance of 1948).

The company is planning to spend over $100,000,000 for additional plant facilities during 1948-51, compared with present net plant account of about $176,000,000. It is estimated that some 40% of this amount can be obtained through cash realized from depreciation and amortization charges and retained earnings. In 1947 and the first quarter of 1948 about $32,000,000 was raised through subsidiary financing (including about $4,000,000 common stock). Central Power & Light also planned to sell $4,000,000 preferred but was unable to consummate the deal. Remaining funds needed for construction can doubtless be raised principally by the subsidiaries. However, in order to maintain the equity ratios of all subsidiaries above the 25% minimum usually desired by the SEC, a small amount of equity financing may prove necessary. Thus Central & South West at some later date might issue additional stock. In view of the rapid growth this should not dilute share earnings very much, possibly about offsetting this year's indicated gain, it is estimated.

As of Dec. 31, 1947, the capital structure of the system was approximately as follows:

	Millions	Percent.
Long-term debt	$94	51%
Preferred stock	32	18
Com. stock equity	57	31
Total	$183	100%

Plant account includes nearly $6,000,000 of plant acquisition adjustments, and debt discount amounts to over $5,000,000. These items are being amortized over a period of years, but if they were wiped out currently surplus would be reduced correspondingly and common stock equity would be reduced to around 27%. Most of plant cost ($217,000,000) is carried at "original cost" but the SEC and FPC have not yet completed their check on the figures for two subsidiaries.

Average residential rates for the system in 1947 averaged slightly over 4 cents, which is above the national average, but substantial reductions were made a year or so ago and any further drastic change appears unlikely under present conditions.

Central & South West is currently selling on the Curb at 10⅞ (a new high for this year), to yield about 7.4% based on the new dividend rate.

New York Stock Exchange Weekly Firm Changes

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

E. Kirby Newburger, general partner in Kohlmeyer, Newburger & Co., became a limited partner effective July 15th.

Transfer of the Exchange membership of the late Otto Abraham to John Y. G. Walker, Jr., will be considered by the Exchange on Aug. 5th. It is understood that Mr. Walker will act as an odd-lot broker.

Even in an "Acceptance Speech"!

"I am committed to helping lift the heavy hand of fear from our elder citizens, whose minds and bodies have served to build this America and whose reward must be the economic security which will enable them to spend their days with the peace of mind that comes from work well done and appreciated. And I am committed to those programs — principally the program for peace—which will lift from our young people the dread of war and drafts and unemployment and which will replace these fears with hope born of security and the equal opportunity to develop fully their individual talents and careers.

Henry A. Wallace

"I am committed — as I have been my whole life through — to advancing those programs for agriculture which will increase the productivity of our land and better the lives of our farmers and their families.

"I am committed to stopping the creation of fear; to using all my powers to prevent the fear-makers from clogging the minds of the people with the 'red issue.' The American people want and deserve fewer red issues and more red meat. Millions know and millions more must see that it is not the Kremlin, not the Communists, who have sent milk to 24 cents a quart and meat to $1.30 a pound; that it is the red issue not the reds who did this to us.

"Yes, I am committed and I am confident the new party will commit itself to the principle of using our democratic process to the end that all men may enjoy the benefits made possible by modern science."—Henry A. Wallace.

Could absurdity, even in an "acceptance speech," go further? And there is much more of the same order!

It would be a sad commentary on the American people if such stuff and nonsense attracts many votes.

Repass With Williams

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Marion T. Repass has become affiliated with Philip T. Williams, Liberty Life Building. Mr. Repass was previously with R. S. Dickson & Co., representing them in High Point, N. C.

G. Brashears Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John G. Beamish has been added to the staff of G. Brashears & Co., 510 South Spring Street, members of the Los Angeles Stock Exchange.

As We See It

(Continued from first page)

were essential, were to last but a relatively short period of time.

These Two Years

Well, two years have now passed — two years of record production in almost every branch of industry. Here and there, "back-logs" appear to have been reduced if not eliminated, but by and large demand seems to be still larger than current output, and prices are still definitely moving upward. Now these proponents of the super-state say: "Ah! Did we not tell you so?" "Did we not warn the American public that controls were being lifted to soon?" And they, one and all, appear to feel confident that the course of prices during the past two years leaves no doubt of their wisdom then and of their understanding of the situation now.

But we wonder. American industry, straining for two years, or at least as near straining as it can with the pampered labor with which it must deal, has not been able to "catch up" with demand — with demand, that is, at current high prices. When, then, could it possibly be expected to catch up if prices had been artificially held at or about the level obtaining two years ago? The truth is, of course, that if prices had been held at that level, it may be seriously questioned whether production would have been nearly so great as it has been or as it currently is. Be that as it may, certainly production would not have been any greater, and demand (certainly in terms of goods rather than in values) would not have been any less. Since much of the demand originated in funds brought forward from war hoards, it may well be that it would have been substantially greater in terms of goods than it actually has been.

Controls in Perpetuity

It is thus clear that had Messrs. Bowles, Porter and the others had their way in 1946 they would be obliged to contend today, after two long years have elapsed, that their "emergency" still exists and their controls are still required. If they were completely frank and capable of a realistic diagnosis they would be obliged to add that there was still no prospect in sight of that time when (according to their reasoning) it would be safe to lift controls. That is to say they would be in a position in which they should be hard put to it to deny that their philosophy really calls for an emergency in perpetuity, and controls with life everlasting. The fact that there has been a two-year interregnum (more or less) may or may not make it possible for them to convince the harried housewife, or at least some of them, that their shopworn remedy would have been successful and should now be applied.

But the fact of the matter is that they did not then, and they do not now, have any understanding at all of the economic forces which are resulting in a continued rise in prices. Production costs are rising, not falling, due primarily if not solely to continued increases in wages, and various other "fringe" concessions granted as a result of irresistible pressure exerted by monopolistic unions. All this means inevitably that the total funds laid out in the production of goods and services (the real source of current purchasing power) rises faster than the physical quantity of goods and services produced. In addition, of course, are the funds hoarded or (at Government urging) placed temporarily in war savings bonds against the day when postwar goods were again available.

What Other Result?

How then could prices fail to rise so long as these fundamentals remain and operate in a natural way—or certainly so long as the public is disposed to utilize the funds at its command? And on the same assumptions, how could controls such as those now being suggested again (in peacetime, mind you) possibly restore or help to restore the equilibrium required for the "stability" about which politicians and some economists do so much talking but which they probably would not like too well in fact. These prophets of an omniscient and omnipotent state are no less fuzzy in their economic thinking and no more able to come forward with really constructive suggestions than they were in 1946 when the American people so emphatically repudiated them.

Housing

In that other field, housing—which could be regarded as a "special case" of the price situation — the Administration is on no stronger ground. It is in a sense fortunate in being able to point to a bill which carries the name and the support of Senator Taft (among others, of course), one of the leading antagonists of his Administration. This fact does not, however, in the least sanctify the measure in question, the so-called Taft-Ellender-Wagner bill. That proposed law should naturally be studied on its own merits quite regardless of whose name is attached or who conceived or drafted it or who is now supporting it. Very little study of the measure renders it clear enough that it simply does not make sense in the present situation.

One must suppose that the Administration — and doubtless its authors — regard the measure as having as its central purpose the stimulation of housing construction. But let us take a glance at the record. The over-all volume of construction is already at capacity, and has been for a long while past. How can any legislation such as that now suggested increase that volume? So far as it succeeds in channeling further funds into construction, is not the result much more likely to be higher costs rather than more houses? Is it not also true that the supply of single family dwellings has reached a point where the individual must be wary in buying them lest he find himself carrying a second rate house at a wholly unreasonable price or cost?

The dearth of multiple family dwellings, the apartment houses of the large cities, is well-known to be a result of causes which the proposed housing law will not in the least relieve. Public policies in general have been and are now the chief impediments. If the President has his way these stumbling blocks will be multiplied, not eliminated.

PRESIDENT TRUMAN IS A STUBBORN MAN.

The Guardians of Individual Liberty

(Continued from page 3)

totalitarian states. People do best those acts which they perform of their own volition. The American people will be able to provide an adequate military force for peacetime preparedness without extending to the military the continued right to force our citizens into military conscription against their wills.

When we permit the violation of the principle of freedom of choice of occupation by the military against our youths up to 25 years of age in peacetime, we establish a precedent which the military chiefs are already using against all citizens in the form of a drive for UMT, a bill designed to deprive all citizens of the privilege of freedom from military domination of their peacetime activities. Professional military chiefs will never limit the powers granted them by Congress over civil life. Unless we can halt the tide of military aggression against the American people there will remain no more freedom for American citizens.

Army Propaganda

In violation of the U. S. Code, the Department of the Army engaged in the illegal diversion of funds from defense to propaganda for programs beneficial to the professional officers seeking by subsidy to newspapers and channels of public opinion to influence legislation before Congress. So successful was this huge advertising and lecture campaign carried on by the military departments that some members of Congress became confused as to the public's faith in the voluntary system of manpower procurement, voting enormous military appropriations into the military budget for next year, and forcing for the first time in American history young Americans to enter a peacetime army against their will. As the third largest advertiser in the press for 1947, the Department of the Army succeeded in obtaining almost exclusive press treatment of the Army's side of the draft and UMT programs which enabled the military to deliberately sabotage their voluntary procurement program and obtain right of draft without the public and many Congressmen knowing that the manpower "shortage" was a creation of the military brought about through disregard of laws enacted by Congress designed to encourage voluntary enlistment.

In the autumn of 1945 the Congress moved toward the ending of enforced service and the beginning of voluntary procurement, as it has existed in America in peacetime. Always opposed to the volunteer system, the military authorities told the Senate Armed Services Committee that the greatest number of volunteers that could be expected would be 300,000 men. The volunteering bill was passed.

Congress has seen the country emerge from a war, and has not forgotten the basic principles of liberty which had made our country great. Congress insisted that the ranks be filled with volunteers before we try a peacetime draft.

Voluntary System Working Well

Several of the high military authorities had insisted that the greatest number of men who would enlist would be 300,000. Then, the Army was aiming at having 1,070,000 men by July 1, 1946. By Feb. 1, approximately 800,000 had enlisted. The number of volunteers grew and grew and the voluntary system was working well.

It worked particularly well until the spring of 1947. At that date the Senate Armed Services Committee learned that the Army had put into effect a new rule raising the requirement of those desirous of entering the service to a minimum grade of 70. The army classification test passing mark having been 59. Members of the Senate Committee were not even informed by the military of the change in recruiting policy but learned of it through other sources.

When called upon to explain before the Committee, General Paul in April hearings stated as follows:

Senator Revercomb: "General Paul, the classification test has been given throughout the war, hasn't it? And the passing mark was 59?"

General Paul: "That is correct."

Senator Revercomb: "And that was raised while we were in this program of taking in volunteers?"

General Paul: "Also correct."

Senator Revercomb: "Will not the raising of that passing mark definitely prevent a certain number of men from volunteering who desire to volunteer to the Armed Services?"

General Paul: "We hope it will."

The recent war was fought on the basis of a passing grade of 59 in the classification test. Our country's Army prior to the war used a 59 mark for entrance. "I cannot escape the conclusion that the Army has deliberately set about to scuttle the volunteer system so that it may have an absolute and unlimited power of selection."

"If we were to give to any group of persons in this country—for example, the doctors or the lawyers or the engineers' associations—or a civil organization, the power to draft the young men they would wish to have enter their profession, I suppose their natural inclination would be to pick the cream of America, the top-flight men. But that is not according to the traditions of our country; that is not according to the principles of real freedom. We have permitted the young men of our country to make their own selections. Not until it becomes utterly necessary in time of national defense to compel all men to stand guard, do we lay aside that principle. Would that happen if we gave to some other branche of the government the power to draft or select on any basis the men it wished to have?"

"No, if we are to establish in this country a policy of permitting one branch of our government's organization, whether it be military or civil, to say, 'We are going to denude this country of just those we want.' *I say we shall have set up a standard that will destroy every vestige of real and natural freedom.*"[1]

With the General Dahlquist, assistant to the Chief of Personnel, stating that there was no need for a higher degree of military intelligence, a raise was made of the minimum passing grade for volunteers again. This time the grade that had been raised from 59 to 70 points was raised to the 80 mark. Can the Army volunteer system supply men when military officials continue to raise the passing mark? Certainly, it cannot. If the system met the 80 mark, is there any reason to believe that it would not be raised to 90?

There is no need for better equipped or more intelligent men with a higher mental ratio today than there was at the end of the war.

We had in America the finest nation and the freest people of any major power on the earth. This was before the enactment of the first peacetime conscription law. Congress has allowed a small group of professional officers and members of Congress supported in their elections by the military department and its friends to confuse the American people. In effect, we have gone on record as a people through our government that Americans would not wish nor have sufficient intelligence to determine the field in which they might best serve their own and their country's interest.

Although military volunteers came into the service in spite of the barriers to enlistment raised by the professional officers until these barriers were made unreasonable, the gigantic farce that a draft in peacetime was needed was put across by the military chiefs.

What Should Be Done

There are several things the American people can do about this situation to save ourselves from the fate of totalitarianism which the military seem determined to impose upon us.

The important step to be taken

[1]Address on the floor of the Senate, June 10, 1948; by Senator Revercomb, Republican Congressman from West Virginia.

at this time is the most vigorous activity in support of the reelection to Congress of the 136 Representatives and those of the 10 Senators who voted against a peacetime draft. Courageous leaders like Senator George A. Wilson, of Des Moines, Iowa; member of the Senate Armed Services Committee, Chapman Revercomb, Senator from West Virginia, and William Langer, of North Dakota, merit the most vigorous support as an encouragement to enable them to continue with unabated zeal their fight for freedom for all Americans. In the House of Representatives the most valuable defenders of liberty are Representative Dewey Short, of Galena, Mo.; Representative Leo Allen, Chairman of the Rules Committee; Representative Graham A. Barden, of North Carolina; Folger, of North Carolina; Havenner, of California; Heffernan, of Brooklyn, N. Y., and Rep. C. W. Bishop, of Illinois, and Rep. Philip Philbin, of Massachusetts, the last four of which are members of the House Armed Services Committee.

No list of the gallant and heroic defenders of liberty would be complete which failed to mention Representative Paul W. Shafer, of Michigan, the sponsor of the famous amendment to the draft bill adopted by the House of Representatives, but stricken from the bill by House Conferees, all but one of which were interested chiefly in pleasing the military department heads and did not effectively represent the body of Congress which had appointed them to confer with Senators.

An illegal conference results in an illegitimate act which may be stricken from the legal statutes by judicial action. As a conference member of the House conferees has testified, the meeting which took place between this group and the unappointed Senate conferees June 25, 1948, was unofficial and without any legality in so far as any action by the Senators or agreement between House and Senate on the draft bill was concerned. When the Senate conferees were appointed June 26, 1948, the time that elapsed between their appointment and the report precluded the possibility of a second later legal meeting between Senate and House conferees which would have legalized the decisions reached by a conference. That there was no legal conference meeting has already been made known on the floor of the House of Representatives.

The Shafer Amendment

The Shafer Amendment to the House draft bill, adopted by a vote of 135 to 90 in the House of Representatives, provided no induction before the end of January, 1949, under draft, but arranged that a committee would be set up to see that the Army lowered its grade requirement for volunteers to 70-point minimum grade. It provided the incentive for two-year volunteers now granted to three-year new volunteers and comparable increase in the incentives for new three-year volunteers. It insured that no inductions could be made unless positive evidence that fair trial of the voluntary system under these and other military reforms disclosed to the satisfaction of the Congressional committee that insufficient volunteers were admitted to meet the quota set by the Congress and suggested by the Department of Defense.

The men responsible for the elimination of all the Shafer Amendment provisions adopted by the House of Representatives, except the lowering of the grade requirement for volunteers to a 70-point minimum, were the following Representatives who are members of the Armed Services Committee and were House conferees on the draft bill of 1948: Walter G. Andrews, of Buffalo, N. Y.; W. S. Cole, of Bath, N. Y.; George J. Bates, of the Sixth Massachusetts District; Paul J. Kilday, of San Antonio, Texas Carl T. Durham, of the Sixth N. C. District, and Carl Vinson, of Milledgeville, Ga. For the sake of individual liberty and those basic American virtues that still remain in this country it is to be hoped that they will not be returned to Congress to continue the present policy of setting up a military machine that will increasingly control our civil government.

No account of the persons involved in this Act of Conscription would be representative of the forgers of enforced military duty that did not mention the father of American Conscription Acts of 1917 and 1940. The same Representative Wadsworth, of Geneseo, N. Y., who authored those Acts, was in large measure responsible for the present vicious peacetime Draft Act of 1948. Although not a member of the Armed Services Committee, his presence as a member of the Committee on Rules, like that of E. E. Cox, of Camilla, Ga., and H. W. Smith, of Virginia, was the cause of this ill-advised legislation reaching the House for action. By an emotional and hysterical appeal the bill was passed, although stripped of the farsighted Shafer amendment, and before the people through the 1948 elections could register their wishes in connection with the legislation by their vote at the polls.

Let us hope that voters will remember these men who contrived to legislate our youth into conscription in peacetime and not make the mistake of returning them to the 81st Congress, where they would strive to enact a universal conscription bill affecting civilians, such as that proposed by Harry L. Towe, of the Ninth New Jersey District, which bill fortunately died in the 80th Congress in spite of the most determined pressure by the military officers.

Under section 201, title 18, of the U. S. Code, the use of Federal funds for the purpose of influencing legislation before Congress is unlawful.[2] However, the War Department, under Secretary Patterson, commenced the violation of this statute when it started hiring civilians to tour the country and engage in radio and press releases asking Americans to get their Congressmen to adopt a plan that would have placed control of education, industry and all persons of both sexes under a three-man commission, including a military-officer commissioner. This Universal Military Training bill (H. R. 4278) provided a labor draft and constituted the most audacious and far-reaching military controls over individual Americans ever contemplated. Even during wartime no effort to restrict and regiment the American people was advocated.

When a Congressional Committee investigated the illegal use of defense funds for UMT propaganda and issued a report confirming the illegality of the Army's action, no injunction was taken by our Attorney-General and the unprecedented press propaganda and diversion of funds for the purpose of influencing legislation continued in modified form.[2]

Although we may expect this abuse to be discontinued under a new President, there is no law which prevents the military departments from spending whatever part of the defense funds the military heads wish for advertising in the newspapers. By advertising the voluntary procurement and policies which military chiefs desired enacted into law the military became a major source of the revenue derived by newspapers from advertising. Thus, it was not remarkable that few newspapers cared to present any side of the draft or UMT news unfavorable to the views of the defense chiefs and that the public could not obtain from the newspapers equal treatment of both sides of the controversial issues dealing with military matters.

The advertising by the military, as well as any form of influence through public relations, constitutes a violation of the principle of representative government. It destroys the delicate balance of power between the legislative, judicial and executive branches of our government by making the executive branch, of which Defense is one department, capable of selling legislation to the public.

If every executive department diverted its funds to propaganda for new legislation and from the functions for which the department was established, as our Department of the Army has done, Congressmen would become mere rubber stamps of the appointed bureaucrats. A more oppressive or disorganized government by pressure groups is difficult to imagine. Our overdeveloped bureaucracy threatens but does not yet control the other branches of government. Let us exercise the utmost diligence to prevent the military department's future employment of public funds for the influence of legislation.

By placing the function of advertising for volunteers in the mediums of public information in the hands of a Congressional committee appointed from the membership of the House Appropriations Committee and repealing the Conscription Act of 1948, we will eliminate the threat to individual freedom posed by the existence of a huge public relations division in the Pentagon. This non-military functioning of the Department of the Army has grown to alarming proportions. Thousands of personnel, a four-star and a three-star general are employed full time by the Pentagon for the purpose of influencing public opinion and for the dissemination of material favoring the plans and policies desired by the military chiefs.[2]

The power to control Congressional elections resides in the division of our executive department which has the opportunity for spending public funds among those channels of public information, such as the press, radio, and public lecturers, which formulate public opinion. Most Americans form their opinions on public issues by reading the newspapers and listening to the radio. Comparatively few Americans have the time or the habit of informing themselves on world events by reading publications which do not depend for their revenue upon advertising contributed either by the Army or the War Assets Administration, the third and the second largest advertisers in newspapers during 1947.

It would be interesting to note the change in the ratio of pro and con material appearing in the newspapers relative to pet ideas of our professional officers after the power of decision as to what papers will be used and how much money for military advertising will be employed has been taken from the military chiefs and placed in disinterested hands.

Now that the 80th Congress has permitted itself to be pressured into peacetime military programs which will require, according to estimates of defense chiefs, an annual military appropriation five times the size of the tremendous 1947-48 military appropriation within the next three to five years, it is of vital importance from the standpoint of retention of national solvency that legislation be enacted removing from the military department the privilege of influencing our press through its power of providing public funds for public relations and advertising.

In the language of the Congressional Representatives who framed the significant *Minority Views to Accompany H. R. 6401:*

"We cannot conceal the ugly fact that the stability of our economic life will be seriously imperiled by these new (military) requirements. Secretary Royale admitted that the Army was spending large amounts of taxpayers' money to obtain a permanent system of conscription.[3] We have the greatest navy in the peacetime history of the world we have a splendid air force; we have the leading position in the field of ultramodern weapons of destruction, the atomic bomb bacteriological warfare and other developments almost too terrible to contemplate. And, finally, our industrial position is incomparably superior to any possible combination of rivals. Ample evidence is available and much of it is summarized in this minority report, to prove that no compulsory peacetime draft is needed to build up the Army to required strength.

"We are strong, and our defenses are being made wholly adequate to meet any eventuality. But we must also keep this nation free—for it is in this freedom that our greatest strength lies. It is because of this freedom that we have successfully repelled every attack.

"It is significant that every major nation in history which has had peacetime conscription inevitably has been led into war and eventually to defeat and utter ruin.

"America is populated by many peoples, most of whom came here to escape the tyranny of the Old World—to escape the very Prussianism which it is now proposed to fasten upon these United States for all times. Millions of Americans have fought and died to avoid just such slavery as it is now proposed that we legislate into existence. The compulsory peacetime draft will wreck the institutions upon which America is founded."[4]

Let us take the steps necessary to restore the freedom of the press and of all segments of our population, including those young men between the ages of 19 and 25.

[2]Report of the Committee on Expenditures in the Executive Departments (House Report No. 1073, Union Calendar No. 563, 80th Congress, 1st Session).

[3]House Report No. 1510, 80th Congress, 2d Session, Union Calendar No. 712, Supplemental Report to the Fourth Intermediate Report of the Committee on Expenditures in the Executive Departments, March 4, 1948.

[4]Extra from House Report 1881, 80th Congress, 2d Session, Minority Views to accompany H. R. 6401, May 7, 1948, Selective Service Act of 1948.

Railroad Securities

The June railroad reports that started coming in last week generally make pretty good reading. Practically all of the major carriers that have reported to date have shown wide year-to-year gains in net operating income for the month. This is in pleasant contrast to the spotty performances of earlier months when results of some carriers were adversely affected first by the severe winter weather and later by the bituminous coal strike. The market has been paying little attention to the wide June earnings gains, either for individual roads or for the industry collectively. Perhaps it is just as well that no wild enthusiasm has been generated by this June showing as the earnings improvement has not been nearly so spectacular as a cursory perusal of the bare figures would indicate.

Southern Pacific is a good example of the distortions that have been creeping into the June reports. Earlier this year Congress passed legislation reducing unemployment insurance payments by the railroads. The reduction was retroactive to the beginning of the year. As a result, June earnings figures generally include credits sufficient to wipe out the overpayments of the first five months of the year. It is true that this reversal makes the cumulative earnings for the first half of the year accurate. However, the credit to taxes does tend to inflate the earnings for June alone.

In June, Southern Pacific's gross revenues amounted to $50,569,617, up $7,313,328 from a year earlier. Net operating income increased $2,131,354 to $5,675,858. The road carried approximately 30% of the increase in gross through to net operating income. This showing, however, was not attributable to any control over operating costs. It was due to the credit of $2,595,899 for unemployment insurance taxes, contrasted with a debit of $636,278 a year earlier. Federal income taxes were up from a year earlier, as were State, county and city taxes, with the result that all taxes were just $2,374,776 under a year ago. This was very close to the year-to-year increase in net operating income for the month.

From an operating standpoint rather than from the point of view of recorded earnings only, Southern Pacific's June results were hardly calculated to generate much enthusiasm. As compared with the revenue gain of $7,313,328, operating expenses were up $7,381,336. This is particularly discouraging in view of the highest freight rates now prevailing. All operating expenses were above the level of a year ago, but by far the widest spurt was in transportation costs. The increase in this item from $17,148,482 to $22,534,316 alone absorbed approximately 74% of the increase in gross revenues for the month. The transportation ratio for June was 44.6% compared with 40.8% for June, 1947.

For the full six months through June net operating income was $2,221,377 above the like interval of a year earlier, virtually all of the gain having been accrued in the final month of the period. Gross for the six months increased $23,098,033 and this was more than offset by a rise of $27,538,765 in operating expenses. Net revenue from railway operations was off $1,440,732 from the 1947 figure and it was only the lower tax accruals that permitted any gain at all in net operating income. As in the month of June, but not in such pronounced degree, the largest increase in expenses was in transportation costs. For the six months the transportation ratio was up almost two points to 40.8%.

Although the June earnings comparisons are not to be taken at their face value, and even though the transportation ratio was up sharply, most railroad analysts still consider Southern Pacific stock to have excellent potentialities. It has done a good debt job and finances are still strong. It operates in a rapidly growing territory. Earnings last year amounted to $8.86 a share and could top $10 in 1948. The $4 dividend rate is well protected. In fact, in some quarters an increase is expected. Certainly, this possibility may not be discarded. Selling for less than six times prospective 1948 earnings, the stock does have considerable appeal.

Varied Factors Influencing Foreign Trade

(Continued from first page)

1936-38 our annual exports averaged less than $3 billion. In 1943 the wartime peak of $14¼ billion was reached. After two years' export of less than $10 billion, the 1947 total reached nearly $14½ billion.

Imports were less than $2½ billion before the war. They climbed to almost $5 billion in postwar 1946 and $5.7 billion in 1947.

As a measure of the price inflation which has been taking place we have Commerce Department statistics showing that from prewar to 1947 export prices rose 91% and import prices, 110%.

Where is our foreign trade heading this year? What is happening to foreigners' purchasing power in this country?

Shrinkage This Year Was Anticipated

Compared with the $5.7 billion of foreign goods we bought in 1947 U. S. imports this year have been running at an annual rate of $6.9 billion. Whether they will be sustained at that rate during the rest of 1948 is a controversial question in Washington. When the then Secretary of Commerce earlier this year was discussing Europe's payments problem with Congressional committees he predicted that, taking into account all sources of dollars, including the then pending ERP program, foreign buying in the U. S. would fall very sharply. Even with ERP, Harriman estimated, there might be a 10% shrinkage in American exports as compared with 1947. Today, with 1948 more than half over, Department experts still adhere to Harriman's estimate.

Since actual merchandise exports were $14.5 billion last year, a 10% shrinkage would mean 1948 exports of about $13.1 billion. Commerce Department statistics for the first five months of 1948 show exports at an annual rate of $13.2 billion.

Mr. Harriman doubtless does not profess to be a seer and his forecast must not be taken too literally. For example, it assumed no change in prices. But already there has been a price rise of about 5% to take into account in using the trade data quoted above. For this and other reasons U. S. imports in 1948 are expected, now, to reach $6.5 billion, supplying the rest of the world with that much American purchasing power.

And during the rest of this year exports are expected to increase in volume and value, as compared with the first half of 1948, so as to bring the year's total to somewhere between $13.5 billion and $14.0 billion.

Impact of Current Exports on U. S. Economy

From the standpoint of the domestic economy our current large export program has both advantages and disadvantages. It makes for full employment and boom conditions in many lines. But by the same token it tends to increase inflation here and intensify scarcities. The effects vary depending on the commodities involved. Below we shall examine some individual lines, but first let us note that the gross national product is expanding. It is therefore pointed out, in defense of the ECA and other loan programs, that in 1948 exports will take a somewhat smaller fraction of the total output than happened last year. In 1947 the gross national product was $232 billion; this year it is expected to exceed $250 billion.

Tending to change the impact of the export program, especially that of ECA, this year is the fact that grain crops are proving bounteous not only here but abroad, which means that the beneficiaries of ECA will need less foods here and that the appropriations can be applied to other types of goods. This may mean intensified impact of the program on "shortage areas." Commerce Department officials report that they find no noticeable concentration of foreign demand different from the 1947 pattern. But if such concentration makes its appearance, it is pointed out that the Department, through the Office of International Trade, has charge of export licensing and so can counteract such trend.

During the very thorough study of the ECA program by the Taber subcommittee of the House Appropriations Committee last spring the government departments presented their then best estimates of the effects of the ERP program on American exports and on domestic supply, by individual commodities and groups of commodities. A considerable amount of information was compressed into two large tables presented to the sub-committee, and at this writing this information generally speaking still is the latest available. The two tables, dealing respectively with commodities of direct interest to farmers and with non-agricultural commodities, are so packed with information that they would be difficult to use here, but the writer has extracted from them the facts submitted in the accompanying table, U. S. Exports as Percent of Total U. S. Supply: Selected Groups. For the two chief groups covered by this table, agricultural and non-agricultural, the data are not given in the hearings for exactly the same periods. For both groups, however, the first 15 months of ECA are covered by the first and fifth columns of figures.

Comparing the initial ECA period with the last previous period estimated or known (1947-48 for agricultural and 1947 for non-agricultural products) we note that exports will take a larger part of the total U. S. supply in some cases and a smaller part in others. In the former category are, according to the estimates, sugar, cheese, processed milk, fresh fruits, tobacco, cotton, apparel wool, agricultural machinery, trucks, woodpulp, and petroleum and other equipment. In the other groups of commodities comprised in the table there is expected to be some decline in the proportion of total supply going to other countries.

Since the House hearings, the grain situation has improved very considerably from the standpoint of supply, as we have noted above. Sugar is plentiful, so the increase in its exports is not a matter of concern. In meat, which is a very scarce item here, the decline of 0.6% expected in the export drain is welcomed; for any exports at all in that field are a distinct sacrifice by this country. Dried fruits and tobacco are both surplus commodities here, and producing interests are reportedly pressing ECA to push more of them abroad. In the case of nitrogen, exports of which during ECA's initial period will take about the same proportion of the total U. S. supply as in the preceding year, it will be noted that the Army accounts for the increase in exports. Congress has linked exports of nitrogen to the output of Army plants, in effect placing a ceiling on exports. This needs to be borne in mind in reading the nitrogen items in the accompanying table.

In the industrial group of products, during ECA's first 15 months it is estimated that the supply of agricultural machinery taken by exports will be only slightly more than the 21.5% which was exported in 1947. Agricultural machines are, of course, a tight commodity today, and the law limits ECA exports during the first year to $75 million. The proportion of their output taken by export buyers including ECA countries (22%) is nearly half again as large as the prewar percentage (15.9%). Since it is expected that the ECA countries will receive 6.7% of the U. S. supply during these first 15 months of the program, as compared with 3.8% in 1947, exports of such machines to other destinations will be lower than during 1947.

The proportion of coal production exported in the 15 months ending June 1949 is to be smaller than in 1947, both in the case of ECA countries and all other countries. But it may be noted that actual tonnage exported to non-ECA countries during the same 15 months is estimated to run at a larger rate per annum than in 1947. Exports of petroleum products—shown for 1948 on a 12-months basis—will in the case of both ECA destinations and others be smaller this year than last. (The petroleum export figures in the table presented to the Taber subcommittee include exports to U. S. territories.)

In this commodity, however, the ECA countries make very little claim on the American supply. In 1948 only 35 million barrels go to the ECA countries from here, whereas total U. S. exports of petroleum products will be 149 million barrels, it is estimated.

Steel, the Key Commodity

The case of steel, crude, semi-finished and finished, merits special attention. Exports to ECA destinations are expected this year to account for a larger part of the national supply: 3.3%, as compared with 3% in 1947; but with steel output during the 15 months ending next June estimated at 76 million metric tons as compared with 58 million in the calendar year 1947 (a slight increase in the annual rate of production) total exports during the 15 months are estimated at 9% of the supply, as compared with 10.3% in calendar 1947.

Freight cars are another important item in great demand. The fraction of the supply, as the accompanying table shows, accounted for by exports is estimated at considerably less than half the 1947 percentage. In 1947 freight-car exports to ECA countries totaled 29,323 and in ECA's first 15 months are estimated at 20,000. The corresponding export figures for all countries, including ECA countries, are: 1947, 32,639; 1948-9, 26,000. Before the war total exports of freight cars were about 1,200.

Truck exports are highly important to the industry, and in these 15 months are estimated to total 27.9% of the available supply, as compared with 22.6% in 1947 calendar year. Even before the war the percentage of the supply exported was above 22%. The share of the supply to be taken by ECA countries during the 15 months ending next June is only 3.9%, or little more than in 1947 and well below the prewar percentage, 5.4. The 15-months exports to ECA countries are put at 49,000 units and total exports to all destinations at 349,000 units. These figures compare with an estimated 15-months production of 1,250,000 units.

Other Important Export Demands

Other industrial products in which exports currently constitute an important claim on the U. S. supply are electrical machinery, 7.9%; copper, 6.9%; zinc 9.6%; cotton yarn, 11.7%; cotton cloth, 12.1%; leather, 6.1%; chemicals, 9.4%, and petroleum and other equipment, 13.9%. Of the individual industrial items comprised in the information supplied by the government to the House committee, in only four groups are the ECA countries estimated as taking during the first 15 months of the program as much as 5% of the USA's total supply, namely: agricultural machinery, freight cars, copper and petroleum and other equipment.

The importance of ECA to the export trade in certain lines is not made clear by the figures quoted in the accompanying table, since they deal with ratios. How heavily the present prosperity of certain export interests leans on the ECA program may be seen by expressing current exports as a percentage of total exports, as estimated by the government statisticians for the 15 months ending next June. In the industrial field we find that ECA countries are taking of agricultural machinery 30.4% of total U. S. exports; coal, 83%; petroleum products, 23.5%; steel, 36.6%; trucks, 14.0%; freight cars, 77.0%; electrical machinery and apparatus, 20.0%; copper, 76.9%; lead, 92.5%; zinc, 48.7%; cotton yarn, 37.4%; cotton cloth, 17.5%; rubber, 64.8%; hides and skins, 71.3%; leather 34.6%; fish for human food, 48.0%; chemicals, 27.9%; petroleum equipment, etc., 41.2%.

The trend of exports is of course subject to changes in export-control policy. This in turn is subject to the influence of changing relations with Eastern Europe and the USSR, as well as domestic requirements. An example came to public notice this month, when Chairman Charles A. Wolverton of the House Committee on Interstate and Foreign Commerce criticized the Commerce Department for permitting exports of steel and oil "in conflict with the essential needs of our own economy."

The trend of relations with the USSR is also of prime importance in viewing the foreign trade outlook. Should there be a war, all forecasts and estimates automatically go into the ashcan.

Doubtless the ECA program in execution will differ in many details from the estimates on the basis of which Congress approved it. Apart from the accuracy of those estimates, the decision of ECA to make dollars available to recipient countries for settling intra-European trade balances will make some difference. If France, for instance, uses the supplementary allocations ($30,000,000 for the third quarter) to buy high-priced Belgian steel instead of American steel, the first effect will be a lessened burden on the U. S. steel industry; but when Belgium uses the dollars so received from France to buy something else here, say motor cars, the steel industry may feel the effects just the same. Ultimately all ECA dollars will be spent in the United States.

Having dealt above with the foreign trade outlook for 1948, it may be of interest to examine the role of pre-ECA loans and gifts in our foreign trade.

During the interwar period American foreign loans and gifts played a not unimportant part in sustaining the volume of commodity and other exports, yet that role seems minor compared with the history during and since the second World War. This has been the period marked by Lend-Lease, UNRRA, Interim Aid, and the like. Of U. S. 1945 exports totalling $16.3 billion, more than half was given away or lent. In 1946 out of about $15 billion of exports, $5.8 billion went as gifts and loans. The 1947 figures were respectively $19.7 and $6.8 billion, and in the first quarter of 1948, $4.5 and $1.6 billion.

During the war aid-and-relief shipments dwarfed commercial exports. For the four years after Pearl Harbor aid-and-relief shipments aggregated $33.7 billion, and commercial exports $12.3 billion. In the next two years, while aid-and-relief shipments still were substantial, they were far smaller than other exports, reflecting the expenditure of foreign gold and dollars and expenditure of the proceeds of American loans, notably the British loan, Export-Import Bank loans and credits from the World Bank and Fund. In 1946 aid-and-relief exports were $2.2 billion, other exports, $8.0; in 1947 the corresponding figures were $1.7 and $13.7 billion.

This year there has been a marked decline in the expenditure of foreign gold and dollar balances to pay for American goods and services. During the first quarter of 1948 as compared with the last quarter of 1947 foreigners liquidated $900 million less of their hard-currency assets. That their purchases here during the first quarter declined only about $400 million is explained by increased American imports, grants and loans. To some extent this country's export trade was slowed up during the earlier months of 1948 by the anticipation of benefits from ERP spending, holding their own. Latin Ameri- but mainly the decline in this year's exports has been due to exhaustion of earlier American loans, notably the loan to the UK, and to the depletion of foreign gold and dollar holdings.

The latter influence has been conspicuous in Argentina's case. That country's days of halcyon

U. S. Exports as % of Total U. S. Supply —Selected Groups

Commodity—	All Countries 1948-9	All Countries 1947-8	All Countries 1946-7*	All Countries Prewar	ECA Countries and Dependent Overseas Territories 1948-9†	ECA Countries and Dependent Overseas Territories 1947	ECA Countries and Dependent Overseas Territories Prewar
(A) Agricultural & related:							
Bread grains (mostly wheat)	28.3	33.0	31.4	5.4	---	---	---
Coarse grains (mostly corn)	1.8	1.8	3.0	1.3	---	---	---
Fats & oils (incl. butter)	5.2	7.6	6.3	3.8	---	---	---
Sugar, beet and cane	2.8	1.5	3.8	1.4	---	---	---
Meat	0.6	1.1	2.0	1.2	---	---	---
Dairy products (cheese and processed milk	20.8	18.7	19.2	2.0	---	---	---
Eggs	2.0	4.0	6.6	0.1	---	---	---
Dried fruits	23.2	26.9	23.8	28.1	---	---	---
Fresh fruits	5.8	4.9	6.4	6.1	---	---	---
Tobacco	11.4	9.0	12.8	12.9	---	---	---
Cotton	23.3	17.5	21.9	24.8	---	---	---
Nitrogen (commercial)	6.8	6.9	7.9	9.9	---	---	---
Nitrogen (army)	100.0	100.0	100.0	0.0	---	---	---
Soluble phosphate	4.0	5.0	4.0	4.3	---	---	---
Potash	5.8	6.8	6.7	17.4	---	---	---
Timber	2.9	2.9	1.5	2.8	---	---	---
Apparel wool	9.9	0.6	0.5	0.0	---	---	---
(B) Non-Agricultural:							
Agricultural machinery	22.0	---	21.5	15.9	6.7	3.8	2.6
Coal	5.7	---	7.0	0.2	4.7	6.1	‡
Petroleum products	§6.6	---	7.7	14.7	§1.6	2.4	5.8
Steel	9.0	---	10.3	8.6	3.3	3.0	1.7
Trucks	27.9	---	22.6	22.4	3.9	3.6	5.4
Freight cars	14.8	---	33.8	2.9	11.4	30.4	‡
Electrical machinery, etc.	7.9	---	12.2	6.0	1.6	1.4	1.2
Copper	6.9	---	6.2	34.8	5.0	4.1	19.5
Tin	0.6	---	0.6	1.3	0.0	‡	‡
Lead	4.3	---	‡	9.8	4.0	‡	1.8
Zinc	9.6	---	10.7	‡	4.7	8.1	‡
Aluminum	0.8	---	2.0	7.1	0.0	1.0	5.0
Cotton yarn	11.7	---	11.2	1.7	4.4	3.6	0.2
Cotton cloth	12.1	---	13.8	3.5	2.1	1.5	0.1
Wood pulp	1.3	---	0.9	2.3	---	0.4	0.6
Newsprint	0.6	---	0.6	0.3	---	0.1	‡
Rubber	0.8	---	1.3	1.8	0.5	0.7	0.3
Hides and skins	3.9	---	4.6	3.1	2.8	2.7	0.5
Leather	6.1	---	7.2	3.8	2.1	3.1	1.4
Chemicals	9.4	---	10.8	5.3	2.6	3.5	1.9
Petroleum equipt., coal-mining mach'y, steel equipt., etc.	13.9	---	10.2	8.6	5.7	2.0	2.3

*For non-agricultural commodities listed under "B" the data in this column are for 1947. †April, 1948-June, 1949. ‡Negligible. §1948.

Source: Hearings, Subcommittee of the Committee on Appropriations, H. R., on the Foreign Aid Appropriation Bill for 1949, Part 1, pages 385 ff. and 515 ff.

business in a seller's market have been brought to an end by good crops elsewhere and by other factors. Instead of being able to profiteer, Argentina must now meet competition; and the benefits it anticipated from ERP are being delayed by Washington policy. The River Plate country has imposed more rigid exchange controls and taken other measures to protect its dwindling gold and dollar reserves. Canada is another country which has had to draw heavily on its hard money reserves and replenish them by borrowing from the Export-Import Bank and from American life insurance companies, although lately Canada has felt the stimulating transfusion of scarce dollars in the form of ERP buying. In Britain and the sterling area generally the pressure on reserves has been severe, ameliorated only by aid from the United States.

Gold holdings of central banks and governments other than the U. S., but including the World Fund, during 1947 declined from about $17.0 billion to about $15.3. Foreigners' short-term assets in American commercial banks during the same year declined from $6.0 billion to $4.8, not counting foreigners' claims on international institutions in this country.

A Commerce Department estimate published in May to cover the year ending March 31, 1949, makes no allowance for the financing of exports to ERP countries by the sale of those countries' gold and dollar assets. While those countries may have to liquidate assets to settle balances with other parts of the world, their debits here are expected to be offset by ERP, by dollar loans and credits, and by sales of goods and services to Americans.

U. S. Imports Compared With Prewar

In terms of *value*, reflecting inflated prices, U. S. imports since 1943 have been consistently and materially above the prewar level. In 1937, for example, a good prewar year, this country imported for consumption $3.1 billion of goods. After the war our imports increased from $4.1 in 1945 to $5.7 in 1947. Of course, the imports were far below exports, which have been as follows, in billions: $3.4 in 1937; $10.6 in 1945; and $15.4 in 1947.

In terms of *volume*, however, U. S. imports since the end of the war only once, in 1946, have attained the 1937 level; and last year were only 95% of the 1937 volume.

The World Fund recently published data comparing the share of U. S. imports now and prewar on a country basis for leading trading nations. In this case 1938 is used to represent "prewar". The study shows some striking changes. From Australia we are importing about five times as large a fraction of our imports as in 1938, from Venezuela three times as much, from South Africa, Nigeria, Gold Coast and Iran between two and three times as much, from Egypt and Portugal approximately twice as much.

But from the former and presently occupied countries current imports fall far below prewar, in terms of percentage of total U. S. imports. This is true of the United Kingdom and Western European countries, the Philippines, and naturally the Netherlands Indies and Japan. From the USSR our imports are slightly above the 1938 proportion and in the cases of Ireland, Spain and Turkey are can countries are uniformly well above prewar as sources of American imports.

Interesting comment on the meaning to Europe and the United States of these altered trade patterns was given to the Bankers Association for Foreign Trade by Camille Gutt of the International Monetary Fund on May 28. (See "Chronicle" of July 8, page 9.)

The State of Trade and Industry

(Continued from page 5)

shipping scrap direct to the steel mills and who now must pay sharply higher prices for the new steel products they buy. At the same time the legality of the formula method of pricing scrap appears in question.

Along with the stronger tone in the scrap market pig iron also is tending upward with several producers effecting increases of $4 to $4.50 per ton over the past several days. This follows similar action earlier by a number of other interests.

Whether the higher steel prices will immediately discourage buying to any appreciable extent is debatable. Demand from some directions may be affected adversely, large building construction and similar projects for example. In the main, however, it is thought general market requirements are so far in excess of supply any buying slump developing in one direction will be quickly taken up from another. The main problem to buyers still is supply, and so long as such situation exists prices are likely to be of secondary consideration. Substantial buying of gray market steel supports this view, considering gray market prices still are far above the new steel mill levels.

STEEL COMPANIES' OPERATING RATE CONTINUES STEADY

The operating rate of steel companies having 94% of the steel capacity of the industry will be 93.1% of capacity for the week beginning July 26, equivalent to 1,678,100 tons of steel ingots and castings, compared to 1,678,100 tons one week ago, 1,651,900 tons one year ago, and 1,281,210 tons for the average week in 1940, the highest prewar year.

CAR LOADINGS SHOW INCREASE OVER PRECEDING WEEK

Loading of revenue freight for the week ended July 17, 1948, totaled 892,527 cars, the Association of American Railroads announced. This was a decrease of 27,208 cars or 3% below the corresponding week in 1947. It also was a decrease of 28,969 cars or 3.1% below the same week in 1946.

Loading of revenue freight for the week of July 17, increased 136,767 cars or 18.1% above the preceding week, which included a holiday.

Coal loading amounted to 195,811 cars, an increase of 37,935 cars above the preceding week, and an increase of 14,547 cars above the corresponding week in 1947.

Miscellaneous freight loading totaled 372,331 cars, an increase of 57,329 cars above the preceding week, but a decrease of 16,629 cars below the corresponding week in 1947.

Loading of merchandise less than carload freight totaled 97,290 cars, an increase of 13,179 cars above the preceding week, but a decrease of 12,944 cars below the corresponding week in 1947.

Grain and grain products loading totaled 66,903 cars, an increase of 4,229 cars above the preceding week but a decrease of 5,030 cars below the corresponding week in 1947. In the Western Districts, grain and grain products loading for the week of July 17, totaled 46,789 cars, an increase of 39 cars above the preceding week but a decrease of 8,320 cars below the corresponding week in 1947.

NEW FREIGHT CAR ORDERS SHOW INCREASE

All railroads and private carlines had 122,181 new freight cars on order as of July 1, 1948, the Association of American Railroads announced on July 26. The number on order on July 1, 1947, was 109,006.

Of the total number, Class I railroads and railroad-owned private-controlled refrigerator car companies on July 1 had 110,431 new freight cars on order. On July 1, 1947, there were 102,634 on order.

New freight cars on order by Class I railroads and railroad-owned private-controlled refrigerator companies on July 1 this year were as follows: 29,701 box including 29,370 plain and ventilated and 331 automobile box cars; 49,287 hopper including 4,105 covered hoppers; 19,445 gondolas; 3,685 flat; 6,866 refrigerator, 600 stock and 847 miscellaneous freight cars.

Of the total number of new freight cars which Class I railroads on July 1 had on order, 23,699 will be built in railroad shops and 86,732 in outside shops.

Class I railroads also had 1,695 locomotives on order on July 1 this year, the most since Aug. 1, 1923, when the number was 1,772. On July 1, 1947, there were 794 on order. The number for which orders had been placed on July 1, 1948, included 123 steam and 1,572 Diesel locomotives, compared with 24 steam, five electric and 765 Diesel one year ago.

RAILROAD OPERATING REVENUES UP IN JUNE

Based on advance reports from 82 Class I railroads, whose revenues represent 81.2% of total operating revenues, the Association of American Railroads estimated that railroad operating revenues in June, 1948, increased 17.6% above the same month in 1947. The estimate covers operating revenues only, and does not take into account substantial increases in operating expenses that have taken place since June, 1947, as a result of increases in wage rates and material prices.

Estimated freight revenue in June, 1948, was greater than in June, 1947, by 21.6%, but estimated passenger revenue decreased 1.6%.

ELECTRIC OUTPUT HIGHEST SINCE FEB. 14 WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended July 24, 1948 was 5,342,127,000 kwh., according to the Edison Electric Institute. This was the highest for any week since that for the week ended Feb. 14, 1948 when output totaled 5,384,945,000 kwh. The current figure also exceeded that for the week ended July 17, 1948 by 144,669,000 kwh., and was 611,898,000 kwh. higher than for the week ended July 26, 1947, for which period production totaled 4,730,229,000 kwh. In the corresponding week in 1946 a total of 4,352,489,000 kwh. were turned out.

AUTO PRODUCTION DOWN THIS WEEK

Production of cars and trucks in the United States and Canada this week is estimated by Ward's automotive reports at 117,622 units compared with 120,741 last week.

Output in the like week last year was 83,867 units. In 1941, it was 105,635.

This week's total consisted of 86,385 cars and 25,987 trucks made in the U. S. and 3,050 cars and 2,200 trucks made in Canada.

Ward's declared that overtime work in Detroit's tool and die shops is expected to make up for much of the lost tooling time incurred by General Motors, Chrysler and others during the tool and die shop strike just ended.

Strikes in other supplier plants, however, are stated to be continuing to hold down schedules of some of the auto and truck makers. Already halted by the Campbell, Wyant & Cannon or Timken-Detroit Axle strikes are Willys-Overland, Reo, and Ford's light-heavy trucks, while General Motors' truck schedules have been impaired, the agency said.

BUSINESS FAILURES REMAIN STEADY AS OF JULY 22

Commercial and industrial failures in the week ending July 22, remained at 91, the same number as recorded in the previous week, reports Dun & Bradstreet Inc. Concerns failing were more numerous than the 76 a year ago, and seven times the 13 in the comparable week of 1946. They were almost one-third as numerous as the 291 businesses that failed in prewar 1939.

A slight decline occurred among failures involving liabilities of $5,000 or more which fell from 81 to 79, but remained slightly above the 68 in the corresponding week last year. Small failures with losses of less than $5,000 increased slightly to 12, as compared with 10 last week and 8 a year ago.

Industrial failures continued to be concentrated in manufacturing at 31, and retailing at 34. The only two industry groups experiencing increased failures during the week were manufacturing, rising from 22 to 31, and wholesaling, 13 to 15. Compared with a year ago all groups except construction reported more failures this week.

The largest number of casualties, 35, appeared in the Middle Atlantic region which was almost three times larger than a year ago. The Pacific area experienced a sharp decline in failures from 31 a week ago to 17 this week. Failures in all other areas remained the same or lower than a week ago with the exception of a rise from 9 to 21 in the East North Central region.

FOOD PRICE INDEX DECLINES FROM PREVIOUS RECORD HIGH

There was a moderate decline in the Wholesale Food Price Index this week from the all-time high reached in the preceding week, according to Dun & Bradstreet, Inc. While the weekly index dropped 6 cents to $7.30, it remained the second highest index on record. It was 12.7% above the $6.48 of a year ago.

Increases occurred in the prices of corn, rye, beef, eggs, and potatoes. There were declines in wheat, oats, barley, hams, lard, butter, sugar, cocoa, beans, steers, hogs, and lambs.

The Dun & Bradstreet Wholesale Food Price Index represents the sum total of the price per pound of 31 foods in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

MODERATE RISE REPORTED IN RETAIL TRADE

Further clearance sales of seasonal goods boosted consumer buying during the week ended July 21. Total retail dollar volume was up considerably from a week ago and was moderately above the level of the corresponding week a year ago. Early promotions of Fall merchandise were hampered by continued hot weather in many parts of the country. Collections were somewhat slower than during the previous weeks.

Price reductions on almost all types of summer apparel resulted in increased purchases by consumers this week. Clearance sales of sportswear, cotton dresses, and jewelry met with very favorable attention. Many retailers offered Fall coats and suits, but the response was limited. Sales of men's apparel increased slightly above a week ago. Total apparel dollar volume for the period under review was moderately higher than that of the previous week.

Most consumers continued to buy a large amount of food during the week. Salad items, luncheon meats, and other foods suitable for hot weather were sought in considerable quantities. There was a sharp decline in purchases of fresh meats as prices continued to climb. A slight increase in the price of cold cuts and other meat products was reported. Fresh fruits and vegetables were plentiful and were moderately priced in most parts of the country.

Household articles, porch furniture, and luggage were included in the general price reductions of seasonal merchandise introduced by many retailers this week; the consumer response to these mark-down sales was very favorable. Continued building activity kept hardware sales at a high level this week. The demand for floor coverings and draperies increased slightly. Interest in some electrical appliances continued to decline.

Retail volume for the country in the week ended July 21 was estimated to be from 6 to 10% above that of a year ago. Regional estimates exceeded those of a year ago by the following percentages: New England 4 to 8, East and South 6 to 10, Middle West 9 to 13, Southwest 8 to 12, Northwest 5 to 9, Pacific Coast 3 to 7.

WHOLESALE TRADING STEADY AND HIGH

While wholesale volume continued steady at a high level during the week, buyer attendance at the wholesale markets decreased moderately. Total dollar volume slightly exceeded that of the corresponding week a year ago. Many retailers were eager to obtain merchandise suitable for mid-summer mark-down sales; some wholesalers reported depleted stocks of seasonal goods. A slight rise in fall re-order volume followed some early promotions of fall merchandise.

The apparel trade generally suffered a between-season lull; buyers continued to seek seasonal goods, but stocks in many lines were very low. There was a moderate volume of re-orders for fall apparel. Cotton dresses continued to be in high favor; there was a brisk demand for sportswear with bathing suits, pedal pushers, and sunback dresses selling well. Buyer interest in men's worsted suits for special August promotions was substanital. There was a slight increase in the demand for men's wear generally.

The demand for practically all foods remained at a high level this week; the supply was plentiful in most parts of the country. The demand for canned foods dipped slightly, but most prices remained steady; new orders frequently were for current requirements. There was a slight decline in the demand for dairy products; trading in sugar was spotty. The interest in dried fruits was generally limited with the exception of an increase in the demand for raisins this week.

Many hardware dealers continued to seek large quantities of building supplies during the week. Furniture sales increased fractionally. The New York Lamp Show opened this week with a considerable number of buyers in attendance.

The Automobile Industry in Postwar World

(Continued from page 2)

place our facilities and equipment for less than $352,000,000. But this is one of those estimates of normal wear and tear, based on the reasonable expectation that a considerable portion of our assets would remain usable.

If an atomic bomb should wipe out of existence the company's present plants, so that we were forced to start from new foundations and new utility lines, on new ground, I do not see how we could reproduce Chrysler Corporation's plants for less than $750,000,000.

We should not, perhaps, have to provide against atomic destruction. But all plants must be replaced, a bit at a time, and under today's conditions providing for this replacement has become a very serious thing. There is no recognition of the problem in government taxation policy.

Whenever I see one of those popular estimates that an industry has invested from $5,000 to $6,000 for each job it makes available, I wish it were possible to amend those figures to recognize the actual original cost of laying the bricks and building the machines. Or better still, the figure used should reflect to some extent the going replacement cost today.

Patterns of Operation in Industry

The characteristic pattern of operation in the automobile industry is one of rapid turnover of very large amounts of material, with a very conservative margin for net earnings.

This is illustrated rather effectively by our company's operations last year. Our 30 plants, with 22½ million square feet of floor space, required an average daily purchase of $5,000,000 of materials, supplies and outside services, to support operations.

We did not get our output beyond two-thirds of capacity, due to the shortage of available sheet steel, pig iron and other scarce products.

The million cars and trucks we made and sold, with the accompanying sale of replacement parts and our non-automotive products such as Airtemp air-conditioning units, marine and industrial engines, brought in $1,363,000,000.

On this, we did not equal our prewar level of net earnings. We made 4.93% on sales, against 5.48% for the last five prewar years, and the slightly better 5.82 earned from 1925 to 1941, inclusive.

To achieve even this modest result in the face of inflationary trend, it was necessary to adjust prices during the period.

In the 50-odd years of automobile manufacture in the United States, the public has been offered about 800 different brand names. Most of these, perhaps, were ill-advised attempts to enter a field which may have looked like a gold mine, but actually required greater skill at engineering, manufacturing and selling than the organizers of some of these firms possessed.

Yet in that long list were scores of famous vehicles which are just as dead as any of the others. There were extraordinarily good cars, representing a lot of creative talent. I know; I helped build some of them.

A lot of people probably have assumed that their passing out was just a matter of competition from the bigger companies. That does not add up when you really study the facts. Some good sized companies went down, some modest sized ones lived straight through the worst of the depression. They were doing well throughout the thirties, and continue to do so.

During a period when many people were saying the field was overcrowded, Walter Chrysler came along and took over a small company. He pushed it right up into the front ranks. He did have financial resources back of him but they were far from extraordinary.

Size could not be the key to continuance in business.

The larger companies may have some slight inherent advantage in ability to effect some economies, but the quantity of cars that can be produced at one time off one set of tools and dies is limited. When production is larger, the equipment expense has to be doubled and quadrupled. Overhead expense is high, too, because no one man alone can oversee a very large operation, but must place high caliber men in charge of divisions of the business.

As I have observed the industry, it has been impressed on me that in substantially every case where a company fell by the wayside the controlling element was that the management worked its plants and machines right out of business. They did not foresee and provide for the necessary moves. The reason that various misfortunes happened to them was that they had used up their equipment and earnings without building up resources to keep their plants modernized. Obsolescent plants could not meet the cost competion of modernized ones. When opportunities came to exploit engineering advances, the companies did not have the means to swing the great retooling costs involved.

The significance of this background, as applied to conditions today, is that much of public policy, especially tax policy, seems to be aimed at bringing about, throughout industry, that same process of exhaustion of resources that caused the downfall of concerns unwary enough to do it to themselves.

Tax Drain on Industry

The original onslaught of the short-lived undistributed profits tax has been modified, but the trend remains the same.

A depreciation tax policy that does not allow a company to treat provision for replacement of plant as a business expense, at anything approximating current cost, continues to work in that direction.

I do not see how that policy can be allowed to go on indefinitely without basic modification.

A tax policy which places on the company the burden of proving reasonableness of undistributed earnings accumulated for the business, works in the same direction.

The tacit or outspoken encouragement given in official quarters to the demands of certain unions for distribution of profits to the wage earners in higher hourly rates, works in the same direction.

It must be perfectly apparent to the people who are doing these things that they are not helping to create the conditions that will yield the maximum well-being to the country as a whole. It should be just as plain to them, therefore, that this is not the way that will produce the most revenue for government either.

I believe the ruling idea in taxation always has been to pluck feathers where it would hurt least, so the bird wouldn't squawk. That is fine, if it means that every plucked bird remains able to carry on his barnyard routines unimpaired. But the meaning now has been twisted to signify plucking half naked the particular birds that have the smallest electoral voices. Carried far enough, the flock is destroyed, and with it the yield of feathers.

A phenomenon of postwar operations, common to every industry, is that without having had any serious voice in the matter, our energies have been progressively diverted from our central purpose of making things people want to buy. We have been used to produce the financing for "free" services rendered by governmental agencies. The impact of taxes has grown great enough to force its way indirectly into virtually every business decision.

You will understand, of course, that in these observations I am not trying to blue print a tax policy or program; or to tell the government where it should get the tax revenues it needs to carry on its proper functions. I simply mention taxes as an increasingly important feature of the weather and climate in which business has to operate in these postwar years.

Production of tax-money is especially pronounced in the automobile industry. Its products, though recognized as necessities to modern living, bear one of the heavy Federal excise taxes. Then, hardly anything enters an automobile that has not gone through at least three stages of processing, involving much labor, and so subject to the cumulative impact of at least three payroll and income taxes, plus of course local taxation.

Would it surprise you to know that during the past 10 years our company alone paid over more than one-half billion of rax revenue? The figure is $558,385,026.

Would it surprise you to know that this exceeded total net earnings for the period in the ratio of five to three?

Would it surprise you to know that total taxes were more than three times total dividends paid to our stockholders?

Yet the story of the 10 years past is mild compared to the story of today.

In 1947 our total tax disbursements were $133,000,000, almost double the net earnings of $67,000,000, and more than five times the dividends paid, which amounted to $25,000,000.

So we have the strange fact that one company, far from the biggest in the country, in 1947 yielded as much revenue as was used to finance the Presidential administrations of George Washington, John Adams, and the first half of Thomas Jefferson's as well.

The figures I have given are figures from our own operations. They fall far short of measuring the total tax burden on the business. They do not include the repeated taxing of the hundreds of concerns who depend upon our buying their products, and the thousands of firms needed to get our cars into your hands.

Before the war, some analyst isolated 206 tax transactions which took place somewhere between extraction of raw materials and delivery of a car. I am sure the list was incomplete then, and that it has not shrunk since.

There is no generally accepted total count of the tax content of such products as ours, and we have to estimate. If we take those taxes which we ourselves disburse to local, state and Federal taxing units, and add to them an approximation of what our vendors must have paid, we come to the conservative conclusion that a car which we sell at wholesale for $1,120, carries with it at least $200 in tax when we ship it.

By the time a transportation tax has been added, and a state sales tax, and the applicable portion of the dealer's income and property taxes, and a license and title fee, the customer who drives it away for around $2,000 can tell himself that no less than $355, and probably at least $400 of the check he has written, is for tax money.

This money is going to support the many public services for which he and his neighbors have voted, or have had imposed on them by persons elected to represent them.

I have not tried to introduce into this count the individual income and property taxes, whether withheld or not, that had to be provided for in the setting the wage and salary rates of all the people we employ. We guess—and that is all we can do—that our own employees last year paid the Federal Government in income and payroll taxes, the sum of $25,500,000.

Probably few people consider the level of personal income taxes a business problem. Some might recognize that senior executives, whose salaries before taxes are sometimes criticized for their size, have a hard time keeping much for themselves. Actually I believe the business problem is more marked in the case of juniors, who weigh a career on earned income against the opportunity to accumulate capital gains as business proprietors on a small scale, and are increasingly inclined to leave corporations to tackle the world on their own. Considering the quality of management required in the larger operations, it is obvious that in time this inequality could affect efficiency a good deal.

The net of what I am saying is that today a productive enterprise such as ours has to carry on its back, not one Old Man of the Sea, such as Sinbad the Sailor fell in with on an evil day, but a pyramid of them. The amount of energy and care required to keep these hitch-hikers balanced on our shoulders is far greater than is generally realized. It diverts effort and talent from their main purpose, which is to supply people with goods they want, at a reasonable price, and so provide a modest and well-merited return to those who have risked their money in the enterprise.

I do not propose to quarrel with our voting population as to the public services they think they need. This, too, is a sort of climatic condition business has to meet. It would be a fine step forward, however, if every time a person paid for a new automobile, he should go through a mental process like this:

"Now, I am going to buy my automobile, so let's see what I must pay. The car itself seems to cost about $1,600, but I am not allowed to drive it away unless I first pay off:

"So much for interest on the war debt; so much for the Army and Navy and Air Force; so much for Old Age pensions;

"So much for the Indians; so much to dredge the rivers of the country; so much for unemployment insurance in Ohio, Pennsylvania, and quite a few other states, including my own;

"So much for public health; so much for the Merchant Marine; so much for the highways I shall use; so much for local police and fire departments, and sewers;

"So much to support the price of eggs; so much for atomic research; so much to support inefficient producers; so much for relief abroad, and so much for relief in my own country;

"So much for the cost of collecting all these taxes, and so much more to pay salaries of a lot of other people on the public payroll (and the Lord only knows what all of them do)."

Now, the tax purposes I have listed are neither worse nor better than many, many others, and I am not discussing their merits. All of them reach in to take their dollars or dimes or pennies or mills, out of the transaction which arises because John Citizen, voter and taxpayer, decides he needs a car to make his goings and comings more convenient.

There is nothing yet in the political skies to suggest that we are approaching the place where the public services people seem to want, are going to be paid for directly and openly, and not loaded disproportionately on the process of making useful things.

One of these days, and soon we hope, a clearcut choice is going to be made against the progressive socializing of the productive process; and in favor of giving people their heads, to see what their efforts really can achieve in the way of general well being.

As it now stands, the individuals who sit at our Board of Directors' table are all private citizens and we intend that to continue. Perhaps, though, we should keep one empty chair to remind us of the invisible and silent presence of the tax collector, who succeeds in getting so much more from our efforts than do the owners of the business.

Who are the owners of such a business as Chrysler?

They number just under 55,000 individuals and families, and 5,700 institutions, business firms, and estates or trusteeships.

Not a single one, of any of these, owns much more than 1% of the stock outstanding. It is not too surprising that two-thirds of the stockholders hold no more than 100 shares apiece, but actually a majority of the stock is held in units of less than 1,000 shares.

The holders of one to two hundred shares hold more stock in the company than do all those who own 3,000 shares apiece or more.

We find that insurance companies, which are investing the funds of a multitude of small people, have a larger representation among our stockholders than do banks, by 151 to 116. We find schools, colleges, and religious institutions outnumbering stockbrokers by 220 to 125. We find among the stockholders 52 hospitals and 95 assorted charitable organizations, many of them very small.

So you have a picture of ownership not differing essentially from the highly democratic distribution of our products, which are purchased by people in all walks of life, but predominantly by quite modest families.

The Automobile Industry and Its Market

It may be useful to give you a broad picture of where the automobile industry stands in relation to its market as a result of the war.

I hope there will be no misinterpretation of my role. I have no ambition to be a prophet. I have always tried to avoid predictions as to future trends of business.

I am not going to tell how many million passenger cars the industry will make in the next year or two, nor how soon car prices will come down.

I regret not to be able to tell you when it will be easy to buy an automobile.

The industry as a whole for two and a half years since the end of the war has been striving every way it can to meet demand; it has made 7,000,000 cars for the domestic market.

I cannot speak for every manufacturer in the industry, but as for our company, our share of this production (amounting to 1,685,000) has not made any visible reduction in the backlog of demand. If anything, we are even less able than in 1946, to attain delivery of cars to people within what they, or we, consider a reasonable time.

The rather careful surveys of Consumer Finances and Intentions to Buy, made for the Federal Reserve Board, lead to the conclusion that whereas in other durable consumer goods the sharp edge of demand has been turned, this is not true of demand for passenger automobiles.

Prior to Pearl Harbor, new car buyers in general held their cars one or two years, then traded them for new ones, and so made available a very large supply of high quality used cars at modest prices. This filled the wants of those who felt no need of owning the latest model. The new cars sold each year amounted roughly to one-third or less, of the total number of vehicles traded.

There was a definite, gradual increase in number of cars in use. It was proportioned to the growth in population, and to the spread of suburban living, and good highways. It reflected the increasing goodness of the cars being

produced, and the advancing average standard of living.

The last five years of production before the war fluctuated markedly, but averaged about 257,000 automobiles per month for the U. S. market.

After Pearl Harbor, of course, civilian production of cars ceased.

Had the 257,000 average rate held through the 78 months that have elapsed since Pearl Harbor, the industry would have built, for sale in this country, 20 million passenger cars. Actually it built 7 million. So we had 13 million less than what might perhaps have been "normal."

Another way of looking at this, is that Americans operated 29½ million passenger cars at Pearl Harbor date. Had the increase in registrations continued at the prewar trend, there would be somewhere around 35 million passenger cars registered today.

Instead, registrations at the close of 1947 were 30,750,000. During the war registrations had dropped to 25 and three-quarters million.

If you are strongly addicted to mathematics, you might conclude that in something like another three years of building automobiles at the present rate, which represents the limit now imposed by scarcity of materials, the public could restore its car ownership to something like its prewar ratio.

That could prove a hazardous conclusion, because there are so many factors that cannot be appraised in advance.

The figures only serve to give us so me idea of the void in automobile supply at the present time. The families and individuals who, under the conditions of 1939 or 1940 would be driving cars but now have none, must be counted somewhere in the millions. Their number is being added to continually by the high level of employment at high wages, by the growth in number of families, and other things.

The people who have cars are holding on to them as never before. With no way of replacing them easily, cars of all ages are being rebuilt and repaired. They are being kept going far beyond the prewar scrapping point. Much of this expediture was uneconomical when the used car market afforded a replacement for every purse, but, in addition, I believe, we are beginning to see how the quality of the cars built in the last few years before the war has increased their life expectancy. Just the same, every day a few cars are wrecked beyond repair, or reach the point of final collapse. Their owners are added to the ranks of those who have no car.

Between the people who have no car and those who want to trade in their old one, I hesitate to estimate how many millions of people in this country are potentially in the market for an automobile.

It used to be that to sell one new car our dealers had to negotiate, on average, not less than three trades, the last of which left them a fairly old car to sell.

The extent of demand for used cars of assorted ages determined their value. Thus the trade-in allowance made the sales of new cars easier or tougher and affected the over-all volume of new car production. So it was, that offering greater value for the money year by year was a compelling necessity for the manufacturer.

In terms of such a market, the essential shortage today is in used cars of tradable age, freely offered on the market by their present owners. This volume should be between two and three times the volume of new cars to approximate a normal market and so ease the unsatisfied automobile demand.

We have very little statistical measure of what used car sales actually are today, but the great lack of volume in relation to demand is attested by the price quotations on the used car market.

Present Automobile Prices

We are today in the extraordinary position of putting our new cars on the market at prices which are much lower than they could be. I am talking specifically about our wholesale prices to dealers. But I also refer to the retail price of those very numerous dealers who restrict their own markups to a normal level.

Certainly, automobiles in general are greatly underpriced in terms of many other commodities. More than that, automobiles are conspicuously priced far below figures which many buyers have shown themselves willing and able to meet, in terms of a straight, free market.

Certainly, too, this underpricing by the factory is largely responsible for the fact, so aggravating to many conscientious people in and out of the industry, that brand new cars are seen on sale in used car lots at greatly marked-up prices. "Black" markets usually spring from artificial government controls. "Gray" markets spring from scarcity of goods and the willingness of some buyers to pay more than regular prices for goods originally sold at regular prices.

As far as Chrysler Corporation is concerned, we believe we should exert such influence against unbridled inflation as is within the means of any one business concern.

We believe also that in our own self-interest, viewed over a long time, we do the right thing not only in seeking to keep cost down, but also to keep our profit margin in a close relationship to that cost.

We are not impressed with the argument that pricing cars to the limit the market will bear would solve the present undersupply. This would merely force people who could not pay to drop out of the market and walk. It would not remove actual demand. Few people want cars for luxury. Mostly they need them to live efficiently. And their problem will only be met when we are back to the point of having a car, new or used, for every purse.

It is hard to see when and how the present inflation will be checked, despite the many signs that more and more people, including wage earners, are aware of the fatal character of the drift and wish that the brakes would be put on.

We, for our part, do not willingly become parties to accelerating the spiral, but believe in throwing the force of example in the distribution of conservatism.

Quite a number of automobile purchasers are not impressed by our low prices because they feel them inadequately reflected in the final cost of the car. I know, because some of them write to me about it.

We believe, and we are constantly telling the men who sell the products we make, that they will be wise to take the course we have chosen for ourselves, and to sell at a moderate level above their costs. Because most of them are in business for keeps, the majority, the great body, are doing just that. They are doing it despite rich temptations put their way by many buyers, and despite the fact that for every customer satisfied, between 20 and 50 hopefuls are disappointed.

As nearly as we can tell, most deliveries of our products tend to run from 23 to 27 months behind orders. The most patient customer finds that hard to believe. To tell him that there is no sign yet to indicate when that situation might change cannot increase his happiness.

There is a course of wisdom in these things and that is for a dealer so to conduct his business as to keep the respect of his community against the day (which will come) when he will need goodwill as well as enterprising salesmanship to move his merchandise.

Because we really do believe in free enterprise, we have never believed it proper to dictate to automobile dealers exactly how they shall conduct their business. I see little difference between our setting ourselves up in Detroit to tell a merchant in California or in Texas what he shall and shall not do and having an office holder in Washington sending out such orders. We don't even do it within our own company, where each manager of a plant or operation is given the authority to execute the responsibility given him.

We do step in on market practices where there is a clear record that the representation is not giving our products a chance to acquire the goodwill of the buying public that they merit. But even in those cases, we are not fully free to make practical business decisions, but must consider a multitude of laws and public policy which tends to close its eyes to the interests of the ultimate consumer in any issue which can be construed as one between so-called big business on one side and so-called little business on the other.

Fortunately, these issues seldom arise.

Now these various things that I have dealt with may seem to you to be the rather ordinary affairs that one encounters in the management of industry, and that is true.

I have tried to describe to you something of our business as we see it from day to day, because I think that is the way to run a business—to meet these everyday problems as they arise.

While I am a firm supporter of the efforts of businessmen who, individually or in groups, devote themselves constructively to the solution of wider problems, I do not think you get anywhere in the business itself by trying to expert world affairs, or national affairs, or even your neighbor and competitor, let alone trying to expert the political, social and economic trends of the time.

If I have not discussed some very serious postwar factors that are hanging over all of us, it is because it seems to me that in the final analysis, the greatest contribution business firms can make to the rebuilding of our country and our world is to keep the business flexible and healthy to stand the impact of events; to make useful things for people; and to be ready and strong for whatever weather the economic skies may produce.

Such a course should do the most to bring about general recognition of the truth that in the long run the whole people prosper when conditions enable business to prosper.

James Leopold to Admit

James M. Leopold & Co., 527 Fifth Avenue, New York City, members of the New York Stock Exchange, will admit George J. De Martini to partnership on Aug. 9th. Mr. De Martini, a member of the New York Curb Exchange, has been active as an individual Curb floor broker.

Mallory, Adee to Admit

Mallory, Adee & Co., 120 Broadway, New York City, members of the New York Stock Exchange will admit Francis B. Gilbert to partnership on Aug 5th. Mr. Gilbert will acquire the Exchange membership of David H. Annan.

With Central Securities Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Mrs. Freda O. Cross has joined the staff of the Central Securities Co., First National Bank Building.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of government securities gave considerable ground after the President's message to Congress. . . . Bids faded as volume increased. . . . Greater powers for the Federal Reserve Board could result in tightening the money market. . . . The technical and psychological forces seem to have worsened slightly because of new uncertainties that are cropping up here and there in the market. . . . "Open mouth operations" again seem to be coming to the forefront with rumor as to what is likely to happen to interest rates and prices of Treasuries, keeping investors and traders pretty much on the sidelines. . . . Bank eligibles are getting some attention from investors, but the top bonds, except for a few issues, continue at pegged levels, with the authorities the principal buyer. . . .

Shifting and switching has been responsible for most of the activity in the bank obligations with operations being confined largely to the taxable 2s. . . . Some institutions are moving from the 1951/54s into the 1950/52s and the 1951/53s while others have been just about reversing the process. . . . There have also been reports of swaps from the 2¼s due 1956/59 into the 2s due 1952/54. . . .

UNCERTAINTIES

The money market seems to be giving more and more attention, as to what is likely to happen in the very near future to interest rates. . . . The certificate rate and reserve requirements of Central Reserve City banks are becoming increasingly important to holders of government obligations. . . . The course of action of many operators in the money markets is being markedly affected by what they believe is going to happen to short-term interest rates and reserve requirements of banks in New York City and Chicago. . . . Although these uncertainties should be resolved in the not distant future, the old guessing and predicting game is in full bloom again and it is creating a psychological attitude that is not conducive to large volume or sizable activity in the government market. . . .

Opinions appear to be more in agreement that reserve requirements of the large money center banks will be upped, despite the fact that loans in these cities do not have the same trend as those of localities that cannot be affected by higher reserve requirements. . . . It is indicated that pressure will be kept on banks in New York City and Chicago for many reasons, not the least of which seems to be pretty much political. . . . To be sure, as long as the banks want to make loans, they can do so, by selling Governments, but the restrictive action of the money managers does have an influence upon the lending policy of these institutions. . . .

CERTIFICATE RATE

The certificate rate picture is not quite as clear, with opinion about evenly divided as to whether it will be moved ahead to 1¼% in the September financing. . . . Shrewd followers of the money markets are on both sides of this argument. . . . However, the large city institutions are biding their time, evidently well prepared for anything that will take place. . . . An increase in the short-term rate to 1¼% would not be at all depressing to these banks. . . . It would most likely mean higher rates all along the line, which would help the revenues of these institutions. . . .

Long-term Treasuries would no doubt be depressed, temporarily, with the certificate rate going to 1¼%, but most banks have their positions so well set in the higher income eligibles that they will not disturb them. . . . It could be that price weakness in the longs would bring these institutions into the market as buyers, despite their current desire for liquidity. . . .

NON-TREASURIES AFFECTED

The uncertainty that overhangs the government market is also having an effect upon the corporate and municipal markets. . . . New corporate obligations have been moving in not too sizable amounts at concessions from original offering prices. . . . Outstanding seasoned issues are very quiet with bids in most instances rather limited. . . . Municipal bonds are still in supply with buyers very cautious, which is resulting in a thin and inactive market. . . . Until there is a definite trend in prices of government obligations there is not likely to be any decided change in corporates or municipals. . . .

Nonetheless, it is indicated that some holders of non-Treasury securities would welcome an opportunity to lighten their positions especially in the distant maturities. . . .

SHAKY "PEGS"

Pegged prices of Treasury obligations, especially those of the ineligibles, are still a topic of considerable discussion among many followers of the money markets. . . . Sales of tap bonds by institutional holders in order to obtain funds for investment in other than Treasuries still goes on and the authorities continue to pay support prices for all of the bonds offered them. . . . However, the question is raised from time to time whether very heavy offerings such as have been made in the past, with the funds going into other investments, might not result in changes in "pegged" prices, by the monetary authorities. . . .

In the past three weeks, banks in the San Francisco and Chicago districts have been fairly sizable buyers of Governments with those in the New York and Cleveland areas, the principal sellers. . . .Dallas, Philadelphia, Kansas City and Richmond were also on the buy side. . . . It is reported that quite a few of the partially exempts have been taken on by the West Coast institutions with some sizable blocks being acquired at better than quoted prices.

Why the Pessimism?

(Continued from first page)

for the opposing point of view. This is a "must" if we want to avoid making the errors so common in the most widely advertised investment letter services of being "cautious" or "conservative" (!) when stocks are really cheap, and "constructive" (or frankly **bullish**) when the market as a whole is ripe for either cyclical decline or a major "correction."

Psychology Hurt by Propaganda

My optimism as to the outlook for business and the underlying trend of the market has been based on a combination of both fundamental and technical factors. The opposing view has been in error, I believe, largely because of the all-too-common attempt to oversimplify the problem of business and market analysis. The fact that Washington propaganda-influenced reports are so widely broadcast as being "inside information" has also had a great deal to do with the acceptance of the predictions of an impending business recession ever since V-J Day. The failure to take into account some of the important differences in our monetary and economic background as compared with pre-New Deal days, however, has probably been the principal reason for the pessimism of the past 18 months which has kept so many people from buying even those stocks which were definitely underpriced from every rational point of view.

Review of Favorable Factors

The most important of the favorable factors in the market outlook at the present time is, I believe, the prospect for well-sustained business activity for at least another 12 months. The principal supporting factors (all of which were mentioned in the "Chronicle" articles which appeared during 1947) include:

(1) A substantial unsatisfied demand for many types of goods. These include the products of many of the highly cyclical industries including building, automobiles, railroad equipment, and heavy electrical equipment.

(2) A record-breaking total of savings accumulated largely during the war period. (At the present time, holdings of cash, bank deposits and government bonds by individuals amount to about $175 billion, as compared with $155 billion at the end of 1945 and $49.6 billion at the end of 1939.)

(3) An increase in the buying power of the masses as a result of the tax reductions put into effect a few months ago together with the third round of wage adjustments.

(4) The probability of at least a moderate decline in grain prices and, in due course, in the cost of food, the principal item in the family budget. (Wheat prices at Kansas have already declined by about 25% from their peak, and there is little prospect of a recovery to the old highs. Corn for December delivery is quoted at $1.58 a bushel, as compared with a price early this year of $2.80 a bushel. The large 1948 corn crop should be reflected in more abundant supplies of pork and poultry by next spring.)

(5) The prospect of an export surplus of at least $5 billion a year, or about five times the prewar average of net exports, for some time to come.

(6) Material and other bottlenecks which prevent satisfying all of the effective pent-up demand for goods in a brief period of time. (New demands are accumulating, of course, during a period when production is being directed toward satisfying previously accumulated orders.)

(7) The strong probability that the New Deal anti-business administration will be voted out of office at the November elections.

(8) An ample supply of credit based largely on the expansion of Federal debt — which cannot be "called" as were the private debts of 1919 and 1929.

Unfavorable Factors Exaggerated

The recent bearish arguments seem to revolve around the old bug-a-boo of pipe line filling, and high break-even points. To be sure, competition is bound to increase as inventories are built up and demand is limited to current consumption. Competition might even become as severe as it was in the middle 20's when the late General Ayres described business as being in a period of "profitless prosperity." However, the degree to which we may be "overproducing" at the present time seems greatly exaggerated in view of the growth of our population, (and particularly of our **working** population), and the prospect of at least a semi-permanent increase in the general price level over that of the pre-war period.

Another argument for expecting a business recession has been the growing maladjustments in our economy. There is no question but that the effective buying power of large segments of our population have been declining because of the failure of many individual incomes to keep pace with rising costs. The seriousness of these maladjustments has been greatly exaggerated by labor leaders and others, by the simple expedient of selecting as a base for their propaganda statistics, a period when the maladjustments had been in their favor. If we look at the overall picture of the buying power of the public, we find that total personal incomes, after taxes, are now running at about 265% of the 1939 level. The total cost of living, according to Bureau of Labor statistics, is about 172% of the 1939 average. (It is important to note that it makes little difference as to whether we use 1939 alone, the 1938-1940 average, or the average for the five years 1936-1940 in comparing the rise in the consumer incomes and the cost of living since pre-war.) Clearly, the overall buying power of the American public, even disregarding the unprecedented level of total savings, is still extremely high.

Industry Positions Changing

It cannot be emphasized too strongly that a continued high level of business activity does not mean that the high cost producers will be able to enjoy indefinitely profit margins which are well in excess of pre-war experience. We should remember that profit margins in a competitive economy tend to work toward the difference between the costs of the efficient producers or distributors and the marginal units in our economy. Furthermore, the continuation of well-sustained business activity does not mean that the motion picture, liquor, glass container and similar industries can expect to return to their wartime relative freedom from competition for the consumers' dollar. We would soon have an extremely unhealthy economy if we did not have this competition between both industries and individual companies for a larger share of the national income. However, until and unless there is any reason for believing that the spread in production and distribution costs between various manufacturing and distributing organizations will decline to below prewar levels, there appears to be little basis for assuming that profit margins on the whole will decline to below those experienced in prewar years.

Inventories Overemphasized

The danger of underestimating the earnings' prospects of well-managed companies once pipelines are filled may best be illustrated by looking at the record of the radio industry during the past 18 months. It was virtually impossible to talk to anyone in Wall Street in the spring of 1947 without being told about the plight of the radio industry as "proof" of an impending collapse in all business. No one could question the fact that the radio supply lines were more than filled, and that many of the smaller companies were finding it impossible to sell their output. However, at that time, Radio Corporation common stock was selling at around the $8 level; by the second quarter of this year it had risen to as high as $15 a share. In the spring of 1947, Philco was selling in the low 20's; it has recently sold above 40 and will probably report sales and earnings during 1948 at the highest level in its history. Zenith was supposedly too high at 16 in 1947, at which price it was selling at about 60% above the lows touched in 1938, 1940 and 1941. However, this stock has risen by more than 100% in the past 14 months. The point I want to emphasize is that filling of pipelines in any industry does **not** preclude the possibility of satisfactory sales and earnings in the case of the strongly situated units, under current conditions.

Increased Family Incomes

Any realistic approach to the problem of setting up long-term sales and earnings "budgets" or estimates should, of course, take into account the growth in our population and prospective spending power of potential customers. This involves an appraisal of the future prospects for the general price and wage level, as well as the outlook for demand in terms of physical units.

Our population has increased by more than 10% since 1939, and by about 20% since 1929. What is equally important is that a larger number of women are now in the labor market, and as "gainfully employed" workers, are adding to both the production **and buying power** of our population. Granted that some women are working only because of the need to balance the family budget, the fact remains that there is a close relationship between aggregate payrolls and consumer buying power. According to the latest official estimates, there are approximately 48,000,000 family units in this country. The most recent employment figures show that we now have more than 61,000,000 people "gainfully employed." When we take into account the large number of families whose incomes are derived solely from payments received on investments in real estate and securities, it is obvious that many families are enjoying more than the income of one individual. If in the future a relatively larger than pre-war proportion of our population should continue actively to seek employment, the effective buying power of the country (and, therefore, the fluctuations in our business curves) would almost certainly hold at around a much higher level than might be expected on the basis of the pre-war record. It should be remembered that the effective demand for such products as automobiles, for example, is not dependent so much on the income of the head of the family as it is on the **total** family income. This point seems to be overlooked by many of our economists and business analysts.

Higher Price Level

Coming to the question of the price level, it does not seem at all realistic to believe that commodity prices as a whole will decline to anywhere near pre-war levels for at least the next 10 or 15 years. At the present time, the U. S. B. L. S. Index of wholesale commodity prices stands at about 114% above the 1938-1940 average level. In my opinion, there is ample reason for believing that our general price level will hold at somewhere between 70% to 80% above pre-war. I am thinking, of course, of the price level as a whole, and I am allowing for the probability that many prices which are currently ranging upwards from three or four times the pre-war level, will come down into line with the overall price structure. If this analysis is correct, the majority of companies in growing industries should be able to maintain their dollar sales at 100% or more above pre-war levels. Such a gain in dollar sales seems likely, even though there is no increase in per capita consumption. Since, as pointed out above, profit margins in a competitive economy tend to work toward a level which represents merely the difference between the costs of the efficient producers and those of the marginal suppliers, this means that the future level of profits of the strongly situated companies are more likely to hold at around double pre-war levels than they are to decline to say, the 1939 level. (To be sure, the earnings of **some** companies are being currently overstated because depreciation charges are not based on replacement costs. However, a check of the data on a substantial number of companies shows that this point is being greatly exaggerated.)

Translating the above basic factors into the outlook for stock prices, it is quite obvious that there is much more risk in assuming that the stock market is likely to fluctuate in the 93-194 price zone in which it held between 1935 and 1945 (as some of the "Formula Plan" followers seem to expect), than it is to assume that the future range for the Dow-Jones Industrial Average will be at least 50% to 60% above this level.

Money Supply

There are probably many people who will not accept the above conclusion that the general price level is likely to hold at well above prewar for many years to come. I believe that these people will prove to be just as wrong as they were in expecting a 1920 type of decline in business activity and the stock market during 1947 or 1948. To a large extent, the expectation of a decline in commodity prices to somewhere near prewar appears to be due to a superficial interpretation of the work of the Committee on Public Debt Policy. In the widely circulated report of this committee it was shown that following every major war since 1776, commodity prices have declined to or below prewar levels within 10 to 15 years after the end of each war. This study also shows, however, that prior to 1933, our national debt had never risen to more than 50% of the national income: it now stands at more than 100% of our **current** national income, and about double our national income in terms of prewar dollars. (The price level is, of course, one of the basic factors in the level of national income.)

While there is no short-term correlation between the supply of money (which is obviously greatly influenced by the size of the national debt) and the price level, there is certainly a substantial correlation from a long-term point of view. I would agree that there was a reasonable chance of a decline in commodity prices to somewhere near prewar **if there was a prospect that our national debt could be reduced (without resorting to the printing presses) to less than 100% of our maximum prewar national income of about $95 billion a year.** However, the probabilities are that our national debt will hold above $200 billion (as compared with the current level of $250 billion) for some time to come. Even if we assume for the sake of argument, that the equivalent of one-half of this debt could be permanently sterilized as a money-supply factor, this would still mean that our national debt will be exerting an inflationary force on our price level for many years.

It might be in order to recall again that our commodity price level held at more than 40% above the 1914 level between 1920 and 1929. During this 10-year period our national debt was reduced from about $25 billion to $16 billion, or to only a little more than one-third of the $45 billion national income of 1916. At the present time, the non-monetary forces which are likely to help sustain a high level of prices over the next ten years are also much stronger than those present in the 20's. They include, among other things, the reduced level of our natural resources, the strength of the labor unions, and the trend toward Government aid to both workers and farmers.

The Federal authorities could bring about a moderate reduction in the supply of money and credit, but, for all practical purposes, a **major** contraction in our money supply seems to be improbable if not impossible. In other words, as long as our money supply is based largely on public debt and not on private debt as it was in both 1919 and 1929, it is difficult to see how credit could be contracted sufficiently to break down or offset the supporting factors listed above. Taking all of these things together, it would seem extremely unrealistic to assume that the general price level will not hold at a much higher ratio to prewar over the next ten years than it did during the comparable period following World War I.

Summary

The preponderance of evidence still appears to be that it will take much longer than most people had expected for business as a whole to catch up with the accumulated demands resulting from the longest and most destructive war in our history. The sustaining factors in our economy appear to be strong enough to prevent a downward spiral in business as individual industries catch up with the pent-up demand in their fields and readjust their operations to a current consumption basis.

The increase in our working population, together with the prospect of a much higher than prewar price structure, makes it appear likely that, over the years immediately ahead, the total sales of American business will fluctuate at around double the prewar level. Returning competition will spell difficulties for inefficient producers, and particularly for those companies whose managements have become careless about costs and have blandly assumed that wartime conditions represented a new "normal." We are certain to have periods of economic readjustment in the future as we have had in the past, of course, and one of the real dangers at the present time is that businessmen and investors will not heed the signs of really serious maladjustments, once they appear, because of the numerous cries of "wolf, wolf" over the past two and one-half years.

For my own part, I continue to feel that we should look for well-sustained business activity, on the whole, until well into 1949. On the basis of certain long-term technical studies (which told us that the October 1946 lows in the Dow-Jones Industrial Average were not likely to be broken during 1947), the probabilities are that the current stock market cycle will not reach its crest for at least another six or seven months. It would be contrary to the experience of the past 50 years if both stocks and public psychology were not at a much higher level than they are today before there will be any need to prepare for a substantial decline in general business activity, or to reduce invested positions in equities from a maximum or near-maximum level.

Current Responsibilities of Securities Industry

(Continued from page 6)

which have driven prices and wages to their present high levels. These shortages, furthermore, have been perpetuated by work stoppages and low man-hour production.

The war ended nearly three years ago, and uninterrupted production since then might well have brought the shortage era here to an end.

The deferred demand boom could be brought to an end by satisfaction of wants. It can also be brought to an end by successive wage increases, which raise costs and prices to levels where weak purchasers are eliminated and incentive for new investment is destroyed.

It is elementary economics that when people are compelled to pay more and more for coal and other commodities, they will be able to spend less on other consumable things.

Furthermore, they will have less for capital expenditures, and new capital investment will be discouraged. There is no surer way to provoke depression than to raise costs to intolerable levels.

It is a paradox that today there is fear of inflation, yet we are all sensitive to the dangers of deflation. There can be no question that the basis of inflation in this country was laid during the war. We have seen daily reminders of the tremendous expansion of bank credit and all of its natural companions throughout World War II and in these postwar years.

When the contraction processes were at work early this year, they were felt by the whole economy and particularly by the money market. Elementary as they are, it seems appropriate again to cite the three objectives to be desired in the management of our Federal fiscal policy.

(1) Economy in Federal expenditures.

(2) Avoidance of deficit financing, except in national defense against attack.

(3) Preservation of dollar purchasing power.

Fiscal policy should and can be made an anti-inflationary force, and a reduction of public debt in a period of high income is highly desirable.

All things considered, the temper of the present situation, however, does not fit into a pattern of deflation, unemployment, or a sharp decline in business activity.

Outlook for Securities Business

Now I should like to make a few observations about the outlook for our business in the coming months. What we sometimes forget is that this is a risk business. All financial enterprises are risk ventures.

Insurance companies learned to calculate their risks and to be adequately paid for those they assume. Sometimes, I doubt if we calculate ours as carefully, especially in the field of competitive bidding.

This is one of my favorite topics, but I realize it is our problem and not yours, and we will continue to work toward its ultimate solution.

Nothing is more important to our business or to business generally today, than the capital needs of industry. Most of you will recall that only a short time ago a great many disciples of a mature economy in this country fatalistically accepted the notion that we were living in a "finished world."

It is fortunate that that concept has lost standing rapidly. Today, we face a situation where production plans of industry involve capital investment which may outrun the capacity of the economy to provide the necessary funds.

Looking to the future, it has been estimated that the capital needs of industry in the next five years will reach $50 billion. Last week a bulletin issued by the First National Bank of Boston contains a new estimate of $75 billion. The original figures offered sufficient challenge to the investment banking industry, but the revised figure of $75 billion is even more impressive.

While it is not well-known to the public, it is well-known to us and to you that a large part of this new capital will be supplied through the machinery which we provide. If industry's needs have been properly calculated at $75 billion, it will mean that our members and yours also, have an active period ahead.

Established industry with proven credit seeking public markets for large quantities of capital will have their needs satisfied only if our machinery and the machinery of the regulatory bodies work together efficiently and harmoniously. For unless our efforts to raise the capital needed by industry are successful, the whole economy will suffer.

New Equity Securities

During the first quarter of 1948, the market absorbed $2.5 billion of new money financing of which 10% was raised from the sale of equities. It is interesting to note that this is the largest quarterly total of new money financing to be recorded since the third quarter period in 1929 at which time $3 billion of new capital funds were offered in the public markets. The comparison is made especially interesting because in 1929 76% of this amount was raised by equity financing.

We have for several years enjoyed a cycle of prosperity. The Treasury Department reports liquid assets in the hands of individuals represented by government bonds, individual bank deposits, and currency now exceed $201 billion.

This compares with a figure of $50 billion in November, 1941, immediately before World War II.

This is a very significant figure for although these dollars are known to have less purchasing power in commodities than at any time in recent years, many believe that the one place where accumulated dollars may be used advantageously is in the purchase of equity securities which have not registered the advances common to commodities and other forms of property.

This, we believe, is a hopeful sign for the investment banker and the investing public at this time. Industrial averages are not far above the Japanese surrender level, in August, 1945, whereas most commodities are still more than 50% higher than they were at that time.

We have heard a great deal lately about the importance of directing the flow of capital into equities.

We know from experience, however, that the purchase of equities is more favorable to investors when ratios of price to earnings are low as they are today.

If we are to realize our ambition to expand markets for new capital through the sale of equities. It is to be hoped that the enthusiasm of the investing public will assert itself when ratios are low and prices are favorable so that we may avoid some of the excesses and painful experiences that have accompanied some of the high and feverish markets in the past.

Business activity is expanding, earning power is rising, and dividends are slowly mounting. At the same time, yields of high-grade and of tax-exempt bonds have not fluctuated widely because of the influence of the stout support of the government bond market level on a long-term 2½% basis. The combination of all of these factors would seem to lead to higher stock prices.

Let me go back to this figure of $201 billion of liquid assets in individual hands which illustrates several things, among them the degree of inflation which has been injected into our economy.

Another, the more assuring fact that many individuals have accumulated funds for investment and for future security. In interesting contrast to these figures, however, is the recent statement that the volume of consumer credit in this country reached a new high on July 1, which of course offers a debit against the unprecedented volume of liquid individual holdings.

Historically, prosperity does not continue forever, and, while I would not want to presume to predict when the turn might come, and certainly it does not appear to be imminent, I would like to suggest that it is in everyone's interest that the now out-moded concepts of thrift and self-reliance again be made popular.

Our industry must continue to encourage individual investors to provide themselves with the added security made possible by the wise placement of their own accumulations. In performing these services, we will assist in meeting the capital needs of industry, which in turn, over the years, provides employment and economic well-being for our citizens.

Harriman Ripley Offers Deere & Co. Common

An underwriting group headed by Harriman Ripley & Co., Inc., offered publicly July 27 250,000 shares of Deere & Co. common stock, without par value, at $38⅞ a share. The company is not selling any of the common stock offered and will not receive any of the proceeds. The 250,000 shares of common stock are being sold for the account of two trusts created by Charles H. Deere son of the founder of the business. After giving effect to the sale, members of the Deere family and trusts under which they are beneficiaries will continue to own about 27% and 23% of the outstanding common and preferred shares, respectively.

The business of Deere & Co. was established in 1837 by John Deere and has steadily broadened and expanded. Members of the Deere family have continuously engaged in the management of the business. The present company, whose principal executive offices are located in Moline, Ill., was incorporated in 1911 under the laws of the State of Illinois.

The company and its subsidiaries are engaged in the manufacture and distribution of agricultural implements and farm tractors.

Sales by the company reached an all-time peak of over $212,000 000 in the year ended Oct. 31, 1947, and for the six months ended April 30, 1948, amounted to approximately $141,000,000.

Peter Silowan Forms Own Company

BOSTON, MASS.—Peter Silowan has formed Peter Silowan, Sr., Co., with offices at the Hotel Touraine, to engage in the securities business. Mr. Silowan was formerly with J. H. Goddard & Co. and F. L. Putnam & Co., Inc.

Marxer & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Ross McAllister has been added to the staff of Marxer & Co., Penobscot Bldg., members of the Detroit Stock Exchange.

Sees Investor Confidence in Republican Regime

(Continued from page 4)

taxation and the ending of opposition on principle to the profit motive are all on the side of better corporate earning power. Of course, the major economic trends are still the controlling factor.

"Dividends: On the one hand, greater long-term confidence should lead many companies to feel that it is sound to disburse a larger proportion of earnings. On the other, the mistaken pressure to compel companies (through threatened tax penalties) to pay out earnings really needed to be kept to pay for expansion and improvement and to build up surplus and working capital should at least diminish. But essentially both these matters are favorable from the investment angle.

Domestic Financing: New financing and refunding not only represent an important part of the investment business, but also are an influence on the course of the markets. The probable results of a political change which we have repeatedly mentioned should be conducive to some expansion in financing but the actual needs of industry will control. There is likely, however, to be a greater shift to equity financing.

"Market Prospects: Insofar as the psychological factors are concerned, the effects of a political change should, on balance, be strongly on the favorable side. This is especially important under present conditions, because despite the exceptionally favorable economic background, stocks are being valued at historically very low ratios to earnings, and dividend return is liberal (particularly in relation to yield obtainable on bonds) though the proportion of earnings being paid out is generally abnormally small. The probability of the stock market fulfilling its favorable potentialities should be increased, while better sentiment should act as a cushion on declines.

"Since influences on stock prices often may act differently on the various major sections of the market, it is worthwhile to consider separately, in brief form, the industrials, railroads and utilities.

"Industrials: The effect on the industrial section of the stock market, which is in itself extremely broad and various, would presumably be most like that on the general economy. However, the greater long-term confidence would be of particularly favorable significance to the capital and durable goods fields and this should be reflected in the stocks representing them.

"Railroads: As a regulated industry, the railroads are more sensitive to government influences than the average. On the other hand, they are also very sensitive to changes in business activity. The expected favorable general economic effect should be shared by the railroads. Since their stocks are typically volatile, it would not be unreasonable to look for favorable factors to be reflected in somewhat magnified form pricewise.

"Utilities: There is no industry where a political change would have more favorable results than the utilities. Furthermore, as stated before, other factors affecting the utilities have improved so that a new fortunate factor should fall on fertile ground. Finally, there is little evidence, up to the present at least, that utility stocks have discounted this favorable contingency to any appreciable extent.

Conclusion

"The preceding comments have been predicated not only on the coming into office of a Republican Administration and Congress, but also on the assumption that this country does not become involved in a major war. We are expressing no opinion as to the probability or improbability of war, but it is naturally to be understood that hostilities would create an entirely different set of conditions under which to evaluate the various matters that we have covered.

"The return of the Republicans to complete control of the government would probably not be a merely temporary condition. However, while we believe the effects would be as we have stated, there is no practical way of putting a time limit on their duration, as economic forces will as always produce changes. Our discussion has not been intended as a straight forecast, but has been meant to diferentiate conditions as they would be under the present administration and under a change to Republican rule.

"The outstanding effect of the election of a Republican Administration would be the ending of a period in American history in which the pendulum swung far to the left—it would mark a return to more normal American habits in economic life. The days of 'trial and error' and of expediency as the major guide would end. The era of belaboring capital for all woes would be closing. These are both psychological and actual factors. A more even balance between capital and labor would follow and usurpation of government by elements hostile to the American way of life should terminate.

"It is often and correctly said that business can adapt itself to almost any set of rules. But the disrupting influence of the policy of expediency is that the rules are constantly changed. Under a Republican Administration, not only more favorable economic attitudes should exist, but continued rule changing should cease. With a strong personality as President and a Congress dominated by the same party, we should see an increase of confidence of the American people in their government and themselves; and an increase of international confidence in the United States. These influences would be of the strongest favorable nature on business and security markets. The time of having nothing to fear but fear itself, yet nevertheless fearing it, should be over."

Halsey Stuart Offers Central Maine Power $5,000,000 Bond Issue

Halsey, Stuart & Co. Inc. offered publicly July 28 $5,000,000 Central Maine Power Co. first and general mortgage bonds, series Q, 3⅛%, due June 1, 1978, at 101.467% and accrued interest. The firm won award of the bonds at competitive sale on its bid of 101.309.

Proceeds will be used to reduce outstanding short-term notes, the proceeds of which were used by the company for the purchase or construction of property.

The new bonds will be redeemable at prices scaled from 104.50% to 100% and through operation of the sinking fund at prices ranging from 101.47% to 100%.

With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, FLA.—Howard G. Groshell has been added to the staff of A. M. Kidder & Co., 122 West Forsyth Street.

Joins Paul A. Davis Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—Robert E. Miller has joined the staff of Paul A. Davis & Co., Ingraham Bldg.

Sale of Primary Mining Securities

(Continued from page 9)

from smelters and refineries and the output of cement, lime, clay products and glassworks and the products of our iron and steel works, foundries, and metalworking plants, we should probably find that the mining industry generates as much as three-fourths of all traffic by rail and trucks and a like proportion of domestic barge and boat transportation.

It has been estimated that for every dollar of sales by mineral producers, $5 are paid in wages to transport and factory workers who handle the products of our mines. As we grow more frugal and use our minerals more efficiently, and as we devise more and more highly fabricated articles, the ratio increases. In 1944, when 80% of our expanded production of metals went into munitions, which are more highly fabricated than most peacetime goods, the ratio was probably much higher. Minerals are essential to the manufacture of factory products worth $40 to $100 billion annually. Even in peacetime, however, only a small portion of prices paid for consumer goods goes to the mining industries; most of the ultimate consumer's dollar goes to manufacture and distributors in *all* the States of the Union.

What mining means to certain large areas of our country is disclosed by a careful survey made a few years ago in Utah, where it was found that actually nearly half the people in the State (47.17%) were dependent upon the metal-mining and smelting industry for their livelihood.

* * *

In round figures, 17,000 metal miners, and workers in directly allied industries, in a mining State such as Utah support not only their 43,000 wives and children, but also 148,000 merchants, mechanics, doctors, lawyers, barbers, and other professional trades, and service people and their dependent families, in addition to 32,000 persons on farms who grow things for all these people to eat. In simpler terms, for every man engaged in mining and allied industries, 2⅓ jobs were created in service industries and a total of 12 local persons were thereby supported.

This 12:1 ratio, amazing though it may seem, would be boosted much higher if account were taken of derived employment in other States. It has been said that metal-mine products multiply in value 17 times before they reach the ultimate consumer; but the trail grows too difficult to follow and splits into too many branches to permit further quantative measurements after the copper from a Utah smelter begins its long rail journey—to a refinery in New Jersey, to a brass mill in Connecticut and, after several more stops, perhaps to a Detroit automobile factory, and so on. The true importance of domestic mining to the national economy gives some idea of what would happen to the large Western market for manufactured goods if our mines were to close down, as well might happen if we were to adopt the policy of buying the bulk of our minerals abroad in order to expand our relatively small foreign markets for manufactured goods.

To safeguard the jobs of most of the nation's other workers as well as to maintain our military security, we must start from the ground up by guaranteeing the *continuance and well-being of the mining industries,* from which the basic raw materials for other sectors of our economy are derived. Having learned that the chemist's wand can transform coal, air and water into shimmering nylon, and common mineral fuels into synthetic rubber, any thoughtful person can trace back the antecedents of most of our goods and services to where they spring, in whole or essential part, up from the ground.

Support of Mining Industries

As Mr. Tyler has said, we must guarantee the continuance and well-being of the mining industries; in other words, we must perpetuate the mining industries, and I speak particularly for the *metal mining industry of the West.* Perpetuity was one of the thoughts that prompted former Governor of Nevada, E. P. Carville, and Governor Earl Warren, of California, in calling a mining conference in San Francisco in August, 1944, which was henceforth known as the Western Governors Mining Conference, as it was sponsored by the governors of the 11 Western States, the Governor of Alaska and the Governor of South Dakota. At that conference I had the honor of being appointed chairman of the subcommittee on mine financing and I still hold that chairmanship. It was realized at the San Francisco meeting that the principal problem of mine financing was to provide working capital for the small mines and prospects, as the larger mines do not find it difficult to legitimately sell securities to the public. As the San Francisco conference was attended only by operators and mine owners, and not by state investment commissioners and representatives of the SEC, it was voted to later hold a conference between mine operators and owners, state investment commissioners and SEC representatives. At my request, Governor Ford called such a conference to take place in Butte on Nov. 10 and 11, 1944, and, as I have stated previously, Mr. A. S. Richardson, of Colorado, was the accredited representative of the National Association of Securities Administrators at that meeting; and some of your members from other States also attended. Commissioners from 30 additional States wrote us that they were highly in favor of such a conference, but could not attend due to transportation difficulties at that time. I had the privilege of presiding at the Butte conference and at the same time representing Governor Sam C. Ford of Montana and also representing the members of the Mining Association of Montana. Acting in this triple capacity was a little difficult at times, as you may realize, but the outcome of the meeting was most successful. Mr. Richardson's report on this conference, printed in the "Blue Sky News" for January, 1945, stated, among other items: "It was felt by the representatives of State Commissioners, who were in attendance at the conference, that a much more cordial feeling was engendered as a result of the discussions in open meeting, clarifying the viewpoints of the mining industry on the one hand and the regulatory authorities on the other."

I wish we could have such meetings oftener, but I realize that arranging for such meetings presents many difficulties. Therefore, I doubly appreciate the privilege I am accorded to talk to you today about the mining industry, especially the Western metal mining industry.

At the beginning of the Butte conference, both Governor Ford and I outlined the scope of the meeting, especially emphasizing the importance that the small mines play in the general mining industry. Governor Ford said: "We have both large and small mines in Montana and all of our large mines have started as undeveloped prospects. I am not a mining man, but it does not take a mining man to realize that we must develop the small mines or there will be no large mines in the future."

With your indulgence, I will quote some of the paragraphs of my Butte talk, eliminating that part addressed specifically to the SEC and adding some items which are of interest to all the individual States.

"The objective of this conference is to facilitate the financing of the properties of the prospector and small mine operator through the legitimate sale of securities to the public. This conference should also be of great interest to the larger mining companies and to all the citizens of the United States, for if we do not develop the prospects and small mines, there may come a day when there will be no domestic large mines to supply metals and nonmetallics for peacetime consumption and to manufacture planes, ships, and guns, etc., in the event of another war.

"When the Western mining industry is prosperous, the new wealth produced creates a huge purchasing power for goods produced all over the United States, including goods produced by the farmer, the stockman, and the manufacturer, as well as the services of transportation companies and other service organizations. These mines pay a good share of city, county, State and national taxes. A prosperous Western mining industry also helps to make good times in every State in the Union, as the Western mining industry and its employees purchase huge amounts of machinery, mining supplies, clothing and housing material from every State east and south of the Missouri River; and we purchase food and a great many of the other necessities of life from every State in the Union, especially the States east of the Rocky Mountains.

"However, the Western mining industry cannot be prosperous, especially in peacetime, for any long period of years, unless new mines are developed, and we are gathered here to further the development of these new mines to perpetuate the Western mining industry, the large purchasing power it creates, and the steady employment it gives to a large number of men and women.

"We urge the preservation and encouragement of small and large business in private hands for all industries. In some manufacturing industries both wartime and peacetime consumption can be supplied by the larger companies, as these manufacturing companies do not produce their raw materials and can constantly expand their operations to meet consumption. However, mines and oil wells ultimately are exhausted and new domestic sources for minerals, including oil, must be developed.

"It usually takes years and plenty of money to develop a large mine from a raw prospect. One man may develop a prospect without making a mine before his money runs out. Three or four others may spend their time and efforts on the same prospect without successful results. However, a number of prospects worked by as many as 10 successive operators and at the expenditure of substantial amounts of money have proven failures through no lack of judgment or diligence of the operators. On the other hand, the eleventh operator comes along and he successfully develops an ore body which is marketable and profitable. Perhaps the operator develops a good copper, lead or zinc mine due to the expenditure of effort and money, but sometimes he has to wait until the prices of the metals advance before it is profitable for him to cash in on his efforts. Therefore, it has not been good business for the larger mining companies, most of whom have little speculative capital, to develop the thousands of prospects that have been offered to these large companies over a period of many years. However, if the small operator does develop a successful mining venture, he usually has the opportunity to sell it to a large company at a good profit or continue operating it himself.

"Therefore, it is an economic and national safety necessity that *small* mines be developed, and speculative capital must develop these mines. After all, the development of mining prospects is no more hazardous to venture capital than are other speculations. In two days in 1929 the losses on stocks listed on the various stock exchanges were said to have been *far greater* than all the money ever lost in Western mining ventures since 1849. When a prospect or a small mine is developed successfully, those who have put their money into the venture usually reap very large returns.

"During the war the large production of metals and the development of small mines was due in part to capital provided by the various government agencies. Right now and after the war we prefer that the mining business be carried on by private capital."

Fostering Legitimate Sale of Securities

In the third and concluding part of my talk today, the mining industry requests the friedly cooperation of the investment commissioners in all the States, so that our Western primary mines may be financed by the legitimate sale of securities to the citizens of their States. We especially urge that, in some States, there be modifications and eliminations of certain laws, rules and regulations which obstruct the sale of such securities.

I am a mining engineer and not a mining attorney and it would be a huge task for me to read and analyze the investment laws of all the States in the Union. I have had to depend for my knowledge of these laws upon associates who have met with obstructions in some of the States when trying to legitimately sell mining securities. I also have read and studied pamphlets on the subject, such as "Financing Small Business" in the Duke University publication, "Law and Contemporary Problems," edition of summer-autumn, 1945, and "The Regulation of the Security Markets," published by the Brookings Institution of Washington, D. C., in the late summer of 1946.

The underwriters and merchants of primary mining securities are entitled to a rather high commission, as are the vendors of other venture securities. This commission sometimes is more than 25% of the gross sales Some of your States set a rather low limit on allowable commissions. In these States we ask that allowable commissions be increased, so that our primary mining securities can be sold in these States. In SEC release No. 744, of Oct. 22, 1944, and in the SEC's tenth annual report, published in April, 1945, there is an exposition of the costs of small financing, and we include primary venture securities, especially mining securities, under the heading of "small financing." The two reports, to which I refer, cover a period from Jan. 1, 1938, to June 30, 1944, and state:

"For all equity securities of the companies with assets of less than $1,000,000 included in the study; the total cost of flotation amounted to 21.6% of gross proceeds. Of this amount 19.7% represented compensation to distributors and 1.9% other expenses. In the case of preferred stock the total cost of flotation was 19.3%, 17.5% being attributable to distributors' compensation and 1.8% to other expenses. For common stock the total cost was 22.1%, 20.2% for distributors' compensation and 1.9% for other expenses."

In some states mining and oil securities require special registration. We believe that they should be required only to register like all other securities. We urge that any security fully registered and effective with the SEC should be exempt from all the securities' laws of all the states, with the exception of the fraud laws. Of course, when the issuers and underwriters advertise in and send salesmen to the various states, they should be required to file a copy of the SEC registration statement or prospectus and pay a state filing fee.

Western States Have Insufficient Capital

The Western states are not yet rich enough to fully finance the development of their natural resources, and it may be a long time before they have enough venture capital to do this. Therefore, we must obtain capital in those states in which venture capital is more plentiful than in the Western states. Unfortunately, we cannot go to the expense of bringing the normal prospective investor to see the project which we ask him to help finance. We have in mind, of course, those investors who stake merely a few hundred dollars each and who, in the aggregate, have fully financed mining ventures in the past. We have to depend on printed literature and salesmen to describe our projects. A large percentage of the mining failures of the West are not due to lack of ore showings, but are due mainly to lack of sufficient money to develop. We are glad to note that in the last two years several of the large investment houses and bankers, especially in New York City, have underwritten primary mining securities.

Sometime ago Mr. Emil Schram, President of the New York Stock Exchange, in urging the investment of more venture capital, held to the long known American theory, that business must go forward or backward as its development cannot stand still. The mining industry is just like that.

Curb of State Regulations

In many states the regulations go far beyond those of the Federal Securities Act of 1933 and confer upon the regulatory authority broad powers to prohibit the sale of securities on grounds related to the soundness of the business enterprise and the security. We ask the investment commissioners to use this authority with great consideration in weighing the merits of a primary mining venture, and to judge mainly whether the venture violates the fraud laws of your states. Certainly, we do not ask you to favorably pass on any security which looks fraudulent. For the ultimate good of our industry, we ask you to carefully consider any venture that seems evil or has the appearance of evil.

The president of a large national bank in Chicago was under criticism by the presidents of several other banks because of his investments in mines. The man made the following reply to the criticism:

"Throughout the West ages ago, Almighty God built stronger vaults in his granite banks than we have in ours. He filled his vaults with gold, silver, copper. He gave the prospector knowledge and insight, and guided him on his way to the door of the vaults He had built. The Federal Government handed the prospector a title patent to all therein. With drill, blast, pick, and spade the prospector has broken the combination lock and entered. But for him our notes of issue would be as the stump-tailed currency of 1857. But for him this government would be bankrupt.

"Mines will be producing millions of gold, silver, and copper

in that future day when national banks are unknown.

"A mine contains a crop already raised, harvested and on deposit for you to check against at your pleasure.

"The wealth gathered from the mines immortalized Solomon.

"Mining is an industry as necessary to the welfare of the community as the raising of crops.

"Show me a country without mines and I will show you a people sunk in degradation and poverty; and poverty makes cowards of nations as well as individuals.

"Mining is the second industry in the United States.

"Mining has transformed more poor men into millionaires and raised them to positions of honor and trust than any other business.

"Mining has scored less than 35% of failures against 95% of failures shown in general United States merchandising business.

"Without the product of mines you would have neither a frying pan, a spoon, a hat pin or a monetary circulating medium.

"Eliminate the miner and you set civilization back to the dark ages.

"Outside the elements of great personal profit which will accrue to us as bankers who are able to supply the money to open great mines, it behooves us to foster an industry upon which the prosperity of not alone our depositors but the nation depends."

Our conditions and our pleas are well outlined by Charles F. Willis, mining engineer, Phoenix, Arizona, who, for many years, owned and edited one of America's greatest mining journals, in his statement:

"Regardless of the most favorable conditions surrounding it, a prospect still remains speculative and it always will remain just a prospect unless funds for speculative investment are made available, through which it may either be taken out of the prospect class or proven commercially valueless. Honestly presented, this type of promotion is as fully legitimate as any which may be open to public participation. When it is made impossible for the prospector or developer to obtain that kind of speculative funds, mineral development immediately is stagnated."

While we in the West do not have the funds to develop our natural resources, we do have "vision to see, faith to believe, honesty and courage to do." We put the last phrase in quotation marks, as we borrowed it from the Los Angeles Chamber of Commerce; and nobody questions the honesty and efficiency of that organization; except in its statements on California weather.

We ask you to give a "fair weather" rating to all venture securities that are free from fraud and that assure they will give their stockholders an honest run for their money. That is all that should be asked of any speculative venture.

Considering the profitable outcome of many small mining ventures, we ask you to not only apply your laws, rules and regulations from the standpoint of protecting the public, but also to ponder the fact that many an individual, due to too strict state administration, may be denied the right and opportunity to materially increase his capital through investment in a primary mining venture. We believe that public participation in financing and making successful mines is the answer of the mining industry to the theory of "sharing the wealth."

Walter Burns Director

Walter L. Burns of Baumgartner, Downing & Co., Baltimore, has been appointed a director of the new company emerging from the reorganization of the Quaker City Cold Storage Co. of Philadelphia.

The Regional Stock Exchange

(Continued from page 7)

the dealings in listed securities. Whether these requirements and limitations were reasonable or appropriate is not germane to this discussion. That they constituted deterrents to listing I think no one will deny. The important point is that they could be and were avoided simply by not listing. Their acceptance and application rested solely within the discretion of an issuer for unless an issuer voluntarily took the affirmative and unrequired step of listing it was not subject to the requirements and limitations assumed by listing. It is understandable that issuers were less inclined to list because of the burdens, real or fancied, they would have to assume. It is equally understandable that the opponents of listing did not hesitate to use regulation and its burdens as additional arguments against the step.

Regulation unquestionably added substantially to the competitive problems of the exchanges. The situation faced by the regional exchange certainly was not an enviable one. The requirements and limitations of regulation were, and still are, more burdensome, proportionately, on small issuers than on large and small issuers were the main source of listing for the regional exchange. Public opinion, national distribution and broad investor interest combined to impel the large issuer to accept regulation, but such persuasions did not apply to the small issuers and their reluctance to list became increasingly evident and difficult to overcome. Large issuers, for fear of added burdens, tended to confine their listings to New York where, previously, they had listed on the regional exchange as well. With its sources of listings thus sharply curtailed, facing the fact that every issuer, large or small, of its then listed securities would have the opportunity of delisting when temporary listing and registration expired, being especially vulnerable to the keen and steadily increasing dealer competition, and with regulation of exchanges themselves still an unknown quantity the position of the regional exchange in 1934 was not a particularly happy one. It was clearly a case of "Sink or Swim, Survive or Perish."

The immediate problem we, with others, faced, was to retain the listings we had. To do this we had to persuade their issuers to accept regulation by registering under the Securities Exchange Act. Our approach to the small issuers was in the nature of an appeal to area loyalty. We urged their support of their exchange. We also pulled no punches in stressing the advantages of listed markets, for we had to overcome the anti-listing arguments of our competitors. With the larger issuers we developed an approach which, with refinements, we still use. It had two basic premises. First, that listing on our exchange provided a convenient home market, which was a proper service for issuers to provide for their stockholders and investors generally in the area we served. Second, that it stimulated consumer goodwill for the issuer as well as interest in its products or services in our area. These efforts resulted in holding 90% of our listed issues and the 10% lost were more than offset by the number acquired through merger with the Los Angeles Curb Exchange. That merger also marked our establishment of an unlisted division which was to prove an invaluable factor in our development just as it was to contribute materially to the progress if not the preservation of other regional exchanges.

Unlisted Trading Privileges

Unlisted trading privileges therefore merit a brief consideration. They are an integral part of the Securities Exchange Act. They provide a substantial number of the securities available for dealings on many regional exchanges and the New York Curb Exchange and yet their title permits the unwarranted inference that securities so traded and even exchanges so dealing are suspect. Securities presently admitted to unlisted trading privileges on an exchange are, for the most part, admitted under two classifications: First, those which had been dealt in on an unlisted basis on the exchange prior to March 1, 1934. In this group will be found the true unlisted securities, that is, those which were never listed on any exchange but which one or more exchanges had elected to admit to dealings without the formality of listing. Such securities are not registered with the Securities and Exchange Commission under the Securities Exchange Act and their issuers are not subject to its requirements or those of the exchange. The second classification consists of securities which are listed on one or more exchanges and registered with the Commission. Their issuers are fully subject to the requirements of Federal regulation and exchange listing agreements. Congress authorized the first calls to preserve established privileges and the second to provide for the future extension of the privileges under appropriate circumstances. The latter anticipated the reluctance of issuers to list on several exchanges. It recognized that such issuers had accepted the philosophy of regulation and were in compliance therewith which was the basic objective of the Securities Exchange Act. It also recognized that regional markets for the securities of such issuers could be in the public interest and therefore provided procedure whereby such markets could be established by an exchange without obligating or burdening the issuers. Securities admitted to unlisted trading privileges on an exchange pursuant to the Securities Exchange Act are deemed to be registered and are entitled to every privilege applicable to a listed security. It is questionable whether either the exchanges, in sponsoring, or Congress, in adopting, the unlisted trading privileges provisions of the Securities Exchange Act could have conceived the vital factor it was to become in shaping if not preserving the destinies of regional exchanges during the years of change in the securities industry which followed.

Present Position of Regional Exchanges

Out of the welter of events which marked the 15 years starting in 1934—Federal regulation, sustained periods of adverse business conditions, war, postwar adjustments, keen competition—has emerged the regional exchange of today. There are 22 of them located in 14 states, the District of Columbia and the Hawaiian Islands. Seventeen are registered National Securities Exchanges under the Securities Exchange Act, the other five are exempted. In 1947 they accounted for slightly over 7% of the dollar value of transactions in stocks on all the Nation's exchanges. This volume might appear small on first consideration but it represented a valuation of over $837,000,000 and constituted a substantial contribution by the regional exchanges to the financial life of their areas. Five regional exchanges recorded 83% of this total. We in the west must be pardoned as we point out that the San Francisco and Los Angeles Stock Exchanges were two of the five. Chicago, Boston and Philadelphia were the other three. Any attempt to compare or classify regional exchanges as to size or importance would involve factors which might be misinterpreted or deemed biased. The scope of each reflects the character and geographical location of the area it serves as well as the ambitions, abilities and efforts of its members. Some remain almost entirely local in activity as well as type of security traded. A number have relied largely on unlisted trading privileges, in varying degrees, to expand their activities. Others have aggressively sought and secured listings of local and national issues in addition to utilizing unlisted trading privileges. These exchanges illustrate the "new look" in regional markets. They still provide their areas with home markets for home securities but, since that function continues to be curtailed by competition, they are inclined to divert an increasing amount of effort to the development of their markets in the securities of widely known national issuers. Transactions in odd lots of the latter usually may be effected at prices competitive to those on the New York markets and such odd lot trading contributes substantially to the volume of many regional exchanges. Round lot transactions vary in volume on the various exchanges. Some have a small percentage of round lots in comparison to odd lots while others particularly the western exchanges, have been able to develop increasingly broad round lot markets. Here on the Pacific Coast we are 3,000 miles from New York. There is a time differential of 3 hours. Our exchanges are open when eastern markets are closed. We must and do strive to maintain round lot as well as odd lot markets. The question is frequently asked, "Aren't investors penalized by dealing on your exchange when your prices get out of line with those of New York?" The answer is obvious—"They just don't get far out of line." Arbitrage plus the continuing interest of our specialists, odd lot dealers and floor traders make it almost impossible at least to any appreciable extent. If our round lot markets fail to conform to New York no transactions result and the orders usually go to New York. For the benefit of possible skeptics I can state that in all my years as an administrative officer of our exchange I have never had a formal complaint based on any wide divergence of price between our exchange and New York. No exchange could exist long if investors were penalized by dealing on it and this applies especially to a regional exchange for, as a home market, it is subject to close scrutiny by the home folks who deal on it. In performing the function of maintaining a home market in nationally known securities for the convenience of the investors in its area the regional exchange renders a service which complements and supplements the New York markets rather than competing with them. While this function has grown in importance and value to the exchanges and their areas it never should either replace or even overshadow the primary one of providing a market for local securities for upon that function regional exchanges were founded and developed and in its performance have established their right to existence.

Contributions of Regional Exchanges

The regional exchanges have contributed substantially to making securities regulation effective. Prior to Federal legislation they had been subject to the securities laws of their own and other States. Through their relations with the administrators of those laws they learned the value of cooperation, mutual trust and respect. Therefore from the earliest days of the Securities and Exchange Commission they have cooperated continuously and conscientiously with the administrators of Federal legislation whereby mutually friendly and understanding relations have been fostered and maintained. Supervision of their own members is and can be expected of the regional exchanges but their influence has been much broader. Their membership normally includes a large number of the leading firms in their areas. The acceptance of regluation by such leaders has gone far to persuade others that neither regulation nor its administrators are intolerable. The exchanges themselves as natural rallying points for all units in the securities industry in their areas have contributed greatly to interpreting regulations and encouraging compliance. Many of the exchanges are authorized to grant extensions of time to secure settlement of transactions under Regulation T of the Federal Reserve Board to non-members as well as members. This has enabled them to develop closer relations with non-member securities firms and afforded them an excellent opportunity of fostering wider understanding of and compliance with regulation. I would be the last to infer that regional exchanges are perfect or that they and their members approve every phase of regulation but I do know they have been and will continue to be helpful in the administration of securities regulation both State and Federal.

The regional exchange is an excellent public relations medium for the securities business. Its members are home folks and as such merit neighborly confidence. The exchange itself is often the focal point for public inquiries and complaints respecting securities transactions of every nature. Since the majority result from misunderstanding or unfounded suspicion the exchange, by explaining or reassuring, is able to avert some of the unwarranted criticisms of the securities business and its firms which create public distrust. I also like to think that the conduct of the regional exchange and its members is such as to reflect credit on our business as a whole and that it has contributed substantially to reducing the influence of those elements which would destroy free enterprise.

The regional exchange is a conciliating influence in the securities industry. Many of its members are dealers as well as brokers. The competition between the two functions presents a peculiar problem to them. If they favor one it may be at the expense of the other, yet both are theirs. Such a stiuation naturally minimizes bias and prompts a moderate viewpoint which can influence others and lead to conciliation. Similarly, many members of one regional exchange are members of others and also of the New York exchanges. These members have had a far reaching effect in cementing friendly relations between exchanges. They and exchange officials, who have cooperated closely for many years, have been instrumental in prompting even the most provincial Easterner to believe that there may be opportun-

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Markets still waiting for political winds to settle before assuming any direction. New base apparently being formed at nearby levels.

* * *

This column is in the nature of an apology. For the past few weeks I have been touring the country getting as far south as Mexico. During these trips I tried to keep in touch with the market and did a fair job of it, but writing about the market from a single spot and trying to judge its gyrations while moving about isn't the best method. Actually, I would not have changed the opinions given here no matter where I was. Translux looks the same in any State that has an investment public. This column, for example, is being written from Dallas. The inhabitants of the city are as avidly interested in price trends as those in the East.

* * *

The political picture and its component jigsaws appears to be the current key to the market. President Truman's speech to Congress and his demand that something be done about prices is the same old story. Such a demand always rings a welcome note. Everybody would like low prices, or some assurance that the prevailing prices won't rise higher. The Republicans are probably willing to do something about prices but will want to do it by themselves. Whichever party does it will mean good campaign material in the coming election.

* * *

Business and industry, caught between the millstones, is understandably disturbed. From where I sit it doesn't seem likely that the Democrats, at least those supporting Truman, are likely to return to office; but before the election and months intervening there may be lots of things done by both sides to build up sorry records with which to appeal to the electorate.

* * *

The tension in Europe is not, in my opinion, one that has many market implications. It makes the newspaper headline and radio commentators go crystal gazing, but marketwise its effects will probably be nil.

* * *

The market itself is acting the way it does because of domestic problems, highlighted by the political campaign. Until one side or another can prove by deeds, rather than words, its intentions toward prices, business and industry, the market picture won't change.

* * *

Here and there some stocks are beginning to show a firmness that may be a clue toward a new trend. However, it is too early to say what these stocks are and what the trend may be. By the time I return to my desk in New York, which will be in time to write the next column, the situation may have jelled. Until then I suggest a sideline position.

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.]

Television Stock Placed on Market

International Television Corp., 745 Fifth Avenue, New York, on July 27 offered 300,000 shares of common stock at $1 per share through Henry P. Rosenfeld Co., 37 Wall Street, New York City.

The company will manufacture a full line of receivers. Prices will begin at $149.50 for a small 7 inch tube set, and go up to $3,000 for a 4x3 foot rear projection installation. Line will include a front projection receiver for the home which will give a clear picture the size of an 8 millimeter home moving picture screen. This model will retail for about $700.

The company was organized by John B. Milliken, who in 1939 founded, and was first President of United States Television Manufacturing Corp., one of the largest independent manufacturers of receivers in the country today.

Mr. Milliken predicts that television will have an audience of over 75,000,000 people within the next ten years.

"So that television can be made available to everyone," Mr. Milliken declares, "the International Television Corp. plans the production of the finest sets on the market, finally perfected to incorporate the latest scientific improvements, and priced within range of all incomes."

J. H. Drass & Co. Opens Branch; Ishii Is V.-P.

SUNBURY, PA.—J. H. Drass & Co., Inc., is opening a branch office in the Farmers National Bank Building, Bloomsburg, Pa., under the management of Howard D. Schwartz, Vice-President.

George Ishii has been elected a Vice-President of the firm.

The Regional Stock Exchange

(Continued from page 29)

ities west of the Hudson and that all business does not rightfully belong to New York.

Must Reassume Function of Local Securities Market

In the last analysis, of course, the regional exchange's basic importance is its contribution to the economy of its area and the nation. While it appears to be prospering today its functions must be readjusted to assure its future and enable it to reassume its proper activities. If the flow of risk or venture capital so essential to the development of our industries and national resources, is to be stimulated then our regional exchanges must be enabled to function effectively. Others will probably speak to you respecting the retarding effect taxes as well as other fiscal and social policies of government are having on the flow of equity capital. I am only concerned here with the position of regional exchanges in the problem of venture capital and the regaining of their rightful heritage of listing the securities of smaller issuers as an aid to its solution.

Anything which restricts interest in and activity on exchanges reflects itself in restricting interest and activity in the other segments of the securities industry The flow of venture capital is one of the first to be so restricted for risk capital requires not only the inducement of the hope of profit but the stimulation of optimism and neither is indicated as being warranted by the "Go Slow" signals of uninteresting and inactive exchange markets. The interest in and activity on regional exchanges in the securities of issuers in its area therefore has a direct bearing on the flow of venture capital to new local enterprise and they must regain their primary function of dealing in such securities. Now I do not suggest or believe that every stock should be listed. In fact I concede that some are now listed that should not be, but, by the same token I assert that many which are not listed now, should be. It has been stated that during 1947 on an average day over 5,000 stocks were quoted in the over-the-counter market. There are less than 3,000 stocks listed on all exchanges. This would indicate that the over-the-counter market is in reality an overly crowded market. I suggest it should watch its weight and reduce. Certainly many of its stocks are of such a character and size and have sufficient public distribution so that, as some dealers concede and the Chicago Stock Exchange has proven, they would have as good a market on an exchange as they have off. My experience warrants the belief that they would have a better market on an exchange While this problem is primarily one for the securities industry it bears a relation to regulation inviting your interest and cooperation in its solution.

The securities industry itself should be able to reconcile its differences. The dealer segment must alter its too selfish and economically unsound attitude which virtually opposes all listing. Over and over we hear the dealers say "This stock isn't ready for listing yet" which clearly implies that sometime it will be and that perhaps others may even be ready. Therefore, the unyielding opposition of dealers to listing is untenable. They should spell out fairly and definitely the elements which make a stock ready for listing. They probably would differ from those an exchange believes applicable but I am sure a formula could be developed which would be mutually acceptable to exchanges and dealers and whereunder exchanges would not list stocks that failed to meet its requirements and dealers would not oppose the listing of those that did.

Call for Review of Regulations

The administrators of securities regulation have the opportunity if not the duty of fostering as well as regulating all segments of the securities industry. We do not oppose regulation although like the "G. I." we may gripe some on occasion. However, we do feel, perhaps at times under the influence of self-pity but not always without justification, that administrators should periodically review and reappraise their regulations in the light of changing conditions. Blue Sky laws were adopted years ago and times have changed. It can and may be possible that requirements or restrictions formulated and imposed years ago are outmoded and now do harm rather than good. I sincerely believe, with all due deference to its representatives present, that the Securities and Exchange Commission has forms adopted early in its existence that merit reappraisal in the light of experience. I also think that its regulations must hold some possibilities of revision. I realize this involves work for already heavily burdened staffs in state as well as federal agencies but as I conceive sound regulation it should and can be constructive as well as restrictive and therefore if there is any phase of state or federal regulation of questionable desirability it should be carefully weighed by its administrators to be certain its retention is necessary or appropriate or that it is not subject to constructive revision.

In suggesting that regulations may be subject to revisions to conform to and meet the needs of the ever changing securities industry I do so in no spirit of criticism. In fact, I would be remiss if I failed to commend you for the good job you have done. We too have done a good job. Both can do better and with continuing cooperation and understanding we will. So, as one charged with the responsibility for the administration of one of its important units, I bespeak your consideration for the welfare of the securities industry generally, the exchange segment in particular and the regional exchange especially. Its development is typically American. In many ways it is a symbol of free enterprise. Without free enterprise there could be no regional exchange. Without the regional exchange there might be no free enterprise. It is our job to preserve both.

Truman Asks Congress to Act on Inflation and Public Housing

(Continued from first page)

ican people require our presence here today.

Our people demand legislative action by their government to do two things: First, to check inflation and the rising cost of living, and second, to help in meeting the acute housing shortage.

These are matters which affect every American family. They also affect the entire world, for world peace depends upon the strength of our economy.

The Communists, both here and abroad, are counting on our present prosperity turning into a depression. They do not believe that we can — or will — put the brake on high prices. They are counting on economic collapse in this country.

If we should bring on another great depression in the United States by failing to control high prices, the world's hope for lasting peace would vanish. A depression in the United States would cut the ground from under the free nations of Europe. Economic collapse in this country would prevent the recovery throughout the world which is essential to lasting peace. We would have only ourselves to blame for the tragedy that would follow.

In these days, when our strength is being tested all over the world, it would be reckless folly if we failed to act against inflation.

High prices are not taking "time off" for the election.

High prices are not waiting until the next session of the Congress.

High prices are getting worse. They are getting worse every day.

We cannot afford to wait for the next Congress to act.

The 81st Congress will not get under way for nearly six months. Before the new Congress could take action against high prices, it would have to draft new bills, study them, hold hearings, debate, and decide whether to pass them. It would be at least eight months from now before the new Congress could pass the laws we need. Eight months more of inflation would be much too long.

Recalls Price Rise

It was eight months ago—November, 1947 — that I called a special session of this Congress, and recommended a comprehensive anti-inflation program. But that program was not enacted. If it had been enacted, we would have lower prices today.

Since last November, prices have gone even higher. As every housewife knows, food prices rose rapidly throughout 1947. They are climbing even faster now. Month after month, the cost of clothing, fuel and rent keeps on going up.

The cost of living is now higher than ever before in our history.

We cannot risk the danger, or suffer the hardship, of another eight months of doing nothing about high prices.

Prices are already so high that last year more than one-fourth of the families of this country were forced to spend more than they earned. Families of low or moderate income are being priced out of the market for many of the necessities of life. They are able to buy less than they could two years ago, and they are paying a lot more for what they can buy.

At the same time, industrial prices, which affect all business and employment, are rising, and rising fast. Large price increases have recently been announced by industries that set the pace for the whole economy. Within the last few days, the steel industry, for example, increased its prices, on the average by more than $9 a ton.

The rise in industrial prices is just as important, in the long run, as the high cost of living. It is already squeezing the independent business man. It threatens to destroy a fair balance between industry and agriculture. It can end only in catastrophe if allowed to continue.

In the face of these facts, it is foolish to point at every feeble straw as a sign that the danger is disappearing. In February, some

people said that the break in commodity prices meant that inflation was almost over. They were wrong. Prices rose again.

There are still some people who repeat the old argument which was used by those who killed price control two years ago. They said that if we would only take controls off, production would increase, prices would go down, and there would be more for every body at a lower cost.

The record shows unmistakably that this argument was false.

Production has increased somewhat, and we want it to increase some more. But even with full employment, full use of available materials, and practically full use of plant capacity—all of which we have today—prices are still climbing much faster than production. It is obvious that we cannot rely solely on more production to curb high prices. Instead, we must attack inflation directly.

If we do not stop inflation, production and employment will both fall sharply when the break comes.

Positive action by this government is long overdue. It must be taken now.

Lists Recommendations

I therefore urge the Congress to take strong, positive action to control inflation. I have reexamined the anti-inflation program I proposed to the Congress eight months ago. In its essentials that program is as sound now as it was then. It has been revised and strengthened in the light of changing circumstances. The program I now propose is as follows:

First — I recommend that an excess profits tax be reestablished in order to provide a Treasury surplus and provide a brake on inflation.

Second—I recommend that consumer credit controls be restored in order to hold down inflationary credit.

Third — I recommend that the Federal Reserve Board be given greater authority to regulate inflationary bank credit.

Fourth—I recommend that authority be granted to regulate speculation on the commodity exchanges.

Fifth—I recommend that authority be granted for allocation and inventory control of scarce commodities which basically affect essential industrial production, or the cost of living.

Sixth—I recommend that rent controls be strengthened, and that adequate appropriations be provided for enforcement, in order to prevent further unwarranted rent increases.

Seventh — I recommend that standby authority be granted to ration those few products in short supply which vitally affect the health and welfare of our people. On the basis of present facts, and unless further shortages occur, this authority might not have to be used at all.

Eighth—I recommend that price control be authorized for scarce commodities which basically affect essential industrial production or the cost of living. I have said before and I repeat, that many profit margins have been adequate to absorb wage increases without the price increases that have followed. Rising wages and rising standards of living, based on increasing productivity and a fair distribution of income, is the American way. Non-inflationary wage increases can and should continue to be made by free collective bargaining. Where the government imposes a price ceiling, wage adjustments which can be absorbed within the price ceiling should not be interfered with by the government. The government should have the authority, however, to limit wage adjustments which would force a break in a price ceiling, except where wage adjustments are essential to remedy hardship, to correct inequities, or to prevent an actual lowering of living standards.

The measures I have recommended make a balanced program to attack high prices. They are all necessary to check rising prices and safeguard our economy against the danger of depression. If they are made the first order of business by the Congress, as they should be, they can be promptly enacted. Every week of delay will mean additional hardship for the American people.

Cites Housing Shortage

The second reason why I have called the Congress back is that our people need legislation now to help meet the national housing shortage.

We desperately need more housing at lower prices — prices which families of moderate income, particularly veterans' families, can afford to pay. We are not getting it.

Even more urgently, we need more rental housing — especially low-rent housing. We are not getting it.

Most of the housing now being built is for sale, or for rent, at prices far above the reach of the average American family.

I have recommended time and time again that the Congress pass a comprehensive housing bill which would help us obtain more housing at lower prices—both for sale and for rent.

A good housing bill, Senate Bill 866, known as the Taft-Ellender-Wagner Bill, passed the Senate on April 22. This bill would provide aid to cities in clearing slums and in building low-rent housing projects. It would give extensive aid to the private home building industry. It includes provisions for farm housing, and for research to bring down building costs. It contains many other provisions, all aimed at getting more housing at lower prices and at lower rents.

This is the bill we need. We need it now, not a year from now.

If this legislation is passed this summer, it will be possible to start immediately the production of more houses of the kind our families need, at prices they can afford to pay. If it is not passed now, the 81st Congress will have to start all over again with a new housing bill. In that case, we might lose a full year in meeting our national housing need.

This Congress can complete action on this comprehensive housing bill in a few days. I strongly urge that it do so.

I have called the Congress back primarily to deal with high prices and with the housing shortage. Delay on either of these items would be most dangerous. In addition, there are other important legislative measures on which delay would injure us at home or impair our world relations.

I therefore recommend that the present session, without allowing anything to interfere with its vital work on legislation concerning high prices and housing, take action on certain other important measures. These measures can speedily be enacted now because of the amount of study already given to them by the Congress.

Asks Assistance to Education

First, the Congress should provide Federal assistance to the States in meeting the present crisis in education. The children in our schools, and the men and women who teach there, have been made the victims of inflation. More children are entering school than ever before. But inflation has cut down the purchasing power of the money devoted to educational purposes. Teachers' salaries, for the most part, have lagged far behind increases in the cost of living. The overcrowding of our schools is seriously detrimental to the health and the education of our boys and girls. Every month that we delay in meeting this problem will cause damage that can never be repaired. Several million children of school age are unable to attend school, largely because of lack of facilities or teachers.

To meet these vital educational needs, the Congress should complete action on Senate Bill 472, which passed the Senate on April 1st. All that remains to be done is its passage by the House of Representatives.

Wants Rise in Minimum Wage

Prompt action by the Congress is also needed to help another group of our people who are suffering from inflation. These are the workers who depend on the protection of a minimum wage law. The present minimum wage is pitifully inadequate in the face of today's high prices. Proposals to raise minimum wages have long been before the Congress. I urgently recommend that the minimum wage be raised to at least 75 cents an hour at this session. Senate Bill 2062 and its companion House bills would be suitable measures for this purpose.

I urge also that action be taken by the Congress to relieve other victims of inflation. These are the people who depend upon the benefits being paid under the old-age and survivors' insurance system. The average old-age retirement benefit for a man and his wife is only $39 a month. For a widow with two children, the average monthly benefit is only $49. These benefits are utterly inadequate. I urge that they be increased by at least 50% and that the age at which women can receive benefits be lowered from 65 to 60 years. I also hope that the protection of this system will be extended to the millions who are not now covered.

In our relations with the rest of the world, action is also needed at once, and can be taken quickly, to afford additional proof that we mean what we say when we talk about freedom, humanity and international cooperation for peace and prosperity. Three measures are involved .

First, the displaced persons act in its present form discriminates unfairly against some displaced persons because of their religion, land of origin or occupation. These provisions are contrary to all American ideals. This act should be promptly amended to wipe out these discriminations. Furthermore, the present act permits the entry of only 200,000 persons, and charges them against future immigration quotas. I believe strongly that the act should provide for the entry of 400,000 persons over a four-year period, and they should be outside the normal immigration quotas. The act can and should be amended promptly.

Second, many people in the world must wonder how strongly we support the United Nations when we hesitate to assist the construction of its permanent home in this country. Legislation can and should be passed at once to authorize a loan by the United States Government to the United Nations, for the construction of United Nations headquarters buildings in New York City.

The international wheat agreement is another vital measure on which the Congress should act. This agreement is designed to insure stability in the world wheat market in the years ahead when wheat will be more plentiful. It would guarantee American farmers an export market of 185 million bushels of wheat at a fair price during each of the next five years. Since the agreement is in the form of a treaty it requires only ratification by the Senate. Although this agreement should have been ratified by July 1 of this year, we have good reason to believe that it can still be made effective if it is now ratified promptly.

Finally, I wish to call to the attention of the Congress three other problems on which action can and should be taken at this session.

The Congress should reconsider its recent actions which cut sharply into our national electric power policy. There is an acute shortage of electric power in this country now. I am therefore resubmitting to the Congress appropriation requests for certain power projects which must be provided right away. These requests include the TVA steam plant at New Johnsonville, Tenn., and certain other projects on which congressional reductions, if allowed to stand, will delay the production of power for a year or more. These appropriations should be promptly enacted, and at the same time certain crippling limitations should be removed from the law.

In the final days before adjourning in June, the Congress passed a bill raising the salaries of some Federal employees. However, this bill neglected long overdue reforms in Federal pay scales and discriminated unfairly against certain groups of employees. The Congress should take this opportunity to enact more equitable and realistic Federal pay legislation.

Civil Rights

Finally, I wish again to urge upon the Congress the measures I recommended last February to protect and extend basic civil rights of citizenship and human liberty. A number of bills to carry out my recommendations have been introduced in the Congress. Many of them have already received careful consideration by congressional committees. Only one bill, however, has been enacted, a bill relating to the rights of Americans of Japanese origin. I believe that it is necessary to enact the laws I have recommended in order to make the guaranties of the Constitution real and vital. I believe they are necessary to carry out our American ideals of liberty and justice for all.

I hope there is no misunderstanding of the recommendations I have made. I have asked the Congress to return, first of all, in order to meet the urgent need of our people for relief from high prices and the housing shortage. I urge the Congress not to be distracted from these central purposes.

At the same time, as I have stated, the Congress can and should act on certain other important items of legislation at this special session.

There are still other problems of great moment which vitally affect the welfare of the nation. I have discussed them in previous messages to this Congress. I have made recommendations for legislation to meet them. I do not repeat them now—because the purposes and limited time of this special session do not readily permit action on them.

However, I feel just as strongly as ever that all of these measures are necessary. If the Congress finds time to enact any of them now the country will greatly benefit. Certainly, the next Congress should take them up immediately.

These include a comprehensive health program, based on health insurance; a fair and sound labor-management relations law — in place of the Taft-Hartley law, which has proved to be unfair unsound and which should be repealed; a real long-range farm program, a stronger reciprocal trade agreements act, a universal training program, a national science foundation, strengthened anti-trust laws and approval of the St. Lawrence waterway treaty.

The vigor of our democracy is judged by its ability to take decisive actions—actions which are necessary to maintain our physical and moral strength and to raise our standards of living. In these days of continued stress, the test of that vigor becomes more and more difficult. The legislative and executive branches of our government can meet that test today.

The American people rightfully expect us to meet it together. I hope that the American people will not look to us in vain.

CIO Says Corporations Controlled by Few

(Continued from page 17)

the major banking, insurance, and industrial corporations of America, they virtually control the fate of our economy.

"These relatively few individuals don't have to gather at official dinners or meetings to agree among themselves on policies such as, for example, those affecting unions. Their whole lives are generally spent together. They attend the same concerts, night clubs, and dinners and listen to the same speeches. They vacation at the same resorts, participate in the same charities, read the same magazines and books. Their entire social lives are intermingled.

"In addition, in every industry in America, there is at least one employers' organization. Some are local and others are national in scope. Tying all industries together are many other organizations, the two largest and most important being the National Association of Manufacturers and the Chamber of Commerce.

"While these organizations try to pose as spokesmen for small business as well as big business, there is no doubt whom they really represent. In the 'Harvard Business Review' of May, 1948, an article by Alfred S. Cleveland appeared entitled, 'NAM: Spokesman for Industry?' In part it read:

'The actual situation, therefore is such that from 1933 to 1946, *125 corporations* have held 63% of all directorships, 88% of executive committee memberships, 79% of the finance committee memberships, and 52% of the major executive offices. This group constitutes approximately 0.8% of current membership and has never exceeded 4%. The self-perpetuating characteristic of the active minority is indicated in the fact that yearly turnover of its members has averaged but 1.4% for the entire 14-year period, as compared to approximately 25% turnover for the Association's governing hierarchy as a whole . . .

'Perhaps more significantly, in this particular case, the identity of the inner policy-making group indicates that active leadership within the NAM comes primarily from among the very largest manufacturing corporations. Thus, none of the 125 firms referred to employs less than 500 workers, and 84 firms, or 67.2%, employ

Dividend and Interest Income Per Capita—1945

Income	Number of Returns	Dividends & Interest	Dividends & Interest Per Capita
Under $3,000	37,760,397	$635,352	$16.83
$3,000—$5,000	9,350,267	427,976	45.77
$5,000—$10,000	1,885,471	625,912	331.97
$10,000—$100,000	745,598	1,713,549	2,298.22
$100,000—$1,000,000	9,187	394,565	42,948.18
Over $1,000,000	71	53,336	751,211.35

Source: Bureau of Internal Revenue.

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Securities Arising from Reclassification Reorganization and Recapitalization

(Continued from page 8)

common stock of the company would change from a negative value to a tangible equity position equal to $1.27 per share. In effect the holders of preferred shares would surrender securities having claims against the assets of the company equal to $48.25 for securities having claims equal to $19.67. In other words the holders of preferred shares would have their claim against the assets of the company reduced by approximately $800,000 and the holders of common shares would benefit by a like amount.

Example 3—This company had an authorized capital consisting of 8,000 shares of Class A Preferred of a par value of $25 per share, 4,000 shares of Class B Preferred of a par value of $25 per share and 10,000 shares of Common with no par value. It had outstanding 2,650 shares of Class B Preferred and 2,904 shares Common. The Class B Preferred shares were in arrears in dividends to the amount of $23.63 per share. The company proposed to amend the articles of incorporation to change the preferences of the Class B Preferred from an 8% cumulative dividend right to a 4% noncumulative right and to cancel all arrearages in dividends which had accrued on the outstanding Class B Preferred shares. The result of such an amendment would transfer a claim against the assets of the corporation amounting to $62,619.50 from the holders of Class B Preferred shares to the holders of Common shares.

The California Commission successfully resisted each of these applications.

We in California have had many other applications of similar purport, although the three examples given are possibly as palpably unfair to senior security holders as any presented to the Commission.

Unfairness in recapitalizations is often detected in some cases of merger—generally in those cases where the surviving corporation has acquired all or substantially all of the common or management stock of the merging corporation or where the merger is with a wholly owned subsidiary. In these cases there is an absence of arms-length dealing and no adequate protections afforded the unorganized senior security holders of the merging corporation.

We have also had brought to our attention mergers that are consummated in other states, with a few shares of one of the constituent corporations being held in California.

A typical example was brought to my attention a short while ago.

A man came into my office with a solicitation of his proxy to vote for a proposed merger of an eastern dairy corporation, in which he owned five preferred shares, with a larger dairy concern. It seems that he had once worked for the dairy in which he held the five shares and had been encouraged to buy the shares for $500 out of his earnings of $32.50 per week. Other employees also were encouraged to buy stock. The larger dairy had acquired all of the common stock of the merging corporation and presented a plan of merger whereby my caller was to receive five shares of its second preferred stock with a market value of approximately $50 per share in exchange for his shares including approximately $100 in arrearages in dividends. In other words he was to surrender shares having a claim against assets of the corporation of $600 for shares having a market value of $250. The proxy was accompanied by a letter from the management urging that the proxy be signed and returned on the ground that it would be for the best interests of the corporation and to the benefit of the shareholder as he would receive shares having an established market for shares for which there was no market. According to the financial statements accompanying the proxy the shares of the merging corporation had a value equal to par plus the accrued dividends.

The man asked my advice as to what he should do. I told him that he could refuse to execute the proxy and if the required vote was not secured the merger would fail. I also advised that he could dissent to the merger and attempted to explain the steps necessary to take such a position. He indicated that he would return the proxy but that he could not afford to bring legal action. In due course he was advised that the merger was adopted by the requisite vote and received the new shares.

It seems to me that if Blue Sky laws are to accomplish their objective it is essential that the ordinary citizen be given protection not only at the time of the original sale of securities but also at any time a change in the rights, preferences and priviliges of those securities is contemplated. In the present case an analysis by an independent administrative agency vested with authority to consider the fairness of the transaction would have been of great value not only to the caller but to all other shareholders in similar circumstances.

Status of Law

The general corporation laws of most States authorize changes in preferences of outstanding securities to the greatest extent. Two-thirds of the class of securities affected may cancel arrearages in dividends, may discard preference rights and otherwise consent to drastic changes in rights, preferences and privileges. The laws of most States also are most liberal in permitting mergers of corporations.

Preferred shares are no longer a contract right. They have been reduced to a variable and uncertain claim upon the corporate assets and earnings subject to renegotiation at any time.

These laws were enacted for the purpose of allowing corporations great latitude in making legitimate changes in corporate structures, particularly where additional financing is required. It could hardly have been contemplated by the legislators that a two-thirds class vote could arbitrarily and capriciously reduce or take away the stipulated rights of preferred shares against a dissenting minority for the benefit of common shares, or that mergers could be consummated not for the purpose of legitimately consolidating two or more businesses, but only to restate the capital of the merging corporations.

It has been argued that there is nothing wrong with the voluntary surrender of rights so long as the surrender is made by the vote of at least two-thirds of the persons affected.

The argument overlooks two points. First, the dissenting minority is forced to accept the surrender of their rights without recourse. Secondly, it is comparatively easy for the organized management to secure the necessary consents from the unorganized senior shareholders. It is comparatively easy for management to put through a plan of recapitalization in which the preferred shareholders are (as former Commissioner Healy of the SEC put it) "euchred, cajoled, coerced, elbowed and traded out of their legal rights."

In the case of recapitalization by way of merger it has been argued that dissenters are protected by their general right to have their holdings appraised and purchased for cash.

There are several answers to this argument.

First — Such proceeding is technical and generally requires an action at law with incumbent expense.

Secondly — The basis of appraisement provided in various statutes is not always equitable.

Thirdly—In the case of a foreign corporation the expense is prohibitive. An Oregon citizen holding 100 shares of a Delaware corporation would not be likely to go to Dalaware to fight a principle. He would be more likely to take his loss and forget the matter.

Remedy

Protections to preferred shareholders against wrongful amendments depriving them of substantial rights are not to be found in constitutional limitations. The remedy must be found either in courts of equity or in administrative agencies. The courts of equity appear to have failed in affording such protection. With the exception of possibly New Jersey, the courts appear not to have undertaken to review the question of unfairness of amendments even in case of substantial prejudice, short of actual fraud. The prevailing view seems to be that if the legal machinery prescribed for an amendment has been followed that the question of unfairness to the senior security holder will not be considered.

Many legal writers have pointed out the need for protection of unorganized security holders. Most of them suggest that intervention by an administrative agency would be the best means of affording such protection.

Professor Dodd of Harvard Law School said: "It may be that an extension of administrative control over recapitalizations by Federal or perhaps state administrative agencies is the best possible solution of the recapitalizations—one is tempted to say the best curb for the recapitalization racket."

Professor Ballantine of the University of California in discussing the same matter said: "In fact such (administrative) regulation seems to offer the only hope of preventing unfairness in such compulsory exchanges of new securities for old as to which the shareholders do and must rely almost exclusively upon representations made to them by the management of the issuer."

It would seem that an administrative remedy is the last source of protection to security holders. The Federal Public Utility Holding Act has set an example of the best administrative approach. Under that act the Commission investigates and analyzes plans of recapitalization affecting the rights, preferences or privileges of outstanding securities and will stop the proceedings if the plan is found derimental or unfair to the security holders.

Administrative review would seem to afford the best possible service to the unorganized security holders. It affords them expert analysis, at no cost, a forum in which to present their positions, and a speedy and impartial decision.

I respectfully urge all commissioners to give thorough consideration to the abuses which I believe exist in some reclassification matters and to the position of their commissions with relation to such matters.

CIO Says Corporations Controlled by Few

(Continued from page 31)

more than 2,500 workers. The NAM has frequently asserted that more than 70% of its members employ fewer than 500 workers. It is thus evident that in terms of size, the firms and industrialists that have dominated the Association's governing elements have not been representative of the NAM's own membership.'

"However, the main control that these few people have over the economy is through the corporations themselves. As an example of this control, let us examine a single corporation, General Motors. General Motors Corporation is made up of hundreds of plants both in America and in most foreign countries. These plants are organized into divisions or subsidiary corporations and they make everything from parts and bodies of trucks and autos to household appliances and railroad locomotives. The parent corporation of General Motors also owns a substantial or controlling interest in Bendix Aviation, North American Aviation, steamship lines, chemical companies, taxicab companies, real estate companies, and huge finance corporations.

"General Motors Corporation, in turn, is part of the du Pont group which controls three other major parent corporations; U. S. Rubber, du Pont and National Bank of Detroit. On the board of directors of each of these corporations sit representatives of many other interest groups who control other corporations. One of the General Motors' directors, for example, is George Whitney, President of J. P. Morgan & Co., and a director of 16 corporations including Kennecott Copper, Continental Oil, and New York Central RR. The J. P. Morgan corporation group includes 14 major industrial corporations (like U. S. Steel), 12 major public utility corporations (like American Telephone & Telegraph), eight major railway systems (like New York Central), and three major New York banks.

"General Motors also works very closely with Standard Oil of New Jersey, which is the largest corporation in the Rockefeller corporation group. Standard Oil of New Jersey and GM each owns 50% of the stock in the Ethyl Corporation. The Rockefeller group, like J. P. Morgan and du Pont, controls a whole series of other corporations. And so it goes. Just one big happy family.

"In the case of General Motors du Pont interests own about 23% of the voting stock, more than enough to control policy since under GM bylaws, 30% is now a majority. Alfred P. Sloan, the acknowledged head of GM, is also a du Pont director. In addition to Sloan, five other GM directors are also on the du Pont Board.

"For most corporations, however, the stock ownership is not nearly that complete. Most Boards of Directors own from 3 to 5% of the stock—which usually amounts to millions of dollars and is always far greater than the average holding, but which is far from a majority holding. Although these directors together own a small percentage of the total voting stock, their positions are very secure.

"Boards of Directors are elected at their annual stockholders' meetings. Each share of common stock usually has the privilege of one vote. One of the best publicized meetings is that of U. S. Steel. It is held at Hoboken, New Jersey, and the corporation supplies a free lunch. In May, 1948, despite the free lunch, only 300 U. S. Steel stockholders gathered out of a possible 240,000. In other words, .001% of the stockholders attended the one meeting to be held during the entire year of 1948.

"Some corporations require that a majority of the total shareholders elect the board. In these cases the Board of Directors circularizes proxy statements to stockholders at the corporation's expense. These proxy statements usually give the shareholders' voting power to an officer of the corporation or to the Board of Directors. In the case of American Telephone & Telegraph, over 99% of the votes cast are by proxy. This is characteristic of most corporations.

"With this 'proxy-democracy,' only the wealthiest of stockholders can ever hope to contest a board of directors' election. It involves sending out hundreds of thousands of letters trying to convince the stockholders to give their 'proxies' to the challenging group rather than to the board of directors. This costs thousands of dollars. In addition, since the average stockholder even under the best state laws can get only a very limited look at the corporation's books, the rebel group usually has to be powerful enough to have someone 'in the know'—either an officer or board member—who can get enough facts to challenge the majority of the board of directors. That's why the fights for control of corporations are always among the directors themselves. These fights are more like family squabbles than expressions of democratic corporation control. If the average small stockholder ever objects to corporation policy, his objection is invariably 'referred to the board of directors' for whatever action they wish.

"In many instances control of the corporation is accomplished not by individual ownership of stock but by other corporations or trusts owning large blocks of shares. Then, the officials of the corporation owning the stock control all this voting power. General Motors officials, for example, get to vote all of the shares GM owns in Bendix Aviation. There are corporations and trusts created for just this purpose which do not operate any factories at all (holding corporations and voting trusts). They simply hold stock, and the holding corporation officers can control a vast empire of different corporations.

"Insurance company officials, investment trust officers, and bank officials also are able to vote vast blocks of stock which they themselves do not own—but in which their companies have invested. The huge non-profit tax-free foundations likewise enable their trustees to control vast amounts of stock without any direct ownership. Since foundation trustees are often relatives of the donor, family control of a corporation empire is often maintained in this way.

"Thus, by direct ownership and various control devices, a relatively small group of people decide the basic economic policy of America. They, for example, determine how many factories shall be built, how much corporations should save and what wage increases should or should not be granted. Their power is growing year by year.

"The power to control monopoly lies with our Congress. Will you vote for Congressmen who killed OPA, because you own one share of stock in the XYZ corporation? Or will you join the millions of farmers, workers, professionals, and small businessmen in establishing democratic control of our economy?"

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)	Aug 1	93.1	93.1	95.2	94.4
Equivalent to—					
Steel ingots and castings produced (net tons)	Aug 1	1,678,100	1,678,100	1,716,000	1,651,900
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	July 17	5,444,450	5,480,400	5,492,350	5,049,850
Crude runs to stills—daily average (bbls.)	July 17	5,633,000	5,791,000	5,566,000	5,168,000
Gasoline output (bbls.)	July 17	17,524,000	18,244,000	17,648,000	15,783,000
Kerosine output (bbls.)	July 17	2,207,000	2,023,000	2,149,000	2,113,000
Gas oil and distillate fuel oil output (bbls.)	July 17	7,382,000	7,438,000	6,758,000	6,006,000
Residual fuel oil output (bbls.)	July 17	9,008,000	9,141,000	8,963,000	8,950,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 17	100,701,000	102,948,000	104,603,000	86,927,000
Kerosine (bbls.) at	July 17	19,773,000	19,235,000	17,575,000	16,793,000
Gas oil and distillate fuel oil (bbls.) at	July 17	53,385,000	50,608,000	43,783,000	44,276,000
Residual fuel oil (bbls.) at	July 17	63,170,000	62,385,000	58,726,000	51,310,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 17	892,527	755,760	906,774	919,798
Revenue freight rec'd from connections (number of cars)	July 17	654,015	556,894	710,847	651,628
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 22	$143,213,000	$126,589,000	$160,248,000	$134,765,000
Private construction	July 22	69,784,000	60,799,000	96,319,000	75,468,000
Public construction	July 22	73,429,000	65,790,000	63,929,000	59,297,000
State and municipal	July 22	63,277,000	50,544,000	48,395,000	49,179,000
Federal	July 22	10,152,000	15,246,000	15,534,000	10,118,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 17	12,220,000	*9,815,000	13,435,000	12,156,000
Pennsylvania anthracite (tons)	July 17	1,070,000	846,000	1,180,000	1,116,000
Beehive coke (tons)	July 17	85,000	*48,000	120,000	110,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	July 17	236	*217	310	217
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 24	5,342,127	5,197,458	5,256,698	4,730,229
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	July 22	91	91	111	76
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 20	3.24473c	3.24473c	3.24473c	2.85664c
Pig iron (per gross ton)	July 20	$42.96	*$42.51	$40.51	$36.18
Scrap steel (per gross ton)	July 20	$41.33	$41.00	$40.66	$40.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 21	21.200c	21.200c	21.200c	21.225c
Export refinery at	July 21	21.425c	21.500c	21.575c	21.425c
Straits tin (New York) at	July 21	103.000c	103.000c	103.000c	80.000c
Lead (New York) at	July 21	17.500c	17.500c	17.500c	15.000c
Lead (St. Louis) at	July 21	17.300c	17.300c	17.300c	14.800c
Zinc (East St. Louis) at	July 21	12.000c	12.000c	12.000c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	July 27	100.78	100.82	100.91	103.72
Average corporate	July 27	112.37	112.37	112.93	117.20
Aaa	July 27	116.61	116.61	117.60	122.69
Aa	July 27	115.24	115.24	115.43	120.52
A	July 27	111.62	111.62	112.37	116.80
Baa	July 27	106.21	106.21	106.92	109.97
Railroad Group	July 27	108.16	108.16	108.88	112.37
Public Utilities Group	July 27	112.56	112.56	113.50	118.50
Industrials Group	July 27	116.22	116.41	116.61	120.63
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	July 27	2.45	2.44	2.44	2.25
Average corporate	July 27	3.04	3.04	3.01	2.79
Aaa	July 27	2.82	2.82	2.77	2.55
Aa	July 27	2.89	2.89	2.88	2.64
A	July 27	3.08	3.08	3.04	2.81
Baa	July 27	3.38	3.38	3.34	3.17
Railroad Group	July 27	3.27	3.27	3.23	3.04
Public Utilities Group	July 27	3.03	3.03	2.98	2.72
Industrials Group	July 27	2.84	2.83	2.82	2.62
MOODY'S COMMODITY INDEX	July 27	432.1	430.3	435.8	418.2
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	July 24	245.8	247.6	242.9	221.3
Fats and oils	July 24	235.0	274.5	287.8	198.6
Farm products	July 24	273.3	274.1	278.4	259.4
Cotton	July 24	317.8	322.0	348.3	352.5
Grains	July 24	233.9	237.8	266.5	254.8
Livestock	July 24	285.9	285.0	277.8	249.7
Fuels	July 24	232.9	232.9	231.4	178.6
Miscellaneous commodities	July 24	172.5	173.7	176.6	164.4
Textiles	July 24	200.3	200.7	214.6	221.9
Metals	July 24	167.4	167.0	165.9	150.1
Building materials	July 24	228.3	227.9	228.5	194.7
Chemicals and drugs	July 24	156.6	156.7	158.8	152.0
Fertilizer materials	July 24	136.5	136.7	134.6	127.8
Fertilizers	July 24	144.0	144.0	*143.8	135.0
Farm machinery	July 24	140.2	140.2	139.4	127.1
All groups combined	July 24	226.0	226.9	*227.7	203.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 17	138,409	123,790	173,264	145,615
Production (tons)	July 17	157,641	108,114	182,205	173,699
Percentage of activity	July 17	84	56	97	97
Unfilled orders (tons) at	July 17	372,739	393,915	369,348	474,870
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	July 23	145.6	145.2	146.9	141.2
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	July 17	168.9	166.8	165.3	150.3
Farm products	July 17	198.1	196.1	194.5	182.4
Foods	July 17	191.2	185.3	180.7	168.0
Hides and leather products	July 17	189.1	188.1	187.7	172.7
Textile products	July 17	148.0	148.1	148.5	138.4
Fuel and lighting materials	July 17	135.8	134.7	134.0	107.1
Metal and metal products	July 17	160.9	159.4	157.6	142.9
Building materials	July 17	197.9	197.5	197.2	174.8
Chemicals and allied products	July 17	134.5	134.5	136.0	117.0
Housefurnishings goods	July 17	145.9	145.8	145.1	131.4
Miscellaneous commodities	July 17	119.4	120.3	121.1	115.7
Special groups—					
Raw materials	July 17	186.4	184.2	182.7	165.2
Semi-manufactured articles	July 17	154.7	154.0	153.6	144.4
Manufactured products	July 17	163.4	161.1	159.5	145.1
All commodities other than farm products	July 17	162.4	160.3	158.8	143.3
All commodities other than farm products and foods	July 17	150.4	149.9	149.5	132.9

*Revised figure.

	Latest Month	Previous Month	Year Ago
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FED. RESERVE BANK OF NEW YORK — As of June 30:			
Imports	$155,475,000	$155,056,000	$110,764,000
Exports	56,193,000	57,315,000	45,722,000
Domestic shipments	10,592,000	10,335,000	10,622,000
Domestic warehouse credits	8,730,000	9,141,000	9,347,000
Dollar exchange	2,289,000	2,976,000	1,000
Based on goods stored and shipped between foreign countries	19,880,000	20,812,000	6,061,000
Total	$253,159,000	$255,635,000	$182,517,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR — Month of June (in millions):			
New construction	$1.605	*$1.445	$1.162
Private construction	1.218	*1.106	885
Residential building (nonfarm)	625	575	405
Nonresidential building (nonfarm)	306	*278	250
Industrial	110	*112	140
Commercial	117	*98	65
All other	79	*68	45
Farm construction	62	50	50
Public utilities	225	203	180
Public construction	387	*339	277
Residential building	6	*5	8
Nonresidential building (except military naval facilities)	83	*77	43
Industrial	2	2	2
All other	81	*75	41
Military and naval facilities	15	*13	15
Highways	170	*136	125
Sewer and water	40	*39	30
Conservation and development	50	*45	35
All other public	23	24	21
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES—			
Lint—Consumed month of June	801,142	785,140	729,412
In consuming establishment as of June 30	1,741,450	2,006,017	1,684,658
In public storage as of June 30	1,673,619	2,232,274	1,233,283
Linters—Consumed month of June	94,754	98,893	69,652
In consuming establishments as of June 30	217,552	250,908	222,960
In public storage as of June 30	76,997	75,816	68,865
Cotton spindles active as of June 30	21,479,000	21,723,000	21,322,000
COTTON SPINNING (DEPT. OF COMMERCE)			
Spinning spindles in place on June 30	23,779,000	23,742,000	23,847,144
Spinning spindles active on June 30	21,479,000	21,723,000	21,324,316
Active spindle hours (000s omitted), June	10,320,000	10,080,000	9,103,351
Avge. spindle hours per spindle in place, June	461	450	382
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-39 AVERAGE 100—Month of June:			
Sales (average monthly), unadjusted	251	247	227
Sales (average daily), unadjusted	246	252	231
Sales (average daily), seasonally adjusted	265	268	*249
Stocks, unadjusted as of June 30	227	247	206
Stocks seasonally adjusted as of June 30	236	243	*214
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—Month of May:			
All manufacturing	12,723,000	*12,788,000	12,597,000
Durable goods	6,630,000	*6,680,000	6,572,000
Non-durable goods	6,093,000	6,108,000	6,025,000
Employment indexes—			
All manufacturing	155.3	156.1	153.8
Durable goods	183.6	*185.0	182.0
Non-durable goods	133.0	133.3	131.5
Payroll indexes—			
All manufacturing	345.0	*346.7	319.3
Durable goods	389.5	*392.7	363.0
Non-durable goods	303.2	301.8	276.6
Estimated number of employees in manufacturing industries—			
All manufacturing	15,893,000	*15,945,000	15,569,000
Durable goods	8,113,000	*8,159,000	7,962,000
Non-durable goods	7,780,000	*7,786,000	7,607,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR — Month of June:			
Earnings—			
All manufacturing	$51.82	*$51.76	$49.37
Durable goods	56.14	*54.65	52.95
Non-durable goods	49.29	*48.61	45.47
Hours—			
All manufacturing	40.0	*39.8	40.3
Durable goods	40.4	*40.1	40.6
Non-durable goods	39.7	*39.5	39.8
Hourly earnings—			
All manufacturing	$1.319	*$1.301	$1.227
Durable goods	1.390	*1.365	1.303
Non-durable goods	1.242	*1.231	1.141
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of June (1935-29 average=100)	†130.6	†129.9	132.9
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of May:			
Death benefits	$109,455,000	$123,590,000	$111,679,000
Matured endowments	32,986,000	36,706,000	34,595,000
Disability payments	7,472,000	7,963,000	7,693,000
Annuity payments	18,164,000	19,881,000	18,315,000
Surrender values	36,090,000	40,498,000	32,448,000
Policy dividends	40,377,000	44,446,000	41,269,000
Total	$244,544,000	$273,084,000	$245,999,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of June (000's omitted)—			
Ordinary	$1,243,928	$1,196,463	$1,189,000
Industrial	224,834	156,540	291,212
Group	347,297	392,534	349,725
Total	$1,816,059	$1,745,537	$1,829,937
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of May:			
Production (M sq. ft. ⅜-in. equivalent)	150,717	164,862	142,409
Shipments and consumption (M sq. ft., ⅜-in. equivalent)	150,054	162,975	141,980
Stocks (M sq. ft., ⅜-in. equivalent) at end of month	40,668	40,435	35,424
Consumption of logs (M ft., log scale)	64,741	70,241	63,964
Stocks (M ft., log scale) at end of month	130,903	139,544	136,977
TRAILER COACHES—HOUSING TYPES ONLY (DEPT. OF COMMERCE)—Month of May:			
Production (number of units)	5,881	5,517	5,714
Shipments (number of units)	6,011	5,698	5,806
Shipments (value of)	$10,613,639	$10,151,077	$9,324,548
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of June:			
Net sales	------	$30,404,500	$359,163,200
Net purchases	$1,124,000	------	------

Can America Prosper Without Foreign Trade?

(Continued from page 11)

successful operation of an industry or business, be it ever so large or small, on our shores. The shoe would then be on the other foot if our ardent free trade friends were owners of business properties and not political theorists, idealists or dilettantes.

Getting Down to Brass Tacks

In discussing "The Hull Treaties," Frank J. Challinor of East Orange, N. J., a manufacturer in the hand-blown glassware business, pleads for protecting our home markets against foreign competition, and rightly says:

". . . The year after the Czechoslovakian trade agreement the volume of hand-blown glassware of America shrank 30%. Since the war started, tremendous strides have been made in our business.

"It is no longer necessary to go to Europe for fine glassware. It is made right here at home by American citizens. At last they are finding a market for their better efforts. The skill they have developed is wholly lost in any other industry; hence when they are thrown out of their rightful employment, they have to take what they can get, which certainly lowers their standard of living.

"We can't starve our own people to help workers in other countries and expect to keep up our standard of living. By being prosperous we can help other countries more than if we were depressed.

"Thousands of articles developed here in the last few years—our own American ideas—will be taken to Europe to be made by their cheap labor. They will be imported at a third the American price. This will depress prices and cause vast unemployment.

"We Americans have the best market in the world right here at home. Isn't it patriotic to protect it to the last ditch? I speak for thousands of American manufacturers of all sorts of wares."

A N. Y. Newspaper Evaluates Trade Agreement Act

Referring to the renewal of the Trade Agreement Act in Congress, our neighbor, The New York "Sun," comments editorially in its June 16 issue:

"Actually, the Trade Agreements Act in most respects is no different from that adopted in 1934 and renewed five times since then. It has been renewed this time for one year, but this is wise in a period of such worldwide uncertainty in foreign relations. . . . The trade agreements already have slashed the American tariff into shreds of its former design. Many of the 1934 duties have been cut 75%; scores of others have been halved. The assertion still often heard, that the American tariff retards European recovery, is a baseless fiction. The real truth is that we are not getting reciprocity abroad."

The World's Greatest Samaritan

In good old American vernacular, this writer believes the United States of America has been the world's greatest "Samaritan" and perhaps, although we hope not—the world's biggest "sap."

For when is a sale not a sale? Or when is a trade not a trade? Or exports, not exports? Certainly only when the export transaction is paid by the buyer in cash or in kind with an exchange of imported products. Formerly when there was a balance of trade in favor of either the buyer or seller, such international settlements or differences were paid with gold.

How Long Can U. S. A. Bear Everybody's Burdens?

It is high time that we ceased to be a pair of "crutches" for every foreign country. We cannot prosper, we cannot survive, if these nations do not do their part to rehabilitate themselves by increasing their productivity with our help, so that they can supply their own wants and sell what remaining surplus they have left to buy what they need for rehabilitation.

Through the ERP we will help them to help themselves, but they must carry their own weight as quickly as possible and not expect to ride indefinitely on the backs of the American taxpayer.

Herbert Hoover's Statesmanlike Warning

That great Quaker and humanitarian, our venerable ex-President, Herbert Hoover, sounded a warning to the world in his speech before the Republican National Convention, which for intellectual breadth, literary quality and far-seeing statesmanship outranked anything heard at that historic meeting. With solemn earnestness, Mr. Hoover stated:

". . . With all the goodwill in our hearts, our friends abroad should realize that our economy must not be exhausted or overstrained by these burdens, or the last hope of the world is lost. We should only be playing Stalin's game, for his expressed real hope lies in our economic collapse for which his fifth columns are busily planning.

"Our friends abroad should realize that we are today certainly straining our American economy to the utmost. Warning signals already clang in our ears. Relief and defense will soon be costing us over $22 billion a year. Our Federal budget threatens to increase to $50 billion a year, unless we delay many plans for internal social and economic improvement.

"Even our present 40-odd billion taxes and the export of materials so drain the savings of our people that in the year 1947 we did not properly maintain and expand the great tools of production and distribution upon which our standard of living depends.

"Nor is there any room for more taxes except by a cut in the standard of living of those who do the nation's work.

". . . . Therefore, with full compassion for those nations in difficulties, certain matters in aid to them must be recognized by both sides of the world.

"Our task is solely to aid their reconstruction. We can provide only bare necessities. There is no room for non-essentials, profligacy or inefficiency.

"We must not create a perpetual dependence of Europe and Asia upon us. We must not soften their preparedness to meet their own dangers. Otherwise our sacrifices will only undermine their self-reliance and the contribution they must make themselves toward the saving of Western civilization.

"We must insist that reconstruction of western Europe be as a whole. That must include the restoration of the productivity of Germany, or Europe will die. We need neither forget nor condone Nazi guilt, but a free world must not poison its concepts of life by accepting malice and hatred as a guide. Otherwise, not only will our efforts fail, but the American taxpayer will be bled white supporting an idle and despairing German people.

". . . There are other warning signs. Our reputed prosperity has begun to walk on two stilts: One is the forced draft of exporting more than our surplus through relief; the other is a great armament program. We cannot go higher on these stilts, or we will break a leg getting down."

Unless we are frequently reminded, it is hard for us to recall what Mr. Hoover may have had in mind, that our country's gross public and private debt now aggregates the almost unbelievable and staggering sum of $453,300,000,000!

Bernard Baruch Speaks His Mind

May I not quote the words of that old and devoted friend of the "Chronicle," Bernard M. Baruch White House Sage and Counsellor to Presidents, who, writing in the June 12th issue of the "Saturday Evening Post," furnishes a dispassionate refutation that "America now schemes to exploit the world." Mr. Baruch's remarkable article is the best presentation of America's war and peace efforts and aims extant. In masterly fashion Mr. Baruch marshalls the facts regarding the American war and postwar record to bear out his statement that "this country has asked only what it is willing to give others—namely peace."

We fought, Mr. Baruch says, ". . . not to implant ourselves on foreign shores, but to come home; not to remain warlike, but to return to war hating; not to impose our will upon others, but so we can continue governing ourselves as we wish."

Mr. Baruch continues: "One could search vainly mankind's whole history for comparable generosity." The American people have continued . . . their giving into the war's aftermath with additional loans and gifts, so far, of $21,000,000,000—not including our contribution to the World Bank and Monetary Fund—in UNRRA grants, the British loan, surplus-property credits and, most recently, the European Recovery Program. To Europe alone, last year, individual Americans sent more than 23,000,000 parcels through the mails and CARE, plus an estimated $120,000,000 in remittances to relatives and friends, and another $250,000,000 of relief in cash and goods through private organizations.

"Our war expenditures of $330,000 000,000 were greater than Britain and Russia combined. . . . We sent $41 billion net in Lend-Lease aid and since the war $21 billion more in loans and gifts. . . . With 14,000,000 men and women mobilized in the Service, we still produced 60% of all Allied munitions and we deliberately exposed our defenses so that everything possible could be shipped overseas. . . . Without the United States, the German Army would not have been driven from Russia's soil. . . . Of all the belligerents, only the U. S. really fought a global war. . . the tentacles of our communications stretched more than 56,000 miles. . . . American military casualties exceeded those of the entire British Empire in both dead and wounded. . . . Of the 90 divisions which stormed through Western Europe, 61 were American. . . . In addition to equipping our own armed forces, we supplied food or munitions to 43 different nations. So this is the record of a nation which is scheming to 'exploit' and enslave the world! ! !"

Can U. S. A.'s Domestic Markets Consume What Is Produced for Foreign Consumtion?

Can the domestic markets in the U. S. consume what is now being produced for foreign consumption (like our $14 billion exports last year) and still remain prosperous?

The answer to this query needs but brief elucidation in a country whose citizens enjoy the highest living standards in the world and where the national per capita income is now $1,425.

No nation has duplicated the educational and cultural advantages, business, professional and industrial opportunities, automobiles, personal and household comforts, gadgets, conveniences and luxuries, wearables and eatables, our freedoms and constitutional guarantees, pleasures and recreations, in addition to the thousands of other evidences of what is popularly known as "the American way of life and living."

Does anyone suppose that the American people, whose ingenuity and progressiveness have sought, invented and adopted so much labor-saving machinery with which to step up production and earning power, would fail to consume the additional production, if need be, which we are now shipping and exporting to foreign markets?

It is highly improbable, of course, that our foreign exports will diminish or disappear during the ERP reconstruction period of Europe or after the economic and political renaissance which we Americans fervently hope will come to pass in war-broken and devastated Europe.

[Acknowledgements: The writer has made liberal use of factual matter supplied by "The Financial Chronicle" and Mr. Robert Theodore Martin of "The World Almanac."]

Anti-Union Legislation Of 80th Congress

(Continued from page 10)

ed at the time of our greatest economic distress for the purpose of finding jobs for workers and workers for jobs.

The Employment Service was conceived and founded in the Labor Department. There it was capably administered, protecting workers against discrimination. They were not only assured of equal opportunities for employment when they used its services, but also that jobs would be found for them at their highest skill and the best rates of pay.

Why, then, did Congress strip the Labor Department of one of its most important remaining services to the wage-earner? Why has the Department been subject to constant attack and dismemberment by the 80th Congress? Why have its appropriations been reduced by nearly 50% so that it has been forced to halt or drastically curtail many of its vital services to workers?

Many smoke-screens have been laid down by the perpetrators of these acts to cover their real objectives, and to mislead and confuse the public. But it seems to me that a careful and searching analysis of all the factors proves rather conclusively that the Labor Department is but one victim of a total, all-out attack on the gains of workers, organized and unorganized.

As in a military operation, one of the tricks of strategy is to create many fronts and diversions so that the defender with limited resources cannot fight back effectively everywhere. Thus, some of the battles go by default.

Consider what has been happening in these United States the past two or three years.

Even before the Congress could get around to passing the Taft-Hartley Law, State Legislatures were being whipped into an anti-union frenzy by the anti-labor lobby. As a result, there are now more than 22 States with laws prohibiting or restricting union security agreements in one form or another. Twelve States prohibit all forms of union security, and one more bars the closed shop. Several States have hedged in or eliminated the right of public utility workers to strike and have failed to provide other means by which they may obtain justice.

The Taft-Hartley Law

That brings us to the Taft-Hartley Law, enacted by a beneficent Congress to protect the organized workers from themselves and their unions.

But do the workers want this kind of "protection"? They have answered for themselves in the 13,325 union shop elections conducted by the National Labor Relations Board up to June 1. Of 1,250,000 workers voting in these elections, 95% have expressed a preference for the union shop. When the workers are given a chance to speak for themselves, they are overwhelmingly in favor of the kind of protection that their union gives them: protection of their wage rates and earnings, union job security, and a continued voice through their union in these and other conditions of employment. It is worth noting that the number of union shop elections held up to June 1 was only half the number for which petitions have been filed.

In the face of these facts, the framers of the Taft-Hartley law have been telling the people that repressive measures against unions were necessary to prevent strikes. Here, again, the record speaks for itself. In 1919, after World War I, the number of workers involved in strikes was 20.8% of the total number employed. In 1946, the number of workers involved in strikes was only 14.5% of workers employed. In 1920, the percentage had dropped to 7.5, and last year it was only 6.5. I am convinced that the Taft-Hartley law was actually responsible for many of the strikes that occurred last year and that the figure would have been lower than 6.5% if the law had not been enacted.

The fact-finding procedures set up by the Taft-Hartley law actually delay or prevent settlements because the panels cannot make a recommendation but only report on the facts. This is far different from the fact-finding boards established by the United States Conciliation Service when it was in the Labor Department. These boards made recommendations for a mutually satisfactory settlement of the issues. Under present procedures, after something like 80 days have elapsed, the parties are right back where they started from, confronted with a statement of the facts which they, of course, were intimately acquainted with all the time.

Regardless of these facts, it is the propaganda line of the framers of the Taft-Hartley law that the workers of the United States want and need "protection" from their unions and that the law was necessary to prevent a wave of impending strikes. They are still working tooth and nail to keep the truth about this vicious, anti-labor, undemocratic law from the people.

Make no mistake about it, their purpose is to keep the people informed about the dangers this law holds for the labor movement, the rights and welfare of individual workers, and for our democratic institutions.

When the law does its work, the ability of the American people to unite for action and repeal the law will have been weakened. Think back to World War I and its tragic aftermath. The people of the United States failed to heed the lesson of union-management cooperation that the war had taught. From the beginning of the "open shop" twenties until 1933, union membership dropped from 5 million to fewer than 3 million.

Wages were cut, unions busted by means of violence, spies and strikebreakers, and freedom of

speech and assembly breached by use of the anti-labor injunction.

Frenzy of Anti-Union Activity

This frenzy of anti-union activity was disgusting to millions of Americans and it was hurrying us down the road to an economic disaster. But unionism, the hard core of American democracy, had been weakened and the people who realized and understood what was happening were rendered powerless to make an effective, united protest. The result was widespread suppression of civil liberties, dwindling purchasing power, growing unemployment and finally, the worst depression in our history.

Now, how does the Taft-Hartley law accomplish the noble purpose which has been ascribed to it; that is, protect American workers from their unions, from the men they elect and pay to act as their union officers, and, if you carry it to a logical conclusion, from themselves.

The first thing the Taft-Hartley law does, in Title I, is to reduce to a shambles the National Labor Relations Act of 1935, under which unionism was revived and membership has grown to 15½ millions.

The Wagner Act, often called the worker's Bill of Rights, proclaimed the right of workers to organize, join unions of their own choosing, and bargain collectively. Employers were guilty of an unfair labor practice if they interfered with the right to join unions or refused to bargain collectively. Second, the Taft-Hartley law nullified some of the safeguards afforded workers by the Norris-La Guardia Act of 1932, an Act which outlawed yellow-dog contracts and prohibited the irresponsible use of injunction in labor disputes, the latter a favorite strike-breaking device since 1806.

Next—and the point backs up what I've said about the drive against organized labor and the Labor Department being one and the same thing—it moved the U. S. Conciliation Service out of the Labor Department.

After 34 years of successful operation in the Department of Labor and with a record of 100-000 disputes settled, 90% of them without a strike, the U. S. Conciliation Service as it existed in the Labor Department, was rubbed out by the Taft-Hartley Act.

This was a double blow, aimed at you and at us.

I have no quarrel with the independent Federal Mediation and Conciliation Service which was created by the Taft-Hartley law, nor the men who operate it. But I do believe that they functioned far more efficiently in the Department of Labor.

I do say that mediation and conciliation of labor disputes is a function of the Department of Labor and belongs in that Department under any sound plan of government.

The Wagner Act equalized bargaining power between labor and management by requiring management to allow employees to join unions of their own choosing and to bargain with such unions on wages, hours and conditions of employment.

It reduced the power of brute economic force which was on the side of management. But it did not compel workers to join unions nor was it concerned with contract terms except to see to it that employers really bargained in good faith.

Management Has Balance of Power

Now the balance of power had been heavily weighted in favor of management.

Contract terms have become the subject of Taft-Hartley law prohibition and taboo.

Before a union can fully organize his workers, an employer can so manipulate the situation as to defeat the organizing drive by asking for an election which is sure to result in defeat for the union, thereby preventing any union recognition in his plant for a period of 12 months.

He may delay bargaining by charging the union with unfair labor practices.

He may destroy a union by provoking a strike, replacing the union strikers with non-union workers, and then bring about an election that will exclude the union and give the law's blessing to his union-busting tactics.

He may hire workers without regard to union affiliation, depriving union workers of genuine job security. In this way he can fight and undermine a union by placing on the pay roll, as long as they are willing to pay union dues or he pays dues for them, other assorted characters as company stooges, spies, troublemakers or strikebrakers.

These are a few of the ways in which the Taft-Hartley law "protects" workers from their unions.

In addition, it restricts the right to strike in many cases and outlaws it altogether in others. For instance, a union cannot strike during the duration of a contract for changes in its terms, without first satisfying certain notice requirements which have the effect of greatly weakening the effectiveness of the union in resisting the encroachments of an unfair management. Neither can it strike to compel an employer to recognize it where some other group has been certified by the NLRB solely as the result of an election secured by the employer long before the union completed its organizational drive in his plant.

While the law pretends to protect individual workers, it not only permits unions to be bypassed but even fails in its pretended purpose because it makes no provision anywhere requiring the consideration or settlement of grievances with workers individually. The result again is weakening unions without giving protection to the individual worker.

Anyone with the slightest knowledge of the realities of labor-management relations knows that when employers commit unfair labor practices, time is of the essence. The remedy must be quick and complete to do justice and avoid industrial flare ups. But the Taft-Hartley Act has made rapidity of action against employers an administrative impossibility. When the Act became effective in the summer of 1947, many unfair labor practice cases which had been initiated under the Wagner Act were pending before the NLRB in varying stages of incompletion. This backlog has grown steadily to mountainous proportions. As of June 1, 30,493 cases of all kinds had been filed and 13,254 were still pending.

The General Counsel's Office finds that most of its time and energy are devoted to holding elections to determine if employees wish to authorize their unions to enter into union-security agreements. Despite the overwhelming approval employees have given to such agreements in the many elections already held, such elections continue, taking priority over almost all other aspects of the General Counsel's activities. Lucky is the union which can get an unfair labor practice charge processed in less than many, many months. In fact, the only phase of the General Counsel's work which gets acted on at once appears to be requesting injunctions against labor unions for alleged violations of the Taft-Hartley Act.

On this point there seems to be universal agreement. The union-security elections have proved not only a completely unnecessary measure—over 90% of the elections have approved the union shop by overwhelming majorities—but such elections have diverted the Board from its primary function of eliminating unfair labor practices, and in effect made recourse to the Act a futile gesture on the part of unions.

What the law does with complete success is involve the delicate situations of labor-management relations in time-consuming and costly processes of hearings and litigation. It seriously interferes with free collective bargaining by subjecting contract provisions to legal restraint and interpretation, by providing penalties against unions, and by once again making it necessary for a worker to risk his job by joining a union.

It goes much further than first meets the eye in outlawing union security because it provides that its own provisions for the union shop or maintenance of membership are superseded in States making these forms of union security illegal.

Thus, by weakening the bargaining position of unions, harassing free union activity and collective bargaining, subjecting unions to bankrupting fines and penalties, abridging the right to strike, permitting the hiring of spies and strikebreakers, and bringing the injunction back as an anti-union weapon does the Taft-Hartley law "protect" American workers.

Total Repeal Called For

I say it is a dangerous, reckless, undemocratic piece of legislation that cannot be remedied except by total repeal. It ignores the human and economic considerations that cause strikes, which will never be prevented except by free collective bargaining and justice.

Recommendations

If the Congress really wants to do something constructive for the American workers, may I suggest the following program, in addition to repeal of the Taft-Hartley Act:

(1) Strengthen the Labor Department and consolidate under its responsibilities all phases of those governmental functions having to do with labor-management relations, employment, manpower and the welfare of the wage-earners. Provide sufficient funds to maintain all these activities at adequate levels.

(2) Enact immediate inflation controls and restore the balance between wages and prices. Wage-earners, especially those in the lower income brackets, have been faced with a grinding, endless fight to make their pay checks last out the week. In the end, they have been forced to use their savings, if they had any, or reduce their standard of living. As of May 15, the cost of living had risen more than 72% since the beginning of World War II and more than 27% since the end of OPA in June 1946. Advances in food costs are even more frightening, if possible. They have risen 125.6% over the prewar level and 44.8% since July 1946. Taking Milwaukee as example, here are some actual food price comparisons between May 1939 and May 1948. Round steak, which then cost 34 cents a pound now sells for 85.3 cents a pound. Chuck roast prices have risen from 24.6 cents a pound to 64 cents a pound. The same can of corn that cost 12.3 cents in May 1939 retails for 20.2 cents today. Eggs 22.2 cents a dozen then . . . 55.2 cents today and so on down the line.

As of today's prices, the cost of inflation to the American consumer is $40 billion a year more than it was two years ago. That is an increase of about 30%. American consumers, spending at an annual rate of $177 billion in the second quarter of 1948, received fewer goods and services than they were able to buy in the second quarter of 1946 when they were spending at the annual rate of $138 billion.

In May of this year, the average weekly earnings of factory workers was $51.89, but the increased cost of living dipped into the pay envelope and took out $21.63, leaving the workers with a purchasing power of only $30.26 in terms of 1939 dollars.

(3) Raise the minimum wage under the Fair Labor Standards Act to at least 75 cents an hour and increase the coverage of the Act to include millions of persons not now covered.

(4) Increase the coverage of the Social Security Act to 20 million persons who are not now protected and raise the amount of benefits, including unemployment compensation, old age assistance, and survivors insurance. Under the present provisions of the Act the most an elderly couple, both of whom are eligible for old-age pensions, can receive is $90 a month. A modest budget for a representative couple required, under living costs as they stood in June 1947, a cash outlay ranging from $1,767 in Washington, D. C., to $1,365 in Houston, Texas.

(5) Enact legislation making it possible for the Department of Labor to carry out a program of labor education. The few thousands of dollars that were made available to the Department in previous appropriations were entirely eliminated two years ago. At the same time, the present session of Congress took no action on a labor education extension bill pending before it.

(6) Restore to the Department adequate appropriations to conduct a direct program and a State-aid program to reduce industrial accidents which last year caused 2 million lost-time injuries, killed 21,000 workers and permanently disabled 91,000. As pointed out by President Truman in his call for a National Conference on Industrial Accidents, which will be held in Washington September 27-29, the Nation cannot afford these human and economic losses.

(7) Provide low-cost housing for wage-earners in the lower income brackets.

(8) A national health program.

(9) Laws to prevent unfair discrimination in employment.

This is an honest program to "protect" workers from the natural and economic hazards which they face every day. It is a program on which organized labor can unite for progressive action.

C. Bruce Ellsworth With B. V. Christie & Co.

SAN ANTONIO, TEX. — C. Bruce Ellsworth is joining B. V. Christie & Co., First National Bank Building, Houston, Tex. Mr. Ellsworth has been conducting his own investment business in San Antonio under the name of C. Bruce Ellsworth Co.

Television Shares Management

CHICAGO, ILL. — Television Shares Management Co. has been formed with offices at 1 North La Salle Street, to engage in a securities business. Officers are R. D. Michels, President; W. H. Cooley, Treasurer; R. H. Matthias, Secretary. Directors, in addition to the officers, are Sturtevant Hinman and H. G. Laun.

With Bailey, Selland Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Arthur P. Flett has become associated with Bailey, Selland & Davidson, 155 Sansome Street. He was formely with Davies & Mejia and prior thereto with Hamill & Co.

Two With Bogardus, Frost

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Don F. Baxter and A. B. Post have joined the staff of Bogardus, Frost & Banning, 618 South Spring Street, members of the New York and Los Angeles Stock Exchanges. Mr. Post in the past with with Wm. Cavalier & Co.

With Straus & Blosser

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Edward R. Gaynor has become associated with Straus & Blosser, Penobscot Bldg. He was formerly with Davis, Hunter, Scott & Co. and R. C. O'Donnell & Co.

With Floyd A. Allen Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Loren D. Saltzman has become associated with Floyd A. Allen & Co., Inc., 650 South Grand Avenue. He was previously with Paine, Webber, Jackson & Curtis.

With Herrick, Waddell And Reed

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — David L. Sharp is with Herrick, Waddell & Reed, Inc., 332 South Michigan Avenue.

With Wilson, Johnson And Higgins

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL. — Theodore W. F. Richter is with Wilson, Johnson & Higgins, 300 Montgomery Street.

With C. E. Abbett & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Roy D. Waters has become affiliated with C. E. Abbett & Co., 3277 Wilshire Boulevard. He was previously with Kennan & Clarey, Inc.

With Waldron & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Leonard A. Hughes has joined the staff of Waldron and Co., Russ Bldg.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Frank W. Marlow has joined the staff of King Merritt & Co., Inc., 408 Olive Street.

Joins Slayton Co. Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Charles L. Crabb has joined the staff of Slayton & Co., Inc., 408 Olive Street.

Whether It's Hot Or Cold

Be sure to read "Our Reporter's Report" column every week in the "Chronicle" to see how those new issues are going.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Air Commuting, Inc., White Plains, N. Y.
June 17 (letter of notification) 1,060 shares of capital stock (no par value), of which 600 shares will be sold publicly at $100 per share. **Underwriter** — Burnham & Co. **Proceeds**—To be used to engage in limited helicopter operation over routes which the company is presently certificated to fly or in limited helicopter commercial work.

● **Amco Sports Distributors, Inc., St. Louis, Mo.**
July 21 (letter of notification) $50,000 of income and sinking fund 5% cumulative interest registered notes, due April 1, 1961, and 1,000 shares (no par) common stock. To be offered collectively in 40 units consisting respectively of 25 shares at price of $1 per share and $1,250 par value of notes at price of $1,250. No underwriter. To diversify and increase stock in trade and to carry accounts receivable.

American Fidelity Fire Insurance Co., New York
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.

● **American Spring of Holly, Inc., Holly, Mich.**
July 19 (letter of notification) 22,000 shares of 5½% cumulative convertible preferred stock ($10 par). **Price**—$10 per share. **Underwriter**—White, Noble & Co.

● **Appleman Art Glass Works, N. J.**
July 22 (letter of notification) 18,000 shares of common stock (no par). **Price**—$10 per share. Underwriting, none. To reduce existing mortgages and provide working capital.

● **Arkansas Power & Light Co., Pine Bluff, Ark.**
July 23 filed $7,500,000 first mortgage bonds, due 1978. **Underwriters**—Names will be determined by competitive bididng. Probable bidders include: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Glore, Forgan & Co. and Harriman Ripley & Co. (jointly). **Proceeds** — To reimburse treasury for construction expenditures, to defray the cost of new construction and for other corporate purposes.

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.

Armstrong Rubber Co., West Haven, Conn.
July 8 (letter of notification) 1,000 shares of 4¾% cumulative convertible preferred stock ($50 par). To be sold at $44 each for Frederick Machlin, Executive Vice-President and Secretary of the company. **Underwriter**—F. Eberstadt & Co., Inc., New York.

Ashland Oil & Refining Co. (8/4)
July 14 filed 400,000 shares of $1.20 cumulative convertible preferred stock. **Underwriter**—A. G. Becker & Co. Inc. **Proceeds**—Of the total, 300,000 shares are to be sold for the account of the company and 100,000 shares for the account of two individuals. The latter are stockholders of Allied Oil Co., Inc., and the stock to be offered for their account is a part of the shares they are to receive in connection with the merger of Allied into Ashland. **Proceeds**—Proceeds from sale of company's stock are to be added to general funds and made available for further expansion of its interests.

● **Associated Telephone Co., Ltd.**
July 27 filed 85,000 shares 5% preferred stock (par $20), of which 75,000 shares will be offered publicly at $21.25 per share and 10,000 will be offered for subscription by employees under a purchase plan at $20.25 per share. **Underwriters**—Mitchum, Tully & Co.; Paine, Webber, Jackson & Curtis, and the Stone & Webster Securities Corp. **Proceeds**—Plant expansion and to retire bank loans.

● **Belmont Iron Works, Philadelphia, Pa.**
July 23 (letter of notification) 36,210 shares ($5 par) common stock. **Underwriter**—Stroud & Co. Proceeds to selling stockholders.

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.

● **Brown Fintube Co., Elyria, Ohio**
July 21 (letter of notification) 5,000 shares ($20 par) convertible cumulative preferred stock. **Price** — $20 per share. No underwriting. To be applied to the reduction of the company's outstanding short term loans.

● **Carosanti, Los Angeles, Calif.**
July 19 (letter of notification) 8,000 shares (no par) common stock. **Price**—$3.33 per share. No underwriter. For payment of debts, royalties, salaries and wages, advertising promotion and general conduct of business.

● **Carroll Dunham Smith Pharmacal Co., New Brunswick, N. J.**
July 21 (letter of notification) 11,800 shares of common stock (no par). **Price**—$12.50 per share. General working capital. **Underwriting**—None.

Central Illinois Public Service Co. (8/17)
July 15 filed 574,087 shares ($10 par) common stock, owned by Halsey, Stuart & Co. Inc. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: 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. Expected about Aug. 17.

Central Maine Power Co.
Nov. 10 filed 160,000 shares ($10 par) common. **Underwriting**—Company called for competitive bids Dec. 8, 1947 and only one bid, that of Blyth & Co., Inc. and Kidder, Peabody & Co. was submitted and was rejected by the company. They bid $13.75, less $1.75 underwriting commission. Now expected on negotiated basis through Blyth & Co., Inc. **Offering**—To be offered to 6% preferred and common stockholders for subscription on the basis of one-half share of new common for each preferred share and one-tenth share of new common for each common share held. Price by amendment. **Proceeds**—For construction and repayment of bank loans.

Central Power & Light Co.
Nov. 21 filed 40,000 shares ($100 par) cumulative preferred. **Underwriters**—Lehman Brothers; Glore, Forgan & Co., Dewar, Robertson & Pancoast. **Proceeds**—For property additions and expenses. On April 15, SEC denied effectiveness of registration statement.

● **Central States Manufacturing Co., Inc., Arkansas City, Ark.**
July 26 (letter of notification 8,000 shares ($10 par) common stock. **Price**—$10. To expand manufacturing business. Purchase supplies and increase inventory. No underwriting.

Central Vermont Public Service Corp.
March 30 filed $1,500,000 Series E first mortgage bonds and 326,700 common shares (no par). **Underwriters** of common—Coffin & Burr Inc. Bonds placed privately. Common stockholders of record July 21 are given the right to subscribe for new shares in ratio of one new for each share held. Common and preferred stockholders of record July 21 may subscribe for any unsubscribed shares that may be available subject to allotment. **Price**—$8.25 per share. **Proceeds**—For a construction program and repair of flood damages.

Century Steel Corp., Hollydale, Calif.
Nov. 10 filed 4,000 shares ($100 par) common. **Underwriting**—None. Shares will be sold at par by directors. **Proceeds**—To purchase rolling mill, equipment and for working capital.

Challenger Airlines Co., Salt Lake City, Utah
March 1 filed 600,000 shares ($1 par) common stock, of which 400,000 are being sold for the company and 200,000 for the account of Claude Neon, Inc. **Underwriting**—None. **Price**—$2 a share. **Proceeds**—For equipment purchase and general funds.

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.

● **Citizens Credit Corp., Wilmington, Del.**
July 23 (letter of notification) 4,000 shares ($12.50 par) class A common stock and 4,000 shares (25 cents par) class B common stock. To be offered in units of one share of class A and one share of class B at $13.25 per unit. **Underwriter**—Emory S. Warren & Co. For general business.

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.

● **Cobalt Mines Corp., Newark, N. J.**
July 26 (letter of notification) 290,000 shares of common stock. **Price**—$1 per share. **Underwriter**—Charles W. Warshoff & Co., Newark, N. J. To meet obligations.

● **Coffee Concentrate Corp., Wilmington, Del.**
July 21 (letter of notification) 115,000 shares of Class B ($1 par) common stock. **Price**—$1 per share. No underwriter. To expand the manufacturing facilities of the corporation, and to distribute the product.

Colonial Western Underwriters Co., Inc., Shreveport, La.
July 12 (letter of notification) 24,170 shares of Class A common stock ($1 par). **Price**—$10. **Underwriter**—Mid-South Securities Co., Nashville, Tenn. To purchase the controlling interest in other corporations, particularly life insurance companies.

Commercial Discount Corp., Chicago, Ill.
July 16 (letter of notification) 5,970 shares $3.50 prior preferred stock, ($50 par) and 11,940 shares of Class A comomn stock. To be sold in units of one share of preferred and two shares of Class A common for $50.25 per unit. **Underwriter**—Julien Collins & Co. Working capital and general corporate funds.

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.

Continental Motors Corp., Muskegon, Mich. (8/10-13)
July 19 filed 300,000 shares ($1 par) common stock. **Underwriter**—Van Alstyne Noel Corp. **Proceeds**—To be applied toward the payment of $3,500,000 bank notes.

DuMont (Allen B.) Laboratories, Inc. (8/5)
July 16 filed 150,000 shares of 5% cumulative preferred stock, ($20 par) and 29,515 shares of Class A common stock **Underwriters**—Van Alstyne Noel Corp. and Gearhart & Co., Inc., New York. **Price**—$20 each. **Proceeds**—To increase working capital, gain additional facilities, including a manufacturing plant for $1,700,000, a television station in Pittsburgh for $300,000 and moving the Washington station for $125,000.

Dunk Donut Corp., Highland Park, Mich.
July 8 (letter of notification) 300,000 shares ($1 par) common stock. Price, par. **Underwriter**—Charles E. Bailey & Co., Detroit. To establish shops, pay debts and increase working capital.

● **Electric Boat Co., New York**
July 26 (letter of notification) 329 shares of preferred stock, to be sold on the New York Stock Exchange (price approximately $37.75 per share). Proceeds go to holders of fractional scrip certificates.

Eureka Corp. Limited, Toronto, Ontario, Can.
July 7 filed 675,000 shares ($1 par) common stock and 405,000 common stock purchase warrants to be offered shareholders at the rate of one for each 25 held. **Underwriter**—None is planned. **Price**—135,000 units are to be offered, consisting of five common shares and a stock purchase warrant for three shares, for $7.50 per unit. **Proceeds**—To de-water mine, cross-cut to the ore zone, and for repayment of temporary loans.

● **Fireman's Fund Insurance Co., San Francisco**
July 23 filed 458,544 shares of common stock ($7.50 par). **Offering**—Shareholders of record Aug. 23, will be offered 433,164 shares at $30 per share at rate of four new shares for each five shares held. **Underwriters**—Blyth & Co., Inc., The First Boston Corp., and Dean Witter & Co. will

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August 2, 1948

Hawaiian Electric Co., Ltd._____Pfd. & Com.
Shoe Corp. of America_____Preferred

August 3, 1948

National Battery Co._____Preferred
Sylvania Electric Products, Inc._____Common

August 4, 1948

Ashland Oil & Refining Co._____Preferred
Baltimore & Ohio RR._____Equip. Trust Ctfs.
Public Service Electric & Gas Co._____Preferred
Reading Co., Noon (EDT)_____Equip. Trust Ctfs.

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Du Mont (Allen B.) Laboratories, Inc._____Preferred & Cl. A Common

August 10, 1948

Chesapeake & Ohio Ry._____Equip. Trust Ctfs.
Continental Motors Corp._____Common
Official Films, Inc._____Pref. and Common
St. Louis-San Francisco Ry._____Equip. Trust Ctfs.

August 17, 1948

Central Illinois Public Service Co._____Common

underwrite 25,380 shares and will purchase all unsubscribed shares. **Proceeds**—To provide the companies of the Fireman's Fund Group with additional capital funds.

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.

Fission Mines Ltd., Toronto, Canada
April 16 filed 200,000 shares of treasury stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—$1 a share. **Proceeds**—For mining and business costs.

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.

● **Fort Orange Paper Co., Castleton-on-Hudson, New York**
July 22 (letter of notification) 1,000 shares 4% cumulative preferred stock (par $100). **Price**—Par. **Underwriting**—None. General corporate purposes.

Fraser Products Co., Detroit, Mich.
Oct. 21 filed 100,000 shares ($1 par) common. **Underwriters** — Campbell, McCarty & Co., and Keane & Co., both Detroit. **Price**—$5.25 per share. **Proceeds**—The shares are being sold by 14 stockholders who will receive proceeds. Registration statement effective Jan. 16.

Fuller Brush Co., Hartford, Conn.
July 12 (letter of notification) 3,000 shares of ($100 par) preferred stock. **Price**—par. To raise working capital and retire existing indebtedness. No underwriting.

● **Futures, Inc., New York**
July 23 (letter of notification) 25,000 shares of capital stock (par $1). **Price**—$10 per share. Buy, sell or sell short commodity futures or commodities. **Underwriting**—None.

● **General Stores Advertising Co., Inc., N. Y.**
July 27 (letter of notification) 1,250 shares of common stock (par $100). **Price**—Par. **Underwriting**—None. Pay current operating expenses.

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 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. Offering postponed.

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 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 & Michigan Electric Co.
July 14 filed $25,000,000 first mortgage bonds, due 1978. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Dillon, Read & Co. Inc.; Harriman Ripley & Co. **Proceeds**—To prepay $6,000,000 of bank notes borrowed for construction and $10,000,000 borrowed by Indiana Service Corp. and assumed by the company under a merger, and for treasury funds.

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.

● **International Industrial Development Co., Inc., Washington, D. C.**
July 22 (letter of notification) 6,000 shares of nonredeemable 6% cumulative preferred stock ($20 par) and 6,000 shares (no par) common stock. **Price**—Preferred, par; common, $5. For working capital. No underwriting.

● **Jet-Heet, Inc., New York**
July 27 (letter of notification) $112,500 10-year 5% promissory notes and 267 shares of common stock (no par). **Price**—Notes $125 per unit; stock $3.333 per share. **Underwriting**—None. Corporate purposes.

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.

● **Kelm (E. B.) Petroleum Corp., Durango, Colo.**
July 23 (letter of notification) 100,000 shares (10 cent par) common stock. **Price**—Par. To drill for oil and gas. No underwriting.

Kingsburg (Calif.) Cotton Oil Co., Kingsburg
July 14 (letter of notification) 20,000 shares ($1 par) capital stock. **Price**—$4.25 per share. **Underwriter**—Fewell & Co., Los Angeles. Proceeds to selling 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.

Lincoln (Neb.) Telephone & Telegraph Co.
July 12 (letter of notification) 15,000 shares ($16⅔ par) common stock. **Offering**—To be offered present stockholders at the rate of one share for each eight now held. **Price**—$20. To extend plant facilities. No underwriting.

● **Lithomat Corp., Cambridge, Mass.**
July 23 (letter of notification) 2,857 shares of 5% cumulative convertible preferred stock and 5,714 shares of common stock. To be sold in units of one preferred and two common shares for $105 a unit. For working capital and general corporate purposes. No underwriting.

● **Livingston Mines, Inc., Seattle, Wash.**
July 22 (letter of notification) 300,000 shares (5 cent par) common stock. **Price**—40 cents. To be sold by a director. Broker to be named later.

● **Ludington (H. J.), Inc., Rochester, N. Y.**
July 26 (letter of notification) 10,000 shares class A nonvoting stock (par $20) and 10,000 shares of class B (voting) stock (par $1). **Price**—Par for each class. **Underwriting**—None. Investment and reinvestment in mortgage and real estate.

● **Maumee Oil Corp., Toledo, Ohio**
July 19 (letter of notification) 84.88 shares of common Class A stock (no par). To be sold at $100 per share. No underwriter. Shares will be offered in exchange for oil leases on property located in Runnels County, Texas, on the basis of one share per acre under lease.

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.

● **McKale's Inc., Seattle, Wash.**
July 20 (letter of notification) 7,450 shares (no par) common. **Price**—$20 per share. Also 2,767 shares of same stock to be sold at $18 to employees of the company. To complete construction of service stations. No underwriting.

McVicar Mining Co., Ltd., Vancouver, B. C.
July 14 filed 400,000 shares (par 50¢ Canadian funds) common stock and 1,100,000 common share purchase warrants, as well as 1,100,000 common shares to be reserved for issuance upon exercise of warrants. **Underwriter**—Carstairs & Co., Philadelphia. **Price**—60 cents (U. S. funds) and 60 cents (Canadian funds) for not more than 100,000 shares to be sold in Canada; one cent each for the warrants. **Proceeds**—General funds and to develop mining property.

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.

National Battery Co. (8/3)
July 14 filed 65,000 shares ($50 par) convertible preferred stock. Price and dividend, by amendment. **Underwriters**—Goldman, Sachs & Co., New York; Piper, Jaffray & Hopwood, Minneapolis. **Proceeds**—To retire $3,000,000 of bank loans and general corporate purposes.

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.

Northern States Power Co. (of Minn.)
June 3 filed 200,000 shares of cumulative preferred stock (no par). **Underwriting**—Names to be determined by competitive bidding. **Bids**—On July 13 Lehman Brothers submitted a bid of 100.759 for a dividend rate of 4.80%. Smith, Barney & Co. bid 100.57 also for a 4.80% dividend. Company rejected the bids for the stock. It was reported July 24 that company will seek exemption from competitive bidding.

O-Cel-O, Inc., Buffalo, N. Y.
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.

Official Films, Inc., New York (8/10)
July 16 (letter of notification) 49,000 shares 35¢ cumulative preferred stock (par $5) and 49,000 shares of common stock (par 10¢). **Price**—$6 per unit, consisting of one share of each. Working capital and other general corporate purposes. **Underwriter** — Aetna Securities Corp., New York.

Old North State Insurance Co.
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.

● **Pan American Gold Ltd., Toronto, Canada**
July 20 filed 1,986,795 shares of common stock (par $1). **Underwriters**—Brokers may be underwriters. **Price**—45 cents per share. **Proceeds**—Development and exploration of gold mines.

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.

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• Pinos Altos Mining Co., Dover, Del.
July 23 (letter of notification) 26,000 shares (10 cent par) common stock. **Price**—$1. To be sold by H. P. Laslett and Henry T. Giller. No underwriting.

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.

Powers Oil & Drilling, Inc., Casper, Wyo.
July 14 (letter of notification) 800,000 shares (25¢ par) common stock. **Price**—25 cents per share. **Underwriter**—John G. Perry & Co. For drilling operations.

Public Service Electric & Gas Co. (8/4)
June 11 filed 200,000 shares ($100 par) cumulative preferred stock. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: Morgan Stanley & Co.; Union Securities Corp. and White, Weld & Co. (jointly). **Proceeds**—For property additions and improvements. **Bids**—Bids for the purchase of the stock will be received at company's office, 80 Park Place, Newark, N. J., up to 11 a.m. (EDT) Aug. 4.

Riley Stoker Corp., Worcester, Mass.
June 3 (letter of notification) 7,000 shares ($3 par) common stock. **Price**—$11¾ per share. **Underwriter**—Hanrahan & Co., Worcester, Mass.

• River Acres Raceway, Inc., Woodbury, N. J.
July 26 (letter of notification) 1,750 shares of common stock (par $100) and 1,200 shares of preferred stock (par $100). **Price**—Par for each class. **Underwriting**—None.

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.

• Sanitary Products Corp., Taneytown, Md.
July 22 (letter of notification) 1,250 shares (no par) common stock. **Price**—$20. For working capital. **Underwriters**—Joseph E. W. Bodreau, New Haven, Conn.; Jackson & Co., Allen Crabbe, Frank J. Shevlin, Jr., and Arthur B. Donovan, all of Boston.

Shoe Corp. of America, Columbus, O. (8/2-6)
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.

• Shopping Bag Food Stores, Los Angeles, Calif.
July 23 (letter of notification) 12,000 shares ($25 par) preferred stock. **Price**—Par. No underwriters. To liquidate outstanding indebtedness and furnish additional working capital.

• Southern California Edison Co.
July 28 filed $25,000,000 first mortgage bonds. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.), jointly. **Proceeds**—Finance construction program.

• Southtown Land & Building Corp., Chicago
July 21 (letter of notification) 2,221 shares of common stock (par $100). **Price**—$100 per share. No underwriter. To engage in the business of acquiring, owning, using, conveying and otherwise disposing of and dealing in real property or any interest therein.

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.

• Sudore Gold Mines Limited, Toronto, Canada
July 21 filed 500,000 shares of common stock ($1 par). **Price**—$1 per share American funds. **Underwriter**—None. **Proceeds**—For mining operations.

Sylvania Electric Products, Inc. (8/3-4)
July 19 filed 200,000 shares (no par) common stock. **Underwriters**—Paine, Webber, Jackson & Curtis; White, Weld & Co.; Lee Higginson Corp., Estabrook & Co. and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For expansion of the television tube business of the company.

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.
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.

• Union Service Co., Lincoln, Neb.
July 19 (letter of notification) not more than $100,000 of common stock to be sold in units of $10. No underwriter. To deal in first year premium notes taken by agents of Union National Life Insurance Company of Lincoln.

U. S. Airlines, Inc., St. Petersburg, Fla.
June 2 (letter of notification) 171,000 shares ($1 par) common stock. **Price**—56 cents each. To be offered for Frances B. Law, Robert B. Law, and Theodore N. Law. **Underwriter**—R. H. Johnson & Co., New York.

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**—Common stockholders of record Aug. 8 shall have the right to subscribe on basis of one share for each five held. **Proceeds**—Expenditures for equipment and facilities retiring bank loan and debentures.

• Utah Gas & Oil Co., Yakima, Wash.
July 9 (letter of notification) 125,000 shares (10¢ par) non-assessable common stock. **Price**—25¢ per share. No underwriter. For preliminary development.

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. Stockholders of record July 6 are given the right to subscribe in the ratio of one new share for each 10 shares held. Rights expire Aug. 10. **Price**—$7.50 per share. **Underwriter**—None. **Proceeds**—To increase working capital.

• Waterloo (Ill.) Milk Co., Inc.
July 21 (letter of notification) $100,000 of Series A, 4% debenture notes. No underwriter. To expand plant and equipment, pay part of present obligations and provide additional working capital.

Wisconsin Public Service Corp., Milwaukee
July 19 filed $5,250,000 first mortgage bonds, series due Aug. 1, 1978. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Goldman, Sachs & Co. and Salomon Bros. & Hutzler (jointly); Glore, Forgan & Co. and Central Republic Co. (jointly); Shields & Co.; Kidder, Peabody & Co.; Harris Hall & Co. (Inc.); Harriman Ripley & Co., Inc. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For the payment of $4,600,000 of short-term bank loans and for construction.

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.

• Zetka Television Tubes, Inc., Clifton, N. J.
July 20 (letter of notification) 280,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—Willis E. Burnside & Co., Inc. Retire loans, purchase of equipment, etc.

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

• Baltimore & Ohio RR. (8/4)
July 27 reported company plans sale of $3,600,000 equipment trust certificates on Aug. 4. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

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.

• Boston Insurance Co.
July 28 stockholders approved the issuance of 100,000 shares of additional capital stock, which will be offered to stockholders of record July 28 on the basis of one new share for each three shares held. First Boston Corp. will underwrite the new stock.

• Chesapeake & Ohio Ry. (8/10)
The company is inviting bids to be received on Aug. 10 for $3,600,000 equipment trust certificates to finance the purchase of locomotives costing $3,690,692. Certificates will be dated Sept. 1, 1948, and mature serially in equal annual instalments from Sept. 1, 1949 to Sept. 1, 1958, both inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.).

Detroit Bank, Detroit
July 14 stockholders voted to release 50,000 shares of capital stock (par $20) to be offered to old stockholders at $60 per share on basis of two shares for each seven shares held of record July 14. Rights expire Aug. 3. Unsubscribed shares will be underwritten by First of Michigan Corp. and Watling, Lerchen & Co. Standby expires Aug. 3.

• International-Great Northern RR.
Aug. 12, Federal Court will hold hearings on petition of trustee, Guy A. Thomson, for authority to issue $1,640,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

• Mission Indemnity Co., Los Angeles
Company has applied to the Department of Insurance (California) for permission to sell 200,000 shares of stock (par $1) at $2 per share.

• National Tea Co.
July 19 President H. V. McNamara stated that store modernization will require additional capital before the year's end and it is expected to be obtained through rights to stockholders to purchase additional common shares. Probable underwriters: Hemphill, Noyes & Co. and Merrill Lynch, Pierce, Fenner & Beane.

• New Orleans Public Service Inc.
July 23 reported company may raise some $10,000,000 of additional money through sale of a new mortgage bond issue in September. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.

• Ohio Edison Co.
The company is preparing to issue $12,000,000 30-year first mortgage bonds, to be sold through competitive bidding, and 285,713 common shares. Company has filed for the financing with the Ohio P. U. Commission and will file also with the SEC. Proceeds from the sale of both issues are to be used to defray a portion of the company's heavy property construction expenses. Probable bidders for the bonds: Morgan Stanley & Co.; Glore, Forgan & Co.; Shields & Co. and White, Weld & Co. (jointly); Halsey, Stuart & Co. Inc. Coincident with the bond sale, company will offer its common stockholders rights to purchase at $27.50 one new common share for each seven shares held. Commonwealth & Southern Corp., the parent, owns 1,795,847 common shares of Ohio Edison Co., or approximately 90% of the 2,000,000 shares which the operating company has outstanding. Commonwealth proposes to take down the 256,549 shares of new common of Ohio Edison to which its present holdings entitle it.

Reading Co. (8/4)
Bids for the purchase of $3,440,000 equipment trust certificates, series P, will be received at office of R. W. Brown, President, Room 423, Reading Terminal, Philadelphia, up to noon (EDT) Aug. 4. Certificates will be dated Sept. 1, 1948 and will mature $172,000 semi-annually March 1, 1949-Sept. 1, 1958. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Dick & Merle-Smith (jointly); Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

• Rockland Light & Power Co.
July 17 reported company has plans under consideration for sale, probably in the fall, of some $7,500,000 in "new money" bonds. Probable underwriters: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co.; Merrill, Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly).

• St. Louis, Brownsville & Mexico Ry.
Aug. 12, Federal Court will hold hearings on petition of trustee, Guy A. Thomson, for authority to issue $1,580,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

• St. Louis-San Francisco Ry. (8/10)
Company has issued invitation for bids to be opened Aug. 10 for the purchase of $5,550,000 equipment trust certificates, due in one to 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

• U. S. Industrial Chemicals, Inc.
Sept. 1 stockholders will vote on creating a new convertible preferred stock issue. Proceeds will be used for building of plants in which to process hydro-carbon chemicals derived from new synthetic gasoline production. The issue, it is expected, will be underwritten by Harriman Ripley & Co., Inc.; Union Securities Corp.; Wertheim & Co. and G. H. Walker & Co.

Our Reporter's Report

The high-light of the week in the corporate underwriting field was the celerity with which the placement of Commonwealth Edison Co.'s $50,000,000 of new 40-year, first mortgage bonds was assured.

This piece of business should go down in the records as one of the fastest operations in the history of investment banking. But, of course, due to prevailing formalities, such as clearance of terms of a given undertaking by the Securities and Exchange Commission, it probably will not be recorded in exactly that manner.

Nevertheless people in the business will recognize it as such and will regard it, moreover, as a tonic for the market in general.

Three groups bid for the issue and all were close with a difference of only seven cents on each one hundred dollars of bonds separating the winning tender of 100.6399 from the lowest of 100.562.

Reoffered at 100.99 to yield the buyer a return of 2.95% to maturity, the deal was an immediate success with preliminary inquiries far more than sufficient to take up the total amount involved.

Accorded a triple A rating the bonds were heavily taken by the big insurance companies with blocks ranging from $2,000,000 to $20,000,000 reported.

Cleaning Up Slow Ones

Underwriters who have been lugging portions of recent issues which did not fare too well in the early stages of public offering are taking steps to move their unsold balances according to current reports.

In some cases it is indicated that not much in the way of price-shading is necessary to attract buyers. For example it is reported that New Jersey Bell Telephone 3⅛s are experiencing improved demand having been shaded to a 3% basis from the original offering level of 2.99%.

Meantime it appears that Consumers Power preferred which yielded to a low of 97½, following termination of the syndicate which brought the issue out at 102.725, is now quoted around 98¼-98½.

Seasoned Stocks Move

Where an issue of common stock does not involve a new flotation and consequent dilution of earnings, that is where the deal is a "secondary" offering, the market appears well able to absorb sizable blocks.

The sale, this week, of a block of 250,000 shares of common of Deere & Co. is a case in point. This operation did not involve anything in the way of new financing by the company and accordingly, did not increase the capitalization.

Priced at 38⅞, or practically at the market, the shares, sold for two personal trusts, moved rapidly into the hands of new investors.

Will Try It Again

The two banking groups which originally entered bids for a block of 200,000 shares of new cumulative preferred stock of the Public Service Electric & Gas Co., (successor to Public Service Corp. of New Jersey), are preparing to have another try at the issue when it comes up again.

The stock is scheduled to be put up for bids again on Aug. 4 (next Wednesday) and it is understood that Morgan Stanley & Co. and associates will head up one banking group, Union Securities Corp., and White, Weld & Co., jointly will head the second.

These same contingents sought the stock on July 7 last, only to have the company forego the sale at that time without giving consideration to the bids then entered.

Ohio Edison Plans

Ohio Edison Co. is planning a piece of financing which, at first glance, has all the earmarks of a large undertaking, involving $12,000,000 of new bonds and 285,713 shares of common stock.

The bonds will go through the formality of public offering through competitive sale. But in the case of the stock only a small portion, perhaps a nominal amount, may reach that stage.

Commonwealth & Southern Corp., parent, owns 1,795,847 shares or 90% of the outstanding common, and intends to exercise its "rights" in full.

Ferguson With Bolton

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—John A. Ferguson has become affiliated with Robert C. Bolton & Co., Kohl Bldg., members of the San Francisco Stock Exchange. He was formerly with J. Barth & Co. and prior thereto with Jay Gittelsohn & Co.

Howard B. Loomis Is Now With Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Howard B. Loomis has become associated with Davies & Mejia, Russ Bldg., members of the New York and San Francisco Stock Exchanges. In the past Mr. Loomis was an officer of Wulff, Hansen & Co.

Observations

(Continued from page 5)

bromide of beating the dead-duck of "Wall Street"; but with the Democrats having to deny the charge as far as the wicked war-mongering bankers' alleged influence on *foreign policy* is concerned. Or perhaps the Democrats will find some way of defining as miraculous exceptions the worthiness of Messrs. Forrestal and Lovatt as public servants.

On taxation: "They (the old parties) pass tax legislation for the greedy, giving only insignificant reductions to the needy," says the Wallace-Tugwell-Kremlin platform. Similarly, Mr. Truman, referring to the partial lopping-off of wartime tax rates as "this Republican rich-man's tax bill," says "it helps the rich and sticks the knife into the poor." (Someone forgot to inform Judge Rosenman, the great economist-ghost writer, of the simple fact that the legislation actually excused over seven million of the lowest income groups from paying any tax whatever.) Apparently both parties want to expropriate all capital through ability-to-pay taxation; with the Democrats not having the nerve to say so.

There is little difference between the Wallace Progressive platform plank which excoriates the other two parties on Housing, and President Truman's utterances on this in his acceptance speech in blaming the Republicans. Or between the former's "Never before have so few owned so much at the expense of so many," and the President's fiery diatribes on "the rich" versus "the poor"? Or between the Wallace-ites' call for the maximum of Economic Planning and the establishment of a "Council of Economic Planning to develop plans for assuring high production, full employment, and a high standard of living"; and the present Administration's present Council of Economic Advisers and Full Employment Act and philosophy of employment guarantee.

Wallace's Kiss of Death

Fortunate it is for the nation's economic thinking on the domestic front that because of its general Communist connotation the Progressive party gives a badly-needed "kiss of death" to the flood of phoney economic miseducation issuing from the New Deal Democrats and other segments of the community.

(Perhaps the Wallace "kiss of death" may even obliterate some price fallacies on the Republican side—as with the GOP's Congressman Javits, who in running for re-election from New York is using the reopened Congress to renew his all-out plumping for the rationing of meat.)

Hence, a factor detracting from the advantage of the expected early disintegration of the Third-Party movement will be the transfer of their phoney economic demogoguery to the other parties, and hence the non-recognition by the public of its fallacy. It already seems impossible to make the public understand that the way to stop inflation does not lie along the path of spending more money through simultaneously-recommended increases in appropriations of almost every conceivable kind of subsidizing housing, of drastically raising minimum wages, or of keeping money artificially cheap, the public cannot comprehend the absurdity of Democratic legislative leaders who insist on keeping high support prices for crops, or of the O'Mahoneys, who electioneer by howling for lower prices while trying to hold the votes of their own wool-growing constituents by shouting for ever-higher subsidies for their own particular product.

But far greater than all the economic fallacies is the danger to our democratic processes which is inherent in behavior like that recently exemplified by our electioneering President apart from his prostituting of the legislative process to grind his own political axe. Accustomed as one may be to pre-election demogoguery, it was still surprising as well as nauseating to hear the President at Philadelphia go as far as to challenge the *gratitude* of special groups which his party had helped (bribed). Interested in the dignity and decency of the Presidency, we earnestly hope that a future pattern is not to be inferred from these bribe-collecting statements unashamedly made by Mr. Truman:

"Farm income has increased from less than $2,500,000,000 in 1933 to more than $18,000,000,000 in 1947. Never in the world were the farmers of any republic or any kingdom or any other country, as prosperous as the farmers of the United States, and if they don't do their duty by the Democratic party they're the most ungrateful people in the world."

And—

"And I'll say to labor just what I've said to the farmers. They are the most ungrateful people in the world if they pass the Democratic party by this year."

This is not far above Wallace-ism—and, fortunately, so recognized by much of the public.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—President Truman has orphaned his Council of Economic Advisers in the special session political storm.

Once upon a time the Congress created the Council of Economic Advisers. This Council was supposed to be composed of the best obtainable economic brains of the country. In turn, it was supposed to "pick the brains" of the best informed on economic matters in the entire country, economic thinkers in industry, commerce, labor and government. Then the Council was to come forward with the distillation of this super duper intelligence into a set of recommendations designed to keep the country at a level of full employment and stability.

Of course, at the time the Council of Economic Advisers was created, few people expected a President to take it seriously unless its advice comported with the political objectives of the moment. The President has just provided an object lesson in the futility of the theory that merely arming the President with objective economic advice provides a means by which the country or the President will be governed by that (if it is) best economic advice.

What the CEA thinks at the present moment about the outlook for inflation is rated as a matter of relatively little consequence. Hence, it is of no great significance whether the CEA agrees wholly, in part or disagrees with the diagnosis which the President offered to Congress.

What is germane, it is observed, is that the President determined for political purposes that the outlook was inflationary and he decided to pitch his whole policy upon the assumption without checking in first with CEA. Even if the mid-year CEA report, either out now or anticipated momentarily, does seem to agree with the President, Mr. Truman proposed to undertake broad government policies on a political hunch.

Economic advice is something nice to keep in the closet when it suits a politician's purpose. There is probably little doubt that this approach is non-partisan, and that when a future test comes, no future Administration will frame its course exclusively upon the most rarified of official economic advice.

* * *

National Security Resources Board believes that every industry which might ever move its factory, its subsidiary, or establish a new manufacturing activity, should read "National Security Factors in Industrial Location." In other words, NSRB believes that an industry should add security against atom bomb attack to such considerations in locating or re-locating a factory as relaship of location to market, raw materials, labor supply, freight rates and the like. Incidentally, the NSRB report is not revolutionary. It proposes no general decentralization of industry, no forced re-location of factories, and it emphasizes that economic factors in industrial site location are paramount. "Just bear security in mind as much as you can," is the core of the idea.

* * *

It is being suggested here that Treasury Secretary Snyder is opposed to legislation boosting required reserves of commercial banks, either in the form of the Federal Reserve Board "secondary reserve," or an increase in required statutory reserves. The Secretary is just about as much opposed to such broad credit control as when it was broached by the President, at the initiative of the CEA, last November. Mr. Snyder, however, may have to go along with the President. Nevertheless, it is believed that his letter to the President of the American Bankers Association, urging ABA to keep on with its voluntary credit program was intended to head off, if possible, an increase in required legal reserves.

* * *

Even though the majority of the Southerners lean toward the conservative side, as professional politicians they have an occupational disposition to be "regular" if possible. Southern Democrats also tend to stay in office in and out of Democratic seasons, accumulate seniority, and come to the top of Congressional influence at the very moment the Democrats win. Even though habitual conservatives, Southern Democrats cooperated at the special session under Roosevelt in 1933 to put across the first New Deal. Without their leadership and cooperation, the first New Deal would have had hard going.

* * *

In case you've got any idea of making a cleaning in the common stock of some District of Columbia moving company on the strength of Governor Dewey's threat to throw a lot of Democrats out of Washington, you'd better just skip it.

For, come winter of 1949, even with a new Republican Administration, the amount of additional business the local moving companies will get because of a change in Administration won't be enough to put in your eye. It probably won't equal the volume of business arising out of such a minor development as the establishment of the Economic Cooperation Administration with its growing staff of employees.

One of the primal urges of any group of politicians coming into office after a long time away from the public trough, is to "throw the rascals out." When and if the new Administration reaches the scene it will find getting rid of Democrats in office is about as simple as drowning a dog to kill its fleas.

* * *

It is not that there are not a lot of Democrats holding on to juicy jobs. There are thousands of them. But they have all become welded, riveted, glued or otherwise woven into the civil service fabric. There, hence, is no easy way of tossing them out of their jobs short of giving the appearance of being a wrecker of the civil service system something which is holy in the public eye. To seem to wreck the civil service is a liability a group of politicians would hate to incur.

When the New Deal bureaucracy was first set up in thundering volume by statues enacted in 1933, the Congress provided that these agencies could recruit their staffs without regard to the civil service system. There was a great emergency on, don't you know, and there just wasn't time, when saving the U. S. from dozens of threatened economic catastrophes, to post notice of civil service examinations, hold examinations, build up rosters of aspirants, and thus fill these jobs in the conventional way.

So the favored method of getting on the public payroll was favoritism. The best bet was to know one of the bright young boys in administrative capacities who was close to the New Deal Brain Trust clique. Next most favored method was an endorsement from a Democratic committeeman. Third choice in priority of usefulness was a Democratic Congressman.

Of course, many persons other than Democrats were hired in those hectic days. Many a Republican job aspirant got an appointment by virtue of some such arrangement as his brother-in-law living next door to a fellow who was a pal of a local party committeeman who got a Democratic Congressman to write a letter.

Also, of course, many administrators tried with real zeal to hire, and did hire, persons whom they thought capable, regardless of party affiliation.

Nevertheless, the Democrats Republicans, and political neutrals, the long and the short and the tall, were all blanketed under the civil service. As of a given time, all the employees of an agency would be given a civil service status. The date of this ascension was announced in advance. Meanwhile civil service investigators interviewed the job holders. If they seemed to be making out o.k. in the jobs for which they were paid, they would be kept on. Few got fired. They thus acquired a permanent civil service rating, and are as fully protected as those who competed in open examinations for their jobs.

* * *

This process of protecting the favored employees has become so complete that only about 8,000 out of some 1,800,000 to 1,900,000 of Federal civilian employees in the continental U. S., and holding jobs of $5,000 or more per annum, are outside the civil service and fair game for dismissal by a new Administration. Many of these 8,000 are technical employees and cannot be spared and so cannot be fired easily.

The only fair game for a new Administration consists of members of the Cabinet, the sub-Cabinet, heads of independent agencies, and their personal special assistants and flunkies. These may be and will be fired. This in number is a handful.

There is one "tough" way to fire Democrats. That is to abolish an entire agency and its jobs, and set up a new agency to do the same work. Even the forcibly retired civil servants would be first in line for jobs in the new agency, unless it were recruited, like the first New Deal, without regard to the inconveniences of civil service.

This would stir up many of the shades of Andrew Jackson. It would also have to be undertaken by Congress.

BUSINESS BUZZ

"If Congress can let the Government have forty billion dollars, I guess you can let me have forty dollars without squawking!"