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Changing Value of Tax Exemption Versus Municipal Bond Prices

By WARREN BROWNE

Assistant Professor of Finance, Northwestern University

Professor Browne, in calling attention to some pitfalls attendant on investment in tax exempt securities, reviews fluctuating spreads between yields of municipals and taxable corporate bonds. Points out when downward peak of municipal yield curve was 1.37% in 1946, high grade corporate bonds were yielding about 84% more, but in February, 1948, gap has narrowed to less than 17%. Analyzes effect of tax changes and rearmament program on municipals and concludes there is danger of investor loss in pushing tax exempt factor too far.

The purpose of this article is to call attention to some of the pitfalls attendant on investment in tax exempt securities in times of high taxes, and to point out a few possibilities of creating a defense against them.

Warren Browne

When abnormally high taxes are levied, as during World War II, the tax payer seeks avenues of escape and resorts to whatever devices are available to accomplish that purpose. One of the best methods of minimizing tax payments, particularly for the large investor, is of course the purchase of tax-exempt municipal bonds, and they turn to them in large numbers when the surtax brackets of the Federal income tax are at high levels. The market influence of such moves is quite obvious from a comparison of the curve of yields on tax-exempt municipals with that of taxable corporate securities. (See Figure I and Table I.)

The wartime conditions which produced the abnormal demand for tax-exempt municipals also operated to curtail the supply of such bonds. Municipalities need men and a wide variety of materials for construction of roads, buildings and other public improvements, but they become unavailable when the stern realities of war exercise prior claims. This shrinkage is reflected in the volume figures shown in Table II.

Major Problem in Tax Timing

The pressure generated between the demand for tax exempts and the curtailed supply during the late war forced their yields to an all-time low point of 1.37%, as shown on the Dow-Jones municipal average curve. The wide variations in yield spread between the tax exempts and the corporates indicate that such a situation creates a major problem in tax timing and should teach investment managers that such timing is an important and essential factor in their work which (Continued on page 28)

Bigness in Business: Its Economic, Political and Legal Implications

By WALTER E. SPAHR*

Professor of Economics, New York University

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

Dr. Spahr analyzes popular arguments regarding big business and finds no ground for indiscriminate attacks on it. Points out accomplishments of big business in peace and war and importance of mass production and bigness in producing more at lower costs, and in providing outlets for increasing investment funds. Says bigness in business requires correspondingly big labor organizations to protect employees, but decries monopolistic tendencies in labor unions and demagogic political attacks on bigness. Sees need for both small and large business.

Popular Arguments Regarding Big Business

Big business is one of the favorite topics of the demagogue in the fields of economic and political affairs. To such people mere bigness seems to be an evil. The socially beneficial features of bigness in business are generally ignored and apparently are not examined carefully or understood by the typical critics of big business. The real or imaginary evils of big business are the favorite topic.

Walter E. Spahr

The general run of attacks on bigness in business today is a variety of demogoguery that ranks high among the economic illiterates and psychiatric rabble rousers who inhabit our street corners and (Continued on page 22)

*An address by Dr. Spahr before the Joint Educational-Industrial Conference, Sponsored by the Standard Oil Company of New Jersey in New York City, Aug. 24, 1948.

EDITORIAL

As We See It

Some Other Things to Think About

If one may judge from what appears in the public press, from official utterances, and from the tenor of discussions generally wherever two or three are gathered together, two major subjects hold the center of attention at this time. One of them has to do with the possibility (or should we say probability?) of actual war with Russia. The other concerns itself with the general course of business during the next six to twelve months. Of course, there are all the phases of the coming political contests to provide topics of conversation and comment, and certainly there is the question of prices and the high cost of living. Doubtless some of these other topics are of more direct and immediate interest to various groups and elements in the population, but at least in business and financial circles over-riding interest appears for the moment at least to be in questions of peace or war and the business outlook.

These are, obviously and naturally, subjects of importance and inevitable interest to the practical man who must plan his day-to-day, month-to-month, and (Continued on page 29)

Much Ado—About the Wrong Thing

By STANLEY DICKOVER

Vice-President, Elworthy & Co., San Francisco, Cal.

Investment analyst points out, in view of heavy increase in currency and bank deposits and accompanying intensification of purchasing power, price inflation has been "miraculously" moderate. Ascribes this in large part to low velocity of money turnover, and to greatly increased volume of industrial and agricultural production. Sees possibility of price trend continuing upward, with violent interruptions, for generation or more.

"Price inflation must be stopped" is commanded by responsive politicians. Even if they knew, it would be futile for them to instruct voters regarding the intricacies of money and credit as related to prices. Rising prices are pragmatic. They enter daily into the calculations of every housewife; they frustrate ambitions; they start witch hunts; they cause innocent businessmen to cringe. Say consumers, "Nebulous theories about money and credit are all right for professors, but rising prices are another thing—they hurt me."

Actually price inflation, since prewar, has been moderate—far more moderate than we had any reason to expect. It has failed to equal the purchasing power increase which was gained by large segments of our population. The cost of living could advance far beyond this point and still be less than a rational reflection of the primary inflation which already has occurred. Suppose we examine a few facts which are pertinent to the relationship between inflation and resultant rising prices.

From 1939 to mid-1948, money supply (composed of bank deposits and currency), increased from $63 billion to $166 billion—163%; personal spendable income, after Federal taxes, rose from $70 billion to the annual rate of $188 billion—168%; personal consumption expenditures increased from $67.5 billion to the annual rate of $175 billion—160%, and personal savings advanced from $2.7 billion to the annual rate of $13 billion. Money supply, spendable income and expenditures all increased 160% or more. This was the ascending ladder of inflation, but prices have not climbed more than half way to its top.

The Consumers' Price Index, computed by the Bureau of Labor Statistics and commonly known as the "Cost of Living" index, is based on the 1935-1939 average equals 100. At the end of 1939 the index was 99.4. By the end of May 1948 it had risen to 170.5 and probably it is slightly higher as of this date. Thus, during a period when purchasing power increased 160% or more, the cost of living advanced 70%. If the aggregate of spendable resources and income is adjusted for a 10% larger population, the increase in spendable resources is reduced to about 144%—still more than twice the advance in the "Cost of Living" index.

Our price inflation has been moderate indeed compared with our radical currency and deposit money inflation. Considered against the background of worldwide war-created shortages, and consequent insistent deferred demands, its limited character is miraculous. There are several reasons why the price rise has been restrained. They stem from the strength of our economy and its extraordinary flexibility. They reflect the restraints accepted by our citizens during this critical period.

An important factor has been the low velocity of money turnover—measured by the ratio between bank deposits and debits. In 1939 the rate of deposit turnover for New York City banks was 21, and for banks in other leading cities 19.4—the average was 20.2. By 1947 the turnover rate had increased slightly to 21 and by May, 1948, it had reached 23.3. This compares with the high turnover rate of 31.7 which was reached during the credit inflation of the late 1920's. Since an increase in the turnover rate is equivalent to a proportionate increase in money supply, a condition similar to that of 1929 would result in a radical and destructive price inflation. Probably that will not occur.

There has been no flight from money into goods. Although demand for many things continues in excess of supply, demand is for use—not for goods, at any price, in place of money. Presently, it is the popular expectation that money will gain in purchasing value. Fear that money will lose its relative value is a psychological threat which may exist until the redundancy of money is eliminated by: (1) Reduction of supply. (2) Stabilization of prices at levels commensurate with money supply, or (3) Production of goods is increased to the level where their transfer will employ the money supply.

Probably the most dynamic restraint on price inflation, since the war ended, has been our productive capacity. Physical volume of industrial production, based on the Federal Reserve Index, has increased 76% since 1939. This extraordinary achievement was possible because of generations of saving and investment in plant and equipment, and because of the ability and alertness of industrial management. It is the most powerful testimonial on the utility of our free capitalistic economy. If production, over an eight-year period, including at least one year of reconversion from wartime activity, had not increased materially, price inflation would have been far greater.

Also, agricultural production increased sufficiently to restrain the price advance. Complaints about food prices are bitter, but they would be far more vituperative if about 30% larger production had not compensated, "in part, for increased per capita consumption. It was through mechanization and careful planning by free enterprise that food production was increased 30% in a few years—the number of workers employed declined. If farmers in the United States had note promoted their financial interests by producing more in a rising market, food prices, today would be in the stratosphere.

Rigid income groups who were the "economic royalists" during the depression, are the "forgotten men" today. This is nothing new—it has recurred periodically for 2,000 years. Always some groups are injured by falling prices. During the rise, more and more buyers are priced out of the market. Finally their number becomes decisive and the trend changes temporarily. Price inflations are characterized by recurrent adjustments. Always they are accepted as proof that the inflation is over. Don't be deceived. The primary price trend, with its violent interruptions, may continue upward for a generation or more.

Consider the facts—160% increase in available purchasing power and 160% increase in currently accruing purchasing power. War-created shortages . . . deferred demands . . . Commitments to ship abroad goods that are short at home and consumption for rearmament, with no consequent economic utility. Balance these against the "cost of living" advance of 70%. Are we not fortunate? Should we not thank God that our superb, flexible productive mechanism has slowed price inflation? Why do we moan so much?

Discusses Possible Readjustments in Costs and Prices

Dr. Frederick C. Mills in study for National Bureau of Economic Research says there is hope inevitable readjustment of prices may be less painful than in 1920-21. Sees more gradual price changes ahead.

According to Dr. Frederick C. Mills, as expressed in a study of structures of postwar prices, just published by the National Bureau of Economic Research, if rising costs and renewed demand pressures do not superimpose a further major inflationary advance on the price rise of the last nine years, "there is hope that the needed and inevitable internal readjustment of prices may be effected less painfully than it was in 1920-21."

The postwar corrective readjustment may take one of two likely forms, Dr. Mills states. One is the usual method of reshuffling relations that have been pulled out of line by war and business booms. "Such corrections may be effected through declines in prices, wages and production, with widespread unemployment and numerous business failures. This type of readjustments would be difficult and perhaps protracted today, since strong barriers would be placed in the way of a major downward readjustment of prices and wages."

While the readjustment may take the usual form, there is hope of effecting a more gradual readjustment of existing economic

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Trial and Error

Trial before NASD District Business Conduct Committee discussed. Uncertainties in pricing policies outlined. Securities dealers operating at their peril. No fixed standards for guides. Present yardsticks endanger small dealers and constitute a disservice to all dealers and to the public. NASD's sponsorship of group insurance disapproved.

Prompted by the account of a disciplinary proceeding reported in the current issue of the "NASD News," we again level our sights against our pet aversion, price control.

Under the heading "'Long' Profit Fine," and the subtitle "Member also censured and warned in repeated excessive mark-ups," is a description recounting the imposition by the National Association of Securities Dealers of a fine of $1,000 for alleged "repeated charges of excessive mark-ups."

Evidence was heard by an NASD District Business Conduct Committee which found a range of mark-ups from over 3% to over 10%.

This Committee further found "that the prices charged in a number of these sales were based on the respondent's average inventory cost, and bore no relation whatever to the current market."

Still another finding was to the effect that while the respondent had spent "some" time and money in investigating certain of the corporations whose securities were dealt in in a number of transactions, "the evidence wholly failed" to show any investigation of such nature or extent as to in anywise justify sales at prices "so substantially above the existing market as those disclosed in this case."

Had it at least made known whether the instant securities were listed or dealt in over-the-counter and if the latter, were the market prices those circulated by the NASD Quotation Committee, the account would have been more informative.

Note the earmarks of an aggravating administrative pattern of persecution.

(1) Promulgation of the rules by the very body which tries offenders.

(2) The trial group is also the snooper that invades privacy (for here an NASD examiner unearthed the evidence).

(3) The NASD was the investigator, prosecutor, jury and judge and finally with something new added, which does not appear in hearings before administrative bodies, the accused was tried by a group of his business competitors.

This last was the "unkindest cut of all." There have been instances where members of the Business District Conduct Trial Committee have wound up having some of the accounts which theretofore belonged to the respondent. Competition does not lend itself to impartiality. A trial by one's peers is not a trial by one's competitors. Of course, it will be urged all this is done on consent. Membership in the NASD, it will be said, is voluntary. We have shown the fallacy of that text so frequently that it is no longer necessary to go into it here.

The SEC and NASD have repeatedly urged that there is not a policy of price control. What else can it be when these bodies continually hold hearings in prosecutions where the sole issue is one of fairness of prices.

That policy is the more dangerous because no specific standards are set, because only generalizations are indulged in and because the subject of over-all profit is completely ignored.

Notice the instant finding that the respondent had spent time and money in investigating certain of the corporations, but that the nature and exent did not in anyway justify the sales prices. From this inference may be drawn that the degree of expenditure and investigation may justify increase in price. What degree? Who will tell? Must one await accusation and trial and the ultimate determination of his competitors who will be the judges?

The dealer in securities sees the perils of doing business increasing daily. Nebulous standards are set for him in

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What Causes Depressions?

By RUFUS S. TUCKER*

Economist, General Motors Corporation

Dr. Tucker outlines theories of business fluctuations and, though holding depressions generally result from previous booms, denies every period of prosperity must be followed by depression. Notes current danger signals, and asserts if corrective measures are not soon taken, we shall be in situation that has always resulted disastrously.

As we all know, production, employment and income are higher in some years than others. For over a century production, employment and income in all countries have had the habit of dropping so far, roughly every 10 or 20 years, that the result has been a severe depression. Economists have thought out many explanations for this. Some of these explanations are partial and some are false. Just for the record, the principal ones are named in the following list:

Rufus S. Tucker

(1) The monetary theory which places the blame on fluctuations in the amount of money or available bank credit.

(2) The over-investment theory which is to the effect that either too much money has been invested in fixed capital or that too much plant and machinery has been constructed so that more goods are being produced than can be sold at a price that covers costs.

(3) The underconsumption theory which is essentially another way of stating the over-investment theory, but implies that all would be well if consumers, especially laborers, were given more money to spend.

(4) The debt-deflation theory which is that excessive debts have been incurred and must be paid off or defaulted. Practically all economists admit that whether or not debts can cause depressions, they at least make them more severe.

(5) Psychological theories which assert that changes in the attitudes of businessmen, investors and consumers are responsible for depressions.

(6) Theories of natural phenomena like the one that says sunspots are responsible.

Must Depressions Result from Previous Booms?

Perhaps the soundest generalization is that depression result from previous booms. But it is not true that every period of prosperity must be followed by a depression. Of course, prosperity cannot always be maintained at top levels, but moderate fluctuations in the level of prosperity should not be considered depressions. The booms that must be followed by depressions are not normal periods of prosperity because they contain certain elements of instability. The essential element of instability is an increase in the volume of active purchasing power greater than an increase in the volume of goods produced. This means that money or bank deposits in the hands of persons who are willing to spend them increases faster than the things on which they wish to spend their money, with the result that prices in general, or important groups of prices, rise. The profits, salaries and wages of persons engaged in the production of these goods also rise. A general feeling of optimism, or recklessness, comes over these persons; they increase their purchases of consumption goods or their investments and frequently borrow money for the purpose, and this, in turn, may cause prices and profits to rise still further.

A development like that just described can only occur when either the amount of paper money, or the amount of bank credit, is expanding. Bank credit may be credit to individuals or loans to government.

Paper money, in this country, not based on bank credit, is not of great importance. Most of our paper money consists of bank notes and the greater part of our business transactions are settled by means of checks drawn against bank deposits. The size of these deposits is very closely connected with the total amount of bank credit which under our laws can expand greatly whenever the government or business or consumers wish to borrow.

Bank credit is, however, a very sensitive thing. If depositors withdraw their money at an abnormal rate the banks must call some of their loans. If either the banks or the borrowers become less confident in the future of business, bank loans will be rapidly reduced. As a result, fewer goods will be sold and there will be less demand for labor and materials. This, in turn, reduces further the willingness of banks to lend and the desire of businessmen to borrow, except for emergency purposes. This process is known as the spiral of deflation.

Obviously, the way to prevent a serious spiral of deflation is to prevent the volume of bank credit from being inflated beyond the danger point. This is the problem: to provide enough bank credit to keep business going at a good level while not providing so much as to make a later reaction likely or inevitable.

Danger Signals

What are the signals by which one may recognize the danger point? In past booms we have almost always seen the following phenomena:

(1) Rapidly rising commodity prices.

(2) Rapidly rising real estate prices.

(3) Rapidly rising stock prices.

(4) Large flotations of new securities.

(5) Abnormally low unemployment.

(6) Rapidly rising wages in some industries.

(7) Rapidly rising consumer credit.

(8) Rapidly rising mortgages.

Not all of these phenomena have been present in all booms. For example, in 1927-29, commodity prices were not rising and wages were rising very slowly while the cost of living was actually going down. But in general, when five or six of these phenomena are present, and the total of bank loans and investments is rising, it would appear very likely that the boom has reached a dangerous stage. Under normal conditions of world trade further warning would be given by an export of gold and a decline in the price of high-grade bonds.

Such a boom is usually brought to an end by a general realization that many types of goods can no longer be sold at prices that cover the cost of their production, and on the part of businessmen and investors that the profits on which they had been counting are not likely to be realized. Usually this realization has been crystallized by some important business or financial failure and by a break in the stock market. However, it does not appear that a dramatic event of this sort is always necessary to cause a change in business and banking attitudes.

Preventatives

If the previous analysis is correct, the following list of measures seem to be logical in order to prevent the period of prosperity from developing into a dangerous boom.

(1) Avoid artificially low interest rates.

(2) Maintain high bank reserve requirements.

(3) Avoid price supports, subsidies and speculative loans.

(4) Balance national and local government budgets and reduce government debts.

(5) Keep consumer credit on a sound basis.

(6) Require large down payments on houses bought under mortgages.

(7) Watch inventories closely and examine reported profits closely to ascertain the importance of inventory gains and the possibility of inadequate allowances for depreciation and obsolescence.

(8) Postpone deferrable public works if labor or materials are scarce or high priced.

(9) Do the same with regard to private plant expansion.

(10) Keep cost of production down by obtaining more output per worker.

In the present situation it is urgently necessary to take steps to prevent the public debt from being further monetized, i.e., to limit the ability of banks to extend more credit by selling their government securities.

In 1946 and 1947, serious recessions were avoided by a cautious attitude of business in the matter of inventories and forward orders. There were then, and still are, huge piled-up demands for goods that could not be produced during the war. But these backlogs will not continue indefinitely. In some industries they have already disappeared. And when that happens business prudence alone will not be enough; it will be necessary for the government and the Federal Reserve to help fight inflation in order to prevent a depression; and the longer they wait, the harder the task will be. We still have a few months, or maybe years, to go; but if corrective measures are not soon taken we shall be in a situation that has always resulted disastrously in the past, and the depression which some government economists promised us in 1946 might still come upon us in 1950.

*A talk by Dr. Tucker before the Buffalo Chamber of Commerce, Buffalo, N. Y., Aug. 18, 1948.

John Grier, Jr., With Miller, Kenower & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — John C. Grier, Jr., has become associated with Miller, Kenower & Co., Ford Building, members of the Detroit Stock Exchange. In the past he headed his own investment business in Detroit.

Make an Issue of It!

By JO BINGHAM

Writer, commenting on diverse views as expressed in recent publications regarding whether social insurance is a matter of public obligation or a government benefaction, contends right to security afforded by government to individual should be an earned right and not moral claim upon product or income of others, unless established on basis of need.

When Dante said there was a "special place in hell reserved for those who at a time of moral crisis maintain neutrality," he was talking to all middle-of-the-roaders. He might very well have said, "stand up and be counted," or, "don't pull your punches." But discounting differences in vernacular he was clearly saying that it was the responsibility of thoughtful men to face an issue and take a side.

Jo Bingham

There is a fundamental, moral issue in public welfare today which needs to be faced. Is social security a right or a privilege? If it is a right, the protective provisions of both public assistance and social insurance are a matter of public obligation; if not, they are a question of government benefaction. The difference is vital to a determination of public policy and program.

Each of these concepts finds support in a comprehensive volume which has become a kind of welfare "Bible" for its adherents. One, built around the theory that social security is a right, is the National Resources Planning Board's document, "Security, Work and Relief Policies."[1] The other is Lewis Meriam's "Relief and Social Security."[2] These two monumental studies represent opposite poles in what is really a world issue concerning the nature and role of social security.

The core of the Planning Board's philosophy on social security, and a blueprint for its application, is the "New Bill of Rights."[3] It is an essentially poetic catalogue of some 20 so-called rights, wholly impractical as a guide to legislative or administrative action. This statement of social goals has at its heart, "the right to security, with freedom from want."

Such a broad view of governmental responsibility for individual security may be referred to as the "professional" or "welfare-economics" attitude. In general it is the background of the official view of the Social Security Administration, and can be seen in the Administration's continuing recommendations for expansion and liberalization of social security and welfare. In the specific field of public assistance, the outgrowth of this concept of public responsibility for personal security has been crystallized into a principle of program expansion through greater federalization. The "platform" of the American Public Welfare Association illustrates this:

(1) Federal participation in a consolidation program of aid for all needy persons.

(2) Federal participation in the provision of welfare services as well as assistance payments.

(3) Elimination of Federal maximums for assistance payments.

(4) Federal participation in the provision for medical care for the needy.

(5) Federal participation in the provision of foster home care for needy children.

(6) Federal participation in assistance paid to needy persons in medical institutions (except those for mental disease or tuberculosis).

(7) Elimination of any residence or citizenship requirement.

(8) Payment of Federal aid to the state on an equalization formula.

In contrast to belief in the right to social security and its implementation through greater federalization is the philosophy basing Lewis Meriam's "Relief and Social Security." This study was recently referred to as "the most widely read and warmly received book on social security among members of the National Congress."[4] It represents a conservative or "orthodox" economic view that, whether provided through assistance or insurance, social security is essentially relief, and as such is not a right but a benefit of government. Dr. Meriam bases his conclusions on fundamental assumptions regarding the rights and liberties of the individual: that in our country the freedom of the individual and the restriction of the power of the state are to be retained. He concludes:[5]

"The basic objective of relief and social insurance is to relieve need. Relief of need necessitates some redistribution of income. A social insurance system should, however, go no further in redistributing wealth than is necessary to achieve this primary objective.

"In a free society that strives to preserve opportunity and liberty for the individual, it is hard to justify the use of the sovereign power of the state to take the earnings and the property of one citizen to give to another if the one to whom it is given is not in need according to a fairly strict definition."

Each of these major works is a competent presentation of the factual data available at the time of publication, and an earnest expression of convictions as to what social welfare can and should be. In the best American tradition each has admirably championed its own viewpoint. If we are to take a democratically active and responsible part in determining the course of welfare events for ourselves and our posterity, we must get off the fence and stand up to be counted on one or the other side of it.

The present writer takes this stand: that the repetition of the phrase "the right to security" does not create that right. Because it is the other side of the coin whose face is the moral responsibility of the community to provide for the needy, public assistance may be termed a *moral* right. Social insurance may be referred to as an *earned* right because an agreement or contract-basis is established between the insured and the government and as long as the former keeps his contract-requirements, he has a claim to the government's contract-obligations. But these facile characterizations have no valid legal basis. A right to social security is admittedly a goal sought by many, but only the existence and guarantee of civil rights are political and legislative

1 Washington, D. C., 1942.

2 The Brookings Institution, Washington, D. C., 1946.

3 National Resources Planning Board, *National Resources Development*, Report for 1943, part 1, p. 3.

4 In a review of the book by Alton A. Linford in "Public Welfare," August, 1948.

5 *Op. cit*, Brookings Institution, 1946, p. 835.

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Observations . . . .

By A. WILFRED MAY

The Rising Tide of Economic Fallacy

Let us recite more of the "economic" misconceptions and fallacies currently being so blandly bandied about from both high and "low" places. Typically from the technically informed heights is recent testimony from President Truman's Brain Trust. Appearing before a Senate Committee recently on behalf of the President's inflation Bill, Dr. Leon Keyserling, Vice-Chairman of the Council of Economic Advisers, set forth the elementary and incontrovertible economic principle that the most important element in the course of prices does not lie in the overall rises and falls in the price level as a whole, but in the disparities between prices.

A. Wilfred May

But the assumption that increasing government controls and management can or should erase these disparities is wholly unwarranted—as evidenced by the past record. Whether because of political motivation or just the shortcomings of planning, or because of both, the management practiced by us thus far has only accentuated the distortions of our economy.

Mr. Keyserling complains that "the maladjustments and disparities which are occurring in the process of inflation victimize countless individuals. . ." and that they have continued because we have "done so little" in dealing with the disruptive forces. In other words, it is contended by him and all too many others that we should plan-for-increased-planning instead of planning-to-end-planning.

Let us look at results from some already-effected government programs. Take for example the subsidized propping-up of wheat prices. In lieu of "freeing countless individuals from victimization," which Mr. Keyserling states as a chief goal, the public is actually being charged inordinately high grain prices while literally millions of bushels are being stored by the government via loans. Already the price of wheat on the free market is lower than the government's support price of $2.29 per bushel. Similarly in the case of the housewife's eggs, the government during the past three months has stepped in and itself taken out of the market 22½ million pounds of dried eggs. Such are the results of the interference with our free markets for the curing of disparities.

Consumer Credit Contradictions

The Administration's insistence on curtailing consumer credit offers another glaring contradiction of the plea for selective adjustment of disparities. Clamping down on consumer credit will curb the effective demand for the available goods by all buyers, *not necessarily by those who need them most or who are already the victims of inflation.* Quite to the contrary, in fact, the curtailment of instalment arrangements and other forms of postponed payment will actually discriminate against the lower income groups and add to their difficulties in acquiring goods at the current high prices.

By some Administration leaders this is realized, but is only turned into an argument for even greater controls, on the theory that central planning is able to judge fairly who is to have what, and to provide the adequate machinery therefor. Thus it is that while the President can decry a "police state," his advisers in pleading for selective controls are really furthering the cause of those that want it. For who, other than "the state" is to do the selecting?

The Significant Implications of the "Excess" Profits Proposal

The recurrent plea for an Excess Profits Tax in peacetime similarly furnishes a striking example of both the evils of selectivity as well as of complete misconception of its economic effects. Industry, as President Truman earlier this year said he realized, must spend billions for enlarging plant capacity to provide anti-inflationary production. Such expenditure has, and must continue to come from earnings.

A recent survey by the National Industrial Conference Board demonstrates the great extent to which capital requirements are provided from retained earnings. They have in this way functioned most importantly in the case of three-quarters of the companies surveyed. This is particularly true of iron and steel companies; and textile concerns have been paying for 65% of their capital expenditures out of undistributed profits. The only alternative for using earnings would be expansion of borrowing from the banks, a course that the Excess Profits Tax advocates are simultaneously realizing to be inflationary.

The establishment of such a tax implies the wholly fantastic ability to define the concept "excessive" as applied to peacetime profits, and the possibility of administrative wisdom and scientific objective application by an all-knowing governmental body.

And here again we see the yearning for central planning and economic management through the application of *"selectivity."* Thus, Mr. Keyserling told the Senate Banking and Currency Committee: "By reducing profits *where they are excessive*, it would be easier to moderate the size of wage demands." Such a tax would help to reduce the growing maladjustment arising from the fact that some profit levels are well above the amounts needed for healthy and balanced business investment when measured in relation to the present and prospective size of consumer purchasing power."

Would that the coming political campaign can at least make this issue of police-statism-through-the-back-door clear to greater areas of the community!

The State of Trade and Industry

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

The pace of industrial output for the country as a whole was maintained at a high peak the past week. Small and varied changes were noted in some lines, but for the most part output compared favorably with that of the corresponding period one year ago.

As was true for some time in the past, over-all employment and payrolls held steady and high and only in some areas were scarcities of skilled workers reported. It was also noted for the week that order backlogs in some industries were smaller than in previous weeks.

In the cotton textile industry the recent government forecast of a 15,200,000 bale crop proved rather disconcerting, since in the past few weeks all indications appeared to augur well for early improvement in business. The current prediction for crop expectations has altered the picture and buyers for the present are reluctant to place orders in the hope that the large surplus crop will depress prices. It has been reported that some large mills are quietly trimming prices on individual items, according to "Business Week" magazine, adding, they balk at a general scale-down, but in its place they would rather cut production.

* * *

In an effort to curb undue spending the President on Monday of last week signed the Republican-sponsored anti-inflation bill to restore controls on credit, effective Sept. 20, next. The new law affects most consumer instalment purchases between $50 and $5,000 with the new regulation requiring a one-third down payment on automobiles and a 20% down payment on most household appliances. Instalment loans or credits of $1,000 or less, after the cash payment, will have to be paid off within 15 months; over $1,000, within 18 months. The new regulation follows the wartime credit rule in exempting purchases under $50, but the maximum ceiling was raised to $5,000 from the previous $2,000 in order to cover higher postwar automobile prices.

* * *

With the renewal of credit controls to take effect in September, the Federal Reserve Board in sighting the need for such controls, reported that 28% of the nation's families spend beyond their income.

Taking the figures from its "1948 survey of consumer finances," the Board reveals that savings were about 9% of income received by consumers in 1947 against 12% in 1946.

The survey showed that about 13,000,000 families were "dissavers" last year—that is, they spent more than they took in. The Board did not indicate alarm over the trend. It reported that most of the "dissavers" were "not in adverse circumstances during 1947 and did not have unbalanced budgets solely because of higher living expenses."

Almost three-fifths of the dissavers bought autos, furniture, radios or household appliances. Low-income families share in this movement. The Board said they were "active buyers of used cars and low-priced appliances," and spent almost as big a share of their income for durable goods as more prosperous families.

The Board reported that 31,000,000 families, or 64% of all consumers, saved $25,000,000,000 last year. Over four-fifths of the net saving by consumers was by families with more than $5,000 income.

Insurance premiums were the commonest form of saving, followed by bank accounts, payments on home mortgages, home improvements and retirement funds.

* * *

Favorable consumer response to offerings of Fall merchandise last week helped to sustain retail dollar volume at the high level of the previous week and moderately above the level of the corresponding period of 1947. Continued good weather in many parts of the country encouraged retail purchasing and a considerable increase in instalment buying of durable goods was also reported. Consumer purchases were largely in medium and low-priced lines.

Total wholesale order volume declined slightly during the week, though total dollar volume remained somewhat above that of the comparable week a year ago. The buyer demand for Fall apparel continued to rise moderately in many localities. Total food volume was fractionally less than in the previous week and building materials continued to be in large demand.

STEEL INGOT CAPACITY SCHEDULED AT SLIGHTLY HIGHER RATE THIS WEEK

No amount of proof or facts from the steel industry seems to stem the tirades from Washington on the adequacy of steel capacity, states the "The Iron Age," national metalworking weekly in its current review of the steel trade.

Unless steel firms can do the impossible in getting their story across that they are increasing capacity, that they are trying to

(Continued on page 27)

Discusses Possible Readjustments in Costs and Prices

(Continued from page 2)

stresses, Dr. Mills believes. This is given by the existence of a vast vacuum of unfilled wants abroad and the continuing needs of high living standards at home.

If production can be maintained, giving labor and enterprise opportunity to raise the efficiency of productive processes, time would be available to work out correctives for some of the chief difficulties we face. In the recovery of the early Nineteen Twenties, the increase in manhour output in manufacturing industries averaged no less than 11% a year between 1920 and 1922.

"Costs can be lowered through such enhanced efficiency; the continuance of high level production would permit business restraint in pricing; high output would help to equalize the volume of goods and the volume of money and credit, provided the latter does not expand unduly; the burden of domestic costs can be lightened and the existing gap between agricultural and industrial prices reduced as foreign production of foodstuffs and textiles picks up."

The cumulative movements of prices which are inflation or deflation are not the workings of vast impersonal forces but reflect a diversity of individual judgments and action, Dr. Mills points out. Maintained high production, with the productivity gains that are possible in the present situation, he says, can provide an umbrella under which some of the most necessary of these corrections can be worked out.

With Milhous, Martin

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA.—Ernest L. Smith has joined the staff of Milhous, Martin & Co., Rhodes-Haverty Bldg. He was formerly with Robinson-Humphrey Co.

"Third Dimension Credits"

By PAUL M. MILLIANS*

Vice-President, Commercial Credit Corp.

After reviewing price and credit situation, Mr. Millians warns of grim prospect of reversal of inflationary tide, and urges both government and private credit be kept in productive channels. Holds it is questionable whether instalment credit is inflationary force. Predicts an inevitable mild depression, which "might be a good thing." Stresses importance of management and forethought as best assurance of stability, and recommends flexible planning. Calls for enlightened "human" management.

When your Chairman asked for a subject several weeks ago I was reading something about three-dimensional seeing—seeing in depth—and from this the topic for our discussion today was selected. At no time in commercial history has there been greater need for credit management to look in depth for forces in and out of business that will influence profit or loss, success or failure in the months ahead, and it is to these forces—those deeper down than balance sheets—that I should like to dedicate the time of this meeting that I may appropriately consume.

Paul M. Millians

In the spirit of our topic the first look in depth should be at general business conditions, for despite improvements in credit techniques during the past 50 years, when business turns down credit management is contending with forces that have never been successfully harnessed; profit from higher margins and from full activity that produces top-dollars above fixed overhead goes down fast as business turns down; losses increase faster; businesses fail.

On our first look, there is a generally prevailing opinion that business activity will remain high for a while, at least. European Recovery and the up-coming Rearmament Program will carry into some indefinite future the pseudo-prosperity of inflation that has characterized the war and immediate postwar years; however, when we look in depth at such a prediction, important qualifications can be seen.

Effect of ECA

European Recovery and Rearmament will not touch all industries evenly; some will prosper while others may be depressed. What will be their inflationary effect, their influence on Federal budgetary management and the tax structure? There is no serious discussion of easing the economic burden of these programs by greater efficiency in governmental operations, by consolidating clumsy overlapping of government functions, or by retrenchment in the direction of politically popular billions Congress appropriates annually for benefits and services and subsidies for special groups. There is no assurance that Federal tax collections will remain at present levels—guesses recently have missed as much as $7 billion.

Should billions for European Recovery and Rearmament be added to the present "economy budget" for $40 billion, and higher tax rates, or more government deficits be the attempted means for their financing, instead of European Recovery and Rearmament being a stimulant to carry forward business activity, conceivably their demands upon our already dangerously inflated economy would have the effect of an over-stimulant and hasten a business reaction, or depression, of some proportion.

And from the viewpoint of credit management this brings us to the most significant look in depth in the present situation, the coming depression—for the timid, a reaction.

My process of reasoning is found in the tide rather than in the waves and ripples. Nothing happens to our economy over night, but some times what has been happening for a long time happens suddenly. The coming depression has been happening for a long time; though there have been waves and ripples of prosperity induced by congested demands rather than increased demands, by fears of shortages, by backed-up buying power and new money in the form of government deficits, the tide of inflation is moving in to a crest to begin its ebb flow—and an ebb flow means business reaction.

Are Prices and Credit at Crest?

Consider a crest in prices.

It is a seller's market now, and in such a market intense competition for profit is pushing prices up just as intense competition in a buyer's market pulls prices down. Producers of raw materials, the manufacturer, the distributor, the retailer, workers at every level of production and distribution are for the greater part taking all the profit traffic will bear. A few weeks ago in Los Angeles I asked the head of a large department store: "Why do women's dresses cost so much?" And he promptly answered: "Profit!" But at some point the traffic either will not or cannot bear any more; people who can buy will refuse to buy and save their money; large numbers will find that prices are simply beyond what they can pay—their "take-home pay" is more but what they can buy to take home is less: fixed income groups will get poorer and poorer.

When these things begin to happen a crest is near, and at the crest an ebb flow begins naturally. Prices decline and the causes for the decline will be found among the same forces that brought about the previous rise in prices. It will be a buyer's market then; the competition for profit that pushed prices up in the seller's market has become a competition that will pull prices down. The general impulse will have changed; instead of buying in anticipation of rising prices and shortages, purchases will be curtailed, particularly things not immediately necessary. Demand will fall off; production will be curtailed; unemployment will increase to further lessen demand; business ventures will be restricted.

A business reaction of some proportions will be under way, and if history teaches anything at all, the economic tide, like the tide of the ocean, always goes out as far as it comes in.

Consider a crest in credit in a strong inflationary movement.

When World War II ended the customary conditions for postwar inflation existed: There were war-created shortages: a postwar congestion of demands supported by war-earned money that had not, could not, be spent; by reservoirs of credit that had been liquidated during the war years. These were the seed bed of larger growth and there soon began growing an alternating price-credit spiral that is now in full fruit.

Broadly, as prices have moved up goods and property have been worth more as a basis for credit; new loans in turn have supported higher prices and higher prices have supported still more loans. Except in abnormal situations where profits and turnover of capital have been inordinately high—and competition will eventually take care of these—demand for credit has tended to run well beyond the rate which sound asset and capital values have been accumulated; and consequently the base for credit has been gradually weakened. We are using the term "value" in its everyday credit sense; otherwise we could get into a lot of argument. Value is another one of the big unsettled areas areas of economic thought.

Anyway, with demand for credit outrunning the accumulation of sound asset and capital values, as the spiral ascends and the base for credit is further weakened, credit will be restricted or withdrawn altogether in particular situations—industry by industry, one by one, or in many places at one time. These particular situations will constitute centers of disorder because speculation, business, trading, construction will have to be restricted to the extent that credit is restricted; neither can go on without financing. And important as a depression force, economic history shows that credit withdrawals and restrictions can spread rapidly; the contagion of the disorders in particular situations soon affects the whole economy.

Thus a tide of credit reaches its crest in any strong inflationary movement, and an ebb flow begins.

We forget sometimes that credit does not exist anywhere in any given amount: it is not something that can be bundled up and counted like money. Credit is an idea and private credit is created and it exists only so long as someone has the idea that the base upon which it rests is sound. We emphasize private credit—to some extent in recent years public credit has been created solely for broad social and humanitarian purposes: worthy, perhaps, but not a base for credit in the accepted sense.

And this suggests a postscript of caution to our discussion of credit.

A Grim Prospect

A crest of credit in any inflationary movement is a grim prospect. We shall hope therefore that an intelligent majority opinion in this country will demand sound public credit management, for without financial stability in government there can be no stability anywhere. But the management of private credit should work particularly hard now to keep credit in productive channels: Avoid, as we would avoid the seven devils in the parable who returned with 70 other devils, the use of credit for speculative and non-productive purposes.

Representing Commercial Credit, I can almost hear: What about instalment sales credit?

Well, instalment sales credit is being given undeserved prominence in current discussions of inflationary causes. It is the smallest member of the credit family and, besides, at the level it works, the inflationary force of such credit is questionable. It's a funny thing about instalment sales credit—actually millions of

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*An address by Mr. Millians at 52nd Credit Congress of Industry, National Association of Credit Men, Cleveland, Ohio.

Good Earnings Essential to Maintain Employment—Bullis

Chairman of General Mills points to use of profits by corporations for new plants and equipment, which spell more jobs and more consumer products.

At the annual meeting of stockholders of General Mills, Inc. held in Wilmington, Del., on Aug. 24, Harry A. Bullis, Chairman of the Board of Directors, stressed the need of profits to expand and thus maintain high employment and denied that American industrial corporations are hoarding earnings.

Harry A. Bullis

"American industry is not hoarding its earnings," Mr. Bullis stated. "It is not growing fat on them, as some would have us believe. It is using them for dynamic development. These earnings, in large part, are being plowed back into the businesses. They are being turned into new plants and equipment, into new products and new activities that spell more jobs and increased service to consumers.

"Good earnings are essential if industry is (1) to continue to pay high wages, (2) to keep its plants up to date and expand with new facilities, (3) to pay reasonable dividends to stockholders, and (4) to prepare for the time when the business cycle turns. If when that time comes we are to continue to provide jobs for all our employees, it is essential that we have good plants that will operate efficiently in a period when profits are small. Reinvestment of earnings in new facilities makes this possible.

"Of the $13 million that General Mills earned last year, a little over $7 million was reinvested in the business. Our capital expenditures during the year were $11,243,000 of which $7,134,000 came from the year's earnings. While the major part of capital expenditures went into new plants, large sums also were spent for rehabilitation and improvements in our old plants.

"During the first half of 1948, industry was investing at an annual rate of $34 billion. Business is able to finance about $20 billion of this investment out of its reserve—principally depreciation reserve and from earnings not paid out in dividends. The remainder, $14 billion, came from the investing public. Private capital has not been available in sufficient measure to finance industrial needs. It is very fortunate, therefore, that business has been able to finance so large a part of its capital needs from earnings.

"I believe the American people want business to continue to expand and so to provide more and better jobs. It is this expansion which has made possible high productive employment at increasing wages but until consumers provide the savings for investment, industry will need to preserve its earnings for such investment and keep its earnings high.

"There are now over 61 million people employed. The only way we can support a fast-growing labor force of such magnitude is by continued expansion of industrial plants."

Yardstick of Measuring Stock Values Disregarded: Col. King

Member of N. Y. Stock Exchange lays depressed stock market to war fear. Says change of public psychology will benefit market.

Col. Herbert G. King, a member of the New York Stock Exchange, in commenting on the stock market, lays recent price actions to fear of another war, but contends "prospect for a better market are on the horizon." "During the last three months," says Col. King, "the market has been suffering from a wide-spread fear of another war and has caused many investors to disregard the old yardstick of prices and values. The actual value of stocks as judged by earnings, dividends, and prospects has been disregarded. The public has adopted a 'wait and see' attitude and as a result, has missed a great opportunity for buying.

Col. Herbert G. King

"The news from Europe is now improving and it is generally conceded that a war is not imminent. As a matter of fact, Communism has lost considerable ground lately and the Soviets are having a difficult time retaining what they have already acquired. The Satellite nations are very restless and conditions within Russia itself have not improved. The Russians are suffering from the lack of food, clothing, and housing and are none too happy with their present leaders. Any chance of the present Soviet regime surviving another war is very slim, and they realize it.

"As the fear of war wanes, the psychology of the American public will change and the stock market will benefit. The market's apathy has been based mostly upon that fear and a change in the psychological thinking of the public will make a great difference. The talk of deflation is greatly exaggerated and will not occur at this time. Good stocks, as judged by existing standards, should sell much higher, and with an improvement in our foreign relations, the prospects for a much better market appear very bright, indeed."

Mencher Co. Forming

Peter Mencher is forming Mencher Co. with offices at 27 William Street, New York City, to engage in the securities business. Mr. Mencher was formerly an officer of Arthur Fine & Co., Inc. and prior thereto was with R. H. Johnson & Co.

With Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

EUGENE, ORE.—Kurt H. Olsen is now with Foster & Marshall, 874 Willamette Street.

From Washington Ahead of the News

By CARLISLE BARGERON

JOHNSON CITY, TENN.—This is the home of Carroll Reece who became nationally known as Chairman of the Republican National Committee. Previously he had had a monopoly on serving his district in Congress. Now he is running for the Senate. If he wins, he will be the first Republican Senator ever to serve from this State, notwithstanding that it has had Republican governors and has voted for the Republican National ticket.

Carlisle Bargeron

The chances of his winning are unusually bright. Certainly, the State will witness the best organized Statewide Republican campaign it has ever known. First, the Democrats are badly torn with dissension as a result of their three-way Senatorial primary. Estes Kefauver, who has been serving in Congress, won the primary, but only by about 40% of the vote. Of a good Tennessee background, he is typical of the bright, youngish Southerners who have been playing ball in Washington with the Left-wing, deprecating their Southern upbringing, agreeing with the leftist intellectuals that the South is a pretty backward place, but they individually are different. Maybe it is because they went off to school in the East.

The deflated Ed Crump, political boss of Memphis, sought to dub Estes as a Commy in the primary. The general impression is that he went too strong and that his attacks were more helpful than harmful to Estes. The fact is, however, that Estes has unmistakably been part and parcel of the Washington left-wing crowd. The CIO was the main force in his primary campaign and is the main force behind him now. He wants to repeal the Taft-Hartley Act.

Obviously, he is going to be pretty hard for Tennessee conservatives to swallow and the indications are that they are not going to do it in any great numbers.

On top of this, of course, is the resentment among the rank and file in Middle and Western Tennessee, Democratic territory, against the Civil Rights program of Truman's and the ascendancy of the Leftist elements in the Democratic party generally.

The Republicans plan to work their third of the counties with a view to getting out their maximum vote, something they've never had to do and then to give the Democratic territory a going over.

To insure their getting out crowds they are running as their Governor a tremendously popular entertainer in these parts, Ray Acull, around 50, a singer of Smoky Mountain melodies. He resents any description of him as a hillbilly singer. He and Reece are to tour the State, entertaining and speaking at every little hamlet. Acull and his band have been drawing crowds of 5,000 and 7,000 at such places. In the primary he received 60,000 votes without even announcing his candidacy. He is not the demagogic type, can't be compared with Jim Fulsom over in Alabama, or Glenn Young. He can pull out all the stops as an actor, but is a very serious-minded fellow. For example, he refused to advocate repeal of the State sales tax, a sure-fire vote-getter because, he said, the State needed the revenue.

It is going to be quite a show and the Democrats are manifestly worried. The Dewey national organization is obviously doing everything it can for Reece because Republican Senators are badly needed. They have more than enough Senate seats in jeopardy to lose that body even with Dewey winning.

In view of the ridicule which Reece has been subjected to in Washington from the Leftist intellectuals, it is interesting to see him at his home, in this little community of 30,000, and to realize that all the country's substantial and worthwhile people are not confined to New York and Washington. He is probably the wealthiest citizen in this part of the State, not an ostentatious wealth, but a comfortable one. It is 12 hours by train to Washington, but as apt as not his 20-year-old daughter will fly him up in her Beechcraft plane—in three hours.

A mild-mannered fellow, it is surprising to know that in World War I he received both the Distinguished Service Cross and the Distinguished Service Medal for leading his men in battle. Accounts of his citations say he was repeatedly knocked down by enemy fire and each time regained his feet to continue to lead his men.

Frankly, I never knew myself that he had this sort of stuff in him. Washington is a great place for misrepresentation.

Kefauver never had any such record; indeed, World War II bypassed him. Yet he is appealing to the World War II veterans on the ground that "us younger men" must take over the world's problems. Also, on the ground that Reece was an isolationist. He knows something about war, of course, and undoubtedly dreaded to see World War II come.

It will be interesting to see how the race comes out.

Darwin H. Clark Co. In New Quarters

LOS ANGELES, CALIF.—General expansion of the facilities of Darwin H. Clark Co., advertising agency, and removal of offices to the agency's new building at 1139 West Sixth Street, are announced. The new structure—one of the most modern in the west—offers every facility for streamlined advertising agency service.

The agency, founded in 1935, handles 40 leading industrial, consumer, financial and association accounts. It is the exclusive Los Angeles member of Transamerica Advertising Agency Network with affiliated offices in 15 key cities from coast to coast.

Schemes for Restoring Intra-European Trade

By ERNEST H. WEINWURM

Mr. Weinwurm reviews plans and procedures of special agencies, such as Bank for International Settlements and U. N. Economic Commission for Europe, in efforts toward improving and promoting inter-European commercial relations. Holds Organization for European Economic Cooperation set up under Marshall Plan is hampered by limited authority, and though new inter-European payments clearing scheme may help intra-European trade, it is no remedy for basic dislocations in payments position of individual nations.

Success of the European Recovery Program is closely related to and dependent upon co-ordination of productive efforts of all Europe or at least as large as possible a part of that continent. Americans familiar with European conditions have been aware of that truth for a long time. Europeans have agreed also—at least in principle.

Ernest H. Weinwurm

Unfortunately, there has never been so little economic co-operation in Europe as is prevailing at this time. Thus efforts need to be directed first toward a return to prewar conditions before any more far-reaching steps can be undertaken.

European reluctance and hesitation is often exasperating to Americans who have no doubt that closest cooperation among the small European economies is the only promising method towards future prosperity and a higher standard of living. They may gain some comfort by realizing that they are in good company. Indeed, one of the most amazing contemporary situations is the spectacle of finding the two antagonistic giants, the United States and the Soviet Union, both trying in their own ways to convince Europeans of the advantages of closer cooperation and with rather limited success in either case. This proves that the true reasons for these failures are deep seated and not the results of any particular policies.

In the circumstances, there is considerable danger that American zeal and enthusiasm may often do more harm than good and even strengthen opposition to specific measures which might have smoother sailing if advanced a bit more slowly and pushed somewhat less strongly.

Probably more can be achieved in supporting those organizations which Europeans themselves have set up by working with them and through them toward gradual expansion of their (now often rather limited) activities.

A brief review of the most important of these organizations, their activities and future potentialities will contribute toward a more realistic appraisal of the Recovery Program as it comes into full operation.

The Bank for International Settlements at Basle is virtually the only important all-European financial organization to survive the second world war. An article published in the "Chronicle" a year ago,[1] analyzed the situation of the Bank at that time and outlined the contributions it might be able to make toward the success of the Marshall Plan.

The hopes that the Bank, then operating outside the limelight, might be able to render useful services toward European cooperation have been realized to a remarkable extent during the last year.

Appointment of the Bank as "technical agent" under the "Agreement on Multilateral Monetary Compensation" signed in November, 1947, by France, Italy, the Netherlands and the other Benelux countries was perhaps the most important step from a long range view point.[2] Though the actual results of the compensations during the initial period were comparatively small, the scheme, as pointed out by the Bank in its Annual Report,[3] "may be regarded as the germ of something more useful which may develop later." This prediction, made a few months ago, has already come true with the creation of a much broader system of compensation supported by the power of the Marshall Plan organization and to be administered by the Bank for International Settlements. A more detailed analysis of this new

1 "Future of the Bank for International Settlements and the Marshall Plan," "Commercial and Financial Chronicle," Sept. 4, 1947.

2 See "Steps Toward Easing European Intra-Continental Exchange," "Commercial and Financial Chronicle," April 1, 1948, for a detailed analysis of the Compensation Agreement.

3 Eighteenth Annual Report April 1, 1947 to March 31, 1948 released June 14, 1948.

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Hession Microsol Fog Maker Used for First Time in New York City

A Hession Microsol fog-making machine, manufactured by the Silver Creek Precision Corporation, was used for the first time in greater New York to spray an area of about 200 acres in Malba, Queens, with insecticide. The machine is an adaptation of the fog and screen concealing devices used by the Navy during the war and has been extensively used in other sections of the United States, South America and Alaska. It is designed to convert into aerosol fog from 40 to 240 gallons of insecticide an hour.

Let's Look at Business

In radio broadcast from Northwestern University, Ralph Bradford, Executive Vice-President of Chamber of Commerce of U. S., John C. Beukema, President, National Institute for Commercial and Trade Organization Executives, John O. Moseley, President, University of Nevada, and Miss Minita Westcott, President, American Trade Association Executives, defend American business as integral part of our way of life. Agree, despite its weaknesses and deficiencies, free enterprise system is superior to socialized economy.

On Aug. 15, appearing on "The Reviewing Stand," a radio broadcast serial, conducted by Northwestern University since 1934, a group of trade and commerce organization executives and educators, comprising Ralph Bradford, Executive Vice-President, Chamber of Commerce of the United States; John C. Beukema, President, National Institute for Commercial and Trade Organization Executives; John O. Moseley, President, University of Nevada; Miss Minita Westcott, President, American Trade Association Executives and Executive Secretary of the Mirror Manufacturers Association; together with Kenneth G. Hance, Assistant Dean, The School of Speech, Northwestern University, as moderator, discussed the features and accomplishments of the American business economy, answering all the accusations of opponents of free enterprise.


Ralph Bradford


Minita Westcott


J. C. Beukema

After each speaker defined his concept of American business, the discussion went on as follows:

Mr. Hance: (Moderator) "Business has no heart or conscience; business is interested in more than profits. Business doesn't believe in freedom and security; but business does believe in social legislation. Business is responsible for high prices; business can't do anything about prices. Business is monopolistic; but business is highly competitive." These and other conflicting statements are heard on every side. What are the facts? Where does the truth lie?

I assume that all of us want to be regarded as human beings. We want a decent standard of living, freedom and security. But after hearing some of those conflicting statements concerning business, I am forced to ask: does business deserve those comments, especially those criticisms?

Mr. Bradford: I would say the answer is yes and no. If you want to makes business alone guilty, then the answer is no. If you want to say that Americans generally are to some extent guilty, then the answer is probably yes.

Mr. Hance: But aren't there some really supportable charges against business, Mr. Bradford?

Mr. Bradford: Oh yes, sure. Businessmen have made blunders. They have been selfish and short sighted, and sometimes they have even been criminal — but in no greater degree than have farmers and laborers and doctors and lawyers and even preachers. In other words, businessmen are human beings, too. And that leads me to make this observation: if we are going to look at business today on this program, we ought to be sure we know what it is we are looking at. To me, business is much more than a mere commercial operation. It is not just a group of men, for instance, engaged in the process of manufacturing things and selling them over a counter. Others, too, are concerned in this thing we call the business process. In an economy of exchange for profit there is no essential difference between the man who happens to stand behind the counter to sell goods and the man or woman who stands in front of the counter to buy goods. All of them are engaged in a process that is necessary to supply the needs and desires of people for food, clothing, and shelter. The system we are talking about, then, at any rate in my comprehension of it, is more than a business system. It is really a system of economy: it is a social device: it is a way of life.

The Charge of Heartlessness

Mr. Hance: But, Mr. Bradford, what about this charge of heartlessness?

Mr. Bradford: Of course it is a lot of stuff and nonsense. Businessmen are interested in social progress. They serve on school boards; they support colleges; they maintain hospitals. They vote taxes on themselves for better schools and parks and recreational facilities the same as do other public-spirited citizens. Specifically, the Chamber of Commerce of the United States, which I may say represents over a million businessmen in over 2,900 chambers of commerce and trade associations, has declared in favor of old age pensions and the benefits of what we call the social security system. More than that, we have said that the present social security plan is not adequate and should be extended.

Mr. Hance: What about this question of freedom and security, Mr. Beukema? Mr. Bradford says that business is interested in those human goals.

Mr. Beukema: Business does believe in security, Dr. Hance. I think it is primarily a question of the road to be followed. Business doesn't believe that these things can and ought to be achieved through government alone. There is a place for government, but government is not the sole solution. We believe strongly in the principle of voluntary association, such as through our life insurance companies, for instance.

Mr. Hance: Why is that good?

Mr. Beukema: Let's not overlook one vital factor: the average man's prime desire today is security. A hundred years ago it was political liberty or individual liberty. Now liberty has lost a great deal of its attractiveness because it is so familiar.

Mr. Hance: But is all business, I wonder, interested in those goals?

Mr. Bradford: Oh yes, of course, we are interested in those goals. That is why we have supported the social security system although we recognize that under Federal administration it has certain basic defects. We believe that it, however, supplies a necessary minimum of security for old age. Over and above that, we believe that individuals should supply their own social security through insurance, and we believe furthermore that corporations and businesses should set up plans for establishing old age benefits, thus providing security for their employees.

Mr. Hance: Are liberty and security necessarily antagonistic? Can't we have both?

Mr. Beukema: That depends on the kind of security we want. If it is the kind of security that can be achieved through voluntary association, as I have stated, for instance, life insurance and the Blue Cross health insurance, it is a sharing of the risk with no sacrifice of private enterprise. But a government-sponsored cradle-to-the-grave program is, in our opinion, wholly incompatible with individual liberty. It saps the vitality of the people. It robs them of their initiative. If you want an historic parallel, look at Rome under Octavian. He forgave all tax arrears. He provided a corn dole, spectacles, and games. He gave part of the loot of Egypt to every citizen. But Rome was morally bankrupt as a result.

Mr. Hance: But Mr. Bradford suggested that business may be interested in social security. Are your views and Mr. Beukema's incompatible Mr. Bradford?

Mr. Bradford: Not necessarily. In a complex society such as we have today, we believe, and have so declared by a vote of over a million businessmen, that there is a governmental obligation to supply a minimum of social security.

Mr. Hance: The point is, then, that some businessmen are interested in social security through private, voluntary means; some businessmen, through public means. There really is no conflict.

But I have another question. What about monopolies? Miss Westcott, isn't business almost synonymous with monopoly?

Miss Westcott: On the contrary, the general trend today through cooperative effort as exemplified in the trade association is to make available to everyone in an industry, the small businessman as well as the large, information which creates competitive efficiency, which in turn enables all to reduce the costs of production, to stimulate output of goods and to produce a better product for the consumer: in short, to do all these things we have been talking about this morning—to make more and better goods available to more people.

Mr. Hance: You use the phrase "trade association." Just what is that?

Miss Westcott: A trade association is operated on an industry level as contrasted to the community level of chambers of commerce which Mr. Bradford just mentioned. A trade association is a voluntary, non-profit organization of business competitors, usually on the same level of distribution — manufacturers, distributors or in the service field—the objective of which is to assist its members and its industries in

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NSTA Notes

SECURITY TRADERS CLUB OF ST. LOUIS

The Board of Governors of the Security Traders Club of St. Louis has appointed the following nominating committee to propose a slate for officers for 1949: Emmet R. Byrne, Dempsey-Tegeler & Co.; Mel Taylor, Semple, Jacobs & Co., and Firmin D. Fusz, Jr. of Fusz-Schmelzle & Co.


Emmet R. Byrne


Mel Taylor


Firmin D. Fusz, Jr.

Oct. 11 has been tentatively chosen for the annual election.

Dealer-Broker Investment Recommendations and Literature

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

Base Metals—Analysis of the industry—Milner, Ross & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Chain Stores—Analysis of the industry with special reference to 30 individual chains — Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Finance Companies—Analysis—Charles Plohn, 30 Broad Street, New York 4, N. Y.

Forty-Eight Selected Issues—Analysis of securities believed to have favorable prospects—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is an analysis of **Public Service Company of Colorado,** of **Struthers Wells Corporation,** a discussion of **Debt Increases and Working Capital Decreases of Railroads,** and a leaflet of **Market Opinion.** The firm also has a report on the **Agricultural Act of 1948** with respect to price supports effective Jan. 1, 1950.

How to Keep Posted on Your Stocks—Brief folder describing a service offered without cost by a New York Stock Exchange member firm, which keeps you posted on your securities, sending you red-checked items for quick perusal—Ira Houpt & Co., 111 Broadway, New York 6, N. Y.

Market—Leaflet of market opinion—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Market Outlook—Leaflet—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Municipal Market — Leaflet — Heller, Bruce & Co., Mills Tower, San Francisco 4, Calif.

Railroad Developments — Leaflet—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Railroad and Utility Earnings Outlook — Discussion in "Fortnightly Investment Letter" — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

In the same issue are memoranda on **Virginian Railway, Utility Preferreds, Rail Equipment Liens,** and **Cleveland Union Terminals.**

* * *

Bell & Gossett Company—New report—Ames, Emerich & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Bingham-Herbrand Corporation —Memorandum—Wm. J. Mericka & Co., Inc., Union Commerce Building, Cleveland 14, Ohio, and 150 Broadway, New York 7, N. Y.

Bird & Son, Inc.—Detailed Analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Blue Diamond Corp.—Memorandum—Pacific Company of California, 623 South Hope Street, Los Angeles 14, Calif.

Chicago, Rock Island & Pacific Railroad Co. — Analysis — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Also available is a circular on **A. E. Staley Manufacturing Co.**

Crane Company—Memorandum—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a brief memo on **U. S. Plywood** and **Lone Star Cement.**

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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.

Irredeemable Paper Money and Public Morals

By PHILIP M. McKENNA
President, Kennametal, Inc., Latrobe, Pa.

Manufacturer points out adverse effects of irredeemable paper money on public morals. Cites increase of gambling in Britain and deterioration of thrift in France.

Let's look at the record of all irredeemable paper money experiments as affecting the daily lives, morals and characters of the people. Not once in the troubled history of the world has paper, no matter how managed, succeeded as a substitute for money. Not once have the manifestations been different than those to be observed today.


Philip M. McKenna

England has controlled paper money irredeemable to British subjects in gold. Government controls are extremely rigid in England and better respected than in most countries by law abiding people. Austerity and "cradle to the grave security" officially prevails. Let me quote from a report of a British Committee called "The Churches' Committee on Public Gambling." This is a committee set up to investigate the alarming increase in gambling in Great Britain. According to its report covering 1947 the total money spent in public gambling in Great Britain during that year was $3,865,000,000. It was divided as follows:

Horse Racing, Pari-Mutuel machines	$84,500,000
Horse Racing, Bookmakers	1,700,000,000
Greyhound Racing	1,800,000,000
Football Pools	280,000,000

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

Having now called attention to present day conditions in England let's read what Andrew D. White said in his study of "Fiat Money Inflation." Of conditions in France 160 years ago after describing the great rise in prices and the confusion, discontent and disorder among the French people Dr. White said,

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

Compare this above account of the French during the paper money inflation (in the form of "assignats" secured by land seized from the Church and from the nobility) and the following account of the French during last year, written in a letter by an American traveler and published in the "Argonaut" of October 24, 1947.

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

In Paris during the same month, last October, the American correspondent, Marquis Child, reported that French restaurants were daily filled to capacity with French diners, while the French Riviera, the expensive gambling and resort center, had just closed its most profitable year.

Mr. Wm. Chamberlain, from whose speech before the Graduate School of Business Administration of Harvard some of the foregoing information is taken said, "My major premise is that prosperity and political tranquillity will never return to Western Europe until honesty returns to its money."

In the Bible I find in Deuteronomy Chapter 27 Verse 17 the statement, "Cursed be he that removeth his neighbor's landmarks." Shifting, deteriorating paper money irredeemable in mental or intrinsic value is used as a measure. Suppose a surveyor began his survey with the note, "beginning at a red cow in farmer Jones' pasture, hence 1004 feet N. 10 deg. 30 min. E", he'd be the cause of trouble between neighbors. It is better at least in Western Pennsylvania, to start from a chestnut stump or a white oak tree which doesn't move around like a cow.

Some of us are already detecting the bad results of a deteriorating non-redeemable currency, foisted upon us in 1934, allegedly to meet an "emergency" and tried as an "experiment." It would have been unnecessary to have tried this experiment had citizens been on their guard and had understood it had been tried hundreds of times in history, usually by tyrants or dictators always with the same eventually bad results.

Fortunately there are some good men in Congress. Congressman Howard Buffett of Nebraska has been leading a gallant fight to restore sound money to the American people and has introduced H. R. 5031 to repeal the experimental legislation of 1934.

There is a connection between human freedom and gold redeemable money. All honest men and women will help restore honest money to Americans. Your church, your lodge, your service club and your labor union may help as well as your letters to your political representatives in Congress and elective offices.

C. E. Coughlin Opens

ROCHESTER, N. Y.—C. Edward Coughlin is engaging in a securities business from offices at 272 North Street.

Communism and World Peace

By JOHN FOSTER DULLES*
U. S. Delegate, Recent U. N. General Assembly

Advisor on foreign affairs to Republican Party says orthodox communism rejects moral law and peaceful ways except for temporary expediency, while its leaders seek worldwide domination. Holds new war now would accomplish no good, though, at times, war may have to be risked as lesser of two evils. Contends faith and application of moral law are only solution against spread of communism.

This Assembly of the Churches has worldwide significance. That is because we represent both great diversity and great unity. Such a combination attracts the attention of men everywhere, for it is the combination that is needed to save mankind from disaster.

We are here from over 40 lands; we are of many races, nationalities and classes; we represent many different branches of the Christian Church. Yet we are here organizing for continuing association and we are doing so freely and in fellowship. We are showing that moral and spiritual forces can overcome differences that usually divide men into hostile camps.


John F. Dulles

This illustration comes at a fateful hour, for, in the world, division is assuming an ominous character. Tension mounts, means of mass destruction are being feverishly developed and there is conceded risk that mankind may be plunged into an awful abyss. So, Christians and non-Christians alike are anxiously looking to what we do here. They hope that we may perhaps show the way of deliverance from the terrible fate that impends.

The Responsibility of the Churches

We shall not ignore those expectations. We do not forget that we belong to a generation that has already subjected countless human beings to incredible horror and we know that millions were sustained in their agony by the hope that the very intensity of their suffering would make a total of suffering so immense as to compel those who survived to find the way to live at peace. Also, we know the dread and frustration that grip the living, as they see their leaders becoming ever more competent in ways of destruction, but apparently remaining incompetent to break the cycle of recurrent war.

So, this Assembly is confronted with the responsibility of moral leadership, knowing that mankind is doomed but for the saving grace of the spirit.

We shall not, of course, attempt to prescribe detailed political solutions, for that is not the function of spiritual leadership. But we shall, I hope identify the evil, arouse men to combat it and point out the moral principles that are needed to win that battle. The churches can prescribe broad strategy, leaving to political and lay leadership responsibility for tactics.

The Evil of War

This is a time for the churches to expose the evil of war and its futility. Many are talking about war as though it were an unpleasant, but necessary, remedy for existing ills. The fact is that another world war would engulf all humanity in utter misery and make almost impossible the achievement of the good ends for which, no doubt, the combatants would profess to be fighting. At times, war may have to be risked as the lesser of two evils. But there is no holy war.

War is evil. Over the ages violence has repeatedly been invoked for noble ends. That method is dramatic and exciting. It seems to promise quick and decisive results and, at times, it inspires fine and sacrificial qualities. But violent methods breed hatred, vengefulness, hypocrisy, cruelty and disregard of truth. Because of such evils, wars have seldom accomplished lasting good and there is no reason to think

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*An address by Mr. Dulles before the Assembly of the World Chamber of Churches, Amsterdam, Holland, Aug. 24, 1948.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Since straight fire insurance generally accounts for approximately 50% of the premium income of fire insurance companies, should fire losses stabilize or decline it would have a favorable effect upon underwriting earnings.

According to estimates of the National Board of Fire Underwriters, fire losses in July totaled $50,955,000, an increase of 3.2% over the $49,357,000 reported for the same month last year. The July loss brought the total for the first seven months of this year to $437,435,000 compared with $418,333,000 in the same period of 1947, an increase of 4.5%. Of particular interest, however, is the fact that the July loss was 6.9% below the estimate for the previous month and was the lowest monthly total since September, 1947.

The following tabulation shows the losses for each month of the last four years and the monthly average of the seven-year period 1933-1939. Also, the monthly estimates so far this year are presented:

	(000's Omitted)					
	7-Yr. Avge. 1933-1939	1944	1945	1946	1947	1948
January	$27,867	$38,572	$44,865	$49,808	$57,180	$63,010
February	29,789	38,280	41,457	51,759	64,247	71,521
March	29,972	39,084	40,876	53,252	72,435	74,236
April	25,464	34,746	37,950	52,153	68,029	63,751
May	23,387	32,815	34,153	46,094	56,545	59,256
June	20,525	30,555	34,090	44,240	50,840	54,706
July	20,550	32,706	34,054	40,998	49,357	50,955
August	20,926	30,618	34,096	40,019	51,359	----
September	19,900	31,448	32,447	40,256	47,990	----
October	21,446	32,173	34,470	40,108	54,946	----
November	23,715	33,847	37,393	44,706	51,346	----
December	28,645	48,694	49,478	58,094	68,361	----
TOTAL	$292,186	$423,528	$455,329	$561,487	$692,635	----

It must be realized that losses are at present in a seasonal downtrend. Yet recent year to year increases have not been so great as formerly and it is believed there is room for optimism. Reports for the remaining months will bear close watching and may serve as an indication of general underwriting results this year.

While in years past investment income has been a more important factor in determining dividend policies of fire insurance companies than underwriting results, the latter have something of a psychological effect. In view of the possibility that underwriting operations may be more profitable than in the recent past and that investment income will probably exceed last year, there is a possibility that a number of the favorably situated companies will increase dividend payments.

Historically, fire insurance companies have paid out between 80-90% of investment income as dividend, underwriting profits being added to surplus. In recent years because of the need for capital, dividends have continued practically unchanged in spite of increased investment income.

Some of these facts are presented in the following compilation. Total net operating income, net investment income, annual dividend and the percentage of investment income paid out as dividends averaged for the five-year period 1942-1946 are shown together with similar figures for the year 1947. Adjustments have been made for stock dividends and split-ups.

	5-Year Average 1942-1946 Incl.				1947			
	Total Net Op. Income $	Net Invest. Income $	Annual Dividend $	% of Invest. Income %	Total Net Op. Income $	Net Invest. Income $	Annual Dividend $	% of Invest. Income %
Aetna Insurance	3.61	2.88	1.80	62.5	2.13	2.93	1.80	61.4
Agricultural Insur.	4.36	4.80	3.40	70.8	—4.52	5.44	3.50	64.3
Boston Insurance	3.13	3.33	2.19	65.8	3.97	3.54	2.20	62.1
Continental Insurance	3.56	2.74	2.00	73.0	5.50	3.61	2.00	55.4
Fidelity-Phenix	3.99	3.12	2.20	70.5	5.86	4.18	2.20	52.6
Fire Association	2.68	3.65	2.22	60.8	5.42	4.63	2.50	54.0
Fireman's Fund	6.67	4.67	2.93	62.7	11.59	6.62	3.00	45.3
Glens Falls	3.84	2.35	1.74	74.0	4.44	2.25	1.60	71.1
Great American	2.09	1.82	1.20	65.9	2.89	2.13	1.20	56.3
Hanover Fire	1.45	1.71	1.20	70.2	1.54	2.23	1.20	53.8
Hartford Fire	7.83	4.30	2.50	58.1	11.87	5.40	2.50	46.3
Home Insurance	1.66	1.62	1.36	84.0	3.48	1.97	1.20	60.9
Ins. Co. of No. Amer.	6.58	4.77	3.00	62.9	7.71	6.21	3.00	48.3
National Union	2.99	2.86	1.25	43.7	2.12	1.86	1.29	69.4
New Hampshire	1.78	2.40	1.85	77.1	1.72	2.89	2.15	74.4
North River	1.20	1.17	1.00	85.5	1.52	1.42	1.00	70.4
Phoenix Insurance	4.12	3.96	3.00	75.8	6.03	4.61	3.00	65.1
Providence Wash'gton	2.61	1.97	1.40	71.1	1.71	1.80	1.40	77.8
St. Paul Fire & Mar.	5.31	3.22	2.00	62.1	9.07	3.80	2.00	52.6
Security Insurance	1.28	2.26	1.40	61.9	1.39	2.52	1.40	55.6
U. S. Fire	3.14	2.66	2.00	75.2	3.98	3.27	2.00	61.2

In general the results for 1947 were above the five-year average period 1942-1946 even though last year was not a particularly good one for underwriting. Investment income showed a considerable gain and dividends as a percentage of investment income varied from a low of 45.3% for Fireman's Fund to a high of 77.8% for Providence Washington. A number of companies including Continental, Fidelity-Phenix, Fire Association, Fireman's Fund, Hanover Fire, Hartford Fire, Insurance Company of North America, and St. Paul Fire & Marine earned in investment income approximately twice the dividend payment. While 1947 was favorable for investment income and is but one year, several of the companies have established successful underwriting and investment records over a period of years.

Individual circumstances including the need for capital will be important factors in dividend considerations. Home Insurance recently increased the semi-annual dividend payment from 60 cents to 65 cents and on a statistical basis a more liberal policy in some other instances is believed to be justified.

Haile With Cohu & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Benjamin C. Haile has joined the staff of Cohu & Co., 634 South Spring Street. He was formerly with Dempsey-Tegeler & Co. In the past he was with Barbour, Smith & Co. and J. A. Hogle & Co.

Television Fund, Inc. Formed in Chicago

CHICAGO, ILL.—Organization of Television Fund, Inc., the first open-end investment company specializing in securities in the field of television, electronics and radio, has been announced by a group of business and financial men headed by Chester D. Tripp. The Fund is registered with the Securities and Exchange Commission and shares will be available for public offering through investment dealers shortly.

Television Fund, Inc., was conceived as a "logical medium for participation in the future of the television industry, which we regard as the most dynamic growth potential available to the American investor," according to Mr. Tripp, who is President of the Fund and also is President of Consolidated Copper Mines, Grip Nut Co. and Chairman of Economic Trend Line Studies. Other directors of the Fund are: William P. Pope, Vice-President Neumode Hosiery Co.; Charles D. James, President Northwestern National Insurance Co.; Russell H. Matthias, attorney; and Herbert H. Taylor, President Franklin County Coal Co. The Irving Trust Co., New York City, is custodian of the Fund.

"In order to keep fully posted and informed of developments within the fast-moving television field, the Fund has retained both an Advisory Board and a technical consultant," Mr. Tripp disclosed. The Advisory Board includes:

George P. Adair, consulting radio engineer and former Chief Engineer of the Federal Communications Commission.

Dr. William L. Everitt, Head, Department of Electrical Engineering, University of Illinois.

Dr. Frederick E. Terman, Dean of the School of Engineering, Stanford University.

Technical consultant to the Fund is Television Associates, Inc., Chicago engineering and advisory organization, president of which is Keith Kiggins, former Vice-President of American Broadcasting Co.

"Advice and counsel on technical trends are more important in television than in any other growth industry," Mr. Tripp explained, "because television is expanding rapidly in many directions and it is a difficult task for the average individual investor to select the companies which will survive and prosper."

Principal underwriter of shares of Television Fund, Inc., is Television Shares Management Co., 135 South La Salle Street, Chicago. Robert D. Michels, radio and theater executive, is President of the underwriting firm.

Paul A. Just, recently manager of the Investment Company department of the stock exchange firm of Shearson, Hammill & Co., is Executive Vice-President and director of national sales of Television Shares Management Co. Mr. Just has devoted a large part of his 25 years in the securities business to exclusive specialization in open-end or mutual investment companies and is nationally recognized as an authority on investment companies.

With A. W. Benkert & Co.

BRIDGEPORT, CONN.—Lowell Mason is with A. W. Benkert & Co., Inc., 70 Pine Street, New York City.

With Dean Witter Co.

(Special to The Financial Chronicle)

FRESNO, CALIF.—Claude H. Ketchum is with Dean Witter & Co., Patterson Building.

Sees Tax Advantages in Premium Redeemable Convertible Bonds

Maurice Fried, in memorandum, points out tax savings, under new ruling of Tax Court, arising from purchase, holding and converting redeemable convertible bonds selling at premium.

Maurice Fried, certified public accountant of New York City, has issued to his clients the following memorandum regarding the tax saving and investment effects of the recent ruling of the Tax Court on amortization of premiums on redeemable convertible bonds:

Maurice Fried

Recent decisions of the Tax Court (Christian W. Korell, 10 TC No. 128, June 2, 1948) and (Joe Shoong, Rose Shoong. Docket Nos. 15475, 15476, June 14, 1948), have held that: "Premiums paid for bonds callable for redemption on thirty-days' notice are amortizable to full in year of acquisition under Internal Revenue Code, sections 23 (v) and 125, notwithstanding that premium may have been due entirely to accompanying privilege of converting into obligator's stock at a price below current market."

The above reverses a previous Bureau ruling issued in 1945.

The opportunity to effect tax savings by purchase of such bonds, reducing taxable income in the period of purchase and realizing long-term capital gain when sold after 6 months is further described.

Assume purchase of convertible bonds at 110 (callable on 30 days' notice at 104) and subsequent sale (after 6 months) at 110. The premium of 6 points per bond would amount to:

On	Premium
100 M	$6,000
500 M	30,000
1000 M	60,000

The following tabulation shows the tax saving effect of the purchase and sale of 100 M bonds with respect to varying individual tax brackets at 1948 rates:

Net Taxable Income	Tax Reduction Period of Purchase	Capital Gain Tax Period of Sale	Net Tax Saving
$10,000	$1,584	$1,047	$537
20,000	2,640	1,500	1,140
30,000	3,221	1,500	1,721
40,000	3,503	1,500	2,003
50,000	3,801	1,500	2,301
100 000	4,593	1,500	3,093
200,000	4,873	1,500	3,373

The tax savings effect of the purchase and sale of 500 M bonds appear as follows:

Net Taxable Income	Tax Reduction Period of Purchase	Capital Gain Tax Period of Sale	Net Tax Saving
$50,000	$17,213	$7,500	$9,713
100,000	22,176	7,500	14,676
200,000	24,367	7,500	16,867

and with respect to the purchase and sale of 1000 M bonds:

Net Taxable Income	Tax Reduction Period of Purchase	Capital Gain Tax Period of Sale	Net Tax Saving
$100,000	41,870	$15,000	$26,870
200,000	48,645	15,000	33,645

Corporate taxpayers with net income of $50 000, or more, generally may effect savings of up to 13% of the premium cost converted into long-term gain.

Personal holdings company taxpayers under varying circumstances may effect net savings of up to 60% of the premium cost.

A further opportunity of obtaining a high investment return by the purchase of bonds in this category on a loan basis seems of interest. For example, if a $50,000 income bracket taxpayer purchased 100 M bonds at 110, total cost $110,000, bearing a 2¾% coupon, and in connection therewith obtained a $100,000 loan at 2%, the net annual income derived would be $750 ($2,750 gross interest on 100 M bonds less $2,000 interest paid on the $100,000 loan) or 7½% on the $10,000 invested. Adding to this the $2,301 tax saving (from table above) the aggregate return would be $3,051, or 30.51%.

Another interesting opportunity present itself in the acquisition of such bonds, conversion thereof into the common stock and retention in portfolio where purchase price ratios justify. In the instance of a $50,000 income bracket taxpayer purchasing 100 M bonds and converting into 1,000 shares of common stock, the tax saving resulting from the deductibility of the premium paid (from table above) would amount to $3,801, being the equivalent of a purchase of the stock 3.8 points under the prevailing market.

Business Man's Bookshelf

Selected World Economic Indices—Progress report on global economic situation — Department of Economic Affairs, United Nations, Lake Success, New York—paper—$1.

Geo. Eustis & Co. Adds

(Special to The Financial Chronicle)

CINCINNATI, OHIO—James H. Geerin has been added to the staff of Geo. Eustis & Co., 18 East Fourth Street, members of the Cincinnati Stock Exchange.

J. Burnhams, Inc.

ROCHESTER, N. Y.—J. Burnhams, Inc., is engaging in a securities business from offices at 492 North Street.

Suggestions for Improving Investment Ratings

By FERDINAND G. SMOLA

Investment Securities, Omaha, Neb.

Mid-West investment dealer discusses various aspects of investment analysis and stresses appraising long-term outlook in addition to interpretations of past record. Holds present rating systems inadequate guide in selecting securities, and proposes new system in which factors such as: (1) trend of industry; (2) position of the company; and (3) outlook for the risk and the security, are taken into consideration.

The greater need of investment analysis is generally appreciated. Difficult as the subject may appear, no complaint should arise from either the investment banking community nor the public itself that such need had been neglected. However, due to the complex nature of investment analysis there may exist a deal of confusion which the most diligent effort of various Investment Services is hard pressed to erase. Condensing information in an accessible manner is plainly a mean job. This article will attempt to summarize the logical procedure of basic thoughts concerning investment counsel and reflect on the possibilities of improving this service.

Ferdinand G. Smola

All the varied factors which play an important part in the investment analysis fall in two groups, those which are definitive or known and those which are either unknown or must be assumed. The known factors may be regarded as effective; that is to say, actually in operation and obviously influencing the investment—or as effective, i.e., present, but not apparent. The soundness of our currency is a good example of the last, for while it is a known factor underlying any investment risk, its function would only become apparent should the currency deteriorate. All factors within this category naturally cannot be subject of the investment analysis.

In the group of factors having active, direct and, perhaps, continual bearing upon the fate of the investment risk there are again those whose influence is plainly beneficent, those which have the opposite effect and those which can operate either way. In appraising an investment in a manner of the investment analysis such factors as the soundness of the financial structure, earning power, earnings record, current position will be considered on merit as favorable or unfavorable as the case may be, but they represent the effect rather than the cause. Business trends, supply and demand, management, competition and other influences affecting an investment will be of primary importance in appraising the risk on record or on future prospects. Thus, while specific conditions reflecting the standing of the security proper, whether based on past or present record, are directly the essential factors the analyst goes by, the broader and causative factors would seem more important in the appraisal.

The proper weight of the combined evidence will determine whether or not an investment is sound. There are three considerations of time which come into focus. An investment may be a good purchase, a good holding, a good sale. Since all three at varying stages come into play, the job of an analyst is not an easy one. An impartial judgment commands the necessity of dealing not only with the known factors as just illustration, but with certain assumed factors which may be called for lack of a better term the projections of the past record into prospects and promise of performance in the future. These projections become necessary not only within the framework of general business conditions, but within the industry and the risk under consideration.

Long-Term Outlook

An investment analysis as outlined above and having to do with appraising of a corporate business risk could scarcely be worth much if its main consideration would be the past record only. Longer term outlook or the long-term outlook are definitely more important. It would seem that such terminology as "above average," "average" or "below average" while admittedly useful can scarcely denote desirability of either ownership or prospective acquisition of a security. Such terms more nearly reflect the state of mind of the investor who would own them. For it has been demonstrated again and again that an "above average" security was definitely in the last stages of being a good risk while some "below average" investment proved the most profitable, perhaps because this industry was in the upward trend or because the company was about to make progress.

The job of an analyst is not to estimate the gain only, but the loss as well. As it is, with the guarantee of safety of principal always in question the risk inherent in securities which have reached their fullness and maturity may be greater with those which are striving for new fields and new worlds to conquer. Securities of such giants of industry such as General Electric or General Motors are only good and safe as long as they keep step with progress and new invention which, of course, is their attraction as an investment. Any smaller business must be appraised by all known and unknown (assumed) factors which either show it up as good or bad. There are hardly any degrees existent which would make it either "above average," "average" or "below average." The risk contained in any of them is the money that may be lost and there will be a good investment when circumstances properly appraised augur for good business. There are other descriptions of securities such as "conservative businessman's and speculative." While these terms denote more likely the investor rather than the security, even these applications fall short of purpose. For there is nothing new about speculators hoarding cash, conservative investors holding speculations and a businessman who always speculates as long as he runs a business, facing both ways at the same time.

Let us use the signals buy, hold, sell as an illustration of the value as advice, contained in them. Let us assume a situation in which poetical justice has full play by presuming the buyers and sellers of a security divided in two equal

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Wallace Opens Progressive Party Campaign

In opening address at Bridgeport, Conn., he denounces both Democratic and Republican Parties and accuses House Un-American Activities Committee of causing death of Harry D. White. Calls present prosperity mythical and says neither Truman nor Dewey are doing anything to halt inflation.

In an opening campaign address at Bridgeport, Conn., on Aug. 21, Henry A. Wallace, Presidential candidate of the new Progressive Party, renewed his attacked on both leading political parties, the bankers, and Wall Street, together with the National Manufacturers Association. He took occasion to score the proceedings of the House Un-American Activities Committee, whom he accused of "torturing and killing a man of peace," the late former Assistant Secretary of the Treasury, Harry D. White.

Henry A. Wallace

The prepared text of Mr. Wallace's address follows:

Tonight I stand in a great arsenal of two world wars—and I speak for peace. And I speak for reason.

This is the first meeting I have addressed since the Progressive party was officially formed at Philadelphia a month ago. I am glad that the opening gun of my campaign is here. Bridgeport is the nearest big industrial center to where I live. My home at South Salem is three miles from the Connecticut line and we do enough shopping across the line to know something about your problems.

What is the picture of our country today?

The people cry for relief from ruinous prices and they are given spy thrillers. They cry for new houses and they are given witch hunts.

What we are witnessing today is the greatest diversionary movements since Nero gave the Roman populace circuses. Bridgeport is a good place to talk about circuses because the circus master of all time lived here—P. T. Barnum himself. But the old master could never have hoped to put over as much hokum on the American people as the witch-hunters of the past year.

Today's circus—the Washington circus—the Thomas-Rankin circus, resembles the old Roman circus. Human beings—good, fine public servants are thrown to the lions.

Anyone who dares to plead the rule of reason, anyone who dares speak for peace, is fodder for the fear-makers.

Harry Dexter White

A few days ago the circus masters and witch hunters tortured and killed a man of peace.

That man was Harry Dexter White. He was my friend and old associate on many New Deal committees. His genius cut the cost and the length of the war. And when the peace came, it was Harry White who went to Bretton Woods to implement President Roosevelt's plans for ending economic warfare between nations.

The House Committee on Un-American Activities killed Harry White with poisonous slander, with venomous rumor, with the vicious gossip of self-confessed spies. When Mr. White explained to Chairman Thomas that he had a bad heart and needed rest periods, the witch burner made snide jokes concerning the witness' condition. On last Monday Harry Dexter White died of a heart attack.

Why did they relentlessly pursue this man, the most brilliant monetary economist in the world?

They pushed this man to death because they feared the mind that could conceive and implement a vision of world cooperation for peace. They silenced forever the man and the mind. But they cannot blot out the vision.

When Harry White appeared before the Thomas Committee he stated his creed, the creed of the four freedoms. He declared before his smirking judges:

"I believe in the goal of the equality of opportunity. . . .

"I believe in the freedom of choice of one's representative in government, untrammeled by machine guns, secret police or the pressure of police state.

"I am opposed to an arbitrary or unwarranted use of power or authority, from whatever source or against any individual or group.

". . . Law is above any man, not any men above law."

That creed lives on—and gathers force every day. It was nourished by Roosevelt. Now is has found its home in the Progressive party.

The Thomas Committee may pursue and persecute every one who fights for peace and abundance and freedom.

The inquisitorial fires may be lit in every hall of learning, in every center of free inquiry, in every corner where free discussions are held.

But they cannot overcome us. We shall fight them—with reason and with power and with votes. We shall blunt their swords and their slanders will fall against a wall of courage and determination to fight for peace and abundance. We are not afraid.

The courageous stand of Harry D. White before the witch hunters in Washington is being matched by millions of ordinary folk. Look at the millions of Negroes and poor whites breaking through generations of Klu Klux Klan terror to march to the polls this year in the South. And the Progressive party, which everywhere helps lead these actions, is doing more in practice for the advance of democracy in America than so-called liberals who chant fine things about civil rights to the tune of red baiting. The so-called liberals are now beginning to get singed by the fires they helped to light.

Harry White's vision went beyond the curtain of fear. The courageous Negro voters of the South marched straight through

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Mutual Funds

By HENRY HUNT

"If I Were a Retail Salesman"

The ninth article in this series was written by Douglas Laird, Vice-President of **National Securities and Research Corporation,** which has some $50,000,000 of mutual fund assets under its management.

Born in Scotland, "Doug" had an outstanding record as a retail salesman in this country prior to joining "National" at its inception in 1930. Before reaching his 24th birthday, Mr. Laird could boast annual earnings running well into five figures—and those were the good old days when the government let you keep most of what you earned.

"Doug's" office is in New York, his home in New Jersey but his heart is in Maryland where he and his wife often spend long weekends on their tidewater farm.

The "Big Four" Among Balanced Funds

The growing popularity of balanced funds, funds that endeavor to protect the investor's dollar against inflationary or deflationary trends through a proper balance of the portfolio among bonds, preferred and common stocks, is evidenced by their rapid growth in recent years.

As of June 30, the "Big Four" in order of size were as follows:

Fund	Net Assets
Investors Mutual	$124,273,000
Wellington	57,756,000
Eaton and Howard	36,845,000
American Business Shares	34,677,000

Investors Mutual, sponsored by Investors Syndicate, is both the largest and the youngest balanced fund, having been organized barely eight years ago. Its phenomenal growth has been due to the fact that its sponsors have a large retail sales force which has been selling face-amount instalment certificates since 1894.

Wellington Fund, organized in Philadelphia 20 years ago, is the oldest of the balanced funds and one of the oldest among all mutual funds. Headed by Walter L. Morgan, "Wellington" has a superior long-term performance record, and has been most adroit during the past year or two in its portfolio shifts.

Eaton and Howard, organized in 1932, is the leading balanced fund in Boston and has shown rapid growth in recent years. It has a better than average performance record.

American Business Shares, sponsored by **Lord, Abbett and Company,** was principally a common stock fund until January 1947, when its new policy called for full investment at all times and diversification among bonds, preferred and common stocks. Currently some 59% of its investments are in common stocks.

A Tip to Sales Letter Writers

When writing sales letters about the securities holdings of mutual funds, don't use the word **portfolio.** Although "portfolio" is a commonplace word in financial parlance, it is surprising how few people outside of financial circles understand its meaning as "a list of investments." If you don't believe this, try it out on a few lay friends of yours. We did.

Investing the Democratic Way

"There is no need for concern about a long-term investment upon which the economic future of America depends. America's progress as a nation parallels the prosperity of American industry. From American industry, principally the companies whose securities are listed on the nation's exchanges, comes a very great percentage of the taxes, directly or indirectly, that operate this government and pay its obligations.

"If and when the concerns producing the services and products so essential to our standards of living cease to be prosperous, if and when an investment in a cross-section of these industries ceases to be satisfactory over a long term, then you can forget all other ideas and plans men may devise for accumulating future financial security.

"If you understand the scientific process of selecting securities from all those available to be placed in a fund and then followed carefully by a good management, it acting upon a flat fee basis after the first load, I am quite sure that you will come to the conclusion that if this is not a fine and sensible investment, there is none.

"For every job in America there must be $7,000 in cash invested by the American public in the securities of American industry.

"If the socialistic and communistic thinking of any nation decides to kill the goose that lays the golden eggs—then there will not be any more eggs.

"The operation of the United States of America for peace and for preparedness against war, every government commitment and expense, all of its obligations from the Marshall Plan to the payment of the smallest savings bond, depends upon the prosperity of American industry and its ability to keep the government treasury solvent." **Reprinted from the "Investors Syndicate Broadcaster." It was a message to the sales organization by Grady Clark, Vice-President and General Sales Manager.**

High Yields on Rubber Stocks

The August issue of **"Perspective"** published by **Calvin Bullock,** discusses the rubber industry. It concludes as follows:

"Yields on the common stock of the four leading rubber fabricators average about 9% and except in the case of one of these companies, the near and intermediate future appears to promise continued ability to maintain present dividend rates. Rubber industry common stocks are selling moderately higher, relative to the general market, than prior to the war, although in lower relation than during the war and immediate postwar years. However, a higher evaluation appears justified by long-term improvements such

"If I Were a Retail Salesman"

(Eighth of a Series)

By DOUGLAS LAIRD

Vice-President and Director,
National Securities & Research Corporation

Mr. Baker, I would like to discuss with you an approach to the investment of money which I believe will be of particular interest to you. Many investors think so much in terms of profit, of trying to increase their capital, that they forget that another and even more important use of invested savings is to obtain income. British people have always measured their wealth in terms of income. Americans are the most life-insured people in all the world but a shockingly high percentage have no "living" insurance. They cannot stop work and live without being in financial distress. Figures of insurance companies prove that heart disease, tuberculosis, cancer, accidents, etc. are "retiring" millions of people who can't afford it. In addition, there are other tens of thousands who would like to retire partly or fully but do not have sufficient independent income to retire even on a modest scale—a lifetime of work without as much peaceful leisure as a horse put out to pasture.

Douglas Laird

Investing for income is more dependable than speculating for profits. Profits are available only in favorable markets while a carefully selected portfolio will always produce an income.

Mr. Baker, why not take $______ out of your general investment account and set up a special income-producing trust fund . . . a fund that is specifically earmarked as a spare "breadwinner." I know that neither you nor I will have to retire on account of illness, or accident for these things **always happen to the other fellow.** So look on this project of a spare breadwinner as living insurance rather than for retirement forced by sickness or accident. I am suggesting that this part of your capital be used to set up an investment account in a (Boston or New York, etc.) trust company. Under this plan you will receive an income check directly from the trust company on the same date every month of the year . . . and Mr. Baker, it is a dividend that **cannot be passed** as the trustee bank pays the income from a portfolio of bonds, preferred stocks, and common stocks selected for their income and earnings' protection. Furthermore, it is the responsibility of an organization of professional investment analysts to keep the portfolio well diversified and healthy so that your income will be uninterrupted throughout the years. Also the market value of your trust fund is available to you at any time in the event of an emergency. This program can be arranged very simply through shares in mutual investment funds which make available to the average investor the same investment principles followed by those of large wealth. Here's how the plan operates, etc.

as sounder financial structure, likelihood of more stable raw material prices and greater possibilities for product diversification, which have taken place in the industry. The industry is ahead of most durable and semi-durable industries in its readjustment to a peace economy and the readjustment has left it with an earning power above that of prewar years. Selected rubber equities appear to have a place in a balanced investment portfolio."

Securities on Bargain Counter?

"Keynotes," issued by the **Keystone Company of Boston,** has the following to say about the anomaly between present prices of securities and the cost of other goods today:

"Almost everywhere we see higher prices and more inflated values. It has been estimated that an urban house and lot costing $4,600 in 1939 costs more than $11,000 today—an increase of 140%. Farm property prices generally are 100% greater than in 1939, and commodity prices are up 112% over that year.

"Where, if anywhere, can you get full or higher value for dollars now?

"Security prices, backed by increased values and earnings, are appreciably lower than they were in 1946 and average only from 10% to 20% higher than in 1939. Earnings on the Dow-Jones Industrial Average, for example, are up more than 100% over 1939 but the current price is up only about 18%. The current price is only about 10 times earnings, as against 15 times earnings in 1939.

"The effect of increased prices on the property behind the bonds, preferred stocks and common stocks issued by American corporations has been to increase tremendously the real value of the security behind securities today. Materials are short, prices and labor high—many installations are almost irreplaceable now. Profits are reaching new highs."

Awards for Teen-Agers' Corporate Reports

Winners of Junior Achievement contest honored by New York Stock Exchange. Movement grown to 60,000 participants.

Awards in the contest sponsored by the New York Stock Exchange for the best annual reports submitted by Junior Achievement companies in 1948 were presented Tuesday, Aug. 24, by Emil Schram, President of the Exchange, to Misses Dolores Rhodes and Ethel

Left to Right: Mr. Abbey, Mr. Schram, Miss Rhodes and Miss Daniel

Daniel, who, as officers of the Junior Achievement company of Tex-I-Craft, Middletown, Ohio, prepared the winning report; and to Harlan Abbey, of Teen Tattler Publications, Chicago, Ill., winner of second award. The three contest winners were honored today at a luncheon in the Exchange.

Junior Achievement is a youth movement through which teen-agers engage in their own business enterprises. They sell stock, usually at 50 cents a share, to raise the capital to start in business and then gain experience in all phases of manufacturing, marketing, bill collecting and meeting payrolls which are involved in a full-fledged operation. Tex-I-Craft Co. manufactured and sold aprons, towels and place mats, from which it realized a net profit of $73.56 in the six months ended last April 30. The company paid a 20% dividend on its outstanding stock. Teen Tattler Publications earned a net profit of $26.49 on gross sales of $187.50.

The winning reports were selected on the basis of clarity and effectiveness of presentation. The contest judges were Carle C. Conway, Chairman of the board, Continental Can Co.; Charles B. Harding, partner, Smith, Barney & Co.; John L. Carey, Executive Director, American Institute of Accountants; Glenelg Caterer, President, New York Society of Security Analysts, and Phillip L. West, Assistant Vice-President of the Exchange.

L. C. Hart, Vice-President of Johns-Manville Corp., and a member of the Executive Committee of Junior Achievement, told the luncheon gathering that the aim of the organization is to inculcate in young people, between 15 and 21 years of age, an understanding and appreciation of the American business system.

S. Bayard Colgate, Chairman of the board, Colgate-Palmolive-Peet Co., expressed appreciation to Mr. Schram and the New York Stock Exchange, on behalf of the Junior Achievement organization, for continuing the sponsorship of the annual report contest, initiated in 1947.

First established on a national basis in 1942, Junior Achievement has seen the number of its companies grow from less than 200 to a current total of nearly 900 with more than 60,000 participants, including adult advisers and stockholders, in 11 states.

Plight of the White Collar Worker

By ROGER W. BABSON

Describing white collar worker as neither labor nor management, Mr. Babson warns reduction in their living standards will follow unless salaries and prices are brought into line. Holds white collar worker is vital to industry, and that managers should give more thought to his welfare and advancement.

I have been concerned recently, while vacationing here on Cape Ann, about the plight of the white collar worker. Of course, I sometimes wear a white collar myself, but the man for whom I am concerned is the man who is neither labor nor management. He works for somebody and he wears a white collar. That is expected of him; he has to maintain the dignity of his position and besides, working in an office, he *can* wear it.

Roger Babson

Lately, it begins to look as if wearing a white collar, like virtue, would have to be its own reward. While labor's wages have been mounting hand over fist and while costs of living have been going up as fast or faster, salaries have remained stationary or inched up by imperceptible degrees.

It is true that the poorest paid office worker at present gets a weekly stipend which would have looked like a mountain of wealth to his grandfather. This means nothing, however, except that there has been a slow, persistent inflation for the past 50 years. The $40 per week which this year's college graduates hope to get will not go much further than the $10 per week which I got when graduating from Massachusetts Institute of Technology in 1898. Moreover, this generation wants a good deal more than I ever dreamed of.

Standards Must Be Maintained

But should we cut back our standard of living to that of my youth? It would be fantastic to think of taking away from the white collar families their automobiles, their washing machines, or their children's chance to finish school. But a reduction of the living standard will follow unless salaries and prices are brought into line one way or the other.

We cannot afford to let down the standards of any group of people in this country. For our own good, for our country's good, and for the good of the world, we need to keep moving forward. The white collar group is comparatively small. When I say "white collar man," you probably think of a mild little man who looks like a cartoonist's idea of John Q. Public and who works in an office, turning over papers, dictating an occasional letter, or entering figures in a big ledger.

White Collar Men Vital to Industry

You're right; he's the man I have in mind. But he is important. In the first place, business couldn't run without him any more than a steel mill could run without coal. An express company doesn't get very big before it needs a bookkeeper as well as some truck drivers. A railroad needs cost accountants as well as engineers.

In the second place, from this group come many of our leaders. These are the men who are qualified, by natural ability and by training in high school and college, to work with their heads instead of their hands. We need more and better executives, men with both wisdom and knowledge. These leaders ordinarily come up from the offices rather than from the pick and shovel jobs. It is imperative that the very best be encouraged to get the necessary training and to make their way through the white collar ranks to the top. Remember, from the white collar families come the ministers, teachers, scientists, artists, physicians, lawyers and newspaper men upon whom we depend for leadership everywhere.

Conclusion

It is vital that there should be greater incentive for well-trained and able men to become important executives. If our economic setup does not make it possible for the men behind the desks to compete, as to pay, with the men behind the machines, what will be the incentive for qualified men to spend years and money on their executive training? Labor, through the unions, has been doing pretty well for its own. It's time now for management to give thought to the men on its team.

New Hirsch Co. Branch

Hirsch & Co., members New York Stock Exchange, announce the opening of a branch office at 1 East 57th Street, New York City, under the management of Benjamin Block.

Securities Salesman's Corner

By JOHN DUTTON

Should the unlisted house recommend listed securities? Our answer is definitely, yes. First of all, no one can have a balanced and sound investment portfolio composed entirely of unlisted issues. Secondly, as account openers there is nothing that compares with the market leaders—the kind of names that are household bywords from coast to coast.

Of course, the unlisted firm not only must handle these orders without compensation but if other overhead charges are considered such business is consummated at a loss. The only advantage in such transactions is the good-will that you build. Some firms use a line such as the following upon their confirmations of listed securities: "We have made no charge for our services on this transaction, the commission stated here on has been paid by us to the member firm that executed this order." It does seem ridiculous that some method of compensation cannot be arranged between member and non-member firms. When people have to do business for nothing—or at a loss—you can't blame them very much for not recommending more listed issues.

Here we have the cream of the selling talent in the securities industry, literally thousands of excellent firms, and their tens of thousands of well equipped salesmen, that could go out and do a real job of selling listed issues, if there was only some way in which they could be compensated for their services. Possibly the stock exchanges and the unlisted firms will some day sit down together and work out a method of handling this business so that all may benefit in the long run. If it takes volume to support the overhead of member firms there is one sure way to increase it—make it attractive to non-member firms to recommend listed issues.

Everything seems to change but the prejudices and hide-bound methods of Wall Street. We don't have to do business the way we did it 50 years ago—or 20 years ago—just because our grandfathers thought it was right. We have been sitting around for the past 16 years waiting for the government to give our industry a break—we have organizations by the dozen—we hold our outings and our banquets—we dine and shine—and then we go back to our offices and wait for someone to call us on the telephone and give us an order. Isn't it about time that we began to work out a comprehensive plan of cooperation between the various segments of our business? Why shouldn't the leaders of the Investment Bankers Association, the Stock Exchanges, the Customer's Brokers Association, the Trader's and Dealer's Associations, have a meeting this fall and set up some joint committees of the most able men we have in this business and let them work out some suggestions for solving the problems which we face. This idea of cooperation between the member and non-member firms is not new—it has been suggested by quite a few seriously concerned dealers and brokers many times in the past. Maybe it can't be done—possibly there are some valid reasons why the stock exchange members would not be better off in the long run if they offered compensation to non-member firms, but why not go into these matters and make a real study of the situation. Certainly something should be done to improve the relations between member and non-member firms. A business that expects to prosper and grow, but offers no inducements whatsoever to those who can help it make substantial progress, is certain to remain dormant.

The other day an old-timer said to me, "There is no longer any leadership in Wall Street." Maybe we will discover it in the not too distant future. There are men with ability and brains in our industry—there is no doubt about it—and what an opportunity there is for someone to do a job for all of us who are in the financial business, and for our country too. A dead Wall Street represents a dying America—make no mistake about that.

Halsey, Stuart Offers C. & O. Equip. Issue

Halsey, Stuart & Co. Inc. and associates were awarded Tuesday $5,500,000 Chesapeake and Ohio Ry. Seventh Equipment Trust of 1948 2⅝% serial equipment trust certificates, due $550,000 annually, Sept 15, 1949 to 1958, inclusive. The certificates, issued under the Philadelphia plan, were reoffered, subject to Interstate Commerce Commission authorization, at prices to yield from 1.70% to 2.75%, according to maturity.

Proceeds will be used to provide for the following new standard-gauge railroad equipment estimated to cost approximately $5,519,806.60: two 1,000 h.p. Diesel electric switching locomotives; five Type 2-6-6-6 freight locomotives and 950 70-ton all-steel hopper cars.

Associated in the offering were A. G. Becker & Co. Inc., Gregory & Son, Inc., First of Michigan Corp., Hirsch & Co., Wm. E. Pollock & Co. Inc., Freeman & Co., Julien Collins & Co., McMaster Hutchinson & Co., Mullaney, Wells & Co., Alfred O'Gara & Co., and F. S. Yantis & Co. Inc.

U. S. Advice to British Industry

By PAUL EINZIG

Dr. Einzig in commenting on creation of an Anglo-American Joint Advisory Council for British Industry, notes considerable objection by Britishers on the ground that the arrangement is highly humiliating because it arises in connection with Marshall Plan aid. Sees Joint Committee as means of doing good work "behind closed doors," provided it does not aim at dictating British policy.

LONDON, ENGLAND—Since the debate in Parliament on the terms of Marshall aid at the beginning of July the attention of the British public has been largely focused on the Berlin situation. Nevertheless, Marshall aid somehow manages to get into the headlines from time to time. It received attention towards the end of July on two grounds. First, there was the announcement, arising from the Paris meeting of Mr. Hoffman with the Finance Ministers of the Western European countries, concerning the arrangements for the financing of inter-European trade. Following closely on this there was the statement on the creation of the Anglo-American Joint Advisory Council for British Industry.

Dr. Paul Einzig

The currency arrangement is too technical to command really widespread interest. Nevertheless it is felt that under it Britain will be required to relinquish much of the benefit to be derived from ERP assistance, by using the sterling equivalent of Marshall aid deliveries for the financing of Continental purchases of British and Sterling Area goods. It is true, the arrangement may operate both ways. Britain may obtain goods from Belgium and the Congo, at the same time as having to export goods under the arrangement to France. But it is believed here that on balance Britain will have to take a net loss. The sterling counterpart of ERP deliveries will be employed for the financing of British unrequited exports. What is worse, the transaction involving Continental purchase of Sterling Area goods will result in an increase of Britain's external floating indebtedness in the form of additions to sterling balances of Sterling Area countries. And since part of the ERP consists of goods which Britain would not otherwise have imported—for instance Virginia tobacco or California canned fruit—is is now suggested that what Marshall aid really amounts to is the payment for unrequired imports with the aid of unrequited exports.

However, very few people understand the technicalities of the proposed Western European clearing arrangement, the details of which are still discussed by the experts in Paris. What is causing much more concern in much wider circles is the Anglo-American Joint Advisory Council. Many people in Britain are fully aware that American industries engaged in mass-production are much more efficient than their British opposite numbers. And any effort to advise British industries would have been welcomed if it had been put forward with tact and understanding. The form in which the scheme has been presented has caused, however, violent resentment among Conservatives and Socialists, among employers and workers alike. It is considered highly humiliating that such arrangement should arise from Marshall aid. The Government's unconvincing efforts to prove that it had really no connection whatever with Marshall aid is dismissed in political and business circles as sheer deception. Most people over here are convinced that Britain may be compelled to follow American advice under threat of suspension of ERP deliveries. It is feared that British prestige abroad will suffer heavily as a result of this arrangement.

One of the reasons why the scheme is resented is that, as far as is known at present, it will be confined to Britain. British industrialists fear that this implies an admission that British industries are particularly inefficient. In some quarters fears are expressed that the inquiry might lead to the disclosure of British industrial processes and trade secrets for the benefit of American industries, and that the blow to the prestige of British industries abroad might lead to the loss of overseas markets. Socialists are afraid that the Advisory Council may be able to prevent further nationalizations.

Above all, there is an uneasy feeling that this arrangement is the thin end of the wedge, and that it foreshadows American control of British economic policies. The Government is reproached of having obtained under false pretense Parliament's endorsement of the bilateral pact on Marshall aid. It was then repeated to boredom that there would be no strings attached to Marshall aid beyond the terms of the pact, And now it is found that, less than four weeks later, the Government is smuggling in through the backdoor an arrangement it did not dare to introduce through the front door. Official efforts to convey the impression that the arrangement is purely between organizations of employers and employees and the Government has no share in it, and that it was embarked upon on British initiative, are regarded as hypocritical.

It will take some time before the storm aroused by the arrangement is likely to settle down. Nevertheless, the Joint Committee will have a chance for doing good work behind closed doors. Possibly if, after a while, it should be found that it does not aim at dictating British policy it will be accepted as a useful organization.

U. S. Purchase of British Goods Up 50%

British Information Services reports exports at all time high, but United Kingdom still buys three times more from U. S. than is exported there.

According to a release of the British Information Services, America is now buying more British goods than ever before in history. Exports of British-made automobiles, textiles, pottery, spirits and other products to the United States now pay for one-third of Britain's imports from the U. S. A. This is a record upward swing, for only one-fifth of Britain's U. S. imports were covered by her exports at the beginning of this year. Last month, July, Britain's total exports were the highest ever achieved in her history, and this was reflected in her sales to America.

In the first five months of this year America was selling U. S. goods to Britain at the rate of $716.8 million a year and in return was buying British goods at the rate of $261.2 million a year. Roughly speaking, America was selling three times as much to Britain as she bought. If Britain, the world's largest customer, can succeed in evening up her trade still more with America, the world's largest exporter, the structure of international trade will be brought nearer to normal and an increasing mutual prosperity will result.

The increased exports by Britain are being made as a result of tremendous exertions and sacrifices by the British people. They are still rationing themselves as strictly as they were in the darkest days of the war, their manufacturing production is at least 25% above 1938, and they are depriving themselves entirely of large ranges of goods which they are devoting entirely to the export market.

Harold Wilson, President of Britain's Board of Trade, ascribes the increasing exports to "steady spade work in building up sales and servicing organization." By the end of this year, he forecasts, Britain will be exporting to the United States at double the 1947 rate.

In the first five months of this year, British exports to the United States were running at an annual rate which was 50% over the same period in 1947.

The most phenomenal jump in sales has been chalked up by British automobile manufacturers. In 1938, Britain sold only 45 cars in the U. S. and in 1946 and again in 1947 about 1,100 British cars each year were sold to Americans. Sales have now spurted to 1,400 cars in one month alone, and in the first six months of this year the U. S. bought 8,285 British cars.

Britain's motor industry has a quicker dollar-earning capacity than almost any other. "We can turn steel and raw materials into cars and bring back foreign currency in three or four months," explains an official of Britain's Society of Motor Manufacturers and Traders.

With 78% of output earmarked for export, British engineers are concentrating on designs and types which appeal to the foreign buyer.

Such "custom-built" vehicles—both passenger and commercial types—earned $11,600,000 from American buyers during the first six months of this year.

Best-seller in the United States is the small British auto. The Austin Motor Company, with its main U. S. office at 250 West 57th Street, New York City, has been selling some 1,000 small models a month. In July, the New York office took delivery of 1,288 new models to keep abreast of growing demand.

A spokesman for the Austin Motor Company attributes this

(Continued on page 35)

Exports to Eastern Europe

Secretary of Commerce Sawyer in Fourth Quarterly Report on Export Control and Allocation Powers reveals heavy decline of U. S. shipments to Russia and other Eastern European nations.

In his Fourth Quarterly Report to the President and Congress on Export Control and Allocation, Secretary of Commerce Charles Sawyer indicates the drastic effects of the policy of restricting United States shipments to Eastern Europe. According to the Report:

Charles Sawyer

"Since Mar. 1, 1948, exports to Europe have been more closely controlled than those for any other destination. Except for a few relatively unimportant items, shipments of all commodities to Europe, whether or not these commodities are on the Positive List, are now under export licensing control. This control serves several important purposes.

"First of all, it subjects to close scrutiny shipments of industrial materials and equipment which have direct or indirect military significance and which are destined for Eastern Europe. This policy complements control over arms, ammunition, and implements of war, exports of which are regulated by the Department of State. There are many types of industrial materials and supplies, especially the more complicated types of machinery or scientific instruments, which, from the standpoint of military potential, are almost as important as munitions and, in some cases, perhaps more important.

"Secondly, control over shipments to Europe enables us to prevent circumvention of the first purpose by providing a mechanism for restricting the export to European Recovery Program nations of any materials which are to be used for the manufacture and shipment to nonparticipating European countries of items which we ourselves would not license to such countries for reasons of national security. Section 117 (d) of the Foreign Assistance Act of 1948 stipulates that, to the extent practicable, the Administrator for Economic Cooperation shall withhold delivery of shipments to Western Europe in such cases, and the export licensing system serves as the means of implementing this provision.

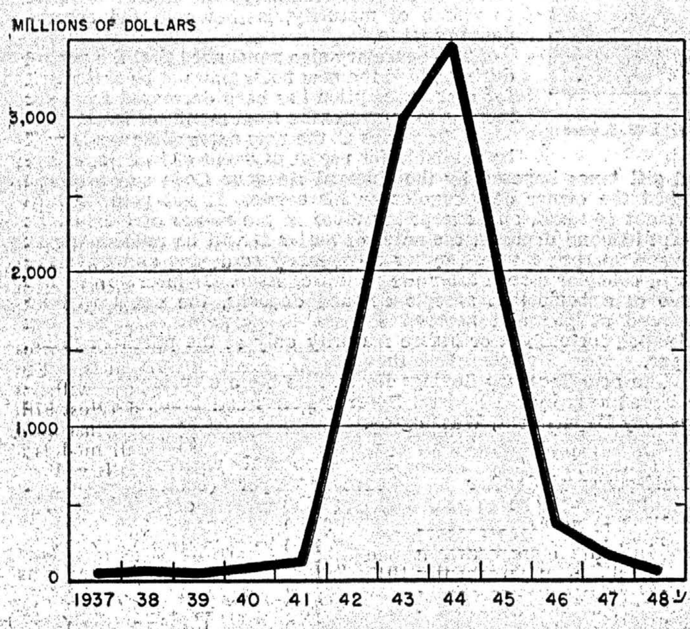
"Control over exports to Europe also serves to insure that the material requirements of countries participating in the European Recovery Program are, in general, given a priority over the requirements of nonparticipating European countries. This aid to the European Recovery Program is in accordance with section 112 (g) of the Foreign Assistance Act of 1948 which provides that no shipment of a material to a nonparticipating country in Europe may be licensed until the requirements of participating countries are being adequately met.

"This control over shipment of all commodities provides an opportunity to check on the types, quantities, and relative essentiality of goods for which the dollars available to Western Europe are being spent. The Economic Cooperation Administration, which was established shortly after these export controls over Europe were introduced, now has the primary responsibility for insuring the most economical use of the dollar resources of ERP countries. The extent to which it will be necessary to implement the financial controls of the Economic Cooperation Administration by means of export licensing has not yet been finally worked out with that agency. As a result, export controls have not been used for this purpose on a significant scale to date. Aside from the usual quota controls for Positive List commodities, shipments to Western Europe have been licensed relatively freely. As programming operations are developed by the Economic Cooperation Administration for non-Positive List commodities, these controls may be used on a larger scale.

"Shipments to Eastern Europe, on the other hand, have been carefully restricted. In administering these controls, it is necessary to develop policies which are sufficiently flexible to balance four major objectives: (1) to maintain strict control over shipments of materials, equipment, vehicles, and scientific instruments having potential military significance; (2) to insure an adequate flow of essential commodities to the United States; (3) to minimize interference with the expansion of East-West trade in

(Continued on page 32)

UNITED STATES EXPORTS TO U.S.S.R.
1937-1948



1/ ANNUAL RATE BASED ON FIRST SIX MONTHS.

Human Relations and the Atom

By DAVID E. LILIENTHAL*

Chairman, U. S. Atomic Energy Commission

Pointing out release of atomic energy is most noteworthy recent achievement of science and industry, Mr. Lilienthal describes research leading to use of atomic bomb and the resulting joint declaration of U. S., Britain and Canada for international control. Scores Russia's opposition to Baruch proposal, and states, in absence of international agreement, U. S. is pressing forward with its own program of research and development.

It is a privilege, a happy privilege, to participate in the opening of this Jubilee of the formation of Greater New York. This celebration is in the best American tradition. For though we are by common accord the most forward-looking people on earth, we never lose an opportunity—as this great Jubilee demonstrates—we never lose an opportunity to celebrate our past. And the events of our past we most delight to honor are those achievements that represent the greatest of our skills as a people, and the greatest hope for the future.

David E. Lilienthal

It is not our riches we most celebrate, nor our great scientific, and technical advances, nor even advances in medicine or industry or military progress or artistic and literary excellence. No, we reserve the demonstration of our highest respect and most intense feeling of pride in quite another kind of progress—in those events that carry us along the road we believe most important of all—the art of getting along together.

We Americans understand with great clarity that learning the art of getting along together is mankind's most difficult and by all odds its most important and most rewarding problem. To us that great social invention, our Constitution and the Bill of Rights, is mightier in our esteem than the invention of the electric dynamo; the fact that here in Greater New York eight million people have developed ways of working together in peace and dignity is more important than all New York's skyscrapers, world famous though they are.

We see that learning how to make scientific advance serve mankind, how to make it part of the stream of man's everyday living, is more difficult, more subtle and more important than the solution of technical riddles. We see in the United Nations a great effort to develop further those very skills of living together in peace and justice, and in generousness of spirit, that we in this country have carried forward among ourselves with such heartening success. The day of science and technology in which we live increases rather than diminishes the importance of these social inventions.

Most Noteworthy Scientific Achievement

The most noteworthy recent achievement of science and industry—the release of the energy within the atom—is an illustration on a grand and dramatic scale of this very proposition.

This discovery had behind it more than 30 years of the work of many minds in many lands throughout the world. The development of the atomic bomb itself was the result of the working together of men of science and technology in Great Britain, Canada and the United States. The even more difficult and more important task of living with the atom, the problem of effective international control, is also one that has seen the pooling of the minds and purposes and efforts of men in many countries. It is an effort thus far not crowned with success it is true—far from it—but one that will and can be solved only by the principles of human cooperation, principles espoused by this country and by the spokesmen of many other nations as they were discussed, for so many patient months, at Lake Success.

As I have said, the wartime development of atomic energy, of the atomic bomb, is an illustration of these very things.

Beginning in 1940, before Pearl Harbor, scientific knowledge, useful in war, was pooled between the United States and Great Britain. It was under that general policy that research on the atomic bomb began. In his statement Aug. 6, 1945, announcing the use of the atomic bomb, President Truman said that the availability in the United States of a large number of scientists and the essential industrial and financial resources necessary for atomic energy development, plus the relative security of the Western Hemisphere, were the important reasons behind the decision of President Roosevelt and Prime Minister Churchill to locate and carry on the major portion of the effort in the United States and Canada. Accordingly, scientists of these three governments joined efforts and shared information in many parallel fields during the war years.

In August, 1943 the three governments established a committee known as the Combined Policy Committee, consisting of representatives of the United States, Canada, and the United Kingdom,

(Continued on page 31)

*Address by Mr. Lilienthal at Preview Supper for opening of the Atomic Energy Exhibit at Golden Jubilee Exposition, New York City, Aug. 21, 1948.

Canadian Securities

By WILLIAM J. McKAY

Progressive industrial interests throughout the world are becoming increasingly aware of Canada's tremendous potential for future development. The current world sources of essential raw materials for industry are dwindling to an alarming degree. On the other hand in view of the accelerated rate of population growth in conjunction with the revolutionary technological advances of the past decade, it is essential to assure an even greater flow of industrial requirements. With the needs of national security superimposed on this picture it is not difficult to appreciate the growing importance of Canada's role in the world economic scheme.

In every respect the Dominion is admirably adapted for immediate economic expansion on a vast scale. As long foreseen the fabulous mineral-rich Canadian Pre-Cambrian Shield which covers an area in excess of 2 million square miles will ultimately fulfill its logical destiny to become the world's foremost source of supply of minerals of every description. The geographic situation of the Dominion is also an asset of incalculable value. Its proximity along a 4,000-mile border to the world's greatest industrial power and the community of interests which exists between the two countries will accelerate Canadian development in no small degree.

Already the needs of national security are causing urgent attention to be given to the rapid development of Canada's vast but sparsely populated Empire of the North. Economic as well as military considerations emphasize the necessity of new northern railroad links with civilization to the south. Current plans envisage an extension of the Pacific Great Eastern Line in British Columbia to Alaska, the construction of a railroad to connect the Quebec-Labrador iron-fields with tidewater on the Gulf of St. Lawrence, and a further new line from the site of recently announced titanium-iron deposits in northern Quebec to the Gulf of St. Lawrence.

In addition to the spectacular mineral and oil discoveries that are now becoming a regular occurrence prominent U. S. and British industrial concerns are now fully alive to the advantages offered for the location of branch plants in Canada not only to serve the domestic market but also the world market. Recent notable instances are afforded by the announcement by the British Austin Motor Company of the purchase of a plant in Hamilton, Ontario, and the acquisition by the important Hawker-Siddely industrial group of an airplane factory in Malton, Ontario. The same interests have also entered into an arrangement with Leyland Motors Ltd., England, under which Leyland Diesel bus engines will be assembled in Canada for the North American market.

As a result of this unmistakable trend it would be not at all surprising if before long the Canadian authorities will have another financial problem to consider. This time, however, it will not be a case of finding ways and means to prevent an efflux of foreign capital from Canada, but rather the solution of the problem of regulating the flow of funds from abroad anxious to share in what is likely to prove to be Canada's greatest era of economic expansion.

During the week the external section of the bond market, and notably the provincial issues, registered a further decline, but at the lower prices there was sufficient demand to absorb the available offerings. There was little activity in the internals where prices were mostly unchanged, and the market for free funds was also quiet and inactive. Stocks on the Toronto exchange displayed a better tone after the recent decline, and there was a resumption of demand for the base-metal and Western Oil issues. The golds also aroused more investor interest in the belief that prices in this section are now at rock-bottom.

Scores FRB Margin Restrictions

W. G. Paul, President of Los Angeles Stock Exchange says there is no justice in limiting 25% margin to listed stocks.

In the course of his prepared address on the Regional Stock Exchanges before the National Association of Securities Administrators in Portland, Ore., on July 19, (which appeared in the July 29 "Chronicle"), W. G. Paul, President of the Los Angeles Stock Exchange took occasion to criticize the Federal Reserve's margin restrictions on listed securities and asked for a reconsideration of these regulations. Said Mr. Paul:

W. G. Paul

"Unwarranted or unnecessary regulations which add to the problems or hinder the effective functioning of exchanges should have reconsideration. . . . The present credit restrictions of the Federal Reserve Board are a good example. Where is the justice in limiting to 25% the amount which may be loaned to purchase or carry a listed stock when banks may exercise their own judgement as to the amounts they will loan on unlisted stocks? Aside from the fact that this restriction represents an exercise of regulatory power for a purpose not contemplated by Congress in establishing credit controls, it creates an added deterrent to listing by imposing a collateral penalty on listed stocks and in addition contributes to inactive exchange markets."

Canada's 1948 Capital Investment at $3 Billion

This is 25% higher than previous year and an all time peak in Canada's history.

Capital investment in Canada is expected to reach an all-time high of $3 billion during 1948, a government survey has revealed. The mid-year analysis issued by the Canadian Government's Department of Reconstruction and Supply increases by $200 million the forecast put out at the start of the year.

The report declares that in 1948 the capital expenditure program of business, institutions and government is likely to be, in dollar terms, 25% higher than the $2.4 billion actually spent in 1947. However, the major portion of this rise, perhaps 15%, will be due to increases of construction costs and prices of machinery and equipment, while only the remaining 10% will represent an advance in the actual volume of investment.

The total investment program of $3 billion is the largest on record in Canada's history. This is new investment only, and does not include repair and maintenance expenditures. It is made up of construction expenditures of $1.7 billion, and purchases of machinery and equipment amounting to some $1.3 billion. Compared with 1947, construction is up 28% and machinery and equipment purchases are up 21%. Against the earlier forecast, the mid-year survey shows increases for construction and machinery and equipment of 6 and 8% respectively.

All major segments of the economy indicate increases in their capital expenditure programs over those forecast six months ago. The commercial, merchandising and service group leads percentage-wise with an increase of 18%, followed by utilities with 11%, which represented the biggest dollar amount, and by manufacturing with 7%. Smaller increases are anticipated by primary industries and the construction industry, 4%; housing and direct government, each 3%; and institutions, 2%. Mainly because of large increases in government-owned utilities, public investment expenditures, including direct government owned and operated enterprises, institutions and housing were up 11%. This compared with an increase of private investment covering capital expenditures by business enterprise, privately-owned utilities, institutions and housing of 6%.

Housing expenditures are now put at $618 million, allowing for the completion of 87,000 units in 1948, or about 10% more than in the preceding year. This program tops the prewar record by about 20,000 units and the postwar record so far achieved by about 8,000 units. The increase in capital expenditures forecast by the manufacturing industry is noteworthy, since earlier this year this group of industries anticipated investment expenditures for 1948 only 8% higher than in 1947. Allowing for price changes this meant a decline in the volume of investment was anticipated. The manufacturing industry as a whole now expects to spend some 16% more in 1948 than in 1947.

Current Real Estate Trends

By DR. ARTHUR M. WEIMER*
Dean, School of Business, Indiana University

Indiana land economist reviews general business outlook and recent trends in real estate and predicts, despite rising material prices and continuation of high costs, prices of real estate may level off in near future. Warns, however, of impact of expanded defense program and European aid activities, which may bring about further inflationary pressures.

I.
The General Business Outlook

Most observers at this time are of the opinion that he new inflationary forces generated by the military preparedness program and the expenditures of the Economic Cooperation Administration will maintain business activity and prices at relatively high levels over the period of the next year or two. It is hard to predict what might have happened if these two programs had not been inaugurated. There is some reason to believe that the the spiral of rising prices and costs might have been halted during the latter part of the current year.

Arthur M. Weimer

However, the two new programs will result in a considerable volume of expenditures on the part of our government and they will be expenditures of a type which are similar to those resulting from war time activity. In other words, neither producers' nor consumers' goods which are to be used within the economy are likely to result from these programs except to the extent that foreign goods are given in partial payment for the expenditures made under the aid to Europe program.

There are some deflationary forces, of course. We are catching up with a number of consumer demands; interest rates generally have tended to rise; inventories are at relatively higher levels and many business firms are watching their accounts receivable more carefully. In addition, many luxury goods are moving slowly and the entertainment business has declined somewhat. From time to time we have witnessed rather sharp declines in prices, the most notable being in the field of agricultural prices earlier this year with subsequent recovery and the most recent being in the area of fats and oils.

Nevertheless, the over-all balance now favors inflation as against deflation or "counter inflation tendencies."

The third round of wage increases has now been pretty well completed with substantial wage adjustments. In many cases these wage adjustments will have a very important effect on costs of production which in turn, of course, probably will result in higher prices.

There is some evidence that people in lower income groups are being forced to use up savings and to economize very rigidly in order to adjust to the continually rising cost of living. The wage advances which have been made do not benefit all types of wage earners

(Continued on page 34)

*An address by Dean Weimer at the Graduate School of the American Savings and Loan Institute, Indiana University, Bloomington, Ind., Aug. 18, 1948.

Details of New Treasury Savings Notes

Secretary Snyder announces terms of Series D issue to be available Sept. 1.

Secretary of the Treasury Snyder announced on Aug. 18, the details of the new Treasury Savings Notes, Series D, which will become available for purchase on Sept. 1, 1948, and the termination of the sale of Treasury Savings Notes, Series C, at the close of business Aug. 31.

John W. Snyder

The new notes of Series D will be dated as of the first day of the month in which purchased, will mature three years thereafter, and they will will be issued at par. Interest on the notes will accrue each month from month of issue, on a graduated scale, the equivalent yield if held to maturity being approximately 1.40% per annum. The amount of accrual each month on each $1,000 principal amount of notes, from month of issue to month of maturity, is shown in the accompanying table.

The Secretary also announced that the period during which the new notes may not be submitted for cash redemption has been decreased from six months to four months from month of issue.

Like Series C, the new notes of Series D will be available for use in payment of income, estate and gift taxes imposed by the Internal Revenue Code and assessed against the owner of the notes or his estate. If not presented in payment of taxes, and except for those in the names of banks that accept demand deposits, the notes of Series D will be redeemable at par and accrued interest, either at maturity or during and after the fourth calendar month after the month of issue. If inscribed in the name of a bank that accepts demand deposits, the notes will be accepted at par and accrued interest in payment of taxes, but redeemed for cash at or before maturity only at the purchase price, or par.

The new Treasury Savings Notes, like those of prior series, will be issued only by the Federal Reserve Banks and branches, and the Treasury Department, Washington.

Half-year periods after month of issue	Interest accrual each month per $1,000	$1,000 principal with interest accrual (cumulative) to end of period added
First ½ year	$0.80	$1,004.80
½ to 1 year	1.00	1,010.80
1 to 1½ years	1.20	1,018.00
1½ to 2 years	1.30	1,025.80
2 to 2½ years	1.40	1,034.20
2½ to 3 years	1.40	1,042.60

China Proclaims A "Gold Yuan" Currency

To institute a "managed gold standard currency" backed by 100% reserve and convertible to foreign exchange under control. Action taken to reinforce American financial aid.

According to the Chinese News Bureau in New York, the Chinese Government, in accordance with the provisions of the Constitution and through a Presidential mandate, today proclaimed emergency measures of financial and economic reforms which will also reinforce the American aid. A managed gold standard currency, to be known as the "Gold Yuan," will be instituted. The new currency will be backed by 100% reserve and will be convertible to foreign exchange under control.

Banks to Close for Two Days

Dr. Hollington K. Tong, Director of Government Information Office, stated today that the Ministry of Finance has declared August 20 and 21 as bank holidays. During this two-day period, bank executives and business leaders of the nation will be summoned to Nanking for a conference to discuss ways and means whereby the banking and business communities may best cooperate with the government in measures of financial and economic reforms adopted by the government today.

Issues Statement on Reforms

Dr. Tong issued the following statement on the emergency measures:

"To cope with the serious situation arising from runaway inflation, soaring prices, loss of confidence in existing currency, acute imbalance of international payments and rapid dwindling of exchange resources, the government, in accordance with the provisions of the Constitution and through a Presidential mandate, proclaimed today (August 19) emergency measures of financial, economic reforms which will also reinforce the American aid.

"The following are the essential points of these measures:

"(1) The currency will be reformed. A managed gold standard currency, called 'Gold Yuan,' backed by 100% reserve and convertible to foreign exchange under control, will be instituted. Gold Yuan (dollar) notes will be issued up to a certain limit, and a Note Issue Reserve Supervisory Commission—consisting of government and civic representatives—will be established to conduct monthly inspection and keep custody of the reserve thereof. Outstanding *fapi* (legal tender) and Northeast Circulation Notes will be withdrawn within a limited period, and realistic rates of conversion and exchange will be adopted.

"(2) Gold, silver, silver dollars and foreign currencies held by the people are to be surrendered to the government at stipulated rates, holding and dealings in them by the people to be prohibited, and importation and exportation of same to be placed under control. Further, foreign exchange assets held abroad by Chinese nationals are to be registered with the Central Bank of China for control. Reasonable and appropriate utilization of such assets will be provided to meet private needs as well as national interests. Violations shall be strictly dealt with.

"(3) Efforts designed to balance national receipts and expenditures will be vigorously made, such as overhauling of revenue system, adjustment of tax rates according to prewar standards, development of state-operated enterprises to become self-supporting, disposal of 'surplus supplies' and enemy properties, checking up and reduction of civil and army personnel and other measures of financial retrenchment and control, with the goal that revenues may cover at least two-thirds of expenditures.

Balance of International Payments

"(4) To balance international payments, ways and means for promoting exports and absorbing overseas Chinese remittances will be adopted, while domestic production will be encouraged and consumption restricted as far as possible in the case of supplies imported from abroad, so as to save foreign exchange. Import quota will be cut down, in view of American aid supplies. To conserve government resources, reasonable and legitimate uses will be permitted of foreign exchange assets registered by Chinese nationals with the government.

"(5) Drastic measures, co-ordinated with the institution of the Gold Yuan, will be adopted to control and stabilize prices, salaries and wages. After their conversion in terms of Gold Yuan, no increase will be permitted unless approved by the authorities in charge for special reasons. Payment of salaries and wages on the basis of cost of living index will be discontinued in all public and private institutions. Inspection of godowns will be enforced, and factory closures and strikes prohibited. On the other hand, pay for civil employees and the Army is to be adjusted and improved.

"(6) Measures of economic and banking control will be tightened and strengthened, particularly with respect to the nature and amount of credits extended by government and commercial banks, scope of activities of credit co-operative societies, elimination of banks either inadequately capitalized or improperly operated, lowering of market interest rates and adjustment of domestic remittance charges and other related measures."

Finance Minister on Reform Measures

In answer to questions from newspaper correspondents, Wang-Yun-wu, Minister of Finance, declared that the government in deciding on the present currency reform, has in mind not only the stabilization of prices but also, through the stabilization of the currency, to come closer to a balanced budget.

"The approximation of revenues and expenditures will in turn contribute to the stabilization of the currency," he said. "Therefore, the government, after the institution of the present currency reform, will make special efforts to keep the national budget as close to being balanced as possible."

"After a careful study of the annual incomes and expenditures of the government for the past decade," he continued, "although (due to fluctuation in the value of the currency at different periods of time) I am unable to give definite comparative figures in *fapi*, it is possible for me to use figures in United States currency—on the basis of the average exchange rate prevailing in any given year—to draw a fairly accurate picture.

"On this basis, the postwar annual government expenditure is calculated to be in round figures, U. S. $1,000,000,000. On the same basis, the total expenditure for the first half-year of the fiscal year 1948-49 is not more than U. S. $400,000,000. If economy is exercised on a national scale and adequate controls are rigidly enforced, it is possible to reduce the average annual expenditure to U. S. $900,000,000 which sum is equivalent to 3,600,000,000 gold yuan."

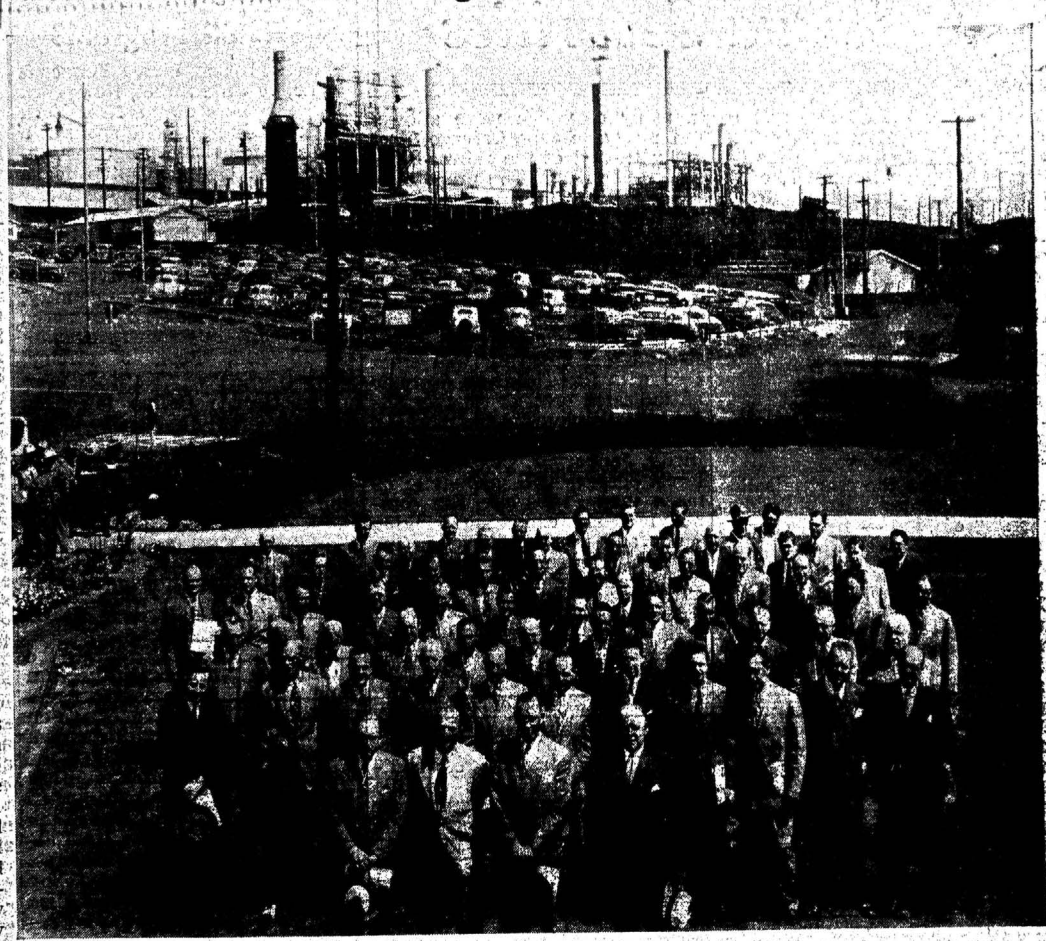
"Deficit Less than 30 Per Cent"

On the side of expected revenue returns, Minister Wang stated that "after effective readjustment of all taxes and imposts following raising the tax rates on all luxury goods, on the basis of prewar rates, and after the rationalization of the import and export policies, it is conservatively estimated that Customs duties; direct taxes; salt tax; other taxes and the profits from the state-owned enterprises; the sale of surplus supplies, enemy-owned properties and traitor-owned properties will bring a total revenue of 2,460,000,000 gold yuan for the fiscal year 1948-49 (July 1, 1948 to June 30, 1949).

Comparing the revenue returns with the government expenditure of 3,600,000,000 gold yuan, the deficit will not be over 1,140,000,000 or less than 30% of the government expenditure. Of this deficit, a part will be made up through the judicious use of the American aid program; the remaining part will be made up through the issue of gold yuan bonds.

Whether the foregoing general picture of the budget can be effectively realized in practice, the Finance Minister added, will depend on the following: "On the side of revenues, on the support of the members of the Legislative yuan and the efforts to be made by all concerned; and, on the side of expenditures, the government, especially those whose function is to administer military expenditures which account for the larger part of our annual government expenditures. Should special retrenchment be exercised in military expenditures, the economy thus affected will be appreciable."

San Francisco Exchange Members Visit Oil Refinery



Members of the San Francisco Stock Exchange, Bay Area Bank representatives and local newspapermen at Union Oil Company of California refinery at Oleum, California. Front row, from left to right: Hubert J. Soher, Chairman of the Stock Exchange Listing Committee; Ronald E. Kaehler, President of the Stock Exchange; Douglas G. Atkinson, Chairman of the Stock Exchange Board of Governors, and W. A. Newhoff, Vice-President of Union Oil Company of California, in charge of Oleum operations.

Notes Lower Rate of Industrial Output

U. S. Commerce Dept. ascribes moderately lower rate of postwar output to material shortages.

Though reporting output of industry was higher in first half of 1948 than for same period of 1947, the U. S. Department of Commerce, which gathers this data, states "The rate of advance was probably the slowest for any six-month period since the postwar uptrend began, with few industries reporting gains in output and more reporting downward adjustments. It is apparent that additional industries have been added to the list of those which have worked off demand backlogs though in a number of major industries the unfilled orders are still large. A few industries have staged a renewed upturn after experiencing an earlier setback."

According to the Survey of Current Business, a monthly publication of the Commerce Department, operations in basic industries in June and July were hampered by material shortages. However, manufacturers' new orders were larger during June in some industries that had been drifting lower during the early months of 1948.

Covering the topic of prices, the Commerce Department noted that "in recent weeks the area of rising prices has broadened and the pace of the advance has quickened." There was an exception to this, however, in farm prices, where the prospect of good crops has reduced grain prices about 15% in the past three months.

Improved Earns. Outlook Seen for Drug Industry

There is growing evidence of a turn for the better in the fortunes of major drug companies, says the United Business Service in its weekly report issued on Aug. 23. Recovering from the decline in 1947, the industry's profits appear headed for a near-record level this year.

Unlike lines where expanding earnings reflect successive price markups for major products, the drug industry is deriving its improvement mainly from rising sales and the use of new and more efficient facilities. Research is also opening new markets, and the future possibilities in this respect appear almost unlimited. Sharp gains in export business are providing an additional stimulus to sales volumes. Exports last year reached $177 million—more than 10 times the prewar volume. This is attributable both to new products and the fact that this country has taken over the former position of Germany as the leading exporter of drug items.

The fact that prices of most drugs have not been marked up as drastically as most consumer items will provide a cushion in any period of general price deflation. Margins of most companies in the event of a business setback should be relatively well maintained as a result of lower raw materials costs. It has been the experience of most companies in this field to weather periods of business recession better than the average for industry generally.

Drug shares as a group sell at rather high price-earnings ratios—in reflection of the relatively stable character of earnings and dividends. While yields in most cases are not particularly liberal, they are generally satisfactory considering the long record of dividend payments by most companies and the industry's strong long-pull growth features.

Railroad Securities

Except for a few small roads, many of which were allowed nothing in the way of a fixed interest mortgage debt, Chicago, Rock Island & Pacific was the most severely treated of the railroads reorganized under Section 77 of the Bankruptcy Act. The proposal of the ICC was particularly drastic in the first place. On top of that, the treatment of publicly held obligations was never liberalized to reflect the reduction in claims during the trusteeship period. Old fixed charges had been in excess of $13.3 million. The Commission allowed new fixed charges of some $1,915,000, with contingent interest requirements of $3,600,000 representing interest requirements on $80 million of income 4½s, 2019.

By the time the reorganization had been consummated—the beginning of 1948 — fixed charges had been reduced below $1,700,000. Moreover, it was necessary to issue only $74,007,000 of the $80,000,000 income bonds. Not content with the severe reduction in debt accomplished in the reorganization, the management of Rock Island has engaged in an aggressive program of bond purchases ever since the new company came into existence. Retirement of the new First Mortgage bonds has apparently been confined largely to sinking fund operations. A small undisturbed divisional comes due on Jan. 1, 1949, however, and will be paid off. With this and the sinking fund on the 1st 4s, non-equipment fixed interest debt by the beginning of 1949 will have been reduced to roundly $25 million. It was close to $300 million before bankruptcy.

The most spectacular job has been done on the income bonds. The Commission had provided for a total of $80 million. Only about $74 million were issued on consummation of the plan. Purchases since the beginning of the year have reduced this to between $50 and $52 million. The company has recently asked for tenders of additional bonds at 87, and has announced that it will take up to $12 million at that price. It was further announced that substantial blocks of the bonds had already been offered at that price. With the completion of this operation at the end of this week the amount of income bonds outstanding should be reduced to, or below, $40 million, or about half the amount originally authorized by the ICC in its particularly drastic reorganization plan.

Under any reasonable market conditions the road would be able to refund the small issue of 1st 4s at a considerable interest saving. Whether it will be able to do so late this year is a moot question. Even if such an operation is not feasible the company will enter 1949 with fixed charges down to an indicated level of roughly $1,530,000 allowing for the payment of the small divisional lien at maturity, January 1. Contingent interest charges will amount to no more than $1,800,000. The combined total, excluding sinking funds and the capital fund (the latter will presumably be covered by depreciation of way and structures), will amount to no more than $3,330,000. This will be more than $10 below old fixed charges.

Equipment obligations are outstanding at less than $10 million. By the beginning of next year, then, total debt, including income bonds, should be under $75 millions. In comparison, gross additions and betterments to the properties, including equipment, amounted to more than $100 million in the years 1940-1947, inclusive. Following the debt of less than $75 million there are 914,527 shares of preferred stock with dividends of $5.00 a share, and 816,303 shares of common stock. The total of charges coming ahead of the common stock, not allowing for sinking funds and the capital fund, will amount to roughly $7,905,000.

With this outstandingly conservative capitalization it is small wonder that railroad analysts look with particular favor upon the Rock Island income bonds and preferred stock as the most conservative media of their class in the reorganization group of railroads. The common stock has also been attracting considerable long-term buying. It is generally considered safe to assume that the stock is on a $3.00 annual dividend basis. Moreover, with completion of the present accelerated debt program an even more liberal policy appears quite likely, probably in the form of year-end extras. Earnings this year may reach $10.00 a share.

New Zealand Raises Currency to Par With Sterl'g

In surprise action, value of its pound takes leap from $3.24 to $4.03. Measure taken as anti-inflation step. Australian pound remains at $3.23.

Walter Nash, New Zealand Finance Minister, in presenting a budget speech in the New Zealand Parliament on Aug. 19, announced that the Commonwealth would immediately restore the value of its currency to its former parity with the British Pound Sterling. Since 1933, the official rate of exchange with sterling was 125 New Zealand pounds to one £100 sterling. In making the announcement of change in value of New Zealand currency the Finance Minister stated:

"If the income of our country is to be equitably shared, as everyone agrees it should be," he said, "we must bring costs down, and action to do so must be immediate. When in 1929-1933 a fall in overseas prices jeopardized the primary production industries of this country, it was generally agreed that some action was necessary to maintain them.

"Whether the actual course followed was wise is debatable, but it was decided to depreciate the New Zealand rate of exchange to 125 New Zealand pounds to 100 pounds sterling, and that rate has been operating up to now. Present comparative index figures suggest adjustment of the rate is now necessary.

"After examining the whole position, it has been decided to appreciate our currency from the present rate to parity with sterling."

Announcement of New Zealand's action led to rumors that the Australian pound, which also since 1933 has been at 25% discount compared with sterling, would also be revalued, but this was denied by Australian Prime Minister Chifley.

Since New Zealand is not a member of the International Monetary Fund, the sanction of that body is not required in making a change in the value of its currency.

Merrill Lynch Sponsors Television Programs

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange, will sponsor a series of television programs featuring Dr. George Gallup for a nine week period immediately preceding the election, it was announced by the investment banking and brokerage firm. The show, which will be broadcast in ten major cities across the country, will be seen in the New York area over WCBS-TV, Sunday evening at 10-10:15, Sept. 5 through Oct. 31.

The George Gallup television program is the first major coast-to-coast television program sponsored by Merril Lynch. Early in 1947 the firm sponsored a television showing of the New York Stock Exchange film "Money at Work" over CBS television facilities in New York. This was the first time that any investment banking house had used television.

Merrill Lynch is sponsoring the Gallup program because the firm believes that it represents a real contribution to public education about public issues, the firm said. In addition to reviewing the strength of the major political candidates, studio participants representing a cross section of the public will be polled by Dr. Gallup before the television cameras. Dr. Gallup will also analyze by means of graphs, charts and films the state of public opinion as revealed by his surveys.

Orvis Bros. Opening Branch in New Orleans

NEW ORLEANS, LA.—Orvis Brothers & Co., members of the New York Stock Exchange, as of Sept. 1 will open a branch office in New Orleans at 215 Carondelet Street. The new office, which will have a direct teleprinter to New York City, will be under the management of Edwin G. Pinac. Also associated with the new branch will be Julian B. Doskey.

Francis Roth Joins Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Francis W. Roth has become associated with Merrill Lynch, Pierce, Fenner & Beane, 411 North Seventh Street. Mr. Roth was formerly Vice-President of O. H. Wibbing & Co.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes: Frank Feinberg will retire from partnership in Jacobs & Low on Aug. 31; Thomas F. Lough, partner in Faroll & Co., died on Aug. 15.

With Griffin & Vaden

(Special to THE FINANCIAL CHRONICLE)

KINSTON, N. C. — David E. Oglesby, 814 North College Street, has joined the staff of Griffin & Vaden, Inc., of Raleigh, as district representatives. Mr. Oglesby was formerly with R. S. Dickson & Co., Inc.

Futures Inc. in NYC

Futures, Inc., is engaging in a securities business from offices at 60 Broad Street, New York City.

Trinway Corp. Opens

The Trinway Corp. has opened offices at 65 Broadway, New York City, to engage in a securities business.

Lists Strategic Materials

Earl Bunting, Managing Director of NAM, under authorization of Rear Admiral Roger W. Paine of Munitions Board, announces 30 items help industry cooperate in stockpiling.

A list of 30 strategic materials, essential to stockpiling for the nation's military security, was made public on Aug. 24 by Earl Bunting, Managing Director of the National Association of Manufacturers, which is cooperating with the Munitions Board in accelerating the stockpiling program.

Earl Bunting

The names of the items at present most critical to stockpiling were released by authorization of Rear Admiral Roger W. Paine, Deputy Executive Chairman of the Munitions Board, Mr. Bunting said, "to clear up confusion and speculation as to what the government needs and to help industry aid more effectively."

On the list, not necessarily in order of importance, are rubber, lead, castor oil, cadmium, cocoanut oil, copper, managanese, palm oil, quinidine, shellac, zinc, cordage fibers, mica, asbestos, bauxite, beryl, bismuth, chromite, columbite, corundum, industrial diamonds, graphite, kyanite, monazite, nickel, pepper, talc, tin, tungsten and vanadium.

Mr. Buting said a series of informal meetings with representatives of industries which use the critical materials, some of them imports, are being planned here. Methods of industry cooperation in speeding the stockpiling will be explored by Mr. Bunting, R. Webb Sparks, assistant director of the National Industrial Council for the manufacturing trade associations group, and industrial association representatives.

Under the industry-assistance plan, formulated by Thomas J. Hargrave, Munitions Board Chairman, and Mr. Bunting, procurement of the critical items will be stepped up through the cooperation of industries which import, produce or process the needed materials. These industries are being asked to obtain for the government a certain percentage in excess of their normal supply.

Within the next few days, specific information concerning the amount of each material required for immediate or long-term stockpile purchase will be forwarded to the trade association representing industrial users of the material in question, Mr. Sparks reported.

In cases where users of the materials cannot be kept informed through trade groups, individual firms will be approached by Mr. Bunting for discussion of methods of cooperation with the stockpiling program.

Required amounts of the materials vary considerably, Mr. Bunting said, but as an average represent a "very small percentage of the national production each year." No significant inflationary effect is anticipated from the stockpiling, he added, emphasizing that purchase of the materials in an orderly fashion, by men accustomed to buying and processing them, should eliminate any disturbing competitive bidding for the products in the world markets, on the part of government and industry.

While a total of 67 materials are included in the "Group A" list of stockpile items, the Munitions Board requested industry action at this time only on the 30 items announced. "Group A," according to the Munitions Board, comprises those strategic items for which stockpiling "is deemed the only satisfactory means of insuring an adequate supply for a future emergency."

Strategic and critical materials grouped as "B" and "C" are recommended for stockpiling only under certain conditions, governed in part by adequacy of supply and practicability of storage. The Munitions Board notes that "materials in all three groups are subject to constant surveillance and review."

IBA Unit Will Resume Training Course

Central States Group to sponsor program of instruction in investment banking starting Sept. 22.

It has been announced that the seventh training course in investment banking sponsored in Chicago by the Central States Group of the Investment Bankers Association of America will open Sept. 22 and run through March 2, 1949. The class will be offered by the group in cooperation with the School of Commerce of Northwestern University.

Arrangements were made by the group education committee, under the Chairmanship of Lee H. Ostrander, partner, William Blair & Co., with Dr. Paul L. Morrison, Chairman of the department of finance, Northwestern University. The course will be under the general supervision of Dr. Harry G. Guthmann, professor of finance. Warren Browne, assistant professor of finance, will be the instructor.

Meetings are held Mondays and Wednesdays in the Austin Building and Fridays in the Field Building, from 3:00 to 5:00 p.m. The Friday sessions will feature lectures by specialists in the respective fields: State and Municipal Obligations, Over-the-Counter Markets, Syndicating and Marketing New Issues, Organization and Buying of Securities, Utility Securities, Canadian Bonds, Obligations of the United States, Railroad Securities, Growth Stocks, Industrial Securities, Financial Statements and Corporate Reports, Management of Portfolios for Individuals, Fiscal Policy, Insurance Company Portfolio Management, Operation of the Stock Exchanges, Regulation and World Bank.

The course is designed to provide a broad perspective and intensive training in the basic fundamentals of investment banking to assist inexperienced men to coordinate theory with on-the-job training and practical experience.

John F. Fennelly, partner, Glore, Forgan & Co., Chairman of the IBA national education committee, said today that similar courses are being planned for this fall in New York and other financial centers of the country.

With White & Company

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Claude E. Morse has been added to the staff of White & Co., Mississippi Valley Trust Bldg., members of the St. Louis and Chicago Stock Exchanges.

A. S. Kirkeby Opens

Arnold S. Kirkeby is engaging in a securities business from offices at 150 Central Park South, New York City.

Reports Britain Hampered by Higher Import Price

In first half of 1948, average price of British imports rose 10%, whereas price of exports advanced only 3%.

According to the British Information Service, during the first six months of this year the average price of British imports has risen by 10% while the average price of British exports has risen by only 3%. It is estimated that during the second quarter of 1948 the terms of trade—the relation between the level of prices of goods imported and goods exported—have deteriorated by 6% compared with the average for 1947.

The main rise in the cost of imports has been due to higher prices of raw materials, which have increased by 14% since the beginning of 1948 and by 48% since the beginning of 1947. Imported manufactures showed a rise of 8% during the first half of 1948. Food and tobacco costs have also shown an upward trend during this period.

During the first half of this year raw materials accounted for about 32% of Britain's retained imports and slightly exceeded 90% of the prewar volume. Food and tobacco imports, which were 72% of their 1938 volume, accounted for 43% of total imports. Further price rises are in prospect. An increase of 30% for Canadian wheat came into force on July 1, although it will probably not be reflected in the trade accounts until October. New long-term contracts for dairy produce and meat suggest that next season's prices for these foods may, on the average, cost 15% more than last season's. It is expected that some grain, cotton and wool prices may be cheaper than last year, but costs of lead, zinc and other metals are likely to become dearer.

The rate of increase in British export prices has slowed down considerably since about the middle of 1947. In the last three months manufactured goods—the main category of British exports—have shown only a slight increase in prices. Textiles have risen by 4% while prices of metal goods and other manufactures have risen at a declining rate.

The movement of the terms of trade against the United Kingdom is one of the main factors causing the present balance of payments problem. This arises from the fact that while Britain's imports consist mostly of food and raw materials, her main exports are manufactures. While over three-quarters of Britain's exports are manufactures, nearly nine-tenths of her imports are primary products. Thus as long as the world demand for primary products continues greater than the demand for manufactures, the terms of trade will be against Britain.

Import and Export Prices
(1938=100)

	Imports	Exports
1946	223	210
1947	263	244
1948 Jan.	269	244
Feb.	275	247
March	277	248
April	283	251
May	286	251
June	290	252

New Instalment Credit Curbs Effective Sept. 20

On Aug. 19, in line with authority given recently by Congress, the Board of Governors of the Federal Reserve System announced new regulations of instalment credit in a revised "Regulation W" to take effect Aug. 16. The text of the Federal Reserve statement follows:—

The Board of Governors of the Federal Reserve System today issued Regulation W on "Consumer Instalment Credit" under Public Law 905 which the President signed on Aug. 16, 1948. The regulation which becomes effective Sept. 20, 1948, is being published in the Federal Register, and copies will be distributed by the Federal Reserve Banks as promptly as possible.

The regulation is in much the same form as that which terminated on Nov. 1, 1947. It covers instalment sales of and loans for 12 kinds of consumers' durable goods, providing the cost is more than $50. It also covers instalment loans for most other consumer purposes. Instalment credits up to $5,000 are subject to the regulation.

The goods for which down payments are prescribed are as follows:

Article	Down Payment
1. Automobiles	33⅓%
2. Cooking stoves	20
3. Dishwashers	20
4. Ironers	20
5. Refrigerators	20
6. Washing machines	20
7. Combination units incorporating any items in 2-6	20
8. Air conditioners, room unit	20
9. Radio and television sets, phonographs	20
10. Sewing machines	20
11. Suction cleaners	20
12. Furniture and soft-surface floor coverings	20

Maturities on all instalment credits subject to the regulation, whether to finance the purchase of these articles or not, must come within the following requirements:

Credit	Maximum Maturity
1. Not exceeding $1,000	15 mos.
2. Above $1,000, except that monthly payment on amounts over $1,000 must not be less than $70	18 mos.

Since Nov. 1, 1947, when the old regulation ended, terms offered by merchants and lenders extending credit have been relaxed considerably. The requirements of the new regulation are somewhat less restrictive than those of last November but considerably tighter than terms now generally in effect. The down payment requirements, on appliances are lowered from one-third to one-fifth. Also, to take care of late-model automobiles and certain other items where the expenditure must necessarily be large, the maximum maturity for credits above $1,000 is set at more than 15 months, running up to 18 months. At the same time, the scope of the regulation is broadened to include all credits up to $5,000 whereas $2,000 had been the limit under the previous regulation.

Instalment credit for home improvements was eliminated from Regulation W after the close of the war, and it is at present not covered in the regulation. Because of the current inflationary situation, however, the Board is considering the advisability of an amendment to bring such credit under the regulation. Before deciding whether to do this, the Board wishes to give all who are interested an opportunity to express their views. Accordingly, the Board will publish in the Federal Register an invitation to interested persons to submit comments on the question whether such an amendment would be desirable.

The Board is also giving consideration to an amendment which would have the effect of making unenforceable any contract which does not conform to the provisions of the regulation on down payments or maturities. A similar procedure for receiving comment will be followed.

Regulation W will be administered in the field by the 12 Federal Reserve Banks and their 24 branches located conveniently throughout the country. Inquiries should be addressed to the nearest Federal Reserve Bank or branch.

N. Y. Curb Appoints New Vice-President

Francis Adams Truslow, President of the New York Curb Exchange, has appointed Charles E. McGowan, Christopher Hengeveld, Jr., and Martin J. Keena Vice-Presidents of the Exchange, with the approval of the Board of Governors, it has been announced. They will head the three principal divisions of the Curb under a realignment of responsibilities for the administrative work of the Exchange, which formerly fell under four departmental directors.

Mr. McGowan will head the division of transactions and will continue as Exchange Secretary. Mr. Keena will continue in charge of the division of securities. Mr. Hengeveld heads the division of administration and will continue as exchange treasurer.

The realignment of administrative responsibilities was made following the resignation effective Oct. 1 of Henry H. Badenberger, director of the former department of outside supervision. Mr. Badenberger will become a general partner in a member firm of the Exchange. This change consolidates the activities of his department with those of the old department of transactions and quotations under the new division of transactions.

Within the transactions division, Mr. McGowan will be assisted by Edward Kelly in matters related to member admissions, partnership changes and business conduct, by Frank Cavanaugh on outside supervision of member firms, and by Arthur A. Bellone and Edward O'Meara on floor transactions. The staff division will be under the supervision of the Exchange governing board's standing committees on admissions, floor transactions, outside supervision and business conduct.

Mr. Keena will be assisted in the general work of the division of securities by Bernard H. Maas and on new business matters by Winthrop A. Mandell. This division is supervised by the governing board's committee on securities.

In the general work of the division of administration, Mr. Hengeveld will be assisted by Joseph R. Mayer, Assistant Treasurer of the Exchange, while Wilmont H. Goodrich, director of the building department, will assist in the work of that department. The committee on finance and the realty committee will supervise the several activities of this division for the Board of Governors.

Hyney With Sills, Minton

(Special to The Financial Chronicle)

CHICAGO, ILL.—Ralph S. Hyney has become associated with Sills, Minton & Co., Inc., 209 South La Salle Street, members of the Chicago Stock Exchange. Mr. Hyney was formerly with A. C. Allyn & Co.

With Quail & Co.

DAVENPORT, IOWA—Hubert E. Nelson is with Quail & Co., Davenport Bank Building, members of the Chicago Stock Exchange.

Small Business Favors Gold Standard

Business group announces 10 to 1 vote favoring prompt return to gold standard. Favors Buffett Bill for establishing Monetary Commission. Chairman Virkus asserts deliberately-created mild inflation has become Frankenstein monster.

The Conference of American Small Business Organizations, a nationwide overall small business group acting on behalf of trade associations, Chambers of Commerce, and individual business firms, with headquarters at Chicago, has announced its unqualified support of prompt return to the gold standard on the basis of returns received to date from its questionnaires. The replies have thus far been 10-to-1 in favor of this resumption of sound money.

Frederick A. Virkus

In June, 1948, the Conference sponsored H. R. 6957, introduced by Congressman Buffett of Nebraska, for the creation of a second National Monetary Commission, modeled on the famous Aldrich Commission of 1908-12 which prepared the way for the Federal Reserve System. The Conference has renewed its endorsement of this bill, which is expected to be reintroduced in the next Congress.

In a statement just issued, Fred A. Virkus, Chairman of the Conference, said, "It was easy enough to bring on a 'mild' dose of inflation in 1933, by going off the gold standard and clipping the value of the dollar to 59.6 cents. But this managed money scheme of the fuzzy-minded New Deal brain trusters couldn't be made to work in a free economy any more than planned economy could be made to work by that same crew. Small business is credited with stopping the latter and we are equally determined to stop the managed money fetish.

Political Inflation-Creators in Panic

"The deliberately created mild inflation," said Mr. Virkus, "has grown to become another Frankenstein Monster which, as all history has demonstrated, eventually destroys its creator. It now has its political creators in a near panic, because the purchasing power of our 1948 dollar is equal to only 37 cents, compared to the 1934 dollar—and no limit is in sight. All the political soft-soaping cures for the wage-price spiral have been tried half-heartedly and they have all failed. Shifting the blame from one political party to another is puerile admission of failure. It offers no cure. It merely aggravates the disease."

"In the meantime," the statement continues, "the malignant inflation cancer is eating at the vitals of our economic life which is just what Communists are working for in this country. We cannot combat Communism by handing them the tools they use for destruction of free enterprise everywhere — depreciated currency. Government could, but won't do the obvious. It won't cut down expenses, taxes, subsidies, pork barrels and handouts until it is forced to do so by the votes from the grass roots back home—the most potent force in Washington."

Labor Must Contribute to Stabilization

"If we resume a sound money policy," Mr. Virkus said, "stabilization will certainly follow in which labor will be compelled to share. No pleas or arguments heretofore have been able to bring the labor monopoly to its senses and to the realization of its responsibility for its large part in promoting price inflation."

He contended that politics must be made to face the fact that printing press currency, without a tangible standard to measure its value, is the toboggan to ruin. "It is asinine," said Mr. Virkus, "to hold $23,600,000,000 of gold buried at Fort Knox, which is sterile—of no use to American citizens, although foreign nations can acquire it with their near-worthless currency."

The Conference points out that there are 3,800,000-odd small business concerns throughout America which are owned and operated on the average by 2½ persons, or a total of 9,137,000 American voters—a tremendous force which will be made to realize the serious consequences to themselves and to the nation if inflation is permitted to run its course.

Aggregate Personal Income Up

U. S. Dept. of Commerce fixes it at rate of $211.9 billion annually, compared with $207.2 billion in previous months.

Personal income increased to an annual rate of $211.9 billion in June from $207.2 billion in the previous month, the Office of Business Economics, Department of Commerce, has announced.

This large increase resulted from the absence of major labor-management disputes, the effects of third-round wage increases in some of the durable-goods industries, and higher prices received by farmers for livestock products.

The Department noted that the June increase, coupled with the reduced tax payments starting in May, had the effect of raising disposable income—the income available to consumers for spending, after payment of personal taxes—by more than 4% over the first quarter of the year.

The personal-income estimates include wage and salary receipts, net income of proprietors (farm and nonfarm), dividends and interest, net rents received by landlords, and other types of individual income. The annual rate data represent the seasonally adjusted dollar totals for each month multiplied by 12 to facilitate comparison with previous annual totals.

The June upturn in wage and salary payments centered in factory pay rolls which increased as a result of a longer workweek, higher hourly earnings, and an earlier-than-usual employment upturn in some of the nondurable-goods industries. Pay rolls in construction, trade, and in the government sector also increased.

Farm income rose as marketings of livestock and products increased contraseasonally and their prices rose over 5%. In part this increase was due to the settlement of the meat-packing strike and the need of packers to replenish their meat supplies.

Nonagricultural income — a measure of the income from nonfarm sources—rose by about $3 billion, at an annual rate, above its almost constant level of the last six months.

For the first half of 1948 the average of personal income was at an annual rate of $208.1 billion compared with $199.9 billion in the last half of 1947.

Says Bankers Contend Insurance Company Sales Of Government Bonds Aid Inflation

New York "Times" reports bankers hold Life Companies are selling bonds to Federal Reserve and using proceeds to make higher yield loans to industry. Parkinson asserts insurance companies are using only new funds for industrial investment.

The New York "Times" on Aug. 24, carried a double item in which it reported that bankers and financiers were concerned over the "cashing" of Government bonds by life insurance companies and using the funds to furnish new capital to industrial concerns, thus intensifying the inflation spiral. The opposite view was cited as being taken by a leading life insurance executive, Thomas I. Parkinson, President of the Equitable Life Assurance Society.

T. I. Parkinson

According to the "Times":

"Life insurance companies that sell government securities for the purpose of making long-term credit freely available to industry and to individual business on mortgages are deliberately intensifying the inflationary spiral, according to some banking observers. Such a policy, they asserted, takes advantage of the Federal Reserve System's program of supporting the market for the government's bonds, a program that apparently is essential under current conditions.

"These bankers, while refusing to be identified in any discussion of the subject, appeared to be in general disagreement with the views of Thomas I. Parkinson, President of the Equitable Life Assurance Society. They asserted that the life insurance companies had been buyers of substantial new capital issues in recent months, partly out of the proceeds of government bonds sold to the Federal Reserve.

"In every month for more than a year and a half, the bankers pointed out, the insurance companies have made loans of this nature, in excess of the increase in their admitted assets. And to make this possible they had to draw down cash or sell governments, both of which they have done, the bankers maintained. Under the market support program, it was explained, it is possible to take a profit on the sale of the bonds, while at the same time placing the proceeds into an industrial loan at a higher yield.

Cite Rise in Investments

"Figures published by the Life Insurance Association of America, the bankers said, showed that leading life insurance companies had increased their investments in other than United States Government bonds during the first half of this year to the extent of $1,350,000,000 in excess of the increase in their admitted assets during that period. Thus, the companies not only invested all of the income received in this period, and also the new premium receipts and the proceeds of the bonds paid off in that period, but they also invested an additional $1,350,000,000.

"The increase in total investments of the companies other than governments, that is, real estate mortgages and corporate investments, totaled $2,940,000,000 during the period, while the increase in admitted assets was $1,590,000,000.

"The bankers, of course, are especially sensitive about such policies on the part of life insurance companies, in view of the fact that they were the focal point for legislation at the recent special session of Congress, to restrict expansion of bank credit through higher reserve requirements and consumer credit controls. And this despite their own highly successful anti-inflationary program on a voluntary basis, sponsored by the American Bankers Association.

"According to the bankers' view, while the banks have tightened up, and are being further restricted in the availability of their credits, the insurance companies, through the device of the market support program, are still making unlimited amounts of long-term money freely available at low rates."

According to the "Times," also, Mr. Parkinson denied the foregoing charges against the insurance companies, stating: "For some time there has been an attempt on the part of representatives of the Federal Reserve Board and of the banks to give the impression that the life insurance companies are contributing to the inflation of our money supply.

"We in the life insurance business have thought we were doing just the opposite and have been emphatic in our statements that the money supply has been inflated principally by the operations of the banks."

Life Companies Increase Corporate Bond and Mortgage Holdings

Life insurance policyholder reserve funds put to work in the national economy in the form of investments in U. S. corporate securities and real estate mortgages increased one-third in the first half of this year compared with the corresponding period of last year, the Institute of Life Insurance reports. Investments made in government and foreign securities of all types also increased one-third.

The June 30 holdings of all mortgages and securities of U. S. life companies totaled $48,579,000,000 or about $650 per policyholder. This was an increase of $3,608,000,000 over the holdings at mid-year of 1947.

Of these holdings, the investment in U. S. corporate bonds and stocks showed the greatest gain, such holdings being $17,759,000,000 at mid-year or nearly $240 per policyholder. This was a rise of $3,833,000,000 or 28% in the 12-month period.

Mortgage holdings rose 26% in the 12 months to $9,701,000,000 at mid-year. Government and foreign securities of all types declined 10% in the 12 months to $21,119,000,000 at mid-year.

Detailed figures follow:

(000,000 Omitted)

	Acquired				Holdings	
	June 1948	June 1947	6 Mos. 1948	6 Mos. 1947	June 30 1948	June 30 1947
U. S. Government Securities	$41	$155	$936	$623	$18,658	$21,014
Railroad Bonds (U. S.)	16	35	118	142	2,864	2,820
Public Utility Bonds (U. S.)	153	295	859	729	7,541	5,869
Industrial and Misc. Bonds (U. S.)	152	128	1,290	842	5,912	3,936
Stocks (U. S.)	47	37	126	184	1,442	1,301
State, County, Munic. Bonds (U. S.)	25	4	91	33	659	622
All Foreign Securities	22	14	79	167	1,753	1,727
World Bank Bonds	--	--	5	--	49	--
Farm Mortgages	24	19	166	134	933	813
F.H.A. Mortgages	105	34	486	138	1,793	1,218
Veteran Administration Mortgages	33	48	241	264	1,085	509
Other Mortgages	144	121	738	658	5,890	5,142
Total Securities and Mortgages	$762	$890	$5,135	$3,914	$48,579	$44,971
Farm Real Estate	--	--	--	--	68	92
Other Real Estate	23	19	133	94	895	668
Policy Loans	24	14	200	148	1,982	1,887

Grants Credit to Chilean Concerns

Export-Import Bank authorizes advances totaling $1,850,000 to two for machinery purchases.

The Export-Import Bank of Washington announced Aug. 19 that the Board of Directors of the Bank has authorized a credit of $1,200,000 to Fabrica Victoria de Puente Alto, S. A., of Santiago Chile. The proceeds of the credit will be used to assist in completing a $6,000,000 program of expansion entailing the purchase and installation of American machinery for the production and spinning of rayon filament yarn and staple fiber. The credit is repayable in approximately equal semi-annual or annual instalments over a period of five years with interest at 4½% per annum on outstanding balances, and bears the unconditional guarantee of the Banco de Chile.

The Board of Directors also approved the application of Machine Affiliates, Inc., on behalf of a group of American machine tool and other manufacturers, for a credit from the Export-Import Bank to assist in financing the sale of about $650,000 worth of general purpose machine tools, cranes, and foundry equipment to Manufacturera de Metales, S. A., generally known as Madema, of Santiago, Chile, manufacturers of copper products. The tools are to be used for general repair purposes and for the manufacture of special purpose machine tools. The Export-Import Bank has agreed to purchase from Machine Affiliates, Inc., obligations of Madema unconditionally guaranteed by the Banco de Chile in an amount not to exceed $375,000. The loan will be repayable in 14 quarterly instalments commencing Jan. 1, 1949, at a rate of interest of 4½%.

The availability of exchange for the servicing of obligations under the two credits is to be guaranteed by the Chilean Exchange Control authorities.

Evans to Direct Financial Follies

Bruce Evans, a star in Olsen & Johnson shows and in the Circus Saints and Sinners, will direct the "Financial Follies of 1948," to be given by the New York Financial Writers' Association, it was announced.

This year's production, lampooning current events and leading figures of the national and international scene, will go into rehearsal in October. The dinner and show will be held Nov. 19 at the Hotel Astor. Attendance is by invitation only. Among those who have accepted so far are the Secretary of the Treasury, the Chairman of the Federal Reserve Board and the Chairman of the Securities and Exchange Commission, and the Mayor of New York City.

With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Henry D. Magnin has been added to the staff of E. F. Hutton & Co., 623 South Spring Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

William L. DeBost, Chairman of the Board of the **Union Dime Savings Bank of New York**, announced on Aug. 19 that A. H. Nicoll, President and director of the Graybar Electric Co., Inc., 420 Lexington Avenue, New York, has been elected a trustee of the bank. Mr. Nicoll is a member of the Advisory Committee of the Chase National Bank, Grand Central Branch. He is First Vice-President of the Rotary Club of New York; on the Executive Committee of the National Electrical Wholesalers Association, and a member of the Board of Trustees of the Illuminating Engineering Society Research Fund.

* * *

The East River Savings Bank of New York announces the appointment of Walter H. Nelson as Assistant Mortgage and Real Estate Officer and of Walter G. Driscoll as Appraiser. Mr. Nelson has been associated with the East River Savings Bank since 1939. Prior to that he was engaged in the real estate business in Westchester County. Mr. Driscoll joined the staff of the East River Savings Bank in 1940, after a number of years as a real estate broker and appraiser in this city.

* * *

T. Arthur Nosworthy, President of **The Bronx Savings Bank of New York**, has announced the completion of plans for a new branch office to be erected at the southeast corner of Pelham Parkway and South Bolton Street—in a growing residential area of Bronx Borough. The new office will be a one-story building. Provision has been made for all Savings Bank services with ample facilities for 25,000 depositors. Bronx Savings Bank already has two offices in the Bronx.

* * *

Application for permission to establish a branch of the **Emigrant Industrial Savings Bank of New York**, at 31st Street and 7th Avenue, was filed with the New York State Banking Department on Aug. 16. The main office of the bank is at 51 Chambers Street.

* * *

Joseph C. Hanson, Jr., a Second Vice-President of the **Chase National Bank of New York** and for 20 years in charge of its branch at 75 Maiden Lane, died on Aug. 21 at the Grassland Hospital, Valhalla, N. Y., after an illness of six weeks. He was 51 years old. Mr. Hanson, a member of the bank's staff for more than 25 years, was past President of the Chemical and Drug Club of New York and a veteran of World War I.

* * *

Clinton L. Miller, Assistant Vice-President in Charge of Advertising and Promotion at **The Dime Savings Bank of Brooklyn, N. Y.**, rounded out 25 years of service with the bank on Aug. 20. From December, 1931 until October, 1941, when he was transferred to the main office, Mr. Miller was in charge of the Bensonhurst Branch of "The Dime" located at 86th Street and 19th Avenue. Mr. Miller has held the office of Assistant Vice-President since June, 1946. George C. Johnson, President of "The Dime," presented Mr. Miller with a gold pin on the day of his anniversary in recognition of his 25 years of service.

* * *

Two staff changes by the directors of the **United States Trust Co. of Newark, N. J.**, have been announced by Ralph W. Crum, President, it was stated in the Newark "Evening News" of Aug. 18. The advices added that Robert J. Murphy, formerly Auditor, becomes Assistant Treasurer and Lawrence P. Maude, General Bookkkeeper, has been made Auditor.

* * *

Parick J. Hyland, Secretary of **T. Mellon & Sons of Pittsburgh**, died suddenly on Aug. 19.

Mr. Hyland, who was 48 years of age, had been associated with the Mellons for more than 20 years, it was stated in the Pittsburgh "Post Gazette" of Aug. 20, which added:

"He was director and Secretary of the Melbank Corporation. In addition to holding these positions, Mr. Hyland was Assistant Treasurer of Ligonier Valley RR. Co. and director and Treasurer of the Pittsburgh Civic Business Council. He was a director of the Chamber of Commerce of Pittsburgh."

* * *

The Metamora State Bank, located in **Metamora, Ohio**, has become a member of the Federal Reserve System, it was announced on Aug. 16 by President Ray M. Gidney of the Federal Reserve Bank of Cleveland. The Metamora State Bank opened for business July 1, 1944. It has a capital of $50,000, surplus of $10,800 and deposits totaling approximately $765,000. Officers of the bank are: F. B. Nachtrieb, President; C. J. Malone, Vice-President; Olin C. Pifer, Cashier, and Virgil Tripp, Assistant Cashier.

* * *

Clarence W. Groth has been appointed Assistant Vice-President of the **Federal Reserve Bank of Minneapolis**, assigned to the Helena (Mont.) Branch, J. N. Peyton, President of the bank, announced on Aug. 21. Clinton J. Larson, Assistant Cashier, assigned to the Helena branch, has resigned that position to become Vice-President of the **Conrad National Bank, Kalispell, Mont.**, according to a simultaneous announcement made by J. G. Edmiston, President of the Kalispell bank.

Mr. Groth has been an examiner for the Reserve Bank since 1943, having entered its employ on a part-time basis in 1923 while attending the University of Minnesota. Following his graduation from the University, he joined the bank staff as a full-time employee. Mr. Larson also has a record of more than 25 years service with the Reserve Bank, having entered the branch in 1923. Since Jan. 1, 1947, he has been an Assistant Cashier of the bank, previously having been Assistant Branch Manager.

Dr. Paul W. McCracken, Director of Research for the **Federal Reserve Bank of Minneapolis** for the last three years, has resigned effective Sept. 1 to become Associate Professor of Business Conditions at the University of Michigan, President Peyton of the Reserve Bank, announced on Aug. 20. Dr. J. Marvin Peterson, Professor and head of the Department of Economics, Miami University, Oxford, Ohio, has been named head of the Reserve Bank's research section to replace Dr. McCracken and will join the bank's staff Oct. 1. Dr. McCracken became associated with the Reserve Bank as Financial Economist in 1943, becoming Research Director two years later. Previously he was with the Department of Commerce in Washington, D. C., for two years and a member of the faculty of Berea College, Berea, Ky., for three years. He is a graduate of Penn College, Oskaloosa, Iowa, and obtained his Doctor's degree from Harvard

University in June, this year. The new Director of Research is a graduate of St. Olaf College, with a Doctor's degree from the University of Wisconsin, where he has been an instructor and section leader for the last three years in the School of Banking sponsored by the Central States Conference. He has also been a lecturer at the University of Cincinnati and Visiting Professor of Economics at the College of the City of New York.

* * *

The **Federal Reserve Bank of St. Louis** announces the opening of the **Peoples National Bank of Jonesboro** at **Jonesboro, Ark.,** on Aug. 16. The officers of the new bank are Eugene Sloan, President, and A. F. Falk, Cashier.

* * *

The board of directors of **The National City Bank of Waco, Tex.** on Aug. 14 announced the election of P. H. Stanford, as Executive Vice-President, effective Sept. 1. Mr. Stanford was formerly President of the Union National Bank of Laredo, Tex. Frank P. Mayfield is President of the National City Bank of Waco.

Make an Issue of It!

(Continued from page 4)

facts. So far the question of economic or social rights is solely a moral issue.

This difference is neatly pointed up by the following:[6]

"*Legal* equality calls for equal rights in courts of law—a tradition sometime described as 'the fundamental rights of an Englishman.'

"*Political* equality calls for equal rights to participate in government, regardless of sex, color or economic status.

"*Social* equality calls for the respectful treatment of all men by each other in their social intercourse."

It is highly significant that only legal and political equality call for rights. Both are civil rights, guaranteed and protected by the Constitution. Social or economic equality involves no right; it remains in the realm of moral issues. This is profoundly sound. Otherwise the interpretation of social equality implies the *right* of one person to be supported by the work, or out of the income, of another. Confusion has been created in the public mind between a civil right and a social or economic benefit. The non-producers or dependents in our society have the same legal and political rights as the producers, but they do not have even a moral claim upon the product or income of others except as those claims are the traditional claims of family relationship or can be properly established on the basis of need.

Recognition of the difference between a right and a benefit is essential to the implementation of an appropriate social security program. If we are to understand what social security is, a first lesson is to learn what it is not. It is not a right.

6 Harold M. Groves, "Trouble Spots in Taxation," Princeton University Press (1948), 21-22.

Joins E. F. Hutton Staff

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — Victor Lattanner, Jr., has become connected with E. F. Hutton & Co., Central Bank Building. He was previously with Walston, Hoffman & Goodwin.

With Henry F. Swift Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Ernest K. H. Wong has been added to the staff of Henry F. Swift & Co., 490 California Street, members of the San Francisco Stock Exchange.

How Simple!

"An analysis of figures released by the automobile companies themselves proves beyond dispute that the claims of those companies that recent wage increases are responsible for increases in automobile prices are completely without foundation.

Walter P. Reuther

"On the contrary, the increased revenue companies will receive from price increases in the last two and a half months is four times the cost of the 1948 wage increases.

"Automobile finance authorities have warned that increased car prices have already knocked seven out of every ten potential automobile purchasers out of the market. The end of this kind of trend can only be a sharp decline in demand, production and employment.

* * *

"Automobile manufacturers try to rationalize their increases also on the basis of increased material costs, but material costs, when traced back, are found to be the result of similar profit greed by suppliers."—Walter P. Reuther

How simple these complex questions are to Mr. Reuther! And how foolish he seems to the thoughtful—and how naive—when he comes forward with such statements as these.

Has Mr. Reuther never heard of the black markets which succeed with ease in taking further substantial funds from the automobile buyer? Does he not know that very few purchasers of new cars today get them without payment of a premium in one way or another from which the manufacturer gets nothing?

And has Mr. Reuther never heard of "wage greed," and featherbedding?

Sees Current High Profits Deceptive

Bank of Montreal "Business Review" says illusory nature of current high earnings is due to inventory profits and inadequacy of present depreciation reserves.

The current issue of the "Business Review," published by the Bank of Montreal warns of the "illusory nature of currently high earnings of both persons and business enterprises."

"While statistical averages are not always convincing to the individual whose experience may have differed from that of the majority," the circular states "most Canadians were aware that, as a result of gains in productivity, they were better off in 1946 than in 1939, despite higher prices and heavier taxes. This is borne out by official figures which show that, in comparison with a rise of 22% in the cost of living, personal income at the disposal of the average Canadian, after income tax deductions, had increased by 90% in the seven-year period. During the past year and a half, by contrast, the rise of living costs appears to have outstripped the increase in average earnings. Thus in 1947 as compared with 1946, an advance of 10% in living costs more than offset a further rise of 5% in disposable income per capita. While the level of average personal income in the current year cannot yet be estimated, it is unlikely that it has kept pace with the cost of living, which at July 2 had reached a new all-time high point 15% above mid-1947. Monthly reported average dollar earnings of over two million employees of the larger firms in Canada's chief industries, when compared with the changes in living costs, indicate that the real earnings of this large segment of the population have been declining since early in 1947."

"In a similar sense," the circular continues, "the comparatively high corporate earnings reported for recent fiscal periods are in part rendered deceptive by the rise of prices. Not only have dividends received by shareholders shrunk in purchasing power, but changes, the nature of which is not always clearly recognized, may have affected the true worth of a business. It is characteristic of inflationary conditions that earnings are enhanced by the rising value of inventories. Unless continuously advancing prices are envisaged, however, inventory profits in one period may be offset by losses in the next. Again, depreciation reserves based on original cost may fall far short of providing for the replacement of fixed assets at substantially higher current prices. In either case, apparent profits are to some extent fictitious, and their distribution is tantamount to the impairment of capital."

FIC Banks Place Debs.

A successful offering of an issue of debentures of the Federal Intermediate Credit Banks was made Aug. 18 by Charles R. Dunn New York, fiscal agent for the banks. The financing consisted of $38,070,000 1.65% consolidated debentures dated Sept. 1, 1948 and due June 1, 1949. The issue was placed at par. Of the proceeds $37,750,000 will be used to retire a like amount of debentures maturing Sept. 1 and the balance of $320,000 is new money. As of Sept. 1, 1948, the total amount of debentures to be outstanding will amount to $541,895,000.

Joins O. H. Wibbing

(Special to THE FINANCIAL CHRONICLE)

BELLEVILLE, ILL.—Warren E. Leopold has joined the staff of O. H. Wibbing & Co., St. Louis investment firm.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of eligible government obligations continue to move in a narrow range, without too great activity, because traders and investors are either on vacation or are on the sidelines, awaiting clarification of recent monetary developments. . . . There has been, however, a certain amount of switching, with the trend still into the shorter-term securities. . . . The ineligible bonds remain at support prices with non-bank holders still on the sell side. . . . There has also been some liquidation of tap issues by trust companies reported, with the proceeds going into the short 2s or certificates. . . .

Bills and certificates are in fairly good demand with buying of the intermediate maturities of the taxable 2s being done by some of the deposit banks. . . . Nonetheless, there is no great amount of vigor to the market because investors and traders are not sure enough of the future trend to make sizable commitments, save for the shortest maturities. . . . The partially-exempts continue to be taken on by the larger banks, with the 2⅞% due 1955/60 and the 2¾ due 1960/65 apparently the favored issues. . . .

SUPPORT PRICES LIVELY TOPIC

Support prices of Treasury obligations, particularly those of the ineligible issues, are the subject of considerable discussion in the financial district. . . . It seems as though the "higher yield group" would like to have "pegs" lowered, because they believe that substantial benefits would be obtainable if government obligations were allowed to break below the 100 level. . . . There isn't anything new in this idea, since many of those that are talking the loudest now about eliminating support prices, have been advocating such a policy for a long time in the past. . . . Undoubtedly the monetary authorities would like to go along with a program of pulling "pegged" prices, because they want to stop the selling of long Treasuries by non-bank investors, especially the insurance companies. . . .

However, there are so many factors in the picture, which cannot be predicted, that the money managers evidently are not ready yet to take a chance on what might happen, since they would be held responsible for what would result from the elimination of support prices for long government obligations. . . .

WHAT THEN?

Assuming that "pegged" prices were eliminated entirely on all Treasury obligations, would such a procedure solve the economic problems of the country? . . . Higher interest rates would result, but what about those institutions and individuals that have a great vested interest in outstanding government securities, bought at higher levels? . . . What would non-bank investors say and do, when they found out that prices of their government obligations were well under 100? . . . What about the Series "E," "F" and "G" savings bonds that are outstanding in such large amounts? . . . Would these holders be content to retain their securities with the market Treasury obligations falling out of bed? . . . What would happen to business, with the government market definitely on the defensive and interest rates climbing? . . .

If "pegged" prices of the ineligibles were lowered to, say, 98 or 99 would it stop the selling of these obligations by the insurance companies? . . . As long as there are any support levels for government securities, the initiative for creating credit is not with the managing authorities, and therefore control of the money markets would not be completely in their hands. . . . Although some loss would be incurred in selling Treasuries under 100, it would probably not entirely eliminate liquidation, since the larger return available in other investments would most likely compensate for the selling of government issues below the par level. . . . Credit would still be created, although the rate of creation might be slowed. . . .

STALEMATE

The Federal Reserve Board has indicated that it is ready to buy substantial amounts of government securities that will be sold by non-bank holders. . . . There are no indications of any change in this policy. . . . Although purchases have been sizable, there is some question whether liquidation will continue to be as heavy as in the recent past. . . . Criticism as well as solutions for all our ills is to be expected until after election, which means "Open Mouth Operations" on a gigantic scale, and from quarters that would ordinarily not be making much noise. . . . All of this will have a temporary influence upon the money markets. . . .

However, nothing of a drastic nature is looked for in the next few months, although enough uncertainty will be stirred up to keep the government market guessing and off balance, so that there will not be a definite trend in either direction. . . .

DOUBTFUL

The so-called "free market" for eligible bonds is not creating as much furor as the "pegged" prices of the tap bonds, but it is a long way from being a dead issue. . . . Plenty of doubt has been injected into the picture by the lack of "known support prices" which the market has been used to in the past. . . . Volume and liquidation have not been sizable enough yet to give the market a real test as to whether there is a completely "free market" or one that will be interfered with from time to time by the authorities, so as to keep yields within curve limits. . . .

The longer taxable eligible issues are the ones that traders and investors are watching very closely because they would like to know whether old "pegged" prices will be held by the authorities, if sizable selling should come into the market.

Bigness in Business: Its Economic, Political and Legal Implications

(Continued from first page)
public parks. The evils in big business are also a favorite topic of those who proclaim the virtues of Socialism and Communism. Hostility toward big business characterizes the attitudes and arguments of a large number of other people who would have themselves regarded as responsible leaders in social affairs.

These one-sided attacks should be and are matters of great concern to thoughtful and responsible people.

Competition, Monopoly, and General Welfare

Desirability of Free and Fair Competition—A basic principle in economics is that the greatest good for the people of a nation can be obtained only when there is free and fair competition in economic activity in those spheres in which competition can play its beneficent role; when monopoly is regulated so as to produce the conditions that it is supposed competition would yield if the latter could operate; and when the government fosters the general welfare by acting under the people's direction in those fields in which private enterprise does not or cannot operate in the interests of society as a whole.

Our republican form of government, with its democratic processes, was so designed that this basic principle as to how best to foster social welfare could be employed. In general, and to a very high degree, this fundamental principle has been recognized and followed. As a consequence, the people of the United States have, in the relatively short period of 160 years since the adoption of our Federal Constitution, attained a standard of living and of general well-being not attained by the people of any other nation of the world regardless of the period of time involved.

Objective Standards of Prices and Profits—Aside from the well-established benefits of competition as reflected in the stimulation of individual enterprise, ingenuity, and self-reliance, there is the extremely important fact that we have no objective—that is, scientific—way in which to determine what is proper in respect to prices and profits except as this is determined under conditions of free and fair competition. Every assertion as to prices or profits being high or low, or too high or too low, is subjective in nature and of no value in science when it rests upon anything other than the results produced under conditions of competition. The scientific truths in Economics are those that have been ascertained in the light of the operation of the forces of free and fair competition.

Principles of Regulation of Monopoly—The basic principle underlying the regulation of monopoly, if properly conceived, is that the regulation should attempt to produce the conditions that it is supposed would prevail if competition were operating, or could operate, in that particular field. This is because it is known that the greatest good comes to the greatest number, and that prices and profits are right in so far as that society can ever ascertain what is right, when free and fair competition is operating. Monopoly prices are said, in scientific Economics, to be high only because they are compared with the prices that competition in that field produces or would produce. Without the results of competition as guides, all attempts to regulate prices and profits of monopolies would rest upon the subjective notions and attitudes of the regulators. These would be arbitrary in nature; there would be no science in such regulation, and the general welfare, consequently, might be seriously impaired.

The Power of Government to Protect the General Welfare—All governments, which rest upon the general consent of the people, are supposed to have the power to operate in a manner that will protect and foster the general welfare. That is true in this country in respect to all our governments—from the Federal to our local units.

But when our governments undertake some enterprise in behalf of the general welfare, the question arises as to what standard is available in science against which one can objectively weigh the goodness or badness of such an undertaking. Are there no objective standards? Are subjective opinion and emotion all that we have at our disposal as guides? Is there no scientific basis available for proper appraisal?

The answer is that a scientific basis does exist and that this, of necessity, rests upon the principles of prices and profits and human behavior which characterize competition.

General Welfare Under Competitive System Versus Socialism—The fact that our government can, and should, supplement private enterprise in the fields of competition and monopoly provides no support for the doctrines of Socialism. Supplemental efforts by a government which accepts as a basic principle the beneficial effects of free and fair competition and employs the standards yielded by such competition in its attempts to foster the general welfare are very different from the acts of a government operating under the principles of Socialism in which the Standards of right and wrong in production, consumption, and prices are merely those of the government officials who have the power to enforce them. Such decisions are subjective and, therefore, arbitrary in nature. Scientific principles in the field of Economics cease to exist. Instead of society being able to record its combined judgment as to what should be produced and consumed, and at what prices and with what profits or losses, by use of free competitive markets, this social judgment is pushed aside by government officials who decide arbitrarily what shall and shall not be done.

The power of one man over another can and may be an evil thing. The power of a man over many people can and may be a proportionately greater evil. The power of government officials to dictate production, consumption, prices, profits, and losses to all the people of a nation, is apparently one of the most evil of powers that a group of government officials can possibly have. It is a case of the will of the rulers against the will of all other people of the nation, with the people helpless as against the dictator. Economic science disappears. There are no objective standards of right and wrong in the economic world. There is nothing but the subjective and therefore arbitrary will of the ruler.

It is for these basic reasons that the Socialist is so completely wrong and anti-social. He prates about increasing the general welfare while he would destroy it. He has failed to understand the basic lessons learned by scientific men in the field of Economics.

It is a mistake to regard any Socialist as a scientific economist. By the nature of things he cannot be. He is simply an avocate of government dictatorship. These facts are not altered by the current practice of Socialists and their more ruthless brethern, the Communists, to speak of "Democratic Collectivism" or "Democratic Socialism."

Socialism and Collectivism cannot be democratic after the first election. From there on it is dictatorship if the plans of the dictators are to be carried out. Elections in time must be controlled or dispensed with, if the plans of the dictators are to be made effective.

People have economic and political democracy only when they have free markets and free competition. If they are to have democracy they cannot have dictatorship. If they get dictators in their government, democracy is impaired or disappears. The words "Democratic Socialism" are therefore a contradiction in terms. Apparently those words are being employed these days by those would-be dictators who wish to mislead those who can be imposed upon or by people who use words whose meaning they do not understand.

The current advocates of so-called "Democratic Socialism" are perhaps as dangerous an element in this country today as are, for example, the Communists. They operate in slick and subtle ways. They generally call themselves liberals, and their influence is widespread. The objective standards of competition give way in their hands to their advocacy of government dictatorship in accordance with their subjective and arbitrary standards of what is good for society.

Bigness in business is not all that is not scientifically analyzed by such people; private enterprise itself would have to disappear.

Questions of Definition of Competition and Monopoly. Monopolistic Competition

Despite our general glibness about competition, it is not easy to define. It is common in Economics to define competition in respect to price or in respect to its other aspects. In the generic sense competition is rivalry; and, of course, rivalry can assume many forms.

In respect to price competition, it seems best to begin by defining the conditions of perfect competition. This would be a case in which no seller can influence price by withholding his goods or services from the market and no buyer can influence the price by withholding his demand. Whenever either buyer or seller can affect price by withholding his supply or demand he has some monopoly power. In concept, this power could be absolute, but in practice absolute monopoly probably does not exist.

A very large proportion of price determination falls somewhere between the conditions of pure competition and absolute monopoly, and to these cases it is common to apply the term monopolistic competition.

Besides competition as to buying or selling price, competition may exist in respect to service rendered, quality of product, substitutes, sales promotion, style, and so on.

Whether competition be in the form of price or nonprice or both, bigness in itself does not readily indicate the degree of competition involved. Ordinarily careful analysis is required before a reliable answer can be provided to this question.

Meaning of Monopoly—As in the case of competition, monopoly may be considered in respect to price or in respect to other devices for restricting competition. Monopoly power in respect to price exists in so far as the seller, by withholding his goods or services, or the buyer by withholding his demand, can affect price. Bigness in business and monopoly power as it affects price are two different things.

Monopolistic devices which operate less directly on price are those which attempt to exclude competitors from the market—for example, agreements to deprive competitors of access to credit, materials, labor, transportation, and markets; agreements to restrict output; agreements to divide the market; agreements to fix prices; and coercion of various kinds.

These monopolistic practices are illegal and were made so because they were regarded as antisocial.

Big business may or may not participate in such practices, although there have been many cases in which they have done so in an effort to exercise monopoly power.

The dissolutions of large business combinations because they engage in monopolistic practices does not require a sacrifice of the gains inherent in large scale production. These advantages, as Dr. Vernon Mund has pointed out in his recent book "Open Markets" (Harper and Brothers, Publishers, New York, 1948), p. 233, apply to a single plant, or a single location, and attacks on monopoly need not reduce the size of a single plant or reduce the technical efficiency of mass production. The problem of controlling monopoly in so far as big business is involved is, as Dr. Mund says (p. 233), "one of removing the shackles which now restrain formerly independent plants and of creating the possibility of fair competition among them."

Monopolistic Competition—The mixture of competition and monopoly, commonly called monopolistic competition in Economics, can take a great variety of forms. For example, it may refer to price leadership in price making, to price stabilization by sellers, to those cases in which there are relatively few sellers as compared with the number of buyers, or relatively few buyers as against the number of sellers, to controls exercised by trade associations, to the sharing of the market, and so on.

Again, bigness in business does not in itself reveal in monopolistic competition whether the practices are nearer those of pure competition or nearer those of absolute monopoly. As has been pointed out,[1] "a company accounting for a minor percentage of the business in a particular industry, but controlling other businesses in related lines, is in a position to enjoy special advantages through power over supplies, marketing channels and advertising, technology, excess to capital, and access even to agencies of government." Each case calls for separate and careful analysis. Open markets, as Dr. Mund emphasizes (p. 233), is an indispensable condition for the operation of free enterprise. He points out another important truth when he reminds us (p. 235) that monopolistic controls have arisen to destroy the open market system only to be destroyed in turn by society because of the economic evils created.

Economic Considerations Regarding Bigness in Business

Needs and Accomplishments of Bigness in Business—The needs and accomplishments of bigness in business seem generally not to be analyzed or stressed by those who attack bigness as an evil. The evils that can exist in bigness are not the same thing as regarding bigness as an evil.

When big and expensive enterprises are undertaken, big establishments are required. Modern needs for big business enterprises in both peace and war should be obvious.

If, in time of peace, we are to obtain a large volume of goods or services for which the demand is great, as in the case of automobiles, and if the prices per unit are to be reduced or kept low, there must be large-scale output, assembly lines, large capital investment, many employees, far-flung sales arrangements, expensive research laboratories, expensive and diversified managerial staffs, and so on.

The critics of big business rarely point out that bigness provides a great volume of goods at low costs, a great volume of employment, a larger average yearly wage paid each worker in big enterprises than in small businesses, a larger average value added by manufacturers per wage earner in big businesses as compared with smaller enterprises, the means for expensive research and great technical developments, the means of accomplishing huge undertakings that lie beyond the abilities of small enterprises, great outlets for people's savings, and so on. In short, the peacetime needs for big business are in general ignored by the critics of bigness as though these needs and accomplishments do not exist.

The need for and accomplishments of bigness in business in time of war should be obvious to all who have the willingness and ability to look at facts. During the last war most big businesses were made bigger by the government in an effort to complete as rapidly as possible the big task to be done. The complaint was not that there were too many big businesses or that they were too big; it was that there were too few big businesses and that none of them was large enough. The lesson to be drawn from that experience should be obvious; nevertheless it is ignored by those critics of bigness who seem unable or unwilling to look carefully at the facts involved.

The accomplishments of big business in both peace and war are so great as to defy enumeration. It seems reasonably clear that most of those who criticize bigness have no important comprehension of what is accomplished in detail by a few or even by one of our largest enterprises, to say nothing of all of them. Very few people outside, and not all inside, a huge business such as the American Telephone and Telegraph Company, or General Electric, or General Motors, understand clearly the accomplishments of these big enterprises. Nevertheless, bigness is often if not commonly criticized and attacked by critics who in general do not have the facts in hand before indulging in their criticims.

The Enormous Number of Small Businesses—It seems quite clear that the general run of critics of bigness in business rarely if ever take the time to determine as accurately as available data will permit the relative number of large and small business organizations in this country before they launch out on their criticism. Obviously it is necessary to classify large and small businesses before a count can be made. Is a business to be counted big in accordance with capital investment, or value of products, or percentage of total output of a certain product, or number of employees, or some other criterion? If, for example, one were to count bigness on the basis of the number of people involved in an enterprise, one might use Gloria Caplan's statement in "The CIO News" of July 26, 1948, p. 3, that the estimated employees of American Telephone and Telegraph Company were 663,089 while, to use her words, "Philip Murray directs an organization of 6 million members—the CIO." Of course there are differences between the direction of people and the employment of them. Nevertheless, if one wishes to classify the size of an organization in accordance with the number of people associated with it, such a com-

1 "United States Versus Economic Concentration and Monopoly," a *Staff Report to the Monopoly Subcommittee of the Committee on Small Business*, pursuant to H. Res 64, 79th Congress (1946), p. 1.

parison as the one made by her might be defended. The value of any such classification for the purpose of comparison depends, of course, upon what it is that one wishes to compare. Gloria Caplan made the following comparison: ". . . If Murray were paid at this rate [that is, at the rate that President Homer of Bethlehem Steel is paid per employee] for directing an organization seven times the size of Bethlehem, he would receive $1½ million annually."

On almost any type of count it will be found that the number of small business enterprises in this country is enormous. Much attention in recent years has been given to the so-called concentration of big business, but the data on the relative importance of big businesses in number of concerns as compared with the number of small businesses are sketchy, indeed, and highly unreliable. The common contention that concentration of business in the hands of a relatively few big enterprises is on the increase seems to lack good statistical foundation.[2]

Now the simple facts of the matter are that our needs are for both large and small business units, that we have what is apparently a good balance of both, and that if a different balance is needed private enterprise under the stimulus provided by competition should effect the proper adjustments.

Relation of Bigness to Economic Stability—Much study and debate have taken place as to the effects of bigness on economic stability. Weighty arguments have been provided on both sides of the question; but the answer at present seems to be that there appears to be no conclusive evidence on which one may rely with confidence. One reason for this is that business fluctuations, or business cycles—if one wishes to restrict the problem to cycles—appear to have no single cause, but a variety of causes which operate in different combinations from time to time. One consequence is that it is difficult if not impossible to isolate the stabilizing or nonstabilizing effects of bigness on the economic system as a whole.

The Matter of Profits in Big Business—Large profits in big business are often condemned, the implication being that this is a manifestation of an antisocial characteristic of bigness in business.

Large Profits as a Manifestation of Efficient Public Service—Large profits for a particular business are merely proof that it is serving public demand well and efficiently, just as small profits or losses are proof of a converse situation. An unintelligent attitude in respect to these elemental facts is obviously widespread among people in this country. Large profits which are proof of efficiency are often condemned. Small profits or losses, which are proof of inefficiency, are generally not condemned but often elicit praise or sympathy. As a consequence of this indefensible but widespread attitude, inefficiency is often subsidized and efficiency penalized by government action.

Attacks on a large percentage of profits in a business are indefensible until one has examined carefully the needs, plans, character, and behavior of that business. Indeed, the question may be raised as to whether there are ever any defensible grounds on which to attack a high percentage of profits if that business is subject to a substantial degree of competition since competition in the course of time will tend to reduce profits margins to what is a proper balance in so far as all the forces operating on that business are concerned.

If a business enterprise is to continue, it must in due course earn enough to reward the investors in it and invite new capital if needed. It must be able to maintain its plant in accordance with the demands for its products. It may need large profits at particular times to overcome losses at other times. A profit margin of a business at any particular time needs to be studied in respect to long-term trends and a variety of other considerations before one can reach a reasonably accurate appraisal as to its meaning. Offhand criticism of bigness of profits is a mark of economic illiteracy.

Some Considerations Regarding Common Interpretations of Profits Today—The relatively large margins of profits earned by many or most of our large or representative businesses today have been subjected to much offhand criticism.

In addition to the considerations mentioned in respect to the difficulties of interpreting profit margins accurately, there are others that call for particular emphasis today:

Most of our major businesses have experienced the relatively long depression of the 1930's. Then they had to face the severe maladjustments of the recent World War. Since then they have had the problems of postwar readjustment. Among these problems a depreciating currency and heavy taxation are particularly troublesome. In addition, they are faced with the possibilities of a business recession in the uncertain future. The depression and war years brought severe impairment of plant and equipment. These can be replaced or added to today only at very high prices. Careful analysis probably would show that many of our business enterprises which are showing large earnings are actually losing ground as against their needs for plant and equipment and in the face of the greatly depreciated and depreciating purchasing power of the dollar.

For example, C. R. Noyes, President of the National Bureau of Economic Research, said in "The Prospect for Economic Growth," *American Economic Review* (March, 1947), Vol. 37, No. 1, pp. 14-17: "It appears that, for the first time in our recent history and perhaps for the first time in our entire history, the process of growth in reproducible wealth has practically ceased for an entire decade [1929-1939]. Moreover, at this writing, seven years have already passed out of the current decade which will end Jan. 1, 1949. If the guesses made . . . as to 1944-1945 turn out to be justified, there has been no growth in 'non-war' reproducible wealth for the first seven of the current 10 years."

". . . Business real capital stood in 1945 considerably below the point at which it stood at the end of 1930. . . . Since 1930 the private economy in the aggregate has not only failed to create any new real capitol; it has not even maintained its net real capital intact."

It seems reasonably clear that profit margins today need to be very large if the industries of the country are to maintain and replenish themselves and to meet the demands for their services.

Various serious efforts have been made to determine whether our leading industries are earning enough to sustain themselves and to meet the demands of an expanding economy. Although the picture is not clear, there are thoughtful and careful students of the current situation who fear that industry in general is really living off its fat and losing ground despite the many wide margins of profits. On the other hand, a recent survey by the National Industrial Conference Board resulted in the conclusion that the rearmament program is not expected to increase the capital expenditures of most of the companies which responded to the questionnaire.

Whatever the facts may be as to the adequacy of our real capital in case of war, there appears to be sufficient evidence of a sobering nature regarding our capital needs for production in peace to indicate that the common current attacks on present large profit margins do not rest upon careful analysis or adequate evidence, and are in nature chiefly manifestations of economic demagoguery.

Impact of Bigness Upon Individuals as Consumers, Employees, Investors, and Citizens

Since big business produces goods and services in greater volume and at lower cost per unit than would otherwise be possible it follows as a matter of course that its existence benefits consumers. The Comparative Census of Manufacturers for 1929 and 1937 shows that the average value added by manufacturers per wage earner increases as the size of the business becomes bigger.[3]

The great demands for the products of big business constitute great demands for the services of many employees. The Comparative Census of Manufacturers for 1929 and 1937 reveals that the average wage paid each worker grows larger as the business enterprise increases in size.[4]

At the same time, bigness in business can bring a correspondingly large amount of human disaster and distress should the large enterprise, for any reason, close down or contract its activity sharply.

Bigness in business requires correspondingly big labor organizations to protect the interests of the individual employee. And here evils as well as benefits can flow from the management and behavior of large labor unions. Monopolistic and unfair practices by union officials and unions can be as detrimental to society and to the individual as similar practices by large employers. Monopoly and unfair practices in all forms should be regulated if society is to have the benefits of large-scale undertakings. Until they are properly regulated, it is often difficult indeed to weigh the relative proportions of good and evil in big organizations and to separate their inherent evils from those resulting from poor or inadequate governmental regulation of their antisocial practices.

Big business requires, and provides extensive outlets for, a great volume of investment funds.

In brief, it seems impossible to point to any group of our people who do not directly or indirectly gain by the existence of big business in the long run provided monopoly practices are regulated in accordance with the standards supplied by competition.

Alternatives to Big Business—If it be true that all people gain rather than lose because we have many big businesses along with our multitude of small enterprises, it would seem to follow as a matter of course that any alternative to big business would have to be outstanding in its accomplishments if the social results are to be equally, or more, beneficial.

To what alternative can one point and with accuracy assert, and demonstrate, that it is more productive and more beneficial socially than is the one which has big businesses operating along with small enterprises? Would we be richer or poorer if all our private enterprises were small? The answer seems obvious: Big business owned and operated by private enterprise performs an endless number of great services which small privately owned and operated enterprises could not produce.

Is there any evidence that if the big business of private enterprise were replaced by small business enterprises under government management, with or without government ownership, society would gain? It seems quite clear that the evidence provides an emphatic negative answer.

The same answer seems to apply if we were to look to government managment of big business, with or without government ownership, as an alternative to the nongovernmental management of big business owned by private enterprise. Socialism and government management provide no evidence that they are socially beneficial; what they assure is waste, destruction, inefficiency, and economic and social disintegration.

Political Attitudes Toward Bigness in Business

Bigness in business in the field of private enterprise has been among the favorite topics of the political demagogues who wish to curry favor with the great mass of people who do not understand the facts regarding big business and who can easily be imposed upon. In these days, when so many politicians are demonstrating their readiness to cater to pressure groups and to whip up popular prejudices, the evils of bigness in business remain a favorite topic for utilization if nothing better presents itself. But it probably is impossible to demonstrate that the political situation in this respect is any better or worse than it has been in decades past.

There are good reasons why the government should keep itself well informed regarding the facts of big business, and big organizations of every type, since the government should preserve free and fair competition wherever such competition can operate more effectively than can any other type of enterprise, and since it should regulate monopoly. Big business can become monopolistic in character very easily. But these considerations are generally very different from the indiscriminate attacks on mere bigness which occur from time to time.

The Legal Picture in Respect to Bigness

The legal picture in respect to bigness is complicated. Nevertheless it seems substantially accurate to say that as the legal picture stands today mere bigness is not illegal. The illegality lies in collusive activities designed to provide monopolistic power and in other unfair practices prohibited by our various laws dealing with fair trade practices.

Since the conditions of pure competition seem to prevail in relatively few fields and since a large proportion of our competition contains some characteristics of monopoly, it is not always easy to determine whether certain business enterprises are characterized more by monopoly than by competition. Nor it is easy to determine in law, or otherwise, just what constitutes unfair competition. But our laws relating to monopoly and monopolistic practices—for instance those, such as the Sherman Act, which prohibit agreements to restrain trade—are reasonably clear. If big business would try to understand and to conform to these laws, many if not most of our difficulties with respect to bigness in business apparently would disappear. Life would also be much smoother for the officers of big business if they would do their best to conform to our antitrust and fair-trade practices laws rather than attempt to violate or circumvent them or indulge in practices of questionable legality. Often, if not generally, the officers of big business have no one but themselves to blame for the prosecutions to which they are subjected under our antitrust laws. They are also responsible in high degree for much of the unintelligent hostility toward big business. There are, of course, instances in which the best-intentioned executives of big business cannot determine precisely what the law is, just as there are cases in which they and their businesses are subjected to unwarranted attacks by government officials.

The heads of big businesses carry a heavy social responsibility arising out of the factor of size alone. But, unfortunately, there is widespread failure among some of these officers to recognize the nature of this responsibility.

Human cussedness can do relatively little harm in a small competitive enterprise. But in a big business this common weakness of people needs to be eliminated in so far as possible. Business statesmanship is required in a big-business, and on this score there is still great room for improvement despite the many and outstanding examples of business and economic statesmanship observable among the heads of big businesses.

The Federal Trade Commission, the courts, and other agencies charged with the responsibility of fostering competition and of regulating monopoly and terminating unfair business practices also have room for improvement. Emotional attitudes and human cussedness are found in government circles as well as among the officers of big business.

Dangers in the Oversimplification Of Arguments Against Bigness In Business

The dangers in the common oversimplification of arguments against bigness in business should be obvious if the preceding analysis is accurate.

But in the light of the world situation it apparently should be emphasized that big business needs to be encouraged and strengthened, not unjustly attacked and weakened. Violations of law should of course be dealt with. But in every case in which monopoly and unfair practices are not involved, the health of big business should be guarded and cultivated. We should not fail to understand nor forget that it was big business above all that won victory in this last war for the people of the United States. Small business enterprises could not and cannot do it. The government cannot do it. People cannot do it. They must have the aids which only big business can provide. The future security of this nation lies with big business. Let us not forget that. It is a very great responsibility which the heads of these big enterprises must carry.

Then it should be clear to all intelligent people that if we are to continue to progress as a nation, to increase our output, and to increase our standard of living, we have need for the type of business organization that can produce quickly, efficiently, and in great volume in time of peace as well as in war. Little business alone cannot do the job. Government cannot do it and should not try it.

What we need to carry this nation on to greater and greater attainments are both small and big business, the cultivation of free and fair competition, the regulation of monopoly and monopolistic practices, a government that is devoted to the fostering of the general welfare, and statesmanship in both government and business. If from among these items we were to select the one that would impair the national welfare lease if omitted or abandoned, it seems quite clear that it would not be big business.

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[2] An illustration is provided by "United States Versus Economic Concentration and Monopoly" (cited in note 1), Table, p. 403, taken from the Census of Manufacturers, which shows no clear trend in concentration in 1939 as compared to 1929, despite the contrary assertions in that report. The study, "Economic Concentration and World War II," *Report of the Smaller War Plants Corporation to the Special Committee to Study Problems of American Small Business*, Sen. Doc. No. 206 (1946), Chart No. 15, p. 62, shows a pronounced decline in the merger movement since 1920 and especially since 1929.

The Survey of Current Business for July 1948, page S-3, estimates the number of operating businesses in December, 1947, to be 3,848,300. This is 62,000 above June, 1947, and compares with 3,041,600 for 1929 and with the low after 1929 of 2,796,200 in 1933. The *Survey* for May, 1948, gives data for the years 1929-1947, inclusive.

[3] "United States Versus Economic Concentration and Monopoly," p. 403, as cited above.

[4] *Ibid.*

Let's Look at Business

(Continued from page 8)

dealing with mutual business problems.

Mr. Hance: There isn't monopoly in a trade association, is there?

Miss Westcott: Can I tell you for just a moment what President Hoover said when he was Secretary of Commerce. He said, "Trade associations are the safeguards of small business and thus prevent the extinction of competition. They are the alternatives to capital consolidation." And then he added with conviction: With wisdom and devotion these voluntary forces can accomplish more for our country than any spread of the hand of government."

Is Business Responsible for High Prices?

Mr. Hance: When I look at business, I frequently hear these comments: business is responsible for high prices. What about this question of inflation, of prices? Is business really the "villian in the piece" here, Mr. Beukema?

Mr. Beukema: That takes us back two years ago when business demanded the abolition of price controls and claimed that the law of supply and demand would regulate prices. The contention today, the criticism, is that it hasn't worked out. Given time the law of supply and demand will work out. "The mills of the gods grind slowly but they grind exceeding small." Momentarily we may be confused by mounting prices and wages and by the cheapening of an altogether too plentiful dollar. But we must remember that we were terribly short of all kinds of goods at the close of the war—far more so than we were in 1919.

Mr. Hance: You say, then, that business is not the "villian." There are other causes. What are some of them?

Mr. Beukema: Well, there is ECA, and the new program of military preparedness. All of these constitute a drain on available raw materials and take man-hours to satisfy. But sooner or later, the law of supply and demand will again operate, and we can expect a down-cycle. In fact, a few years hence we may be more interested in preserving a stable price level than we are now in flattening out the upward cycle.

Mr. Hance: But here is another question. Whenever the word "business" is mentioned, even if business itself is regarded as good, some people say that business is a part of, and fosters, a system that is defective. They say we'd be better off under a socialized system. This is my question: isn't our capitalistic system faulty? Isn't it incorrect to call it a "system of individual opportunity?"

Miss Westcott: No, I don't believe it is incorrect to call our system a "system of individual opportunity." Of course it is faulty. So are all human institutions. But the question that we are faced with this morning is not whether it is faulty, but is another one better? Would we like to junk it and turn to the systems that are now existing in England and Russia, for instance?

Situation in England

Mr. Hance: What about England, Mr. Bradford? You were there this summer.

Mr. Bradford: The main thing I would say is I didn't see anything over there that would make me want to stand at the head of a line of Americans who are applying for passports to emigrate to England.

Mr. Hance: Is it the socialized system?

Mr. Bradford: Oh, nobody in his senses would say that the system is all that is wrong with England. England has suffered tremendously from the war devastation, and all that.

Mr. Hance: Is it important?

Mr. Bradford: It is important and growing more so. It is perfectly evident that the socialized system which they have adopted simply will not give them the production they need to restore their economy.

Mr. Hance: Isn't there anything that can be said for that system?

Mr. Bradford: So far as our system is concerned, I suppose nobody would assert that it is perfect. When you talk about the question of perfection, you remind me of the definition that Stephen Wise a few years ago is reported to have given of an anti-Semite: "An anti-Semite is a person who criticizes the Jews more than the Jews deserve." I would say that a merely prejudiced, anti-business critic is one who criticizes business more than business deserves, and our system more than it deserves. Our system, of course, has its peaks and valleys, so-called. It has alternating periods of good times and bad. Also it has a certain amount of insecurity and unemployment. Those are the prices we must pay for the good side of the system which is a system of freedom and individual opportunity.

Mr. Hance: Miss Westcott, does it really provide opportunity?

Miss Wescott: These other countries seem to think so. Are they not coming to us for goods and tools and all the commodities we produce under the free enterprise system?

Mr. Beukema: I think Miss Westcott has made a point there. I think you can find your best answer in the world situation today. Practically every country on this globe outside of America is leading a substandard existence. Only in the United States do we have full opportunity. The only countries that have so-called hard currencies, that is money that is worth its full value, are little Switzerland, South Africa, and the United States of America.

Mr. Hance: What kind of economy is represented in those cases, free enterprise . . . ?

Mr. Beukema: Free enterprise in all three countries. All the world wants our dollars, our wheat, our meat, our cotton, our manufactured goods. Of course this is partly due to the fact that we have recently had a war with great destruction. But why hasn't there been recovery elsewhere to the degree we have it here? Primarily it is a matter of the spirit, a matter of faith and confidence that people have in their country and its economic system.

Mr. Hance: And you say that is part and parcel of our system?

Mr. Beukema: The system of free enterprise. If we didn't have free enterprise, we wouldn't have the same degree of confidence, the same degree of productivity that we have today in our country.

Business Is Improving Itself

Mr. Hance: I have another question. You people have said that business and our system of individual opportunity are more often than not unjustly indicted. You say they are doing more than could be done under any other system. Yet, Mr. Bradford and others have suggested that there are some weaknesses. So I ask: is business doing anything to try to improve itself, especially to improve its personnel in terms of competence and qualities of leadership?

We have with us today Dr. John O. Moseley, President of the University of Nevada, who is here representing the state of Nevada and Governor Pittman at Nevada Day at the Chicago Railroad Fair. Dr. Moseley, in your judgment, what about business's interest in education and training?

Mr. Moseley: I am glad to be in Chicago to represent Governor Vail Pittman at the Chicago Railroad Fair, which is celebrating 100 years of railroad progress. I am also glad to be at this radio broadcast to represent what I consider the oldest and the biggest and the best business: American education. I agree with everything that Mr. Bradford has said. I honestly believe that American business has made great progress in many of these social questions that he presented.

Mr. Hance: What is it thinking and doing today?

Mr. Moseley: Well, an American President said some years ago that the business of America is business. I am inclined to believe that the business of business is the American way of life. The United States Chamber of Commerce has gone on record as supporting wholeheartedly the program of American education. And all its businessmen realize that inservice training is necessary to perpetuate not only their own particular businesses but in order to make human beings to run those businesses.

Business and Education

Mr. Hance: Mr. Bradford, how much interest does business have in education and training?

Mr. Bradford: I will supplement what Dr. Moseley has said by quoting an old aphorism of my own that I have used for a good many years. I say the biggest business in life is the business of living. That is one of the reasons why the Chamber of Commerce of the United States is so much interested in education. But we are interested in education for practical reasons also. Of course everybody is for education because it makes for better living. It increases our aesthetic sensibilities. People can be much happier and live on a higher plane of citizenship because they are well educated. But education also, from a very practical point of view, increases productivity. We believe that it elevates the ability of men and women to earn money, for one thing, by greater production. It upgrades their productive skills and their management aptitudes.

Mr. Moseley: Ralph, I am not going to let you get away with that aphorism. The oldest riddle in the world is: is life worth living. And the answer is, it depends on the liver!

Mr. Bradford: We won't argue about that, John.

Mr. Hance: As a university President, Dr. Moseley, what kind of interest do you see business having today in education?

Mr. Moseley: First of all, for self-perpetuation. Business realizes that the hope of the people is to live so that we won't destroy ourselves. Secondly, as Mr. Bradford said, it creates a higher standard of living. It makes more money; it makes better business; and it makes more people happy.

Mr. Hance: We hear about inservice training—training on the job. Is business interested in that type of training?

Miss Westcott: It certainly is. Throughout industry for the last two decades, on-the-job or inservice training has been a most important phase of management. Now hundreds of trade associations in cooperation with colleges and universities have as a major activity the providing of training courses in countless fields. To name a few, estimator training or blueprint reading, laundry operation, meat packing techniques, sales and merchandising courses in many fields, hotel training and management courses in real estate, retailing, wholesaling, etc. The majority of these courses are conducted in collaboration with colleges and universities.

Mr. Hance: For instance.

Miss Westcott: The American Meat Institute for instance, is carrying on a very large program with the University of Chicago, and here at the National Institute. . . .

Mr. Hance: Yes, what is this Institute? Mr. Beukema, you are its president. What is it? What are some of its purposes?

Mr. Beukema: You tempt me to put in a word here. The National Institute is a school with a rather specialized function: to train men and women in the proper methods of operating a business organization — both chambers of commerce and trade associations—for we have the two branches. It is held for two weeks a year at Northwestern University.

Miss Westcott: And it is sponsored, Mr. Beukema, by the Chamber of Commerce of the United States, Northwestern University, the American Trade Association Executives, and the National Association of Commercial Organization Secretaries. It was conceived on the theory that a chamber of commerce or a trade association executive must have a thorough understanding of organizational principles and procedures in order to reach his highest usefulness to his association. There has been a tremendous advance in both fields during the past 20 years. Old techniques are completely outmoded. The executive who brings nothing to his job but a general knowledge of business administration and an affable disposition finds himself at a serious disadvantage. Hence these training courses.

Mr. Bradford: I would like to add that the Chamber of Commerce of the United States, which has been one of the sponsors of this National Institute for 25 years, also helps sponsor five other schools of similar character throughout the country, all designed to train men and women for leadership in business and community organization work.

Mr. Beukema and I would like to interpolate, Mr. Bradford, that we have one in Canada.

Mr. Bradford: So we do. We believe that chambers of commerce and trade associations have a social obligation as well as a business obligation. In fact, we believe that most businessmen have a strong sense of social responsibility. We want to equip the men and women engaged professionally in chamber of commerce and trade association work for the broadest possible concept of their job as business and community leaders.

Mr. Hance: Dr. Moseley, how do you view this National Institute?

Mr. Moseley: I think it is very timely and useful because leadership is the hope of business and the hope of education, and the hope of our whole civilization.

Mr. Hance: Is it in competition with the sort of thing you are doing or is it complementary?

Mr. Moseley: Not at all. We know that our country is a government of laws, but those laws must be interpreted and administered by men; and anything that makes men better makes our country better, and our hope for the future greater.

Mr. Bradford: Dr. Moseley could have added, but I will add it for him, that the Western Institute was held at the University of Nevada last year, and that he personally gave great leadership to the Institute.

Mr. Hance: What are two or three demonstrable results of this Institute over its 25 years of service? What has it done?

Miss Westcott: We have graduated a large number of trade association executives and chamber of commerce secretaries who have gone out with a thorough grounding of management techniques in both of the fields. I think it has given them a chance to learn to be more articulate, a thing that businessmen certainly need to learn in our economy today.

Mr. Beukema: Not only that, but we have our annual refresher courses by which men keep up to date with the changes in techniques in the profession and get new inspiration and leadership and guidance. And I think without a question that this is the greatest need in the country today. The American businessman is not too articulate. He doesn't know the art of winning people. That has been demonstrated over the past 20 years. Consequently it is highly important that the head of these organizations shall know something of these techniques.

Mr. Bradford: Of course, one of the reasons for this inarticulateness, John, is that until very recently the American businessman had not felt called upon to defend his system. The system was working well. It still is working well. But is is under severe attack. The enemies of business have learned to be articulate, and businessmen have got to learn to be equally articulate.

Mr. Hance: You are suggesting that this Institute is symbolic of business's interest in education, in training.

Just to point things up, let me ask each of you to answer this question: what about business? Mr. Bradford?

Mr. Bradford: Business first, I would say, is not a thing apart. It is of the essence of America because it stands for opportunity.

Mr. Moseley: Business now takes the stand that man has a soul. A totalitarian country believes that man is an animal. And business is on the right road.

A Stimulant for Achievement

Miss Westcott: American business through cooperative effort provides stimulus for achievement, direction by experience of others, and channels through which we have attained in America the highest standard of living for the largest number of people ever achieved in the history of man.

Mr. Beukema: I think I can summarize it in just about one sentence. American business is the American way of life; destroy it, and you destroy free America.

Mr. Hance: Business does seem to have a heart or conscience. Business does seem to be interested in more than profits. Business isn't responsible for prices, the inflationary spiral. Business does seem to believe in social legislation. You here today have given affirmative, emphatic answers to these questions. Furthermore, you suggest that business recognizes its deficiencies, its weaknesses. They are subject to human frailties. When I asked you the question, is business doing anything to try to improve itself, you said emphatically yes. It is interested in education and training before people enter business. You said it is interested in inservice training and you emphasized the importance of this National Institute which is represented here in you presence today.

Herrick, Waddell Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Martin E. Cordulack, Paul W. Haake and James E. Spelman have been added to the staff of Herrick, Waddell & Reed, Inc., 332 South Michigan Avenue.

Graham, Parsons Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—William B. Congor has been added to the staff of Graham, Parsons & Co., 135 South La Salle Street.

Public Utility Securities

Central Illinois Public Service and Illinois Power

Two blocks of stock of Illinois utilities are currently on the market. Halsey, Stuart & Co. of Chicago recently sold to the public (through a First Boston syndicate) about one-quarter of the outstanding common stock of Central Illinois Public Service (referred to as "Sips" in Wall Street). Illinois Power is increasing its common stock more than one-third, but only a small part of this may be offered publicly. The company's preferred stock is being called for redemption at $52.50 plus accrued dividends, and under current market conditions this will force conversion of a substantial amount of the stock, each share being convertible into two shares of common (currently worth 53½). The deal has been underwritten by First Boston and Merrill Lynch, who will sell to the public any common shares not taken up by conversion, thus providing the funds to redeem unconverted preferred stock.

Following is a comparison of these two companies together and Central Illinois Electric & Gas (another stock, Central Illinois Light, will be distributed by Commonwealth & Southern as part of an exchange package to retire its preferred stock, under the pending plan):

	Approx. Price	Div. Rate	Approx. Yield	Recent Share Earnings	Price-Earns. Ratio
Central Illinois Public Service	14	$1.00	7.2%	$1.78	7.9
Central Illinois Electric & Gas	21	1.30	6.2	2.67	7.9
Illinois Power	27	2.00	7.4	2.73	9.9

Share earnings of Illinois Power were reported for the 12 months ended June at $3.45. However, after adjustment for retirement of the preferred stock, the increased number of common shares, and loss of the preferred stock surtax credit, the amount for the 12 months ended April 30 (as shown in the Prospectus) works out at only $2.73 a share (as above).

Central Illinois Public Service derives about 90% of revenues from electricity, 8% from sale of gas and 2% from other activities. Electric service is supplied to a population of about 650,000 in 61 counties of central and southern Illinois. This area is devoted largely to agriculture, mining of coal and production of oil, but there are also diversified manufacturing activities.

The company's capital structure is 56% debt, 16% preferred stock and 28% common stock and surplus. Amortization of plant acquisition adjustments now amounts to $376,000 per annum which means an additional 17 cents cash per share available for improvements, etc. The average residential rate per kwh. in 1947 was 4.08 cents and average residential usage 1,112 kwh.—which figures, somewhat less favorable than the national averages, are perhaps accounted for by the substantial rural area served.

Illinois Power is now listed on the Big Board. The Company has greatly improved its financial structure in recent years; some non-integrated and non-utility properties have been liquidated, and debt has been refunded and reduced from over $100 million at the end of 1937 to about $70 million currently—despite the fact that property additions have exceeded $52 million. The favorable settlement of the claims against North American Light & Power late in 1946 provided the company with sufficient cash to pay off its dividend arrears certificates (left over from an earlier recapitalization) thus permitting regular dividends on the common stock. The company, which has doubled its business in the last decade, has a big construction program under way, which will eventually almost eliminate large purchases of power from Union Electric Co. of Missouri and other companies. In the year ended April 30 about three-quarters of the company's power requirements were purchased.

Like Sips, Central Illinois properties are fairly spread out, though interconnected. The business is about 80% electric, 18% gas (principally natural gas) and 2% miscellaneous. It serves a population of about 720,000 in areas adjacent to those covered by Sips. Capital structure will now be about 60% debt and 40% common stock. Except for 6% in plant acquisition adjustments, plant account is on an original cost basis. Residential rates average only 3.3 cents, and usage is 1,318 kwh. Substantial operating economies are anticipated by 1950 from the $53 million construction program.

Get Cost of Living Wage Adjustment

General Motors announces on basis of Bureau of Labor Statistics Index, about 333,000 employees will receive pay increase.

General Motors announced on Aug. 24 that, in accordance with its current cost-of-living adjustment formula, approximately 333,000 of its employees in the United States will receive an adjustment to compensate for the rise in the cost of living since the formula was adopted as of April this year.

Approximately 265,000 hourly-rated employees will receive an adjustment of three cents per hour effective as of the first pay period beginning after Sept. 1. This adjustment will be effective for the months of September, October and November.

Approximately 68,000 GM salaried employees will receive $25 during September which represents the cost-of-living adjustment for the preceding three months. During December eligible salaried employees will receive an additional $15, or a total of $40, as a cost-of-living adjustment for the period between Sept. 1 and Dec. 1.

Under the formula, wages and salaries in General Motors are adjusted quarterly in line with the increase and decrease in the consumer price index of the U. S. Bureau of Labor Statistics. The BLS consumer price index for July 15, just made public, is 173.7 as compared with the BLS index of 169.3 for April 15 of this year.

The next cost-of-living adjustment, if an increase or decrease is necessary, will be made in December, based on the BLS consumer price index for Oct. 15.

Hale With Thorsen

(Special to The Financial Chronicle)

MILWAUKEE, WIS.—James T. Hale, Jr., has become associated with Adolph G. Thorsen, 735 North Water Street. Mr. Hale was previously with Riley & Co. and Morris F. Fox & Co.

"Third Dimension Credits"

(Continued from page 6)

people "take time to pay" rather than disturb their investments or reduce their savings account balances, and in these circumstances credit is merely a distribution of buying power already in existence; and even when instalment sales credit is used to buy an automobile, for example, credit is merely the facility for transferring money income to be received from another source: the credit itself adds nothing to buying power.

Now timing of credit-use is of course a factor in the supply-demand pattern of inflation, but the moving ahead of buying power that instalment sales credit represents is, at most, a negligible inflationary force.

But I am getting away from our topic.

What I have tried to say so far is that any prediction of good business ahead needs important qualifications. For European Recovery and Rearmament will not touch all industry evenly; and they could under certain conditions act as an over-stimulant that would push prices and credit rapidly to a crest and its inevitable fall; which means business reaction, a depression of some proportion.

We are going to have a controlled economy! you may say. Though many who ought to know better have trustful beliefs in managed economy theories there is no tangible evidence in all the centuries that separate us from the infancy of society that government can stop swings of economic fortune, when natural economic and human forces build up to them.

A Mild Depression Coming

As surely then as the sun sets and rivers flow to the sea, a depression is coming. And may I suggest that it might be a good thing—not too severe a depression of course—and there are no elements in the economy right now to cause us to think of a severe depression. But too much prosperity in business is a form of disintegration; with business good and profits abnormally high all business has tended to acquire habits of extravagance and sloppy inefficiencies, customer good-will that years and money bought at a high price has been ruthlessly destroyed. Yes! a little depression and the white heat of normal competition might be a good thing for business.

Rushing on to a conclusion.

Credit management's chief concern is financial stability. When a depression does come, what is the best assurance for stability in any business? To ask such a question is to answer it; it is management, of course. So within the time remaining look with me in depth at three management qualities which seem especially important now.

I name as the first quality good financial management.

William O. Douglas, Associate Justice of the U. S. Supreme Court, wrote a book when he was a Yale law professor, which carries the challenging title—"Have You a Right to Be in Business?"—and in that book he lists several reasons for business failures. The first of these is poor financial records; the second is the failure of management to apply to operations the facts the records reveal.

In the sense of Mr. Justice Douglas' book, does your business, the business of your customer in which you have a sizable creditor interest, have a right to be in business? Specifically, do they have records that will answer now important operating questions into the future? Examples: Should the shock of balance sheet adjustments come suddenly, what could be achieved under any given set of conditions? Break-even points—the point where profits cease and losses begin—are high in nearly every business because of advancing costs, and in these circumstances even a small decline in sales could change profit overnight from high black to a blushing unbecoming red. How much higher is the break-even point now that it was five years ago? A year ago? What was sales volume then? What were expenses? Suppose sales fell off 10, 20, 30%, what would expenses have to be at each level of sales to keep from losing money? How much money?

Keep Planning and Thinking Flexible

Facing a certain business reaction, the high strategy of management should take into account now the need for change later; perhaps quick change: planning and thinking should be kept flexible.

No destination has but a single road, so what is wrong with putting down on paper now a half dozen or a dozen operating statements showing what the relationship of income and expense would be at varying levels of sales? What would profit or loss be at each level? Then to bring the break-even point down incorporate in these statements economies that can be affected now through internal efficiencies, work simplification, the elimination of heirlooms in the form of unneeded work. Every business of any age has heirlooms that seriously drag on profits. After giving effect to economies that can be made now—and, importantly, without practicing the false economy of bargaining for men and methods—calculate then what further changes will have to come in income and expense relationships for profitable operations at each level?

When the half dozen or dozen operating statements are completed give effect to their figures in pro forma balance sheets. At changed levels of operation, what will assets and liabilities be? How much capital will be needed?

Balance sheets need as much attention as operating statements in profit and loss calculations. For obviously profit efficiency is increased if sales volume can be increased with the same amount of, or if the same volume of business can be done with less capital. Moreover—beyond profit calculations—financial stability requires forward balance sheet planning: no business ever failed because of "lack of capital"; barring some catastrophe, it failed because management did not stay within prudent limits of available credit and capital resources.

Pushing close to financial management as management quality is merchandising — buying and selling—bad merchandising is a never-ending cause of business failure.

Does buying met the axiom that inventory must fit sales? Is inventory in safe ratio to a normal expectancy of sales or is too much of it held on speculation, hoping for something beyond normal merchandising profit? There are some dangerous inventory positions around now. Is inventory merchandised or is it just bought? There is a difference: put another way, does buying meet known customer preferences and demands; to increase sales; to avoid excessive mark-downs, or are customer preferences and demands guessed at?

What about selling? As with buying, selling efficiency is a fitting process. In terms of NET PROFIT—and this is the only money that stays in the bank—what are net-profit territories? What are net-loss territories? Frequently high-volume territories actually produce a net loss because true costs are covered up with a lot of averages that conceal rather than reveal losses. Can net-profit and net-loss customers be listed in size and in kind? Only if practical answers to these questions are available can other profitably important questions on selling efficiency be answered: Where are sales efforts—advertising, promotion, direct selling—being applied for the best profit return? Where are they being misapplied?

Role of Good Financial Management

Good financial management, efficiency in buying and selling, these alone do not make a business successful, but any business without them is less profitable, its survival less secure.

I have left for the third and final management quality—people: an understanding of people at work in business. This is entirely in the spirit of our topic, for durable success in any business depends in the final analysis upon people; ways to tap deeper for profit their loyalties, initiative, creative power; their competence.

You are familiar with numerous plans and benefits for encouraging better employee response to management needs—shorter hours, five-day weeks, group insurance, hospitalization, retirement annuities—all of which cost a lot of money and have definite value. But enlightened management has found other ways: more and more management problems are explained, profit objectives are being discussed with employee groups, and profit incentives and profit participation formulas are being used to tie employees closer to these objectives. We don't need a psychologist to tell us why employees respond to such encouragement—it is for the very natural reason that business occupies most of the waking hours of those who work; they like to be a part of it, to have a sense of belonging.

Yes, and more! Enlightened management is taking time to be "human," and in this connection may I give a personal experience; we are all products of our experience and our environment. Mr. A. E. Duncan, founder and present Chairman of the Board of Commercial Credit Company, recently distributed throughout the organization Harry Stowers' excellent book "Management Can be Human." And the response to that book all down the line—the reminder it conveys that business success is largely an affair of developing manpower and right attitudes—has been gratifying.

Sentimental? There is nothing sentimental about human understanding in business — profit in business is more a thing of people than it is of arithmetic.

And now after taking up a lot of your time I must close.

Clearly, there are problems ahead for business but they are problems that should be faced seriously rather than with fear. For despite severe disabilities of one kind or another business in every generation since the beginning of time solved its problems, built cities at the cross-roads of exchange, and quickened human and material progress.

Business in our time will be no different: business in our time will successfully meet its problems and will continue to provide human and material progress through production and distribution of goods the world wants.

And largely on credit.

To you managers of credit, a vital part of that business future, "the green fields wait for thee."

Schemes for Restoring Intra-European Trade

(Continued from page 7)
scheme will be given later in this article.

Another significant achievement in the long run, has been the close cooperation with the International Bank for Reconstruction and Development in Washington resulting in the purchase in May, 1948 of 17 millions of 2½% Serial Bonds in Swiss francs of the International Bank maturing in 1953 and 1954.

This was the first sale of International Bank securities outside the United States and the first opportunity for the Settlements Bank to come in close contact with the international financial organizations set up after the last war.[4] Like the first compensation agreement this is only a small beginning by contemporary standards of financial transactions; but the chances are that it may lead to bigger things in the not distant future such as happened already in the case of the new compensation scheme. Critical comments that the Bank had been able to get a better return by investing its funds in Switzerland are thus beside the point and fail to take account of the broader aspects of the transaction.

The Bank for International Settlements also finally managed to unfreeze the bulk of its balances in the United States as the result of an agreement signed on May 13, 1948. The greater part of the Bank's working funds once more consisted of dollar holdings as was the rule before the war, it is stated in the Annual Report. The Bank may be expected to use these dollar funds in the best interests of European reconstruction and cooperation.

The net profits of the Bank for the year ended March 31, 1948, amounted to 9.54 million Swiss gold francs as compared with 0.69 million in the preceding year. The Bank explains that a larger part of these higher profits is derived from non-recurring sources and that considerable profit fluctuations may have to be expected for the next few years.

Once again, the profit was transferred to a "Special Suspense Account" which now has increased to 13.54 million Swiss gold francs. On the other hand, an amount of some 6 million francs will be required in connection with the return of 3740 kilograms of gold received from Germany during the war and identified as looted property from occupied countries in Western Europe.

A year ago, the future of the Bank for International Settlements in the post-war world was still in doubt. But in the meantime it has been able to prove its value as an important instrument of European economic cooperation. It can now be expected with some confidence that this usefulness will be increasingly recognized as time goes on.

The Economic Commission for Europe

A number of rather unexpected developments have put into a position of prominence a subsidiary organization of the United Nations Economic and Social Council which was established during its fourth session in March 1947 and started operating in May 1947. Membership in the Economic Commission for Europe (ECE) is held by all the European members of the United Nations including the Soviet Union and its two member states, the Ukraine and Byelo Russia as well as the United States. In addition, all other European countries with the exception of Spain are taking part in the activities of the technical sub-committees. The Commission took over the work of several European organizations set up previously particularly in the field of inland transportation and coal distribution.

4. Relations appear to be still somewhat cool as far as the International Monetary Fund is concerned. The Annual Report mentions merely contacts and consultations between the research departments of the two organizations rather than any high level cooperation such as prevails in the instance of the International Bank.

In view of Russian hesitation to join the various subsidiary organizations of the United Nations, the ECA has become the only major all-European technical organization in which the Soviet Union and all its satellite countries are fully cooperating. This fact, obviously, has given it an almost unique position.

Moreover, most of the Commission's work is done in a number of technical committees and sub-committees meeting in executive sessions and consisting of technical experts. Thus, the main emphasis is on actual achievements rather than endless repetitions of claims and counterclaims which are confined to the plenary meetings of the Commission twice a year; the last meeting was held in Geneva from April 26 to May 8, 1948.

Last, but not least, the Commission has had the benefit of an outstanding leadership. Its Executive Secretary is Prof. Gunnar Myrdal, noted Swedish economist and former Swedish Cabinet member. It was Myrdal who negotiated the controversial Swedish-Soviet trade agreement which, at any rate, made him persona grata in Moscow. Myrdal is also well known in this country; he is the author of "An American Dilemma," published in 1944 and recognized as a basic analysis of the race problem in the United States. Thus he has been able to bring about cooperation between the two antagonistic groups in Europe.

The Commission was equally fortunate in selecting as its research director, Dr. Nicholas Kaldor, one of the best known among the younger generation of British economists. The "Survey of the Economic Situation and Prospects of Europe," prepared by the staff of the Commission under his supervision and released in the spring of 1948, created almost a sensation as an extraordinarily exhaustive and well organized review of the European economy during the first two postwar years unrivaled by any other publication in that field.

A list of the principal committees set up by the Commission thus far follows:

(1) *Industry and Materials Committee*—This committee and its seven sub-committees are mainly concerned with scarce industrial materials.

(2) *Inland Transportation Committee*—This is the successor of the "European Central Inland Transport Organization" created after the end of the war; it has done much useful work in reestablishing free inter-European communications, particularly in the field of motor transport.

(3) *Coal Committee* — This committee, succeeding the "European Coal Organization," is in charge of distribution of European coal production. Its work is recognized and accepted by all countries of Europe, including the Bizonal Military Government in Western Germany.

(4) *Electric Power Committee*—Prepares plans for coordinated expansion of European power resources.

(5) *Timber Committee* — This committee tries to make available the surpluses of Eastern Europe for the Western European deficit countries. It has worked out plans for a loan to expand production which is under active consideration by the International Bank for Reconstruction and Development in Washington.

(6) *Steel Committee* — Cooperates with the Coal Committee to increase production through appropriate allocation of scarce metallurgical coke.

(7) *Manpower Committee*—Studies methods for transferring workers between the surplus and deficit countries in Europe.

During the last session of the Commission, a number of proposals to broaden the future activities of ECE were discussed. Most interesting among those was a Soviet proposal to set up a "Committee for the Development of Economic Relations between the Countries of Europe." A Swedish resolution was adopted for an *ad hoc* committee to study the Russian proposals and to report to ECE not later than November 30, 1948. The *ad hoc* committee will meet in September and there have been rumors that this will afford an opportunity to Russia to promote closer economic relations between Eastern and Western Europe without formally abandoning her opposition to the Marshall Plan. Some of the more important satellite countries have been reported to be restless in view of their inability, under Russian pressure, to expand trade with the West and thus purchase needed raw materials and machinery which Russia is unable to furnish.

Obviously, the fact that ECE can serve as a meeting place for such discussions on a technical level furnishes additional proof of its usefulness under prevailing conditions if this should still be necessary. Possibly, there may be an opportunity for considerable expansion of ECE's activities.

The Organization for European Economic Cooperation

This organization was set up by the 16 nations who joined up as participants in the Marshall Plan. Their representatives met in July, 1947, at Paris to decide on an organization to prepare the original plans as requested by the U. S. Government. Representatives of the three Western occupation zones of Germany participated in the drafting of the report which was released on Sept. 22, 1947. While Congress was completing legislation on the "Foreign Assistance Act of 1948," the recipient countries met again in Paris. This second session on March 16, 1948, adopted a formal "Convention for European Economic Cooperation" and set up an organization to carry out its objectives.

According to the Convention the organization consists of a Council, an Executive Committee and a Secretary-General with his staff. The Council is composed of all member nations. It is the policy-making body of the organization. The Council designates the seven-member Executive Committee and the Secretary-General and Deputy Secretary-General. It sets up technical committees and other bodies as required.

The member nations are represented on the Council by one of their Cabinet Ministers. Present Chairman is the Belgian Prime Minister. Up to now, its meetings have been held infrequently. During his recent conferences in Paris, Paul G. Hoffman, Economic Cooperation Administrator, tried to induce the Council to have a special Cabinet Minister delegated from each member country to take charge of his country's delegation. It was finally decided to hold Council meetings more frequently, preferably every month, at the call of the Chairman.

This episode put the spotlight on the true situation of the 16-member organization. As established by the convention of March, 1948, it is simply a committee of civil servants from each member country who have to refer each question back to their own government before taking any decision. All those decisions require unanimity; no member can be bound against the will of its government back home.

Americans have been eager to raise the position and the prestige of the Paris organization so it may become, in due time, the nucleus for some kind of economic federation of Western Europe. A number of member governments, however, particularly Great Britain, have strenuously resisted any attempts to make the organization something more than a technical and statistical body assigned with carrying out decisions of the respective governments.

Pressure from the U. S. alone will hardly achieve a strengthening of the Paris organization This could be attained only by the will of the various peoples of Europe themselves. Up to now, little has been noticed of such a popular movement. It is impossible under present circumstances to predict developments several years ahead. Thus, nobody knows what will develop from the Paris organization which is doing and will continue to do a good job of coordinating indidvual national plans of the participating countries. But there is little cause for any particular optimism at this time.

Obviously, the activities of the UN Economic Commission for Europe duplicate those of the Paris organization to a considerable extent. This has been recognized in Washington by appointing W. Averell Harriman, the chief European representative for the Economic Cooperation Administration, as first U. S. delegate with the Economic Commission for Europe.

As long as Russia opposes the Marshall Plan, the present set-up, with one organization of Western Europe in Paris and another embracing almost all European countries in Geneva, will have to be continued. Temporarily, the Marshall Plan organization may overshadow that of the United Nations. But the latter is permanent and thus will be able to embark upon long-range studies and projects while the Paris organization has to confine itself to the next few years only. On the other hand, it may yet lead to some form of closer cooperation of a more permanent type to be continued beyond the life of the Marshall Plan itself.

U. S. Supports Expanded Multilateral European Clearing Scheme

After many months of protracted negotiations, a plan to deal with the present deplorable conditions of intra-European trade and payments, was finally agreed upon by the Council of the Organization of European Economic Cooperation during Mr. Hoffman's trip to Paris and approved by the Economic Cooperation Administrator. There seems to be a good deal of confusion regarding the scope and significance of this agreement. There is danger that its importance may be overrated and this may lead to a belief that a decisive step toward improvement had been achieved. This, however, is not the case by any means.

The problem, in the first place, is not a recent one. Indeed, it was taken up by the experts who prepared the Paris report a year ago. It seems appropriate to quote the passages in question, to keep the record straight.

"The primary purpose of American aid," declared the experts,[5] "is to enable the participating countries to obtain from the American continent what is needed for their production programs. But a number of Governments represented on the Committee desire that *American aid should serve a double purpose and also be used to reduce payments difficulties as between participating countries*[6] and restrictions on the interchange of goods and services between these countries, so far as these restrictions arise from payments difficulties.

5 Committee of European Economic Cooperation, Vol. II: Technical Reports, Addendum to Volume II: Report of the Committee on Payments Agreements; Arrangement of American Aid.

"Accordingly, those Governments desire that some part of American aid should take the form of dollars which can be used, first in making payments for goods supplied by one of the participating countries (including Western Germany) to another, and subsequently by the country which receives such payments to cover supplies from the American continent. It is, for example, clear that if one of the participating countries has coal or steel which it is able and ready to sell to another participating country, the latter should not be compelled by payment difficulties to refrain from buying steel or coal from a participating country and be forced to continue to buy them from the United States. This would be inconsistent with the programs formulated by the Technical Committees of the Paris Conference, which assumed that no payment difficulties would prevent participating countries from supplying key commodities to each other.

"To achieve the desired result, it is not suggested that additional American aid should be granted, but that American aid should be so arranged that it will serve both purposes instead of one purpose only."

A year ago, the U. S. was unwilling to accept this reasonable proposal of the monetary experts and these were forced to adopt a much less ambitious scheme in the five nation "Agreement on Multilateral Monetary Compensation" signed on Nov. 18, 1947.[7]

On the other hand, all the dire predictions of the experts came through in full. Intra-European trade came almost to a standstill during the year when no country was willing to sell those of its products which were in great demand, for any other currency but dollars which, in fact, could not be found anywhere in Europe.

The Compensation Agreement did provide for "automatic" clearing to the extent only that there should be no increase in credit balances and those situations were quite infrequent. In all other instances, express consent of the creditor country was required and usually not given, for no creditor wanted to increase its holdings of other countries' inconvertible currencies.

Belgium, which was referred to by the experts' report as quoted above, was unwilling to sell its steel to France but preferred to sell it to some Latin American country for dollars. France, on the other hand, purchased the steel available in Belgium from the U. S. under some form of assistance. Of course, this is merely one example; there are a great many similar ones.

Once the Economic Cooperation Administration had been established and had started discussions with the European representatives in Paris, the American experts did not wait long before their accepted principles as set forth so ably in the Paris report of September, 1947. On July 19, 1948 the Economic Cooperation Administration announced that a sum of $101 million or some 10% of the total alloted for the second quarter of the plan would be earmarked for "financing intra-European trade rather direct purchases from the U. S. or other supplying countries." A plan prepared by the European experts along the principles of the Paris

6 Italics supplied.

7 See the afore-mentioned article in the April 1, 1948, issue of the "Chronicle."

report was adopted by the Council of the Organizations of European Economic Cooperation on July 24. U. S. approval of the plan was given on July 29 in a letter from Ambassador W. Averell Harriman.

The plan is supposed to apply to the period from Oct. 1, 1948 to June 30, 1949 and provides for two stages. A limited "transitional" system of "automatic" compensation shall be started at that date similar in principle to that which was first set up in the agreement of November, 1947, among the five initial signatories. The type of transactions to be subject to "automatic" compensation are not yet determined but will have to be negotiated among the members of the Organization. Obviously, this will be the decisive point and no final analysis will be possible before these decisions have been reached.

Between October 1 and December 31, the experts will study the possibilities of the second and final stage namely "a system of automatic integral compensation which implies the multilateralization of credit margins." In simpler words, this means that all European currencies shall be made interchangeable within certain limits. There are considerable doubts whether it will be possible to reach that second stage prior to June 30 of next year. At any rate, it is worth trying.

The agreement provides that the frozen clearing balances which now exist and stifle intra-European trade shall be funded and no dollars shall be used in this connection. However, there may be recourse to the funds in domestic currencies accumulating in the recipient countries from the proceeds of the sale of goods given by the U. S. under the Recovery Program. The same funds will, probably, be used to expand credits to the deficit countries without direct use of dollars.

The new compensation scheme like the previous one will be administered by the Bank for International Settlements which will be in a position to use the machinery established and the experience gained during recent months.

The monetary experts who prepared the plan state most emphatically that the plan can supply only a mechanism for payments and can succeed only if "measures are taken to remedy the fundamental causes of European economic disequilibrium" as they have been so ably analyzed in the report of the Economic Commission for Europe referred to above. The experts suggest that member countries study a revision of their import export and exchange controls. Here, indeed, is the true problem and there are hardly any indications that the countries in question are willing to face the realities at this time.

In any event, the new compensation scheme with dollar support and integrated into the Recovery Program is a real step toward a more practical approach toward the problems of intra-European economic relations. But it is merely a scheme which can function properly only if the underlying conditions are suitable. Otherwise it may be just one of the many measures which do not do much harm and little good.

With First Securities

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—Frederick R. Boyd has become affiliated with First Securities Corp., 111 Corcoran Street.

With R. S. Dickson & Co.

(Special to THE FINANCIAL CHRONICLE)

HIGH POINT, N. C.—John A. Fitzgerald has joined the staff of R. S. Dickson & Co., Inc.

The State of Trade and Industry

(Continued from page 5)

fairly distribute an all-time record output of steel and convince Washington that current conditions will not last forever, they are in for further sharp criticism.

This week the industry is operating at 95% of capacity, and it has not been able to get above this rate for months. Previous highs have been 97%, and even at that rate output this year will match the all-time record made in 1944 when close to 90,000,000 tons of steel were turned out, this trade authority points out.

The reasons why steel output and the operating rate is not larger, states the magazine, is because good coking coal is tight, ore is harder to get, breakdowns are more numerous, pig iron supplies are short and there is no real assurance that there will be enough scrap this winter to support present operating levels of 95%. If the industry cannot operate at the top of what capacity it has, this trade paper adds, it is idle at this time to talk of a 5 to 10,000,000-ton increase in capacity.

The outlook this week for the steel consumer without allocations protection is dismal in sheet, plates and bars, according to "Steel," national metalworking magazine. Sheets and strip, in greatest supply stringency since the end of the war, furnish the bulk of tonnage going into consumer goods so that reduced quotas for the last quarter may force cutbacks in manufacturing schedules, including automobiles and refrigerators.

The steel mills are being forced to trim consumers' quotas not only because of rising preference program requirements, but because carryover tonnage from third quarter will limit new commitments against fourth quarter production.

While allocations are rarely scheduled beyond October, consumer quotas will vary between the mills with reductions from the current quarter approaching 20% in some cases and averaging, overall, close to 10%. In effect, producers are being forced to month-to-month scheduling. Should allocation tonnage prove larger than estimated earlier, and indications are it will be, November-December volume for the regular trade likely will shrink under October levels, this trade weekly notes.

With steel demand far in excess of supply and confusion in the market resulting from the impact of higher prices coupled with f.o.b. mill pricing, steel men are increasingly uncertain as to next year. Higher prices for finished consumer goods with better supply of these products available, growing price resistance by ultimate buyers, and tightening credit controls are factors being given more consideration in sizing up 1949 buying prospects. However, none of these has yet reached the mill level, as evidenced by unabated demand for steel. Meanwhile, the view is advanced in some quarters that many fabricators may be pressing for steel tonnage which they may not immediately need as a means of protecting themselves against even tighter supply conditions later when preference allocations siphon off tonnage in larger volume than at present. Expectations are, the magazine concludes, that steel demand will continue in excess of supply for months to come.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 95.9% of capacity for the week beginning Aug. 23, 1948, an increase of 0.9 points, or 0.9%, from last week. A month ago the indicated rate was 93.1%.

This week's operating rate is equivalent to 1,728,600 tons of steel ingots and castings as against 1,712,400 tons last week, 1,678,100 tons a month ago, 1,633,700 tons, or 93.4% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

ELECTRIC OUTPUT ADVANCES TO HIGHEST POINT SINCE FEB. 7, 1948 WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended Aug. 21, was 5,390,788,000 kwh., according to the Edison Electric Institute, the highest point since the Feb. 7, 1948 week when 5,412,361,000 kwh. were distributed. This was an increase of 73,064,000 kwh. above the output in the preceding week and 437,912,000 kwh. or 8.8% higher than the figure reported for the week ended Aug. 23, 1947. It was also 946,748,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS RISE SLIGHTLY IN WEEK BUT ARE BELOW YEAR AGO

Loadings of revenue freight for the week ended Aug. 14, 1948, totaled 891,277 cars, according to the Association of American Railroads. This was an increase of 12,376 cars, or 1.4% above the preceding week but a decrease of 15,028 cars, or 1.7% below the corresponding week in 1947. However, for the similar week of 1946 it represents an increase of 3,724 cars, or 0.4%.

AUTO OUTPUT SHOWS SLIGHT ADVANCE FOR LATEST WEEK

Production of cars and trucks in the United States and Canada advanced to 113,847 units from 112,342 (revised) units the previous week, according to "Ward's Automotive Reports."

Resumption of assemblies by Packard after a one-week closing for lack of steel helped to offset an estimated loss of 3,000 in truck output by International Harvester Co. caused by the closing of its plants by a UAW-CIO strike.

Output in the similar period a year ago was 84,726 units and, in the like week of 1941 when model changeovers were taking place it was 45,525 units.

This week's output consisted of 82,982 cars and 25,525 trucks made in the United States and 3,469 cars and 1,871 trucks made in Canada.

BUSINESS FAILURES DROP FOR SECOND WEEK

Commercial and industrial failures numbered 94 in the week ending Aug. 19, Dun & Bradstreet, Inc., reports. This compared with 103 in the preceding week and 59 in the corresponding week of 1947.

Over three-fourths the week's total failures involved liabilities of $5,000 or more. Dipping from 79 to 77, casualties of this size exceeded the 52 in the same week a year ago. Small failures with liabilities under $5,000 fell to 17 from 24, but were twice as numerous as a year ago.

Retailing and wholesaling accounted for most of the decline the past week. Geographically, the largest concentration of failures occurred in the Pacific States, while in the Middle Atlantic States, failures remained unchanged from the preceding week. A sharp decline appeared in the East North Central States, with little change reported in other areas.

For the month of July the number of business failures dropped to 420 from 463 in June. Casualties were, however, more numerous than in any other July since 1942, but were less than one-half as numerous as in 1939 and 1940.

WHOLESALE FOOD PRICE INDEX DECLINES SHARPLY IN LATEST WEEK

After holding steady at $7.18 for three successive weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., dropped sharply the past week to stand at $7.07 as of Aug. 17. This was a decline of 1.5% in the week, bringing the current figure to the lowest level since June 1 when it stood at $6.97. At this time a year ago the index registered $6.57.

WHOLESALE COMMODITY PRICE INDEX HIGHER DUE TO FIRMER GRAIN PRICES

The Dun & Bradstreet daily wholesale commodity price index rose slightly last week largely due to firmer grain prices. The index closed at 280.41 on Aug. 17, comparing with 280.22 a week earlier, and with 274.17 on the corresponding date last year.

Grain markets, which had moved downward as the result of bumper crop prospects, turned upward in the latter part of the week. Strengthening factors included the belief that export goals would be stepped up and reports of improvement in the grain storage situation.

In the futures market, corn was the most active grain with prices rising after hitting new seasonal lows. Wheat prices moved in a narrow range, with government buying of cash wheat fairly active.

Domestic demand for flour remained inactive throughout the week although the price tone was steady to slightly firmer. Export business was featureless except for the purchase of 430,000 hundredweight of 80% extraction flour to complete the September allocation for that country. Cocoa prices were slightly easier, reflecting lack of demand from small manufacturers and the expectation of an easing in the tight cash position when the new crop starts to move.

Butter prices weakened at the close as heavy offerings failed to attract buyers. Trading in hogs became active in the latter part of the week and prices rose more than $1.50 per hundredweight over a week ago with some grades selling for $30.50, or only $1 under the all-time high. Lambs also sold higher but cattle prices declined slightly on larger than expected receipts.

Cotton markets continued to be influenced by the unexpectedly large crop prospect for this season. Activity in spot markets declined and farmers were reported offering very little cotton at current values.

Prices moved irregularly. The spot quotation at Galveston touched a new low for the year at 31 cents per pound. Reported sales in the ten spot markets totaled 70,400 bales for the week, against 84,500 bales in the previous week and 53,300 a year ago. In leading textile markets, trading was cautious with activity limited to scattered sales of small lots for nearby delivery. Domestic consumption of cotton as estimated by the New York Cotton Exchange was placed at 615,000 bales during July. This compared with 801,000 bales consumed in June, and 678,000 in July a year ago. It represented the smallest for any month since June, 1940, when 565,000 bales were used.

RETAIL AND WHOLESALE TRADE CONTINUES TO REFLECT FAVORABLE TREND FOR WEEK AND YEAR

The volume of consumer buying during the week remained at the high level of the preceding week. Total retail dollar volume was moderately above that of the corresponding week a year ago, Dun & Bradstreet, Inc., reported in its current review of trade. Many consumers continued to shun high-priced merchandise, though clearance and promotional sales attracted some consumer interest.

Favorable weather in many sections of the country was conducive to a continued high volume of retail activity.

Consumer interest in apparel was stimulated last week by numerous promotional sales of fall merchandise. Showings of back-to-school apparel met with increased consumer response, and women's velveteen and corduroy jumpers and tailored blouses continued to be in large demand. Mid-year clearance sales of sportswear and summer apparel were well attended in many localities. The demand for men's apparel was slightly below that of the previous week.

Retail dollar volume for most foods was almost unchanged from the high level of a week ago and was slightly above that of the corresponding 1947 week.

Resistance to prevailing food prices continued to have a restraining effect on consumer demand, and consumer interest in less expensive cuts of meat and in meat substitutes increased.

The demand for fresh vegetables and fruits remained steady and high. It was noted that some frozen foods continued to sell well. Retail volume of some canned foods, however, was below the level of a week ago.

There was a considerable rise in the amount of instalment buying last week of durable consumer goods.

Retail volume for the country in the period ended on Wednesday of the past week was estimated to be from 6 to 10% above that of a year ago.

Many retailers, uncertain as to future price developments, confined their purchasing to needed items during the week. The total dollar volume of wholesale trade, although slightly below that of the previous week, remained somewhat above the level of the corresponding week a year ago. Orders and re-orders were generally in the medium to low-priced lines.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 14, 1948, increased by 15% from the like period of last year. This compared with an increase of 17% (revised) in the preceding week. For the four weeks ended Aug. 14, 1948, sales increased by 12%, and for the year to date by 8%.

Retail trade displayed greater activity here in New York the past week with emphasis on early fall and back-to-school merchandise.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 14, 1948, increased 14% above the same period last year. This compared with an increase of 11% (revised) in the preceding week. For the four weeks ended Aug. 14, 1948, sales increased by 8% and for the year to date by 6%.

Changing Value of Tax Exemption Versus Municipal Bond Prices

(Continued from first page)

deserves attention in much the same manner as that given to the timing of interest rates and bond prices.

Study of Figure I confirms this contention. At the beginning of the year 1940, there was little difference in yield between the two groups. That spring, however, Germany invaded the low countries and made us realize that the European war was on in earnest. Our bond markets slipped immediately, both May and June recording steadily declining prices. This decline was typical of what happens whenever we have bad news of military character. The same thing happened in September, 1939, when Germany invaded Poland. At that time Treasury bonds declined so drastically the Federal Reserve found it necessary to furnish market support on an unprecedented scale until confidence was restored.

When the shock of Germany's blitz through Holland and Belgium had spent itself by June, 1940, the two bond averages were but three basis points apart. Then the markets began to improve, but municipals forged far ahead of the corporates for the remainder of the year. In those six months yields on municipals declined from a 2.85 to a 2.13 basis, a total of 72 basis points; meanwhile, the corporates declined only 28 basis points from a 2.88 to a 2.60 basis. The accelerated rate of advance in municipal prices is attributable primarily to the increase in tax rates levied by the Revenue Act of 1940 and, secondarily, to the realization that further increases might soon be expected.

Weakness was the dominant note in January and February, 1941. The main reason was the Treasury offering of the Second Defense loan which caused the market on Treasury issues to dechine and municipals and corporates followed in sympathy. In February the Doughton Bill—which provided that all securities of the Federal Government issued on and after March 1, 1941, be fully taxable for income tax purposes—became law and provided the bullish influence which caused the tax exempts to rise steadily in price until the day of disaster at Pearl Harbor. That event started a decline and the municipal market being particularly vulnerable after its sustained rise, went down considerably faster than did the corporate issues; it was March, 1942, before the downward movement was arrested.

For the next three years there was an upward trend save for minor interruptions, which continued until VE-Day in 1945. Following the German surrender, a general decline set in on bond prices as long-term interest rates hardened somewhat, but the curve on corporates flattened out and remained fairly constant for the balance of the year. The municipal curve, however, declined more sharply than did the corporate, but started up sooner, reversing its trend in October. That trend continued until it reached the low yield point of all time in April, 1946.

This peak was reached despite the tax reduction bill lowering individual and corporate income taxes by approximately $6,000 millions, which was signed by President Truman in November, 1945; apparently the public realized that although the wars were ended high taxes were not. However, some of the rise was due to the influence of a general decrease in long-term interest rates which took place during the period.

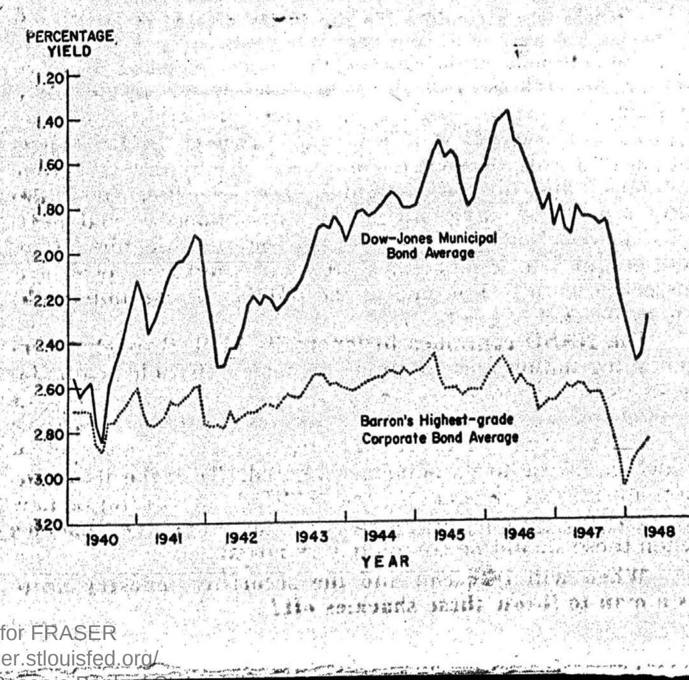
TABLE I

Data on Dow-Jones Municipal Bond Average and Barron's Highest Grade Corporate Bond Average

(Period from January, 1940, to April, 1948)

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1940												
Mun.	2.55	2.64	2.61	2.58	2.78	2.85	2.60	2.52	2.45	2.33	2.22	2.13
Cor.	2.70	2.70	2.70	2.70	2.85	2.88	2.75	2.75	2.70	2.68	2.64	2.60
1941												
Mun.	2.20	2.37	2.30	2.24	2.13	2.07	2.04	2.03	2.01	1.92	1.94	2.16
Cor.	2.67	2.75	2.77	2.75	2.73	2.66	2.67	2.66	2.64	2.60	2.59	2.77
1942												
Mun.	2.31	2.50	2.51	2.43	2.43	2.35	2.24	2.20	2.23	2.20	2.21	2.26
Cor.	2.78	2.77	2.78	2.71	2.75	2.73	2.71	2.71	2.70	2.68	2.68	2.69
1943												
Mun.	2.24	2.19	2.18	2.14	2.06	1.98	1.90	1.88	1.89	1.85	1.88	1.95
Cor.	2.66	2.63	2.65	2.65	2.61	2.56	2.55	2.55	2.59	2.59	2.60	2.61
1944												
Mun.	1.88	1.82	1.81	1.84	1.82	1.80	1.75	1.73	1.76	1.80	1.81	1.79
Cor.	2.62	2.61	2.59	2.58	2.57	2.57	2.55	2.54	2.55	2.52	2.55	2.54
1945												
Mun.	1.72	1.63	1.55	1.50	1.57	1.55	1.57	1.69	1.80	1.76	1.66	1.61
Cor.	2.53	2.50	2.46	2.56	2.61	2.61	2.61	2.64	2.62	2.62	2.62	2.58
1946												
Mun.	1.52	1.42	1.40	1.37	1.50	1.52	1.58	1.64	1.73	1.81	1.74	1.88
Cor.	2.54	2.50	2.47	2.52	2.59	2.56	2.60	2.61	2.71	2.69	2.67	2.67
1947												
Mun.	1.80	1.90	1.92	1.80	1.85	1.85	1.86	1.88	1.86	1.95	2.17	2.29
Cor.	2.65	2.61	2.61	2.60	2.60	2.63	2.63	2.64	2.71	2.81	2.90	3.05
1948												
Mun.	2.39	2.50	2.47	2.30								
Cor.	2.98	2.92	2.89	2.86								

Figure I. Yields of Municipal and Corporate Bonds (Inverted Scale)



At the downward peak the yield on the municipal curve was 1.37%. The corresponding yield on high-grade corporates was 2.53%. Thus, corporates were yielding 84% more than municipals, excluding tax considerations. However, in less than two years, by February, 1948, the gap had narrowed considerably, although both groups had risen in yield as a result of a general tightening of interest rates. Specifically, corporates showed a yield of 2.92% against that on municipals of 2.50%, a percentage difference of 16.8. This is a substantial change from the differential of 84% less than two years previous.

Explanations for Diminished Spread

Two explanations appear for the diminished spread between corporates and municipals after the peak in April, 1946. The first was anticipation of some measure of tax relief, now realized in the Revenue Act of 1948. The second is the greatly increased supply of tax exempts which has been marketed since the end of World War II.

To appreciate the market significance of this yield change since April, 1946, a 25-year 2½% municipal, selling on a 1.375 basis at that time, would decline from 123.775 to 105.39, on the basis of a 2.20 yield in today's market, or a drop of approximately 15%.

Would it have been wise to sit on one's principal at the peak of such prices? It is always difficult to decide, and hindsight is much cheaper than foresight. However, we can compute the number of years an investor could have taken zero income to equal the difference in the cost of the bond under the two dates given. The price of the bond, $1,237.75, minus the amount received when sold, $1,053.90, equals $183.85. Income at 1.375% (0.01375) annually on the investment of $1,237.75 equals $17. Dividing the loss, $183.85 by 17, gives us 10.8 years. Thus the principal could have lain fallow for almost 11 years before equaling such a loss. This illustration is ample demonstration that tax timing would warrant and repay close study.

TABLE II

Volume of Municipal Bonds Issued Annually

(In Millions of Dollars)

1929	1,442
1932	937
1937	984
1939	1,099
1940	1,498
1941	1,229
1942	576
1943	508
1944	712
1945	820
1946	1,204
1947	2,400

Source: For years 1929-1946, inclusive, "The Bond Buyer," quoted in "Moody's Government and Municipals," 1948, p. a-30. 1947, "Moody's Bond Survey," Feb. 16, 1948, p. 625.

Anticipation of lower taxes as an explanation for the narrowing of yield spread has become fact through the provisions of the Revenue Act of 1948. These, as all now know, consist of increases in basic exemptions and deductions, the splitting of income between husband and wife and an increase of the credit (reduction) on the total tax bill.

Any scrutiny of the new act speedily reveals that tax savings through purchase of municipals are less than under the previous act. It will likewise reveal that an important tax saving may be accomplished by married persons by taking advantage of the new treatment accorded them which permits splitting their incomes. Table III gives several illustrations of these changes.

Changes in Tax Laws

These changes in the tax laws must receive careful attention from the municipal buyer and call for some kind of attempt to assay the prospects of change in advance of their realization.

Another feature of the new act to which attention should be called is the relative changes afforded in spendable income. The relief in tax payments granted by the 1948 Act is primarily through an increase in the percentage of tax credit allowances, for the surtax brackets are the same as last year. This percentage of reduction is not great, ranging from five to seven and a fraction percent for the majority of the taxpayers. A point sometimes overlooked (perhaps fortunately, in view of common demagogic treatment) is that a cut in the tax rate of one point makes a bigger percent change in spendable income from a high than from a low income. A low income recipient who has kept 95% of his income increases his spendable income only about 1% when the tax take drops from 5% to 4%. A well-to-do recipient who has paid Uncle Sam 80% and only kept 20%, finds a tax cut that moves his balance up to 21% gives him a 5% increase in spendable income. (See Table IV.) This increased spending power in the higher taxpaying brackets is likely to be largely invested, and under the 1948 tax schedule, which are still abnormally high, will tend to support rather than depress municipals.

Another Cause of Diminished Spread

The second explanation for the causes of the diminished spread between corporates and municipals in the past two years involves the economic supply factors. Table II gives some significant figures on the volume of municipals issued annually for certain years. The big year of the fabulous '20s, 1929, when $1,442 million were issued, was a record. In the '30s, the annual total went below a billion twice, 1932 and 1937, both years being of the depression variety. Not until 1940 was the high mark of 1929 surpassed, and then only by a relatively small margin. As previously pointed out, the Second World War period curtailed the volume which dwindled to a low point of $508 million in 1943. In 1946 the volume of $1,200 million indicates the extent to which the States and their politicians were again tapping the money markets, and 1947 reached the enormous total of $2,400 million, which set a record for all time.

However, consideration of volume alone is incomplete analysis. The purposes of the issues must be taken into account as many of them may be of such a nature that they will not be recurrent. In 1947 a sizable part of the record total of $2,400 million consisted of veterans' bonus bond issues.

But even without the bonus financing the 1947 total is a large figure and gives a good indication of how municipalities are now making improvements denied them during the war. The 1948 total may be even higher as the first quarter's total reached the tremendous figure of $945 million.[1] This pace, however, will hardly be maintained for the entire year. Nevertheless, there are reasons for believing that a high level may

[1]Moody's Bond Survey, March 22, 1948, p 565.

TABLE III

Illustration of Tax Returns

	Single Person, 3 Dependents 1947	Single Person, 3 Dependents 1948	Joint Return Husband & Wife 1948
Income	$100,000	$100,000	$100,000
Deductions	500	1,000	1,000
Net income	$99,500	$99,000	$99,000
Exemptions	2,000	2,400	2,400
Taxable income	$97,500	$96,600	$96,600 ÷ 2 = $48,300
Tax	65,145	64,362	25,596
Credit deduction:			
1947 = 5% of tax	3,257		
1948			
(a) 17% of $400		68	68
(b) 12% of tax between $400 and $100,000		7,675	3,023
(c) 9.75% of tax in excess of $100,000		0	0
Total tax reduction	$3,257	$7,743	$3,091
Net tax	61,888	56,619	22,505 x 2 = 45,000
A 2% return on a tax-exempt municipal bond will equal a taxable bond yielding:	11.53%	.853%	5.46%

TABLE IV

Taxable Income Brackets Individuals	Brackets Tax Rates 1948 Gross Tax Rate	% of Tax Credit	Net Tax Rate	Brackets Tax Rates 1947	% Decrease in Tax 1947 to 1948	% Increase in Spending Power	1.00: 1947	1.00: 1948	1.50: 1947	1.50: 1948	2.00: 1947	2.00: 1948	2.50: 1947	2.50: 1948
							If the Interest Yield From Tax Exempt Bonds Is — To Provide an Equivalent Return, Taxable Bonds Must Yield							
Not over 2,000	20	17	16.60	19.00	12.63	3.0	1.23	1.20	1.85	1.80	2.47	2.40	3.09	3.00
÷2,000- 4,000	22	12	19.36	20.90	7.37	1.9	1.26	1.24	1.90	1.86	2.53	2.48	3.16	3.10
4,000- 6,000	26	12	22.88	24.70	7.37	2.4	1.33	1.30	1.99	1.95	2.66	2.59	3.32	3.24
6,000- 8,000	30	12	26.40	28.50	7.37	2.94	1.40	1.36	2.10	2.04	2.80	2.72	3.50	3.40
8,000- 10,000	34	12	29.92	32.30	7.37	3.51	1.48	1.43	2.22	2.14	2.95	2.85	3.69	3.57
10,000- 12,000	38	12	33.44	36.10	7.37	4.16	1.56	1.50	2.35	2.25	3.13	3.00	3.91	3.76
12,000- 14,000	43	12	37.84	40.85	7.37	5.10	1.69	1.61	2.54	2.41	3.38	3.22	4.23	4.02
14,000- 16,000	47	12	41.36	44.65	7.37	5.95	1.81	1.71	2.71	2.56	3.61	3.41	4.52	4.26
16,000- 18,000	50	12	44.00	47.50	7.37	6.67	1.90	1.79	2.86	2.68	3.81	3.57	4.76	4.46
18,000- 20,000	53	12	46.64	50.35	7.37	7.45	2.01	1.87	3.02	2.81	4.03	3.75	5.04	4.69
20,000- 22,000	56	12	49.28	53.20	7.37	8.37	2.14	1.97	3.21	2.96	4.27	3.94	5.34	4.93
22,000- 26,000	59	12	51.92	56.05	7.37	9.40	2.28	2.08	3.41	3.12	4.55	4.16	5.69	5.20
26,000- 32,000	62	12	54.56	58.90	7.37	10.55	2.43	2.20	3.65	3.30	4.87	4.40	6.08	5.50
32,000- 38,000	65	12	57.20	61.75	7.37	11.90	2.61	2.34	3.92	3.50	5.23	4.67	6.54	5.84
38,000- 44,000	69	12	60.72	65.55	7.37	14.00	2.90	2.55	4.35	3.82	5.81	5.09	7.26	6.36
44,000- 50,000	72	12	63.36	68.40	7.37	15.90	3.16	2.73	4.75	4.09	6.33	5.46	7.91	6.82
50,000- 60,000	75	12	66.00	71.25	7.37	18.30	3.48	2.94	5.22	4.41	6.96	5.88	8.70	7.35
60,000- 70,000	78	12	68.64	74.10	7.37	21.00	3.86	3.19	5.79	4.78	7.72	6.38	9.65	7.97
70,000- 80,000	81	12	71.28	76.95	7.37	24.60	4.34	3.48	6.51	5.22	8.68	6.96	10.85	8.70
80,000- 90,000	84	12	73.92	79.80	7.37	29.10	4.95	3.83	7.43	5.75	9.90	7.67	12.38	9.59
90,000-100,000	87	12	76.56	82.65	7.37	35.01	5.76	4.27	8.65	6.40	11.53	8.53	14.41	10.67
100,000-136,719	89	12	78.32	84.55	7.37	40.30	6.47	4.61	9.71	6.92	12.59	9.22	16.18	11.53
136,719-150,000	89	9.75	80.3225	84.55	5.00	27.40	6.47	5.08	9.71	7.62	12.95	10.16	16.18	12.70
150,000-200,000	90	9.75	81.225	85.50	5.00	29.40	6.90	5.33	10.34	7.99	13.79	10.65	17.24	13.32
Over 200,000	91	9.75	82.1275	86.45	5.00	31.90	7.38	5.60	11.07	8.39	14.76	11.19	18.45	13.99

Compiled by the writer.

continue for some time. Bonus issues already in prospect for 1949 and 1950 are one good reason. Costs of both materials and labor far above prewar levels are another. A third is the trend of the times which commits local communities to the exercise of functions and providing facilities unknown in the past.

Possibility of Tax Reform

The possibility of tax reform must not be overlooked by the municipal buyer. The most likely change would be probably the complete elimination of the tax exemption of income on municipal issues. This is a deep problem in itself and cannot be treated adequately within the scope of this article, but we may note briefly the possible directions such a move would take. One is that only future issues of municipals would be taxable. This would put the holders of the outstanding bonds in the position of a vested interest and would make the bonds very valuable indeed. The second is that outstanding issues as well as future issues would henceforth be taxed. This can be done, although it would raise a great hue and cry concerning the inviolability of contracts. Actually there is no contract. All buyers of municipals are gambling on what Congress will or will not do with respect to the tax immunity of municipal obligations. Since income taxes have been levied and upheld by the Federal Government on municipal wages and salaries, the preponderance of opinion is that Congress has the constitutional power to tax income on State and municipal debts at its discretion, so long as such taxes are uniform and are not discriminatory.[2]

International Situation Effects

The international situation may be also a potent factor in the future movements of the municipal markets. If the rearmament program of our government should be expanded to any level approximating a wartime basis then tax increases are inevitable. Likewise such a program might pre-empt both materials and manpower and hence curtail the supply of municipal issues, as we have just witnessed through the years of the last war. The increased demand coupled with curtailed supply will obviously repeat the very picture we have under discussion.

Municipals will also be subject to the same general hazards of price decline from rising rates should the government relax its support of the bond market.

On the other hand, a bull market in stocks, offering long-term capital gains subject to a maximum tax of 25% can be a potent competitor of municipals.

There is also the matter of judgment as to selling tax exempts which reach what appear to be unwarranted low yields. We have discussed this point above but we reopen it in order to relate the fact that many life insurance companies realized sizable profits from this tax exempt, long-term bond situation. However, they were motivated by other factors than those which confronted individuals. These institutions have through the years bought municipals from time to time on the basis of their well-merited soundness as security values. But because premiums received by a life insurance company are recognized by the Treasury as not being income in the ordinary sense, it is accorded special tax treatment which minimizes to it the value of the tax exemption which municipals enjoy. Consequently, when the yields on their municipal holdings began to drop to levels unwarranted from the joint of view of their security values, the insurance companies sold them, took their profits and reinvested the proceeds in other types of securities paying a higher rate of return.

If and when the supply exceeds the demands of individuals who seek tax exemption, then yields must be high enough to appeal to outsiders, such as life insurance companies, which at present realize almost no value from the tax exemption. When that point is reached our two curves will come together and there will be no spread.

The short-term exempts have a distinct market of their own, which, at present, is at a lower yield level, and it is governed largely by the demand from commercial banks. Here the differential is governed by the corporate income tax of 38%. Thus, a tax-exempt has to yield only 62% of the return on a taxable to equal it, maturity and security being comparable.

Danger of Pushing Tax-Exempt Factor Too Far

Investors then would be wise to remember the pattern of yields between municipals and corporates during periods of abnormally high taxes and not push their valuation of the tax exemption device too far. It would seem that all those who have anything to do with investment management of any kind might learn a lesson to the effect that timing of taxes is an important function of investment.

2 For a well-balanced discussion of this question, see Groves, Harold M., "Post-war Taxation and Economic Progress," 1946, McGraw-Hill Book Company, New York, pp. 200-206. On Federal tax problems in general see Magill, Roswell, "The Impact of Federal Taxes," New York, Columbia University Press, 1943; and Groves, Harold M., "Trouble Spots in Taxation," New Jersey, Princeton University Press, Princeton, 1948.

As We See It

(Continued from first page)

year-to-year operations with such care and foresight as he can muster in these troubled times. We must say that some of the reports coming out of Washington purporting to give official guesses about the likelihood of war with Russia in the foreseeable future are somewhat suspect in our view, although in such situations as that which now exists unforeseeable "incidents" of great potential consequences are always possible. At any rate, the whole question is one which both responsible officials and the practical business man can not ignore at present. As to what the future may bring forth in the way of general business conditions, that is always a matter of vital concern to the business man, and the many uncertainties and imponderables in the situation today inevitably cause much more time and thought to be given to such matters than ordinarily would be the case.

A Bad Habit

But, of course, we must not get the habit—or keep it if it is already upon us—of confining our thought about such matters to a mere effort to guess what the future holds, as if the course of events were likely to be shaped by some force or forces emanating from Mars, and as if all we could do were to accept what fate sent us and adapt ourselves to whatever comes. The fact is that, with the possible exception of our relations with Russia, we are, or could be, largely masters of our own fate, and even in the matter of peace or war with the Kremlin much more than is commonly believed may well depend upon our own course or courses.

More important, then, than trying to figure out what is likely in the actual event to happen is the question of what we are doing or are planning to do to make the future what we want it to be. We should, in other words, be asking ourselves not only what we are likely to get in the future, but what we really deserve; not what fate is likely to bring us, but what we are bringing or are likely to bring upon ourselves. It is still true that the fault is not in our stars but in ourselves if we are underlings.

Now, some such idea as this is constantly being preached by a number of politicians, notably the President and the Presidential candidate Henry Wallace at the moment. It was a favorite topic with the late President Roosevelt. Indeed, one of the more disheartening aspects of the current situation is that this basic "approach" has been so ardently adopted by those who have perverted ideas about how to reach desired goals. In recent years at any rate, those who understand the nature of the factors involved in all this either have had little to say or else have been able to attract but small followings. The fact is that the glib and superficially plausible arguments and panaceas of the New Deal apologists and advocates have all too often unsettled theretofore clear minded observers in places of influence. No doubt the excesses of the New Era, which preceded the New Deal and was responsible for so much of what happened in the years after 1929, are in part responsible for the success this superficial nonsense had under the smooth leadership of President Roosevelt—and in one degree or another still has today.

What Do We Deserve?

However all this may be, the American people are in urgent need of a full understanding of the fact, for fact it is, that we today are falling far short of deserving a reasonably satisfactory economic future. We need realize more fully that our salvation lies not in further doses of the "managed economy" type of policy which is responsible for our present troubles, but in precisely the opposite type of procedure and philosophy. We further need—if not at this precise moment, then as soon as the grasping and relentless Kremlin offers the opportunity—to reconsider our entire foreign policy and programs. This talk about a bipartisan foreign policy, if it implies as it appears to do, that any action or program, any policy or notion, which the Administration decides to follow or to inaugurate becomes at once sacrosanct and above criticism is complete nonsense, and, what is more a type of nonsense, which can do infinite harm.

Let us turn to the domestic situation, for more specific application of what we have been saying. Reams of paper have been consumed, and many hours of time killed in discussion of the rising trend of prices generally and the likelihood of this "inflation" causing the "prosperity" or the "boom" — whichever it is — upon which we are now riding to come to an early halt, perhaps even to a "bust." The Washington Administration, and a good many others who were more or less shining lights in the days of President Roosevelt, have been urging and are still urging a number of shop-worn remedies, including arbitrary controls of this and that and some of the trick monetary and credit techniques employed with what they thought at the time was success during the war.

Of course, rationing and price controls as well as some of the other governmental interferences now being suggested definitely lost public favor in the early post-war months. They appear to be still out of favor with a great many, one presumes the majority. There have been some changes in the discount rates, and some manipulative steps by the Treasury. New consumer credit regulations have been announced by the Federal Reserve authorities. Out of it all, some "psychological" effect or influence is hoped for.

Causes and Cures

But what is at the bottom of all these price trends and the other phenomena upon which predictions of trouble, if not disaster, rest? One would suppose that the first thing to do would be to arrive at some intelligent conclusion on this question and then to proceed to remove or at least modify these causative conditions. Yet such obviously is not the case. Public spending to the point of profligacy is largely ignored. Real tax reform is not even thought of apparently by any of the articulate commentators in public life—and not often elsewhere. Until some way is found and applied to place Treasury obligations on a sound footing in a free market, without inordinate damage to those who have been inveigled (or virtually forced) to take Treasury obligations at artifically rigged prices, there can be no really normal money market. Agricultural subsidies, social security profligacy, waste on the "veterans," and a dozen other New Deal programs constitute the foundations upon which the artificialities in the present situation rest. Who has even suggested drastic surgery in any of these fields?

We do not yet deserve to remain prosperous.

Trial and Error

(Continued from page 3)

general language. He is told that his sales prices must bear a reasonable relationship to the market prices. No one will tell him what is reasonable. As to over-the-counter securities, the determination of market price is not easy. He is told that if he spends money and effort in investigations it may increase the selling price of the affected securities. How much money, what degree of effort, no one will tell him.

The effect of this pattern can only be for a time to squeeze out the small dealers who, manifestly because of a limited business volume, cannot afford to sell at the same spread as the big fellow. There will, however, be dire repercussions if this policy is continued. Currently, in other industries and to some extent in the securities field, the government has taken a hand. Anti-monopoly and anti-trust prosecutions are numerous. The sensible big fellow will be quick to see that the pattern of which we speak is a disservice both to him and to the public. It can only yield the by-product of grief.

The NASD continues to ignore its birth through emergency legislation and continues to fasten its hold upon the securities industry by extension of its powers. The prospect of release from servitude to it is becoming ever more urgent as it turns aside from the knowledge that the emergency which gave rise to its being terminated. To make its members even more dependent, the NASD is sponsoring a new undertaking, group insurance, thus fastening the shackles when these should be completely removed.

When will fear end and the securities industry unite as a man to throw these shackles off?

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Despite inflation, market still not ready to advance. Buying advisable only at low points in present stage.

From the action of the market in the past few days it still looks like the outburst of strength isn't just around the corner. The recent strength, after the previous weakness, was interesting as an indication of the future, but not convincing enough to warrant hurrying in and buying.

* * *

The subject of inflation has had a considerable kicking around. I probably mentioned it as often as any other writer. I want to repeat now that inflation isn't an open sesame for stock market profits. It would be cozy if the purchasing level of the dollar would be reflected in stock prices. Unfortunately, desires have nothing in common with actualities. Reduced to its common denominator, stocks go up because enough buyers are bidding for them. If the supply of stocks is fixed and the number of buyers increase the stock will advance faster.

* * *

The reasons why potential buyers become active ones are many and varied. Fundamentally, stocks go up because undisclosed developments are known to a few who translate that knowledge into buying. It works the other way around also. It is also the reason why inflation as we know it hasn't taken hold of the market more than many people feel it should.

* * *

Everybody knows inflation is here. It isn't a secret any longer. What is unknown is what form will the present inflation take before it hits the inevitable air pocket. There is some feeling that between now and election nothing will be done by either political party that will jeopardize votes. From a hasty viewpoint, neither side can take drastic monetary steps to halt the present trend. It might be smart to do so, but politically unwise. By the same token neither side can arrange things so all reins would be off. That would be equally dangerous for political lives.

This means that for the time being a status quo is likely and also means that the market itself will give the clue as to which way it will jump.

* * *

When I indicated that the market looked potentially stronger some weeks ago, I also warned that periods of strength in the immediate future were not to be trusted. I repeat that. If any buying is done it should be on weakness. There is a possibility that such a procedure might make you miss the market. But despite the fact that money seems to get cheaper almost daily, I still hesitate to suggest tying up capital for indefinite periods.

* * *

Timing cannot be shrugged off because inflation is in the saddle. It is still important. To buy on strength, hold through weakness and then finally sell on new strength is not my idea of making money. I prefer to wait until they're either kicking around and nobody wants them, or buy them when everybody is trying to get out from under. Neither period has arrived yet. So keep your money in your pocket.

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.]

Gas Range Sales Reach New Six Months' Peak

Residential gas range sales reached an all-time high of 1,444,000 units during the first six months of 1948 and exceeded by 283,000 the sales during the first six months of 1947, the previous peak year, according to the Gas Appliance Manufacturers Association.

Total 1948 annual production is expected to exceed the previous peak year by approximately 500,000 and reach 2,800,000 units.

Gas ranges for use with LP gas (bottled) totaled 375,000 units during the first six months of 1948 and approximated 26% of the industry's sales. This compares with 290,000 such units sold during the same period of last year.

Two With Faroll & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Seymour Banish and John G. Whiteside have become associated with Faroll & Co., 208 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Whiteside was formerly with First Securities Co. of Chicago.

Wallace Opens Progressive Party Campaign

(Continued from page 11)

the curtain of fear. Let us look behind it and see the reality of bipartisan America right here in Bridgeport.

Says Workers Suffer Because of War Contracts

It is widely believed that munitions and metal industry centers like Bridgeport prosper greatly from the war contracts and Marshall Plan contracts that pour out of Washington.

But what do we find?

That 40% of all married Bridgeport veterans can't get homes of their own:

That thousands of workers are running their health by working on extra jobs at night to feed their families:

That workers on household appliances in General Electric suffer from periodic layoffs because iron has already gone to war:

That one-third of the workers in Bridgeport Brass chose to work through their vacation because they could not afford to rest:

That workers who gained 12 cents an hour in the third round of increases have lost 20 cents an hour through the Taft-Hartley speed-up.

What does cold-war prosperity mean to the Bridgeport worker who makes the most modern machine while his wife slaves over an old-fashioned tub?

What good is the Truman-Dewey boom to the workers of Chance-Vought who were laid off in the thousands because their factory is being moved to Texas as part of the preparations for World War III?

I find 6,000 Bridgeport workers totally unemployed — 10% of the working force! What good is 20 billion of corporation profits to them?

Clearly the wages of war preparation are mighty low in Bridgeport—and they are no higher anywhere else in the country.

For Bridgeport is America. What happens in Bridgeport happens in Seattle and Columbus and Memphis.

We cannot raise living standards and armies, too.

We cannot build houses and barracks, too.

The workers of Bridgeport, like workers elsewhere, are told that war contracts and Marshall Plan contracts mean prosperity. The myth is spread not only by the NAM and chambers of commerce, but by men who pretend to lead labor. There are men inside labor who are using methods against fellow workers which are more ruthless than the Taft-Hartley bill itself. There are so-called leaders of labor who say they are against Taft-Hartley but use Taft-Hartley to destroy other workers' organizations.

Labor and "Bi-Partisan" Foreign Policy

These misleaders of labor have found red-baiting and Russia-baiting just as useful as the reactionary politicians have found it useful in covering their own failures. And because they have used their energies, power and talents for such purposes they are as responsible as the reactionary politicians for inflation, for the draft—for the cold, cold war.

Labor leadership which works for the bi-partisan foreign policy is betraying labor even more certainly than if it walked through a picket line. Labor leadership which swallows the Truman Doctrine inevitably engages in the same kind of red-baiting as the Thomas Committee—fear mongering stuff which would lead the United States down the long and easy road to American fascism. This kind of leadership means labor's destruction just as certainly as Robert Ley's leadership destroyed organized labor in Nazi Germany.

Those who fall for the red herring issue are stooges for Taft and Hartley.

They are ripping the left wing off the American eagle, taking the red out of the American flag, and labeling as subversive every union member who eats salad without anti-Russian dressing. We are not fighting for a Russian left wing, nor a Communist left wing, nor even for an American left wing. But we do want the complete American eagle with a genuine two-party system.

This is the time of the demagogue. The only parties promise to build houses—and barracks; to curb inflation—and arm you; to expand social security—and draft you; to extend civil rights—and put you in a war economy where all civil rights disappear.

How can Democrats or Republicans or the misleaders of labor who support either party do anything about housing when they vote 79 cents of every tax dollar for war and war preparations?

Arms Expenditure and Inflation

How can Democrats or Republicans or the labor misleaders who support them check inflation when they won't cut the arms expenditures which cause inflation?

How can Dewey promise freedom of speech and Truman freedom for Negroes when they both vote to put our youth in conscript armies where segregation is king?

But the gentlemen speak of war and neat modern home in the same breath. They recall the full employment and high wages of World War II. They tell you that support for the Marshall Plan will get you back your 15% cut in real earnings since World War II ended.

What a monstrous illusion!

In the last war we had powerful and heroic allies who suffered most of the losses and all of the destruction. We were remote from the scene of the conflict.

In the new war they are planning for us we would have no strong allies. We would be arrayed against two billion people in Asia, Europe and Africa. It would be an atomic war and our country would be devastated, our crops destroyed, our children filled with plague and flame.

No longer can we wage war on foreign shores alone. We ourselves shattered that era at Hiroshima. We cannot keep our rendezvous with the next war midway on the oceans nor can we keep it in the skies between heaven and earth. Our next war, if it comes, will meet us on our most familiar streets, on our lands, in our homes—and all our prayers will be for salvation.

In the last war we fought under the leadership of Franklin Delano Roosevelt who instituted price control and rationing, excess profit taxes and other measures to protect the living standards and liberties of the people.

But World War III is being prepared by the mortal enemies of Franklin Roosevelt and everything he stood for. It is being prepared by the money changers return to the temple by the profiteers who *are* the government.

Already, the profiteers are exceeding what they made at the peak of the war. Here, in Bridgeport, Remington Arms is making $5 million this year—more than in any war year. United Aircraft is profiting by $15 million this year, nearly as much as in their peak war year, and their new program is barely under way.

The profiteers *are the* government. That's why you now pay 22 cents a quart for milk in Bridgeport. That's why you still pay 16 cents a loaf for white bread, even though wheat has gone down. That's why profits of five big meat packing corporations went up from $30 million under OPA to $68 million under the bi-partisan government.

President Truman cannot alibi his way out of responsibility with the Republicans for this situation. He was in Washington when the Roosevelt men were driven out. In fact, he was in the driver's seat. Nor can he shift his responsibility for high prices to the Eightieth Congress. He was the first to capitulate to the meat packers — and today we are buying Truman hamburgers at a dollar a pound. He called price control a "police state measure" — and today many of our children are getting less milk.

But this is the time of the demagogue and the President called a special session of Congress.

I know what happened at that special session — not from the newspapers that obscured events with their spy-scare headlines—but from the people who saw it in action.

Truman Wanted No Action From Congress

I charge that the President and the Democratic party did not expect nor want action from that special session of Congress.

President Truman did not instruct the Democrats in Congress beyond a perfunctory message for demagogic political purposes. I charge that neither Sam Rayburn, the Democratic leader in the House, nor Alben Barkley, the Democratic leader in the Senate, called caucuses of their members to plan action for the special session. They were afraid to caucus. They knew their party was bankrupt. They didn't want action.

Only one Democratic Cabinet member appeared before Congress in support of the President's program. This was John W. Snyder, the bankers Secretary of the Treasury, appointed by Truman who did so much to cause our present inflation. Snyder showed the real attitude of Truman and his henchmen on profiteering when he compared price controls to castor oil, amidst the laughter of the sympathetic Senators.

How contemptuous this hypocracy! How shameful this Truman trick of promising relief to the people while he and his party leaders see to it that the promises aren't kept.

I am sure that the union delegation which saw Truman and the Democrats in action in Washington won't fall for the self-styled liberals who denounced Truman yesterday, but try to promote him as a champion of the people today. I am sure that when the common people of America learn what happened, they will reject the treacherous hypocrisy of the Democrats as they will reject the more open reaction of the Republicans.

They will see that the bi-partisan foreign policy is matched by an equally sinister bi-partisan domestic policy.

The two old parties and their leaders Dewey and Truman did nothing to halt inflation at the Special Session of Congress. And the monopoly profiteers, confident of this inaction, boldly put through new price increases even while the session was under way.

The two old parties passed a so-called housing bill which the elated "Journal of Commerce" reported would build no low-cost homes but would increase the prices on all new ones.

A "Gentlemen's Agreement" between the GOP and the Dixiecrats smothered the anti-poll tax bill — and that was the pitiful postscript to the terrible Eightieth Congress.

Peace of course, wasn't even on the agenda.

But could it have been otherwise? Could genuine social legislation have been enacted at the special session?

No. These were the same old parties that in the regular session voted $38 million for housing in '48 and '49—the same amount we are to spend on Iceland's population of 130,000 under the European Recovery Act.

Ponder that, home - hungry America.

These were the same old parties that voted to spend $26 million every day on armaments—almost as much as all members of the UN combined spend on the United Nations in a year.

Ponder, that, peace - hungry America.

These were the same old parties that knocked 750,000 men and women off the social security rolls while increasing the security of half a dozen military airplane builders with new appropriations.

Ponder that security - hungry America.

Truman led in putting over these war programs which made impossible the demagogue's promises for the special session. His only complaint about Congress's actions on his war programs was that the bi-partisans, under the pressure of an aroused public opinion, cut his war budget by $400 million. At the same time, he warned that military expenditures will be still higher next year.

Two Old Parties, the Same

The two old parties are, after all, the same. Given a foreign policy directed against the common man all over the world, they must combine on a bi-partisan domestic policy directed against the common man in the U. S. A.

In Connecticut, as in the nation, Wall Street banks and the National Association of Manufacturers are trying to keep their political monopoly, exercised through the old parties.

That is why they exert tremendous pressure on such men as Chester Bowles to join the red-baiting chorus of hatred for the new people's party.

Those who yield to that pressure help to draw the blindfold of fear before the people's eyes. They sacrifice all of their truly liberal and progressive principles. They make mockeries of their expressed programs, they lose their identity as progressive citizens and become mere dupes of the old party machines and their big business masters. It is as true for the individual as for the old parties that support for the bi-partisan foreign policy means a bi-partisan, reactionary domestic policy.

The Progressive party will not be cajoled or threatened into sacrificing the people on behalf of liberal names engaged in war-mongering.

The Progressive party will make certain that the people are presented with a real choice.

The bi-partisans are trying desperately to deprive the people of that choice.

That is why Connecticut state officials and the press are trying desperately to keep the people's party off the ballot with threats of disenfranchisement and public blacklisting.

In state after state the people are tearing aside the curtain of fear. They are fighting back to make democracy real—and they are winning. Believers in democracy, regardleess of whether they support Progressive party candidates, are signing petitions to put this new party on the ballot, and we are getting on.

We beat the attempt to red bait the Progressive party off the ballot in Ohio. We beat the undemocratic laws designed to keep new parties off the ballot in North Carolinia. The newspaper columnists who thought that the Progressive party would get on the ballot in only ten or fifteen states sadly underestimated the courage and faith in democracy of the American people.

I assure you that we shall be on the ballot in more than forty states.

I know that the people of Connecticut will insist that we be on the ballot here—that all attempts to bluff the Progressive party off the ballot will fail. Bluffs and threats will break against the courage of the men and women of the Progressive party—the kind of courage Chuck Caulkins had when he gave up his career job with a pseudo-liberal Senator to lead our forces in this state.

We love these blessed United States and we want to see them deserving of respect in all parts of the world. This means coming to a sensible understanding with Russia, but I assure you that the new party is not, never has been, and never will be, under the control of anyone or any group which believes in the violent overthrow of the United States Government, whether it be from the right or the left, or which stands for any deviation from Harry White's American creed.

We stand for a strong United Nations, not for the domination of the world by either the United States or Russia. We stand for peace, prosperity and tolerance in all parts of the world.

A few months ago we were a protest, a political movement.

"We Are A Political Party"

Today we are a political party.

Let us see what we have done in a few short months. Let us see what smears and threats and witch-hunts have failed to stop. Count these accomplishments of a movement which has put important political power into the fights for justice.

The political power of our movement was a vital element in forcing the well-oiled, Standard-oiled, Arabian-oiled Administration to recognize the new State of Israel.

The political power of our movement is forcing the very Democrats who voted for Taft-Hartley to condemn Taft-Hartley.

The political power of our movement has forced both old parties to come out against discrimination and segregation; to at least verbally condemn the institutions on which they are built.

The political power of our movement prevented the enactment of the Mundt-Nixon bill.

And tonight, as we await news of Berlin, we can, with justice, ask:

Would the men who tried to repudiate my letter to Stalin two months ago now be working toward a meeting with Stalin on the basic problems of Germany if we Progressives had not carried the fight on the cold war?

And all across the nation the new party, the people's party, the Progressive party is shattering once and for all aged corrupt political machines. The Democrats in Cook County, Ill., know the effective power of the new party. The corrupt Republican machine in Philadelphia is going to feel the power of the new party. Tammany Hall has never had such jitters as it has today when it sees the power of the people organizing for its destruction next November.

Tammany suffered a major defeat this week when it tried in vain to buy off a Progressive party candidate. That valiant crusader against American fascism, John Rogge, gave a flat "no" to a disgraceful deal which would have enticed a lesser man, and would have removed him from the race for a vital place on the Surrogate's bench in New York.

These are victories. They are not complete—no one knows that better than we. We shall fight to complete them.

But count those victories as the way of life of our Progressive party. We fight for issues. We shall continue to fight for issues. Our youth will lead the fight to repeal the draft. Our women, aroused by the failure of the special session, will lead the fight from the grass roots to lower prices. Our labor divisions will lead the fight on Taft-Hartley. Our party will fight discrimination and segregation on every front. We shall fight to bring peace to Palestine and peace to the world.

And we are now a full-grown political party, not just thrown together for a campaign. We accept that responsibility. Our candidates will man the state legislatures and sit in Congress and in Governors' mansions. Our Progressive leaders will sit in every municipal council and fight in every ward.

We say to the political machines of both old parties that are held together by campaign promises every four years: move over. The Progressive party is here to stay.

Human Relations And the Atom

(Continued from page 15)

to provide broad direction to the atomic project as between the countries. As announced in the Aug. 6, 1945, statement of the Secretary of War, the Committee provided for interchange of information on certain sections of the secret project, interchange necessary to achieve the objective of developing atomic weapons during the war, and it took action to insure adequate supplies of the uranium ore essential to the production of the atomic weapon. A guide for the release of information held in common by the three nations was subsequently used by the three national atomic energy projects. This guide was revised by scientists of the three nations in November 1947, and will be jointly reviewed by them again at a meeting in London next month.

When the atomic bomb burst upon the world in August, 1945, the three governments recognized that this new and devastating force placed upon them and the rest of the world a grave responsibility. This feeling was expressed by the three governments in the Truman-Attlee-King Declaration of Nov. 15, 1945. That Declaration stated that the application of recent scientific discoveries requires that the entire civilized world devise means to insure that atomic energy shall be used for the benefit of mankind instead of a means of destruction. The three nations, acting together, made the specific recommendation that the United Nations should establish a commission to consider at once the problem of international control of atomic energy.

United Nations' Atomic Energy Committee

With the establishment of the United Nations' Atomic Energy Commission in 1946 and the submission of the Baruch proposals for the United States for a just internationalization of atomic energy, the activities of these three nations, along with those of many other peace-loving nations, have been directed toward the solution of this urgent problem.

In the summer of 1946, Congress passed the Atomic Energy Act which established the United States Atomic Energy Commission. Thereupon the wartime cooperation between the three governments quite naturally had to be viewed in the light of the responsibilities thus fixed by Congress upon the new Commission as well as considerations of foreign policy and national defense.

The wartime experience shared by the three governments provides a convincing demonstration of the mutual benefits to be derived from cooperative effort. Recognizing this, the three governments concerned are continuing to utilize, in an expanded way, the cooperative principle in certain limited areas in which work has been proceeding separately along the same lines in two or more of the three countries. In some of these fields all three nations are working. Consequently, on some occasions all three nations are represented in consultations on specific topics concerning atomic energy; at other times, only two of the three are involved.

This program of technical cooperation is carried out under the general direction of the Combined Policy Committee which also reviews those problems of raw materials supply common to the three governments.

The general framework thus provided has been utilized to develop technical consultations on specified topics and to provide for a number of visits by scientists and technicians of each country to the other two. The health and safety factors in connection with the Canadian atomic installation at Chalk River, Ontario, for example, have been examined in the light of the technical experience of the United Kingdom and the United States. The United States is concerned with the development of reactors which constitute a unique tool in nuclear research. The United States, as well as Canada and the United Kingdom, can share some of this experience in connection with reactors to achieve mutual benefit to all three governments. Experience and knowledge in the important field of extraction chemistry acquired by the United States and the United Kingdom can be of mutual benefit to the activity of each nation in this area.

Russian Obstruction

Two years ago, in his history-making address to the United Nations Commission on Atomic Energy, Mr. Bernard Baruch laid before the peoples of the world the American proposal for international development and control of this newly discovered knowledge. That proposal would have extended on a world-wide scale the cooperative principle so central to American life, the principle of cooperation among all men and among all nations, applied to the development of atomic energy for all of its vast benefits to mankind. By the same measures of cooperation that proposal would have extended to all mankind, safeguards against the misuse of atomic energy for destruction and coercion.

But, as the President said on July 24, ". . . the uncompromising refusal of the Soviet Union to participate in a workable control system has thus far obstructed progress."

Where does this leave us, today, more than three years after Hiroshima, in our efforts to apply to atomic energy the principles of working together in peace, for mutual benefit?

Let me try to state the situation briefly, as I see it.

The United States has made an offer to the world for international control that stands as a significant event in man's moral history. On the basis of that proposal many nations have together worked out an effective plan of control which is now the plan of a large segment of the world's peoples. But, for the time being, international control is blocked. In the absence of such agreement, the United States is pressing forward with its own program of research and development in every aspect of atomic energy, a program of the greatest magnitude and intensity. This undertaking is yielding even at this early date, knowledge basic to human life, knowledge strikingly new and far-reaching in its future consequences.

We would have very much preferred that this important work could be carried on openly and cooperatively, in accordance with our proposal and our principles. But with no international agreement "Our need for security," again to quote the President's statement, "our need for security in an insecure world compels us at the present time to maintain a high order of secrecy in many of our atomic energy undertakings." He then continued, "When the nations of the world are prepared to join with us in international control, this requirement of secrecy will disappear."

As a citizen, it seems to me it is a good record, this record of the American people in the three years since the atomic weapon came upon the world:

A people that believes in world cooperation has made a remarkable proposal, distinguished for its reasonableness, its adherence to the scientific facts, and its high moral ground.

We can be glad, too, that our U. N. representatives, Mr. Baruch, Senator Austin, and Mr. Osborn, have protected us against a mere paper agreement, an agreement without reality and hence worse, far worse, than no agreement at all.

We are going ahead on the only path presently open to us, that is increasing our own preeminence in all aspects of atomic energy, going at this hard, with everything we've got.

We have left the door open to international agreement and that kind of openness and world-wide cooperation among peoples in which we deeply believe, and to which our history and our vision commit us.

Halsey, Stuart Offers Arkansas Power Bonds

Halsey, Stuart & Co. Inc. and associates are offering publicly today (Aug. 26) $7,500,000 Arkansas Power & Light Co. first mortgage bonds, 3⅛% series due Aug. 1, 1978, at 101.07% and accrued interest. The group won award of the bonds at competitive sale on its bid of 100.5811.

Proceeds will be used to reimburse the company's treasury, in part, for funds already used in its construction program, for further expenditures in that program and for other corporate purposes.

The bonds are redeemable at prices scale from 104.07% to 100% and at special redemption prices ranging from 101.07% to 100%.

The company, subsidiary of Electric Power & Light Corp. and of Electric Bond and Share Co., is engaged as a public utility in the generation, transmission, purchase, distribution and sale of electricity; purchase, distribution and sale of natural gas and, to a limited extent, in providing central steam-heating service in the commercial district of Little Rock. Its operations extend into 62 counties which have a population aggregating approximately 1,500,000.

Associated in the offering are Blair & Co., Inc.; Otis & Co.; Phelps, Fenn & Co.; Gregory & Son, Inc.; The Milwaukee Co.; R. L. Day & Co.; Green, Ellis & Anderson; Mullaney, Wells & Co.; Thomas & Co.; Walter Stokes & Co.; and Wheelock & Cummins, Inc.

Suggestions for Improving Investment Ratings

(Continued from page 11)

camps. Here is how, in theory, these signals would work:

Buy—the owners would not sell, the buyers could not buy.

Hold—the owners would hold, the buyers could not buy.

Sell—there would be no buyers, and sellers could not sell.

Even admitting that these signals are purely tentative hints to security holders based on definitive information or analysis, if they were followed to any degree they could promote buyers or sellers panic or a stalemate. Earlier in the article it was said: "An investment may be a good purchase, a good holding, a good sale." Lest this statement may appear in contradiction with the above illustration let it be clear that while this is true in general, in every instant of considering a specific security all three positions are distinctly and always discretionary. The principle that what may be food of one man is another's poison applied almost without exception. In effect, these signals suggesting investment action fall in the same group with those which merely comment on a security as being "above average," "average" or "below average." In the same manner, rating of securities, though doubtless based on conscientious study and as expressed by letters or numbers such as AA or A1 serves no other purpose than appraising the risk on fact, to be sure, but in relation to other situations as well.

Unfortunately, ratings do not tell as much of a story as they might. They leave but little to the investor to use as a guide in selecting securities. At the outset of this article it was pointed out that factors entering an investment analysis, consist of those which are known and those which must be assumed. It was further stated that the causative factors, such as business trends, are of equal importance and projections into the future are indispensable.

Suggested New Rating System

In conformity with these essential requisites the following condensed directives are suggested:

Trend of industry:	A—Upward
	B—Steady
	C—Downward
Position of the company:	D—Sound
	E—Fair
	G—Poor
Outlook for the risk and the security:	Good
	H—Average
	I—Unpromising

Using these indices as directives rather than ratings, an AAA security would read something like this: ADG. In other words, the industry would be in an upward trend, the position of the company sound and outlook for business and the security good. The flexible nature of this arrangement can be seen from this illustration:

CAG: C—Trend of industry downward
D—Position of the company sound
G—Outlook for the risk good

In times of stress such index would be of greater use to the investor than other designations such as a change from "above average" or "average." There are multiple forces in operation at all times and situations doubtless prevail that could read in any position within the scale. It may be further stated that some directives would plainly baffle the investor such as, for instance, CEG might. However, such situations may exist. Upon finding a similar rating, the investor would doubtless accept the challenge and make further investigation. Hence, such a scale would operate to make the investor aware of the nature of a risk and aid him in getting facts about his investment. Failing in intelligence or industry to follow up such lead, he would be better off if he kept his money and did not invest at all.

The value of the suggested table of directives would further help the one who stands closest to the man with money—the dealer. While admittedly even the most intelligent and thorough investment dealer cannot gain knowledge about all securities in existence or possess such general information as outlined above, with the assistance of the suggested table, he would be at least in position to gain a cursory view of an investment construed along the same lines he must exploit when dealing in securities he well knows.

In closing it is only fair to say that the thoughts expressed in this article are not to be taken as criticism of the intrepid effort of Investment Services to provide the investor and his counsel with the handy tool for judging securities. There are some services which, for instance, follow much the same procedure in their special analyses as here suggested. Ratings perhaps are even preferred by a good many who use them. However, that is not to say that other means could not be found yielding more information and thus improving the service.

Exports to Eastern Europe

(Continued from page 15)

Europe; (4) to support our foreign policy.

"To assist in the reconciliation of these objectives, and in order to assure effective coordination of export licensing policies in this field with other broad governmental policies, the Secretary of Commerce is advised by an interdepartmental committee consisting of all the Federal agencies which have an interest in the problem. The National Military Establishment, Atomic Energy Commission, National Security Resources Board, the Economic Cooperation Administration, and State Department are among the members of this committee, which not only recommends the general policies to govern control in this sphere, but also reviews the individual license applications involving the more important commodities. Final decisions are made by the Secretary of Commerce.

"Export controls, it may be noted, are selective by their very nature, not just with respect to Eastern Europe, but for all destinations. The world as a whole would undoubtedly like to obtain a larger share of our supplies of many scarce materials than we feel we can safely spare from the domestic economy. Export quotas place an effective ceiling on shipments of Positive List commodities, and broad considerations of foreign policy play an important role in the country distribution of the total quotas. In the case of Eastern Europe, the problem is complicated by the fact that many of the items—notably in the machinery and equipment field—which for reasons of national interest should be scrutinized in advance of shipment, are not on the Positive List. To require licenses for shipments of such commodities to all destinations, when our main interest, as in this case, is in one particular group of destinations, would involve a needless administrative burden both on the government and the business community.

"In reviewing license applications for shipment to Eastern Europe, it is important to guard against too broad a concept of what commodities are of potential military value. Our aim is not to shut off trade with Eastern Europe for its own sake. An export embargo to this area would yield no useful result. The purpose of these controls is a positive one—to safeguard the security of the United States—and this purpose would not be served by making the controls too tight. It must be remembered that the United States requires substantial quantities of important materials from Eastern Europe. Last year, for example, we obtained from the Soviet Union about 22% of our total imports of manganese, 28% of our imports of chrome, 58% of our imports of platinum, and 65% of our cadmium. We also obtain large amounts of commodities, such as wood pulp from Finland or furs from the Soviet Union, which while not of strategic value, constitute an important source of supply for domestic industries.

"Furthermore, the export licensing policy of the United States with respect to Eastern Europe now has direct implications for the volume and composition of East-West trade in Europe. Generally speaking, under the terms of the Foreign Assistance Act of 1948, the European Recovery Program countries will follow suit in curtailing shipments to Eastern Europe of those commodities denied by the United States for reasons of national security. If our licensing policy were excessively restrictive, therefore, the impact on trade relations between Eastern and Western Europe could be severe.

"This is extremely important because the United States has a basic stake in fostering East-West trade in view of its beneficial implication for the European Recovery Program, on which we have embarked in the conviction that economic stability in Europe is essential to the security and well-being of the United States The success of that program requires, in part, increased shipments of grain, timber, coal, and other basic materials from Eastern to Western Europe. Before the war, for example, Western Europe obtained almost one-third of its softwood lumber requirements from Eastern European sources. Currently, these shipments are only a small fraction of the prewar rate, but are expected to total about 10% of consumption in ERP countries in 1948-49, and about 20% by 1950-51. Similarly, coal imports from Poland are needed by Western Europe to stoke its industries, and to reduce its dollar expenditure for this commodity. Last year, 9 million tons of coal were imported from Poland out of total imports of 47 million tons. By 1951-52, however, imports from Poland are scheduled to increase to 30 million tons, supplying nearly all of Western Europe's import requirements at that time. Grain is another instance in which supplies from Eastern Europe are expected to meet a large part of Western European requirements. In the case of potash, about half of Western Europe's imports come from the Soviet Zone of Germany and these shipments contribute significantly to food production in the ERP countries.

"To the extent that East-West trade in Europe is restored and expanded, demands upon the United States for economic assistance can be reduced. The benefits of East-West trade are, of course reciprocal and extend, in fact, to the United States. Eastern Europe receives large quantities of manufactured goods from the industrialized countries of Western Europe. At the same time, the expansion of Eastern European markets for these products is of basic importance to the success of the European Recovery Program.

"For purposes of export control to Eastern Europe, commodities have been classified in descending order of importance from the security standpoint—ranging from materials and equipment which are of direct military significance, or of basic importance in the manufacture of munitions, or of great strategic significance from an overall industrial point of view, to the relatively nonessential commodities which are in abundant supply in this country and which are of slight significance either to the basic industries or to the general economy of Eastern Europe.

"In general, export licensing to Eastern Europe has been most restrictive at the top of this scale and least restrictive at the bottom. The manner in which these licensing controls have been exercised is reflected in the recent trend of exports to Eastern Europe. In 1947, these exports averaged about $36 million a month. In the first quarter of 1948, the monthly average was $26 million in April, these exports were down to $11 million and by May, had dropped to $5.7 million. Exports to the Soviet Union alone, which normally account for a major share of exports to all Eastern Europe, were down to about $200,000 in May. This low level is due in large measure to the fact that in the early stages of the new policy, when the administrative organization for handling the problem was being worked out on a case-by-case basis, consideration of many applications was necessarily delayed. Decisions in the future can be expected to be made much more rapidly.

"For the entire first half of 1948, shipments to the Soviet Union were at an annual rate of about $50 million. As shown in the chart, this was about one-third of the export volume in 1947, and is extremely small when measured against the wartime level of $3.5 billion recorded in 1944 at the peak of lend-lease aid. The value of exports in the first half of 1948 was roughly equal to the average rate in the 1937-39 period, but in terms of the quantity of exports, i.e., after allowing for price inflation, exports to the Soviet Union in the first half of this year were only about one-half of the prewar rate.

"Exports to other Eastern European countries in the first five months of this year were at an annual rate of about $170 million, as against $293 million in 1947, and an average of about $60 million in the immediate prewar period. Here again, the changes since prewar would be much narrower in quantitative terms."

Reviews Growth of Fed. Savings & Loan System

William K. Divers, Chairman of Federal Home Loan Bank System, says combined resources of 1,478 Federal Savings and Loan Associations in last fiscal year increased 16%.

Marking the 15th year since federally chartered savings institutions were first authorized by Congress, the Home Loan Bank Board reports through its Chairman, Wm. K. Divers, that the 1,478 Federal savings and loan associations of the country now occupy a strongly entrenched position in the thrift and home financing field. During the fiscal year ended last June 30 Federal associations increased their combined resources by 16%, the statement said.

"Exactly 15 years ago, on Aug. 8, 1933, the Home Loan Bank Board issued the first savings and loan charter of the national government—to an organizing group of local citizens in Florida," said William K. Divers, Chairman of the Board.

"This was pursuant to an act of Congress approved the previous June, which not only permitted the organization of new savings and home financing institutions under Federal supervision but also allowed State-chartered associations to convert to Federal charter if they applied and qualified for the new status."

Mr. Divers explained that the creation of Federal associations was authorized by Congress in response to public demand during the depression years, in order to provide additional facilities for the prudent investment of savings and for economical home mortgage financing.

"Today, the 638 Federal associations newly organized since 1933 and the 840 earlier established institutions which have converted to Federal charter report total assets of $5,832,000,000," he said. "Ever since they were chartered, chiefly during the 1930's, these associations have grown at a rapid rate. Over the past seven war and postwar years, the resources of the average Federal association have risen from $1,400,000 to nearly $4,000,000. There are now about 40 such institutions with assets in the $20,000,000 to $64,000,000 bracket."

Federal savings and loan associations are local, mutual, privately owned and managed institutions, operating on savings and mortgage lending plans which are basically uniform throughout the country. Mr. Divers said. As directed by Congress in the enabling legislation, their charter and form of organization were designed to embody the most sound and modern practices developed for savings and home finance institutions in their 120-year history in this country.

Federal associations are required to restrict their home mortgage loans primarily to the long-term, monthly payment type, to be members of the Federal Home Loan Bank System—national reserve credit organization—and of the Federal Savings and Loan Insurance Corporation, which protects the safety of investors' accounts in insured institutions of the savings and loan class. Federal associations are also subject to supervision and annual examination by the Home Loan Bank Board.

"The nation now has erected a stable and well-integrated dual system for savings and home finance institutions, consisting of those operating under charter and supervision of their respective states and the Federal savings and loan associations operating under supervision of the national government," Mr. Divers said.

"Linked together in their common interests—and through membership in the Federal Home Loan Bank System and the Federal Savings and Loan Insurance Corporation—these two groups of local institutions specializing in the financing of homes supplement and reenforce each other in maintaining a broad base for the development of secure savings and the ownership of homes in their communities."

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. 29	95.9	95.0	93.1	93.4
Equivalent to—					
Steel ingots and castings produced (net tons)	Aug. 29	1,728,600	1,712,400	1,678,100	1,633,700
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Aug. 14	5,507,050	5,504,550	5,444,450	5,159,150
Crude runs to stills—daily average (bbls.)	Aug. 14	5,535,000	5,584,000	5,633,000	5,239,000
Gasoline output (bbls.)	Aug. 14	17,439,000	17,669,000	17,524,000	16,507,000
Kerosine output (bbls.)	Aug. 14	2,050,000	2,126,000	2,207,000	1,985,000
Gas oil and distillate fuel oil output (bbls.)	Aug. 14	7,509,000	7,044,000	7,382,000	6,047,000
Residual fuel oil output (bbls.)	Aug. 14	8,932,000	8,981,000	9,008,000	8,675,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 14	96,634,000	97,838,000	100,701,000	85,656,000
Kerosine (bbls.) at	Aug. 14	21,679,000	21,055,000	19,773,000	18,636,000
Gas oil and distillate fuel oil (bbls.) at	Aug. 14	61,458,000	59,869,000	53,385,000	47,935,000
Residual fuel oil (bbls.) at	Aug. 14	68,523,000	66,911,000	63,170,000	53,644,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 14	891,277	878,901	892,527	906,305
Revenue freight rec'd from connections (number of cars)	Aug. 14	689,543	693,070	654,015	686,019
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS-RECORDS:					
Total U. S. construction	Auk. 19	$117,146,000	$194,361,000	$143,213,000	$109,382,000
Private construction	Aug. 19	55,420,000	68,310,000	69,784,000	65,991,000
Public construction	Aug. 19	61,726,000	126,051,000	73,429,000	43,391,000
State and municipal	Aug. 19	51,521,000	87,554,000	63,277,000	41,274,000
Federal	Aug. 19	10,205,000	38,497,000	10,152,000	2,117,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 14	12,460,000	*12,115,000	12,220,000	11,731,000
Pennsylvania anthracite (tons)	Aug. 14	1,199,000	1,163,000	1,070,000	1,063,000
Beehive coke (tons)	Aug. 14	146,100	*139,300	79,200	134,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Aug. 14	258	*261	236	225
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 14	5,390,788	5,317,724	5,342,127	4,952,876
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 19	94	103	91	59
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 17	3.75833c	*3.75833c	*3.25116c	3.19141c
Pig iron (per gross ton)	Aug. 17	$44.52	$44.11	$42.96	$37.35
Scrap steel (per gross ton)	Aug. 17	$43.16	$43.16	$41.33	$37.92
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 18	23.200c.	23.200c.	21.200c.	21,225c.
Export refinery at	Aug. 18	23.425c	23.425c	21.625c	21.425c
Straits tin (New York) at	Aug. 18	103.000c.	103.000c.	103.000c.	80.000c.
Lead (New York) at	Aug. 18	19.500c.	19.500c.	17.500c.	15.000c.
Lead (St. Louis) at	Aug. 18	19.300c.	19.300c.	17.300c.	14.800c.
Zinc (East St. Louis) at	Aug. 18	15.000c	15.000c.	12.000c.	10.500c.
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Aug. 24	100.71	100.73	100.79	104.06
Average corporate	Aug. 24	111.25	111.25	112.19	117.00
Aaa	Aug. 24	116.22	116.02	116.61	121.88
Aa	Aug. 24	114.27	114.08	115.04	120.22
A	Aug. 24	110.34	110.52	111.62	116.80
Baa	Aug. 24	105.00	105.00	106.21	109.97
Railroad Group	Aug. 24	107.09	107.27	108.34	112.37
Public Utilities Group	Aug. 24	111.81	111.81	112.56	118.40
Industrials Group	Aug. 24	115.43	115.04	116.52	120.43
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Aug. 24	2.45	2.45	2.44	2.23
Average corporate	Aug. 24	3.10	3.10	3.05	2.80
Aaa	Aug. 24	2.84	2.85	2.82	2.56
Aa	Aug. 24	2.94	2.95	2.90	2.64
A	Aug. 24	3.15	3.14	3.08	2.81
Baa	Aug. 24	3.45	3.45	3.38	3.17
Railroad Group	Aug. 24	3.33	3.32	3.26	3.04
Public Utilities Group	Aug. 24	3.07	3.07	3.03	2.73
Industrials Group	Aug. 24	2.88	2.90	2.84	2.63
MOODY'S COMMODITY INDEX	Aug. 24	420.7	427.1	431.5	422.0
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Aug. 21	246.2	246.3	245.8	224.2
Fats and oils	Aug. 21	212.0	218.1	235.0	176.4
Farm products	Aug. 21	272.3	271.3	273.3	256.4
Cotton	Aug. 21	295.8	300.1	317.8	323.3
Grains	Aug. 21	220.2	224.4	233.9	270.2
Livestock	Aug. 21	292.9	289.2	285.9	246.7
Fuels	Aug. 21	233.8	233.8	232.9	186.4
Miscellaneous commodities	Aug. 21	168.5	169.5	172.5	163.6
Textiles	Aug. 21	195.5	197.2	200.3	217.0
Metals	Aug. 21	187.4	186.7	167.4	159.2
Building materials	Aug. 21	233.3	233.3	228.3	225.8
Chemicals and drugs	Aug. 21	155.3	155.3	156.6	149.7
Fertilizer materials	Aug. 21	139.2	138.4	136.5	129.0
Fertilizers	Aug. 21	147.5	*147.5	145.4	135.5
Farm machinery	Aug. 21	143.1	143.1	140.2	127.1
All groups combined	Aug. 21	227.1	227.5	226.0	207.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 14	165,194	222,034	138,409	165,092
Production (tons)	Aug. 14	184,342	178,326	157,641	182,090
Percentage of activity	Aug. 14	93	90	84	100
Unfilled orders (tons) at	Aug. 14	375,515	395,406	372.739	470,581
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Aug. 20	143.9	144.5	145.6	139.7
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Aug. 14	169.0	169.2	168.9	152.7
Farm products	Aug. 14	190.4	193.6	198.1	181.4
Foods	Aug. 14	190.3	190.0	191.2	172.3
Hides and leather products	Aug. 14	188.3	188.5	189.1	177.8
Textile products	Aug. 14	147.8	148.1	148.0	139.7
Fuel and lighting materials	Aug. 14	137.3	136.9	135.8	111.0
Metal and metal products	Aug. 14	170.9	169.2	160.9	146.7
Building materials	Aug. 14	202.0	201.6	197.9	178.9
Chemicals and allied products	Aug. 14	131.6	132.0	134.5	117.2
Housefurnishings goods	Aug. 14	146.8	146.4	145.9	132.0
Miscellaneous commodities	Aug. 14	118.3	118.2	119.4	115.5
Special groups—					
Raw materials	Aug. 14	182.5	184.3	186.4	166.8
Semi-manufactured articles	Aug. 14	159.7	158.8	154.7	147.2
Manufactured products	Aug. 14	164.7	164.3	163.4	147.8
All commodities other than farm products	Aug. 14	164.2	163.8	162.4	146.5
All commodities other than farm products and foods	Aug. 14	152.9	152.4	150.4	135.4

*Revised figures.

	Latest Month	Previous Month	Year Ago
AMERICAN TRUCKING ASSOCIATION— Month of June:			
Number of motor carriers reporting	294	*294	294
Volume of freight transported (tons)	2,834,255	*2,691,062	2,430,348
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of July (in thousands)	$102,942,000	$108,629,000	$93,740,000
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of July:			
Manufacturing number	119	130	107
Wholesale number	62	54	40
Retail number	166	194	105
Construction number	36	36	17
Commercial service number	37	49	38
Total number	420	463	299
Manufacturing liabilities	$7,208,000	$5,147,000	$12,466,000
Wholesale liabilities	1,945,000	1,678,000	2,144,000
Retail liabilities	2,281,000	3,037,000	2,280,000
Construction liabilities	1,163,000	984,000	384,000
Commercial service liabilities	1,279,000	1,317,000	19,863,000
Total liabilities	$13,876,000	$12,163,000	$37,137,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES—			
Lint—Consumed month of July	627,393	801,142	677,780
In consuming establishment as of July 31	1,471,644	1,741,450	1,406,094
In public storage as of July 31	1,335,996	1,673,619	904,028
Linters—Consumed month of July	86,468	94,754	83,478
In consuming establishments as of July 31	190,424	217,552	201,132
In public storage as of July 31	71,026	76,997	65,110
Cotton spindles active as of July 31	21,328,000	21,479,000	21,383,000
DEPARTMET STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-39 AVERAGE=100—Month of July:			
Sales (average monthly), unadjusted	184	251	174
Sales (average daily), unadjusted	181	246	*170
Sales (average daily), seasonally adjusted	266	265	*250
Stocks, unadjusted as of July 31	215	*228	*192
Stocks seasonally adjusted as of July 31	228	*237	*203
GRAY IRON CASTINGS DEPT. OF COMMERCE—Month of June:			
Shipments (short tons)	1,072,040	992,692	1,038,356
For sale (short tons)	597,624	555,728	596,874
For producers' own use (short tons)	474,416	436,964	441,482
Unfilled orders for sale at end of month (short tons)	2,587,081	2,601,626	2,710,854
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of July (1935-39 average=100)	†130.7	†130.6	132.7
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of July (000's omitted)—			
Ordinary	$1,183,568	$1,243,928	$1,210,569
Industrial	359,433	224,834	328,250
Group	318,758	347,297	317,863
Total	$1,861,758	$1,816,059	$1,856,682
MALLEABLE IRON CASTINGS (DEPT. OF COMMERCE—Month of June:			
Shipments (short tons)	81,747	76,079	78,524
For sale (short tons)	48,113	42,261	45,291
For producers' own use (short tons)	33,634	33,818	33,233
Orders booked, less cancellation, for sale (short tons)	35,320	34,236	31,972
Unfilled orders, end of month, for sale (short tons)	178,760	191,553	248,798
NEW CAPITAL ISSUES IN GREAT BRITAIN—			
Midland Bank, Ltd.—Month of July	£6,676,000	£9,939,000	£45,715,000
NEW YORK STOCK EXCHANGE— As of July 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$608,151	$619,333	$564,139
Credit extended to customers	73,614	68,349	67,801
Cash on hand and in banks in U. S.	345,443	336,347	402,198
Total of customers' free credit balances	577,077	579,203	676,856
Market value of listed shares	71,055,687	74,506,911	69,365,088
Market value of listed bonds	131,644,996	133,745,902	140,762,829
Stock price index, 12-31-24=100	78.2%	82.3%	80.3%
Member borrowings on U. S. Govt. issues	$115,115	$139,777	$103,724
Member borrowings on other collateral	259,987	257,486	209,333
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of June (000's omitted):			
Savings and Loan Associations	$334,343	$314,340	$304,994
Insurance companies	80,986	80,611	65,511
Banks and Trust Companies	234,804	235,185	255,962
Mutual Savings Banks	70,988	60,906	46,353
Individuals	187,409	174,520	164,808
Miscellaneous lending institutions	141,061	133,894	128,105
Total	$1,049,591	$999,456	$965,733
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of July:			
Net sales	------	------	$609,139,700
Net purchases	$5,436,950	$1,124,000	------
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted)—			
As of July 31	$253,428,940	$252,365,707	$259,527,711
General fund balance	5,073,518	4,932,021	3,068,793
Net debt	$248,355,422	$247,433,686	$256,458,918
Computed annual interest rate	2.197%	2.182%	2.116%
U. S. GOVT. STATUTORY DEBT LIMITATION — As of July 31 (000's omitted):			
Total face amount that may be outstanding at any one time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	253,373,752	252,292,246	259,447,739
Guaranteed obligations not owned by the Treasury	55,188	73,460	79,971
Total gross public debt and guaranteed obligations	$253,428,940	$252,365,707	$259,527,711
Deduct—Other outstanding public debt obligations not subject to debt limitation	817,327	824,135	879,611
Grand total outstanding	$252,611,613	$251,541,571	$258,648,099
Balance face amount of obligations issuable under above authority	$22,388,386	$23,458,428	$16,351,900

*Revised figure. †Preliminary figure.

Communism and World Peace

(Continued from page 9)

that new war now would accomplish any good.

The Organization of Change Through Law

The churches can and should say these things and develop a stronger public opinion against war. But that part of the churches' task is the easier part. War has been recurrent throughout the ages, despite its generally acknowledged evilness and most men's preference for peace. For that there must be some basic cause. The churches' further and harder task is to discern that cause and show how it can be overcome.

The Oxford Conference of 1937 pointed out the most basic cause of war. That is the fact that, in a living world, change is inevitable and unless there are political institutions that make provision for peaceful change, there is bound to be violent change.

It is possible to have a peace of exhaustion or a peace of tyranny. But such peace is not true peace and it seldom lasts long. If peace is to be durable it must be organized on the basis of laws that are made peacefully and that can be changed peacefully.

That is a basic conclusion; but nothing practical can be done about it unless certain other matters can be settled. If the organization of peace is dependent on law, it is necessary to have some understanding as to the nature of law. Are laws merely what the most powerful want, or are they an effort to carry into effect moral principles of right and wrong? And if law-making is relied upon to effect change, who are to control that process and how are non-assenters to be treated? Without agreement on these matters there can be no adequate organization of international peace.

Moral Law and Individual Dignity

At this point the churches can make a decisive contribution. Two great principles are here involved. One is recognition that there is a moral law and that it provides the only proper sanction for man-made laws. The other principle is that every human individual, as such, has dignity and worth that no man-made law, no human power, can rightly desecrate.

Both of these concepts rest on fundamental religious assumptions. Belief in a moral law flows from the assumption that there is a devinely ordained purpose in history, that moral considerations are ultimate and that man, through his laws, cannot disregard the moral law with impunity, just as he cannot disregard the physical laws of the universe without wrecking himself.

Belief in the dignity and worth of the individual flows from the assumption that the individual is created by God in His image, is the object of God's redemptive love and is directly accountable to God. He therefore has a dignity and worth different than if he were only a part of the natural order. Men, born to be children of God, have rights and responsibilities that other men cannot take from them.

Experience shows that when men organize a society in accordance with these two basic beliefs, they can, within such society, have peace with each other.

Christian Influence on Political Organization

The Western democracies have never created, internationally, adequate institutions for peaceful change. But domestically they do have institutions that, to a large extent, reflect the two principles to which we refer. For many years their governments have, in the main, been governments of law. The laws have been made and changed by representative processes that assume that men generally have a perception of right and wrong and will seek what seems right. But it is also recognized that popular majorities are not infallible and so majorities have been bound to respect minorities. Neither rulers nor majorities have been allowed to do anything that they wanted merely by the device of giving their desires the label of "law." Every man, however alone or however humble, has been entitled to follow the dictates of his own reason and conscience and peacefully to seek to persuade others to agree with him. Thus, views originally held by only a minority have come to prevail peacefully. Justice has been considered to be an eternal verity, existing apart from and above any human will, however powerful, and the administration of justice has been separated from politics.

Under those conditions, social and economic changes have been immense and they have, in the main, been peacefully effected. Human beings have less and less been treated as mere tools of production. Women have been freed from grave disabilities. Infant mortality has been greatly reduced, health generally improved and the span of life lengthened. Education has become general and the development of spiritual life has been freed of political inhibitions. Individual initiative has worked, experimentally and competitively, to find new ways for men to produce more. At the same time there has developed an increasing sense of social responsibility. No longer can the social order be described as "each for himself and the devil take the hindmost." Social security has rapidly expanded in scope, and works of public utility have come to be owned or regulated in the general interest. Graduated income taxes and death duties effect a very considerable distribution in accordance with need.

To say these things is not to be self-righteous or complacent. All societies are un-Christian in many respects, and no society is without practices that promote human welfare. But where political institutions have been designed to reflect the moral law and to respect the dignity and worth of the individual, it has proved possible to organize peaceful change. Also, where society is organized in conscious denial of these two moral principles, force and violence are conceded to be inevitable.

Materialistic Influence on Political Organization

Marxian communism is atheistic and materialistic. Its leaders reject the concept of moral law. There is, says Stalin, no such thing as "eternal justice"; laws are merely the means whereby those in power carry out their will, and human beings have no rights that are God-given and therefore not subject to be taken away by man. So, while some good things have been done for the proletariat, both theory and practice involve coercing, terrorizing and liquidating those whose reason and conscience compel them to reject the order sought to be imposed. There are some similarities between the social and economic ends that communists profess and those that Christians seek. But the methods taught are utterly dissimilar and the present methods of communism are incompatible with peaceful change.

The Soviet communist regime is not a regime of peace and, indeed, it does not purport to be. It may not, and I hope that it does not, want international war. But if so, that is a matter of expediency, not of principle. Violence and coercion are the accepted methods, class war being, however, usually preferred to national war. Within the communist controlled States leadership has periodically been determined by violent purges and it is fanatically taught that there is, for communism, no peaceful path of development. The recent Cominform indictment of the Communist Party in Yugoslavia charged as a grevious offense that that Party believed that there could be a "peaceful growth" of communism in relation to capitalism. That, it was pointed out, was the heresy of Bukharin, who had been executed in the purge of 1938. The true doctrine was that there must be "ever sharpening" conflict.

It is inevitable that orthodox communism should reject peaceful ways, except as a matter of temporary expediency, because it rejects the moral premises that alone make possible the permanent organization of peace. Peace can never be stabilized except by institutions that seek to reflect the moral law and that respect the dignity of the individual. There always have been. there always will be, human spirits that will rebel against totalitarian dictatorship and that fact, in turn, requires such dictatorships to be violent and coercive.

The Problem of Communism

Communist Parties control governments in 16 countries and through them rule nearly one quarter of the world's population. Their leadership is dynamic and it has worldwide ambitions. That, of itself, makes it impossible to create at once a universal organization of peace through law, and it confronts those who seek peace with a difficult problem.

It is not a problem that can be solved by abandoning those faiths that clash with the communist creed. That is morally unthinkable and practically impossible. Also, that could not advance us toward the desired goal, for it would mean abandoning precisely those principles that are needed to organize peace on a stable basis.

Also, the problem cannot be solved by trying to crush communism by force. Collective action may, at times, be required pursuant to the United Nations Charter, to protect member States or individual human beings in their Charter rights. But it would be wrong and stupid to use violence in order to convince people that violence ought not to be used.

The Way of Solution

There is a way of solution. It assumes that we can have a little time, but that I think, is a reasonable assumption. The solution is for those who have faith to exert themselves more vigorously to translate their faith into works. Those who believe in the moral law and human dignity must be more concerned to make social institutions reflect those ideals. In that way they can provide an example that others will follow and a unifying process will be begun.

That is not just a speculative possibility; it is a probability. History shows that men everywhere are always attracted to an effort that combines idealism and realism. Consider, for example, the so-called "Christian" or "Western" civilization. For several centuries it had influence that was world-wide. That was partly due to coercion, but in the main it was because it seemed that the Western peoples were intent on creating institutions that would better promote human welfare. Out of that creative effort came opportunity that could have been used for the organization of world peace. If now that opportunity has receded and the world is seriously divided by the communist challenge, that is most of all because even the good practices of the West no longer seem to be the expression of a great faith. Arnold Toynbee, in his recent volume "Civilization on Trial" says that Western civilization has "been living on spirtual capital. Practice, unsupported by belief, is a wasting asset, as we have suddenly discovered, to our dismay, in this generation."

Once the connection is broken between faith and practices, practices, however good, lose their moral significance and seem to be matters of expediency. As such they are vulnerable to attack by those who inject strong belief into different practices. Today, many who defend the institutions of the West do so on purely materialistic grounds, such as that they have developed mass production. Such reasons are inadequate. No political or social system should prevail unless it is the means whereby men are consciously trying to bring human conduct into accord with moral law and to enlarge the opportunity of men to exercise their human rights and fundamental freedoms.

There is a vast field for such creative action. I know that there is much to be done in my own country. I assume it is the same elsewhere. Internationally, there is much to be done in the United Nations and its subsidiary organs and groupings. If many will engage themselves actively and intelligently in this task, their spirit will be contagious, the results will be good and that combination will draw men into unity that will recreate world-wide opportunity.

We are not in a world where "all or nothing" is a healthy rule for living. Some put down on paper the theoretical ideal and then feel frustrated if it cannot at once be realized. The alternative is to get to work wherever that is practically possible and to rely on creative spirit and its good results to open up new areas of opportunity. Of course, communist power now limits what can be done internationally. But also it is the fact that we have not nearly approached those limits. If we will do what now is possible, in a spirit of universal brotherhood, we can be sure that present limits will constantly recede. They cannot withstand such unifying influences as we can thus set in motion.

The world situation is serious because of a sharp division. On the one hand are those who claim to be seeking the welfare of the masses but who reject the moral premises necessary to make their efforts peaceful and fruitful. On the other hand are those who accept the moral premises necessary for the organization of peace but who have allowed their practices to seem routine, materialistic and spiritually unfertile. That division will gradually become less sharp if those who believe in moral law and human dignity will make it apparent by their works that their political practices are in fact being made to serve their faith.

Need for Better Church Organization

As we thus analyze the world situation, Christian responsibility emerges as an inescapable fact. The moral principles that need to be put to work are implicit in all the great religions. But Christians believe that moral truth was uniquely revealed by Jesus Christ. Also, Christianity emphasizes not merely the relations of man to God, but also the relations of man to man. So the Christian churches should feel a special responsibility. If they do not discharge it, political leadership can scarcely hope to succeed.

That is a conclusion that ought to lead to practical consequences. The Christian influence is considerable but as yet wholly inadequate. If, in the international field, Christians are to play their clearly indicated part, the churches must have better organization. They should be able to speak more impressively with greater unity. They should be able to act with greater coordination. They should put more emphasis on Christianity as a world religion, remembering that God gave His Son because He loved the World, not merely the West.

It is for such reasons, I take it, that we are here. We are not here merely for a single inspiring experience. Rather, we are here to create a world organization that will go on working daily to mobilize Christian power to break down the walls of division. Thus we shall serve Him who was lifted up that He might draw all men unto Him.

Current Real Estate Trends

(Continued from page 16)

by any means. Hence, each price advance tends to pinch a greater and a greater proportion of the buying public. Continuance of inflation much beyond the current levels would appear likely to undermine the current prosperity which business has been enjoying.

II.
Recent Real Estate Activity

The inflationary forces seem to have a special effect in the real estate field for several reasons. The housing shortage is still very great despite a high rate of construction. Housing demands result not only from a larger number of families but more especially from higher incomes.

While more than 800,000 housing units were added to the supply last year, there was a net increase of nearly a million in the number of families. The accumulated demand goes back over a number of years. Since 1940, 4.6 million dwelling units have been added to our supply of non-farm housing. During the same period, the number of non-farm families has increased by 5.6 million.

It should be noted also that the number of dwelling units for rent has declined by about one million since 1940. The percentage of owner-occupied dwellings increased from 41% in 1920 to 46% in 1930, declined to 41% in 1940 and is now 52% of the total dwelling units in the country. Since 1940, the condition of housing units generally has improved since at that time 14% needed major repairs and currently only about 7% fall in this group.

There is still a great deal of doubling up with at least three million dwelling units containing doubled up families. Veterans make up at least half of these doubled up families. There are about 50% more doubled up families now than was the case in 1940.

These statistical relationships in themselves mean little but when placed against a background of relatively high family incomes on the one hand and rent controls plus relatively easy financing on the other, the demands become very great. Despite the great advances in general living costs, the real incomes of our people are on the average about one-third higher than in 1940. The desires of the people for housing in nearly all income groups can now be backed up with money. It should be noted, however, that their money has limited effectiveness in the rental portions of the housing market.

Housing prices generally are at least double, on the average, those of 1940 with some variation between types. Construction costs have approximately doubled. Wenzlick's reports indicate a rise in the cost of a typical six room home from $6,026 in 1940 to $13,-

740 in 1948. Rapid advances in construction costs and in housing prices in the past year appear to be the main reason for some decline in the number of real estate transfers in 1948 as against 1947. However, high construction costs have not limited building since the rate of housing construction is about 20% ahead of 1947. We are building at the highest rate in history, the previous peak being in 1925. When adjustments are made on a per capita basis, however, this rate does not appear so favorable.

In the field of commercial properties, price advances have been even greater on the average than in the case of housing. Such price advances have ranged from 75 to 200%. Commercial construction was at a high level last year but has increased only moderately this year. There has been some increase in store rentals in recent months despite rapid advances over the past few years. Hence, most of the larger organizations such as the chain stores which enter into leasing arrangements are trying to limit the terms of their leases and to make provision for cancellation within spaces usually of five years or less. Industrial construction has declined fairly steadily from a year ago last winter, but the volume is still large and the demands are heavy.

III.

Recent Trends in Real Estate Financing

Probably the most important recent developments in the real estate market are in the area of real estate financing. The rise in interest rates since the early part of this year has been the most important single factor. This rise in interest rates was accompanied by more conservative lending policies. Up to the early part of this year and even to a considerable extent currently relatively easy financing has been one of the main factors supporting high real estate prices. More conservative lending policies and higher rates of interest are having definite effects and these effects will be more noticeable in the months ahead.

The new housing legislation has inflationary, or at least anti-inflationary, implications and may ease the mortgage credit situation somewhat. However, its effects will vary widely between localities because of the kinds of price ranges and limits set up. In all probability rental and prefabricated housing will be stimulated considerably.

It is interesting to note the rapid rise in our mortgage debt during the years since the war. There are now some $33 billion worth of mortgages oustanding secured by one to four family houses. Currently we are lending at the rate of $6 billion per year. By the end of this year around half of all of our house mortgages will have been made since the war. This means of course, that the proportion of seasoned loans in the portfolios of our lending institutions is declining. However, this does not mean that the loans made since the war are "bad" loans. It simply means that the risks involved are likely to be greater than for those made during earlier years.

These added risks, however, are one of the reasons for the adoption of more conservative lending policies.

As you know, there is relatively little equity financing in the real estate field. The situation has not changed especially during the past several decades. Because of the limited amount of equity financing it is easy to accumulate a top-heavy debt. It seems to me that unless provision is made whereby lending institutions can enter more actively into equity financing that the debt equity situation will bring about a recurrence of the kind of problems we faced in the early 30's. However, the tendency to follow more conservative lending policies may avert numerous difficulties, and in addition about one-third of the current home mortgage debt is either insured or guaranteed by the government.

It is probable that the major effects of the lending policies of a more conservative type have not yet been felt throughout the real estate market and that their impact will become much more pronounced in the later months of 1948 and in the earlier months of 1949.

IV.

The Real Estate Outlook for the Year Ahead

All of the tendencies which we have considered seem to argue for a leveling off of the real estate boom in the not too distant future. While the demand for all types of real estate and especially housing is still strong, it appears that the more urgent demands have been met except in a few localities.

Nearly all kinds of real estate are now moving more slowly than was the case a year ago. The market for old houses has been affected particularly; although prices have not yet declined even in this area.

The supply of materials and labor have both increased, and although construction costs are at a very high level and may even advance somewhat farther it appears that at the prices which will have to be charged as a result of these costs some balance in the real estate market may be achieved in the relatively near future.

Several special factors must be considered however. In the first place we have not yet felt the full impact of the expanded defense program and the European recovery program. Some shortages of materials may result, and, of course, the inflationary pressures will be significant. In the second place more conservative lending policies may be supplanted by more liberal ones if the government should take steps to ease the credit situation. Obviously all of our predictions would have to be recast substantially if war should break out in the near future.

At this time mortgage lenders should begin to operate their businesses with a view to real estate value declines in the not too distant future. In this process considerable help may be secured from more complete and more careful local housing market analyses. Because of the local nature of the real estate market the effects of national developments may vary greatly between specific communities. Hence the need for careful analyses of local housing markets will increase as we approach a more uncertain state of affairs in these many local real estate markets.

Special attention should be given also to delinquencies in mortgage payments. Information of this kind is readily available to every mortgage lender, and any substantial rise in delinquencies represents a warning signal which should be heeded.

It is probable, too, that there will be an increase in the demand for the financing of rental housing properties. During the current building boom a very large proportion of the new housing was produced for owner occupancy. This contrasts sharply with the experience of the 20's and indicates a great backlog in the rental housing field. In the period from 1922 to 1928 only 56% of all building was in the single family house field. In the last two years between 85 and 89% of new housing falls in this category. The early elimination of rent controls would stimulate activity in this area.

In addition, it seems advisable at this time to consider the possibility for increasing the area of equity financing on the part of lending institutions themselves. We cannot add to our total mortgage debt without at some point adding to the equity involved. Careful study of the possibilities for expanding the area of equity financing on the part of lending institutions now seems to be imperative, particularly if these institutions are going to be called upon to finance new housing at anywhere near the rate reached in the last two or three years.

Dealer-Broker Recommendations

(Continued from page 8)

Devoe & Raynolds Co., Inc.—Analysis of Outlook—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Fireman's Fund Insurance Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Fireman's Fund Insurance Co.—Analysis—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Hanson-Van Winkle Munning Co.—Report—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Lehigh Portland Cement Co.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is a circular on **Rockwell Manufacturing Co.**, a leaflet of **Railroad** news, and an analysis of the **Outlook for Gold Shares.**

Leonard Refineries, Inc.—Circular—George Birkins Company, 40 Exchange Place, New York 5, N. Y.

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

Mohawk Rubber Company—Special reports — Strauss Bros., Inc., 32 Broadway, New York 6, N. Y.

Onondaga Pottery Company—Memorandum—John B. Dunbar & Co., 634 South Spring Street, Los Angeles 14, Calif.

Also available is a memorandum on **Timely Clothes, Inc.**

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

Philip Carey Manufacturing Co.—Analysis—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Il.

Philip Carey Manufacturing Co.—Memorandum—Sills, Minton & Co., 209 South La Salle Street, Chicago 4, Ill.

Security Banknote Company—Memorandum — Homer O'Connell & Co., Inc., 25 Broad Street, New York 4, N. Y.

Silver Creek Precision Corp.—Data—Heimerdinger & Straus, 50 Broad Street, New York 4, N. Y.

Southern Pacific—Memorandum—Chas. A. Day & Co., Inc., 199 Washington Street, Boston 8, Mass.

Also available are brief memoranda on **United Fruit, Consolidated Rendering, Ludlow Manufacturing and Sales Company**, and **Saco-Lowell Shops.**

Washington Parish, La., Bogalusa School District—Memorandum—John Dane, Canal Building, New Orleans 12, La.

Whiting Corporation — Memorandum—Strauss Bros., Inc., Board of Trade Building, Chicago 4, Ill.

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

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

U. S. Purchase of British Goods Up 50%

(Continued from page 14)

car's popularity mainly to prompt delivery on orders and a middle-range price without any "extras." It is also economical to run, easy to handle in congested city traffic, and is a great advantage so far as parking is concerned. A coast-to-coast network of servicing depots ensures against long repair tie-ups, and spare parts can be flown from a central "pool" in New York City to any point in the U. S. within 24 hours.

British motocycles are also selling in the U. S. at an unprecedented rate. In the first half of this year, Americans bought more than 6,000—as against only 114 in 1938. Sales of bicycles also show a striking increase—three Americans buy British models today for every one who bought prewar.

Agricultural machinery is another big dollar-earner for Britain. American farmers spent nearly $236,000 on British equipment—mostly tractors—during the 12 months up to last March Sales have more than doubled this year. In the first four months of 1948 exports of agricultural machinery to the United States and Canada jumped to a record $6,000,000 plus.

Machinery of all types is finding a ready sale in the United States.

In the month of June, Americans took delivery of $2,260,000 worth, as against $580,000 worth in June, 1947 and only $208,000 in the average prewar month.

Spirits—mainly Scotch whisky—brought in $17,600,000 for Britain during the first half of this year. U. S. imports totaled 2,200,000 proof gallons as against 1,400,000 gallons for the first half of 1947. In June alone, Americans spent $2,824,000 in British liquor.

Shipyards on the famous Tyneside have just received orders from America to build seven tankers, valued at about $20,000,000.

Sales graphs for the first half of 1948 show that Americans paid out $14,000,000 for machinery, $12,000,000 for non-ferrous metals and manufactures, $11,600,000 for autos, commercial trucks and other vehicles, $9,600,000 for woolen yarns and fashion wear, $8,400,000 for other textiles, including linen, $6,000,000 for chemicals and drugs, and $3,200,000 for pottery and glass.

Meanwhile, Britain bought from America in that period, $55.6 million of machinery, $55.2 million worth of petroleum products, a similar amount for cotton, $60 million on food, and so on.

Large quantities of British toys are now being sold in U. S. stores. Britain exports a million dollars' worth of toys every month—seven times as much as prewar. Favorites with American youngsters are the mechanical wind-up toys—replicas of English cars, double-decker buses, trucks, jeeps, tractors, and steam rollers—run by precision clock spring motors. Also popular are hand-cast, hand-painted lead soldiers and farm sets, with soft dolls and teddy bears a close second. A leading New York department store (R. H. Macy & Co.) carries a complete line of scale model toys—authentic miniature of anti-aircraft guns and searchlights—used as training models by British Army Forces during World War II.

Some British goods are entirely reserved for export, it is pointed out in the July issue of "Future," a British publication. These include decorated pottery and glassware, lace of all kinds, poplin shirting, box- and willow-calf shoes, merino wool garments.

Some manufacturers of furnishing fabrics have orders for two years ahead. Designs for glazed chintzes and hand-blocked linens require as many as 20 colors and 100 blocks per figure in copies of 200-year-old patterns.

According to "Future" magazine, goods most eagerly sought in the U. S. include "perfume" hair brushes with detachable nylon bristles; men's brogue shoes; English-type hunting saddles in pigskin; cardigans and sweaters in pure Botany wool; gripedged golf shoes; children's wear in Viyella fabric; poplin and cellular shirts; sea-green rawhide luggage, colored by a medieval recipe for treating parchment and vellum.

Market researchers report two strong U. S. trends: picnic sets in rustic, wicker baskets, fully fitted with plastic thermos flasks and dishes, rate top appeal with Americans; jute and rayon furnishing fabrics, in multi-color plaids, are popular in U. S. houses of the type designed by Frank Lloyd Wright.

Meantime, Britons themselves can find only a "consumers' reaction" sample of these quality goods on their own shop counters. As "Future" magazine puts it: "It is easier to buy a suit length of fine English worsted in New York or Ottawa than in London."

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. Postponed indefinitely.

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 are given the right to subscribe to the stock on basis of one new share of preferred for each share of preferred or four common shares held. Rights expire Sept. 9, 1948. Expand fire insurance business. No underwriting.

● **American Motors, Inc., New York**
Aug. 24 (letter of notification) $55,000 5-year 4% convertible notes due July 1, 1953, and 110,000 shares of capital stock (par 50¢). To be offered in units of a $100 note and 200 shares of stock at $200 per unit. **Underwriting**—None. Working capital.

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.

● **Atlantic Corp., Boston, Mass.**
Aug. 19 (letter of notification) $300,000 10-year, 6% bonds. No underwriter. To increase the business of the company.

Berry (D. N.) Co., Denver, Colo.
Aug. 13 (letter of notification) 1,512,660 shares (10c par) common stock. **Offering**—1,075,550 shares will be offered to the public, 222,000 shares to employees and 215,110 shares will go to the underwriter. Price—10 cents per share. **Underwriter**—John G. Perry & Co. **Proceeds**—For purchase of building and machinery, balance for working capital.

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.

Boston Insurance Co., Boston, Mass.
Aug. 11 filed 100,000 shares ($10 par) capital stock. **Offering**—To be offered for subscription by stockholders on basis of one new share for each three shares held. **Underwriter**—The First Boston Corp. will purchase unsubscribed stock. **Proceeds**—For additional capital funds.

Buhner Fertilizer Co., Inc., Seymour, Ind.
Aug. 11 (letter of notification) $300,000 sinking fund, 5% debentures, due Aug. 1, 1958. **Underwriter**—City Securities Corp. Proceeds—to redeem $90,000 of presently outstanding 5% sinking fund debentures and other corporate purposes.

● **Carpenter Paper Co., Omaha, Neb.**
August 19 filed 6,177 shares of 4% convertible preferred stock ($100 par). **Offering**—To be offered to present holders of preferred and common stocks and to the extent unsubscribed by them, to certain key employees and officers. Price, by amendment. **Underwriting**—None. **Proceeds**—For additional working capital.

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. and Kidder, Peabody & Co. **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 negotiated a purchase contract in April, 1948, but the SEC on July 27, 1948, concluded that financing by the proposed preferred stock issue is not necessary.

● **Century Electric Co., St. Louis, Mo.**
Aug. 23 (letter of notification) 25,000 shares ($10 par) common stock. **Price**—$1 per share. No underwriter. To increase working capital.

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.

Chieftain Products, Inc., Brooklyn
Aug. 3 (letter of notification) 25,000 shares of common stock and 20,000 warrants. **Offering**—10,000 shares and 15,000 warrants to be offered in units (one common share and 1½ warrants) at $2.75 per unit, the balance of 15,000 shares being reserved for exercise of 15,000 warrants, purchasers of which will have the right for four years to purchase shares at $2.75 per share. General corporate purposes. **Underwriter**—Dunne & Co., New York. Expected early in September.

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.

Coleraine Asbestos Co. Ltd., Montreal, Canada
Aug. 16 filed 200,000 shares of capital stock. **Price**—50 cents per share in Canadian Currency. **Underwriter**—P. E. Frechette. **Proceeds**—For drilling operations.

● **Concord Oil & Gas Co., Ocean Springs, Miss.**
Aug. 23 (letter of notification) 1,000 shares of 6% cumulative preferred stock. **Price**—$25 per share. No underwriter. For drilling and other expenses.

Consolidated Rendering Company, Boston
Aug. 12 (letter of notification) 1,282 shares (no par) common stock. Price—$78 per share. **Underwriter**—"The First Boston Corp. will offer the stock as agent on behalf of Harold H. Swift, Chicago and Chase National Bank of New York.

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.

● **Cooperative Broadcasting Association, Washington, D. C.**
Aug. 20 (letter of notification) 13,355 shares of preferred (par $10) and 491 shares of common stock (par $100). Price, par for each class. No underwriter. For completion and development of radio station and for operating capital.

● **Curtis 1000 Inc., St. Paul, Minn.**
Aug. 20 (letter of notification) $25,000 to $55,000 of class B first series preferred to be sold to employees and their families at par $100 per share. No underwriter. For additional working capital.

● **Douglass Manufacturing Co., Inc., Portland, Maine**
Aug. 16 (letter of notification) $100,000 of 5-year 5% convertible debentures, with non-detachable stock purchase warrants; 10,000 shares of common stock ($1 par) reserved for conversion of debentures, and 10,000 shares ($1 par) common stock reserved for exercise of warrants. **Underwriter**—Minot, Kendall & Co. For working capital.

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.

Eureka Williams Corp., Bloomington, Ill.
Aug. 9 (letter of notification) 4,700 shares ($5 par) common stock. **Price**—$6.25 per share. No underwriter. For working capital.

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.

Flotill Products, Inc., Stockton, Calif.
March 6 filed 335,000 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.

● **Founders Mutual Fund, Denver, Colo.**
Aug. 20 filed $1,683,600 of securities ("certificates") of six different classes. No underwriting.

● **Freeze-Pak Corp., New York**
Aug. 18 (letter of notification) 80,000 shares of 25¢ preferred stock (par $2.50) and 80,000 shares of common stock (par $1). To be offered in units of one share of each at $3.50 per unit. **Underwriting**—None. Purchase of machinery, working capital, etc.

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.

NEW ISSUE CALENDAR

September 1, 1948	
Squankum Feed Supply Co. Inc.	Debentures
September 2, 1948	
Sterling Oil Co. of Oklahoma	Common
September 7, 1948	
Kansas Soya Products Co., Inc.	Common & Pref.
September 8, 1948	
Wheeling & Lake Erie Ry.	Equip. Trust Ctfs.
September 14, 1948	
Indiana & Michigan Electric Co.	Bonds
Wood (Alan) Steel Co.	Bonds
September 21, 1948	
Ohio Edison Co.	Bonds and Common
Pacific Telephone & Telegraph Co.	Debentures
September 28, 1948	
Metropolitan Edison Co.	Bonds and Preferred

Gauley Mountain Coal Co., New York
Aug. 13 (letter of notification) 6,093 shares of capital stock (par $10). Price, par. Stockholders of record Sept. 1 will be given right to subscribe at rate of one new share for each five shares held. Rights expire Oct. 15. **Underwriting**—None. General improvements, etc.

● **Giannini (G. M.) & Co., Inc., Pasadena, Calif.**
August, 1948 (letter of notification) 2,854 shares of 5% cumulative ($100 par) series B preferred stock (convertible at option of holder into common stock at rate of eight shares of common for each share of preferred), and 10,000 shares of common stock (to be sold at $1.46 per share). No underwriter. For working capital and to reduce existing bank loans.

● **Grand Valley Oil Corp., New York**
Aug. 19 (letter of notification) 75,000 shares of common stock (par $1). Price, par. New equipment, drilling wells, working capital, etc. No underwriting.

● **Greenhill Gardens, Inc., Dover, Del.**
Aug. 18 (letter of notification) 2,063 shares of class B capital stock (no par). **Price**—$50.411 per share. No underwriting. For the purchase and retirement of the class A stock of the corporation and for the periodic payment of the mortgage indebtedenss on the real estate owned by the corporation.

Hall (C. M.) Lamp Co., Detroit
Aug. 2 (letter of notification) 53,770 shares of common stock (par $5) to be offered to stockholders of record Aug. 30, at par. For advances to a subsidiary, Indiana Die Castings, Inc., and to improve shipping and storing facilities. No underwriting.

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.

● **Holly Sugar Corp., Colorado Springs, Colo.**
August 19 filed 185,000 shares ($30 par) cumulative preferred stock, convertible into common stock. **Underwriter**—Central Republic Co., Inc. **Proceeds**—To reduce short-term bank loans of $16,900,000 incurred for the purpose of producing and carrying inventories.

● **Hygenic Service Co., Boulder, Colo.**
August 16 (letter of notification) $50,000 first mortgage 5% 20-year (closed) bond issue. **Underwriter**—E. W. Hughes & Co. For new plant construction and improvement of existing plant.

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.

Indiana & Michigan Electric Co. (9/14)
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. Expected about Sept. 14.

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.

Kansas Soya Products Co., Inc. (9/7)
Aug. 2 (letter of notification) 78,000 shares (25c par) common stock and 1,925 shares of $5 cumulative preferred stock. **Underwriter**—Kenneth Van Sickle, Inc. For additional working capital.

● **Kistler's Radar Sandwiches, Inc., Akron, Ohio**
August 16 (letter of notification) 25,000 shares of common stock (par $1) and 4,000 shares of cumulative convertible preferred (par $50). Price, par for both issues. To expand operations, purchase heating units used in connection with sandwiches. No underwriters.

Kold-Hold Manufacturing Co., Lansing, Mich.
Aug. 6 (letter of notification) 36,666 shares ($1 par) common stock. Shares will be issued to H. B. Johnson and J. J. McQuaid on conversion of $55,000 of 5% convertible debenture bonds, due 1955. **Underwriter**—Buckley Securities Corp.

● **Lamex Chemical Corp., Birmingham, Ala.**
Aug. 23 (letter of notification) 25,000 shares ($5 par) 6% preferred and 25,000 shares (10¢ par) common. To be sold in units of one share of common and one share of preferred at $5 per unit. **Underwriter**—Mallory Securities Corp. For working capital and the payment of bills.

● **Leadville Lead Corp., Denver, Colo.**
Aug. 18 (letter of notification) 170,000 shares of common stock. **Price**—$1.25 per share. No underwriting. For working capital.

Lithium Corp., of America, Inc., Minneapolis
Aug. 13 filed 100,000 shares of common stock ($1 par). Stock will be sold to present warrant holders for $3 per share. No underwriting. **Proceeds**—For additional working capital.

Maltine Co., New York
Aug. 11 (letter of notification) 4,871 common shares (par $1). **Price**—$15 per share. Stockholders of record Aug. 20 have the right to subscribe on basis of one new share for each 15 shares held. Rights expire Sept. 20. **Underwriting**—None. Additional working capital.

● **Metropolitan Edison Co. (9/28)**
August 19 filed $3,500,000 first mortgage bonds, due 1978, and 40,000 shares ($100 par) cumulative preferred stock. **Underwriters**—Names to be determined through competitive bidders. Probable bidders for bonds include The First Boston Corp.; Drexel & Co.; Glore, Forgan & Co.; Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler. Bidders for preferred stock probably will include Drexel & Co.; Glore, Forgan & Co.; Harriman Ripley & Co.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler; Smith, Barney & Co., and Goldman, Sachs & Co. (jointly). **Proceeds**—To the proceeds company will add a $1,500,000 capital contribution from parent, General Public Utilities Corp. and use the money as follows: $3,500,000 will go for construction and improvements; $1,500,000 will be used as a partial payment to subsidiary, Edison Light & Power Co., for purchased power, and $950,000 of this $1,500,000 will be for Edison Light's construction activities; and $3,450,000 will be applied to improvements on the company's facilities. Expected Sept. 28.

Midland Cooperative Wholesale, Minneapolis, Minn.
Aug. 9 filed 15,000 shares of Preferred stock D, noncumulative ($100 par). **Underwriting**—None. Shares are to be sold at par, plus a premium of $1, $2, and $3 for the second, third and fourth quarters, respectively, in which they are sold, representing an allowance for dividends. **Proceeds** for additions and improvements, inventory and accounts receivable.

National Battery Co.
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. Temporarily deferred.

National Bond & Share Corp.
Aug. 13 filed 31,000 shares (no par) capital stock. **Underwriter**—Blyth & Co., Inc. **Proceeds**—Stock is to be sold from the estates of two deceased persons.

National Tea Co., Chicago
Aug. 6 filed 128,230 common shares ($10 par). **Offering**—Common stock to holders of record Aug. 30, will be entitled to purchase, on or before Sept. 15, 1948, one common share for each five common shares held. Price by amendment. **Underwriters**—Hemphill, Noyes & Co. and Merrill Lynch, Pierce, Fenner & Beane head a group that will acquire any of the 92,783 shares remaining after the stockholder offering. Proceeds to restore cash spent for general corporate purposes and to finance modernization of stores.

Official Films, Inc., New York
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. Expected early in September.

● **Ohio Edison Co., Akron, Ohio (9/21)**
August 20 filed $12,000,000 first mortgage bonds, due 1978, and 285,713 shares of common stock. **Underwriters**—Underwriters of bonds will be determined through competitive bidding. Probable bidders for the bonds: Morgan Stanley & Co.; Glore, Forgan & Co.; Shields & Co. and White, Weld & Co. (jointly); Halsey, Stuart & Co. Inc. **Offering**—Stock will be offered for subscription by common stockholders at rate of one share of each seven shares held on record date. **Price**—$27.50 per share. **Proceeds**—To make an additional $900,000 investment in its subsidiary, Pennsylvania Power Co., for construction of its own and its subsidiaries, and for prepayment of $3,125,000 of outstanding instalment notes. Expected Sept. 21.

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 Coast Aggregates, Inc., San Francisco, California**
Aug. 20 filed 184,245 shares of common stock ($5 par). **Underwriters**—Blyth & Co., Inc., and Schwabacher & Co. **Offering**—To be offered to common stockholders of record Sept. 10, in ratio of one new share for each three shares held. **Price**—$4 per share. **Proceeds**—For working capital.

● **Pacific Telephone & Telegraph Co. (9/21)**
August 20 filed $75,000,000 35-year debentures, due 1983. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. **Proceeds**—To reimburse treasury for costs of improving and enlarging telephone plant; to repay advances from American Telephone & Telegraph Co., parent, and its bank borrowings; and balance to meet the costs of its own construction as well as that of its subsidiary, Bell Telephone Co. of Nevada. Expected Sept. 21.

Pennsylvania Power & Light Co.
Aug. 17 filed 316,863 shares (no par) common stock. **Underwriters**—The First Boston Corp. and Drexel & Co. **Offering**—Stock will be offered to common stockholders of record Sept. 8 at rate of one new share for each eight shares of common stock held. Rights will expire at 3 p.m. (EDT) Sept. 23. Price by amendment. **Proceeds**—To finance company's construction program.

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.
June 11 filed 200,000 shares ($100 par) cumulative preferred stock. **Proceeds**—For property additions and improvements. **Bids**—Company, Aug. 4, received two bids

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on the proposed issue of 200,000 shares of preferred stock, but rejected both. On July 7, last, the same issue was put up for sale, but the management declined to accept the bids. A group headed by the Union Securities Corp. and White, Weld & Co. on Aug. 4 bid 100.90 for stock with a $4.50 dividend, which compared with the bid of 101.65 for $4.40 dividend stock which this group was prepared to submit July 7. Morgan Stanley & Co. and associates bid 100.55 for $4.50 dividend stock, the same terms as they were prepared to bid on July 7. **Underwriting**—The SEC on Aug. 23 exempted the proposed sale from the competitive bidding rule so that the sale will be negotiated.

Quebec Oil Development Ltd., Montreal, Can.
Aug. 4 filed 2,000,000 shares of capital stock, ($1 par Canadian funds). **Underwriter**—Hiscox, Van Meter & Co., Inc. Price, $1 per share (United States funds). For each 20,000 shares of stock sold, the company will deliver to the underwriter stock purchase warrants entitling the holder to purchase, on or before Sept. 1, 1950, 1,000 shares of capital stock of the company at $1.50 per share. **Proceeds**—For drilling operations.

Rudd Manufacturing Co., Pittsburgh, Pa.
Aug. 5 (letter of notification) 11,124 shares of common stock. **Price**—$25 per share. Stockholders of record Aug. 12 are given the right to subscribe at rate of one new share for each nine shares held. Rights expire 3 p.m. (EDT) Aug. 26. Expansion of business. No underwriting.

• **Rural Transformer & Equipment Co. Milwaukee, Wis.**
Aug. 19 (letter of notification) 500 shares (no par) class B $5 dividend cumulative preferred and 750 shares of class C common stock. No underwriter. For working capital.

St. Anthony Mines Ltd., Toronto, Can.
Aug. 6 filed 1,088,843 common shares (par $1). Price, 40 cents per share. Underwriter—Old Colony Securities Ltd. of Toronto. Proceeds for gold mining operations

• **Save Rite Drug Stores, Salt Lake City, Utah**
August 16 (letter of notification) 1,818 shares of class A (no par) common stock (stated value of $10 per share) and $181,800 5-year 5% notes. No underwriter. To complete stocking of store, pay current creditors and to increase working capital.

Shoe Corp. of America, Columbus, O.
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. Indefinite.

• **Silver Ridge Mining Co., Ltd., Nelson, B. C., Canada**
Aug. 24 filed 1,106,600 shares of common stock (50¢ par). **Underwriters**—Harry P. Pearson, managing director of company, and Richard K. Fudge and Victor Semenza, copartners of Pennaluna & Co. **Price**—30¢ per share U. S. funds. **Proceeds**—For exploration and other development work, to pay off loans and for other purposes.

• **Southwestern Associated Telephone Co., Lubbock, Texas**
Aug. 24 filed 22,000 shares of $2.60 cumulative (no par) preferred stock. **Underwriters** — Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; Rauscher, Pierce & Co. Price by amendment. **Proceeds**—To pay, in part, bank loans used for construction purposes.

Squankum Feed Supply Co., Inc., Farmingdale, New Jersey (9/1)
Aug. 4 (letter of notification) $150,000 20-year 5½% sinking fund debentures. **Price**—102. Working capital, etc. **Underwriter**—Fidelity Securities & Investment Co., Inc., Asbury Park, N. J.

• **Stanwood Oil Corp., New York**
Aug. 18 (letter of notification) 25,000 shares of common stock (par 20¢). To be offered first to stockholders at $3.75. Unsubscribed shares will then be offered at $4 per share by Kaye, Real & Co., New York, as underwriter. General corporate purposes.

• **Sterling Oil of Oklahoma, Inc. (9/2)**
August 16 (letter of notification) 975,000 shares of common stock. **Price**—30 cents. **Underwriter**—Greenfield Lax & Co. Inc. To acquire leasehold interests, for the company's pro-rata share of the cost of drilling wells, for testing and development and for working capital.

Sterling Oil & Refining Corp., Houston, Texas
Aug. 10 filed $2,500,000 4½% income debentures, due Oct. 1, 1963 (with 10-year subscription warrants attached for initial purchase by stockholders of 80,000 shares no par common stock). **Underwriter**—Kidder, Peabody & Co. will purchase all unsubscribed debentures or stock warrants for public offering. **Proceeds**—For general corporate purposes. Expected early in September.

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.

• **Thirty Percent Mining Co., Denver, Colo.**
Aug. 18 (letter of notification) 50,000 shares of nonassessable ($1 par) common stock. **Price** — $1.25 per share. **Underwriter**—William Anthony Condon. To improve mine road, purchase necessary mining equipment and drive a tunnel for the purpose of mining and marketing the lead, zinc, silver, copper ore on company's property.

Tide Water Power Co., Wilmington, N. C.
July 30 filed 80,000 shares (no par) common stock. **Underwriters**—Union Securities Corp. and W. C. Langley & Co. Price by amendment. **Proceeds**—For construction. Indefinitely postponed.

• **Toledo Edison Co.**
August 19 filed $5,000,000 first mortgage bonds, due 1978. **Underwriters**—Names to be determined through competitive bidding. Probable bidders include: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); W. C. Langley & Co.; Kidder, Peabody & Co., and White, Weld & Co. **Proceeds**—For construction.

• **Trenton Chemical Company, Detroit, Mich.**
Aug. 23 filed 175,000 shares of 6% cumulative convertible Class B preference stock ($2 par). **Underwriter**—Carr & Co., Detroit. **Offering**—To be offered at $2.25 per share. **Proceeds**—To build and equip a plant and replace working capital.

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 Casualty Co., Cedar Rapids**
August 18 (letter of notification) 10,000 shares of convertible cumulative preferred stock ($10 par), with privilege of conversion at any time before redemption on a share-for-share basis for common stock ($10 par). To be offered at $25 per share. Without underwriting. To increase capital and surplus.

United Utilities & Specialty Corp.
July 29 filed 41,000 shares of 5% cumulative convertible preferred stock ($10 par). **Underwriters**—Herrick, Waddell & Reed, Inc., and George R. Cooley & Co., Inc **Proceeds**—For general corporate purposes. Expected early in September.

• **Verney Corp., Boston, Mass.**
August 20 filed 100,000 shares of ($2.50 par) common stock owned by Gilbert Verney, company President. **Underwriters**: White, Weld & Co.; F. S. Moseley & Co., and Paine, Webber, Jackson & Curtis. Price, by amendment.

• **Vat-Craft Corp., New York**
Aug. 17 (letter of notification) 1,025 shares of series A convertible preferred stock (par $100) and 4,055 shares of common stock (par $1). Price, par for each class. **Underwriting**—None. Research and development.

• **Victor Chemical Co., Inc., Buffalo, N. Y.**
Aug. 19 (letter of notification) 2,400 shares of 6% cumulative first preferred stock (par $100) and 600 shares of 5% cumulative preferred stock (par $100). Price, par. **Underwriting**—None. Additional working capital.

Whitman (Stephen F.) & Sons, Inc., Phila.
Aug. 16 (letter of notification) 1,000 shares of 2nd 5% preferred stock (par $100). Price, par. **Underwriter**—A. C. Wood, Jr., & Co., Philadelphia. Proceeds—To selling stockholders.

Wisconsin Power & Light Co.
Aug. 17 filed $5,000,000 first mortgage bonds, series C, due 1978, and 320,232 shares ($10 par) common stock. **Underwriting**—Bonds will be sold at competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Salomon Bros. & Hutzler; Blyth & Co., Inc.; Wheelock & Cummins, Inc.; Glore, Forgan & Co. and Harriman Ripley & Co., Inc. (jointly); Shields & Co.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Harris, Hall & Co. (Inc.); The First Boston Corp. **Offering**—The additional shares of common stock are to be offered to common stockholders of record Sept. 3 for subscription at $13.50 per share at the rate of one additional share for each four shares held. **Proceeds**—To reimburse company for construction expenditures made or to be made, except that $494,000 will be used to prepay a like amount of outstanding 2% serial notes.

• **Wood (Alan) Steel Co. (7/14)**
Aug. 25 filed $6,300,000 first mortgage sinking fund bonds, due 1963. **Underwriter**—Drexel & Co. **Proceeds**—Will be used, together with treasury funds, to complete the purchase and installation of a 30-inch hot-rolled strip mill and the construction of accessory equipment.

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.

Prospective Offerings

• **Bangor & Aroostook RR.**
Aug. 21 reported company studying plans to refund $12,665,000. Reported that a group of Connecticut insurance companies probably would handle the operation, but an official of the road stated: "Plans for refinancing are being studied; no commitments have as yet been made."

• **Detroit Edison Company**
Aug. 20 directors authorized officers to call a special meeting of stockholders this fall for the purpose of considering and approving an issue of approximately $46,000,000 of convertible debentures. If the stockholders approve the issuance of these debentures, Prentiss M. Brown, Chairman, says this should provide the company with sufficient construction funds to carry it until late in 1949 on the $100,000,000 expansion program which is under way. Probable bidders: The First Corp.; Halsey, Stuart & Co. Inc.; Dillon, Read & Co.; Coffin & Burr, Inc. and Spencer Trask & Co. (jointly).

• **Illinois Power Co.**
Aug. 23 reported company plans the sale of $28,000,000 bonds at an early date. Probable bidders: The First Boston Corp.; Harriman Ripley & Co. and Glore, Forgan & Co. (jointly).

• **Pacific Gas & Electric Co.**
Aug. 20 officially stated that company, to provide additional funds for carrying on its large construction program, plans within the next few weeks to apply to the California P. U. Commission for authority to issue and offer for sale at competitive bidding $75,000,000 first and refunding mortgage bonds. The interest rate and maturity date of the proposed issue will be determined later. The issue will be registered with the SEC to provide for an offering early in October. Probable bidders: Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; The First Boston Corp.

• **Wheeling & Lake Erie Ry. (9/8)**
Aug. 24 company asked ICC authority to issue $1,600,000 equipment trust certificates, series Q, to be dated Sept. 15, 1948, and to mature in 20 equal semi-annual instalments. No bid for less than 99% will be considered. Bids expected Sept. 8.

N. Y. Cotton Exchange Lowers Margins

Reduces rates to range from $5 to $10 a bale, on ground that, in view of government loan support of 31c per pound, method of expressing margins in percentage of terms of value of contracts has become obsolete.

The New York Cotton Exchange has announced new margin rates, to be effective Aug. 16, which are based on current government crop loan policies.

The new margin rates, which are reductions ranging from $5 to $10 a bale depending on the per pound price of cotton, are as follows: $10 per bale on transactions entered into up to 33 cents per pound; $15 per bale from 33.01 to 36 cents per pound; $20 per bale from 36.01 to 39 cents per pound, and $25 per bale from 39.01 to 42 cents per pound with similar increases in each further advance of 3 cents per pound.

In announcing the reduction of margins, Charles B. Vose, President of the New York Cotton Exchange, made the following statement:

"During the past, original margins for non-trade accounts have been based on the market level, so that to some extent margins have been expressed in percentage terms of the value of the contract.

"The Board of Managers of the New York Cotton Exchange is of the opinion that in these days of a government mandatory non-recourse loan, which this year amounts to approximately 31 cents per pound translated into futures prices, this former approach to the subject has become obsolete.

On Monday, Aug. 9, the Department of Agriculture announced its first forecast of the 1948 crop as being in excess of 15,000,000 bales. It is the function of the New York Cotton Exchange not only to provide adequate facilities under which a crop of this size may be hedged but equally to provide machinery with which all private trade channels who are willing may assume whatever share they wish of carrying the surplus of such a crop.

"With these ideas in mind, the Board of Managers decided that a reduction in margins was not only fully justified but was desirable. It will be noted that the margin of $10 per bale required up to 33 cents a pound will, at this price, margin contracts down to the loan price. It is the opinion of the Board that the increase of $5 a bale for each 3 cents thereafter is ample.

"The New York Cotton Exchange will in the future, as it has in the past continue to stand ready to change its margin requirements whenever in its opinion the situation so demands."

A comparison between the new and former margin rates follows:

Price per Pound—	New Margin (per Bale)	Former Margin
Up to 25 cents	$10	$10
25.01 to 30	10	15
30.01 to 33	10	20
33.01 to 36	15	25
36.01 to 39	20	30
39.01 to 42	25	35

Court Rules Against Federal Trade Commission

Federal District Court in Illinois holds International Salt Company cannot be made to file special reports on its pricing policies, in aid of enforcement proceedings.

In a decision expected to have far-reaching effects upon the powers and activities of the Federal Trade Commission, Judge Philip L. Sullivan, in the District Court of the United States, Northern District of Illinois, Eastern Division, dismissed a government complaint seeking to compel the International Salt Co., Inc., to file special reports and memoranda on its salt pricing policies.

The suit grew out of a 1941 Federal Trade Commission order, made under powers granted in Section 5 of the Federal Trade Commission Act and supported by the Circuit Court of Appeals, ordering all salt companies to cease and desist in what the Commission alleged was an "unlawful conspiracy to fix prices on, and to control the production of, salt in connection with the sale and distribution of that commodity in interstate commerce."

Along with other salt producers, International Salt Co., Inc., complied with the order and filed a report with the Commission showing the manner and form in which it complied.

In 1947 the Commission decided to make another investigation of the manner and form of compliance and, to further its investigation, issued an order requiring the International Salt Co., Inc., and other salt producers to file special compliance reports. Among other data it asked for special reports on "the prices, terms and conditions of the sale of salt, together with books or compilations of freight rates used in calculating delivered prices, price lists and price announcements distributed, published or employed in marketing salt."

In its answer the salt company replied that it was already complying with the Commission's order, that it had filed a report of compliance with the Federal Trade Commission, that the Commission received the report without making any objection to it, and that the 1947 FTC order did not require the filing of an annual or special report.

In many legal and industrial quarters it was felt that this was an attempt by the Commission to expand its powers of investigation given under Section 6 of the Federal Trade Commission Act and to obtain a right that had not been given it by law—the right to compel any company under the jurisdiction of its orders to supply information against itself that could be used to enforce these orders. Concurring in this belief, International Salt Company, Inc., contested the order in an effort to obtain a court ruling on the legality of the Commission's attempt.

In his opinion, Judge Sullivan stated that "when Congress enacted the Federal Trade Commission Act the duties and powers of the new Commission seem to have been divided into two categories. The first category continued the power of investigation and publicity with respect to corporations formerly lodged in its predecessor, the Bureau of Corporations, and now contained in Sections 6 (a) and 6 (b) of the present Act. However, Congress added a new section, Section 10, providing for a forfeiture of $100 a day for failure to file the reports provided in Sections 6 (a) and 6 (b). The second category into which the duties of the Federal Trade Commission were divided was provided by Section 5 which prohibits unfair methods of competition and provides the method for its enforcement and penalties . . ."

"A careful reading of the legislative history of the Act shows that Section 6 is only to be invoked in support of general economic surveys and not in aid of enforcement proceedings under a Section 5 decree," Judge Sullivan said, supporting the salt company's contention.

In making his decision Judge Sullivan dismissed the government's request for a judgment against International Salt Company, Inc., for $100 a day for each day from April 1, 1948, for failure to comply with the Commission's 1947 order.

Pioneer Enterprises, Inc.

BLUEFIELD, W. VA.—Pioneer Enterprises, Inc. is being formed with offices in the Law and Commerce Building to engage in the securities business. Officers are A. D. Campbell, President; H. S. Myles, Executive Vice-President; J. X. Fazio, Meyer Kwass, F. L. Garnes, F. M. Shaffer, H. P. Shaffer, A. B. Clement, N. T. Huffman, D. M. Deringer, T. B. Jones, G. B. Powell and P. S. Scarborough, Jr., Vice-Presidents; J. W. Twohig, Secretary-Treasurer; Jean B. Malamisura, Assistant Secretary-Treasurer. Officers were formerly associated with Myles & Co.

DIVIDEND NOTICES

AMERICAN POWER & LIGHT COMPANY
Two Rector Street, New York, N. Y.
PREFERRED STOCK DIVIDENDS

A dividend of $1.50 per share on the Preferred Stock ($6) and a dividend of $1.25 per share on the $5 Preferred Stock of American Power & Light Company were declared on August 25, 1948, for payment October 1, 1948, to stockholders of record at the close of business September 7, 1948.

D. W. JACK, Secretary and Treasurer.

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 137

A dividend of SEVENTY-FIVE CENTS a share has been declared on the capital stock of this Company, payable October 1, 1948, to stockholders of record at the close of business on September 15, 1948. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, *Secretary*

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 170
Common Dividend No. 158

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending September 30, 1948, and a dividend of 40¢ per share on the Common Stock have been declared. Both dividends are payable October 1, 1948, to holders of record September 1, 1948. The stock transfer books will remain open.

W. F. COLCLOUGH, JR.
July 28, 1948 Secretary

B. T. Babbitt INC.

79th CONSECUTIVE QUARTERLY DIVIDEND

The Board of Directors of B. T. Babbitt, Inc. has declared a regular quarterly dividend of 30c per share on the Common Stock of the Company, payable on October 1, 1948 to stockholders of record at the close of business on September 10, 1948.

LEO W. GEISMAR, *Treasurer.*
August 23, 1948

GENERAL PORTLAND CEMENT COMPANY

Common Stock Dividend

The Board of Directors of General Portland Cement Company has this day declared a dividend upon its Common Stock of 25 cents per share, payable September 30, 1948 to stockholders of record at the close of business on September 13, 1948. The stock transfer books will remain open.

HOWARD MILLER, Treasurer
August 20, 1948

DIVIDEND NOTICES

SOUTH PORTO RICO SUGAR COMPANY
August 24, 1948.

The Board of Directors has this day declared a quarterly dividend of 50c per share on the $25.00 par value 8% Preferred Stock outstanding; and a dividend of Two Dollars per share on the outstanding Common Stock; all payable on September 28, 1948 to stockholders of record at the close of business on September 8, 1948

F. M. SCHALL, *Treasurer.*

KENNECOTT COPPER CORPORATION
120 Broadway, New York 5, N. Y.
August 20, 1948

A cash distribution of twenty-five cents (25c) a share and a special cash distribution of one dollar and twenty-five cents ($1.25) a share have today been declared by Kennecott Copper Corporation, payable on September 30, 1948 to stockholders of record at the close of business on September 1, 1948.

A. S. CHEROUNY, *Secretary.*

Johns-Manville Corporation
JOHNS-MANVILLE JM PRODUCTS
DIVIDEND

The Board of Directors declared a dividend of 35¢ per share on the Common Stock payable September 10, 1948, to holders of record August 30, 1948.

ROGER HACKNEY, *Treasurer*

E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *August 16, 1948*

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the outstanding Preferred Stock—$4.50 Series and 87½¢ a share on the outstanding Preferred Stock—$3.50 Series, both payable October 25, 1948, to stockholders of record at the close of business on October 8, 1948; also $2.00 a share, as the third interim dividend for 1948, on the outstanding Common Stock, payable September 14, 1948, to stockholders of record at the close of business on August 23, 1948.

L. duP. COPELAND, *Secretary*

CSC COMMERCIAL SOLVENTS *Corporation*

DIVIDEND No. 55

A dividend of thirty-seven and one half cents (37½¢) per share has today been declared on the outstanding common stock of this Corporation, payable on September 30, 1948, to stockholders of record at the close of business on September 8, 1948.

A. R. BERGEN, *Secretary.*
August 25, 1948.

ELECTRIC POWER & LIGHT CORPORATION

DIVIDEND NOTICE

The Board of Directors has this day declared a dividend of $1.50 per share on the $6 Preferred Stock and a dividend of $1.75 per share on the $7 Preferred Stock of this Corporation, payable October 1, 1948, to stockholders of record at the close of business September 10, 1948.

H. F. SANDERS, *Treasurer.*
August 25, 1948

Edison
SOUTHERN CALIFORNIA EDISON COMPANY
Preferred Dividends

The Board of Directors has authorized the payment of the following quarterly dividends:

37½ cents per share on Original Preferred Stock, payable September 30, 1948, to stockholders of record on September 5, 1948.

27 cents per share on Cumulative Preferred Stock, 4.32% Series, payable on September 30, 1948, to stockholders of record on September 5, 1948.

O. V. SHOWERS
Secretary
August 20, 1948

DIVIDEND NOTICES

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 123

A QUARTERLY DIVIDEND of One Dollar and Twenty-five Cents ($1.25) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, September 20, 1948, to stockholders of record at three o'clock P. M., on Monday, August 30, 1948. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.
New York, N. Y., August 19, 1948.

UNITED GAS CORPORATION
SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of twenty-five cents (25¢) per share on the Common Stock of the Corporation, payable October 1, 1948, to stockholders of record at the close of business on September 10, 1948.

J. H. MIRACLE, *Secretary*
August 25, 1948

The Board of Directors of

Wentworth Manufacturing Company

has declared an extra dividend of fifty cents (50c) per share on the outstanding common stock of the Company, payable on September 29, 1948, to stockholders of record at the close of business September 10, 1948. Checks will be mailed.

JOHN E. McDERMOTT, Secretary.

UNION CARBIDE AND CARBON CORPORATION
UCC

A cash dividend of Fifty cents (50¢) per share on the outstanding capital stock of this Corporation has been declared, payable October 1, 1948 to stockholders of record at the close of business September 3, 1948.

MORSE G. DIAL,
Secretary and Treasurer

At a meeting of Directors held August 19, 1948 in London it was decided to pay on September 30th half yearly dividend of 2½% (less tax) on issued 5% Preference Stock and Interim Dividend of One Shilling for each One Pound of Ordinary Stock free of income tax.

Coupon No. 90 must be used for dividend on 5% Preference Stock and Coupon No. 202 must be used for dividend on Ordinary Stock.

All transfers received in London on or before August 27th will be in time for payment of dividends to transferees.

Also decided to pay on October 30th half yearly dividend of 3% less tax on issued 6% Preference Stock. All transfers received in London on or before October 8th will be in time for payment of dividends to transferees.

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED
August 19, 1948.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Those politicians who gear their thinking to the long look ahead are watching with the keenest interest the development of the Dixiecrat struggle against left wing dominance of the Democratic party. For regardless of how much or how little progress the southern rebels make at the national election next Nov. 2, they will play an important, if not a decisive part, in the fortunes of what the newsboys are now coming to call the "Dewey Administration." They will be able to play this decisive part through possibly only a handful of southern Senators, whose actions can go far toward making or breaking the legislative program of the Republicans if the latter win the election.

It is coming to be taken for granted, correctly or otherwise, that Gov. Dewey will win the Presidency and that the House will go to the same party by an entirely satisfactory working majority. On the other hand, no matter what way the Senate election goes, the Republicans will be dependent upon not less than a handful of southern Democratic votes to put over any legislative program which they can call their own.

* * *

Southern Democrats started their rebellion against left wing dominance when President Truman insisted upon foisting his "civil rights" program upon them. The President, they felt, forced the issue. They joined in battle.

The first objective of the southerners was to try to make it possible to throw the election of the President into the House. This would happen if neither the Republican nor Democratic nominees got a majority or 266 electoral votes at next November's election. This would be achieved by a diversion of southern states from either major candidate.

Were the President to be elected by the House, the vote of the House would be by state units — not by Congressmen. The 11 southern states then would have an influence far greater than they had as a "solid South," and greater in proportion than hence they could normally exert. If they decided to vote to re-elect Mr. Truman, they probably could put a lien upon him. In any case, they could get plenty from him as a condition to giving him their votes.

If the forecasters are right in their assumption, however, that Mr. Truman will carry but few states in the North, then Gov. Dewey would get a majority of the electoral votes even if the South was willing to vote for Mortimer Snerd. The election then would not be thrown into the House.

* * *

This leaves the purpose of the Dixiecrat rebellion the semi-capturing of the Democratic party. This is the long-run purpose of the rebellion. The election is an incident to this purpose if it is not decisive. If it is decisive — if the states rights Democrats capture most of the electoral votes in the southern states—they will be a long way down the road toward rooting out the lefties from the control of the party. This eventuality will be further facilitated if Mr. Truman ends up with nothing much more than the electoral votes of Rhode Island, Virginia, North Carolina and Kentucky. The "liberals" would then be somewhat badly beaten and discredited in their northern strongholds.

* * *

What success or lack of success the Dixiecrats have next November has an intimate bearing upon the way the southern Democrats will act in the Senate next year. And it is how they act that will determine whether Dewey, if elected, can get a legislative program across.

Even if the Republicans manage to squeak by with a majority of one or two in the Senate, they still will have to depend upon the southern Democrats, or several of them, to help them get their program across.

This dependence will arise from the fact that the Republicans have several New Dealers of their own, who can be expected to vote for left-wing propositions and against measures which lean toward the middle of the road or the right. Hence, even if the Republicans win nominal control of the Senate at next November's election, they will not have a working majority for an even moderately conservative program unless their success is far greater with the Senate than expected.

There is another possibility which, to Republicans anticipating victory everywhere decisively except in the Senate, is dire to behold. That is that the Democrats might get a nominal majority in the Senate.

Now, whichever party gets a nominal majority of even one Senator, gets to organize the Senate. That means that the majority party "organizes the Senate." Its members become Chairman of committees. Its members constitute a working majority of those committees. If its members stick together they can decide the course of legislation. Even if the party members do not stick together, the Chairmen of committees, single-handedly, can do much to promote the kind of legislation the party leadership desires and much more to obstruct the kind of legislation it opposes. This power incidently, is far from nominal.

* * *

Here is where the southern Democrats count. Under possibility No. 1, a small Senate majority, the votes of several southern Democrats will be necessary if the new Administration proposes anything but leftwing propositions.

Under possibility No. 2, that the Republicans might not elect a majority of the Senators, the Democrats of the South could occupy a strategic position of the highest order.

What few people remember is that the organization of the Senate, nominally voted by the majority of the Senate as a proforma ratification of the party caucus, is actually a legal affair. Even if the Democrats, including the Dixiecrats, had a majority of the Senate, it would be possible for southern Democrats to collaborate with the Republican "minority" to give Republicans the nominal control of the Senate, including committee chairmanships.

BUSINESS BUZZ

"—and, my comrades, wonderful Russia has more of everything than we have here! For every poor family in America, Russia has fifty!"

The Dixiecrats, if they wanted to play along with the GOP majority, could do this in either one of two ways. First, by agreement they could absent themselves from the session of the Senate ratifying the organization of the Senate. A majority of those present, there being a quorum, ratifies the Senate organization. Hence, if some of the Dixiecrats absented themselves by pre-arrangement, the Republicans could organize the Senate.

Second, they could be present but cast their votes for Republican chairman of committees, etc. To be sure, they would expect something in trade for such an unprecedented step, but they could do it. Something like this actually happened in 1881. There was, in fact, an even split in the Senate except for a Virginia Senator who called himself a "Readjuster." By casting his vote for the Republicans he made it possible for the Republicans to organize the Senate that year. He got the chairmanship of the Committee on Agriculture.

* * *

Curiously enough, it is speculated here that the best prospect that the Republicans have that Southern Democrats will string along with them next year in the Senate will develop if the Dixiecrats are not too successful at the election.

Should the Dixiecrats sweep up far more electoral votes than expected for the Thurmond-Wright ticket, and should the "Trumanites" (as the Dixiecrats call them) be beaten decisively and completely in the North, then the Southern Democrats will likely be disposed to regard themselves as the offcial opposition to the Republican Administration. Seeing themselves on on the way to controlling the Democratic party, they naturally would adopt conventional opposition tactics with a view to promoting the prospects for a Democratic party, stripped of left wing dominance, for the Presidency in 1952.

On the other hand, if the left wing elements elect a couple of key Senators and upset several important House elections, and if the "Trumanites" are not too decisively beaten in the North, the Dixiecrats would be more disposed, it is said, to play along with the GOP.

* * *

In all this background, it is noted that legislation, of course, must pass the Senate as well as the House, to be enacted. Should the Republicans roll up more electoral votes for Dewey and elect more House members than any one dares now to imagine, they would still be stymied unless they could swing their measures in the Senate.

* * *

Now is time for all good farmers to come to the aid of their government bureaus. Now is the time when all good farmers ARE coming to the aid of their bureaus.

During the last session of Congress, the government's agricultural credit agencies got roughed up a bit. Beating the Congress to it, the Budget Bureau swiped virtually all the surplus back from the government-owned, government-fed Federal Farm Mortgage Corp. Farm Credit Administration wanted to swipe part of this surplus and give it to the Federal Land banks to back mortgage loans to a ratio of 75% (from 65%) of value. Congress refused the higher risk loans. A bill to "retire" government capital of the Banks for Cooperatives by the painless method of leaving a lot of interest on government capital in the business failed. The Appropriations Committee put out the dictum that these farm lending agencies should not operate with subsidized capital, and recaptured several tens of millions from another Farm Credit Administration agency.

So the big three farm organizations—Grange, Farm Bureau, and perhaps Farm Union — plus the National Coop Council, are going to have a big national conference next month on "farm credit legislation for 1949."