BUS. ADM. LIBRARY

ESTABLISHED 1839

BUS. ADM. LIBRARY SEP 10 1948

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 168 Number 4730 New York, N. Y., Thursday, September 2, 1948 Price 30 Cents a Copy

A Completed Secondary Reaction

By LEONARD S. HERZIG

Partner, Sartorius & Co.

Market analyst asserts current market action portrays completed secondary reaction in bull market, and particularly because news is not really destructive, basic trend remains up. Points to London market action as demonstrating informed confidence in international situation.

In a previous article, "Death of a Bear Market," published in the "Chronicle" in March, 1948, I pointed out various elements which led me to the conclusion that the major bear movement had worn itself out, and a new bull market was in the making. I now feel that the recent decline represents merely a secondary reaction in that bull market, which somewhat similarly exhausted itself.

Leonard S. Herzig

Reactions

Close observers of market action know that all primary bull markets are punctuated by secondary reactions which retrace about one-third to two-thirds of the preceding up-movement. It has been estimated that all primary movements average about 100 calendar days—retracements

(Continued on page 35)

Debt Reduction vs. Tax Reduction

By HARLEY L. LUTZ*

Professor Emeritus of Finance, Princeton University

Holding no dogmatic assertions should be made as to whether more emphasis should be placed on debt reduction than on tax reduction, Prof. Lutz contends under present conditions there is still need for further tax relief. Analyzes composition of Federal debt and shows recent debt reductions have been accomplished by substitution of non-marketable issues by special issues.

In the controversy over tax revision that has been waged during the past two years, a conspicuous issue was tax reduction versus debt reduction. Many persons advocated keeping taxes high in order to do everything possible during the boom period toward debt retirement. Too frequently, the advocates of this view were indifferent to the spending level, although it is clear that the margin of surplus revenue available for debt payment is determined fully as much by the amount of the expenditure as it is by the level of tax rates.

Dr. Harley L. Lutz

The relative emphasis to be laid at any given time upon either tax reduction or debt retirement cannot be properly determined by dogmatic assertions as to what should or should not be done. Whether it is better policy for the good of the whole economy to reduce taxes, or to redeem debt, or to do both of these things in some combination, must depend upon various factors. For example, if tax burdens have been lightened and tax inequalities corrected,

(Continued on page 26)

*An article by Prof. Lutz in the August, 1948, issue of "The Tax Review," published by the Tax Foundation, New York City, and reprinted with permission.

How Many Really Own Stocks?

By L. O. HOOPER

W. E. Hutton & Co.

Market analyst doubts accuracy of some recent sample findings, as by Federal Reserve System, which suggest only six to nine million Americans own stocks. Mr. Hooper finds actually 428 companies have almost 13 million stockholders of record. Finds active markets increase distribution. Of 381 leading companies last year 329 showed increase, 143 decreases, with 9 about unchanged.

How widely is corporation ownership distributed? How many people own common stocks? How big is this "public" served by the brokerage fraternity? How many Americans, financially able to buy common stocks, have neglected to make any contribution to the nation's aggregate supply of equity capital?

L. O. Hooper

Statisticians disagree. Some say there are as few as seven or eight million stockholders in the United States and Canada. Others estimate sixteen million or more.

Everyone is doing more estimating than actual counting. No government or other census ever has been taken. Hundreds of corporations report annually on the size of their own shareholders' lists; but it does not help much to add up the totals (as is done in this article) because there are so many duplications. Most important stockholders own shares in more than one company—some in more than 100 different corporations. There is no practical way,

(Continued on page 22)

EDITORIAL

As We See It

Pity the Poor Farmer!

Politicians with a nervous eye upon the November voting are already shedding crocodile tears over the poor farmer. The "parity" concept and numerous current statistics are being employed to show that the farmer is suffering—or is certainly at a disadvantage greater than any group or element in the population with as many votes should be at this time in an election year. Of course, it is obvious that neither this concern about the farmer, nor any of the current suggestions for coming to the aid of the embattled farmer can possibly be reconciled with the equally positive concern about the cost of living in nonfarm areas or in any areas for that matter, but, after all, not too much can be expected of the "practical politician."

But, politics aside, what really is the position of the farmer today? Is the farmer, by and large, worse off, or threatened with being far worse off than the rest of us? Has his position seriously worsened since the end of the war when, as every one knows, he was enjoying the abundant life in a degree that he never dreamed of in the past? Well, let's turn to the record, as Alfred E. Smith was so fond of saying. In 1929, the earliest year for which really comparable figures are available, the income of the farmers of this nation was $5.7 billion,

(Continued on page 27)

CHICAGO TRANSIT AUTHORITY
3¾% Bonds
Due July 1, 1978
(Optional)
Interest exempt from Federal Income Taxes in opinion of Bond Counsel
Price 97¼;
plus accrued interest yielding about 3.91%
WHITE, WELD & CO.
Members New York Stock Exchange
40 Wall Street, New York 5
Boston Chicago Philadelphia Providence
London Amsterdam Buenos Aires

R. H. Johnson & Co.
Established 1927
INVESTMENT SECURITIES
64 Wall Street, New York 5
BOSTON PHILADELPHIA
Troy Albany Buffalo Syracuse
Harrisburg Scranton
Wilkes-Barre Springfield
Woonsocket Washington, D. C.

STATE AND MUNICIPAL BONDS
THE NATIONAL CITY BANK OF NEW YORK
Bond Dept. Teletype: NY 1-708

AMERICAN MADE MARKETS IN CANADIAN SECURITIES
HART SMITH & CO.
52 WILLIAM ST., N. Y. 5 HAnover 2-0980
Bell Teletype NY 1-395
Private Wires Connect
New York Montreal Toronto

State and Municipal Bonds
Bond Department
THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

BANK PORTFOLIOS
Analyzed and Appraised
Information on request
GORDON GRAVES & CO.
INSTITUTIONAL INVESTMENTS
30 Broad Street, New York 4, N. Y.
Tel. WHitehall 3-2840 Tele. NY 1-809

Underwriters and Distributors of Municipal and Corporate Securities
OTIS & CO.
(Incorporated)
Established 1899
CLEVELAND
New York Chicago Denver
Cincinnati Columbus Toledo Buffalo

We have prepared a memorandum on the
Burroughs Adding Machine Company
Copy upon request
SUTRO BROS. & CO.
Est. 1896
Members New York Stock Exchange
120 Broadway, New York 5
Telephone REctor 2-7340

CANADIAN BONDS & STOCKS
DOMINION SECURITIES CORPORATION
40 Exchange Place, New York 5, N.Y.
Bell System Teletype NY 1-702-3

Central Vermont Public Service Co.
COMMON
Prospectus available upon request
IRA HAUPT & CO.
Members New York Stock Exchange and other Principal Exchanges
111 Broadway, N. Y. 6
WOrth 4-6000 Teletype NY 1-2708
Boston Telephone: Enterprise 1820

Digitized for FRASER
http://fraser.stlouisfed.org/

Proposed Changes in Federal Taxation

By ROBERT ASH*
Attorney at Law, Washington, D. C.
Chairman, Committee on Bureau Practice and Procedure, American Bar Association

Washington tax attorney, asserting there is too much tax litigation, points out changes in Federal tax administration which will lead to settlements of disputes by administrative officials. Outlines changes in pending tax bill which will change carry back and carry forward provisions; will recognize for tax purposes gift to children of partnership in business; will lower tax rates for small corporations; will ease taxation in business reorganizations; will eliminate double taxation on dividends; and will lead to greater equity in tax on sales of capital assets. Urges revision of law to permit accelerated depreciation deductions by business.

I am here to talk about taxes. I am going to discuss what I see in the immediate future regarding, first, tax administration and, second, tax legislation. First, let us consider the administration. Of course, the task is tremendous. Any of us that heard the Commissioner of Internal Revenue realize what a terrific job they have. I might state that there is nothing, no activity in the history of the world, in connection with fiscal matters that has in any way nearly approached the problem of the Bureau of Internal Revenue to collect over $40 billion is news—new and unique in all history.

Robert Ash

To illustrate, Federal Tax collections are greater than the entire income of all the people living West of the Mississippi River, except those in Arkansas and Missouri. Your Federal collections are greater in amount than the cost of all the food that all the people in the United States consume. The Federal Tax collections on March 15 of this year were greater in amount than the entire cost of running the United States Government for the first one hundred years of its existence. This thing is just almost overwhelming in its magnitude. We often hear in discussion what a grand job the British do in collecting their revenue, and I think it is admitted that they do. The British Department of Inland Revenue has approximately the same number of employees as our Bureau of Internal Revenue. Yet, they deal with about one-third as many taxpayers. They collect about one-fourth as much revenue and their cost of collections are about 2/3 of 1% as compared with 1/2 of 1% in the United States. That is the only collection activity that's in any way comparable and, as you will see from every viewpoint, we are doing a better job here.

I don't want to say anything that any way seems critical of the Bureau of Internal Revenue. I am one of those that is convinced it is doing a good job. However, I think we should bear in mind the truthfulness of a statement that the Secretary of the Treasury made back in 1927, when he said that the collection of revenue is primarily an administrative and not a judicial problem. As far as Federal Income Tax is concerned, the field of administration has been pushed into a legal battle ground.

*Stenographic transcript of an address by Mr. Ash before the National Society of Public Accountants Boston, Mass., Aug. 19, 1948.

Too Much Tax Litigation

Now, in my opinion, that situation still exists. We are having too much litigation over taxes, and I think that the efforts should be directed more and more toward your administrative settlement of taxes, and if you get the right answer in each case the Commissioner stated, you are going to lead toward that end. Nevertheless, if you try to get the right answer in a particular case, irrespective of the income in that case, in the long run you are going to collect more money at less expense than if you try to exact the utmost in revenue out of any particular case before you.

As I stated, the Bureau has done a swell job. However, some people think that possibly the job could be improved. With their idea in mind, the Congress passed a law directing that an individual committee study the operations of the Bureau and report to the joint Congressional Committee on Internal Revenue Taxation. That committee was composed of Henry Herrick Bond of New York, William J. Carter of Georgia, H. McLaren of California, and George M. Mitchell of Illinois. They were all well-qualified men. Bond was a former Under-Secretary of the Treasury. They released a report on April 23 of this year. The report, generally speaking, was favorable. However it did state this, that the enforcement staff is too small, it is in part under paid, in part under trained, and in part uneffectively directed, and it made several specific recommendations as to what should be done. The first one was that you should have a recruitment and training program to screen them, the investigatory personnel of the Bureau and it recommended an increase in Bureau personnel of approximately seventeen thousand, and an increase in the Bureau's appropriations from approximately $185 million to $250 million. It pointed out that if this money was spent that the Government would get it back many times over in the collection of delinquent taxes.

The so-called Bond Committee Report also recommended that the management of the Bureau be reorganized with view to greater economy and efficiency, and the more effective use of its expenditures. The first recommendation was that a staff should be attached to the office of the Commissioner for continuing study and analysis of the Bureau's activities, and as the Commissioner indicated, such a committee was appointed. However, at the time it was appointed, it was composed entirely of bureau personnel. I was very pleased to hear the Commissioner state that it now includes some persons from outside of the Bureau. One of the criticisms in the Bond Report was a tendency toward inbreeding in the bureau and the obvious wisdom of having an outside viewpoint injected into the administration of the bureau. As I say, with this committee being enlarged, as the Commissioner stated, and with the employment of various kinds of management engineering firms to give them advice, it looks as though that recommendation is going to be followed. This Committee also recommended the use of modern machines of accounting. Of course, again we heard that suggestion is being followed.

Reorganization of Internal Revenue Bureau

Now we come to some very important recommendations, and I am sure you are going to see, within the next year or two, these recommendations carried out to some degree—that is, a reorganization of the Bureau's various functions. One of the Bond Committee's recommendations was that all field enforcement activities should be under the Internal Revenue agent in charge. In other words you would have the agent in charge, the special agents, the technical staff, all in the Chief Counsel's office, including the penal division of the Chief Counsel. All officials having to do with investigation, would be under one man in a particular area, and it was also recommended that that fellow, or that office, be given the power to close cases without the right of reopening as at present. In other words, upon post-audit review, there would be no reopening of any case closed by the Internal Revenue agents' office. It has the same power that is now given the technical staff. It also recommends that the collector's office limit their activities primarily to the job that the name of the office indicates. That is, to the collection of the taxes, the verifications of the mathematical computations, and the assistance of taxpayers in the preparation of returns—the idea being that for about half the year the various employees of the collector would be engaged in that service; the other half of the year they would be engaged in checking up such things as the number of dependents and the like.

The American Bar Association's Committee on Bureau Practice and Procedure, of which I am Chairman, has also been studying the idea of possible reorganization of the bureau's functions. We have gone at it and have considered, and are still studying, the advisability of abolishing the technical staff of giving the Internal Revenue agent in charge the right to make decisions with the same finality that the technical staff now has, and in the case of tax court litigation, to give the Chief Counsel the exclusive control over

(Continued on page 24)

Federal Water & Gas
Southern Prod. W. D.
Southern Nat. Gas W. D.
Fed. Water & Gas Stubs
BOUGHT—SOLD—QUOTED
New York Hanseatic Corporation
120 Broadway, New York 5
BArclay 7-5660 Teletype NY 1-583

Lonsdale Company
Bought—Sold—Quoted
Prospectus on Request
McDONNELL & Co.
Members
New York Stock Exchange
New York Curb Exchange
120 BROADWAY, NEW YORK 5
Tel. REctor 2-7815

Joseph McManus & Co.
Members
New York Stock Exchange
New York Curb Exchange
Chicago Stock Exchange
39 Broadway, New York 6
DIgby 4-3122 Tele. NY 1-1610

LAMBORN & CO., Inc.
99 WALL STREET
NEW YORK 5, N. Y.
SUGAR
Raw—Refined—Liquid
Exports—Imports—Futures
DIgby 4-2727

Ashland Oil & Refining Co.
Common Stock
Bought and Sold
Ashland Oil & Refining Co.
Debentures
Bought and Sold
THE BANKERS BOND Co.
Incorporated
1st Floor, Kentucky Home Life Bldg.
LOUISVILLE 2, KENTUCKY
Long Distance 238-9 Bell Tele. LS 186

The Parker Appliance Company
Common Stock
Manufacturing complete line of precision couplings, fittings and valves, Company is in position to benefit importantly from expanded aircraft program.
Book value (6-30-47) $19.44
Net current assets (6-30-47) $9.60
Current Price about $7 3/4 per share
du Pont, Homsey Co.
31 Milk St., Boston 9, Mass.
HAncock 6-8200 Teletype BS 424
N. Y. Telephone CAnal 6-8100

We Maintain Active Markets in U. S. FUNDS for
CANADIAN INDUSTRIALS
CANADIAN BANKS
CANADIAN MINES
CANADIAN UTILITIES
GOODBODY & Co.
Members N. Y. Stock Exchange and Other Principal Exchanges
115 BROADWAY NEW YORK 6, N. Y.
Telephone BArclay 7-0100 Teletype NY 1-672

Alabama & Louisiana Securities
Bought—Sold—Quoted
STEINER, ROUSE & Co.
Members New York Stock Exchange
25 Broad St., New York 4, N. Y.
HAnover 2-0700 NY 1-1557
New Orleans, La.-Birmingham, Ala.
Mobile, Ala.
Direct wires to our branch offices

Established 1856
H. Hentz & Co.
Members
New York Stock Exchange
New York Curb Exchange
New York Cotton Exchange
Commodity Exchange, Inc.
Chicago Board of Trade
New Orleans Cotton Exchange
And other Exchanges
N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.
CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

Silver Creek Precision Corporation
Manufacturers of the Hession Microsol Machine—(One Billion insecticidal bullets per second)—
Data on request
HEIMERDINGER & STRAUS
Members New York Security Dealers Assn.
50 Broad St., New York 4, N. Y.
Tel.: DIgby 8-0460 Tele.: NY 1-1872

NATIONAL BANK of INDIA, LIMITED
Bankers to the Government in Kenya Colony and Uganda
Head Office: 26, Bishopsgate, London, E. C.
Branches in India, Burma, Ceylon, Kenya Colony, Kericho, Kenya, and Aden and Zanzibar
Subscribed Capital £4,000,000
Paid-Up Capital £2,000,000
Reserve Fund £2,500,000
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

BUY U. S. SAVINGS BONDS

Imperial Oil Rights
Bought—Sold—Quoted
CHARLES KING & Co.
Members Toronto Stock Exchange
61 Broadway, N. Y. WHitehall 4-8980
Direct wire to Toronto

Digitized for FRASER
http://fraser.stlouisfed.org/

INDEX

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

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

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

Thursday, September 2, 1948

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

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

Copyright 1948 by William B. Dana Company

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscription Rates

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

Other Publications

Bank and Quotation Record—Monthly, $25.00 per year. (Foreign postage extra.)

Monthly Earnings Record — Monthly, $25.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

The Story of "Time, Inc."

By G. M. LOEB

Partner, E. F. Hutton & Company
Members New York Stock Exchange

Investment authority reviews history and progress of Time, Inc. founded by Henry Luce in 1922. Points out achievements and financial success, as well as future prospects. Sees organization expanding, with greater printing capacity, additional research laboratories, and circulation fulfillment.

Stockholders in Time, Inc., have an investment in the future in partnership with people who have demonstrated they possess the know-how to grow despite all contingencies. We want to tell the Time, Inc., story of its record to date without expressing an opinion on its market value or future prospects. However, it is interesting to note that most analysts would undoubtedly say that its earning power, dividend-paying ability and a stake in its future growth can be bought cheaply because of market factors which make the stock available at current levels. Time, Inc., now sells at about 55, compared with a high of 120 in 1946 and a low of 50 this year. At the earnings rate of $4.37 a share, reported for the first six months of this year, it sells at about six times indicated earnings for 1948. Estimating dividends at 50% of income gives an anticipated yield to present buyers of practically 8%.

Gerald M. Loeb

"Everlastingly contemporaneous," Henry Luce, founder and editor-in-chief, describes Time, Inc.'s policy. Back in November, 1922, Mr. Luce founded "Time" and went on the payroll at a generous $40 a week. It took until 1928 to build gross income so that it first topped a round million dollars. By 1929, this figure had been doubled. Still speaking in round figures, and despite the depression which had set in, gross income doubled again by 1931, once more by 1936, again by 1938, again by 1942 and finally much more than again by 1947. For the first six months of 1948 gross income totaled $64,700,000, or, to put it another way, at an annual rate of almost $130,000,000.

The Time, Inc. management has always invested heavily in the future. "Fortune" was launched at the start of the great depression when "Time" itself had barely turned the profit corner. Even so a year later in still worse times, the "March of Time" radio program went on the air. The "Architectural Forum" was an inexpensive buy but in 1932 any buy was a risk. The depression had only started to end when "March of Time" cinema was born. Finally came the greatest investment and the greatest success of all, the $5,000,000 launching cost of "Life."

Behind the scenes, Time, Inc.'s commitments were in the same vein, breeding confidence in the future. Long-term contracts were made for paper, special presses were bought in ever growing numbers and a building was bought in Chicago to house, probably, the most efficient and initially most expensive of circulation systems.

This successful policy is likely to be continued in the future. In studying the record and achievements of Time, Inc., chronologically, year-by-year from 1922 to date, the impressive factor is that regardless of the type of contingency, the management apparently was always prepared. High on the list of achievements was the handling of personnel—making Time, Inc. a good place to work. In the management's twenty-fifth Anniversary Year Book, are the pictures of 147 men and women who had served Time, Inc. for half of its life or more. Youthful, competent executive and editorial personnel are on hand to carry on.

Time, Inc., has built itself into a position where, with the current recession in the publishing business, their publications are in greater demand by readers and advertisers alike.

The long-term background for the Time, Inc. kind of magazine lies in the rapid growth of the population of the country, but even more so in the tremendous expansion of education and the increase in family income. In 1940 there were 3,800,000 college graduates in America; today there are nearly 5,000,000 and the President's Commission on Higher Education says the country must plan for a college enrollment of 4,600,000 by 1960. In 1940, there were 23,000,000 high school graduates; today there are 35,000,000. Meanwhile, the number of families with incomes of more than $3,000 per annum has increased from 5,700,000 in 1941 to 16,100,000 in 1947.

From an earnings standpoint, Time, Inc. went through several well defined periods. There was, of course, the period of initial growth when the success of the venture remained to be proved. That ran from 1922 into, maybe, 1928 or 1929 when the second period, namely that of fighting the great depression, was ushered in. Time, Inc. made progress despite the depression and in 1933 had its first year of million dollar free-tax income. Actually, profit, before taxes on income, in that year was about $1,200,000 and taxes those days were only about $200,000, so Time, Inc. enjoyed its first $1,000,000 pure net profit. The growth was automatic after that. Net earnings after taxes ran about $2,700,000 by 1936, despite the initial losses of the "March of Time" in 1935 and of "Life" in 1936. The third period of Time, Inc.'s history was this "launching of 'Life' magazine." In 1937,

(Continued on page 30)

B. S. LICHTENSTEIN AND COMPANY

HOW TO STOP WORRYING AND START LIVING . . .

Dale Carnegie has nothing on us! We'll take worry off your mind right along with those no-good securities, and send you away with cash in your pocket and a song on your lips!

Obsolete Securities Dept.
99 WALL STREET, NEW YORK
Telephone: WHitehall 4-6551

U. S. Fire Insurance
Phoenix Fire Insurance
Texas Gas Trans. Corp.
Federal Water & Gas Corp.
United Piece Dye Works Com. & Pfd.
U. S. Finishing Com. & Pfd.

J.K.Rice, Jr. & Co.
Established 1908
Members N. Y. Security Dealers Assn.
REctor 2-4500—120 Broadway
Bell System Teletype N. Y. 1-714

Empire State Oil
Equity Oil
Mackinnie Oil & Drilling
Utah Southern Oil

BOUGHT - SOLD - QUOTED

Orvis Brothers & Co.
14 Wall St., New York 5, N. Y.
REctor 2-4930 New York 1-1434

Leonard Refineries, Inc.
Capital Stock

Selling 2¾ times earnings.
10-year dividend record.

Circular on request

George Birkins Company
40 Exchange Place, New York 5
WHitehall 4-8957 Tele. NY 1-1404

Trading Specialists in All
UPSTATE NEW YORK SECURITIES

GRODY & CO.
Members Natl. Assn. of Securities Dealers, Inc.
40 Exchange Place, New York 5
DIgby 4-3280 Tele. NY 1-2698

Winters & Crampton Corp.

Miles Shoes, Inc.

Analyses available on request

C. E. Unterberg & Co.
Members N. Y. Security Dealers Ass'n
61 Broadway, New York 6, N. Y.
Telephone BOwling Green 9-3565
Teletype NY 1-1666

We are interested in offerings of
High Grade Public Utility and Industrial
PREFERRED STOCKS

Spencer Trask & Co.
Members New York Stock Exchange — 25 Broad Street, New York 4 — Tel.: HAnover 2-4300
Members New York Curb Exchange — 135 S. La Salle St., Chicago 3 — Tel.: FInancial 2330
Teletype—NY 1-5
Albany - Boston - Glens Falls - Schenectady - Worcester

Digitized for FRASER
http://fraser.stlouisfed.org/

Your Estate and the Inevitable Taxes

By HARMON ACKERMAN
Member of the New York Bar

New York attorney, taking into consideration new Federal Estate and Gift Tax Law revisions, analyzes effects of changes on estates of various sizes and character. Stresses importance of the "marital deduction" provisions, and discusses taxation in relation to gifts, insurance and annuities. Holds complicated nature of estate tax laws requires specialized knowledge and advice.

The Federal Estate Tax Law has added a new element to the marital contract, namely, a financial partnership between the spouses. The Federal Income, Gift and Estate Tax Laws recognize the community of interest between husband and wife. The new Federal Revenue Act became a law April 2, 1948. Your Estate is now affected by a more liberal transfer and gift tax law than had existed in prior years. The community property law than had of the States are now recognized for all of the States of the Union.

Harmon Ackerman

Estate taxes or death duties are not taxes on property as such, but the tax is on the transfer of such property, at the time of death. The Federal Gift Tax Laws are also based on this theory of transfer of property from one person to another. The right to transfer property is subject to the tax. As a practical solution the tax must be paid from property, so that, we need not concern ourselves of the theory of these taxes.

The basic change made in the Federal Revenue Act is in treating both spouses of the marriages as financial partners, and the passing of property as community property from one spouse to the other. A deduction of 50% of the value of the "Adjusted Gross Estate" is allowed in computing the net estate of a deceased spouse, provided, the law has been complied with in all its details.

At the outset, the intricacy of the tax laws and the savings that can be made within the law are in the field of financial or bank advisers. Only a well qualified trust official, financial adviser or lawyer can advise the individual as to the savings that can be made of these taxes. So that, in planning one's estate one must be sure that the overall picture, taking in all its aspects, are given to the estate planner, and that you have confidence in your trust official, legal or financial adviser.

An Example

Let us look at a family consisting of husband and wife, a son and three grandchildren. The husband dies leaving all his worldly goods to his beloved wife. Some time thereafter the widow dies leaving all her worldly goods to her son. Thereafter the son dies leaving all his worldly goods to his three children. Here we have three successive reductions of the estate, because a tax is collected by the Federal Government for the transfer of the property from the decedent to the beneficiary. If we must consider that the three estates consisted only of the property first left by the husband and father, the picture would look as follows:

DEATH TAXES AND ADMINISTRATION EXPENSES OVER THREE DEATHS

Value of Estate	Total (approximate)
$ 200,000	$70,000
300,000	120,000
500,000	250,000
1,000,000	600,000

The laws permit ways of devising your estate so that a considerable amount of death taxes can be saved. For instance, if the husband and father had divided his estate into two simple trusts, one-half for his widow and one-half for his son and grandchildren, the approximate savings on a $200,000 estate would be about $50,000; $300,000 estate $85,000; $500,000 estate $140,000; $1,000,000 estate $300,000. This is not an unusual situation, so one must consider all angles before deciding how shall I bequeath and devise my estate.

The recent amendments to the Federal Estate, Gift Tax and Income Tax laws permit a very appreciable savings. Husband and wife are now considered having a community interest in each other's property. A few states have had community property laws and have had an advantage over all other States because of the division of income and property between husband and wife. The communal laws are based on Civil Law and was unknown to the Common Law, so that, it was almost impossable to graft the Civil Law of community property in most of the states of the Union. The Federal Revenue Act has changed all this and the same rights of communal property is now given to all states as regards the income, estate and gift tax laws of the Federal Government.

Before we can compute the taxes on an estate, it is necessary to know what the estate is made up of; the "net estate"; the "gross estate"; the "adjusted gross estate."

What Is an Estate

An estate consists of all the assets belonging to the decedent at the time of death. The estate may include cash, bank deposits, realty holdings, life insurance payable to the decedent's estate or to others, stocks, bonds, securities of all kinds, mortgages, notes, other evidence of debt, interest in and to partnership property, joint property, tenancies by the entireties, interest in trusts or powers of appointment, gifts made in contemplation of death or to take effect after death, and many other classes of property. In fact, if the decedent owned it or had a right in or power over it, such property would be considered an asset of the estate. Very little can escape. This is also called the "gross estate".

The "Adjusted Gross Estate" is all of the decedent's assets less the cost of administering the estate, funeral expenses and debts. The Marital Deduction is based on the value of this "adjusted gross estate."

The "Net Estate" is the amount remaining from the "Adjusted Gross Estate" after all specific exemptions have been deducted.

The "Marital Deduction"

Now, knowing what the estate is composed of, we will be interested in the "Marital Deduction." The "Marital Deduction" is the amount of exemption allowed to a surviving spouse in the property left to him or her by the decedent spouse. The statute is more specific as to the meaning of the word property, for any interest in the following species of title, devised, bequeathed, or transfered by the decedent spouse to the surviving spouse, or inherited from the decedent spouse such as dower, courtesy interest, joint tenancy, tenancy be the entireties, joint bank account or any other co-ownership with the right of survivorship; if the decedent spouse had a power of appointment (exercisable alone or with others) to appoint an interest in property and if he or she appoints his or her spouse, or such spouse takes such interest in default (release or non-exercise) the interest so received by the surviving spouse is subject to the "Marital Deduction." The value of such an interest must be included in determining the decedent's "Gross Estate," otherwise such interest will not be subject to a marital deduction. For instance, if the surviving spouse inherits foreign real estate from the decedent spouse such property is not included in the value of the "Gross Estate" and therefore, no marital deduction will be made from this specific property.

Before the amount of "Marital Deduction" is arrived at, we must know the value of the interest that passes to the surviving spouse. This value may be as of the day of death or one year thereafter in the discretion of the administrator of the estate. If the surviving spouse takes under a Will of the decedent spouse, the interest passing to him or her is determined from the Will. If by intestacy, then, by the State laws governing distribution in the case of intestacy. If the surviving spouse elects under a local law to take her share against the Will such interest is considered a passing from the decedent spouse to the surviving spouse. If the surviving spouse disclaims or receives an interest because of such disclaimer and such disclaimer is absolute and without consideration it is not deemed to pass from the decedent to the surviving spouse.

There are other legalistic matters that must be considered before a "Marital Deduction" is permitted. If, at the time of death, the spouses are married and living together, or even if legally separated (such separation not terminating the marriage) the marital status is complete. The decedent must be a citizen of the United States or a resident thereof. The law applies to those dying

(Continued on page 28)

Cleveland-Cliffs Iron Co.
Detroit Harvester
Portsmouth Steel
Rockwell M'g. Co.
South Jersey Gas*
Struthers Wells Corp.†
Texas Eastern Trans.*
Tenn. Gas Trans.

*Prospectus on request. †Research item available.

Bought — Sold — Quoted

GOODBODY & CO.

Members N. Y. Stock Exchange and Other Principal Exchanges
115 Broadway, New York 105 West Adams St., Chicago
Telephone BArclay 7-0100 Teletype NY 1-672

Are Oil Prices Too High?

By ROBERT G. DUNLOP
President, Sun Oil Co.

Industry executive declares current level of profits necessary for assured future supplies at reasonable prices. Asserts price controls and increased taxation would "hobble" industry's ability to meet public and Armed Services demand.

America's record demand for petroleum products is being met because oil industry dollar profits are sufficient to bear the burden of a needed $4,000,000,000 expansion program, Robert C. Dunlop, President of Sun Oil Company, asserted today.

His view is expressed in the current issue of the Company's magazine, "Our Sun," just released, in an article titled "Are Oil Profits Too High?"

Robert G. Dunlop

Answering this question, Mr. Dunlop stated that the "current level of profits is vitally necessary to enable the oil industry to meet the demands being made upon it and to assure the consuming public and the Armed Services adequate supplies of petroleum products at reasonable prices in the years ahead."

He held that the unprecedented capital investments now being made by the oil industry for production, refining, transportation and marketing facilities—twice those of the war years—would be impossible were it not for the profits of the last two years.

Mr. Dunlop struck out at proposed government controls over profits and prices. Increased taxation of corporate profits, he asserted, would "hobble" the oil industry's efforts to meet public and Armed Services demand, with "a continued tight supply-demand situation" as the result.

"In such circumstances," the Sun President asserted, "prices would go higher unless controlled by government. Imposition of governmental price controls would most certainly limit or reduce the output of high cost or marginal producers. In fact, it would, by destroying incentives, adversely affect all production.

"In the end the government would be forced to ration oil products which in volume would grow less and less. The result would be that everyone concerned would be hurt, particularly the consumer."

Mr. Dunlop held that "years of unorthodox money policies, Federal Government deficit financing and war spending" solely were responsible for the postwar price spirals. Although oil prices have bounded sharply up in response to those influences, they have not fully reflected the depreciation of the purchasing power of the dollar as evidenced by greater price increases for many other commodities, Mr. Dunlop asserted.

"Dollar earnings are the greatest in the history of the oil industry," the Sun spokesman said, "but whether it is evidence of a healthy economic situation remains to be seen."

Only one-third of the oil industry's profits last year was paid to stockholders, the remaining two-thirds being used for replacement and expansion of industry facilities, he added.

Depreciation Allowances

Accentuating the oil industry's problems Mr. Dunlop explained, was the fact that current depreciation allowances of the Bureau of Internal Revenue, while sufficient to cover the cost of existing facilities, are not adequate to provide for its replacement at today's prices. The difference, he said, must come essentially from current earnings.

Oil Profits Related to Other Factors

Oil profits to be properly appraised, Mr. Dunlop stated, must be related not only to the general economic situation, but also to the volume of sales, to prices, to the purchasing power of the dollar and to the obligations resting on the industry to supply the oil needs of the consuming public.

As a result of his inquiries into these aspects of the subject, Mr. Dunlop arrived at the following conclusions:

"(1) An excess supply of money in proportion to production resulting from loose monetary policies, is responsible for spiraling demand for most commodities and consequent inflationary prices.

"(2) This general economic condition is the basic cause for an unprecedented postwar demand for petroleum products, although increased population, desirability of products and price disparities also have been factors.

"(3) Per capita consumption of oil products in the United States since 1941 has increased about 34%, thus raising living standards.

"(4) This demand, outrunning the supply of petroleum products, has resulted in crude oil prices more than doubling since 1941, although product prices to consumers have not risen nearly as much.

"(5) Despite sharp increases, crude oil and petroleum product prices have lagged behind prices for other raw materials and the Consumers' Price Index.

"(6) Increased prices for crude oil have greatly stimulated exploration and drilling, have stepped up supplies from secondary recovery sources and have increased over-all production to peak levels.

"(7) The petroleum industry has thus become a leader of industrial expansion since 1941, increasing output substantially more than other major industries.

"(8) Increased prices and capacity sales volume together have more than doubled oil industry profits since the end of the war, but last year only one-third of these profits was paid to stockholders.

"(9) Profits reinvested in the oil industry have made possible a $4 billion capital expenditures program for 1947-48—a rate twice that of the war years and almost three times that of the prewar period. Without such profits this would not have been possible.

"(10) This program provides for the replacement of existing plants constructed and developed prior to the war at costs about one-half of what they are today, thus making it possible for the industry to maintain output.

"(11) Included also in this program is an expansion of facilities for increasing supplies needed to meet demand and to set in motion forces that make for increased competition and lower prices.

"(12) With this utilization of profits, the oil industry can and is satisfying the desire of the American people for oil products and a better standard of living."

Digitized for FRASER
http://fraser.stlouisfed.org/

The State of Trade and Industry

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

Overall industrial production the past week was somewhat mixed with slight declines in some industries offset by increases in others, resulting in little if any change from that of the preceding week.

In scattered sections of the country lay-offs were reported, but employment for the most part continued steady and at a high rate. Payrolls, as a consequence, were also maintained at previous high levels and labor-management relations, too, were mostly favorable.

In many areas the chief depressant of the week was the extreme hot weather which had a retarding influence on factory production through heat walkouts. This was particularly true in auto manufacturing centers where car and truck output showed a substantial decline both for the United States and Canada.

The current period, according to some close observers, reflects a growing spottiness in business as reflected by profit accounts and dividend declarations. However, the final quarter of the year should bring out quite a large crop of higher special, extra and year-end dividend disbursements, since accumulated corporate profits in many instances warrant them.

* * *

The nation's railroads on Friday of the previous week asked the Interstate Commerce Commission for authority to raise freight rates on coal, coke and iron ore by about 10%.

If the request is granted, it would increase average rates on anthracite and bituminous coal and coke throughout the country by 25 cents a net ton, or 28 cents per gross ton, and on iron ore by 20 cents per net gross ton in the east and south, according to the Association of American Railroads. The carriers estimated that these increases would yield approximately $140,000,000 a year on the basis of 1947 traffic.

Since 1939, the freight rates on coal have advanced 27%, those on coke 25% and those on iron ore 20%, while the rates on all commodities—including coal, coke and iron ore—have risen about 44%.

It is understood from the Association that the new increases, if granted, would raise freight rates on all commodities from 44.2% above the 1939 level to 45.9%. This means that it would add 1.9% to the overall effect of freight rate increases since 1939.

It is the contention of the roads that they need at least $611,000,000 more revenue to cover cost rises and fill the gap between what they asked for and what they received in the last general freight rate increase, granted July 27.

This sum would require average freight rate boosts of at least 7%. The commodity rate increases proposed on Friday of last week would make up less than 2% of this 7%.

* * *

New businesses chartered during July in the 48 states numbered 7,690, a drop of 10.1% from 8,550 in June, and a loss of 14.9% as compared with 9,041 in July a year ago, according to the latest compilation by Dun & Bradstreet, Inc. The July count of 7,690 represented the smallest monthly total since November, 1945, when 7,120 companies were incorporated.

The July total brought the number of new stock company formations for the seven months of 1948 to 61,928, and compared with 68,414 for the similar period of last year, a decline of 6,486, or 10.1%. The current figure contrasted with a record total of 83,687 incorporations in the corresponding seven months of 1946, a loss of 21,759, or 26.0%. Twelve states reported an increase in the number of charters for the seven months' period as compared with a year ago, as against 36 that showed declines.

* * *

Retail dollar volume was slightly above the level of the preceding week and moderately above that of the comparable week a year ago. Favorable weather in the early part of the week and the approach of the back-to-school season encouraged increased consumer demand for Fall merchandise. Consumer interest continued to center largely on moderately priced items. Summer clearance sales were well attended during the week.

Wholesale order volume increased moderately during the week, with total dollar volume slightly above the level of a year ago. New orders and re-orders for Fall apparel continued to increase moderately in many localities. The wholesale order volume for many foods rose slightly. Although there was a slight increase in textile order volume during the week, buyer demand remained near the preceding week's low level.

STEEL PRODUCTION SCHEDULED AT LOWER RATE FOR CURRENT WEEK

Steel consumers will not find steel supplies easier to get by the last quarter of this year, but more difficult in the first quarter of next year, according to "The Iron Age," national metalworking weekly, in its current review of the steel trade.

Cuts in steel quotas for customers during the last quarter of this year are an established fact, says the trade magazine, and

(Continued on page 25)

TRADING MARKETS MAINTAINED
Halliburton Oil Well Cementing Company
Kerr Magee Oil Industries, Inc.
Roosevelt Oil & Refining Corp.
Common
Roosevelt Oil & Refining Corp.
Convertible 6% Preferred
MERCER HICKS & CO.
Members Nat'l Association of Securities Dealers, Inc.
72 WALL STREET, NEW YORK 5, N. Y.
Telephone: DIgby 4-3700 Teletype: NY 1-2813

Are We Running Out of Oil?

By HON. GEORGE W. MALONE*
U. S. Senator from Nevada

Assailing "kindergarten method" frequently used to measure projected oil consumption against reserves, Senator Malone stresses preponderant importance of political and economic governmental policies. Declares crucial element is preservation of fair competition under profit system, for assurance of discovery of oil actually in ground.

The kindergarten method of measuring the projected estimated consumption of oil against the known reserves to determine whether we are running out of oil, utilized currently by high government officials, is dangerous to the peace and safety of the United States of America. In recent years, we have seen that the political and economic policies of a central government have a direct impact upon oil production within that country.


Geo. W. Malone

I need only mention Russia and Mexico to demonstrate the deteriorating effect on both development of already proven fields and discovery of potentialities, resulting from governmental policies which unduly hamper and restrict our free enterprise.

Only in the climate of fair competition under the profit system will Americans continue to expend their time, energy and money in the discovery of new pools of petroleum with their same traditional vigor and pursuit.

The answer to our question does not lie in whether more rich fields will be discovered at deeper horizons or in new formations—for on this one can only speculate. More pertinent to the answer is that we guarantee our system of freedom of opportunity so that if oil is, in fact, in the ground, we assure its discovery.

Flexible Import Fee vs. Selective Free Trade

The American user of petroleum and its by-products has two sources of supply—American oil and imported oil. Unfortunately the physical appearance of imported oil affords no basis for a "Buy American" appeal to the patriotic consumer in the event excess imports threaten the stability of the American industry and in turn our own national security.

The product dispensed at the filling station bears no "imported" label. It is well recognized that today we must import a certain small percentage of oil to satisfy the unprecedented gain in consumption as a result of the current high level of national income.

An import fee, however, representing in general the differential of cost of production between this country and the low-wage European and Asiatic countries—does not prevent the necessary imports—but brings the foreign product in on our standard of living level and keeps our workers in the oil business.

Nation Confronted with Major Policy Decision

This country is confronted with a major decision. It involves a basic and fundamental economic policy of government. The Congress can no longer avoid making the definite decision as to whether this nation is to change permanently its century old policy of protecting the workers of this country against the low-wage living standards of European and Asiatic nations.

Since the Trade Agreements Act became effective in 1934, the State Department has substituted a policy, to use its own phrase, of "horse trading" with foreign nations for reduction in tariff rates. What have we received from all of this "horse trading"? Today our tariffs are lower than they have been for 100 years while the tariffs and trade restrictions imposed by foreign countries are now more extensive than when this program got under way in 1934.

There is no difference, to my mind, in importing the low cost labor and in importing the product of the low cost labor. The result in either case is a leveling of living standards throughout the world and under such conditions there is no place for the standard of the American worker to go but down.

1934 Trade Agreements Act

The Trade Agreements Program, as administered by the State Department, encourages the importation of the products of the low-wage standard of living nations in competition with our own products in our own market. As you in the oil industry well know, the Trade Agreements Program has not, despite propaganda to the contrary, been satisfactory. Yet in April of this year the State Department, oblivious to its own record of failures and with contemptous disregard of the economic consequences of the recent Geneva tariff slashes, demanded renewal of the Trade Agreements Act and a continuation of its unhampered authority to make further tariff cuts.

The eventual elimination of all United States tariffs is its inevitable goal. This preconceived aim, fanatically pursued, of achieving free trade irrespective of the practical effects on our economy is the basis of my opposition to the entire program.

As a substitute and as a remedy, I introduced Senate Bill 2582 at the last session for the imposition of an import fee at a rate which would permit "fair and reasonable competition" between the domestic and the imported item.

This law would be administered by a bipartisan body of experts, and the amount of the import fee would be determined by law in accordance with the principles

(Continued on page 35)

*An address by Senator Malone before Interstate Oil Compact Commission Meeting, Hotel Roosevelt, New York City, Aug. 31, 1948.

"OBSERVATIONS"—A. Wilfred May's article was not available this week.

Time Inc.
Kingan & Co.
McGraw (F. H.) & Co.
American Maize Products Co.
Bought—Sold—Quoted
FREDERIC H. HATCH & CO., INC.
Established 1888
MEMBERS N. Y. SECURITY DEALERS ASSOCIATION
63 Wall Street, New York 5, N. Y. Bell Teletype NY 1-897

AMERICAN MADE MARKETS IN CANADIAN SECURITIES
Dome Mines, Ltd.
Hollinger Cons. Gold Mines, Ltd.
Kerr-Addison Gold Mines, Ltd.
Kirkland Lake Gold Mines, Ltd.
Lake Shore Mines, Ltd.
Macassa Mines, Ltd.
Mining Corp. of Canada, Ltd.
McIntyre Porcupine Mines, Ltd.
Noranda Mines, Ltd.
Pioneer Gold Mines, Ltd.
Ventures, Ltd.
Wright-Hargreaves Mines, Ltd.
HART SMITH & CO.
52 WILLIAM ST., N. Y. 5 HAnover 2-0980
Bell Teletype NY 1-395
Private Wires Connect
New York Montreal Toronto

Pointers on Selling
For clever, helpful hints for selling securities read the "Securities Salesman's Corner," a regular feature in every Thursday's issue of the "Chronicle."

Royal Bank of Scotland
Incorporated by Royal Charter 1727
HEAD OFFICE—Edinburgh
Branches throughout Scotland
LONDON OFFICES:
3 Bishopsgate, E. C. 2
8 West Smithfield, E. C. 1
49 Charing Cross, S. W. 1
Burlington Gardens, W. 1
64 New Bond Street, W. 1
TOTAL ASSETS
£153,656,759
Associated Banks:
Glyn Mills & Co.
Williams Deacon's Bank, Ltd.

gitized for FRASER
tp://fraser.stlouisfed.org/

The Correct Approach to Bank Supervision

By J. L. ROBERTSON*

Deputy Comptroller of the Currency

Stressing banking responsibility in combatting inflation and maintaining economic stability, Federal bank supervisor urges cooperation by bankers and supervisors in safeguarding soundness of banking system. Describes modus operandi of bank supervision and tells of official publication giving digest of opinions and interpretations relating to powers and operations of national banks. Calls for honest and frank disclosure and avoidance of totalitarian control methods.

Economic conditions throughout the world are foreboding. Take, for example, the Far East where one cent of our money is worth 100,000 Chinese dollars. Or look at Europe which, even with our enormous aid, is finding the attempt to return to normality an uphill fight. At home, our domestic economy is getting out of kilter — faster and faster. The fact that this is a political year, and that people and parties can blame each other for the consequences of inaction is consoling — it will not soften the blow which our economy will suffer with the inevitable shock of a reverse swing of the pendulum.

J. L. Robertson

Unfortunately, in the face of this situation, too many of us are inclined to let someone else do the worrying—to turn away from unpleasant realities and to look in the other direction where the outlook is more to our liking. However, with high taxes to the left of us, high wage and price levels to the right of us, expensive world aid and military plans in front of us, and inflation all around us, it is getting more and more difficult to find a view which is without its disturbing aspects.

But these are not days for giving in to doubts or "what's the use" attitudes. This isn't the time to succumb to lethargy or complacency. This is the very time to face the future courageously and resolutely, with the full realization that our own self-preservation makes it imperative that all of us work together unselfishly and harmoniously.

Among other things we must stop looking at government as something apart from the people, something manned by men who are continually trying to get their hands on new levers of control over everyone; and start looking at government in its true character, as the servant of the people, manned by men who are a cross-section of the people, and who are subject to the will of the people. We must stop looking to government for paternalistic support and protection, and once more stand on our own feet and look to each other for aid and assistance, because power for good is dependent upon the combined strength of all of us.

We must take steps now to disprove the belief that people "en masse" are inert and are aroused only by calamity or catastrophe, even though history would seem to indicate that it is true.

*An address by Deputy Comptroller Robertson at the Kentucky School of Bank, University of Kentucky, Lexington, Ky., Aug. 19, 1948.

Must Throw Off Stupor of Inflation

We must wake up and throw off the stupor which has been induced in large measure by the devilish device of inflation which Saton is now using to lift us up to succeedingly higher and more dangerous ledges, off which he can push us at his most opportune time, in the hope that once on the downswing even our most frantic grasping and groping will be insufficient to enable us to save ourselves from falling all the way down into an economic inferno. That is not so far fetched as it may seem, for there is enough of what at first appeared to be "sugar" about inflation to cause many people to enjoy it; they like to have more money—even if it is worth no more than the fewer dollars they used to have. And I regret to say that there are some people—variously labeled—who actually are profiting from inflation at the crushing expense of all those who have fixed incomes—the salaried worker, the pensioner, and—as your trust officers know—the women and children who are trying to live off the meagre income of what used to be ample trust or insurance estates. Those profteers wouldn't have inflation stopped for anything; at least, not until it gets worse—not until they stand in danger of being hurt by it.

But the tide will turn, just as it always has, and the extent to which our economy and all the people are hurt will measure the success of Satan's use of a very old device—one which he has always found to be more or less effective, notwithstanding the ardent preachings of far-seeing and public-spirited men.

It is not surprising that people want to "get theirs today" when both international antagonism and domestic inflation make them fear a future for which individual planning and provision are, to say the least, unpredictable. In the past, our progress has been based on the expectation of economic stability, and it is losing momentum in an atmosphere permeated by uncertainty and a feeling that we are staggering further and further through an economic quicksand, with no firm ground visible on the other side.

But we shall not solve our problems by minimizing their scope and difficulty or by philosophizing on human reactions. It is highly probable that we have already gone too far along the path of least resistance to now avoid substantial damage; but we are not so far along that we cannot prevent further unnecessary injury and take steps to cushion our economy against whatever the future may hold in store.

Responsibility of Banking

The responsibility of the banking fraternity in this respect is greater than that of almost any other group I can think of, not only because of the influence bankers wield in their communities, but also because of their delicate task of keeping the wheels of our economy oiled with bank credit to the most precise degree. Too much oil in that form will increase the velocity of the revolutions of those wheels and carry us further up the spiral of inflation with ever more burdensome and devastating consequences—an effect which can be compared with the consequences of a continuance of excessive unnecessary spending by the people. To cut off the flow of bank credit oil completely would cause those wheels to slow down so fast and grind to such an abrupt halt that the whole economy of this country would be jeopardized, with world-wide repercussions. Yes, much depends upon the correct functioning of the banking system of this country.

It is for this reason that I am so wholeheartedly in favor of schools for bankers, such as this one; schools where bankers can learn how to operate their institutions better—better from their personal as well as their public points of view. Your very presence here is proof of the fact that you realize the importance of your work, the need for doing a better job, the importance of seeing more clearly the defects in present procedures and practices and the need for devising ways and means to correct them; proof of the fact that you are aware that banks, as we know them in this country, are not just depositories of the people's money, with the right to use it for their own profit, but are quasi-public institutions—trusted custodians whose officers

(Continued on page 29)

BOSTON

Trading Markets

Boston & Maine Prior Pfd
Boston Railroad Holding Pfd.
Boston Edison
New England Lime Common
Boston Terminal Co. 3½s, 1947

DAYTON HAIGNEY & CO., Inc.
75 Federal Street, Boston
Private New York Telephone—
WOrth 4-2463

DENVER

CRIPPLE CREEK GOLD MINES FOR LEASE

Long-established company, owners of several well-located Cripple Creek properties, will grant long-term leases on mines from two to forty acres with past production records ranging to $4,000,000.00. References exchanged. Engineering supervision if desired. Write.

Joe Dandy Mining Company
315 Colorado Bldg. Denver 2, Colo.

ST. LOUIS

STIX & CO.
INVESTMENT SECURITIES
509 OLIVE STREET
ST. LOUIS 1, MO.
Members St. Louis Stock Exchange

SPOKANE, WASH.

NORTHWEST MINING SECURITIES
For Immediate Execution of Orders or Quotes call TWX Sp-43 on Floor of Exchange from 10:45 to 11:30 A.M., Pac. Std. Time: Sp-82 at other hours.

STANDARD SECURITIES CORPORATION
Members Standard Stock Exchange of Spokane
Brokers - Dealers - Underwriters
Peyton Building, Spokane
Branches at
Kellogg, Idaho and Yakima, Wn.

Establishing U. S. Firms in Britain

By PAUL EINZIG

Dr. Einzig reports conflicting British opinion regarding the effects of clauses in bilateral pact between U. S. and Britain which provide special facilities for American firms desirous of establishing themselves in England and its colonies.

LONDON, ENG.—Negotiations are proceeding for the interpretation and application of Articles III and V of the bilateral pact between the United States and Britain, providing for special facilities for American industrial firms desirous of establishing themselves in Britain or the British Colonies. Article III provides for a transfer guarantee of capital and dividend, and Article V ensures equal treatment for American firms engaged in the production of materials required by the United States for stockpiling purposes.

Dr. Paul Einzig

The attitude of British opinion towards these provisions ranges from uncompromising hostility on the part of the political Left to enthusiastic welcome on the part of many moderate and Conservative quarters. It goes without saying that Communist propaganda has denounced the facilities as yet another means by which the United States is seeking to acquire control over Europe. This in spite of the fact that the limit to the amount to be guaranteed by the United States Government has been fixed at $300,000,000 for the whole of Europe. But it would be a mistake to dismiss opposition to American industrial penetration as something confined to Left-wing political circles. Many British businessmen, government officials and economic experts, too, view the prospects with some concern, even though their political sympathies lie entirely on the side of the United States.

It is argued that in existing circumstances the American capital invested in British industries would amount to a loan at a very high rate of interest. Since well-managed branch factories are expected to pay a dividend of not less than 10%, the dollars derived from the investment of American capital would cost Britain about three times the rate that would be payable on a dollar loan, on commercial terms. It is pointed out that there can be no justification for such costly form of borrowing unless it leads to an increase of exports to hard currency countries or a decrease of imports from hard currency countries. Even so, it is considered essential, in order to justify the granting of license for American firms, that they should be able to produce something British firms are unable to produce. It ought to be borne in mind that, owing to the shortage of labor and raw materials there is a long waiting list of British schemes for the creation or expansion of factories which could earn or save dollars, so that the granting of permit to an American firm necessarily means the refusal of a permit to some British firm. Unless the American firm concerned can earn or save through its current output, much more dollars than the British firm, the granting of a permit to the former would only mean a net loss of dollars in the long run, to the extent of the dividends which have to be transferred sooner or later into dollars. It is true, under Article III, it will be the United States Government that would pay out the dollars for that purpose, and would acquire the sterling counterpart of the amount expended. But sooner or later sterling will be spent on something which would yield dollars to Britain otherwise.

For this reason, the general rule remains that license to American firms will only be granted if the British authorities are satisfied that it can earn or save dollars to a sufficient extent to cover its probable dividends and leave a margin in favor of Britain. It is only in case of firms engaged in the production of material needed for stockpiling that an exception will have to be made. The United Kingdom itself can produce very little of such materials. The provisions under Article V concern mainly the Colonies. Under that article the British Government has undertaken to treat any American firm on an equal footing with British firms. This does not mean, however, that the floodgates have been opened to an inflow of American capital into British Colonies. Much as the development of the Colonies by American enterprise would be welcomed in many quarters, there are some misgivings about the unilateral character of the proposed arrangement. For it is feared that once American stockpiling purchases are completed the British Colonies will be left with an increased producing capacity without corresponding exporting possibilities.

In the absence of the special arrangements under the bilateral pact the increase of the production of tin or rubber for the requirements of the stockpiling scheme would have had to be achieved by bidding a high enough price to induce a number of British firms to expand production. By arranging for an increase of the output through the penetration of American capital it will be possible to obtain the necessary increase of the output without an increase of the price. And once the stockpiling purchases are completed the surplus producing capacity is expected to result in a sharp fall in the prices of the commodities concerned.

It is in order to encourage American firms to open branches in British countries that the arrangement providing for transfer guarantees has been secured. Under it the E.C.A. Administration undertakes to ensure convertibility into dollars of the proceeds of approved American investments up to 100% of the dollars invested. For the purposes of the guarantee it makes no difference whether such proceeds have been received as income from investment, as repayment return of the investment, in whole or in part, or as compensation for sale or disposal of all or any part of the property representing the investment.

While this undertaking represents a liability to Britain as far as stockpiling materials are concerned, there are American firms not connected with the production of stockpiling materials which would be welcomed in Britain. Like so many other arrangements under the bilateral pact, Article III cuts both ways.

George M. Thorsen Now Is With Chas. W. Brew & Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—George M. Thorsen has become associated with Charles W. Brew & Co., 733 North Water Street. In the past he conducted his own investment business in Milwaukee.

Digitized for FRASER
http://fraser.stlouisfed.org/

From Washington Ahead of the News

By CARLISLE BARGERON

You hear a lot of people saying they wished Westbrook Pegler wouldn't write so much about racketeering labor leaders. Frankly, I have said it myself because he is an entertaining writer and I am looking for entertainment whenever I pick up his column. But the darndest racket you've ever seen is going on right now and it embraces those leaders whom we have for years looked upon as the better element; indeed, sound Americans all, and the soul of honesty. They are men to whom you are prone to point by way of saying that, of course, the racketeers are in the minority and that the majority are able, conscientious men.

Carlisle Bargeron

What they are doing now, the best of them, is a form of petty graft, such as a man on the road may chisel on his expense account; eat better than is his custom, get himself an expensive cigar after dinner when he never does that at home, buy his fellows drinks even take them to dinner. In other words, live in a style that he, himself, would not live if he were paying for it.

When the Taft-Hartley bill was passed, these labor leaders—the best of them, Phil Murray, Bill Green, et al—continued to call it a slave-labor bill and to swear undying vengeance upon those who had voted for it.

As time went on they became more boastful and announced that huge sums would be raised and committees would be set up to force the repeal of this montsrous issue. It was as if it gave these fellows a new lease on life. They had something to sell their constituents, they had a method of showing activity to justify their incomes.

In these days and times, labor leading is not the easiest way to make a living. The government is in competition. There is the natural tendency of the worker in such times as we are having, when he is fully employed at high wages, to ask what the union has got to sell. On top of this, there are so many things the government does.

So, as I said, being a labor leader is not a bed of roses. A fellow has got to keep on his toes lest he finds his membership dropping off.

The Taft-Hartley Act, therefore, was seized upon by the leaders as manna from the Heavens. Here was something they could howl about.

Well, they set about, by way of showing what they were doing for the boys, taxing them to raise funds to defeat this slave act.

By the time they have got millions of dollars into funds to do this, the act has been found, by the workers themselves, that it is no slave act at all; it has fitted right into the labor-management relationship with the minimum of difficulty.

But the leaders have this money; they wouldn't dare return it and say they were mistaken. No—they have gone ahead to make a showing. They have set up the committees. The A. F. of L. has one, the CIO, of course, has one; the railroad brotherhoods have one; the machinists have one. There are more committees trying to show activity and spend this money than you can shake a stick at.

And that is all they are doing all they are accomplishing. Of course, if they manage to knock off Joe Ball in his fight for reelection in Minnesota, they will claim the credit. He might be said to constitute about a $3,000,000,000 baby to them because they are all in there pitching, probably the greatest array of committees ever working on one single thing.

I suppose that in the past several months I have casually run into the chairmen of at least three of these committees and without exception I was amazed to learn how little feeling they had in their endeavor.

Invariably I was told:

"Oh, we don't give a damn about the Taft-Hartley Act."

The fact was, of course, that it hadn't affected them in the slightest. But they've got all that money, they're on a committee and they've got to spend it.

The leaders of the printers are apparently sincerely worried about their future under the act. They have been fighting to continue to keep control over the supply of labor. This, they are afraid they won't be able to do under the new order by which an employer can employ whomever he wants but the worker, under a union shop, must join up within 30 days.

The printers' union has always kept down the supply of apprentices and always sought to maintain a shortage so that overtime at time and a half is an important phase of the printer's earnings. Such unions as those of the maritime workers and longshoremen are fighting to keep the hiring hall control over the supply. Various other unions, too, are through trick contracts seeking to retain this control — and, in many instances, getting by with it through the connivance of the employer. But these fellows who have collected the millions and set up committees are those least, if any, affected. Their expense accounts ought to be well audited.

Will Investigate Boston & Maine Plan

The most positive reaction to date towards the new stock reissue plan of the Boston & Maine Railroad has been the recent formation of a protective committee to investigate the plan. Mr. William T. Skinner, Jr., of Walter J. Connolly & Co., Inc., of Boston, who is a close follower of the stock, is organizing the committee in order that concerted action may be taken for or against the plan when the results of the committee's findings are announced. When contacted yesterday, Mr. Skinner said that he and the committee were not sure what their stand on the company's new plan would be. Before any new plan can be voted on by the stockholders it is first necessary to secure the approval of the Interstate Commerce Commission. It is anticipated that it will be of great interest to all followers of the Boston & Maine to see what the effect of the protective committee will be on the approval or disapproval of the Boston & Maine plan provided it is passed by the ICC.

Immediate Problems of Retailing

By DAVID M. FREUDENTHAL

Economist cautions about elements threatening to profits and other new adverse factors, including possible tax increases, cash positions, prices, expenses, savings declines, and competition arising from housing and capital goods. Urges retailers' buying policy based on consciousness of prices and buyers' resistance.

There has been much talk these days about "Merchandising for a Profit" and merchandising one's time and similar misuse, it is believed, of the words "merchandising" and "inventory" problems. Everything it seems today turns out to be a "merchandising problem" or an "inventory problem."

David Freudenthal

Very early in my role as a consultant my advice was sought by the director of a company which is the third largest of its kind in the world. He asked whether I could make an inventory study for his company. I told him I most certainly could but, what was an inventory study? He thought that a foolish question until I explained to him that in terms of *my* semantics the words "inventory study" and "merchandising study" were used in connection with any and every kind of analysis—what I wanted to know was: what was his problem?

But to come back to the present pre-occupation of businessmen with the very real problems of operating businesses in the merchandise field at a profit under a great variety of circumstances—which circumstances are rapidly changing, it does seem that the elements that go into the making of a profit might to advantage again be studied. This paper, therefore, deals with such an analysis with particular reference to that segment of the merchandising field which relates to retailing.

The Profit Element

We can agree that we know what is meant by a profit. But there too we perhaps should take a second look at its significance. Leaving aside the technical accounting phases of how you arrive at a profit, the problem of retaining the surplus of income over expenditures has a greater element of uncertainty today than it did since the elimination of the corporate excess profits tax. This conclusion is reached because it would seem well within the realm of possibility that corporate taxes may increase. The President has already recommended such action and should it be enacted into law, the question of the recurrence of a large differential as between net before and after taxes again recurs. With its recurrence, American business will again be faced with the old wrong motivation of making expenditures on the basis of Uncle Sam bearing a large portion of the cost. This reasoning takes the place of the much sounder consideration of an objective evaluation of the real need of the expenditure in terms of what that expenditure will produce, or how necessary it may be for the growth of the business, regardless of how much is paid for out of tax savings.

Cash Considerations

Aside from these considerations, methods of operation which involve depreciation and fixed asset management will certainly again become of larger importance should a larger tax rate on corporations come into being—but perhaps even more important will be the question of cash position. This is an urgent and perhaps all important question today but with a higher corporate tax rate coupled with shrunken opportunity to retain working capital out of earnings, an already severe situation will become more severe. For at present, it has been variously estimated that American industry is short of working capital by some $45 to $50 billion. From the Federal Reserve estimates made in July of this year, we learn that business expenditures for new plant and equipment in the year 1948 are estimated at close to $19 billion. So that generally it would seem safe to forecast that American business is going to be looking for sources of working capital. And perhaps retailers who sell on credit will have this problem to face more intensively than they did before the war. Of course, for the purpose of this argument the important consideration rests with the fact that with receivables mounting today, added working capital is needed in the building-up process. The whole point of this part of this study is that in order to "Merchandise for a Profit" or indeed to merchandise at all, you must have sufficient working capital and that to secure it, if a business must borrow from the banks, the problem will be more severe in the future than it has been in the past. To put it another way, in securing loans on an equitable basis to the borrower, the smart money will go to the man with a plan—a well thought out financial plan that outlines step by step where the business will be six months, a year, and two years from now. The worst way to borrow is to go to a bank without a plan as to just how and when the money is to be repaid and this, wholly aside and apart from the interest rate which is definitely on the increase.

But perhaps we have started at the wrong end of the cycle in determining how to "Merchandise for a Profit." Before we get on to the other phases, however, the British Accountants' Profit and Loss Statement is interesting. They too start at the end, for instead of beginning with sales and ending with profits, the British accountants start with profits as the first and most interesting item on the statement and work back to sales.

So let's now take the other elements in the retail field for the period ahead of us. What part of the American income is likely to go as sales to stores?

Admittedly the second quarter of 1947 was not too good as to volume or profits and we have estimates varying from the optimistic increase for the year of 10% down to an estimated break-even with 1947. In some circles the latter is said to be over-optimistic. But let's look at the long range picture.

What are the elements in the present economy that are favorable to the production retail sales and what are the unfavorable elements? First and most important is the question of employment. In 1948 we have seen an all-time high in the total number of persons employed in non-agricultural establishments, with farm prices at a high point and farm net income also high. The peak of employment was at the beginning of the year and, although there has been a slight recession in employment since then, it still is higher than throughout the war years. Personal income is likewise at a peak. And it is safe to conclude that so far we have done a fine job in reabsorbing into industry those who were in the military forces.

On the other hand, although personal incomes are up, so are consumption expenditures and net personal savings have declined from the peak of 1944 and 1945. Although some of these savings have gone into consumption, it would seem that there is a relation between the decline in savings and the large increase in private residential construction, the activity of which was again at a peak in 1948.

Competition with Retail Sales

Now it would seem that this is a formidable competitor to retail sales and one which is not likely to decline in the next year to year and a half. So that we come back to the question of method of selling. If retailers are competing for the earnings dollar, which indeed they are, one cannot escape the consideration of credit selling—perhaps less so than in a good long while—and that again calls for working capital.

All of this must be faced despite the fact that consumer credit is

(Continued on page 34)

We announce
the formation of

STEIN & COMPANY
(successors to Goulet & Stein)

Member National Association of Securities Dealers, Inc.

**27 WILLIAM STREET
NEW YORK 5, N. Y.**

Digby 4-2190
Teletype NY 1-1055

IRVING STEIN
H. LANDAU STEIN

September 1, 1948

We are pleased to announce that

MR. ELMER E. MYERS

is now associated with our organization

GEORGE B. WALLACE & CO.

15 William Street New York 5

Telephone BOwling Green 9-2397

itized for FRASER
://fraser.stlouisfed.org/

Fact Finding in California

By HENRY J. TAYLOR*

Radio commentator reports factory employment and wages in California continue to rise, but price-resistance is apparent. Says farm income has also increased, but tax burden is "frightening," and people are beginning to show resentment to it.

California is now the third largest State in the Union, exceeded in population only by New York and Pennsylvania. Conditions here are fairly typical of much I've learned during this fact-finding trip. So let's take a look into the grass roots of this part of the full picture in Your Land and Mine.

Henry J. Taylor

Employment in California factories this June was 2% higher than it was last June, and 52% higher than in 1940. That means that half again as many people are working as worked before the war.

A shipyard worker, with whom I was talking yesterday, said, "Last year I thought I'd be idle this time, this year. But I'm still working." However, this isn't the picture out in the Western mining country I've visited. As a matter of fact, it isn't the picture in Hollywood either. Both the mining industries and the film industry not only employ fewer people than they did this time last year but, as compared to an average 52% increase in California, these two industries employ **fewer** people today than they did in 1940.

Wages Continue to Rise

Wages of California workers continue to rise, in about the same pattern followed across the continent, but at a higher range. The average hourly wage for factory workers in California reached $1.52 in May, compared with a national average of $1.30 per hour across our land.

But price resistance is clearly being encountered in many markets. The sale of houses is, on the whole, lagging—although the sales figures show an over-all increase, because there are more finished houses on the market to be sold. Price-resistance is nevertheless making itself felt. For example, driving south from the Oregon line to San Francisco, I saw a 17-year-old house that had been offered for sale at $21,000. That seemed a terrific price to me. Eventually the price was cut. But the house still isn't sold—like a lot of other houses around here, built at such high cost that they have priced themselves right out of the market.

Price-Resistance Apparent

Other evidences of price-resistance are beginning to show up. You can go into the butcher shops here and see, in operation, the so-called meat boycott which has been so widely publicized. Price-resistance is apparent as well in household furnishings and clothing. Sales of both these important items throughout the state of California are 25% lower than in the same period last year with costs remaining very high.

That's the problem that arises when production costs are high. Any article, any product, any business or any industry facing high costs—and needing to recover these costs in its prices, in order to stay in business at all—can price itself right out of the market. That's bad for everybody. When higher wages have this result they act like a boomerang and hurt the very people they are supposed to help the most.

California farm income has increased about 2% over 1947—allowing for the drop in citrus fruit prices, which are off. About 10% of California's gigantic fruit crop will be left to rot because of marketing costs and taxes.

The burden the Federal tax puts on each state across our country seems practically unbelievable as you count up the facts, state by state. To get the picture clearly, forget our whole country—forget the state of California. It's easier to see the size of something if that something isn't too big. So take the effect of Federal taxes on the people in just one county—this county, Los Angeles County.

Tax Burden Frightening

Last year, the cost of Federal Government in Washington, D. C., to the men and women taxpayers in Los Angeles County alone, was $1,429,000,000. Let me repeat that, because it's so important. The people in this one county—living here, working here, trying to save something for themselves—paid out last year, to support the

(Continued on page 38)

*A radio broadcast by Mr. Taylor, Aug. 20, 1948.

Farmers, Fishermen and Inventors

By ROGER W. BABSON

Mr. Babson, commenting on increasing need of larger food supplies and decline of per capita productivity of earth because of erosion and decrease in fertility, sees ocean and its products as hope and salvation of mankind. Wants fishing industry along with farmers and inventors subsidized.

The most useful people today are farmers, fishermen and inventors. What about teachers, preachers, writers, etc., you may ask. Well, if they make people more useful farmers, more useful inventors, and more useful fishermen, they also are patriotic citizens. If, however, they merely make people dissatisfied with present conditions and make them greater spenders and wasters, then they are doing more harm than good. Robert M. Hutchins, Chancellor of Chicago University, says: "Americans have never had to be intelligent. America has grown rich and strong not because of its system of education, but in spite of it. Only a country with great natural resources could survive our educational system so lacking in logic and ultimate aim."

Roger Babson

Why Protect the Farmers?

The present increase in population demands a constant increase in food production, or the world will starve. The **per capita** productivity of the earth is failing rapidly. In fact, my friend H. S. Richland of Maitland, Florida, claims, "so-called scientific agriculture is not solving the problem; in fact, **its remedies aggravate the illness.** There has been a greater loss of productive soil in the last few decades through cultivation than the accumulated loss of all previous time. Chemical farming is not the answer; it does not offset large crop diseases and insect pests.

Furthermore, DDT and other sprays are killing off honeybees, lady beetles, mantis, as well as birds, toads, spiders, etc., which have heretofore protected us from insects. It is dangerous enough to depend upon the soil for food but, as it is now being used for raising industrial products, the situation becomes far more serious. We are fast approaching a time when a newsboy and mailman must collect an old paper and magazine in order to leave a new one, and when the sales tax will be assessed on what we waste rather than on what we buy. Hence, we must give every encouragement to the farmer, forester and gardener.

When we are moaning about soil erosion, we should remember that this soil with its minerals and vitamins has been washed down the little streams and large rivers into the ocean. Hence, while the soils have been getting poorer, the oceans have been getting richer. This means that while grains, vegetables, cattle, poultry, eggs, etc., raised on the soil without special prepared food, are constantly becoming less nutritious, the fish and other ocean products are constantly getting richer in minerals and vitamins.

The washing of the soil can be prevented by contour plowing; and by returning to the soil all of the crop excepting the portion which goes down the sewers of cities. When you consider, however that over 12,000,000 people live in Greater New York, and 25,000,000 live in other large cities and their metropolitan areas, this adds up to over a quarter of our population. Most of their waste goes down sewers ultimately into the ocean. Hence, my appeal that the fishing industry deserves as much protection and government subsidy as the farming industry. **In fact, the ocean and its products are the hope and salvation of mankind along with religion and education.**

Why Protect Inventors?

Outside of the bare necessities of food, clothing and shelter, as enjoyed by the humblest original settlers, everything we have worthwhile, from a needle to a harvesting machine, we owe to inventors. Labor leaders claim that today's better standard of living has come from increased union wages, but this is a lie. The increased standard of living enjoyed by wageworkers today is due to new inventions, new processes, and new products. It is true that labor unions may have forced employers to encourage and finance inventors; but with the same inventions as we have today, wageworkers would be just as well off if there had been no such a thing as labor unions Hence, I appeal for government subsidy for inventors, including necessary funds for financing worthwhile inventions, and that rich corporations be prevented from buying up and smothering inventions to protect their own obsolete plants and machinery.

The Injustice of the Five Percent Spread

By JOHN DALTON

Writer suggests, in view of rise in living costs and increased operating expenses, 5% spread, at first suggested and "really adopted" by NASD should be entirely eliminated. Cites recent increased Stock Exchange commissions.

Since the 5% spread was first "suggested," but really adopted, by the NASD with the consent of the SEC, living costs have risen some 200%. In view of this the members of the New York Stock Exchange, some time ago, decided that it was quite impossible to continue on the old commission basis with the result that their commissions were increased. However, no consideration has been given, in any way, to help over-the-counter firms meet this situation. In this writer's opinion, and in the opinion of many others he has talked with, the 5% spread should be eliminated and at once. It should be taken into consideration that those engaged in the over-the-counter business, who are not members of any Exchange, have to depend on the retail end of securities business alone for their existence which is extremely difficult under the 5% spread. In fact, if this 5% spread were broken down, it is doubtful, in this writer's opinion, if it would show a net of 2% and may be much less. This, of course, would be slightly more in some cases and less in others.

The over-the-counter business has operated for many, many years without any set rule of commission or mark-ups. It is a business in which no set rule can be made for there are so many thousands of different kinds of securities trade in and sold. It is also a business which, in many instances, requires expert knowledge of salesmanship, the ability to locate, and sometimes originate, markets for certain securities. Expert knowledge of statistical facts and last but far from least it is doubtful if there are any more lines of business where so much hard work is done for so little commission or profit.

It is a great injustice to the entire over-the-counter business if the so-called "ethical" 5% spread is continued. It should be entirely eliminated if the cost of living and the cost of business operations are to be met which, of course, cannot be under present conditions.

Dealer-Broker Investment Recommendations and Literature

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

Cigarette Company Stocks—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

City of Philadelphia Bonds—Valuation and Appraisal—Stroud & Co., Inc., 123 South Broad Street, Philadelphia 9, Pa.

Also available are a valuation and appraisal of **Railroad Equipment Certificates** and price-earnings ratios and yields on 123 **Public Utility** common stocks.

Comment—Leaflet of comments on current situation—Hannaford & Talbot, 519 California Street, San Francisco 4, Calif.

Convertible Preferreds—List of Interesting Issues—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is a leaflet of **Railroad** news, and an analysis of **R. J. Reynolds Tobacco Company.**

Dividend Graybeards—List of issues which have paid dividends in every year without interruption for 31 or more years—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Fire Insurance Stocks—Analysis of stocks as investment insurance—Carter H. Harrison & Co., The Rookery, Chicago, Ill.

Leading Banks and Trust Companies of Northern New Jersey—Semi-annual comparative tabulation—Parker & Weissenborn, Inc., 24 Commerce Street, Newark 2, N. J.

Market Letter—Monthly market letter analyzing the current situation and listing interest issues for speculation and income—Goodbody & Co., 115 Broadway, New York 6. N. Y.

Also available are leaflets on **Federal Water & Gas Corp.; Chicago, Indianapolis & Louisville; St. Louis-San Francisco; Minneapolis, St. Paul & Saulte Ste. Marie; Oils,** and a market research item on **Struthers Wells Corp.**

Rayon—Analysis of the industry as an investment for the future—Estabrook & Co., 15 State Street, Boston 1, Mass.

Contained in the analysis are brief analyses of **American Viscose Corp.; Celanese Corporation of America, and Industrial Rayon Corp.**

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

Soft Drink Industry—History of the beverage business and growth possibilities—Henry P. Rosenfeld Co., 37 Wall Street, New York 5, N. Y.

Also available is a descriptive circular on the **Red Rock Bottling Company of Cleveland.**

Textiles — Circular — Baker, Weeks & Harden, 1 Wall Street, New York 5, N. Y.

* * *

American Furniture—Report—Strauss Bros., Inc., 32 Broadway, New York 6, N. Y.

Also available are reports on **Shepard Niles Crane & Hoist Corp.; Nathan Straus Duparquet; Gisholt Machine; Whiting Corporation; The Upson Company; Clearing Machine,** and **Mohawk Rubber Company.**

American Gas & Electric Co.—Analysis in current issue of "Fortnightly Market and Business Survey"—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

In the same issue are discussions of **Kennecott Copper Corp.; American Cyanamid,** and a list of **25 Quality Stocks.**

Anaconda Copper — Memorandum—Bache & Co., 36 Wall Street, New York 5, N. Y.

Also available is information on **Pure Oil; Ruberoid Company; Harbison Walker Refractories;**

(Continued on page 39)

Digitized for FRASER
http://fraser.stlouisfed.org/

One Billion Yearly of Federal Money for South!

By HENRY A. WALLACE*
Candidate for President, Progressive Party

Third Party Presidential Candidate, in first campaign speech in South, proposes Federal Government grant $1 billion annually for four years to aid South's industry and agriculture. Says he will end "outside interference in Southern affairs" and accuses both Republicans and Democrats of being controlled by vested interests, bitterly opposed to sound Southern developments. Attacks Truman-Dewey policy of militarism, with key Government posts turned over to "men of Wall Street."

I want to talk on this tour of the future of the South. And North Carolina is a fitting place to begin. First in the South in industry and second only to vast Texas in agriculture, this state has shown that the people of the South can produce every bit as well as people in other parts of the country.


Henry A. Wallace

In the value of industrial and farm production per person, North Carolina is well above the national average. But, as in every Southern State, the people of North Carolina receive only a tithe of the fruits of their labor. Here is the measure of the robbery of Southern labor and agriculture. Last year the average income in North Carolina was less than $900—in the whole country the average was more than $1,300.

In that simple fact lies the problem of the South. The people of the South know how to plan their future—if they are helped by national policies designed to solve that basic problem.

There must be planning on a regional scale, embracing all of the South's resources and skills. It cannot stop with the lumber from the tree and the pipe from the foundry—but must unite these products in good Southern homes and cities. It cannot stop at providing raw materials for industry outside the South. It must carry on to using Southern materials in production of those goods needed by folks in the cities and on the farms. It cannot stop with advancing agricultural production, but must insure the supply of the vital foodstuffs needed by all the people.

The people want a larger, better balanced industry. The people want a prosperous agriculture. The South wants to own its industries and farms and its people are determined to enjoy the full fruits of their labors.

I, and the Progressive Party which I represent, are determined to bring about those national policies which will permit you to accomplish your own dynamic plans for the South.

Federal Advance of $1 Billion A Year

I propose that the Federal Government advance a billion dollars a year for four years to aid Southern industry and agriculture. And this should be in addition to Federal aid for schools, hospitals, homes, health and social security.

Half of this billion will go for industry. It will be used not to repeat the pattern of low wages for Southern workers and high profits for Northern owners—we propose no Truman Doctrine to prop Southern reaction. It will be used to build factories planned, owned and controlled in the South and paying high wages. And it will be used to help the South build homes and machines—to make the vast variety of goods for which it has the resources and human skills. It will be used to supply the good things of life to the people of the South.

The other half of the billion per year would go to agriculture. This part would be used to help the honest and industrious Southern farmer establish a sound and solvent agriculture. It would bring good living to himself and his family and bring needed foodstuffs to city dinner tables.

It is no handout I propose. There is a simple method to finance it — and the returns in increased production, in health and happiness will repay the investment over a few years.

Each year billions, literally billions of dollars of profits are drained from Southern labor in field and factory by large corporations owned by wealthy and powerful men who reside elsewhere.

We Progressives propose only that the Federal Government, through taxation of these riches, return to the people of the South a part of the stolen fruits of their toil and sweat.

The people of the South proved during the time of the New Deal and Franklin Roosevelt that they make good use of funds advanced by the Federal Government. And, may I add, they proved that when you make a loan on fair terms to a Southern farmer for improving his farm—that loan will be repaid. I am confident that the people of the South will get more benefit from a billion dollars advanced in this manner than the people of Europe are getting from $10 billion of political handouts under the wasteful foreign programs of the bipartisans.

Nor do I make my proposal unselfishly. I know that the farms and factories of Iowa and Michigan and New York will sell more to a high income South than to an impoverished South. And I know, as thinking Americans have known for a long time, that the advance of our whole country will be seriously hampered so long as the South lags behind in living standards and economic status.

I do not propose that the Federal Government advance a billion dollars a year to establish outside bureaucratic interference in Southern affairs as the bipartisans interfere in the affairs of Europe and Asia.

Outside Interests in Southern Affairs

I propose this measure as part of a program to end—once and for all—outside interference in Southern affairs.

You know better than I that the crops of Carolina tobacco farmers are bought up in unequal bargaining by a giant monopoly owned outside the state. I don't have to tell you the principal textile, power, and financial interests of your state are controlled by corporate carpetbaggers with the central power in Wall Street.

Nor is it a secret that the main props of the old party political machines are the very same outside controlled textile, tobacco,

(Continued on page 32)

*An address by Mr. Wallace at Durham, N. C., on Aug. 29, 1948.

Labor-Management Must Avoid Depression

By MAURICE J. TOBIN*
Secretary of Labor

Labor official asserts do-nothing policy of Eightieth Congress puts responsibility on private industry and labor for warding off another depression. Declares workers are not getting their fair share of profits; and since abandonment of price controls, wages have lagged behind prices. Urges unions to cooperate with management to increase productivity, to improve standard of living.

I am deeply aware of the honor that President Truman conferred upon me in appointing me to be a member of his Cabinet. In accepting the post of Secretary of Labor, I am dedicating myself to devote all of my energies to fostering, promoting and developing the welfare of the wage-earners of the United States.


Maurice J. Tobin

It is a big job. And an important one, not only from the standpoint of the wage-earners, but also from the standpoint of the strength, prosperity, and economic stability of the whole Nation.

One example of the kind of services rendered by the Department is the survey of the economic status of radio artists which is now being made by the Bureau of Labor Statistics. The American Federation of Radio Artists came to the Bureau and said they needed information on the amount of unemployment and part-time employment of radio artists, and their income from the radio industry and from work in other fields of entertainment. At the same time the Veterans Administration asked the Occupational Outlook Service of the Bureau for information on the occupations and employment opportunities in radio for use in the vocational guidance of veterans. A survey was planned in consultation with AFRA and others with close knowledge of the industry. Many of the members of this audience know directly about this survey because they helped us by filling out the questionnaire. We got excellent cooperation from the members of the AFRA in Boston. These responses are now being tabulated and a report will be prepared presenting for the first time a comprehensive picture of the economic status of radio artists.

New England's record for good labor-management relations is outstanding.

Labor and management in this area have exhibited maturity, mutual respect and a clear understanding of their responsibilities to the public in their dealings with each other.

Together, in war and peace, they have by common effort helped to give this country supremacy on the battlefield and a position of leadership in the effort to make democracy and lasting peace a reality throughout the world. I do not believe that New England's fine record for peaceful industrial relations is due to the fact we are different than people in other parts of the country. Neither are the issues and problems confronting wage-earners and their employers different than elsewhere.

It's just that in New England we've become skilled in the art of collective bargaining because we've had so many more years practice.

Journeymen and their employers, who were the skilled artisans, in Colonial days joined together in benevolent societies whose primary purpose was to provide members and their families with financial assistance in the event of injury, serious illness or death.

Early Market Expansion

However, when the American market began to expand after the Revolution, buying and selling became the specialized function of "merchant capitalists." The efforts of the merchant capitalists to buy at the lowest possible prices were at first resisted together by journeymen and their employers.

However, the forces of competition slowly separated their interests. Employers, in order to survive, had to produce goods cheaply and in quantity. The journeyman's concern had to be that of maintaining his skills and wages.

As the result of these economic forces, such crafts as carpenters, shoemakers, and typographers formed craft unions in Boston, New York, and Philadelphia.

In addition to the welfare activities, their aims included higher wages, minimum rates of pay, shorter hours, enforcement of apprenticeship regulations and exclusive union hiring, later to become known as the closed shop.

Thus the aims and purposes of American trade unionism, and the basis for our present day system of free collective bargaining, were established in New England.

Employers and employees have by the method of direct negotiation, been able to establish mutually advantageous and amicable relationships.

New England in general and Massachusetts in particular are union-minded and possessed of a keen and vital social consciousness. In 1842, Chief Justice Shaw of the Massachusetts Supreme Court reversed the ruling made in the cordwainer conspiracy cases of 1805 and held that unions were *per se* legal organizations and not a conspiracy.

He also ruled that a strike for a closed shop was legal—but, remember that was 100 years before the passage of the Taft-Hartley law.

Massachusetts was the first State to pass a minimum wage law. This law, enacted in 1912, applied to women and children. Our State of Massachusetts was the first to establish a Department of Labor.

Here in New England we know how important trade unionism, social and labor legislation, and free collective bargaining are to our democratic institutions of private property and a free competitive economy.

Roosevelt Followed New England Pattern

I doubt whether either would be in existence today if President Roosevelt hadn't the courage, and the popular support, to advance his program of labor and social reform, patterned after many developments along the same lines in New England State legislation.

One doesn't need a long memory to remember things as they were in 1933. President Roosevelt took over in the depths of the world's worst depression, brought on by 13 years of the open-shop, wage-cutting, union busting, and economic do-nothing-ism.

Those unhappy, despairing years between 1929 and 1933 must never be forgotten lest we fall into making the same mistakes that brought misfortune upon us.

There is a great contrast between conditions in 1933 and those today, when we are reaping the benefits of a program of progressive, humanitarian legislation.

In 1933, union membership had dropped to 2,857,000. Today it exceeds 15½ million.

In 1933, with a labor force of 51,840,000, there were only 38,750,000 persons employed. Unemployment had reached the all-time high of 12,830,000. Today, with a labor force of 64 million, employment exceeds 61½ million, and unemployment is at an all-time low of 2,184,000. Most of the

(Continued on page 34)

*An address by Secretary Tobin at Annual Convention of American Federation of Radio Artists, Boston, Mass., Aug. 27.

The Long-Bell Lumber Company
(A Missouri Corporation Chartered in 1884)
COMMON STOCK
Increased Earnings and Timber Reserves indicate more liberal dividend payments.
Six months ended June 30, 1948, net per share $3.31 compares with $3.00 for the 1947 period.
Full detailed information available upon request.
Approximate Price 19½
COMSTOCK & Co.
CHICAGO 4, ILL.
231 So. LaSalle St. Dearborn 1501
Teletype CG 955

Minneapolis Gas Company
Common Stock
BOUGHT — SOLD — QUOTED
Writeup on Request
A.C.ALLYN AND COMPANY
Incorporated
Chicago New York Boston Milwaukee Minneapolis Omaha

Digitized for FRASER
http://fraser.stlouisfed.org/

Paget Sound Power & Light Co.
Maryland Drydock
(Reports on Request)
Kent-Moore Organization, Inc.
(Prospectus Available)

BUCKLEY SECURITIES CORPORATION
1420 Walnut St. Philadelphia 2 PEnnypacker 5-5976
44 Wall Street New York 5 WHitehall 3-7253
Private Wire System between Philadelphia, New York and Los Angeles

Philadelphia Bank & Insurance Stocks
Philadelphia Transportation Co.
3-6s 2039, Pfd. & Common

H. N. NASH & CO.
1421 Chestnut Street, Philadelphia 2
Phila. Phone Locust 7-1477
New York Phone WHitehall 4-2400
Teletype PH 257

American La France
Atlantic City Electric
Botany Mills Com. & Pfds.
Dayton Malleable Iron
Gisholt Machine
Kearney & Trecker
Parker Appliance
Stromberg-Carlson
Warner Co.

H. M. Byllesby & Company
PHILADELPHIA OFFICE
Stock Exchange Bldg., Phila. 2
Telephone RIttenhouse 6-3717
Teletype PH 73

Cambridge Bldg. 3s 1953
1500 Walnut St. 6-1950
Pittsburgh Hotels 5-1967
Altoona & Logan Vy. El. Rwy. Common
Bankers Securities Pfd.
South Jersey Gas Common

Samuel K. Phillips & Co.
Members Philadelphia Stock Exchange
Packard Bldg., Philadelphia 2
Teletype PH 375
N. Y. Phone COrtlandt 7-6814

*Atlantic City Elec. Com.
Merchants Distilling Com.
Nor. Ind. Pub. Serv. Com.
Phila. Elec. Co. Common
Richmond Cedar Wks. Com.
Roberts & Mander Common
**Offered only by prospectus*
Bought—Sold—Quoted

E. H. Rollins & Sons
Incorporated
PEnnypacker 5-0100
1528 Walnut St., Philadelphia 2
New York Boston Chicago San Francisco

Trading Department Active in
Western Pennsylvania Issues
Direct Wire to New York City

CHAPLIN AND COMPANY
Members
N. Y. Stock Exch. Pitts. Stock Exch.
New York Curb Exch. (Assoc.)
10th Floor, Peoples Bk. Bldg. PITTSBURGH 22, PA. Grant 3900
61 Broadway NEW YORK, N. Y. WHitehall 3-4000
Bell System Teletype—PG 473

Pennsylvania Brevities

P.T.C. Adjusts Fares and Schedules

PHILADELPHIA—Yielding to pressure of public opinion and the coordinated efforts of various civic groups, Philadelphia Transportation Co. has announced a reduction in fares to school children effective Sept. 1. It is estimated that new fares will save 25 cents a week for each of approximately 61,000 pupils commuting to school via P.T.C. facilities. Cost to the company in reduced revenues will be about $550,000 per year.

In order to confine the benefits to those entitled to receive them, books of tickets will be distributed to the schools and sold by the schools to the children.

Intimations that P.T.C. might soon file for a third round of fare increases have brought prompt objection from city council. Increases granted last March 21 were the second in 14 months. Charles J. Pommer, Recorder of Deeds, one of five municipal directors of P.T.C., insists that "unless the firm can show that it is losing a considerable amount of money," he will vigorously oppose any plan to raise fares.

Charles E. Ebert, President of the transit company, stated that still-rising expenses are making serious inroads on income return and that P.T.C. may have to petition the Public Utilities Commission for another fare rise — or reduce service and maintenance.

Without renouncing the potential necessity of filing an increased fare schedule, last Monday the company issued a statement covering changes in transit service to become effective Sept. 12.

The statement says: "Transit riding in virtually all cities throughout the United States is lower than last year — the average decline for companies serving areas of over 1,000,000 population being more than 5%. This is the result of several factors, including an increase in the number of automobiles in use, a substantial fall in Saturday riding following more widespread observance of the 5-day week, and losses in traffic after rate increases. Passengers this year on the P.T.C. system are about 5% less than last year, and the new schedules therefore require the operation of about 3% less mileage than the fall schedules of 1947."

The company's statement points out that such schedule changes are regularly made each spring and fall by all transit companies to adjust to increases or decreases in riding volume, that they are not an economy measure and that they have been carefully prepared to provide adequate service on all lines.

Company adds that since 1940 it has placed in service more than 1,500 modern streetcars, buses and trackless trolleys at a cost of $22,700,000. During this same period, company has established 16 new routes, extended 40 existing routes, built modern terminals and made numerous other service changes which have greatly improved Philadelphia's transit facilities.

Lehigh Valley Transit Plan Approved

The Securities and Exchange Commission has petitioned the U. S. District Court in Philadelphia to order into effect the recapitalization plan of Lehigh Valley Transit Co., National Power & Light Co. subsidiary.

Holders of Transit's $4,915,000 ref. 5s, 1960, will have the option of receiving par and accrued interest in cash or of accepting part of their claim in shares of Pennsylvania Power & Light Co. preferred.

Plan provides for payment at $90 per share of Transit's publicly-held 5% preferred, par $50. Balance of the preferred, held by National Power & Light, will be retired by exchange into 545,610 shares new Transit common. This will be distributed to National's stockholders on the basis of 1/10 share new Transit common for each share National Power & Light.

Pittsburgh Railways Co.

Firms and individuals interested in the present status of the Pittsburgh Railways Co. system reorganization, including a resume of step-by-step developments from 1942 to date, are referred to the company's annual statement, released under date of Aug. 18. Copies may be obtained from W. D. George, Trustee, 435 Sixth Ave., Pittsburgh.

Alan Wood Steel Co.

Drexel & Co., Philadelphia, will head a group to offer new securities of Alan Wood Steel Co. to the public. John T. Whiting, President, recently announced that the company plans to install a 30-inch hot roll mill at its Conshohocken, Penn., plant at a cost of approximately $8,900,000. The new unit will enable the company to reduce conversion costs and expand its line of finished products.

Alan Wood's present capitalization, following a reclassification early this year, consists of 70,363 shares 5% preferred, par 100, and 483,662 shares common stock, par $10. The new financing will consist of $6,300,000 first mortgage bonds of 1963. Balance of funds necessary for construction of the new mill will be taken from working capital.

Penna. Power & Light Co.

Registration of 316,863 shares of Pennsylvania Power & Light Co. common stock has been filed with the Pennsylvania Public Utility Commission. Proceeds, together with other cash, will be used to defray company's $100,000,000 construction program over the next three years. New gas tariffs which it is estimated will add $325,000 to annual gross revenues were filed to become effective Nov. 1.

Budd Company

Edward G. Budd, Jr., President of Budd Co., reports a record net of $5,115,943, equal to $1.37 per share, for the first six months of 1948. This was achieved in spite of increased labor and material costs. After a lapse of almost three years, Budd resumed common stock dividends last December. Since then three 10-cent dividends have been paid. Mr. Budd states, "we hope to continue to be able to pay a common dividend each quarter."

Pennsylvania Railroad

Since last March, Pennsylvania Railroad has upped its improvement program by $59,700,000 bringing its postwar program to a total of $233,200,000, by far the largest single project of betterments in its history. Gross and net income continued to improve. For the first seven months, road reported net income of $3,747,353, compared with a deficit of $8,090,278 in the corresponding 1947 period.

Armstrong Cork Co.

LANCASTER—H. W. Prentis, Jr., President Armstrong Cork Co., in a semi-annual statement to stockholders, reported that the company attained the largest sales volume in its history during the first six months of 1948. Sales for the period rose 28.6% over a year ago to $87,496,711.

On a per common share basis, net earnings for the six months were $3.45, after preferred dividends and after setting up a reserve of $1,060,000. This compares with $2.70 per share for the 1947 period without any such reserve.

Available Publications

Valuation and Appraisal
RAILROAD EQUIPMENT CERTIFICATES

Valuation and Appraisal
CITY OF PHILADELPHIA BONDS

Price-Earnings Ratios and Yields on 123 Public Utility Common Stocks.

Copies on Request

STROUD & COMPANY
Incorporated
123 SO. BROAD STREET PHILADELPHIA 9, PA. PEnnypacker 5-7330
120 BROADWAY NEW YORK 5, N. Y. WOrth 4-8400
Allentown Pittsburgh Lancaster Scranton

"Doc" Williams Comes Home

PHILADELPHIA, PA. — After three years as resident partner of Kennedy & Co.'s branch office in Du Bois, Penna., George H. Williams, is back in the home office in Philadelphia which he opened in 1923. Always on the alert for a laugh, "Doc" got one the day he returned. Joe Barnes, manager of the trading department, had sent out some mailing matter with return envelopes enclosed. A reply was received from one G. A. Stetina, custom tailor, who put the reverse English on Joe by "offering" him in advance Fall showing of his latest styles and fabrics. There was 4 cents postage due on the envelope.

Now Estes & Company, Inc.

TOPEKA, KANS. — The firm name of Estes, Snyder & Co., Inc. has been changed to Estes & Co., Inc. There is no change in personnel of the organization. On Sept. 1 the firm moved to a new location at 112 W. Seventh Street.

Dick to Acquire Phila. Exchange Membership

PHILADELPHIA, PA. — Lewis C. Dick, President Lewis C. Dick Co., 1420 Walnut Street, is posted for election to membership on the Philadelphia Stock Exchange.

Elmer Myers Joins Geo. B. Wallace & Co.

Elmer E. Myers, recently with B. W. Pizzini & Co., Inc. and prior to that for many years in charge of Sutro Brothers' trading department became associated with George B. Wallace & Co., 15 William Street, New York City, on


Elmer E. Myers

Sept. 1, 1948. In this new connection he will resume the servicing of out-of-town institutions and dealers paying particular attention to the development of attractive situations for firms with retail distribution.

N. Y. Board of Trade Appoints Proffitt

Made Chariman of Special Committee of Cooperation on Monetary Policies.

Dr. Edward J. W. Proffitt was appointed Chairman of a Special Committee of Cooperation on Monetary Policies by John A. Zellers, Chairman of the International Trade Section of the New York Board of Trade.

Following the recent approval by the Board's International Trade Section of a gold coin dollar standard as a prerequisite to sound domestic and world trade, it is planned to organize through this new committee for an exchange of ideas with civic groups in other sections of our country for its realization.

Colonel Proffitt was recently awarded the honorary degree of Doctor of Science in Business Administration from his Alma Mater, Bryant College, of Providence, R. I. Colonel Proffitt, following his service in the Treasury Department at Washington, has specialized for the past 10 years in the arbitraging of U. S. Government bonds for banks in New York City and State.

Addison Wood Officer Of Phil. Nat'l Bank

PHILADELPHIA, PA. — The Philadelphia National Bank announces the appointment of Addison O. Wood as Assistant Vice-President. Mr. Wood will cover the bank's southern business.

Municipal Bond Club of Chicago to Hold Outing

CHICAGO, ILL. — The Municipal Bond Club of Chicago will hold its annual field day on September 17 at the Knollwood Country Club. The outing will be preceded on Sept. 16 by cocktails and dinner at the Kenilworth Club.

With Doremus & Co.

William H. Long, Jr., President of Doremus & Co., 120 Broadway, New York City, announces that Paul M. Winship has become associated with the agency as an account executive. Mr. Winship was formerly with Merrill-Anderson Co. in the same capacity.

gitized for FRASER
http://fraser.stlouisfed.org/

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The annual meeting and election of officers and governors of the Investment Traders Association of Philadelphia will be held


William Raffel


Wallace H. Runyan


Harry Fahrig, Jr.


S. K. Phillips, Jr.


N. H. Parkes, Jr.


John F. Weller

Friday, September 17, at Palumbo's Cafe. The business meeting will be followed by cocktails and dinner.

The nominating committee, headed by William Z. Suplee, Suplee, Yeatman & Co., has presented the following slate:

For President: William Raffel, Raffel & Co., and Wallace H. Runyan, Graham, Parsons & Co.

For First Vice-President: Harry H. Fahrig, Jr., Reynolds & Co., and Samuel K. Phillips, Jr., Samuel K. Phillips & Co.

For Second Vice-President: Newton H. Parkes, Jr., Bioren & Co., and John F. Weller, Buckley Brothers.

For Secretary: James B. McFarland, 3rd, H. M. Byllesby & Co.

For Treasurer: Albert Fenstermacher, M. M. Freeman & Co.

For Gratuity Fund trustee: George J. Muller, Janney & Co.

A maximum of eight vacancies on the Board of Governors will be filled from a panel of 24 nominees.

SECURITY TRADERS TO HOLD OUTING

The Security Traders Association of New York, Inc. will hold its Summer Outing and Dinner on Friday, Sept. 10, 1948, at the New York Athletic Club, Travers Island, New York, John J. O'Kane President, announced.

Arnold J. Wechsler, of Ogden Wechsler & Co., is Chairman of the Arrangements Committee and has planned a very comprehensive program, Joseph Eagan of F. C. Masterson & Co. and Joseph Cabble of Abraham & Co. are in charge of the Soft-Ball teams.

Jerry Kane of Luckhurst & Co. and "Ted" Plumridge of J. Arthur Warner & Co. are in charge of the Gold Tournament. Larry Wren of Allen & Co. and Frank McCall of Green & Co. are Co-Chairmen of Horse Shoe Pitching and other no-contact sports.

Many novel prize contests will fill out a very busy day and numerous door prizes will be awarded.

Other Committee Chairmen are Tom Greenberg of C. E. Unterberg, Andrew R. Stevens of Bond & Goodwin and Leslie Barbier of G. A. Saxton & Co.

John J. O'Kane of John J. O'Kane & Co. is President of the Security Traders Association of New York, Inc.

A. F. Goeing Top in Executive Program

CHICAGO, ILL.—Arthur Frank Goeing, investment analyst with John Nuveen & Co. and former lieutenant - commander on the Northwest Sea Frontier, is top man in the University of Chicago's fourth Executive Program.

With a near perfect record of 12 A's and two B's, Goeing, a 1934 University of Chicago honor graduate, will receive his master's degree in business administration Thursday (September 2) when the university commemorates the fiftieth anniversary of the School of Business, in the 234th convocation at Rockefeller Memorial Chapel.

Bache & Co. Opening Office in Wheeling

WHEELING, W. VA.—Bache & Co., one of the nation's oldest security and commodity brokerage firms, Sept. 1, opened a new branch office in Wheeling, West Virginia.

The new office, which will be under the joint management of Thomas A. Griffith and Fred C. Seely, will bring to 58 the number of branch offices and correspondents that the firm has in the United States, Mexico, Canada, England and France. Mr. Seely and Mr. Griffith were formerly in charge of the Wheeling office of Parrish & Co.

Costs in Social Insurance

By JO BINGHAM*

Research Senior, Tax Foundation

Writer, after analyzing nature and costs of social insurance, maintains, under the present system, the costs, whether in initial tax payment or in ultimate discharge of obligations, constitute demands upon current product. Holds burden falls on producers at large and is determined not only by extent of total output at any given time, but by ability and willingness of those who do produce to share with those that do not.

In the concept of cost, money is the first and the most popular association, but it is not the fundamental factor involved. In the cost of social security, there are two significant aspects. One is the initial cost, which is the tax levy. The other is the payment of benefits, or ultimate cost. Therefore, to reckon with the whole, it is necessary to determine who pays for it first and last. Who pays the initial cost is the incidence of the tax. Who pays for the ultimate benefits is the real cost burden.


Jo Bingham

It is peculiarly fitting that pause for cost consideration be taken at this time when Britain has just embarked on her cradle-to-grave, in-sickness - and - health, security program. July 1, 1948 was the effective date for British promises to pay her men, women, and children the most comprehensive social security benefits in the world—and this on the verge of an almost admitted bankruptcy of her empire.

However, it is not only the new British experiment which renders attention to social security costs a timely chore. Over the past several years our own legislatures and public have been primed for far-reaching amendments to social security law. Although the 80th Congress dealt with major proposals only by avoidance, a certain amount of excitement was generated by legislation on limited points:

(1) Increased coverage for old-age and survivors insurance by way of Treasury ruling, which was defeated;

(2) Increased benefits, which were provided for railroad retirement;

(3) Tax rates and mounting reserves, the relationship of which was adjusted by cutting railroad unemployment taxes and allowing for increase again only when reserve funds were substantially reduced.

Postponement of more inclusive proposals was no doubt due to the priority of tax reduction, foreign aid, and defense. However, the 81st Congress will probably face the issue of more comprehensive social security. What, then, are some of the popular notions as well as the basic aspects of cost which should be reviewed?

The Social Security Taxes

First, the obvious evidence of cost is the tax on employers and/or employees. The payroll tax of 2% of the first $3,000 of taxable wages for old-age and survivors insurance, and the tax of 11½% on the first $3,600 for railroad retirement, are both equally shared by employer and employee. Unemployment taxes, except in a few states, are levied only on the employer. The unemployment tax rates vary because of state merit rating plans, but average somewhat under 2% of the first $3,000 of taxable goods. The railroad unemployment tax, levied only on employers, has been 3% of the first $3,600 of wages, but is now cut to one-half of 1% until the trust fund reaches a specified minimum.

Recent receipts from these various taxes, totaled for the programs they represent, are shown in the accompanying table.

Three billion a year is a sizable tax take. It is, in fact, far more than current benefit payments require. But income has exceeded outgo regularly since the inception of the system, and will continue to do so even in the near future. These annual excesses, held in reserve in government trust accounts, have now accumulated to $19 billion. They will continue to mount. But, unless tax rates are adjusted considerably upward, at some date in the future variously estimated by different actuarial attempts, this trend will stop and reverse itself. Outgo will exceed income. This is when general funds will be required to contribute to the payment of benefits, if benefit commitments are to be honored. In the case of old-age and survivors insurance, there is already a little-publicized, Federal provision for such a subsidy.[1]

Misconception of Costs

This eventual need points up a popular misconception about social security costs. Because the term "insurance" automatically suggests a determinable statistical relationship between premium payments and benefits payable, it has been erroneously assumed that social security taxes will meet all ultimate costs, and that rate adjustments of ½% or so will meet the cost of increased coverage and expanded benefits. Nothing could be further from the truth.

Economists generally agree that the actuarial principles of genuine insurance do not apply to social insurance. Nor is there any need for the technical masquerading of cost facts by attempted actuarial adjustment of tax rates to benefits. First, the taxing power makes it unnecessary for a nation to insure itself on an actuarial basis. Any deficit between contributions and cost of benefits can be made up by taxing, or borrowing. Second, it is not really possible for a nation to insure itself. In private insurance, investment of the reserve protects and maintains the funds received as premiums on a self-supporting basis. The goverment cannot invest in itself except in a bookkeeping sense, by borrowing from one set of tax collections and "repaying" out of another. Except for certain public enterprises, the source of all income for government is taxes. The only way it can "invest" social security taxes is to use them for general purposes, leave its bonds as IOU's in the trust fund, and whenever repayment is necessary, tax the people not only for the borrowed amount "invested"—but for the interest, too.

There are, nevertheless, advantages in keeping a close relationship between payroll taxes and benefit payments. These taxes have proved a ready source of revenue for the purpose. There

(Continued on page 31)

1 Section 902, Revenue Act of 1943.

Tax Receipts from Social Insurances
Fiscal Years 1947, 1948
(Millions)

Program	1947	1948
Old-Age and Survivors Insurance	$1,459	$1,616
Unemployment Compensation	1,190	1,215
Railroad Retirement	380	557
Railroad Unemployment	142	146
Total	$3,171	$3,534

Source: Compiled from "Daily Treasury Statement," June 30, 1948.

*Reprinted from "The Tax Review," July, 1948, published by the Tax Foundation, New York, N. Y.

Because these securities are believed to be exempt from registration they have not been registered with the Securities and Exchange Commission; but such exemption, if available, does not indicate that the securities have been either approved or disapproved by the Commission or that the Commission has considered the accuracy or completeness of the statements in this communication.

NEW ISSUE—Offered as a Speculation

975,000 Shares

Sterling Oil of Oklahoma, Inc.

(A DELAWARE CORPORATION)

Common Stock

(Par Value $0.10 per Share)

Price 30c per Share

The net proceeds of the securities being offered on behalf of the Company are to be used for working capital, for the Company's pro-rata share of drilling wells, and for testing and development of its properties.

Underwriting Discounts or Commissions $0.075

Aggregate Underwriting Discounts or Commissions $73,125.00

Copies of the Prospectus may be obtained from the undersigned.

Underwriter

GREENFIELD, LAX & CO., INC.

Member of National Association of Securities Dealers, Inc.

40 Exchange Place, New York 5, N. Y.

Telephone: HAnover 2-9290

gitized for FRASER
ttp://fraser.stlouisfed.org/

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

An article by Professor Roland I. Robinson of Northwestern University was published in the July, 1948 Harvard Business Review entitled "Bank Capital and Dividend Policies." It raises the question as to whether the policy of adding to bank capital through the retention of a large percentage of earnings should not be modified in light of existing conditions.

In this connection, it is interesting to analyze the capital position of some of the New York City banks. In addition to the customary capital-deposit ratio in the following table, a "risk ratio" has been computed. This latter ratio takes into account the fact that cash and government securities constitute a considerable proportion of the assets of banks. In general these securities are short-term and relatively risk-free. By deducting such items from deposits you obtain what may be called the deposits at risk. Figures used are as of June 30, 1948.

	Total Capital Funds (000's) $	Total Deposits (000's) $	Capital Ratio %	Cash and Govt. (000's) $	Deposits at Risk (000's) $	Risk Ratio %
Bank of Manhattan	65,458	1,033,613	15.8	683,616	349,997	5.3
Bankers Trust	152,942	1,305,094	8.5	898,206	406,888	2.7
Central Hanover	128,579	1,409,010	11.0	1,021,972	387,038	3.0
Chase National	323,941	4,154,809	12.8	2,835,797	1,319,012	4.1
Chem. Bank & Trust	109,610	1,360,695	12.4	848,315	512,380	4.7
Commercial National	20,833	178,357	8.6	149,367	28,990	1.4
Corn Exchange	44,382	751,545	16.9	695,351	56,194	1.3
First National	136,956	529,565	3.9	496,388	33,177	0.2
Guaranty	363,848	2,310,498	6.4	1,804,051	506,447	1.4
Irving Trust	115,493	1,013,334	8.8	694,461	318,873	2.8
Manufacturers Trust	126,675	2,116,358	16.7	1,629,031	487,327	3.8
National City*	303,375	4,747,374	15.6	3,367,620	1,379,754	4.5
New York Trust	65,078	589,318	9.1	401,184	188,134	2.9
Public National	30,567	502,072	16.4	366,870	135,202	4.4
U. S. Trust	29,326	110,044	3.8	90,620	19,424	0.7

*Includes City Bank Farmers Trust Company.

From the above figures it can be seen that about one-half of the banks listed have at least the traditional ratio of one dollar of capital to each ten of deposits. First National and U. S. Trust have the lowest ratios with approximately 3.9 and 3.8. On the other hand a considerable number have substantially higher ratios. Corn Exchange, with one dollar of capital supporting almost seventeen dollars of deposits, is the highest.

After deducting cash and government securities from deposits and using that figure as a basis for the ratio, it can be argued that a truer measure of the risk element in commercial banking is obtained. On this basis it would appear that all of the institutions have adequate capital. Indeed, some have capital funds which exceed the deposits after deducting cash and governments. Others have a low "risk ratio" with Bank of Manhattan showing the greatest relative risk of capital funds with a ratio of 5.3.

In considering the above tabulation, it is interesting to compare the percentage of earnings paid out as dividends and the amounts added to capital funds. The following table lists the 1947 net operating or indicated earnings, the dividend and the percent of earnings distributed for 15 New York City banks. Also included is the recent price and yield.

	1947 Net Operating or Indicated Earnings	1947 Dividend	Percent Earnings Paid Out	Market Bid Price 8/27/48	Yield
Bank of Manhattan	$2.06	$1.20	58%	23⅝	5.08%
Bankers Trust	3.00	1.80	60	40¾	4.42
Central Hanover	6.68	4.00	60	87¾	4.56
Chase National	2.51	1.60	64	35¾	4.48
Chemical Bank & Trust	2.61	1.80	69	42¼	4.26
Commercial National	3.66	2.00	55	41½	4.82
Corn Exchange	5.03	2.80	56	54½	5.14
First National	85.82	80.00	93	1,275	6.27
Guaranty Trust	17.42	12.00	69	274	4.38
Irving Trust	1.26	0.80	63	16¼	4.92
Manufacturers Trust	4.72	2.40	51	49½	4.85
National City*	3.25	1.60	49	39½	4.05
New York Trust	6.54	4.00	61	86¾	4.61
Public National	4.25	2.00	47	39¼	5.10
U. S. Trust	36.56	35.00	96	555	6.31

*Includes earnings of City Bank Farmers Trust Co.

While there is considerable variation in the percentage paid out, most of the banks listed distributed around 60% of earnings last year. Public National paid out approximately 47% which was the lowest. National City with 49% was only slightly higher. On the other extreme was U. S. Trust and First National with distributions of 96% and 93% respectively. In general it would appear that the institutions with the strongest capital positions, First National and U. S. Trust, are distributing practically all earnings while others with the higher ratios continue to add to capital funds.

Whether or not a more liberal dividend policy will be adopted by those retaining a considerable portion of earnings will depend upon the individual circumstances of the particular institution. In view of the present outlook and existing capital position, it appears that larger payments in some cases could be made.

Fireman's Fund Insurance Co.

Bulletin Sent On Request

Laird, Bissell & Meeds
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Dept.)

NEW JERSEY SECURITIES

J. S. Rippel & Co.
Established 1891
18 Clinton St., Newark 2, N. J.
MArket 3-3430
N. Y. Phone—REctor 2-4383

WHOLESALE MARKETS IN BANK and INSURANCE STOCKS

GEYER & CO.
INCORPORATED

BOSTON 9 — *10 Post Office Square* — HUbbard 2-0650 — *BS-297*
NEW YORK 5 — *67 Wall Street* — WHitehall 3-0782 — *NY 1-2875*
CHICAGO 4 — *231 S. LaSalle Street* — FRANKLIN 7535 — *CG-105*
CLEVELAND 15 — *Schofield Building* — SUperior 7644 — *CV-394*
LOS ANGELES 14 — *210 W. Seventh Street* — MIchigan 2837 — *LA-1086*
SAN FRANCISCO 4 — *Russ Building* — YUkon 6-2332 — *SF-573*

PRIVATE WIRE SYSTEM CONNECTING: NEW YORK, BOSTON, CHICAGO, CLEVELAND, PHILADELPHIA, ST. LOUIS, LOS ANGELES, SAN FRANCISCO
TELEPHONES TO: Hartford, Enterprise 6011 — Portland, Enterprise 7008 — Providence, Enterprise 7008 — Detroit, Enterprise 6066

FDIC Liquidates Debt to Treasury

Makes final payment of $289 million loan.

Chairman Maple T. Harl of the Federal Deposit Insurance Corporation announced on Aug. 30 that its debt to the Treasury, originally amounting to $289 millions, has been completely liquidated. The amount was advanced 14 years ago at the inauguration of the FDIC and has been gradually repaid from the receipt of premiums from the 13,500 banks whose deposits are insured. In the meantime, the FDIC has built up a reserve of $1 billion, considered ample for the insurance of about $160 billion of bank deposits.

Maple T. Harl

According to Chairman Harl, the country is now in the fifth year without loss to any depositor in a Federally insured bank. "This is an all-time record for depositor safety," Chairman Harl said. "We believe that sound banking management and vigilant supervision will make bank failures a rarity in the future."

"We hold," Mr. Harl added, "that the American system of free enterprise banking, with Federal and State authority sharing credit and responsibility, is the right answer to America's banking needs."

"As the last major system of free enterprise banking in the world, it represents not only a symbol but a bulwark of our American way of life."

Reports Midwest Super-Exchange Planned

New York "Times," in special dispatch says project proposes centralization in Chicago of midwest local exchanges.

According to a St. Louis special dispatch in the New York "Times" of Aug. 30, a plan is on foot to consolidate six local exchanges in mid-western cities into a single exchange to be located in Chicago. According to the dispatch the plan would include the Exchanges at Chicago, Detroit, Cleveland, Cincinnati, New Orleans and St. Louis. Informal meetings to discuss the proposal have been held by Exchange officers and another meeting has been set tentatively for next month in Chicago.

The purpose of the plan is to offset the defection of business from small exchanges to the New York market. It is expected the consolidation would serve to attract business from large firms now listed on the New York Stock Exchange. The proposed Exchange would have agencies in other cities which would be served by tickers and teletype machines.

No information on the proposed merger has come directly from officers or agents of the local Exchanges involved, and James E. Day, President of the Chicago Stock Exchange, is reported to have stated that the news that has leaked out "is premature." Chicago press advices of Aug. 31 quoted Mr. Day as stating that "I've gone around and talked to exchanges and presented some ideas for merging, but nothing has been settled and all parties have not even been contacted as yet. There has been no thought of merging as competition with the New York Stock Exchange. We already have our markets and the idea is to make what we have healthier by elimination of duplicating overhead expenses."

John O. MacFarlane, Executive Vice-President of the Detroit Stock Exchange, termed the idea "strictly conversation" and indicated that the merged exchange, if effected, would specialize in stocks of mid-West corporations and companies and in municipal bond issues.

Richard A. Gottron, President of the Cleveland Stock Exchange, said committees from the various exchanges are expected to meet in Chicago during September for further discussion.

Virtually all the stock listed on the several regional exchanges would be transferred to the new board, Gottron said, with the result there probably would be 250 to 300 good trading issues, including about 100 issues dually traded in New York. Membership in the new exchange would approximate 260, and every member would be able to make a 100% commission, less only his floor brokerage charges, on every transaction completed, Gottron said.

According to the New York "Sun," Emil Schram, President of the New York Stock Exchange, said "if the plan is to develop a larger market in local issues not now listed it would be a good thing, but if it means dilution of the present market, I cannot see any advantage to the investing public."

FHLB Notes on Market

Public offering of $120,000,000 Federal Home Loan Banks' consolidated non-callable notes, 1¾% series D-1949, was made Aug. 31 by the Federal Home Loan Banks through Everett Smith, fiscal agent. A country-wide selling group of securities dealers participated in the offering. The notes, to be dated Sept. 15, 1948, and to mature Sept. 15, 1949, are priced at par.

Part of the proceeds from the offering will be used to refund $85,000,000 series A-1948 1¼% consolidated notes maturing Sept. 15, 1948. The balance of the proceeds will be used to meet the loan and other requirements of the banks. The banks' outstanding advances to member institutions on Aug. 12, last, totaled $480,202,116, compared with $475,247,656 on June 30, 1948.

The notes are the joint and several obligations of the 11 Federal Home Loan Banks.

Austria Joins Fund And World Bank

The Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development were signed on Aug. 27 by Dr. Ludwig Kleinwaechter, Minister of Austria, on behalf of Austria.

Austria's quota in the International Monetary Fund is $50,000,000 and its subscription to the capital stock of the bank is 500 shares of a total par value of $50,000,000.

The application for membership of Austria was approved by the Boards of Governors of the International Monetary Fund and the International Bank in March, 1948.

Iowa Inv. Bankers to Hold Field Day Sept. 23

DES MOINES, IA.—The Iowa Investment Bankers Association will hold their annual field day Sept. 23 at the Hyperion Club, with breakfast at the Hotel Savery. Reservations may be made through Harry L. Westphal, chairman of the committee, at the Iowa-Des Moines National Bank & Trust Co. Golf and other forms of amusement have been planned for the day.

Registration fee is $15 for members and $20 for guests.

Courts & Co. Move to Larger Offices in NYC

Courts & Co. announce removal of their New York office to 52 Broadway where larger space enables them to expand present clearing operations and render more comprehensive facilities to their Eastern connections. This move will also augment brokerage and investment services available through their nineteen offices located in the South.

Operations of the New York office will be under the direction of Paul D. deGive, Reginald L. Auchincloss, and David S. Paterson all of whom have been with Courts & Co. for some time past.

Digitized for FRASER
http://fraser.stlouisfed.org/

Sees Expanding Television Field

Frank M. Folsom, Executive Vice-President of Radio Corporation of America, predicts nation-wide setup of video by 1952.

In an address before the Western Radio and Appliance Trade in San Francisco on Aug. 4, Frank M. Folsom, Executive Vice-President of the Radio Corporation of America, in charge of its Victor Division, reported a rapid expansion of the use of television and predicted that video broadcasting would cover the entire country by 1952. Speaking on this topic, Mr. Folsom said:

Frank M. Folsom

"Television is a big field, big in every sense of the word. While its major conception is that of a new medium for home entertainment—as a most powerful force in selling American goods and services, television also has application in non-entertainment fields. We can envision for it a major role in industry, in religious teaching, in education, and in the military field.

The war speeded developments in military uses of television. Great progress was made, and before the war ended, television was finding important usefulness in drone planes and guided missile work. Television will more than ever contribute tremendously to our country's present and future welfare.

In this connection, I'd like to read you a few sentences from a letter sent to me only this week by Vice Admiral W. A. Radford, Vice Chief of Naval Operations.

"The future possibilities—from a naval point of view alone—are amazing to me," Admiral Radford writes. "In training work, we can use television where we had to make films in many cases. At sea—in the task forces—television can, and undoubtedly will, take the place of some of our voice maneuvering circuits, cutting down the noise level in the flag plotting rooms. I can think of many, many other uses — television will be commonplace with us in a few years, I know."

In the field of education, television promises to be the long-sought method for the teaching of medicine and surgery. Last June, at the American Medical Association Convention in Chicago, our organization had the privilege of demonstrating for an audience of some 12,000 physicians and surgeons how television can find usefulness as an educational medium. We installed television cameras and microphones in the operating rooms at Passavant Memorial Hospital, a transmitter in the hospital, and 60 receivers at Navy Pier, at Northwestern University Medical School, and in other locations.

For an entire week, these physicians and internes saw such clear, close-up views of operations and clinical procedures that it was as though they were standing behind the surgeon, looking over his shoulder.

After this demonstration, Dr. J. Roscoe Miller, dean of the Northwestern Medical School, declared: "A revolution in teaching methods is in sight. . . . No longer will the physician and student be limited by too great a separation from the subject as they are now by observing from surgical amphitheatre galleries. With television, all students see exactly what the demonstrating surgeon wishes them to see. This is only one of the many potentialities of television in improving the teaching of medicine."

In the work of spreading religious understanding, in the dissemination of religious training, television will find an important role. By familiarizing hundreds of thousands of members of the television audience with what goes on in the other fellow's church, television can indeed strengthen inter-religious understanding.

Recently, the Episcopal Church ordained a new Bishop of the Diocese of Western New York. Abount 30,000 persons witnessed this ceremony. Obviously, no church could accommodate this number of people. Television provided the means. Thirty receivers were installed in as many churches in Buffalo and surrounding towns, and the various congregations viewed the televised ceremony in their own churches.

I'd like to read to you the comment made by the new Bishop, Dr. L. L. Scaife.

"Television's educational value to religion is extremely great," Dr. Scaife said. "While it can never take the place of actual attendance at church services—it can vitally supplement and enhance the religious teachings of the church."

And then the new Bishop added: "I can forsee television receivers in churches, parish houses, and other departments of the church where they will prove an invaluable educational medium!"

By bringing a wide variety of news, entertainment and sports programs to their bedsides, the "personal theatres" of television have made confinement much more bearable to men in veterans' hospitals and to hundreds of shut-ins.

Many schools and organizations interested in adult education have found in this service an effective educational tool. Our culture and knowledge have been advanced through television visits to museums, art centers, the theatre, opera, and ballet.

Last winter, television programming was given a tremendous boost when NBC and the Theatre Guild combined to present a series of Theatre Guild hit plays on television. The Kraft Television Theatre is another example of what is being offered to televiewers in the way of dramatic programs. The success of these programs led "Variety," the trade paper, to forecast that the day may come when a playwright may make more money from television than he does from having his show produced on Broadway.

Proud as we are of the business stature television has attained, we're even prouder of the many excellent ways in which it has served and will continue to serve humanity.

Booms Beyond Expectations

Postwar commercial television is almost two years old. In that time it has boomed beyond the expectations of its most enthusiastic leaders. There are other ways of charting that boom—but I'd like to mention a more unique one.

Recently, David Sarnoff, President and Chairman of the Board of the Radio Corporation of America, was in receipt of a letter from Sir Louis Sterling, prominent British business executive. Mr. Sterling wrote that he had just seen a copy of the special television section which the New York "Times" had published in June, and his comment was:

"What a big development from the early days of television, to think that the New York "Times" should devote a special section of 28 pages to that one subject. It ought to help boom the television business immensely. . . . In my opinion, the volume of sales of television sets will be many times as big as the best radio year."

That's the viewpoint of a business executive of Great Britain.

Now I'd like to give you a view of television as seen by perhaps this country's smartest business consultant. This man is not a headline seeker, but there is none whose counsel and views are taken more seriously in business circles. I refer to Amos Parrish, merchandising consultant, whose clients do a business volume of $7 billion annually.

Just about a year ago, Mr. Parrish decided to look into television, and one of the first things he did was to install a television set in his home. In the July issue of a little magazine he issues to his clients, Mr. Parrish set down some thoughts which I'd like to quote at some length because of their tremendous importance to retailers.

"Television," he reports, "is the biggest thing since radio. And it will outsell radio in selling goods, many to one, because it appeals to your eyes as well as to your ears. And the eyes are still the windows to your soul—especially your buying soul."

What does the televiewing public gets out of television? Amos Parrish answers it this way:

"When Toscanini's masterful leadership of his wonderful orchestra was first televised, we found ourselves bawling like a baby. But, as they say in the oration, unashamed. Was this telecast twice as effective as rado? No . . . it was more nearly ten times as effective.

"The television coverage of the Republican Convention in Philadelphia was nothing short of thrilling," Mr. Parrish writes. "Television viewers saw more than any delegate—including the front-rowers—just as they do at any television event."

Let me add that those comments are well worth your consideration, because the foundation of television's success is just that type of service.

I'd like to add a few words about the televising of the political conventions.

There can't be any doubt in anybody's mind that television received its greatest impetus at these conventions. It has been estimated that about 10,000,000 people sat in on the conventions by television.

"Radio Daily," the important trade paper, had this comment . . .

"The closing session of the Democratic Convention clearly emphasized television's most breathtaking and inspiring job to date. Scanning of President Truman as he boarded his special train in Washington and his arrival at the Philadelphia station was stark drama at its realistic best.

"NBC-Life's scanning of the Chief Executive and his party was perhaps the finest example yet of what television can do when assigned a major news event, whatever the barriers."

I ask you this: Doesn't that explain why television has caught on like wildfire? Can anyone have any doubt as to its future?

Let me quote again from Amos Parrish:

"We don't know and we don't want to know what's in a television set because we don't understand it. But we do know there is one thing—one of the elements that makes up the future of America—and that means it has no limits.

"That no-limit element is a combination of excellent reporting, teaching, entertaining, selling. This element says in undebatable terms: 'Stop, Listen, and LOOK!' And people will not only 'Stop, Listen, and Look'—but they will ALSO buy."

Cites Indications of Downward Business Trend

Robert C. Swanton, Chairman of Business Survey Committee of National Association of Purchasing Agents, gives composite opinion of its members. Sees basing point pricing change a factor in price situation.

According to the report of the composite opinion of members of the Business Survey Committee of the National Association of Purchasing Agents, whose Chairman is Robert C. Swanton, Director of Purchases of the Winchester Repeating Arms Corporation, general industrial business this Summer has maintained the gains made from March to June, but has leveled off on that high plateau and now shows some indications of a downward trend. Production is slightly off from June, largely reflecting the vacation shutdowns which are more prevalent than in past years. Backlogs of orders, which started to grow in April, have shown no increase since June, although supported by more intensive and agressive sales efforts. Commenting on the reasons for this situation, purchasing executives mention prices as being too high — greater availability of many noncritical items, agricultural market weakness, and the lack of any incentive for forward buying beyond known requirements.

Robert C. Swanton

Basing point pricing changes came in for much discussion in the reports. It is apparent that more business is adversely affected than helped by the switch to F.O.B. shipping point. Many hold the opinion that the real effect of eliminating basing point pricing cannot be measured until the commodities involved are distributed under more competitive conditions.

The over-all business picture is still good, but future developments seem less certain.

Commodity Prices

The sharp upswing in prices, following the Summer wave of wage increases covered more materials and had effect on more business than in any period since price decontrol. Some prices advanced beyond the amount justified by the immediate wage increase, indicating a passing along of accumulated cost increases from freight rate and price adjustments. Buyers point to growing public price resistance—products being priced out of the markets—and look on this last upsurge of prices as creating an unstable and top-heavy price structure. Bumper crops here and abroad can further reduce prices of sensitive farm products and may have an influence on other markets.

Inventories

The tendency is to "live off the fat" where any fat exists. The trend to build up stocks, reported in May and June, has been reversed as more Purchasing Agents report inventory reductions. Critical materials inventories cannot be built up. Others, in easing supply, need not be carried beyond balanced requirements, in view of high prices. Today's 60-day can become tomorrow's 90-day supply rather quickly. Purchased materials inventories are not considered too high for current production schedules.

Buying Policy

Only those requiring commodities and equipment having a longer lead time for production schedules have a policy of over 90 days. The buying policy trend is definitely changed to 30-60-day commitments, as compared to the previously reported movement toward 90-day commitments. High prices, which many believe have reached a leveling off place, with back orders slowing down and production growth seemingly halted, support the restricted inventory policy and shortened future coverage of buying policy. More need for caution is repeatedly expressed in the reports.

Specific Commodity Changes

The longest list of price increases ever reported in one survey period followed the price raises in basic commodities — steel, coal, copper, lead, zinc and tin. The entire list is too long for publication in this report; only the materials in most general use are listed. Contrary to general belief, all prices have not increased. A substantial number of important commodities have shown declines.

Up were: abrasives, automotive, aluminum, bearings, copper and brass, cadmium, cellophane, cement, cigarettes, coal, coke, electrical equipment, firebrick, graphite, iron, steel, lead, machinery and repair parts, office furniture, opticals, phenol, printing, pumps, refractories, rubber products, sulphuric acid, tin, tools, valves, wire, wood pulp, zinc and zinc products.

Reported down: alcohol, air hose, poorer grades of coal, vegetable oils, grains, sugar, hides, leather, southern pine, Douglas fir, mercury, synthetic resins, screw machine products, shellac, silver, soap, stearates.

In tight supply: aluminum, boxcars, building materials, cadmium, cement, chromic acid, copper, pig iron, scrap, lead, nails, nickel, pipe, steel, steel drums, tin, zinc.

Easier to get: coal, containers, fuel oil, gasoline, air dried lumber, paper, paraffine wax, soda ash.

Employment

Pay rolls climbed a little in August, with important strikes out of the way, plus some seasonal employment increase. Skilled help is short in several areas. Many small plants are reported on short time. A pickup is noted in textile activity.

Canada

Production is holding to high levels; back orders slightly down, as in the United States. Prices are up, withdrawal of government subsidies being a factor. Inventories being maintained; employment up; buying policy 30 to 90 days, with the target about 60 days.

40 Years in Detroit For Hornblower & Weeks

DETROIT, MICH.—The fortieth anniversary of the Detroit office of Hornblower & Weeks was observed Sept. 1. A reception was held at the firm's offices in the Penobscot Building, which was attended by leading bankers and securities dealers and other business associates of the firm.

In connection with this anniversary, the firm acknowledges the 25-year service record of four of its Detroit employees: George R. Toms, a registered representative, who became an associate of the firm in 1919; Cecil F. Downey, office manager, who started in 1920; Fred R. Husk, a registered representative, who started in 1922 and Ralf A. Crookston, manager investment department, who started in 1923.

gitized for FRASER
tp://fraser.stlouisfed.org/

NATIONAL SECURITIES SERIES

Prospectus upon request from your investment dealer, or from

NATIONAL SECURITIES & RESEARCH CORPORATION

120 BROADWAY, NEW YORK 5, N. Y.

BULLOCK FUND, LTD.
DIVIDEND SHARES, INC.
NATION-WIDE SECURITIES CO.

Prospectuses available from Investment Dealers or

CALVIN BULLOCK

Established 1894

Manhattan Bond Fund

INC.

Prospectus from your Investment Dealer or

HUGH W. LONG & CO.

INCORPORATED

48 WALL STREET, NEW YORK 5, N. Y.

LOS ANGELES CHICAGO

Keystone Custodian Funds

Certificates of Participation in INVESTMENT FUNDS investing their capital

IN

BONDS (Series B1-B2-B3-B4)

PREFERRED STOCKS (Series K1-K2)

COMMON STOCKS (Series S1-S2-S3-S4)

Prospectus from your local investment dealer or

The Keystone Company of Boston

50 Congress Street

Boston 9, Massachusetts

Mutual Funds

By HENRY HUNT

"If I Were a Retail Salesman"

The 10th article in this series was written by A. J. Wilkins, Director of Distribution of **Wellington Fund** which has on outstanding sales record in recent years not to mention an excellent performance record as well. Under the leadership of Walter L. Morgan, the Wizard of Walnut Street, **"Wellington"** is the largest balanced fund in the East with net assets of nearly $60,000,000.

A veteran of World Wars I and II (though he doesn't look a day over 45), Mr. Wilkins had years of experience both as a retail salesman and in training retail salesmen before he joined **"Wellington"** 13 years ago.

In his spare time Mr. Wilkins is a gentleman farmer at Paoli, Pa., where he raises steaks on the hoof and grows various types of cattle food.

"Multiple Purchase Program"

The Commonwealth Investment Company of San Francisco, one of the better managed mutual funds, is now shooting at the little fellow for business with its new "Multiple Purchase Program." The only requirements are that the initial purchase be at least $50 and subsequent purchases a minimum of $25 each. All dividends are automatically reinvested at net asset value. Designed to foster systematic investment of savings, the investor pays only the regular "load" and loses no extra commission if he discontinues his payments or decides to sell out. We heartily approve of this idea in theory and hope it develops that dealers and retail salesmen will go after this type of business.

New Television Fund

Organization of **Television Fund, Inc.,** the first open-end investment company specializing in securities in the field of television, electronics and radio, was announced in Chicago recently by a group of business and financial men headed by Chester D. Tripp.

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 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 Company; Russell H. Matthias, Attorney, and Herbert H. Taylor, President, Franklin County Coal Co. The Irving Trust Company, New York City, is Custodian of the Fund.

How Inflation Works

The following sentence was culled from "These Things Seemed Important," issued by **Selected Investments Company of Chicago:**

"At a time when demand for goods exceeds supply in many basic industries and when labor is short and national income high, we find the armed forces need more men, defense and ERP require more materials and the Federal Government is faced with another prospective deficit."

"Bird in the Hand"

"The trend of dividend payments is all-important to all shareholders—not because dividend income will make them millionaires (certainly not under the present tax system, which in effect, taxes dividends both before and after they reach the shareholder), but because it apparently has a more tangible bearing on the trend of stock prices than other business statistics. The reason for the superior correlation of stock prices and dividend payments must be investor-thinking along the old line of 'a bird in the hand,' because there is no doubt that sales, earnings and working capital are important indicators of the general state of business health. In any case, evidence of an upward trend of dividends is usually a powerful stimulant to the stock market.

"Corporate dividends have been on the rise now since 1943, although it was a very modest rise throughout the balance of the war years and through the uncertain strike-ridden days of the first three-quarters of 1946. But from the fourth quarter of 1946 onward, they have climbed more rapidly, and in the last 12 months corporate dividends have gone up at a rate equal to that of the late '20s.

"And what is more, in view of the probability that a high level of business activity and profits will be maintained for several years, plus the actuality of the low ratio of dividends to earnings (39% of net income in 1947 vs. 76% in 1939 and 70% in 1929), it would not surprise us to see dollar dividend payments reach or pass the 'flood stage' sometime in 1949 or 1950. Total dividends to shareholders in 1947 amounted to $6.8 billion, an all-time high, compared with $4.7 billion in 1937 and $5.7 billion in 1929.

"All of this is especially important to investment company shareholders, because the large majority of these companies pay out all income from portfolio investments (after deducting expenses). And the upward trend in investment company dividends to shareholders from investment income, already very apparent in 1947 and continuing thus far in 1948, is a very welcome 'bird in the hand' in these high-cost-of-living days.

"From the 13% increase that took place in corporate dividend payments in the first quarter of 1948, as compared with the same period of 1947—according to the Department of Commerce figures—they can still apparently climb some more. Once the expanded production capacity and improved plant equipment is paid for and the earnings begin to come through to net, it is certainly reasonable to expect that a much larger percentage of net income will be paid out in dividends than the recent low 39%. A conservative estimate of total corporate dividends for the full year 1948: 15% above those for 1947—or $7.8 billion."—**The foregoing is quoted from Arthur Wiesenberger's "Investment Company News."**

"If I Were a Retail Salesman"

(10th of a Series)

By A. J. WILKINS

Director of Distribution, Wellington Fund

I would say to my prospect—Mr. Jones, you will be interested, I am sure, in an investment that will give you in a single security a complete investment program, assurance of reasonable and continuous income, convenience, ready marketability whenever you need cash, and an ideal medium for building a fund for your future retirement, for the education of your children, or for any other purpose you may have in mind.

A. J. Wilkins

You can get all of these features in the security I am recommending—which is the shares of Balanced Mutual Funds.

By "complete investment program," I mean that Balanced Funds give you all the diversification you need; their portfolios are divided not only among many individual companies, but also among different industries and different types of securities—bonds, preferred and common stocks. The managements of these Funds are constantly adjusting these holdings to meet changing economic and market conditions.

The "assurance of reasonable and continuous income" is provided by this three-way diversification. In other words, you do not put "all your eggs in one basket." The net income which these Balanced Funds earn on approximately 150 carefully selected, well diversified investments is paid out to their shareholders four times a year.

The convenience, which these Balanced Funds provide, is first of all relief from making your own investment changes, which are made for you by the experienced managers of these Funds. Secondly, the combining of the income on more than approximately 150 investments into only four checks a year simplifying your accounting and income tax problem. You are, also, relieved of frequent trips to your safe deposit box.

"Ready marketability" is provided by these Funds because they agree to redeem their shares at their exact liquidation value.

They "provide an ideal medium" for building up a fund for retirement or other purposes, because after your first investment, into which I recommend you put all of your idle funds, you should seriously consider a periodic investment program for adding to your shares. I suggest a convenient way for you to do this is to set aside a definite sum each three months to buy additional shares. I also suggest that if you do not need the current dividend income that you reinvest all of your dividends. In this way you will be continuously building up a sizable fund for your future needs. I will be glad to have my firm send you a bill every three months so that this investment program can be automatic.

We are recommending X Balanced Fund because of its excellent long-term management record. (I would then point out the important features in the Prospectus and in the sales literature such as management policies and objectives, dividend record, price range, safeguards, costs, etc.)

I recommend the purchase of this Fund which will give you all the advantages I have mentioned, plus all-important continuous experienced investment supervision. The managers of this Fund who, incidentally, have large personal investments in the Fund, devote their full time to the job of investing. They are trained men of long experience as investment managers, and you will agree, I believe, that these experts, devoting all of their time to the job, can do better than the average investor can do for himself. In your own case I know your business takes up practically all of your time, and that you have little or no time left to look after your own investments. By investing in this Fund you will have the same peace of mind regarding your investments that you get when you assign some important business problem to a trusted and able assistant.

WELLINGTON WF FUND

75th Consecutive Quarterly Dividend

This dividend of 20c per share from ordinary net income is payable September 30, 1948, to stockholders of record, September 15, 1948.

WALTER L. MORGAN
Philadelphia President

Mallory, Adee & Co. to Admit Two Partners

Mallory, Adee & Co., 120 Broadway, New York City, members of the New York Stock and Curb Exchanges, have admitted George E. Hite III and William S. Wellington to partnership on Sept. 1. Mr. Wellington was formerly a partner in Arrowsmith, Post & Welch.

On Aug. 31, William S. Sagar and Alfred V. Smith retired from partnership in Mallory, Adee & Co.

Digitized for FRASER
http://fraser.stlouisfed.org/

LETTER TO THE EDITOR

Disagrees With Contention That Price Rise Has Been Moderate

W. J. Wilckens holds in view of increased money supply and supply of goods normal price rise should be 49% instead of current increase of 70%.

Editor, The Commercial and Financial Chronicle:

I would like to express my disagreement with the conclusion drawn from the interesting facts contained in Mr. Stanley Dickover's article in your Aug. 26 issue.

I am in agreement with him that the primary inflation is in the money supply (bank deposits and currency), which increased from $63 billion in 1938 to $166 billion in 1948, or 163%, most of that increase occurring prior to 1946 and during the period when production of goods was severely restricted and shortages developed.

Mr. Dickover concludes that since purchasing power increased 144% (adjusted for population increase), we are very fortunate indeed that the cost of living has increased only 70%, and that it is miraculous that the increase has not been greater. He then cites the increase of 76% since 1939 in the physical volume of industrial production, based on the Federal Reserve Index, as probably the most dynamic restraint on price inflation since the war ended. I agree, but I also feel that he has understated its effect.

If a normal supply of goods—1G — is poured into a normal money supply—1M—it will produce a normal price—1P.

If the supply of goods is 1.73G, and the money supply is 2.63M, the price in a normal, unregulated market should be 1.49P $\frac{(2.63M)}{(1.76G)}$ indicating a normal price increase of 49% compared to the current 70% increase.

There are many reasons why the cost of living is 20 points higher than it should be, some of them being self-corrective, such as continued shortages of or abnormal demand for cars, houses, etc., temporary relief shipments to foreign nations, etc. When these factors disappear, as they eventually must, and soon, if industrial production continues unhampered, there should be a decline in the cost of living which will bring it in a normal relation to the money supply, unless the government persists in its unwise tinkering with prices, which is also part of the present abnormally high costs.

Mr. Dickover's conclusion that the price trend may continue upward for a generation or more seems to me to discount too much the power of our "superb, flexible productive mechanism" to produce more goods at lower prices for more people, which is the greatest argument we have in support of our economic system.

Perhaps, as a lay economist, I am speaking out of turn in questioning experts, but unless I express myself I'll never know where my thinking is wrong. Let that be the excuse for this letter.

W. J. WILCKENS.

Aug. 26, 1948
Fifty Church St.
New York, N. Y.

N. Y. City College Offers Finance Courses

Instruction under supervision of Oscar Lasdon, member of New York Stock Exchange.

Courses covering the operation and function of the American financial economy are being emphasized by the City College School of Business, 17 Lexington Avenue, New York City, in its evening session curriculum for the 1948 Fall Term. Under the supervision of Oscar Lasdon, member of the New York Stock Exchange and Associate Editor of "The Banking Law Journal," the Credits & Finance Division is offering a practical orientation in finance with the assistance of qualified specialists in the field.

Included in the curriculum are the following subjects and instructional personnel:

Investment Banking—Leonard F. Howard, Secretary of the General American Investors Corporation and former Financial News Editor of the "Journal of Commerce"; Banking Practices—John F. Moynahan, Legal Investment Division, New York State Banking Department; Current Investment Problems—Rudolph F. Weissman, economist and former special consultant to the Securities and Exchange Commission; Principles of Investment—Leonard Fischer, of Merrill Lynch, Pierce, Fenner & Beane, and Albert W. Ambs, of the National City Bank; Business Financial Management—Francis Perrotta, National Credit Office; The Security Markets—Philip B. Wershil, member of the New York Bar; Factors & Finance Companies—Walter S. Seidman, of Jones & Co.

In addition, the Credits & Finance Division offers several courses dealing with mercantile and retail credits and collections.

Factors and Finance Study Opens at CCNY

A comprehensive course on "Factors and Finance Companies," sponsored by the National Conference of Commercial Receivable Companies, is also being offered by the Evening and Extension Division during the 1948 Fall Term.

The Evening and Extension Division is pioneering in this field and this will mark the first time in the history of any educational institution in the United States that such a course has been offered.

The program of study planned for the course is designed to provide a broad and fundamental understanding of the many phases of the finance business, including factoring, financing of accounts receivable, inventory loans, import and export finance, and instalment sales financing. The course will be directed by Walter S. Seidman, partner of Jones & Co., and a member of the New York Bar.

Laird Bissell Absorbs H. F. Boynton & Co.

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, announced that the business and personnel of H. F. Boynton & Co. Inc. have been merged with the former firm. Herbert F. Boynton and Elwood D. Boynton have joined Laird, Bissell & Meeds as general partners, as previously reported in the "Chronicle" of Aug. 19.

Sees U. S. Controlling World Gold Price

"Barclay's Bank Review" holds there is ground for raising official price of gold as an aid in increasing production, but points out U. S. is not likely to favor this action because of its inflationary effects.

In an article, captioned "The Price of Gold," "Barclay's Bank Review" for August, a quarterly publication of Barclay's Bank, Ltd., of London, calls attention to the rigidity of the price for gold, despite mounting levels of all other prices, and the effects of this situation in causing reduced world gold production as well as depression in gold mining industry in South Africa and elsewhere. According to the article:

Gold is one of the very few commodities the price of which has not increased since 1939. That claim must be carefully defined. It refers to the official price of gold and, more particularly, to the price paid by the United States Treasury. This has stood at $35 per fine oz. since the dollar was devalued in 1933. The sterling price, disregarding the small adjustments made to allow for changes in shipping and insurance costs, has been at the present figure of £8 12s. 3d. per oz. since 1939. These are official prices and it may be argued that for this very reason they signify little. It is true that where free markets exist gold is quoted well above these figures. In terms of dollars (thus avoiding the complication of the dollar-sterling cross rate in these free markets) the price of gold in Alexandria is about $65; in Bombay $91; in Hongkong $68; and much nearer home, in Paris, it is $76. These are the prices which willing buyers are prepared to pay to willing sellers and they therefore reflect a truer measure of the value of gold in terms of dollars, and of all that can be bought with dollars, than the fixed official quotations. Nothwithstanding this fact, the free price for gold today is of only minor significance to gold production, which is mainly concerned with the rigidly fixed official quotations. However artificial they may be, these official prices are those at which the bulk of the international traffic in gold is effected. Even more important, they are those at which most of the newly-mined gold in the world has to be sold.

The rigidity of the selling price for gold and the mounting level of all other prices have caught the gold producer in their tightening grip. His profits have fallen, and a good deal of gold which might otherwise have been produced has been left to lie unmined because prices are not sufficiently remunerative. World gold production, which rose from 19,200,000 ozs. in 1929 to 41,000,000 ozs. in 1940, had fallen back to 27,700,000 ozs. in 1947. The experience of these 19 years has reminded the world of the fact that gold producers do well in times of deflation and badly in times of inflation. The truth of this general proposition became recognized in gold standard days when the price of gold was inexorably fixed. But this peculiar relationship between the profitability of gold production and the movements in the general price level has changed since the currency price of gold came to acquire greater elasticity than it had in gold standard days. Gold production now can be influenced not merely by movements in the general level of other prices and therefore of costs, but by changes in the currency price of gold.

Far from neutralizing one another these two influences tend to pull in the same direction. This is because when deflation and falling prices rule in the world, monetary authorities are predisposed to seek refuge from their difficulties in a devaluation of their currencies in terms of gold. It was in circumstances such as these that sterling was depreciated in 1931 and the dollar devalued in 1933. Conversely, when prices are rising and inflationary forces lurk in the economic situation, the thoughts of the authorities will not normally run to devaluation. On the contrary, if they think in terms of monetary correctives they will envisage an increase in the value of their currency in terms of gold, i.e., a lowering of the currency price of gold.

In the present era of managed currencies, therefore, the normal effect of inflation and deflation on gold production will tend to be reinforced by changes in the currency price of gold. The 1930's provided many examples of the two-fold benefit of falling costs of production and a higher currency price of gold. This double impact explains the abnormal increase in gold production in the 1930's. An example of the adverse double impact is provided by the recent fate of gold mining in Canada, where the deterrent of mounting costs has been supplemented by the 10% appreciation of the Canadian dollar ordained in 1946 precisely to ward off the inflationary dangers in the economic situation.

The compression of profits between rising costs and a fixed price for gold can be illustrated by data for South Africa, the most important of the world gold producers.

The fate of gold production in South America has been typical of what has occurred in most of the other important gold producing countries. This will be seen from the following estimates of gold production given in the latest annual report of the Bank of International Settlements.

Is this decline in world gold production to be deplored? Rationalists may answer "No," arguing that, at this of all times, the world should find better ways of using its resources than in digging gold from the earth merely to rebury the bulk of it in another hole. They could reinforce their argument by pointing out that gold has lost most of its significance as the basis of currency and credit and that oscillations in world prices and in the general level of economic welfare no longer synchronize with fluctuations in the output of gold. But the fact is that gold provides the readiest means of earning hard currencies—not merely dollars but all the others in the descending scale of scarcity. For that reason alone the production of gold deserves a high priority, in keeping with the urgency of filling the dollar gap that faces the world outside the United States. We could do today with the ten million ounces of gold a year by which production in countries other than the United States exceeded in 1940 the figure for 1947.

Post war attempts to stimulate the production of gold have so far taken the form of granting more or less veiled subsidies to gold producers. The most important of these has been that granted in Canada. Last November the Canadian Finance Minister announced his intention to increase from $35 to $42 the price paid for domestic newly-minded gold. This proposal was objected to by the International Monetary Fund on the ground that it would involve setting up differential prices for gold and was thus contrary to the obligations undertaken by Canada as a member of the Fund. By a slight amendment in their proposals the Canadian authorities found it possible to reconcile their obligations to the Fund with their desire to subsidize the domestic gold industry. This was done by shifting the impact of the subsidy from the buying price for gold to the costs of production and transferring part of the costs exceeding $18 an ounce to the Canadian Government. The Government of Southern Rhodesia, undeterred by the fate of the Canadian proposal and perhaps encouraged by the fact that Southern Rhodesia is not a direct member of the International Monetary Fund, decided recently to increase the price paid for domestic gold from 172s. 6d. to 200s. per ounce, without, however, thereby changing the parity of their currency. More will no doubt be heard on this from the Fund in Washington. Proposals to subsidize gold mining, either

Year	Production: Ore milled Million tons	Production: Gold output Million ozs.	Working Costs Per oz. (2) s.	d.	Working Profit Per ton (1) s.	d.	Dividends Per ton (1) s.	d.
1936	48.2	11.0	82	3	13	4	7	2
1937	50.7	11.3	84	9	12	7	6	9
1938	53.8	11.7	88	4	11	10	6	5
1939	58.3	12.4	91	8	12	3	6	10
1940	64.5	13.5	98	6	14	9	6	6
1941	67.3	13.9	102	6	13	7	5	9
1942	67.0	13.6	104	4	13	0	5	3
1943	60.0	12.3	106	11	12	8	5	1
1944	58.5	11.8	112	11	11	3	4	8
1945	58.9	11.8	118	10	10	10	4	5
1946	56.9	11.5	127	4	9	3	4	9
1947	53.7	10.7	133	4	8	0	4	5

(1) Per ton of ore milled. (2) Per oz. of gold won.

Gold-producing countries	1929	1940	1944	1945	1946	1947
	Weight, in thousand fine ozes.					
Union of South Africa	10,412	14,038	12,277	12,214	11,918	11,198
Canada	1,928	5,311	2,923	2,697	2,832	3,069
United States	2,208	6,003	1,022	929	1,625	2,321
Australia	426	1,644	658	657	824	875
British West Africa	208	939	545	548	586	630
Rhodesia	562	833	593	568	545	552
Mexico	652	883	509	499	418	400
Colombia	137	632	554	507	437	383
Belgian Congo	173	555	356	343	320	308
Nicaragua	12	155	225	200	182	210
Chile	26	343	204	179	231	200
India	364	289	187	170	131	173
Peru	121	281	175	173	160	160
Brazil	107	264	178	195	170	134
New Zealand	120	186	142	125	131	100
Venezuela	43	147	59	58	50	50
Other Countries (estimated)	1,701	8,497	7,393	6,938	6,940	6,937
Estimated world production	19,200	41,000	28,000	27,000	27,500	27,700
	Value in million dollars (at the present rate of $35 per oz. of fine gold)					
Estimated world production	672	1,435	980	945	963	970

(Continued on page 32)

Digitized for FRASER
http://fraser.stlouisfed.org/

Canadian Securities

By WILLIAM J. McKAY

The spectacular mineral and oil discoveries which have recently captured the headlines on the Canadian publicity front have almost completely overshadowed a news item of even greater significance in the Canadian economic scheme. Close observers of the Canadian situation have long appreciated the fact that the greatest impediment to full economic development of the Dominion is the highly inadequate population ratio in relation to the size and growth potential of the country. With an area surpassing that of this country and an unrivalled wealth of undeveloped natural resources in a world of growing scarcities, the Canada's glaring inadequacy of population presents a challenge not only to the Dominion but also to the world at large.

It is therefore gratifying to note that according to the annual estimate of the Dominion Bureau of Statistics that Canada's population as of June 1st this year attained a total of 12,883,000 and showed a record increase of 301,000 over the figures of the previous year. This increase which follows the previous record advance registered a year ago when the population gain was 275,000 is a clear indication that the new and more vigorous Dominion immigration policy is now bearing fruit. Up to a few years ago the Canadian immigration laws tended to impede rather than encourage the entry from abroad of would-be Canadian citizens, and it was largely due to the laudable efforts of the Immigration Division of the Canadian Pacific Railway that the population of the Dominion reached even its present lowly total.

In view of the recent promising results following a positive rather than a negative approach to the immigration problem the Canadian authorities should now be encouraged to make further constructive efforts. At the present time this task is greatly simplified in view of the current urge to emigrate on the part of large numbers of the dissatisfied peoples of various European countries and the growing publicity given to the obvious scope for development of the vast empty spaces of the North American continent. The international outlook of the new Canadian Premier, Mr. St. Laurent, and his ability as a French-Canadian to pay less heed than his predecessor to the delicate political considerations involved in any foreceful treatment of the immigration question, should further enhance the prospects of accelerated action to attract new immigrants.

Canada has one of the greatest assets in the world in her fabulous 2,000,000 square-mile area of Laurentian Shield. The Dominion, however, will require fresh manpower on the largest possible scale before Canada's great Empire of the North can be turned to full economic account. The possibilities of this area are beginning to receive world-wide attention but it will require the construction of new highways, railroads and towns before visionary dreams become concrete realities. When it is recalled, however, that 70 years ago a country of a mere 3½ million people accomplished the epic feat of the construction of the Canadian Pacific Railway, there is no reason to believe that the Dominion will be less successful in this case.

During the week there was almost a complete lack of activity in the external section of the bond market but there was a moderately demand for the internals which improved slightly in spite of a decline in free funds. Stocks on the Toronto exchange traded in small volume within a narrow price range. There were further indications however of a commencement of a new bull market for the golds.

CANADIAN BONDS

GOVERNMENT
PROVINCIAL
MUNICIPAL
CORPORATION

CANADIAN STOCKS

A. E. AMES & CO.
INCORPORATED

TWO WALL STREET
NEW YORK 5, N. Y.

WORTH 4-2400 NY-1-1045

Stein & Company Being Formed in N. Y. City

Announcement is made of the formation of Stein & Co. with offices at 27 William Street, New York City. Principals of the new firm are Irving Stein and H. Landau Stein. Mr. Irving Stein was previously a partner in the firm of Goulet & Stein, which has been dissolved.

Irving Stein

Pierre Papin Joins Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Pierre L. Papin has become associated with Merrill Lynch, Pierce, Fenner & Beane, 411 North Seventh Street. Mr. Papin was formerly an associate of Wm. F. Dowdall & Co. Prior thereto he was an officer of Gatch Bros., Jordan & McKinney and conducted his own investment business in St. Louis.

John G. Sheldon With Television Shares

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — John G. Sheldon has become associated with Television Shares Management Corp., 135 South La Salle Street. Mr. Sheldon was formerly with Vance, Sanders & Co.

LETTER TO THE EDITOR

Takes Exception to Views on Protective Tariffs

Forrest S. Dunbar, Jr. writes, in answer to Alexander Wilson's article "Can America Prosper Without Foreign Trade?", that tariffs do not benefit workers. Denies U. S. cannot compete with low foreign wages.

Editor, The Commercial and Financial Chronicle:

Many of the articles in the Thursday edition of the "Chronicle" have presented viewpoints and reasoning contrary to my own, but not until I read Alexander Wilson's article, "Can America Prosper Without Foreign Trade?" in the July 29 issue was I prompted to reply to any of them.

Three times Mr. Wilson made mention of the make-believe, fanciful, disproved advantages of a tariff on imports. I have heard of these advantages before, but only in connection with the mistakes we as a nation made in our economic and political past. These ancient fallacies, that tariffs protect the wages of our working men and our high living standards, are especially insidious because they are a form of wishful thinking with such a pleasing sound that in the past have proved convincing to many wage earners and many others who had not had the opportunity to learn of the facts in regard to the protective tariff as a national policy.

It is true that the tariff permits the protected enterpriser to charge higher prices than he could otherwise charge, but this does not mean that this greater amount of money that the consumers are forced to pay if they are to have a particular product is going to be paid to labor. It might just as possibly be needed to pay for one of the other factors of production. Wages in general are not raised by the tariff, and the wages paid for labor in protected industries will not be higher than those paid to workers in unprotected industries. The relatively high level of wages in our country depends upon the relatively high effectiveness or productivity of labor. The most probable effect of the tariff on wages is to reduce the *real* wages of all by causing the prices of many commodities to be higher than they would be without a tariff.

The present wage and cost of living situation is a perfect example of the great difference between money wages and real wages. In many instances the money received by labor has doubled since 1939, but that doesn't mean that these workers can buy twice as much goods now as they were able to buy in 1939. A similar situation occurs as a result of protective tariffs. Workers in protected industries receive wages up to the standard paid labor in similar types of employment despite the fact that they produced less real value in goods than they could produce if employed in efficient industries. Yes, the *money* wages of the employees in the inefficient protected industries are kept up to standard as a result of the protection of the tariff, but the *real value* of everyone else's money wages decreases because of the higher prices they are forced to pay for the goods produced in the protected industries. Some workers are enabled to receive the standard money wage, but in doing so the real wages of all others are decreased.

Wouldn't it be much better to put this labor to work in efficient industries where we would all gain from their productiveness instead of being penalized as a result of their lack of productiveness? This same waste occurs in all the resources, materials, equipment and plant space which are used in these industries which are not efficient enough to stand competition and require tariff burdens to be placed on the consumers in order that they survive.

The fact that American industries pay higher wages does not mean costs of production are high, and, therefore, that our industries need protection from countries in which wages are low. Our high wages result from the greater productivity of our labor. Labor costs are calculated not by the rate of wages paid, but by the amount of work turned out for the wages paid. If high wages mean high cost of production which require the protection of tariffs to be maintained, how does it happen that we can sell to the value of billions of dollars a year ($4,021,000,000 worth in 1940) to the people of foreign countries? Why, with their low wage rates, can they not undersell us in everything?

If the foregoing has been too much theory and not enough practical experience to completely convince all of the absurdity of Mr. Wilson's statement, "Everything being equal, it is a self-evident fact that Americans cannot compete with the low foreign wages and the low foreign standards of living," how is it that England with high wage rates and standard of living engaged in free trade for many years with China where these labor conditions are exactly reversed, without any noticeable drag of English labor down to Chinese wages and standard of living or to raise the Chinese laborers to the English level. England is ordinarily second only to the United States in both respects under a system which until recently has been practically free trade.

Does it not seem reasonable that with our present shortage of labor, capital goods, and plant space, an excellent time is provided to rid ourselves of these industries the American consumers have been penalized to support all these years? These productive resources have been diverted from industries in which they would be especially productive to other lines in which their employment is relatively ineffective. The desired commodities and services are obtained under difficulties, and the sum total of goods available for the enjoyment of the people of the country is smaller than otherwise. This ill treatment of all the citizens as consumers results in gains for some enterprisers but not for others. Such a period of shortages as this provides the means of curing with the least possible hardship to those in the protected industries these wastes of this country's agents of production. All personnel, investments, managerial abilities, machinery, and plant space at present used in these inefficient industries could be put to use in industries in which this nation has a comparative advantage and in which the supply is decidedly less than the demand.

Mr. Wilson's statement in regard to those who are responsible for the ownership and successful operation of an industry or business brings forth the only group who gain as a result of tariffs, and they do so only at the expense of the majority of the country. But even they never gain as much in profits as the people on the whole lose as consumers. The tariff is a perfect example of exploitation of the many for the benefit of a few.

FORREST S. DUNBAR, JR.
August 25, 1948.
23 Onslow Place,
Freeport, L. I., N. Y.

COMING EVENTS

In Investment Field

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

Sept. 17, 1948 (Chicago, Ill.)
Municipal Bond Club of Chicago annual field day at Knollwood Country Club (cocktails and dinner at the Kenilworth Club Sept. 16).

Sept. 17, 1948 (Philadelphia, Pa.)
Investment Traders Association annual election and dinner at Palumbo's Cafe.

Sept. 20, 1948 (New York City)
Charles Hayden Memorial Trophy Gold Tournament at Baltusrol Golf Club, Springfield, N. J.

Sept. 23, 1948 (Des Moines, Iowa)
Iowa Investment Bankers Association annual field day at Hyperion Club, with breakfast at Hotel Savery.

Sept. 26-29 (Detroit, Mich.)
American Bankers Association 74th annual convention.

Oct. 11, 1948 (St. Louis, Mo.)
Tentative date for annual election party of Security Traders Club of St. Louis.

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.

William F. Goulet Is Opening Own Offices

William F. Goulet is opening offices at 25 Broad Street, New York City, to engage in the securities business. Mr. Goulet was formerly a partner in Goulet & Stein.

Joins Calvin Bullock

Herbert A. Birks, formerly Assistant Secretary of the North British and Mercantile Insurance Co., is now associated with the firm of Calvin Bullock, 1 Wall Street, New York City, as an Account Executive.

With Herrick, Waddell Co.

(Special to THE FINANCIAL CHRONICLE)

TAMPA, FLA. — Saverio L. Salario has joined the staff of Herrick, Waddell & Reed, Inc.

With Clement A. Evans Co.

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, GA.—William A. Winburn III is with Clement A. Evans & Co., Inc., Liberty National Bank Building.

Joins E. D. Jones Staff

(Special to THE FINANCIAL CHRONICLE)

BELLEVILLE, ILL.—George A. Brechnitz, Jr., has joined the staff of Edward D. Jones & Co. of St. Louis.

Digitized for FRASER
http://fraser.stlouisfed.org/

Heavy Demand for Rubber Products: Litchfield

Chairman of Goodyear Tire and Rubber Co. sees continuation of high demand for tires as well as other rubber products.

After three years of peacetime production during which a tremendous replacement backlog has largely been filled, the demand for all rubber products still continues at high levels compared to the immediate prewar years, P. W. Litchfield, Chairman of The Goodyear Tire & Rubber Company, reported on Aug. 25. Mr. Litchfield estimated that the replacement demand for passenger car tires in 1949 would exceed this year's estimated output of 40,500,000 tires and that the replacement demand for truck and bus tires would equal the 1948 production of approximately 7,500,000.

P. W. Litchfield

The outlook for total tire production for 1948, even with an expected seasonal decline in the fourth quarter, is for some 86,000,000 tires against last year's all-time record of 100,000,000 and between 60,000,000 and 63,000,000 in the best of the pre-war years. Current estimates for 1949, according to Goodyear's chief executive, place the demand at roughly 81,000,000 tires, barring any serious readjustments of the current inflationary spiral.

During the past three years, approximately 260 million tires for motor vehicles have been produced by the American rubber industry compared with 180 million in the three-year period just prior to the war, an increase of 45%.

Mr. Litchfield called attention to the heavy continuing demand in the non-transportation group of rubber products such as mechanical goods, heels and soles, and the new developments such as foamed rubber, rubber films and covering materials. In this field approximately 30% of all new rubber, both natural and synthetic, is consumed. Over 300,000 tons of rubber should be consumed in the non-transportation group this year and approximately the same in 1949, with total consumption in the United States running around 1,000,000 tons.

The high level of demand for tires and other rubber products was attributed by Mr. Litchfield to the increased number of cars, trucks and tractors in operation, to a continued unsatisfied demand for all types of new motor vehicles, to increased mileages driven yearly and to sustained high levels of purchasing power and business activity.

Holds Government Planning Leads to Totalitarianism

First National Bank of Boston quotes recent study of English economist which points out modern planning, even with noble intentions to control things, invariably ends by controlling men.

The August issue of the "New England Letter," published by the First National Bank of Boston, discusses master planning by Government in the light of recent proposals and developments in this and other countries. The bank contends, as a result of its analysis, "it behooves the champions of democracy and private enterprise to be alert to the dangers that confront us and assiduously to work toward solving more of our problems at the local level."

According to the article:

Master Planning by Government

Planning by government is not a new venture. Its roots, which extend back into dim antiquity, reached full bloom in the Middle Ages when the rigid system of regimentation and widespread corruption led to chaos and disintegration. For many centuries China and India have been regimented, but their people have always been on the borderline of destitution. There is no record that planning by government has ever raised the living standards or provided freedom to any people. As a matter of fact, historical evidence clearly shows that it was not until the emergence of capitalism that the so-called common man got his first real chance. It was this system that emancipated him from slavery and extreme drudgery and made it possible for him to have a greater variety of food and more comforts and conveniences than had the royalty of the Middle Ages.

It was fortunate that this country could start with a clean slate without the inherited prejudices, hatreds, and frustrations that prevailed in all parts of the old world. When settlers came here to escape from the regimentation and tyrannies of Europe, they established a new order that centered around political and economic freedom, and this has provided the incentives and opportunities that have released the great creative powers of individuals. Under the American system, this country has enjoyed tremendous economic growth. Although our population constitutes but 7% of the world's total, American private business enterprise has become the "arsenal of democracy," and since the close of the war has fed the hungry of the world and has helped the stricken nations to their feet. In all the annals of history there is no other system which can begin to compare with our own from the standpoint of providing living standards and individual freedom.

The planners concede that our past record is unsurpassed, but contend that we have reached the stage of economic maturity and hence must consolidate our gains under government direction and divide up the wealth by taking from the "haves" and giving to the "have nots." But the assumption that this country is overbuilt rests on false premises as is evidenced, for example, by the shortage in this country of many millions of homes and cars. In his annual message to Congress, President Truman stated: "We are today far short of the industrial capacity we need for a growing future. At least $50 billion should be invested by industry to improve and expand our productive facilities over the next few years But this is only the beginning The industrial application of atomic energy and other scientific advances will constantly open up further opportunities for expansion." In order to fulfill these potentialities, it is highly essential that private enterprise be given every opportunity to play a dynamic role unhindered by undue governmental interference. Government regimentation under a planned economy stifles or destroys personal initiative, while endless red tape, regulations, and directives not only cause confusion but also interfere with production. In his excellent book, "Ordeal by Planning," Professor John Jewkes, of the University of Manchester, England, reveals how government planning has affected British life and industry. He says: "No pen could fully describe and no mind could wholly grasp the vast mesh of controls in Great Britain that now circumscribe everyday action. But a casual reading of newspapers over a few months throws up sufficient cases to provide some notion of the extraordinarily fine network of restraints and hindrances that surround us." For example, "The dispatch of a small shipment of six drums of lubricating oil involves the filling in of 46 forms, requiring 42 signatures, not including the customer's invoice or delivery notes." Many other examples of similar nature are given to show the incredible degree of regulation to which the economy of Great Britain has been subjected. Based upon a careful study of the British experience, Professor Jewkes came to the conclusion that the planners as a species ". . . suffer from a turbulent craving for a new order of things. A pathological dread of becoming old-fashioned leads them to press for Utopias at almost any cost. They express their hopes for the future in ornate imagery, such as 'the wave of the future,' the 'shape of things to come,' 'social engineering'."

The planners in Great Britain as well as in this country and elsewhere are impatient to cure economic ills and relieve poverty. As Professor Jewkes says: ". . . until he gets into power the planner complains that labor is sweated and the consumer undersupplied; after he gets into power he engages in constant exhortation for harder work and calls for an almost oriental patience from the impoverished consumer." Unfortunately progress cannot be accelerated by waving a magic wand or by coining sugar-coated slogans which furnish the keynote for a constant propaganda barrage. On the contrary, real economic progress comes largely from the investment of capital savings in tools and equipment which has increased productivity in this country over the decades at an average rate of around 3%

A study of government planning down through the ages shows that one step leads to another until finally the entire economy and all institutions are engulfed in some form of totalitarianism, under which the activities of the many are directed by a few who rule with an iron hand as expressed by Professor Jewkes: "The modern planning movement sets out, with good will and noble intentions, to control things and invariably ends up by controlling men."

It is futile, however, merely to denounce planners unless we deal intelligently with the conditions that pave the way for planning. Over the years, practically all groups have turned to Washington for handouts or special privileges. This in turn has led to the mushroom growth of a bureaucracy that has aggressively extended its power over an ever-widening sphere until it now includes all segments of American life. Unless this vicious trek to Washington is stopped, the planners will gain their objectives by default. It therefore behooves the champions of democracy and private enterprise to be alert to the dangers that confront us and assiduously to work toward solving more of our problems at the local level.

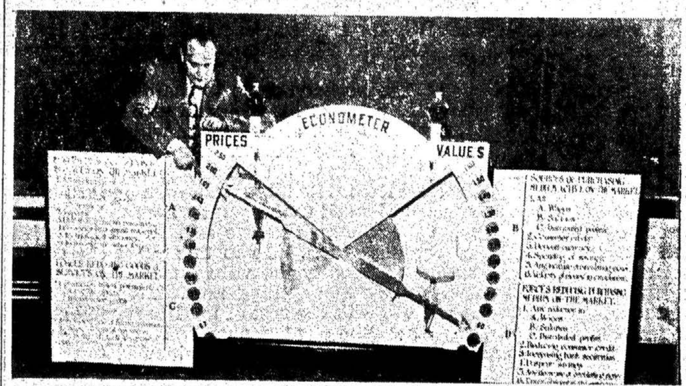
Bert. E. Alanson Honored

SAN FRANCISCO, CALIF.—Trading on the San Francisco Stock Exchange was suspended for a brief period Aug. 26 at 1:45 p.m. to honor Bertram E. Alanson on his 40th anniversary as a member of the San Francisco Stock Exchange. Douglas G. Atkinson, Chairman of the Board of Governors, presented Mr. Alanson with a set of rawhide traveling bags as a gift of the membership.

Engineering Professor Designs Machine to Register Economic Forces

Carl E. Gregory of New York University has an "Econometer" which visualizes interrelated economic forces at work on the business cycle.

Everybody talks about the high cost of living but nobody does anything about it—how often you hear that statement in these days



of soaring prices. Prof. Carl E. Gregory, New York University College of Engineering, says he is doing something about it.

He designed what he calls an ECONOMETER and student engineers at the college built it—all for the purpose of helping people understand what factors make our economy act the way it does and to get the answers to some of our current problems.

The Econometer is a hydrostatic device that presents a visual picture to the observer of general economic forces that effect the business cycle. Prof. Gregory plans to use the machine for lectures before Chamber of Commerce groups, women's clubs and the like in the same way he applies it for engineering classes at the college.

The instrument is composed of a balance held in equilibrium on a knife edge by a counter-balance arrangement. The face of the balance carries a two-way arrow about three feet long. The arrow points on one side to a scale representing the changing value of the dollar. On the other side, it points to a scale showing variation of prices.

Located near the outer extremities of the double arrow are two glass containers. The one near the price scale is filled with specified amounts of red liquid representing the amount of goods and services being sold on the market. The other container is near the dollar value scale and is filled with measured quantities of blue liquid—this represents the amount of purchasing medium which is active on the market during a particular period. Gravity keeps the glass containers perpendicular on their knife-edge suspension. Specially constructed elongated funnels compensate for variations in position and catch the flow from above.

The four glass containers, two floating and two stationary, have petcocks by which the flow is controlled. By this means, it is possible to demonstrate change in the forces encountered in a given situation. Liquid flow can be controlled, into or out of the floating glass containers no matter what their position may be on the arc. These rates of flow are analogous to: (a) increase of decrease of goods and services, and (b) increase or decrease of purchasing medium on the market.

The Econometer is extremely valuable as a visual aid—it demonstrates, in organic fashion, the interrelated economic forces at work in our economy and their effect on the business cycle. Prof. Gregory utilizes the machine in two ways: (1) for illustrating general economic theory in the classroom and at public lectures; (2) for statistical work on problems concerned with our present-day economy.

The Econometer was constructed through the cooperative efforts of students from several departments of New York University College of Engineering. Under Prof. Gregory's guidance, this work had a marked influence on the degree of enthusiasm and understanding which student engineers displayed toward what they formerly referred to as "just a course in Social Studies."

With Stewart, Scanlon & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—John R. Moore and Charles E. Morin have been added to the staff of Stewart, Scanlon & Co., 216 Montgomery Street, members of the San Francisco Stock Exchange. Mr. Moore was previously with Hannaford & Talbot and First California Co.

With Grimm & Co.

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, FLA.—Theodore R. Biggs has become associated with the staff of Grimm & Co. He was formerly manager of the trading department for Southeastern Securities Corp.

With R. F. Griggs Co.

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, CONN. — Leon J. Thibodeau is with The R. F. Griggs Co., 35 Leavenworth St.

Joins A. M. Kidder Staff

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, FLA.—Philip B. Bateson is now with A. M. Kidder & Co., 203 South Palm Avenue.

Simonds Named IBA Gov. by Mich. Group

DETROIT, MICH. — Ralph W. Simonds of Baker, Simonds & Co. has been named to the National Board of Governors of the

Ralph W. Simonds

Investment Bankers Association of America by the Michigan Group. Mr. Simonds will serve for three years starting in December. He is a former President of the Detroit Stock Exchange, and during the war was co-chairman of the War Finance Committee for Michigan during eight war-bond drives.

Digitized for FRASER
http://fraser.stlouisfed.org/

Securities Salesman's Corner

By JOHN DUTTON

Several weeks ago a salesman whom we know made an evening call upon a new prospect. He had no advance information regarding the people upon whom he was making his call. They had answered a newspaper advertisement and requested information regarding the securities advertised. His firm had mailed reports and a "thank you" letter to the prospect. The following circumstances took place:

He rang the doorbell. The husband came to the door. He told the husband his name and the name of his firm and also related that he would like to tell them about the securities in which they had expressed an interest. But the husband gave him a blank look. Then he smiled and said: "It must have been my wife who answered that ad." It was his wife. He invited the salesman to come in. From here on the interview developed to the point where the husband became interested in what the salesman had to say. Then he called his wife and she joined the discussion. Up to this point the salesman was groping in the dark. Finally the wife remarked: "Well, I just can't get excited about buying anything now. This market is in the doldrums. I don't want to wait the rest of my life for my stocks to move a few points. Income! Who wants income? Not me anyway. Sure we've got some stocks and we get some dividends, but that's alright for him (pointing to the husband). But what I want is action." From here on the conversation was directed along the lines of establishing confidence. No effort was made to try and do business during this first interview. The salesman left after having made an excellent first impression and after promising to secure information on two securities which the husband owned, also some data about a new issue in which the wife was interested. He later mailed reports and a prospectus on the new issue. Ten days went by and he heard no more from his new prospects.

Now here is a case where the average salesman would say what is the use fooling around with such an account. The husband was undoubtedly a very small investor, primarily interested in short profit, big name, listed issues. Certainly his business could not be profitable to a salesman interested in selling unlisted securities. On this point we would agree. But still a call was made which took up an entire evening of this salesman's time. In addition his firm has spent time and money in sending out information, follow up letters, etc. Was there not some point of attack where a sale might be made and some future business obtained?

In our opinion these prospects should not be classified as unpromising until an attempt is made to sell some speculative security to the little women of the family. A foundation has been laid by this salesman. In his first call and by his "follow up" mailings he has paved the way for an offering of a security that has "price appreciation possibilities." This type of business is certainly not the "bread and butter" of the securities business, but if you are alert to such opportunities you will be able to do some business along speculative lines with people who are mainly interested in taking a flyer. The difference between a salesman who is making a good living out of this business today and those who are not, is that the former has the ability to size up his prospects and sell them what they want.

Incidentally, there are a large percentage of security buyers today who don't give a tinker's hoot about safety of principal, income, or marketability. All they want is someone to come around and tell them what stocks to buy FOR A PROFIT. If you don't do business with them some other broker will. If all the brokers and investment dealers try to convert them into becoming investors they will politely take their money out to the racetrack, the dice games, or the numbers pools, and you can preach investment to them until you are blue in the face but it won't change this natural gambling instinct which all of us have to a greater or lesser degree. In this case if Mrs. Prospect wants to put her money on some stock that she thinks will give her a profitable turn THAT IS EXACTLY WHAT YOU SHOULD HELP HER TO ACCOMPLISH. There is nothing else that any salesman could do under the circumstances.

New York Stock Exchange Weekly Firm Changes

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

Wilson P. Merritt retired from partnership in Halladay & Co. on Aug. 31.

Scheer & Co. dissolved on Aug. 31.

Joseph P. Fell, limited partner in Goodbody & Co., died on Aug. 21.

Interest in the firm of the late E. Kirby Newburger, limited partner of Kohlmeyer, Newburger & Co., ceased on Aug. 27.

Interest of the late Arthur Charles Knies in Vilas & Hickey ceased as of Aug. 27.

John Wolforth With Prince and Byrne

John H. Wolforth has joined the trading department of Prince & Byrne, 67 Wall Street, New York City. In the past Mr. Wolforth was active as an individual dealer in New York City.

R. H. Johnson Adds to Staff

R. H. Johnson & Co., 64 Wall Street, New York City, announce the addition to their sales staff of Donald W. Baker, Charles S. Anderson, Jr., and Thomas D. Brown in the New York office; David C. Wheeler in the Manchester, N. H., office, and Seymour T. Pearlman in the Albany, N. Y., office.

Over-the-Counter Quotation Services
For 35 Years

•

NATIONAL QUOTATION BUREAU, Inc.

Established 1913

46 Front Street, New York 4, N. Y.

Chicago San Francisco

Questions Business Profits Come From Rising Inventory Values

Prof. Charles A. Bliss of Harvard Business School holds increase in unit inventory values can only add to profits when selling prices are raised coincidently with cost rises.

Business profits have not been inflated by rising inventory values, says Professor Charles A. Bliss of the Harvard Business School. In an article entitled "The Reality of Inventory Profits" in the September issue of the "Harvard Business Review" he attacks the position of those who claim that the reported profit figures of American corporations are greatly overstated because they include temporary or "paper" inventory profits. An important implication of his argument is that the use of replacement costs in estimating current expense produces results that are both haphazard and illogical. The same qualification applies to the last-in-first-out (LIFO) method of inventory valuation.

"The question of 'reality' discussed in this article," Mr. Bliss points out, "is not whether inventory profits are paper profits and in the long run are offset by inventory losses but whether inventory profits exist at all! We shall argue that in many areas of business profits do not arise coincident with increases in dollar valuation of inventory and that therefore, never having been created, 'inventory' profits are in large part a misnomer and nonexistent. . . .

"The estimated magnitude of so-called inventory profits is most substantial. Total profits in 1947 were $17 billion (after taxes) according to estimates of the Department of Commerce. Of this total almost $6 billion are described as inventory profit . . . shown as an adjustment to total profits with the implication that, since presumably it arose solely from the more-or-less automatic effect of the price level rather than from regular operating margins, its subtraction from total profits would provide the most appropriate measure of profits for the year.

"A profit adjustment of this magnitude cannot be accepted or dismissed without scrutiny. Whether or not such an adjustment of profits is a gross overestimation (as is contended in this article) turns on two questions: (1) the real nature of inventory profits, with particular attention to their origin, and (2) the practical circumstances of businesses which determine whether such profits are actually made or not."

Professor Bliss contends that an increase in unit inventory values can only add to profits when management deliberately marks up selling prices coincident with cost rises. "As we have seen," he goes on, "the important test of the reality of inventory profits is the extent to which a product is marked up in price so that *existing* inventory can be sold at a higher price than heretofore. Only in this way can a profit be made on inventory; for unless the additional markup is made, increased price levels do not mean increased profit but only the freezing of additional working capital into inventory of higher per unit value. Accordingly the existence of inventory profits turns on a question of fact as to business practice: Are prices immediately sensitive to changes in cost? . . .

"Undoubtedly the situations vary, company to company and period to period. One executive reports that in his industry each company refrains from passing on increased costs on existing and even on new inventory, until such times as stock falls low or new stock starts into sales. If, however, some competitor, subject to the same forces, reaches the critical point earlier and is led to make the price advance, all companies can be expected to follow promptly or at least to consider seriously the relative advantages of such action.

"But where the cost information that a company has at its disposal is poor, and where there is a natural lag in the reporting of the operating effects of the changing mix of products and of the changing levels of factor prices, it would seem far from correct to presume the prompt adjustment of price to cost. Couple this indeterminatedness with the fact that in many industries the changes in pricing are not continuous but occasional and ceremonial—new catalogues, meetings with salesmen, earnest consideration of the impact on the market and on competitors—and the underlying assumption for the creation of inventory profits is seriously weakened.

"Changes in cost do have their effect on selling price, but the point is that they do so in no ordered fashion. Some cost changes may be anticipated, some delayed, some offset by opposing economies; for some the recovery through selling price may be tardy, which would mean in effect that not until the new costs begin to show up in the current reporting will changes in price be made. Any idea that inventory profit, or inventory loss for that matter, is the neat automatic event that follows exactly upon the change in inventory unit valuations or is the unwelcome but inevitable progeny of the accountants' method of measuring cost of goods sold is clearly without foundation.

"Is this no more than a matter of semantics, of definition of inventory profit? Perhaps, one might say, there is no extra profit on sale of current inventory, but surely there is the added cost of carrying inventory as a result of the higher price level. And if our reported profit is not adjusted for a transient, temporary 'inventory profit,' then should it not be adjusted for the unrecorded influence of higher inventory carrying costs? . . .

"In any period of inflation businessmen find need for additional working capital. Wage payments are larger and demand larger amounts of cash; materials purchased and accounts receivable involve larger sums for the same physical volume of activity. More capital is necessary to keep an inventory of a specified size during the period of higher prices. The dollar counters with which the economy operates have shrunk in size.

"What all this means in the first instance is that business finds it necessary to shift the nature of its assets from cash to other assets such as receivables or inventories. The higher unit inventories discussed earlier call for the freezing—for the duration of the advanced prices — of additional working capital into the inventory account. And this, of course, is true whether or not the inventory is valued at Lifo. What the use of Lifo does do, of course, is to ease the working capital situation by postponing a portion of the tax burden, and this is a major reason for its use. . . .

"If one were to say that it was the responsibility of management and the community to make sure that an enterprise be maintained from one period to the next, then one might argue that replacement costs ought to be met out of current operations so that the enterprise might enter the new period without prejudice. An enterprise is not expected to terminate, but to be continuous. Accordingly, the argument would run, its survival costs are appropriate costs against the current period, and profit should be reckoned only after such costs have been met.

"The situation with respect to inventory, however, is not so simply defended. What is necessary to finance the added working capital is not the full amount of the needed capital to be taken out of this one year's operations, but only the cost of acquiring that additional capital. In other words, what is involved is not the entire capital amount, but only the annual service charge for the use of that capital. Certainly, if there is no equivalent, automatic inventory profit, the profit estimate for the following years of inflated prices (i.e., years with shrunken dollar counters) should bear equally the burden of this increment of frozen capital, and not the single year in which the capital drain took place. . . .

"If transfers of computed profit from one year to another are socially desirable on the grounds that greater economic stability would result, then the approach might better be direct than oblique. What is needed is better understanding of the nature of the profit estimate and the treacherous assumptions that are made in order to get estimates for the short run. Management, labor and government must learn not to be trapped by short-period estimates. They must learn that 'annual profits' are additions to a fund which maintains the enterprise through one set of conditions to another, with the sizable errors in the estimates of the increments tending to cancel out in the aggregate.

"What better way would there be to recognize this situation than to emphasize totals of profits for periods longer than a year—say, to use five-year moving averages? Or, in terms of tax law, to approve carrying losses forward for an equally subtsantial period? Would it not be better to get equity and balance in this direct fashion than to attempt elaborate inventory valuation schemes?"

Winners Announced in Curb Golf Tournament

Joseph F. Reilly won his second leg on the New York Curb Exchange Five and Twenty Club trophy with his low gross score of 78 at the annual gold tournament of the club held at the Montclair Golf Club in Montclair, N. J. Approximately 170 members and guests of the New York Curb Exchange were present.

Runner-up for the trophy with second low gross was Lincoln O. Robertshaw with an 80. Herbert Tully took low net prize with an 85-15-70. Tied for second low net were Leonard Greene and Judson Streicher with net 71's.

Donald Totten won the award for driving nearest the flag, placing his tee shot within nine feet of the pin on the 7th hole of the fourth nine. John Conroy, Gilligan, Will & Co., captured the low gross prize for guests.

These prizes and numerous others were awarded at a dinner in the evening by Mortimer Landsberg, President of the Curb Five and Twenty Club.

Among those present at the outing were Edmond Hanrahan, Chairman of the Securities and Exchange Commission, Francis Adams Truslow, President of the Curb Exchange, and Edward C. Werle, Chairman of the Curb Board of Governors. Jack Feinstein was in charge of tournament arrangements.

Digitized for FRASER
http://fraser.stlouisfed.org/

Mortgage Debt Rose Sharply in 1947

John C. Thompson, President of the Mortgage Bankers Association, reports results of survey, showing a gain of 27% in mortgage financing in 1947 over previous year. Discloses private lenders now hold 94% of all urban and farm mortgages.

Total mortgage debt of the United States registered a sharp rise last year, increasing from $34,720,784,595 in 1946 to $44,069,054,006 on Dec. 31, 1947, a gain of nearly 27%, according to the annual survey of the country's total mortgage indebtedness made by the Mortgage Bankers Association of America and made public on Aug. 29. Another substantial increase in mortgage debt this year can be anticipated, according to John C. Thompson, Newark, Association President. The study is the only annual survey made showing the total U. S. mortgage debt.

John C. Thompson

"Commercial banks supplied the largest volume of mortgage funds in 1947, increasing their holdings approximately $3,600,000,000 or 62% over 1946. Savings and loan associations were second, adding $1,800,000,000, an increase of 25%. Life insurance companies expanded their mortgage portfolios by some $1,400,000,000 or 20%. Mutual savings banks increased their holdings by approximately $404,000,000 or almost 10%. Fraternal societies and associations added about $250,000,000 or 6.5% more than 1946. The gain of all private investors was $7,282,803,507 or almost 77% of the total mortgage debt increase.

"Mortgage companies and individuals increased their mortgage holdings $2,200,000,000 or more than 27% over 1946.

"Banks and mutual savings banks continue to supply most of the mortgage money of the United States. Their mortgage holdings, as of Dec. 31, 1947, were $14,286,346,123 or 32% of the total. Individuals, mortgage companies and other small lenders, are still in second place in volume held with $10,200,000,000 or 23%. Savings and loan associations are next with $9,000,000,000 or 20%. Mortgage portfolios of life insurance companies totaled $8,500,000,000 or 19%. Fraternal societies and associations held less than 1% of the total at the year-end."

The survey again reflects how rapidly the Federal Government has gotten out of the mortgage business in recent years. Private lenders now hold about 94% of all urban and farm mortgages, the study discloses.

"Total holdings of federal agencies continued to decline in 1947 as they have in the past few years. Their urban and farm mortgages totaled $1,833,565,454 or slightly over 7% less than in 1946, a net decline of $134,534,096.

"In the farm mortgage field, the holdings of the federal land banks declined approximately $78,000,000 and those of the Federal Farm Mortgage Corporation slightly over $37,000,000 in 1947. The Farmers' Home Administration, only federal agency to increase its holdings, gained about $8,500,000 in loans."

The rate of decline in the mortgage holdings of federal agencies was about the same as in 1946, the survey shows. However, the rate of increase among private lenders was substantially higher.

"Mortgage holdings of commercial banks increased 40% more in 1947 than in 1946; life insurance companies 13%; mutual savings banks 3%; and individual lenders 10%. Only savings and loan associations showed a smaller rate of increase during 1947.

"Seventy-five per cent of all mortgage loans held at year-end, totaling $31,599,744,000, were farm and conventional (not guaranteed by a federal agency) urban loans held by private investors. The volume of veterans' loans held totaled $6,460,530,000 or 15% and the volume of FHA loans was $4,315,530,000 or 10% of the mortgage debt.

"A number of factors accounted for the skyrocketing mortgage debt. The most important were the heavy demand for homes resulting from the housing shortage and the accelerated rate of private residential and non-residential construction," the survey pointed out.

American Inst. of Banking In NYC to Hear

Margaret Hoffman, senior stewardness of United Airlines will be the principal speaker at an educational rally of New York Chapter, American Institute of Banking, 233 Broadway, Woolworth Building, New York, on Thursday, Sept. 2. Her subject will be, "The Training of An Airline Hostess." Other speakers will be, J. Vincent O'Neill, Vice-President of the Title Guaranty and Trust Company, and Miss Marie D'Arcy, Assistant Secretary, with the Excelsior Savings Bank.

The rally is to be held under the sponsorship of the Women's Committee of the A.I.B. with Miss Madeline Burgess of the Chase National Bank of the City of New York as Chairman of the evening.

Russell Olderman Is With McDonald & Co.

CLEVELAND, OHIO — Russell J. Olderman has become associated with McDonald & Co., Union Commerce Building, members of the New York and Cleveland Stock Exchanges, in charge of the sales operations. Mr. Olderman was formerly Vice-President of Field, Richards & Co. where he also acted as manager of the municipal department.

Russell J. Olderman

Republic Nat'l Bank On Wire System

DALLAS, TEX.—To provide a more complete service for correspondents, as well as businesses, arrangements have been completed for the inauguration of a private wire service on Aug. 24, which will link the Republic National Bank of Dallas with banks in key cities from coast to coast.

Established originally some four months ago by the Bankers Trust Company, New York, this nationwide wire service is being expanded to include the Republic National Bank, which will permit the Republic National Bank to communicate with every one of the participating banks in a matter of minutes.

The system will be used to handle intercity money transfers, payment orders, fate of collection items, delivery instructions for securities, security purchases and sales, and other bank transactions in which Time is a key factor.

Among the banks and cities presently interconnected with the Republic National Bank of Dallas through the wire system are:

New York: Bankers Trust Co.; Atlanta: First National Bank and Trust Co. of Georgia; Cleveland: Cleveland Trust Co. and National City Bank; Detroit: The Detroit Bank and National Bank of Detroit; Kansas City: First National Bank; Los Angeles: Security-First National Bank; Memphis: First National Bank; Milwaukee: First Wisconsin National Bank and, Marshall & Ilsley Bank; Minneapolis: First National Bank and Northwestern National Bank; New Orleans: Whitney National Bank; Philadelphia: Philadelphia National Bank; Pittsburgh: Farmers Deposit National Bank and Mellon National Bank & Trust Co.; St. Louis: Boatmen's National Bank, First National Bank, and Mercantile-Commerce Bank & Trust Co.; St. Paul: First National Bank; San Francisco: American Trust Co.; Washington: American Security & Trust Co.

A further extension of the wire system is being made, which will include banks in Houston, and additional banks in Baltimore and Detroit.

Uhlmann & Benjamin Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Uhlmann & Benjamin, Board of Trade Building, members of the Chicago Stock Exchange, have added to their staff Harry C. Dill, Henry A. Fisherkeller, Clarence O. Gates, Henry C. Goebel, Eugene C. Jones, Joseph L. Mathias, and Albert R. Tunks.

How Can It Be?

"Anxiety about the advancing social transformation under the leadership of the Soviet Union is depriving the average Western citizen of a real grasp of the situation and of an adequate understanding of what is actually going on. He has not much to offer along the lines of moral, philosophical or spiritual leadership. What he has taken for granted is slipping out of his hands. That makes him confused, restless, scared and nervous or disillusioned and apathetic.

John F. Dulles

"His political decisions are not free of cramps and uncertainty. He is losing trust and confidence in the former colonial nations which, rightly or wrongly, are looking to Soviet communism and the Soviet brand of democracy as a more reliable and trustworthy guide through the labyrinth of this world."

* * *

"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."—John Foster Dulles.

What we find difficult to understand is how any one can suppose that such a system as communism can offer more of any of these things than a free society.

Estimated U. S. Foreign Investment at $28.8 Billions at End of '47

Of this figure, $16.7 billion were private and $21.1 billion U. S. Government credits. Total increase for year *fixed at* $8.1 billion.

United States investments abroad—including subscriptions to the World Bank and Fund—were estimated at $28.8 billion at the end of 1947, while foreign investments in the United States aggregated $16.5 billion. United States private investments abroad amounted to $16.7 and United States Government credits were $12.1 billion. These estimates were announced by the Office of Business Economics, Department of Commerce, and are preliminary results of a detailed study of the international transactions of the United States for 1946-1947 scheduled to be published late this year.

United States investments abroad increased by $8.1 billion during 1947. Of this, private investments accounted for $1.1 billion—the largest amount since 1928 when the net capital outflow was $1.3 billion. However, there was a pronounced change from investments in dollar bonds of various countries in the earlier period to investments in controlled enterprises and the well-secured bonds of the International Bank in 1947. The movement of private American capital to foreign countries in 1947 is analyzed in the Aug. 21 issue of "Foreign Commerce Weekly."

Of the $7.0 billion increase in the foreign investments of the United States Government, $3.1 billion represented that portion of the U. S. subscription to the International Bank for Reconstruction and Development and the International Monetary Fund which was paid in 1947. The largest credit to a foreign country was the British loan, of which $2.85 billion was drawn in 1947, while other large increases in U. S. Government investments abroad resulted from Export-Import Bank loans of $.8 billion and credits on sales of surplus property and ships amounting to $.3 billion. Repayments of loans by foreign countries, largely to the Export-Import Bank and Reconstruction Finance Corporation, amounted to nearly $.2 billion.

Although there was little change in the aggregate of foreign investments in the United States, there was a significant shift in ownership of liquid dollar assets from individual foreign countries to the international institutions.

At the end of 1946 international institutions held less than $.5 billion out of a total of $8.4 billion of foreign short-term assets in the United States, but by the end of 1947 they held nearly $2.3 billion of short-term assets while holdings of individual foreign countries were reduced by $1.5 billion to $6.4 billion.

The shift occurred as foreign countries used up dollar reserves to cover their balance of payments deficit with the United States, while the United States paid its subscriptions to the international organizations and thus raised the total of "foreign" short-term dollar holdings.

In addition to spending much of their remaining official dollar assets, a few countries began to liquidate in substantial amounts the investments of their nationals in U. S. securities. These sales, together with some decline in market values, reduced foreign holdings of U. S. securities other than Federal Government issues from $3.5 billion at the end of 1946 to $3.2 billion at the end of 1947.

Life Companies Buy More Real Estate

Purchases, largely for investment, up 41% in first half of 1948

According to the Institute of Life Insurance, purchases of real estate by U. S. life insurance companies in the first half of this year totaled $133,000,000, up 41% from purchases in the corresponding period of last year, the Institute of Life Insurance reports. Nearly two-thirds of the real estate acquired was commercial and industrial properties on long-term lease, purchased as an investment. Such purchases were $86,000,000, about half again as much as in the first half of 1947.

Total real estate holdings of the life companies at mid-year were $963,000,000, of which $302,000,000 was non-housing real estate held as an investment.

The figures reported by the Institute follow:

	—Acquired— June	Half Year	Holdings June 30
	(000,000 Omitted)		
Rental housing	$9	$28	$216
Non-housing rental	12	86	302
Company used properties	2	15	292
Farms	0	0	68
Other properties	0	4	85
Total	$23	$133	$963

gitized for FRASER
tp://fraser.stlouisfed.org/

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

On Aug. 24 the Quarter Century Club of **Guaranty Trust Co. of New York** marked the admission of its 1,000th member with a luncheon at the bank at which Creighton D. Lummis of the Comptroller's Department received the club's official emblem and membership certificate No. 1,000. Officials of the club, President William L. Kleitz of the bank, and associates of Mr. Lummis's department were present. Guaranty's Quarter Century Club, established in 1941, has as its members all members of the company's staff, including officers and directors in the bank's service 25 years or longer.

* * *

William P. Landon, former Deputy State Bank Commissioner of Connecticut, died on Aug. 29. He was 80 years of age. According to the Hartford "Courant" of Aug. 30, Mr. Landon, who was a certified public accountant, was a member of the State Banking Department from 1919 until his retirement in 1942, when he was manager of the State Bond Department. In part, the same advices said:

"In 1915 he resigned his position with the Bank Commissioner's office to become Secretary and Trust Officer of the **City Bank and Trust Co.** At that time he was Secretary and Treasurer of the National Association of Supervisors of State Banks.

"Governor Marcus H. Holcomb in 1916 appointed Mr. Landon a member of the State Board of Accountancy. In 1917 he returned to the State Department as manager of its bond division. At one time he was also associated with the investment house of Wood, Struthers & Co. He resigned from the State Banking Department in 1942."

* * *

The acquisition of the **National Bank of Charleroi Trust Co. of Charleroi, Pa.**, by the **Mellon National Bank and Trust Co. of Pittsburgh** was approved by the stockholders of the Charleroi institution on Aug. 20, and the latter is now a branch of the Mellon Bank. The Pittsburgh "Post Gazette" of Aug. 23 reports that Lloyd Littrell, formerly President of the Charleroi Bank, has been appointed Manager of the new branch, while C. S. McKean, John R. Abernathy and Murray W. Long, also former officers at Charleroi, were named Assistant Managers. An item bearing on the plans for the taking over of the Charleroi Bank by the Mellon Bank appeared in our issue of July 29, page 414.

* * *

The election of Edward Hamer as President of the **Second National Bank of Uniontown, Pa.**, has been made known. From Uniontown advices to the Pittsburgh "Post Gazette" stated that Mr. Hamer, connected with the bank since 1929 as Assistant Trust Officer, Assistant Cashier and Vice-President, was elected to the Presidency on Aug. 25. As President, he succeeds the late Robert J. Arnett, who died on July 8. The same advices said:

"Clarence Moyer was promoted from Cashier to Vice-President. Paul Malone of Connellsville, President of the **Connellsville National Bank and Trust Co.**, becomes Executive Vice-President. Robert Arnett, Jr., will fill the unexpired term of his father on the board of directors."

* * *

Plans for a consolidation of three banks at Westminster, Md., will be acted on at special meetings of the stockholders on Sept. 17, it is learned from the Baltimore "Sun" of Aug. 20. The Financial Editor of that paper, J. S. Armstrong, in making the plans known, said in part:

"The three banks are the **Westminster Savings Bank**, the **Farmers and Mechanics National Bank of Westminster** and the **First National Bank of Westminster**.

"The three institutions would become a national banking association under the amended charter of the **First National Bank of Westminster.** Assets of the merged institution, to be known as the **Carroll County National Bank of Westminster** would be in excess of $14,000,000.

"According to a joint statement issued by the Presidents of the three institutions, conversations in regard to the proposed merger have been going on for several months.

"The basis of exchange of shares of stock was determined by evaluation as of June 30 and is as follows:

"(1) Each share (par value $10) of capital stock of the Westminster Savings Bank would receive 1.5890 shares (par value $10) of capital stock of Carroll County National Bank of Westminster.

"(2) Each share (par value $10) of capital stock of the Farmers and Mechanics National Bank of Westminster would receive 1.405 shares of capital stock of the merged banks.

"(3) Each share (par value $100) of capital stock of the First National Bank of Westminster would receive 8.0464 shares of the capital stock of the merged bank.

"If the proposed consolidation is approved, the respective boards have indicated that the senior officers of the new bank would include: Joseph H. Cunningham, Chairman; Milton P. Myers and Dr. Lewis K. Woodward, Vice-Chairmen, and Theodore F. Brown, Chairman of the executive committee. Norman B. Boyle, who is currently serving as President of the Maryland Bankers Association, would be President of the new bank."

* * *

Gen. Charles G. Dawes, Chairman of the Board of the **City National Bank & Trust Company of Chicago, Ill.**, celebrated his 83rd birthday on Aug. 27. In public life Gen. Dawes served not only as Vice-President of the United States under President Calvin Coolidge, but also as Director of the Budget, and he likewise formerly officiated as Ambassador to Great Britain. Important also in his major services was the development of the Dawes plan for the settlement of the German Reparations problems after the first World War.

* * *

James B. McDougal, former Governor of the **Federal Reserve Bank of Chicago**, and in the banking business for nearly 60 years, died on Aug. 22. He was 82 years of age. Special advices from Chicago to the New York "Times" said:

"Mr. McDougal had retired in 1935 after serving for 20 years as head of the Federal Reserve Bank here. Previously he was a National Bank Examiner and Chief Examiner for the Chicago Clearing House."

* * *

The **Oklahoma National Bank of Oklahoma City, Okla.**, announces the election of the following new directors: Jeff W. Beaty, Roy E. Jones, Lee V. Sneed and Dr. Harper Wright.

* * *

On Aug. 17 J. Hillis Miller, President of the University of Florida, was named a director of the **Jacksonville Branch** of the **Federal Reserve Bank of Atlanta.** He will fill an unexpired term running until Dec. 31, said the Atlanta "Constitution" of Aug. 18, in which it was also stated:

"Announcement of the appointment was made by Frank H. Neely, Chairman of the board of directors of the Federal Reserve Bank of Atlanta, following action by the Board of Governors of the Federal Reserve System in Washington."

* * *

J. Howard Ferguson recently arrived in Dallas, Texas, to assume his new post on Sept. 1 as Vice-President and member of the executive committee of the **Republic National Bank of Dallas.** The resignation of Mr. Ferguson as President of the **United States National Bank of Denver, Colo.**, to become Vice-President of the Dallas institution was noted in our Aug. 19 issue, page 720.

* * *

It was announced on Aug. 30 that subscription warrants evidencing the right to subscribe to 94,799 shares of additional **American Trust Company of San Francisco** common stock were mailed to common stockholders of record at the close of business Aug. 27. The stock is being offered at $40 per share to present holders of common stock on the basis of one new share for each four shares held. The offer expires Sept. 27. It was also announced that a group of underwriters represented by Blyth & Co., Inc., has agreed to purchase any shares which may remain unsubscribed at the end of the offering. The proposed issuance of additional shares of the trust company's common stock was referred to in these columns Aug. 19, p. 720.

Holds Profits No Cause of Inflation

Guaranty Trust Company of N. Y. refutes attacks on corporate profits and criticizes President Truman's advocacy of an excess-profits levy. Says comparison of corporate profits with prewar levels are misleading, and adequate profits are needed to cover higher replacement costs and plant expansion.

The current issue of "The Guaranty Survey," published by the Guaranty Trust Company of New York, contains a strong protest against current attacks on profits and industrial pricing policies as causes of present inflationary tendencies. According to the "Survey":

"Few current economic beliefs seem to be held so tenaciously and in such high places as is the idea that corporate profits and corporate pricing policies are among the major causes of the general rise in prices, and hence that a blow at profits would help promote price stability. Number One on the President's list of anti-inflationary proposals to the special session of Congress was the recommendation that an excess-profit tax be reestablished to provide a Treasury surplus and a brake on inflation. The President gave no direct explanation of his preference for an excess-profits tax as a means of providing a Treasury surplus, but later in his message he argued for price-control authority on the ground that 'many profit margins have been adequate to absorb wage increases without the price increases that have followed.' He did not mention the fact that prices of farm products have more than tripled since 1939, while prices of commodities other than farm products and foods have less than doubled; that prices of raw materials have risen 174%, while prices of manufactured products have increased 108%; or that some prices charged by corporations have been voluntarily held so far below what could have been charged that 'gray markets' in the products have developed.

Why are Profits Criticized?

"There is a strange inconsistency in current attempts to attribute inflationary tendencies to the very corporate profits that were held responsible for deficient demand in the years preceding the war. During the 1930's, numerous measures were taken to divert income from business concerns and the owners of 'capital'—who, it was feared, would allow the funds to lie in partial stagnation—into other hands, where, it was supposed, the money would be more largely and promptly spent for goods and services and thus would strengthen total demand. If income received by corporations contributes less to total demand than income received by others, it would seem to be the latter, rather than the former, that should be discouraged at a time of superabundant demand like the present.

"This is perhaps a matter in which consistency is not to be expected. It is possible that in many cases corporate profits may be singled out for criticism and pressure not so much because they are seriously believed to be primarily responsible for inflation as because they are one of the easiest targets to shoot at, and politically one of the least dangerous. Certainly the facts point to the conclusion that the chief inflationary factors in the present situation are to be sought in other quarters.

Misleading Comparisons

"It is true, of course, that the absolute dollar amount of corporate profits at present looks large in comparison with past figures. Such a comparison, however, is grossly misleading. To compare aggregate dollar profits now with those in some previous year is as meaningless as it would be to conclude that total wage payments, for example, are too high because they greatly exceed those in the years preceding the war, or in 1929. A comparison of the rate of return on net worth, or on invested capital, with the rates in past years when commodity prices were much lower is almost as superficial, because in practically all cases net worth reflects balance-sheet valuations that are far below present replacement costs of plant and equipment. There would be little inducement to invest new funds in any business if the rate of return promised to be no greater than that in some prewar year.

"It is impossible to find a past period that provides a significant basis of comparison without broad allowance for other variable factors. During the war the situation was obviously abnormal, with unrestricted governmental spending acting in one direction and price control and excess-profits taxes in the other. The decade before the war was one of unbroken, or almost unbroken, depression, with the government spending large sums in an unsuccessful effort to restore prosperity, while at the same time weakening business confidence by an unprecedented program of experimental legislation and intervention in economic affairs.

Measuring Profits

"One must go back at least to the 1920's to find a prosperous period not dominated by clearly abnormal factors, and even then the fundamental normality of the situation may be seriously questioned. That period, moreover, was two decades and more ago, and great changes have taken place since then. The country is more populous and much more productive; and it is only natural that corporate income, like other forms of income, should be higher. The price level has risen substantially, so that a change in dollar total does not indicate a commensurate change in physical volume. The dollars in which profits are measured are smaller dollars.

"Both the changes in the physical volume of output and the changes in the price level are reflected in national income and gross national product. Probably the most satisfactory way to measure corporate profits, therefore, is to express them in terms of one of these aggregates. Measured in this way, profits after taxes, according to the latest official estimates, are found to have been lower in relation to national income last year, at 8.9%, than in 1929, when the ratio was 9.6%, or in 1941, when it was 9.0%. The average for the 19-year period 1929-47 is 5.8%.

Profits and Sales

"One of the most significant ways of measuring corporate profits is to express them in terms of sales. This method provides a direct comparison between the services that the corporations render and the net payment received for those services. Sales, like profits, reflect price fluctuations on the one hand and changes in the physical volume of production and distribution on the other. Last year the net profits, after taxes, of corporations in all industries except finance, insurance and real estate were equal to 5.28 cents per dollar of sales, as against 5.41 cents in 1929, 5.14 cents in 1941, and a 19-year average of 3.61 cents.

"This method of statement has a direct bearing on the question of the relation between profits and price inflation. If the profit margin of corporations last year had been arbitrarily restricted to the 1939 figure of 3.98 cents per dollar of sales, and if the entire reduction had been passed on to customers in the form of lower prices, the saving to customers would have amounted to 1.3%, canceling about one fifty-ninth of the advance in consumers' prices since 1939. Those who attribute, or pretend to attribute, any important part of the war and postwar rise in the cost of living to the increase in corporate profits are speaking without regard to the plain facts.

"Corporations in the industries that have been subjected to especial criticism for the supposedly high profits and their pricing policies, and those whose products enter directly into the cost of living, show comparatively little deviation from the general average and in some outstanding instances are well below it. Companies producing food and kindred products, for example, earned 3.48 cents per dollar of sales last year. Producers of apparel and other finished fabric products earned 4.27 cents. Automobile manufacturers earned 6.23 cents. Transportation and distribution cannot be held responsible, because transportation companies earned only 2.22 cents, wholesale dealers 2.02 cents, and retail dealers 3.69 cents. All manufacturing corporations earned 6.25 cents, and corporations engaged in contract construction earned 2.69 cents. Bituminous coal producers earned 6.86 cents, and manufacturers of iron and steel and their products 7.42 cents.

Need for Adequate Profits

"In judging corporate profits, it is essential also to remember that they are a residual item representing a margin above comparatively inflexible costs. This means that profits are an exceptionally unstable form of income. In periods of low business activity they may vanish entirely, or even give way to large deficits. In the three consecutive years 1931, 1932 and 1933, all corporations in the United States, taken as a single group, are officially estimated to have experienced a total com-

igitized for FRASER
http://fraser.stlouisfed.org/

bined deficit, after taxes, of more than $5 billion. For the entire decade 1930-39, their profits were equal to only 1.87 cents per dollar of sales. It is evident that the average over a long period can be maintained at a level sufficient to attract capital, provide jobs, and supply the needs of a growing population only if profits in good years are high enough to offset the very unfavorable results experienced in bad years. In a period of exceptionally active demand such as at present, it would be an occasion for the gravest anxiety if profits should fail to respond to the favorable conditions.

"Another fact of primary importance that must be taken into consideration in judging the level of corporate profits is the sharp rise that has taken place in the cost of replacing worn-out and obsolete productive equipment. Some authorities maintain that this increase in replacement costs, not adequately allowed for by higher depreciation charges, has resulted in a serious overstatement of profits. Whether this view is accepted or not is largely a matter of terminology. The essential point is that the additional funds for replacement must be raised, and in the large majority of cases the most practicable way of raising them is to take them from earnings. Thus they are not available either for expansion of facilities or for distribution to owners. The acquisition of new equipment at present high prices also raises questions as to current and future prices and earnings. Some corporations have deemed it desirable to set up special reserves against possible declines in the value and earning power of newly installed facilities.

"Similar allowance must be made for the fact that at a time of rapidly advancing prices a substantial share of reported profits consists of a rise in the value of inventories. This is an unrealized or 'paper' profit; it is essentially nonrecurring and continues only as long as the price advance continues; and in the event of a subsequent price recession it is offset by an inventory loss. For these reasons it is fundamentally different from a true operating profit. Last year, according to official estimates, this item amounted to more than $6 billion for all business and more than $5 billion for corporations alone, accounting for 17% of the aggregate amount of corporate profits before taxes.

Anti-Inflationary Aspects

"Aside from the evident fact that profits in the aggregate are not large enough to have any great effect on the cost of living, there are vital reasons why striking at profits would be the worst possible way to set about combating inflation. A general rise in prices reflects an excess of the total demand for goods and services over the total supply of them at the existing price level. The basic problem in an anti-inflationary program, therefore, is to reduce demand and increase supply, in terms of money. On the side of supply, a curtailment of profits would have an effect exactly opposite to that desired. It would diminish the incentive to produce and the incentive to expand and improve facilities for future production. And it would diminish the means for expansion and improvement of facilities, because one of the principal sources of funds for that purpose is the retention and reinvestment of profits by business concerns, and another is the saving and reinvestment of profits distributed by concerns to their individual owners.

"On the side of demand, the ultimate effect of a curtailment of profits would be very uncertain. The industrial demand for new instruments of production would certainly be reduced, but it may be repeated that industrial demand today means more and better products at lower cost in the future. To reduce profits by further increases in wages would simply swell the demand of wage earners and, as recent experience has shown, would lead to a further rise in prices. To reduce profits by placing price ceilings on commodities would (waiving the questions of the resulting decrease in supply and of black markets) stimulate consumer demand and further increase the inflationary pressure. And to reduce profits by levying new taxes on business enterprise would increase government revenue and either result in larger government spending or, if the proceeds were used for debt retirement, place additional lending and spending power at the disposal of security holders, including the banks, with final consequences that would depend largely on Federal Reserve and commercial bank policies. Some net reduction in total demand would probably follow as a result of the additional taxation and the use of the proceeds for debt retirement; but as far as the anti-inflationary effect was concerned, there certainly would be no special efficacy in a tax on profits as compared with other forms of taxes.

"The attack on profits and industrial pricing policies as causes of present inflationary tendencies is a glaring case of misplaced emphasis. When weighed against other forms of income or against the amount of goods and services produced, profits are seen not to be at conspicuously high levels out approximately in line with past experience at times of active demand. The true causes of inflation lie elsewhere, and the remedies must be sought elsewhere."

Public Utility Securities

South Jersey Gas

Public Service Company of New Jersey in its recent dissolution under the Holding Company Act gave each share of its common stock one share of Public Service Electric & Gas and one-tenth share of South Jersey Gas. While the distribution was being made, over-counter dealers made an initial market for South Jersey Gas of about 3¼. Later the stock advanced to 5 and is now quoted about 4⅝-⅞.

The new company has been somewhat of a market mystery. It was merged in April 1947 with Peoples Gas (another Public Service subsidiary) and in October was completely recapitalized. On July 1 this year the Public Service plan became effective and South Jersey Gas became an independent company (except that a substantial block of stock is now held by United Corporation). George H. Blake, President of Public Service, was succeeded as President of South Jersey Gas by Earl Smith, former Vice-President. The company's headquarters are now in Atlantic City.

Territory served by the company with manufactured gas includes Atlantic City (which comprises about 42% of the total population served) together with other resort cities and various other areas in a belt extending across the state. The balance of the territory served west of the seashore resorts consists principally of a large number of small industrial and commercial communities which also function as shopping centers for the surrounding rural and farming country.

Total revenues in 1947 amounted to $3,037,000, a substantial gain over the 1942 figure of $1,831,000. Revenues had shown little change during the period 1937-42, however. Recent rate figures are not available but in the first half of 1947 revenues per MCF were $1.23. A rate increase of about 20-25% (yielding estimated additional revenue of about $590,000) was granted June 1 this year. At the same time the company was permitted to extend its oil adjustment clause in the rate structure to all classes of customers.

Under an order of the Public Utility Commissioners of New Jersey in March 1947 the plant was written down to original cost except for aquisition adjustments of $1,500,000 which are being amortized over a 30-year period through charges to capital surplus (so long as any of the 1937 series bonds are outstanding). Bonds are to be retired at the rate of about $60,000 per annum except that 60% of property additions, not otherwise utilized under the mortgage, may be credited.

Pro forma earnings are not available. Based on the gross income of the two companies as given in the bond prospectus and in the 1947 report of Public Service of New Jersey, minus estimated current fixed charges of about $200,000, and applying a straight 38% Federal income tax throughout the period, share earnings are estimated as follows:

1947	29¢
1946	43
1945	33
1944	24
1943	19
1942	19
1941	28
1940	32
1939	37
1938	37
1937	36

After allowance for increased Federal income taxes, the rate increase recently granted would amount to about 67¢ per share but of course some of this gain might be absorbed in further increases in costs during 1948 (however, as noted above, higher costs of oil for making gas can now be fully passed on to customers). Since the new rate schedules will only be effective for seven months of the calendar year 1948, earnings this year might be estimated in the neighborhood of 50-60¢. However, in 1949, with full rate benefits obtainable, a further increase in earnings might be anticipated except as retarded by higher wages or miscellaneous costs.

Most or all of the manufactured gas companies in this area are hopeful of getting natural gas from the South when a pipeline comes through in 2 or 3 years. South Jersey Gas wants to obtain gas from Texas Eastern Pipeline, and its representative appeared in Washington this week before the FPC in connection with the hearings on the project. Natural gas would of course benefit the company by perhaps doubling the heating units per cubic feet of gas delivered, increasing the available supply, and permitting promotion of profitable house-heating service.

As to eventual normal earning power, 6% on the present rate base (as estimated from the balance sheet, and including acquisition adjustments) should permit earnings of about 82¢ a share; 7% would allow $1. Of course, additions to the rate base, through new construction, would increase these amounts. The company has not yet considered any dividend policy, it is understood.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government bond market is about as confused now as it has been in a long time, because there is practically no agreement on what is likely to happen even on a day-to-day basis. . . . Bickering back and forth between operators in the money markets along with "Open Mouth Operations" that come from all over the lot, has traders and investors so uncertain that only necessary business is being done. . . . This is largely of the switching variety, but it has given the market some activity, if on a sharply curtailed basis. . . .

At least psychologically almost everyone in the government market seems to be ready to act fast, especially as far as the longer-term Treasury obligations are concerned. . . . Doubt over what will happen to support prices of the more distant maturities of both the eligible and ineligible obligations continues to move funds into Treasury bills and certificates. . . . There has been some buying of the 2¼s due 1956/59 and the 2½s due Sept. 15, 1962/72 by Pacific Coast banks, but it is indicated that these acquisitions have not been too sizable. . . . Most of these purchases, according to reports, were made at prices that were about at the lows of the current move. . . .

FUTURE OF "PEGS"

The money market is trying to plot as best it can, under existing uncertainties, the future course of events, with particular emphasis upon what is likely to happen in the relatively near future. . . . One of the important points that is getting careful consideration is whether or not "pegs" on the longer maturities of the eligible taxables will hold, when the test comes. . . .

The answer to this one may not be long delayed. . . . The 2½s due March 15, 1956/58 were previously supported at 102.24, the 2¼s due Sept. 15, 1956/59 at 101.8 and the 2½s due Sept. 15, 1967/72 at 101. . . . Gradually and slowly quotations of these issues have been moving toward former support prices on rather light volume. . . . Until the government bond market knows what the authorities will do with prices of the last three maturities of the eligible taxables, when the "chips are down," there are not likely to be too many institutions making commitments in these obligations. . . . On the other hand, some selling is being done for protective purposes. . . .

MORE UNCERTAINTY

Another item that is high on the agenda is when and how much reserve requirements will be raised? . . . The current feeling seems to be that reserves will not be increased until sometime in October at the earliest, so as not to interfere with the coming financial operations of the Treasury. . . . Whether reserve requirements are raised generally or are upped more in particular districts is a matter of conjecture. . . . However, the opinion still seems to be quite prevalent that strong borrowing areas will get the brunt of the increase, when it is made. . . .

With higher reserve requirements expected in the not distant future, the government bond market, in the opinion of most money market followers, is not likely in the interim to do anything on the up side. . . . Moreover, there seems to be more of a bearish than bullish attitude toward prices, especially in the longer eligibles because there is so much uncertainty as to whether former support prices will be maintained when the test takes place. . . . This will probably be when reserve requirements are raised. . . .

"HOT" SPOT

The ineligible price peg is also one of the hottest spots in the money markets, with opinions rather divided as to whether or not the premiums above 100 will be eliminated by the authorities in the near future. . . . It is being pointed out by some that a lowering of support prices to the par level would tend to retard liquidation of holdings by non-bank holders, especially the insurance companies. . . .

Others, however, hold that a dropping of the support prices to 100 would not slow selling by insurance companies, although it would cost the money managers less to maintain protective levels for the tap bonds. . . . What is likely to happen to support prices for all of the long-term Treasuries, if anything, is keeping the government bond market in a state of uncertainty and confusion. . . . It is this type of operation that the powers that be have used in the past to keep the market off balance so that decided price movements in either direction have not taken place. . . . Whether it will be effective this time is open to considerable question, since it is indicated in certain quarters that a return of confidence now might be more beneficial to the government market. . . .

SHORT-TERMS FAVORED

Short-term government obligations are being picked up in fairly sizable amounts by the smaller commercial banks, with Treasury bills seemingly getting more of a play than the certificates. . . . These institutions are apparently not interested at this time in making purchases of issues that might result in price depreciation, despite their need for maintaining income. . . .

LIVELY TOPIC

Banks and insurance companies are in disagreement as to how they have or have not contributed to the forces of inflation. . . . Undoubtedly this argument will not stop here because the subject is too lively a one to be allowed to pass on into oblivion so quickly. . . . There is nonetheless this opinion among apparently impartial observers, that the authorities do have some powers to limit the credit creating policies of the commercial banks in the form of higher reserve requirements. . . .

Also it is pointed out that so long as the Treasury is in a position to retire debt there is not an over-all increase in bank credit. . . . This has been the case so far. . . . On the other hand, the question is being raised as to what powers have the authorities over insurance companies to prevent them from expanding loans that are made from the proceeds of the sale of government securities. . . .

gitized for FRASER
tp://fraser.stlouisfed.org/

How Many Really Own Stocks?

(Continued from first page)
outside of a census, to eliminate the duplications.

Some Earlier Studies

Monograph 29 of the Temporary National Economic Committee (TNEC), published in 1940—from data now eleven years old—on page 175 estimated that the "most likely" number of stockholders of record (before eliminating duplications) was 26,000,000, mentioning a statistical range somewhere between 22,355,000 and 27,355,000. In 1939, an Elmo Roper sampling survey by interviewing only about 5,000 persons arrived at figures which were refined by the TNEC (Monograph 29, page 167) to indicate between 8,000,000 and 10,000,000 people owning common stocks "with a figure of about 9,000,000 appearing the most likely value."

More recently, a Survey of Consumer Finances conducted for the Governors of the Federal Reserve System by the University of Michigan Survey Research Center, on a sampling basis, arrived at an estimate that "about 9% of all spending units" had at least one member who owned stocks or bonds other than Federal in the early part of 1947 (see page 41 Survey of Consumer Finances, reprinted from Federal Reserve Bulletin for June, July and August, 1947). At this time there were about 47,000,000 spending units, so this sampling (which covered only 3,000 units or families) suggested that 4,130,000 spending units owned securities other than government bonds. Obviously, many, if not most, of the spending units contained more than one person who was a shareholder or a bondholder, so the 4,130,000 figure is too low even if one admits that it is fair to arrive at a statistical answer from a sampling of six units per 100,000, or one out of every 16,666 families.

A later sampling (Federal Reserve Bulletin for July, 1948) of 3,500 spending units out of an estimated 48,400,000 made in early 1948 by the same organization, revealed that 4,500,000, or "almost one-tenth" of the number of spending units contained at least one person owning securities other than government bonds. About four-fifths, or an estimated 38 million, had at least one member owning life insurance.

Sampling Process Inadequate

The risk of error through sampling always is considerable, but it is exceedingly great when the process involves sampling only six units per 100,000 of a "universe." In this case the sampling obviously under-estimated the number of people in the United States owning life insurance. Its figure of 38 million (before "refinement") compares with the Institute of Life Insurance estimate (page 10, Life Insurance Fact Book for 1947) of 176,657,000 policies in force, owned by 73 million individuals. If one accepts the Life Insurance Institute estimate as accurate (and it is the best estimate there is, regardless of its absolute accuracy), the margin of error in the University of Michigan sampling was an understatement of 92% (38 million vs. an actual figure of 73 million).

If one applies this percentage of understatement to the survey of the number of people owning securities other than government bonds, the "unrefined" estimate of 4.5 million rises to approximately 8,640,000. We hasten to mention that the Federal Reserve Bulletin (July, 1948) "refined" the estimate as follows: "Holders of stocks and bonds, other than U. S. Government bonds, number approximately 6,000,000. This should perhaps be considered the minimum number of persons owning stocks and bonds." (Page 775, Federal Reserve Bulletin, July, 1948.)

Some Probabilities

Just as a matter of humble opinion, this writer believes that the percentage of error in this 6,000,000 estimate is considerably greater than 92%. If the error were only 92%, there would be approximately 11,500,000 holders of securities, other than government bonds, in the United States.

It should be recognized, however, that these estimates through sampling, poor as they may be, have the earmarks of being based on some effort to "count noses." They are the estimates of what might be called "erudite" rather than "popular" financial writers. It is my opinion that the "erudite" estimates are almost as crude as the "popular" guesses.

The simple fact is that no one knows how many people in the United States own common stocks. The range is somewhere between 6,000,000 and 16,000,000—with a figure of about 11,000,000 appearing "reasonable" on the basis of a "half way" point between two extremes.

428 Companies Have 13 Million

The tabulations accompanying this study cover the reported stockholders of record of some 428 companies. Without eliminating duplications, without allowing for the fact that individual registrations in the names of bank or brokerage house nominees often represent scores of actual stockholders, these companies have 12,911,432 shareholders of record. That is about as far as the "factual" data goes.

Admittedly, 150 of these 428 companies, each with 25,000 stockholders or more, probably have the largest stockholders' lists of any American corporations. Admittedly, there are many duplications—especially in cases where the investor owns 10 to 100 different stock issues. On the other hand, it is probable that several hundred thousand stockholders of American Telephone, for instance, own that stock and no other. The number of one-issue or two-issue stockholders also would run high among the new electric utility operating companies which have made such an intensive drive toward local (or customer) ownership. A great many employees of big companies own some of their own concern's stock, and own no other. This would apply to corporations like Standard Oil of New Jersey, General Motors, J. C. Penney and Sears, Roebuck & Co. It applies, to some extent, to almost every corporation in which there is a sizeable public interest.

Many Small Holdings

It is interesting to note that the greater part of almost every public-owned corporation's shares are held by a comparatively small percentage of the total number of stockholders. Not every company makes the necessary information public, but many that do show from 80% to 92% of all the stock held by owners of 100 shares or more, and that the remaining 20% to 8% is owned by a very much larger number of stockholders who own 100 shares or less. A few recent statistics, obtained in response to requests, follow (it will be noted that the first column shows the per cent of the total issue held by owners of 100 shares or more, and that the second column—which does not match with the first column—shows the per cent of holders owning 100 shares or more):

A Few Own Most of the Stock

	% Held by Owners of 100 Shs. or More	% of Holders Owning 100 Shs. or More
Amercinan Brake Shoe	74	15
Amer. Home Products	92	46
Anaconda Copper	73	18
Beatrice Foods	66	21
Best Foods	Not given	75
Borg Warner	83	32
Commercial Solvents	84	26
Continental Insurance	81	25
Consol. Natural Gas	76	5
Corning Glass Works	97	40
Crown Zellerbach	89	34
Detroit Edison	87	31
Douglas Aircraft	73	17
Fidelity Phoenix Ins.	83	27
Firestone Tire & Rub.	84	20
First Nat. Bank, N. Y.	61	1½
Hartford Fire Ins.	Not given	21
Hussmann Refrigerator	94	56
International Telephone	22	86
Lambert Co.	74	Not given
Mission Corp.	86	5
Montgomery Ward	66	16
National Gypsum	87	41
New York Central	84	25
Niagara Hudson Power	Not given	17
Pennroad	65	14
Radio Corp.	80	21
Sinclair Oil	Not given	33
Sperry Corp.	Not given	8
Standard Oil of Ky.	84	36
Standard Oil of N. J.	75	Not given
Standard Oil of Ohio	91	42
Stewart-Warner	67	11
Texas Co.	84	25
Texas Gulf Sulphur	82	23
United Gas Improvem't	64	5
U. S. Smelting	82	21

Corporations Not Covered

Perhaps it is most interesting to note some of the stockholders of record that are not included in the compilation of the shareholders of record in these 428 companies. In the first place, this list covers only about 7.1% of the companies described in the Standard & Poor's Corporation Records, and a little less than 4% of the companies covered by Moody's Manuals. Second, it covers very few banks—and many small town investors own bank shares and no other stocks. Third, it does not cover thousands of privately owned corporations which have anywhere from one to fifty owners. Fourth, as already noted, it makes no allowance for nominee shareholders, of which there are hundreds of thousands. Fifth, it makes no allowance for "indirect" stockholders, the beneficiaries of insurance policies, the depositors of savings banks and benevolent institutions, and members of lodges and societies who are shareholders *de facto* if not stockholders *de jure*. It is only fair to say, in this connection, that any study of the number of shareholders that does not take into consideration holders of record other than individuals, and all the members of family units, is incomplete.

I would not overlook some "padding" in the list of shareholders here presented. There is no way, so far as most companies are concerned, to know how many stockholders are residents of foreign countries and therefore not citizens of the United States. A majority of the stock of Canadian Pacific, for instance, is held by people who are not citizens of the United States. Most of the shareholders of Nickel Plate formerly were, and still are, owners of Chesapeake & Ohio. Most of the stockholders of Consolidated Natural Gas also are holders of Standard Oil of New Jersey. In some cases, but not all, the figures here given do not eliminate duplications between the preferred stockholders and the common stockholders of a given corporation.

Some Unique Facts

Some of the unique things about stockholders' lists are of more than passing interest. Middle West Corporation (successor of Middle West Utilities) in its annual report last May mentioned that it has "lost" some 1,000 holders of record. Mail sent to them has been returned. In this case, the corporation is holding cash dividends as well as shares of Central Illinois Public Service Company for owners it cannot find. Of course, Middle West Utilities and Middle West Corporation were out of the dividend ranks for many years and many smaller holders no doubt forgot they owned it. Some have died. Others have moved and left no address.

The shareholders' roster of Cities Service has been dropping from year to year as the over-distribution of the Doherty days is corrected. Many holders originally held very small units of stock. At one time these units were of purely nominal value. When Commonwealth & Southern Corporation is finally liquidated, it no doubt will be difficult to locate thousands of the many small owners. Incidentally, how much debt do you suppose the United States Government never will be called upon to pay because of "lost" or forgotten Series "E" bonds? It may run into hundreds of millions of dollars.

Referring to the large number of nominee shareholders, the Secretary of the Texas company, Mr. W. G. Elicker, wrote me under date of April 13 as follows: "We have 57 (stockholder) accounts, made up principally of large brokerage houses and nominees, each holding in excess of 20,000 shares, holding an aggregate of 20% of the stock outstanding, yet representing only 0.6% of the total number of stockholders. There are probably more than 10,000 individual stockholders included in these holdings. I believe the same condition may be "true of a large number of large American corporations . . ." Texas company, at the end of 1947, had 100,114 stockholders of record, but according to this source, it was owned by at least 120,000 people. A smaller corporation wrote that it had 1,291 stockholders of record, but that a check of brokerage holdings revealed at least 195 additional holders in 60 brokerage accounts held by 255 customers.

Almost Thirteen Million Stockholders

Some miscellaneous facts about the tabulation which accompanies this article are of more than academic interest. Comparative figures (1947 vs. 1946) are presented for 381 companies, which at the end of 1947 (or for the latest approximately equivalent date available) had 12,545,836 stockholders, compared with 12,288,177 stockholders at the end of 1946. During 1947, the shareholders' lists of 229 of these companies increased in number, whereas the roster of 143 companies decreased. Nine of the lists were practically unchanged during the year. U. S. Steel, for instance, lost three stockholders of record during the year.

In addition to the 381 companies for which comparative figures are presented, no comparisons are given for 47 other companies which had 355,596 holders at the end of 1947, or thereabouts. In some cases these are new corporations. In other cases, the comparative figures were not readily available. Only 40 of the corporations having 10,000 stockholders or more are included for which no comparison is given. Uncorrected for duplication, 428 companies have 12,901,432 holders of record.

Studies for previous years show that there is a tendency for stockholders' lists to grow in periods of great market activity and to shrink slightly or be comparatively stationary in years of market dullness. The biggest increase in stockholders' lists, however, came directly after the 1929 market collapse. This was explained partly by buying on the decline and partly by the transfer of millions of shares from the names of stock brokers to the names of actual holders.

In most cases, split-ups are followed by a growth in the number of stockholders, but this tendency has been less marked in recent years as split-ups have become so numerous.

In studying the list, one is impressed by the manner in which (1) the new public utility operating company shares have attained a wide public distribution in a short time, (2) by the decrease in stockholders sustained by public utility holding companies, (3) by the way in which over-distribution to too many small holders is being corrected in the case of Cities Service which, at the end of last year had 278,136 holders, compared with 635,143 at the end of 1933 and Niagara Hudson Power, which had 66,894 stockholders at the end of 1947, compared with 94,723 at the end of 1933, and (4) by the relatively small increase last year in the shareholders' lists of the leading oil and railroad companies.

Thickness or Thinness of Market

The figures here presented are of significance to traders and investors. Other things being equal, the average "thickness" or "thinness" of the market for a stock is influenced to a considerable degree by the number of people who own it and, therefore, are potential sellers or buyers.

This study should not be misinterpreted. It is not so much intended to prove anything as it is to present information. Obviously, it leaves unanswered the question, "How many Americans own common stocks?" However, it does establish that the large corporations of the United States and Canada are owned by millions of people rather than by a few "rich and well born."

The political power of these stockholders numerically approaches the political power of the country's labor unions. The application of this power, however, is difficult because so many of the people who own stocks are "shareholders by avocation" rather than "shareholders by vocation." In other words, the dividends received on the shares owned, for many shareholders, constitute a relatively small percentage of total family income—whereas the dividends of a relatively small percentage of all the stockholders (in number) constitute the major part of family income. This fact makes the labor union leadership better able to marshal its political power than the political leadership, if any, of capitalistic interests is able to marshal its power to protect or enhance the interests of corporation owners.

Over 100,000 Stockholders

	1947	1946
American Tel. & Tel.	723,374	696,060
Anaconda Copper Mining	123,827	122,649
Bank of America, N.A.	151,699	155,154
Cities Service Co.	278,136	298,649
Commonwealth Edison	116,600	116,000
Commonwealth & Southern	164,753	170,490
Consolidated Edison	156,842	155,197
General Electric	249,440	248,424
General Motors	436,510	430,384
Pennsylvania RR.	213,581	218,943
Pacific Gas & Electric	141,293	138,919
Packard Motor Car	118,625	117,525
Public Service Corp. of N.J.	122,802	127,408
Radio Corp.	213,249	218,228
Sinclair Oil	100,911	99,975
Socony-Vacuum Oil	144,527	140,268
Southern Calif. Edison	105,166	91,462
Standard Oil of N. J.	167,000	164,000
Texas Co.	100,114	92,865
Transamerica	145,404	149,444
U. S. Steel	228,467	228,470

75,000 to 100,000 Stockholders

	1947	1946
American Tobacco	84,539	73,675
Bethlehem Steel	81,836	80,339
Canadian Pacific	91,585	91,523
Chase National Bank	91,682	90,854
Chesapeake & Ohio	94,403	88,187
Consolidated Natural Gas	81,750	87,930
Curtiss-Wright	93,783	97,826
DuPont	91,201	87,619
International Nickel	90,664	89,199
Kennecott Copper	90,172	89,629
Pennroad	88,940	92,917
Sears, Roebuck & Co.	92,682	89,664
Standard Oil of Calif.	90,850	89,313
Standard Oil of Indiana	97,495	97,237
Standard Brands	81,786	80,637
Union Carbide & Carbon	75,933	75,490
United Corporation	92,750	96,442
Woolworth, F. W.	79,906	76,117

Digitized for FRASER
http://fraser.stlouisfed.org/

50,000 to 75,000 Stockholders

	1947	1946
American Radiator & Standard Sanitary	61,671	61,135
Atchison, Topeka & Santa Fe	63,177	62,793
AVCO Corp.	56,515	56,642
Borden Co.	50,445	49,121
Chrysler Corporation	60,250	55,721
Columbia Gas & Electric	60,376	59,379
Electric Bond & Share	57,638	80,300
General Foods	58,300	67,174
General Public Utilities	55,000	53,000
International Telephone	56,284	57,920
Irving Trust Co.	59,178	59,443
Massachusetts Inv. Trust	62,931	61,909
Montgomery Ward	70,084	68,945
National Biscuit	65,000	64,000
National City Bank	67,319	68,913
National Dairy Products	67,256	67,308
New York Central	66,099	62,717
Niagara Hudson Power	66,894	69,555
Pennsylvania Power & Lt.	59,882	58,040
Republic Steel	60,921	60,685
R. J. Reynolds Tobacco	70,024	71,449
Swift & Co.	64,000	63,365
Union Pacific	56,264	56,479
United Gas Improvement	53,363	56,080
Westinghouse Elec. & Mfg.	71,435	68,428
Wisconsin Electric Power	63,800	23,587

25,000 to 50,000 Stockholders

	1947	1946
Alleghany Corp.	31,178	31,478
Allis-Chalmers	27,103	28,739
Amer. Gas & Electric	28,805	18,777
Amerex Holding	27,948	30,000
American Airlines	37,000	34,353
American Business Shares	35,933	35,218
American Can	32,935	33,532
American Power & Light	32,500	31,599
American Superpower	48,626	----
Armco Steel	43,275	43,470
Armour & Co.	38,053	48,000
Atlantic Refining	35,084	32,726
Atlas Corp.	29,994	30,925
Bank of Manhattan	29,441	29,691
Bendix Aviation	28,241	26,320
Brazilian Traction	29,006	28,701
Burroughs Adding Machine	26,172	26,336
Celanese Corp.	31,225	29,200
Chicago & North Western	25,876	17,700
Cleveland Electric Illum.	31,829	6,725
Commercial Credoit	28,455	29,375
Continental Can	33,818	33,561
Continental Oil	28,681	27,450
Corn Products Refining	25,068	25,430
Detroit Edison	40,224	38,207
Distributors Group	43,335	43,624
Dividend Shares	41,500	38,500
Eastman Kodak	47,508	42,070
Erie RR.	29,750	29,973
Gillette Safety Razor	26,506	24,644
Goodyear	44,340	42,354
Graham-Paige	28,717	37,048
Greyhound	25,264	19,991
Great Northern Railway	35,712	35,196
Incorporated Investors	32,347	32,115
International Harvester	42,000	40,000
Kaiser-Frazer	35,708	36,887
Keystone Custodian Funds	49,247	44,300
Kresge, S. S.	26,114	25,360
Kroger Co.	27,421	27,270
Libby, McNeill & Libby	28,388	29,861
Macy, R. H.	31,284	33,588
Manufacturers Trust	29,314	28,988
Middle West Corp.	25,574	32,358
Mission Corp.	28,560	30,944
Nash Kelvinator	45,777	44,814
National Distillers	31,889	28,529
New York, Chicago & St. Louis	29,625	5,158
North American Aviation	29,110	29,494
North American Co.	47,434	49,962
Northern Indiana Public Service	29,170	21,693
Ohio Oil	33,724	34,005
Pan American Airways	34,694	----
Paramount Pictures	31,939	----
Pepsi-Cola	26,700	26,100
J. C. Penney	27,820	24,471
Phelps Dodge	28,186	27,335
Phillips Petroleum	46,291	44,252
Procter & Gamble	44,460	43,467
Pullman, Inc.	32,962	35,735
Pure Oil	41,040	41,569
Remington Rand	25,273	24,833
Southern Pacific	48,205	47,563
Sperry Corp.	29,037	29,324
Sunray Oil	32,000	31,100
Texas Gulf Sulphur	33,476	33,583
Tide Water Assoc. Oil	30,679	30,897
20th Century Fox Film	36,767	35,190
Union Oil of Calif.	37,103	37,273
United Aircraft	37,284	42,801
United Fruit	47,703	42,160
United Light & Railways	28,125	----
United Shoe Machinery	27,945	27,783
U. S. Rubber	25,500	24,478
Warner Bros. Pictures	31,981	29,522
Western Union	26,575	28,186
Westinghouse Airbrake	27,391	26,582

10,000 to 25,000 Stockholders

	1947	1946
Adams Express	12,500	13,051
Aetna Insurance	10,173	8,824
Affiliated Fund	20,363	13,854
Air Reduction	19,799	19,913
Alleghany Ludlum Steel	13,393	13,009
Allied Stores	18,742	18,703
Allis Chalmers	24,158	24,036
Aluminum Co. of America	13,662	17,801
American Car & Foundry	16,293	15,720
American Cyanamid	18,507	18,641
American Home Products	13,997	11,836
American Locomotive	22,193	24,440
American Viscose	22,018	22,755
American Woolen	19,098	19,158
Balwin Locomotive	21,447	20,697
Baltimore & Ohio	22,606	23,657
Bankers Trust	21,025	20,884
Barnsdall Oil	14,519	15,590
Best Foods	20,250	19,967
Blaw-Knox	11,731	11,778
Blue Ridge	10,835	10,620
Boeing Airplane	15,544	16,221
Borg-Warner	20,026	20,148
Briggs Mfg.	19,749	19,286
Bristol-Myers	14,203	13,915
Budd Co.	22,208	23,691
Butler Bros.	13,174	13,000+
California Packing	12,004	15,426
Caterpillar Tractor	18,968	18,831
Calumet & Hecla Cons.	22,479	23,800
Celotex	13,200	12,300
Chemical Bank	18,167	18,041
Chicago Corp.	24,755	25,507
Chicago, Milwaukee, St. Paul & Pacific	23,196	23,473
Cincinnati Gas & Electric	24,382	24,000
CIT Financial	19,000	19,171
Coca-Cola	21,601	21,183
Colgate-Palmolive-Peet	15,300	13,754
Columbus & Southern Ohio	11,275	11,158
Commercial Solvents	23,912	24,897
Consolidated Gas, Light & Power (Balt.)	23,562	25,623
Consolidated Mining & Smelting	11,545	11,000
Container Corp.	10,823	9,747
Continental Baking	16,739	17,474
Continental Ills. Natl. Bank	14,903	14,408
Continental Insurance	18,452	18,653
Corn Exchange Bank, N. Y.	11,509	11,481
Crown Zellerback	24,721	25,248
Crucible Steel	11,445	10,989
Curtis Publishing	23,162	22,925
Dayton Power & Light	14,586	13,887
Deere & Co.	17,800	17,778
Diamond Match	13,811	11,679
Dow Chemical	17,704	12,571
Electric Power & Light	18,656	19,286
Equity Corp.	16,271	17,087
Fidelity Phoenix Insurance	12,287	12,531
Firestone Tire & Rubber	19,887	19,918
Florida Power	13,347	12,246
Freeport Sulphur	10,900	10,250
General American Transportation	11,828	11,000
General Baking	19,046	19,133
Goodrich, B. F.	21,259	23,950
Guaranty Trust	24,948	24,589
Hartford Fire Insurance	11,983	12,141
Houdaille-Hershey	10,245	10,421
Hupp Corp.	14,083	16,969
Indianapolis Power & Light	12,720	10,922
Illinois Central	10,507	11,090
Inspiration Copper	10,430	10,367
Insurance Co. of North America	14,217	----
International Business Machines	13,574	13,100
International Paper	22,344	21,631
Johns-Manville	10,500	9,300
Jones & Laughlin	24,674	24,794
Lambert Co.	11,987	11,897
Lehigh Coal & Navigation	12,105	10,980
Lehman Corp.	13,412	12,337
Libby-Owens-Ford	17,125	17,362
Life Savers	10,903	10,800
Louisville & Nashville	13,144	12,800
Mack Trucks	11,934	9,979
Manhattan Bond Fund	16,192	----
Marine Midland Co.	23,992	24,185
Mathieson Alkali	12,000	12,003
McKesson & Robbins	18,951	19,435
National Cash Register	15,950	16,402
National Fuel Gas	14,620	14,035
National Gypsum	13,243	13,190
National Lead	17,527	18,942
New England Tel. & Tel.	16,294	16,963
New York Stocks	17,644	15,742
Noranda Mines	20,358	19,500
Norfolk & Western	15,228	14,006
Northern Natural Gas	15,869	13,149
Northern Pacific	24,951	25,139
Otis Elevator	14,743	14,617
Owens-Illinois Glass	14,000	13,447
Pacific Lighting	18,932	18,654
Pittsburgh Plate Glass	12,960	12,030
Pittston Co.	14,839	17,428
Public Service of Colorado	14,665	----
Puget Sound Power & Light	22,500	23,058
Putnam Fund	10,000	----
Rexall Drug	20,890	18,300
San Diego Gas & Electric	14,633	12,737
Schenley Distillers	11,253	8,781
Scranton Electric	11,107	11,893
Servel	14,547	14,998
Southern Railway	18,381	16,871
Standard Gas & Elec.	22,712	----
Standard Oil of Kentucky	20,633	17,754
Standard Oil of Ohio	12,447	10,326
State Street Investors Trust	12,195	10,880
Stewart Warner	17,103	17,275
Studebaker	22,620	22,313
Texas Eastern Transmission	11,950	----
Timken Detroit Axle	12,498	11,721
Timken Roller Bearing	19,501	19,852
Transcontinental & Western Air	18,727	19,374
Tricontinental	13,316	13,587
United Gas Corp.	13,240	14,039
U. S. Gypsum	13,238	8,574
U. S. Smelting	15,142	15,316
United Stores	17,512	17,930
Virginia Electric & Power	21,042	11
Wilson & Co.	17,525	17,129
Youngstown Sheet & Tube	12,390	11,901

5,000 to 10,000 Stockholders

	1947	1946
Alaska Juneau	9,536	9,700
American Bank Note	7,418	7,040
American Brake Shoe	9,000	8,000
American Cable & Radio	7,698	7,767
American Chain & Cable	8,535	8,882
American Machine & Foundry	7,089	6,966
American Stores	8,695	8,712
American Water Works	6,500	----
American Zinc, Lead & Smelting	5,825	5,999
Armstrong Cork	9,297	9,424
Beatrice Foods	7,289	7,246
Boston & Maine	9,656	10,043
Bridgeport Brass	9,757	9,417
Brooklyn Union Gas	8,030	7,322
Brown & Bigelow	5,183	385
California Electric Power	7,000	6,830
Canada Dry Ginger Ale	7,500	6,748
Case, J. I.	6,303	6,411
Central Arizona Light & Power	7,078	----
Central Illinois Electric & Gas	6,245	5,935
Columbian Carbon	6,604	5,484
Consolidated Coppermines	9,200	9,252
Delaware & Hudson	6,938	----
Doehler-Jarvis	5,500	5,385
Dorsett Fabrics	7,500	----
Douglas Aircraft	9,022	8,987
El Paso Electric	9,490	----
Electric Boat	6,275	5,500
Empire District Electric	5,605	5,639
First National Bank, N. Y.	7,671	7,448
Fundamental Investors	9,760	7,794
Goebel Brewing	6,100	6,188
Gulf States Utilities	9,771	----
Hudson Motor Car	9,849	9,550
Houston Lighting & Power	8,555	7,996
Idaho Power	8,500	6,961
International Detrola	7,534	7,759
Kimberley Clark	8,545	5,000
Koppers Co.	8,391	6,934
Lima-Hamilton	5,134	2,105
Link Belt	5,943	6,077
Long Bell Lumber	8,392	8,147
Louisville Gas & Electric	8,902	9,203
MacFadden Publications	5,588	6,000
Mead Corp.	7,000	6,784
Merck & Co.	5,000	5,062
Missouri-Kansas-Texas	8,612	8,431
Mountain States Power	6,518	4,726
National Container	5,849	3,729
National Investors Corp.	8,291	8,149
Nation Wide Securities	8,400	7,509
New England Gas & Elec. Assoc.	6,951	----
Newport News Shipbuilding	7,602	6,646
New York Trust	8,306	8,371
Oliver Corp.	9,900	10,650
Pennsylvania Water & Power	7,000	7,179
Philco Corp.	9,362	9,138
Pittsburgh Consolidation Coal	5,703	5,435
Remington Arms	8,630	9,222
St. Joseph Lead	7,980	7,581
Scott Paper	7,670	6,202
Seaboard Air Line	7,637	2,536
Sharon Steel	5,000	5,100
Sun Chemical	6,804	6,561
Tampa Electric	6,700	----
Tennessee Gas Transmission	7,200	7,200
Textron	9,500	8,706
Underwood Corp.	6,148	6,034
Union Bag & Paper	7,321	6,171
Union Trusteed Funds	6,581	6,581
U. S. Pipe & Foundry	6,854	7,106
Wheeling Steel	9,283	9,292
White Motor	6,559	6,613
Willys-Overland	8,110	5,071

Less Than 5,000 Stockholders

	1947	1946
Aetna Insurance	3,291	2,909
Aeronautical Securities	1,700	1,600
Amer. Hawaiian S. S.	2,318	2,438
American International	3,300	----
American Metal	3,765	3,938
American News	3,278	3,022
Amer. Potash & Chemical	4,111	4,593
Anchor Hocking Glass	2,708	----
Apex Electric Mfg.	1,129	993
Axe Houghton Fund, Inc.	4,041	2,579
Axe Houghton Fund "B"	387	273
Babbitt (B. T.)	2,274	----
Bendix Home Appliance	4,007	3,845
Black & Decker	4,760	4,657
Bullock Fund	2,700	2,300
Buffalo Bolt	2,000	----
Bunker Hill & Sullivan	4,764	----
Campbell-Wyant	3,363	3,243
Cent. Vt. Pub. Serv.	4,249	4,724
Chamberlain Co.	571	----
Connecticut Gen. Life	2,414	2,389
Conlon-Moore	1,428	----
Cooper-Bessemer	2,647	3,431
Corning Glass Works	4,670	4,642
Continental Steel	2,584	2,544
Deep Rock Oil	2,800	2,900
Dewey & Almy	1,717	----
Ekco Products	3,147	----
Elliott Co.	3,758	2,174
Emerson Electric	3,130	3,130
Employers Group	3,628	----
Ex-Cell-O	4,000	3,944
Foremost Dairies	2,071	----
Gaylord Container	4,444	----
General Amer. Investors	1,634	1,482
General Shoe	4,000	----
Granite City Steel	2,200	2,300
Hackensack Water	1,464	1,411
Hamilton Watch	3,038	3,024
Heyden Chemical	3,307	----
Hunt Foods	3,600	3,645
Hussmann Refrigerators	1,291	1,181
Illinois Terminal RR.	3,279	----
Island Creek Coal	4,922	4,925
Knickerbocker Fund	4,200	3,800
Lion Oil	4,497	----
Loomis-Sayles Mutual Fd.	915	----
Loomis-Sayles 2nd Fund	1,580	----
Lynch Corp.	1,752	----
Mercantile Stores	2,600	2,806
Michigan Chemical	1,132	871
Mining Corp. of Canada	3,415	3,495
Moore-McCormack Lines	2,800	2,300
Morrison Knudson	1,506	----
Motorola, Inc.	2,795	3,000
Namm's, Inc.	1,152	----
National Aviation	3,676	3,726
National Bond & Share	1,273	----
Noblitt-Sparks Industries	2,906	----
North American Rayon	1,200	----
Oklahoma Gas & Electric	4,702	3,796
Pennsylvania Cent. Airlines	3,590	3,712
Pennsylvania Salt	4,195	3,840
Pond Creek Pocahontas	1,002	865
Poor & Co.	3,779	----
Quaker State Oil	2,251	2,226
Rheem Mfg.	4,693	5,376
Ruberoid	2,304	2,240
Sharon Steel	4,924	5,100
Skelly Oil	2,908	3,119
Smith (Alex.) Carpet	2,165	2,153
Southeastern Greyhound	3,519	2,869
Staley (A. E.)	2,060	----
Sterchi Bros.	1,467	----
Talon, Inc.	3,912	3,728
Thatcher Glass	3,546	3,207
Thew Shovel	905	----
Thompson Products	3,918	----
United Carbon	4,609	4,253
United Engineering & Fdry.	4,750	4,621
U. S. & Foreign Securities	2,160	2,190
U. S. & Intl. Securities	4,260	4,410
West Va. Pulp & Paper	3,973	4,186
Wood (Alan) Steel	780	839

Central Republic Co. Opens in Omaha, Neb.

OMAHA, NEB. — Central Republic Co. has taken over the investment business of Greenway & Co. and has opened a branch office in the Farnam Building. Harry R. Greenway, formerly head of Greenway & Co., will be manager of the new office. Associated with him will be Vina P. Aitken, Charles E. McElroy and Edwin C. Sorensen.

Railroad Securities

While the market as a whole has been unable, up to the present writing, to shake itself out of its rut there have been one or two exceptions to the general lassitude in the railroad picture. For instance, Southern Pacific common responded well to the increased dividend rate, without, however, carrying the rest of the group along with it. Atchison, Topeka & Santa Fe common also put on a show of its own late last week and in the opening session of the current week.

On rumors that an extra dividend would be declared, and perhaps a stock split announced, at the directors' meeting on Thursday, the shares rose from 113 to a new 1948 high of 118⅝ by the middle of the morning the day of the meeting. Following announcement that the meeting had been merely routine the stock broke to 114⅝ that afternoon. Monday morning the stock again pushed forward to a new 1948 high (119½) but later in the day it too fell victim to the general lack of interest that has characterized the entire market for a number of weeks.

Despite the fact that the railroads have had the benefit in the past week of a succession of highly gratifying July earnings statements, with every indication that the same will be true of the August results, their stocks have not caught the imagination of any great number of investors or speculators.

Aside from the Southern Pacific increased dividend rate, about the only news of any moment in recent weeks has been the filing of a proposed plan of stock recapitalization by Boston & Maine. This marks the first attempt by any railroad to take advantage of new reorganization legislation (the so-called Mahaffie Act) to affect a voluntary readjustment of its stock capitalization. Under similar temporary legislation in the past a number of roads have been successful in revamping their debt structures by agreement among bond holders. As a matter of fact, Boston & Maine itself did so a number of years ago. This newest step will be followed with interest by railroad analysts as the first test as to whether such stock recapitalization will prove feasible.

The Boston & Maine stock capitalization is a particularly complicated one. There are outstanding 227,443 shares of 7% cumulative prior preference stock; 387,463 shares of cumulative first preferred stock in five series with dividend rates ranging from 4½% to 10%; 31,498 shares of 6% noncumulative preferred stock, and 394,405 shares of common stock. The last dividend paid on the prior preference stock was Jan. 2, 1932 and on the first preferred stocks Oct. 1, 1931. The object of the plan is to eliminate these large dividend arrears (over $69 millions) which obviously could never be paid off in cash, and at the same time simplify the capital structure. If this plan, with so many different stocks to deal with, can be consummated successfully it will certainly be encouraging to such roads as Maine Central and Missouri-Kansas-Texas which also have the problem of substantial dividend arrears to contend with.

Under the plan all of the old stocks would receive new common stock. The total of 1,040,809 shares of the various stock issues now outstanding would be replaced with a single issue of 811,268 shares of $100 par value common stock. There would be no preferred stock left outstanding. The following tabulation shows the proposed distribution of the new stock for each share of the old stocks outstanding, including claims for back dividends where such claims exist.

	Shares new com.
7% prior preference	2.75
"A" 5% first preferred	0.37
"B" 8% first preferred	0.47
"C" 7% first preferred	0.44
"D" 10% first preferred	0.54
"E" 4½% first preferred	0.35
6% non-cumulative pfd.	0.07
Common	0.05

Perhaps the formula was the best that could be worked out for this complicated situation but the immediate market reaction was unfavorable. The common stock dropped from its week's top of 4¼ to a new low for the year at 1¾, subsequently recovering part of its loss. The preferreds also encountered disappointed selling although the declines were naturally not so drastic percentagewise. Present estimates indicate 1948 pro-forma earnings of perhaps $7.00 a share on the new common under the proposed plan.

Correction: In last week's column we gave the stock capitalization of Chicago, Rock Island & Pacific as 914,527 shares of preferred and 816,303 shares of common. This should have been 705,382 shares of preferred and 1,409,346 shares of common. The charges coming ahead of the common stock, and estimates of earnings on the common stock, were figured on the correct capitalization.

Greenfield, Lax Offers Sterling Oil Stock

Greenfield, Lax & Co., Inc., underwriters, are offering for public distribution 975,000 shares of Sterling Oil of Oklahoma, Inc. at 30c. per share.

It is the present intention of the company that the net proceeds to be received from the sale of 975,000 shares of its common stock are to be used for the acquisition of additional leasehold interests (some of which are presently under contract), for the company's pro-rata share of the cost of drilling wells, for testing and development of its properties and for working capital. The leaseholds are located in Oklahoma, Kansas and Texas.

The company owns interests in oil and gas leaseholds, and in addition has under contract the acquisition of further oil and gas leasehold interests. The oil and gas leaseholds in which the company has acquired an interest or for which it holds contracts for such acquisition cover in the aggregate approximately 4,300 acres.

Steiner, Rouse Co. Opens Uptown NY Branch

Steiner, Rouse & Company, members of the New York Stock Exchange, announce the opening of a New York branch office at 1440 Broadway. This new office will be under the managership of Louis Chasin, Bernard Turtle and David K. Perlman, formerly partners Scheer & Company. Associated with them as heretofore will be Charles L. Rosenzweig, and Gershon Feigon, Manager Research Department.

gitized for FRASER
p://fraser.stlouisfed.org/

Proposed Changes in Federal Taxation

(Continued from page 2)

the disposition of the cases. In other words, he could either settle them, or try them, or stipulate the facts to anything he deems advisable. As under the present procedure, the technical staff controls the disposition of the case and the Chief Counsel really has very little to say about it. I emphasize we are studying that, but it does fit in more or less with the Bond Committee Report which came out some time after our study had begun. I think it might be worthwhile before I get away from administration, to mention that one thing has just happened which seems to me to be quite important. The Internal Revenue Agents' manual encourages agents and other officials in the field to request advisory memoranda from Washington with respect to particular cases. When they do that, the taxpayer has not been advised. In fact, the manual states that under no circumstances is the taxpayer to be advised that this memoranda has been requested.

In a mimeograph issued on August 5, the Bureau abolished that practice, and now if any matter is referred to Washington for a ruling, the taxpayer's representative is to be advised. You are to be given the opportunity of filing a statement of fact and protest, or briefly stating your side of the controversy, or your position in the matter, and in the event the Washington official who decides the matter does not decide in your favor, you will be given the opportunity of a hearing in Washington on it. That will remove a very irritating situation that has existed for the past several years.

Tax Legislation in Offing

Getting away from administration, and you can't talk long in forty minutes, you can't cover very much in forty minutes, I will try to discuss some of the legislation that seems to be in the offing. Of course, we all know about the revenue act of 1948 which has just been enacted and I am not going to say anything about it. You also, I presume, are more or less familiar with the so-called Revenue Revision Bill of 1948. That bill is supposed to be a non-controversial bill. In other words, anything that is in it is theoretically, at least, supposed to be, or to have, the approval of not only the Treasury, but of the Congressional Committees, and I am convinced that it will be enacted by the Senate very shortly after Congress reconvenes in January. As you know, it has passed the House. After that is out of the way, we going to get a general revision of the Internal Revenue code. I will discuss that a little later.

This non-controversial bill, the Revenue Revision Bill of 1948, really started in February of this year when the Under-Secretary of the Treasury submitted to the Congressional Committee forty-nine recommendations which he said were to eliminate from the tax structure its inequities in administrative and other defects. In addition to those recommendations of the Treasury, the staff of the joint committee on Internal Revenue taxation, the ways and means and the finance committees have been studying the problem. I am going to mention certain other things that are in that bill. I think they justify the time, because, as I say, I am convinced that the bill will be enacted in substantially the same form as it now is. One of them is your carry back and carry forward provisions.

Carry Back and Carry Forward Provisions

As you know, under the existing law, net operating losses in any one year may be carried back and played against the income of the preceding years, and the balance not absorbed may be carried forward as a deduction from income of the two following years. That has proved to be administratively difficult. It results in reopening, or keeping open, past years. Also, it is probably unfair to new businesses, because they do not have any carry backs.

In the Treasury's recommendation, it was suggested that there be a one year carry back and a five year carry over. That is the way that it is included in the bill as it passed the House.

Another important provision is the definition of partnerships. The law defines partnerships to include partners even though their interests may have been acquired by gift. Of course, with the so-called community property feature in the law now, that is not so important from the husband and wife viewpoint as it was before the enactment of the Revenue Act of 1948, but it is extremely important in the case of your parent and child partnerships. In other words, it will be personal property tax which is, after this bill is enacted, to give a child an interest in a partnership.

By the way, I have always thought that the tax court and other courts got off on a real tangent when they interpreted the Tower and Lease house cases to mean that a man could not give his kids an interest in his business. I think that goes just contrary to human nature. All of us struggle all our lives to provide for our children, and the thing that is the logical thing to do is to provide for their future is an interest in our business. And for the courts to say that you could not do it and have recognized taxes is just ridiculous. However, the way the law is shaping up, it indicates that even without legislation our courts would finally land right side up on it, and other the long run, usually the courts do reach the right answer.

A lot of you might know the Culbertson Case decided recently by the Fifth Circuit in which they held that the parent and child partnership was all right and that a fellow could give his interests in the business. Also, the Sixth District in a little slightly different situation held that the tax board was wrong in the Canfield Case. That's the case where they said there was a valid partnership, but the tax court in effect rewrote the partnership agreement and did not allocate income in accordance with the agreement but in accordance with the capital contributed. In the Sixth Circuit, if you have a partnership and is recognized, no government official has the right to rewrite your agreement for you, and so we are going to recognize it as it was written and that seems like good sense.

Capital Gains and Losses

Getting on to some more things you are going to have in this bill—one of them the gain or loss on the sale of capital assets. There is a provision in there to curb the effect of the court holding company decision in the Supreme Court. You will recall that the court holding case is the case where a corporation owned an apartment building. I believe, down in Atlanta. They made a deal to sell it, and they got a deposit — earnest money. They went to a lawyer to draw up the deeds, and he said, "Why, you're sticking yourself into a noose. You're going to have double taxation, and you better not do this." So, they delayed the settlement for a few days, they dissolved the coroporation, the stockholders received title to the property, and then they consummated the sale with the original earnest money staying as it had from the beginning. The Supreme Court said that that was a sale by the corporation and was taxable to the corporation and then, of course, when the money was distributed to the stockholders they had to pay another tax.

The new bill changes that and provides that no gain or loss will be recognized by the corporation (that is, a corporation on a sale of its assets) if, prior to the sale or exchange, (1) a written plan of complete liquidation is formally adopted; (2) within 30 days of adoption of the plan the Commissioner is notified; (3) within 12 months after the date of adoption of the plan of liquidation all assets are distributed in complete liquidation except reasonable amounts set aside for meeting of unascertained or contingent liabilities.

Special Surtax on Corporate Earnings

The bill also contains very helpful provisions dealing with Section 102. As you know, Section 102 is the section of the code that levies the special surtax to corporate earnings beyond the reasonable needs of the business. The bill provides that the burden of showing in the Tax Court that an accumulation exceeds the reasonable needs of the business will be placed on the Commissioner provided the corporation filed a protest to any proposed deficiency.

In other words, this is expanding the present rule in the case of the minority stockholder. If a minority stockholder wants to make a corporation pay a dividend he has to go in and bear the burden proof to show it is reasonable and proper that it do so. And so, the Commissioner will have that burden in the situation mentioned.

Secondly, long term capital gains would not be included in the tax base upon which the tax is figured. However, such gains would be taken into account to determine if the accumulation was unreasonable.

Third, dividends paid within 75 days after the close of the taxable year could, at the taxpayers election, be deducted in computing the tax.

Corporation Contributions

Another provision deals with contributions by corporations. Accrual corporations could, at their option, treat charitable contributions made within the first 75 days after the end of the taxable year as having been made in the taxable year. That provision, by the way, is retroactive to 1942.

Also the new bill eliminates the "Philadelphia Nun" situation—that is, dealing with contributions by individuals. You will recall that the law used to be if an individual contributed 90% or more of his income, it was deductible if contributed to charitable or related non-taxable things. In the current payment act, that is inadvertently knocked out. This new bill puts it back.

I refer to the Philadelphia Nun amendment because it was originally put in the bill to take care of a situation regarding a very wealthy lady in Philadelphia who joined a religious order. She gave all her income to the order, but, for some reason, wanted to hang on to the corpus, income-producing property, and they put this provision in the law to take care of her, and they are going to put it back. There are a few others that are apparently in the same situation.

Estate Taxes

In estate taxes there are a couple of rather interesting helpful provisions. On life insurance, the payment of premiums would no longer be a test for the estate taxation of life insurance payable to named beneficiaries. The procession of incidence of ownership at death would become the sole test for including life insurance in the insured's taxable estate.

Also, they are changing the rule on contemplation of death. The existing law includes in the gross estate transfers by the decedent made in contemplation of death and set up a rebuttable presumption that transfers within two years of death are in contemplation of death. The bill provides that the presumption be extended to three years, but also provides that any gift made more than three years before death would not be taxed as in contemplation of death. That will eliminate a lot of litigation. In other words, any gift made more than three years prior to death cannot be taxed as being in contemplation of death, and any made within three years is merely presumably made in contemplation of death, and you can overcome that presumption.

Those things are in this noncontroversial bill and you can expect that they will become law. I think that that is as certain as anything is in taxation.

Miscellaneous Revisions

There are several other things in the works for the general revision when it comes along. Your smaller corporations will be taxed at lower rates than your large corporations. As you know, the maximum corporation rate now is 38%. However, where you have a corporation income between $25,000 and $50,000 the rate is 53%. You are going to see a provision enacted for a gradual transition up to 38% and no income will be taxed above that. They had hoped that would be in the noncontroversial bill, but, astonishing as it may seem, some controversy did then arise and it does cost a little more revenue than they first anticipated, but I think that will be enacted.

Taxes in Reorganization

You are going to see some changes in the reorganization provisions, that is, Section 112 dealing with reorganization of corporations. As you know, ever since the advent of the income tax it has been possible to either scramble several corporations into one or fewer corporations, or two unscramble one or a few into more corporations without tax liability if you follow the directions of the statute, and that is the way it should be.

It is necessary in the conduct of business frequently to make those kinds of reorganization. However, our learned Supreme Court has taken upon itself the task of really messing up the reorganization provisions. They went along for years and years so that everybody understood them pretty well, then, a few years ago they announced the business purpose rule. They said, "If you have a reorganization and admittedly it fits the statute, if you didn't have a valid business purpose, we are still going to tax you." But then nobody has defined business purpose.

So, it is hazardous as can be if you try a reorganization now because your idea of a business purpose might not coincide with the idea of an examination officer.

Another similar illustration is continuity of interest. In these organizations you have to have a continuity of interest of ownership, but then, there is no real definition as to what it means. You are going to have that straightened out so that business people can act with a little more certainty than they now can on these reorganizations.

You are going to see an improvement or a liberalization of the involuntary conversion right. As you know, if your property is involuntarily converted, as by condemnation, you can get very definite tax relief. The present law applies where the converted property, or its proceeds, can be transmitted into subsequently acquired property.

Lots and lots of times people will run into a situation where they realize that their property is going to be condemned. They buy other property in anticipation of it, and, under the present law the Treasury and the Courts say, "Well, you don't come under the involuntary provision features because you bought the replacement property first." They are going to change that.

Double Taxation on Dividends

I think there is a good chance that you will see the elimination of the so-called double taxation rule as it applies to corporation dividends. You will recall that in the early days of our income tax we did not tax the individual corporation dividends. The British have always given a credit for dividends received. The way this is proposed to work out is something like this:

Suppose that a corporation makes money, pays a 38% tax, and pays dividends. You will take the dividends into your income but then get a credit up to 38% on the amount of that dividend income. Working along in the same general thought, you will see that intercorporate dividends will no longer be taxable. As you know, 15% of them are now subject to tax.

As I stated a minute ago, lots and lots of times you have to conduct a business through more than one corporation, and it is just not right that these intercorporate dividends should be taxed.

Also, you are going to see the 2% figure for consolidated returns knocked out. This all more or less fits in together, and, when an enterprise is conducted through several corporations, in order to get the right figure, you should file consolidated returns and you shouldn't be penalized for it.

Accelerated Depreciation

Another thing that is very well thought of, and, I understand, particularly well thought of by Mr. Dewey's financial advisors (which leads me to believe that it may become law) is a provision for accelerated depreciation on new facilities and equipment.

There has been quite a bit of discussion of this over a period of years. Even the late President Roosevelt recommended it. The idea was as follows: Supposing you have an asset of which you could depreciate 50% over the first 25% of its life. Suppose you have an asset that costs $100,000 and has a 20 year life. You could take half of that or $10,000 a year over the first five years of the life of the asset, the idea being that, by doing that you would encourage the acquisition of new assets which would, in turn, encourage business.

A lot of people think that we are at least in the beginning of a recession now and, in the long run, it wouldn't cost the government any more money because you could only recover the cost of the asset anyhow. Of course, many organizations have favored that. The Chamber of Commerce of U. S. favors it; the American Institute of Certified Public Accountants favors it and think it will work. In Canada you know, after a rate of depreciation has been established, you can, at your option take either twice the established rate or half the established rate, and it has worked very successfully with them.

The rule of the Virginian Hotel Company case will be changed. That is another depreciation problem, as you know. That is the case where the Virginian Hotel Company, which operated a hotel down in Lynchburg, Virginia during the loss years of the early thirties, took two or three times as much depreciation as it was entitled to. Then it came along to some profit years, and the Bureau

Digitized for FRASER
http://fraser.stlouisfed.org/

took the position that the basis had to be reduced by the amount of the depreciation taken on the return, even though, taxwise, it gave the hotel no benefit. Again, our learned Supreme Court said that was right, and Congress is going to have to change that rule and provide that the basis will be reduced only by the amount of depreciation properly allowable unless the amount taken on the return really did reduce taxable income, and therefore was allowed.

Capital Gains Taxes

In my opinion, you will see no change in the capital gains provision. I am mentioning that because every time I speak people ask about capital gains. There is one possible exception—you may see the holding period extended insofar as long term capital gains is concerned. This six months is pretty short.

Also, there is a lot of favorable comment and consideration being given to the suggestion that, where persons are compelled to move and sell their residences and then have to rebuy and the next place they go to, they shouldn't have to pay a tax on that gain that they have realized in this unduly high real estate market. You may see something on that.

I am sure that if they do change the holding period on capital gains that you will not see any retroactive changes. I don't even anticipate any rate changes.

The Congress has just, by a special bill, Public Law 773 of the 80th Congress, changed another of the more or less unusual or strange decisions of the Supreme Court, that is the so-called Dobson Rule case, or Dobson Rule situation. You will recall that this Dobson case came up to the Supreme Court from the Tax Court. Although, the question was not presented, not argued, not briefed, the Supreme Court announced a rule that, for all practical purposes, Tax Court cases could not be reviewed by appellate courts. That was directly contrary to the intention of Congress in enacting the law dealing with the Tax Court that specifically provided for the review of Tax Court decisions in the circuit courts of appeal around the country. The legislative history showed that the purpose was, by doing that, that they would get the viewpoints of people in each particular locality, and keep the tax law on a realistic basis. And so, Congress passed a specific law which admittedly was solely for the purpose of changing the Supreme Court rule in the Dobson case, and now all Tax Court cases are subject to review by circuit courts of appeal in the same manner as district court cases.

I will mention another thing that Congress is considering, particularly the House Ways and Means Committee. They are conducting a study now as to the advisability of eliminating certain of the excise taxes. The excise taxes on jewelry, furs, and other things are quite burdensome, and if we do hit any substantial business recession, these taxes can have a very bad retarding effect on the particular industries involved. There is a reasonable chance that you may see these excise taxes removed.

City of Copenhagen Bonds Drawn for Redemption

Holders of City of Copenhagen bonds of 4½% external loan of 1930, due Dec. 1, 1970 are being notified that $34,300 principal amount of these bonds have been drawn for redemption on Dec. 1, at par. The bonds will be redeemed at the National City Bank of New York.

The State of Trade and Industry

(Continued from page 5)

further cuts for the first quarter of next year are a definite probability on the basis of present market factors.

The reasons for the present tight situation and of that to come later are (1) Loss of more than 1,600,000 tons of steel because of the coal strike, (2) loss of pig iron urgently needed by small steel firms and foundries, (3) steady increase in the number and tonnage of defense orders, (4) certainty that Marshall Plan requirements will hit harder from now on, (5) general and human tendency for voluntary allocations which are increasing to reflect higher tonnages than would be the case if this system did not prevail and (6) substained demands from consumers who were expected to order less steel, the trade weekly points out.

This week steel pipe was the tightest steel item on the list. It was harder to get and in greater demand than steel sheets. Orders for pipe from oil companies run well into 1953 with some companies. But shipbuilding and repair has caused a greater demand for plates which this week is reaching a new high.

Virtually every item on the steel list is a tight product. Alloy steels which just a few months ago were relatively easy to order are now a hot item. There is no longer any doubt that researchers, economic experts and steel officials are flabbergasted at the continuation of heavy steel demand.

Warehouses are not faring too well on steel supplies. As fast as they receive steel it passes out to customers, according to "The Iron Age." In some cases items are sold before they are even received by the warehouse. Users in small towns and hamlets throughout the country are the forgotten people—they say.

Steel users are none too sure that present steel prices represent the top. Steel mills have repeatedly said that if costs go up in steelmaking, prices will have to follow. The demand for higher freight rates on coal, coke and iron ore—if granted—will definitely mean higher steel prices. Steel officials claim they are on the ragged edge of costs right now, despite the last increase, this trade authority concludes.

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 95.2% of capacity for the week beginning Aug. 30, 1948, a decrease of 0.7 point, or 0.7%, from last week. A month ago the indicated rate was 94.2%.

This week's operating rate is equivalent to 1,716,000 tons of steel ingots and castings as against 1,728,600 tons last week, 1,697,900 tons a month ago, 1,616,900 tons, or 92.4% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

ELECTRIC OUTPUT AT HIGHEST LEVEL IN INDUSTRY'S HISTORY

The amount of electrical energy distributed by the electric light and power industry for the week ended Aug. 28, was 5,477,741,000 kwh., according to the Edison Electric Institute, an all-time high point in the history of the industry. The next highest point on record was established in the week of Jan. 24, 1948, when 5,436,430,000 kwh. were distributed. This was an increase of 86,953,000 kwh. above the output in the preceding week and 537,940,000 kwh., or 10.9% higher than the figure reported for the week ended Aug. 30, 1947. It was also 1,073,549,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS SHOW FURTHER SLIGHT RISE IN WEEK BUT CONTINUE BELOW YEAR AGO

Loadings of revenue freight for the week ended Aug. 21, 1948, totaled 900,572 cars, according to the Association of American Railroads. This was an increase of 9,295 cars, or 1% above the preceding week but a decrease of 323 cars, or 1% below the corresponding week in 1947. However, for the similar week of 1946 it represents an increase of 15,617 cars, or 1.8%.

AUTO OUTPUT TURNS LOWER IN LATEST WEEK

Production of cars and trucks in the United States and Canada dropped to 102,685 units from 113,324 (revised) units the previous week, according to "Ward's Automotive Reports."

Output in the similar period a year ago was 88,098 units and, in the like week of 1941 a model changeover period, production totaled 39,965 units.

This week's output consisted of 73,021 cars and 25,029 trucks made in the United States and 3,074 cars and 1,561 trucks made in Canada.

Ward's estimated August output at 344,547 cars and 114,402 trucks made in the United States and 12,356 cars and 6,366 trucks built in Canada. It termed the month's production "surprising" in view of materials shortages and work stoppages due to excessive heat.

BUSINESS FAILURES RISE SLIGHTLY

Commercial and industrial failures increased to 96 in the week ended August 26 from 94 in the previous week, reports Dun & Bradstreet, Inc. The week's total compared with 64 in the comparable 1947 week and was almost three and one-half times as high as in 1946. Total casualties, however, remained considerably less than in prewar years.

Failures involving liabilities of $5,000 or more rose to 79 from 77 and accounted for all the week's increase.

Manufacturing and retail casualties comprised more than two-thirds of the week's total failures. Geographically, failures were concentrated in the Middle Atlantic and Pacific regions with the number of casualties exceeding that of a week ago and about double that of a year ago.

WHOLESALE FOOD PRICE INDEX REVEALS FURTHER SHARP DROP

Extending the downward movement of the previous week, the Dun & Bradstreet wholesale food price index again went sharply lower last week. The index fell to $6.94 as of Aug. 24, from $7.07 on Aug. 17, a drop of 1.8% in the week. Marking the lowest index figure since May 18 when it stood at $6.91, the current level represents a decline of 5.7% from the all-time high of $7.36 recorded on July 13, while the rise over last year's index of $6.64 has been narrowed to 4.5%.

WHOLESALE COMMODITY PRICE INDEX AFFECTED BY DECLINE IN GRAINS AND FOOD PRODUCTS

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., trended lower last week largely due to declines in grains and other principal food products. The index figure for Aug. 24 registered 274.65, as compared with 280.41 a week earlier. The current level is only slightly above the 273.70 recorded at this time a year ago.

Grain prices moved downward last week under pressure of liquidation and hedge selling. The decline was sparked by weakness in cash corn which dropped to the lowest level since early in 1947.

New seasonal lows were recorded for the September corn contract, May and July wheat and September oats. The sharp break in the corn market reflected prospects of bumper yields for most grains and fears of a lowering of government crop support levels in 1949. Another depression factor was the expectation that old crop corn will be marketed more freely due to the earliness of the new crop. Cash wheat prices declined moderately, with offerings in the spot market sharply curtailed during the week. Country offerings of cash oats were also relatively small.

Cocoa prices went sharply lower for the week, reflecting lessened manufacturer interest and weakness in other commodities. Butter prices at mid-week dropped to the lowest levels for several years, though a somewhat firmer tone appeared at the close. Cash lard prices receded and all lard futures sold at new seasonal lows. Meat and livestock quotations showed mixed trends. Hogs at Chicago reached a new record high of $31.85 a hundred pounds but showed some recession at the close.

Cotton prices trended downward most of the week under the influence of the large crop prospect for this year. Other depressing factors were the belief that parity prices for the 1949 crop may be substantially lower and the continued failure of the ECA cotton export program to get under way on a broad scale.

Under heavy liquidation and hedge-selling all future deliveries of cotton sold below the average government loan level on the 1948 crop.

Spot prices at New York fell 61 points to 31.52 cents per pound, which compared with 34.13 a year ago. Inquiries were more numerous and reported sales in the ten spot markets increased to 92.500 bales in the latest week, from 79,400 the previous week and 85,700 a year ago. Domestic mill consumption during July as reported by the Bureau of the Census, amounted to 627,000 bales, bringing total consumption for the 1947-48 season to 9,347,000 bales. This was 6.7% less than the 10,025,000 bales consumed in 1946-47 and the smallest consumption since the 1939-40 season. The carry-over on Aug. 1, 1948, was placed at 3,082,000 bales, or about 550,000 bales more than that at the beginning of the previous season.

There was very little activity in the Boston wool market last week although sales of noils showed some improvement. In foreign wool markets, trading slowed down as dealers awaited the opening of auctions in Australia, Aug. 31. South African auctions are scheduled for Sept. 2. Prices in foreign markets remained firm.

RETAIL AND WHOLESALE TRADE MODERATELY HIGHER FOR WEEK AND YEAR

Consumer buying rose slightly during the week with total retail dollar volume moderately above that of the corresponding week a year ago. Consumer interest was centered on medium and low-priced merchandise with practically no demand for low quality merchandise, Dun & Bradstreet, Inc., reports in its current survey of trade. August clearance sales continued to attract favorable consumer response. Early Fall promotional sales were well attended in many localities.

Retail apparel volume continued to increase during the week. The most popular items of women's apparel were corduroy skirts and jumpers, wool plaid skirts, women's tailored blouses and lightweight coats. Zip-in lined coats sold well, but demand for furs remained low. Retail volume for men's apparel continued at the previous week's low level, but there was some increased consumer response to boys' and young men's woolens and worsteds for Fall school and college wear. Summer clearance sales were well attended with washable cotton frocks receiving favorable attention.

Food volume remained at a high level the past week and was slightly above that of the similar week in 1947. While consumer resistance to high food prices was somewhat less noticeable during the week, the demand for most meats generally remained at a low level.

Consumer demand for less expensive cuts of meat and for meat substitutes continued to be high. The demand for fresh fruits and vegetables increased slightly during the week, and frozen food volume was moderately below that of the previous week. The retail volume of many canned foods was fractionally below the level of a week ago.

The consumer demand for lumber, building materials and paints remained high and steady last week. Home furnishings and housewares continued in large demand and consumer interest in electrical appliances was slightly below the level of the week previous in some localities.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 7 to 11% above that of a year ago.

Regional estimates exceeded those of a year ago by the following percentages New England, 2 to 6; East and South, 5 to 9; Middle West and Northwest, 13 to 17; Southwest, 2 to 6, and Pacific Coast, 3 to 7.

Wholesale order volume in many localities rose slightly during the week. Total dollar volume was fractionally above that of the comparable 1947 week. Many retailers remained cautious of price developments and were hesitant to place large orders for future delivery. Deliveries generally continued to be prompt. Re-orders were mostly for medium and low-priced items.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 21, 1948, increased by 12% from the like period of last year. This compared with an increase of 14% (revised) in the preceding week. For the four weeks ended Aug. 21, 1948, sales increased by 13%, and for the year to date by 8%.

Retail trade in New York the past week suffered from extreme heat which reduced department store volume by about 15% under the level obtaining in the comparative period of 1947.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 21, 1948, increased 5% above the same period last year. This compared with an increase of 13% (revised) in the preceding week. For the four weeks ended Aug. 21, 1948, sales increased by 8% and for the year to date by 6%.

gitized for FRASER
p://fraser.stlouisfed.org/

Debt Reduction vs. Tax Reduction

(Continued from first page)

there would then be a definite preference for debt payment rather than for still more tax reduction. On the other hand, if progress were being made in debt retirement and if such progress appeared likely to continue at a reasonable rate, the case against tax reduction would be weak, particularly if the tax load were still so heavy as to impede the accumulation of savings, hinder their flow into capital formation, and discourage individual incentives.

The position taken here is that there is still a substantial need for further tax relief. In support of this position, it is proposed to review the things that have been happening with respect to the public debt. It will be helpful, also, to indicate the cash resources in the Federal fiscal system that are available for debt payment. The data presented are readily available but they are seldom organized in a way that points up their significance for the subject under discussion.

Important Questions

By way of a preliminary, it should be noted that the usual type of bare statement to the effect that the debt should be reduced is too vague and indefinite to serve as a constructive guide to Treasury action. Such a statement throws no light upon important questions of which the following are examples:

(1) What kind of debt should be retired first? (2) What classes of debt holders should be dealt with first? (3) Is retirement of debt in the hands of the public a sufficient compliance with the stated objective of debt reduction? (4) Should efforts to increase certain kinds of debt, such as savings bonds and special Treasury obligations be continued, if the fixed policy be that of reducing the total debt? (5) At what rate is it desirable or advantageous to retire the debt? Should this rate be the same under all conditions?

A careful appraisal of the whole issue of tax reduction versus debt reduction involves the above and other questions. In approaching them, it is necessary to have in mind certain facts about the public debt.

The public debt of the U. S. Government is not a single homogenous mass of obligations. On the contrary, it consists of various classes, each with its own characteristics. The major categories will be described briefly in the following paragraphs. The amount outstanding in each class as of June 30, 1948, is given in Table I.

TABLE I

Major Classes of the Public Debt as of June 30, 1948

(Millions)

Gross Public Debt	$252,365
A. Guaranteed (held outside the Treasury)	73
B. Direct Federal debt	252,292
1. Matured debt, and debt bearing no interest	3,115
2. Interest - bearing debt	249,177
a. Special issues	30,211
b. Public issues	218,967
(1) Marketable	160,372
(2) Nonmarketable	58,595

Classes of Public Debt

A non-technical definition of each of these classes follows:

Gross Public Debt—The gross public debt includes the direct obligations of the government and the debt issued by government corporations that is fully guaranteed by the United States as to principal and interest. Such government paper is a contingent liability of the Treasury. While there may never be occasion for the Treasury to meet its guarantee, its existence warrants inclusion of the guaranteed debt in the gross public debt. The amount of the liability is unimportant now, but on June 30, 1938, for example, the total of guaranteed obligations outstanding was $4,853 million.

Direct Public Debt—Under this heading are included all of the direct Treasury debt obligations. There are two main subdivisions:

1. Matured debt and debt bearing no interest. The nature of the matured debt is obvious. The debt bearing no interest includes such items as savings stamps, excess profits tax refund bonds, special notes issued to the International Monetary Fund and the International Bank for Reconstruction and Development, the United States notes (greenbacks) less gold reserves, and deposits for retirement of national bank and Federal Reserve Bank notes.

2. The interest bearing debt. The debt on which interest is paid falls into two classes. These are:

(a) The special issues, which are the Treasury notes and certificates issued to the various Federal trust funds;

(b) The public issues, which are the various forms of debt sold to the general public. Again, there are two kinds of public issues.

(1) The marketable debt, which includes the fully negotiable paper such as Treasury bonds, notes, bills and certificates.

(2) The nonmarketable debt, which, as the term indicates, is not negotiable. The principal forms of nonmarketable debt are the savings bonds and the tax saving notes.

From this brief enumeration and description of the various classes of the public debt, it is evident that in speaking of debt reduction it is necessary to be more definite as to the kind of debt to be dealt with than is usually the case. It is also evident that vague references to the total of the gross public debt as constituting the measure of the redemption problem are incorrect and misleading. In that gross total are same classes of debt about which little or nothing can be done. For example, it is necessary to exclude the guaranteed debt, now negligible but once important, for the government will not have to pay it unless its corporations become hopelessly bankrupt. Nothing can be done about the matured debt until the holders choose to turn it in. Redemption of the notes held by the Monetary Fund and the International Bank will depend upon the future operations of these institutions, a matter over which the Federal Government may have little influence.

The first step toward being specific as to what kind of debt is involved in the demand for debt reduction is, therefore, to recognize that such a demand relates, in the first instance, to the interest-bearing debt. Actually, however, the matter must be narrowed still more, for there is no point in demanding that the special issues held by the various trust funds be redeemed since they are supposed to constitute assets held in support of future welfare commitments. This limits the field for debt reduction to the public issues. But it is necessary to go still farther and exclude the nonmarketable public issues in any demand for the aggressive use of surplus revenues to reduce debt. By far the largest portion of the nonmarketable debt consists of the savings bonds, and except as these bonds mature, the government must wait until the holders decide to exercise the redemption option, which they may do at any time after 60 days from the date of purchase.

As a matter of fact, the Treasury has recently inaugurated an intensive campaign to increase savings bond sales. The sales and redemptions of these bonds in the last three fiscal years have been as follows:

TABLE II

Sales and Redemptions of Savings Bonds, Fiscal Years 1946-1948

(Millions)

Period (Fiscal Year)	*Sales	†Redemptions	Excess of Sales
1946	$9,612	$6,408	$3,204
1947	7,208	5,063	2,145
1948	6,235	5,113	1,122

*Sales at issue price.
†Redemptions include accrued discount.

It is assumed here that the demands for large-scale action to reduce the debt do not extend to a reversal of the present savings bond sales policy. Thus, by a process of elimination, it results that the area of deliberate, agressive action by the government to retire debt of its own initiative is limited to the marketable, or fully negotiable debt. From this viewpoint, the volume of debt to be dealt with is not the gross total of $252 billion, but the $160 billion of marketable debt. The other segments of the debt must of course be dealt with whenever the question of redemption arises. The point that is emphasized here, however, is that the government does not control the timing in the case of the nonmarketable debt and therefore cannot proceed of its own initiative with the redemption of such debt.

A final technical limitation upon the government's freedom of initiative in debt redemption is in the distinction between the long- and the short-term marketable debt. There is no opportunity to redeem a long-term Treasury bond in advance of the call date except by purchase in the market. The years ahead are studded with call dates and final maturities of bonds and notes, with larger amounts falling due in some years than the respective budget surpluses are likely to be. Hence the technical limitation is not a serious practical restriction.

The Problem of Choice

The problem of choice among the maturing long- and short-term obligations, in determining what part of the debt to retire first, involves issues of debt management that are beyond the scope of this essay. Since the current pressure for large-scale debt reduction has been tied in with the efforts to control and reduce the inflation of credit and prices, it has become an accepted formula that first attention should be given to the bank-held debt. The extent of bank ownership, in relation to other classes of holders of marketable debt, as shown by the latest available Treasury survey, is indicated in Table III.

If the ownership distribution of the Federal debt were to remain static, it would be possible to say that the volume of debt with which we really have to wrestle is the total of commercial and reserve bank holdings. As of March 31, 1948, this total was $78,530 million. By redeeming the bank-held debt, the credit inflation caused by bank loans to government would be eliminated.

But the ownership situation will not remain static, especially while there is outstanding a large amount of fully negotiable debt in the hands of investors other than banks. It becomes necessary, therefore, to preface the insistence upon high taxes for the purpose of substantial debt reduction with a decision as to the most urgent and compelling reason for this course. If this reason be found in the concern over a large debt, as such, there would be no better case for concentrating upon the bank-held debt than upon that held by other classes of investors. There would be no good case, either, for an intensive campaign to increase the savings bond sales beyond the amount required to refinance the annual redemption of these bonds. On the other hand, if the most important reason for high taxes and rapid debt reduction should be the deflation of bank credit as a means of curbing inflationary pressure on prices, then the surpluses should be devoted to retirement of the bank-held debt. Even by such a policy it would not be possible to prevent the banks from replacing the redeemed paper by purchasing from other holders. The decisions of bank managements to carry government paper in their portfolios would be influenced by the price and yield of such investments as compared with other available investment opportunities and by reference to the desired degree of asset liquidity. In any event, these would now be free decisions, whereas the original absorption of government paper during the war was not a matter of free choice.

Refunding of Tax-Held Debt

In view of the freedom of banks to replenish their holdings, it would appear that a more vigorous attack upon the present inflation could not be made by extensive refunding of the bank-held debt into issues not eligible for bank investment than by the slow, irregular, uncertain procedure of retirement from revenue surpluses. The savings bond campaign is a small step in this direction. The possibilities of such refunding are presently limited by the high taxes on incomes which absorb the savings margins from which extensive acquisition of new issues would have to be made. Thus, from another angle, the problem of tax revision is seen to be directly related to that of inflation control.

With respect to the present bank holdings of the public debt, the fullest freedom of action toward debt retirement on the part of the government is provided by the Treasury bills and certificates of indebtedness. These have short maturities (bills ordinarily about 91 days and certificates not more than 12 months) and the volume outstanding can be controlled by retiring rather than refunding maturity issues. The supply of such paper is large enough to absorb the probable budget surpluses for some years to come, but again a question of policy arises: Should the first redemption moves be made against the bills and certificates held by the member banks or against those held by the reserve banks? This paper can and does move freely between the member banks and the reserve banks, a circumstance which would suggest that it makes but little difference where the redemption occurs. But the practical effects are quite different. Retirement of debt paper held by the member banks improves the reserve position of the banks as a whole, because it reduces the assets and liabilities by the same amounts and hence causes a given reserve to stand in a higher ratio than before to the remaining deposit liabilities. Individual banks, however, may be adversely affected. On the other hand, retirement of debt paper held by the reserve banks tends to tighten member bank reserves, being an operation similar in nature to the open market sale of securities by the reserve banks. More effective action against the inflation would therefore result from retiring debt paper held by the reserve banks. But such action could be nullified by reserve bank purchases of other securities and the operation would be ineffective, as an inflation control, unless it were accompanied by a reserve bank policy of restricted open market purchases.

In summary of the discussion to this point, it has been shown that because of the various categories of debt, the generic term "public debt" is too indefinite to be help-

TABLE III

Character and Ownership of Public Marketable Securities March 31, 1948

(Millions)

		Held by Investors covered in Treasury Survey				
Classification—	Total Outstdg.	Commercial Banks	Savings Banks	Insurance Companies	U. S. Govt. Agencies Trust Funds F. R. Banks	All Other Investors
Issued by U. S. Treasury:						
Bills	$13,945	$1,978	84	$273	$8,940	$2,670
Certificates	20,331	7,119	365	410	4,517	7,920
Notes	11,375	4,537	152	244	1,837	4,556
Bonds	115,524	43,986	11,462	21,369	11,072	27,636
Other	164	13	2	1	36	112
Guarant'd by U.S.	28	11	4	13	----	----
Total	$161,367	$57,643	$12,068	$22,310	$26,451	$42,895

Source: "Treasury Bulletin," June, 1948.

TABLE IV

Changes in the Gross Public Debt and the General Fund Balance From Feb. 28, 1946 to June 30, 1948

(Millions)

Date—	Gross Public Debt	Public Debt	Guaranteed Debt	General Fund Balance
Feb. 28, 1946	$279,764	$279,214	$550	$25,961
June 30, 1948	252,366	252,292	73	4,932
Decline	27,398	26,922	477	21,029

TABLE V

Changes in the Interest-Bearing Debt, Feb. 28, 1946 to June 30, 1948

(Millions)

		Public Issues			
Date—	Total Interest-Bearing Debt	Marketable	Non-marketable	Total Public	Special Issues
Feb. 28, 1946	$277,912	$199,810	$57,206	$257,016	$20,897
June 30, 1948	249,177	160,372	58,595	218,967	30,211
Net change	—28,735	—39,438	+1,389	—38,049	+9,314

Source: "Treasury Bulletin," December, 1947, and "Treasury Daily Statement," June 30, 1948. Totals are rounded and do not completely correspond.

TABLE VI

Changes in Outstanding Marketable Public Debt Feb. 28, 1946 to June 30, 1948 by Classes of Securities

(Millions)

	Amounting Outstanding on		
Class of Security—	Feb. 28, 1946	June 30, 1948	Reduction
Bills	$17,032	$13,757	$3,275
Certificates	41,413	20,931	20,482
Notes	19,551	7,838	11,723
Bonds	121,634	117,692	3,942
Other	180	163	17
Totals	$199,810	$160,371	$39,439

Source: See Table V. Rounded totals do not completely correspond.

Digitized for FRASER
http://fraser.stlouisfed.org/

ful in the formulation of demands for debt reduction. Some classes of debt are being increased as a matter of policy, notably the special issues and the savings bonds. It is also necessary to determine, as a further matter of policy, the most urgent reasons for insisting upon large-scale redemption at this time. As long as inflation control figures prominently among these reasons, primary emphasis should be laid upon the bank-held debt, notably that held by the reserve banks. It is clear, however, that there is no way of keeping out of the banks such part of the negotiable debt as they may be willing—at a price—to own. Large-scale refunding into debt forms not eligible for bank investment would reduce permanently the bank-held debt, but the present heavy taxes on incomes are a serious deterrent to such an undertaking.

Changes in Composition of Debt

Another question pertinent to the debt reduction argument, is whether there must be, in satisfaction of that argument, a reduction of the over-all total, or whether the recent trend toward reduction of marketable debt through a substitution therefor of nonmarketable debt would be acceptable. The extent of this substitution since the peak of Federal indebtedness was reached at the end of February, 1946, may not be generally realized. There is shown, in Table IV, the over-all debt reduction from Feb. 28, 1946 to June 30, 1948.

According to this part of the record, the major portion of the debt reduction came about by the application of the large cash balance on hand after the final war loan was issued. The decline in guaranteed debt presumably occurred through the application of government corporation funds to this purpose. There will probably never again be, in peacetime, a huge general fund balance, and the operation which was possible after the war borrowing stopped cannot be repeated.

The data in Table IV do not tell the entire story of the debt since February, 1946, for the reason that they do not reveal the changes that occurred in its internal composition. These changes are important. In some respects, they are more significant than any that have occurred in the over-all area of the gross public debt. They are shown in Table V.

The significant fact disclosed by the data in Table V is that with a net decrease of $28,785 million in the total interest-bearing debt, there was a net decrease of $39,438 million in the marketable or fully negotiable debt during the same period. The difference is accounted for by a moderate rise in the nonmarketable public issues and a substantial increase in the special issues.

As a final statistical exhibit it is worth while to show where the principal reductions of the marketable debt were made. This is done in Table VI.

From Table VI it is seen that the debt reduction program by which the marketable debt has been reduced $39,439 million since the end of February, 1946, has been concentrated in the area of the short-term paper. In view of the extent to which this paper was held by the commercial banks and the reserve banks, it appears that the debt payment policy thus far pursued has been directed at the basic source of the credit inflation, which is the bank-held debt. No precise evaluation of the deflationary results of this operation is possible. In any case, these results have been offset in considerable degree by reserve bank purchases to support bond prices and by an expansion of bank loans to private business. Various authorities in the banking field have expressed concern over the rise of business bank loans and they are virtually unanimous in attributing it in large degree to the scarcity of savings under the present rates of the individual income tax.

The amazing achievement with respect to the reduction of marketable public issues, shown in Table V, directs attention to a question raised earlier, namely, whether the reduction of marketable debt can be regarded as reasonable compliance with the terms of the popular demand for debt payment. This reduction has been accomplished in part by the substitution of nonmarketable issues and special issues. To this extent there is no debt retirement in the over-all sense, but if the concept of debt payment is to be interpreted narrowly, it may be asked why some forms of the debt are permitted to increase. If sheer, unqualified debt reduction is the only proper goal, why should the Treasury push the sale of savings bonds, and why should any more special obligations be issued to the trust funds? There must be some significance for the ordinary person who owns savings bond or other debt paper in the fact that over the past two and a half years some $10.7 billion of the kind of debt that is freely negotiable in the market has been replaced by an equal amount of the kind that will tend to remain securely locked up, either in the strong boxes of the individual citizens or in the various trust funds to which the special issues were delivered.

In view of this record, particularly with respect to the repayment of marketable debt, it would appear reasonable to give further thought to tax reduction and revision. No one wants to see a resumption of debt increase through deficit financing, and such a course is not advocated here. What the record does justify, in the opinion of the present writer, is further action to lessen tax burdens as against unyielding insistence upon debt payment without regard to the tax levels that would be involved in such a policy. Within limits, tax rate reduction does not necessarily impair revenue receipts in the long run. The chances are much better than even that greater headway will be made in over-all debt reduction over the next decade by readjusting tax burdens so as promote high level employment, production, and income than can be made by retaining, for the purpose of rapid debt payment, tax rates that impede capital formation and throttle the economic incentives to work, save, and assume risks.

As We See It

(Continued from first page)

according to the Department of Commerce, which obtains its information from the Department of Agriculture. Despite all the favoritism and all the subsidies of the New Deal, it never reached that level again until 1941 when it came to $6.9 billion. In the last war year, 1945, the farmers' income rose to a point almost double that of 1941, that is to the unheard-of total of $12.3 billion.

Still Gaining

But peace brought no decline in farm income. On the contrary, it has continued to mount year by year since the war's end. In 1946 it was $14.6 billion; in 1947 it was $15.7 billion; and in the second quarter of 1948 it was running at a seasonally adjusted annual rate of $18.9 billion. The farmer gained 78.3% from his best year prior to our entry into the war to the end of hostilities. From 1945, the last war year, to the second quarter of 1948, his gain was nearly 54%. From 1941 to 1948 he increased his dollar income 174%.

Now compare these changes with the rise in the price of things which the farmer buys, and we get a fairly accurate idea of his progress during the years in question. For this purpose we employ the price figures of the Department of Agriculture which include not only things the farmer buys for his own personal consumption and that of his family, but the prices of goods used by him in production and the taxes imposed upon him. We can scarcely imagine greater liberality. Here are the figures. Between 1929 and 1941 prices paid by the farmer declined about 21%. During these years the farmer increased his dollar income by 21%. Make appropriate adjustment for the change in prices and his real gain becomes 53%.

Now take the war years from 1941 to 1945. Prices paid by the farmers, according to the Department of Agriculture, rose about 32% during these years. Make allowance for this change and the farmer's gain stands at 35%. Prices paid by farmers rose between 1945 and the second quarter of 1948 by a little less than 44%, but farm income rose about 54%, so that the farmer in the second quarter was some 7% above his wartime peak in real income. If we measure 1948 against 1941 we find a dollar gain of nearly 174% against an 89% rise in the price of things farmers buy. This gives the farmer a real gain of some 45%.

Farmers vs. Others

It is interesting to compare these real gains with those of some of the other elements in the economy. Take first of all compensation of employees—since it is well known that "gains" here have been unprecedented during the past decade and a half. From 1929 to 1941 compensation of employees rose from $50.8 billion to $64.3 billion, a gain of 26.6%. This compares with a gain for the farmers of 21%. The gain of the employee from 1941 to 1945 was $64.3 billion to $122.9 billion, or 91%. The farmer's was 78.3%. Since the war there has been a further gain from $122.9 billion to $133.9 billion or 9%. The farmer's was 54%.

Now if we compare these wages and salaries figures with change in what are now known as consumers' prices we arrive at a figure comparable to the "real" gains of agriculture. Doing so we find that the "real" gain of the employee from 1929 to 1941 was 47.4%. The farmer moved ahead 53%. From 1941 to 1945, employees improved their real position 56.6%; the farmer, 35.2%. From the peak of 1945 the employee slipped back by 1948 in terms of real wages by nearly 18%; the farmer gained 7%. The real gain of wage and salary earners from 1941 to 1948 was 28.5%; that of the farmer, 44.6%. It is, of course, readily apparent that the farmer, by the middle of this year of our Lord, 1948, has advanced his economic position more rapidly since prewar days than even the recipients of wages and salaries (chiefly wages) who, next to the farmers, have most to be thankful for notwithstanding high cost of living.

Some other comparisons are, however, of interest. Take, for example, the so-called rentier group or element in the population—that is those whose income is chiefly interest on past savings. The "net interest" component of the national income aggregate, as reported by the Department of Commerce, was $6.5 billion in 1929. Thereafter it started on an uninterrupted downward course which took it as low as $4.1 billion in 1940. It had recovered even in the second quarter of 1948 only to about $4.7 billion annual rate. There is, unfortunately, no satisfactory data by which to adjust these sums for the loss of purchasing power by the dollar, but it is evident enough that these individuals who, in their self-reliance and their prudence set aside sums in the past, have suffered and are suffering as greatly as the farmers and the wage earner have gained. If tears must be shed, these are the individuals who should draw them.

The fate of the entrepreneurs who invest in the equity securities of corporations is much the same. In 1929 they received $5.8 billion in dividends. In 1941 they received only $4.5 billion. Even in the second quarter of 1948 they were receiving dividends only at the seasonally adjusted rate of $7.3 billion. No matter what "deflator" is employed, there can be no mistaking or disputing the fact that these elements in population, too, deserve much more sympathy than the farmer.

Why?

Why, in light of such facts as these, should there be (apart from political considerations, of course) such a hue and cry when the prices of some of the products of our farms recede from the clearly abnormal, not to say ridiculous, levels they had reached? Why, again apart from political considerations should it be thought wise to take billions of dollars from the pocketbooks of the taxpayers of the nation to bolster the position of the farmer? Why should there not be rejoicing that some of these necessaries of life bid fair to come within the grasp of individuals whose income has not kept pace with the rise in the cost of living? Why, if we really believe that "inflation" is eating at the heart of the economy at this moment, should we condone action by the powers that be to prevent prices from readjusting themselves normally — all for the doubtful benefit of the farmers of the country who, of course, will in any event benefit from the large yields of the season?

Hayden Mem. Trophy Gold Tourney Revived

The Charles Hayden Memorial Trophy Golf Tournament, after wartime interruption, will resume play for the twentieth year on Sept. 20, 1948 at the Baltusrol Golf Club at Springfield, New Jersey. The tournament was last played in 1941 when foursomes from 40 securities firms competed for the trophy won in that year by The First Boston Corporation.

In the history of the tournament, three cups donated by Mr. Hayden have been permanently retired upon the winning of the traditional three legs by one firm. After his last cup was retired in 1939 by Hemphill, Noyes & Co., the partners of Hayden, Stone & Co. donated a new trophy which will be kept in perpetual play as a memorial to Mr. Hayden. Since his death, the invitation tournament has been a cooperative venture.

Francis A. Cannon of The First Boston Corporation is Chairman of this year's tournament committee. Other committee members are: Thomas F. Staley of Reynolds & Co., W. Halsted Taft of Hemphill, Noyes & Co., and Wickliffe Shreve of Hayden, Stone & Co.

gitized for FRASER
p://fraser.stlouisfed.org/

Your Estate and the Inevitable Taxes

(Continued from page 4)

after Dec. 31, 1947, and is not retroactive.

The device or bequest to the surviving spouse need not be outright, it may be in the form of a trust, provided the interest so left is not terminable, and, provided further, that all the income of the trust is to be paid to the surviving spouse for life at yearly or more frequent intervals.

"Terminable Interest"

A "Terminable Interest" is defined as an interest which will fail or terminate upon the lapse of time or upon the occurrence or lapse of an event or contingency. If the following conditions exist in the trust estate the "Marital Deduction" will be disallowed.

(1) A grant, bequest or device by the decedent of an interest in the same property to another person other than the surviving spouse.

(2) The person acquiring such interest may by any possible circumstance under the bequest possess or enjoy the property after the termination or failure of such interest passing to the surviving spouse.

In other words the trust, and the income from the trust, cannot be fettered with conditions. The surviving spouse must have the sole right as long as he or she lives to the use and enjoyment of the property with the right to dispose of the same at his or her death.

A "Terminable Interest" would occur if the property should pass to another in the event of remarriage; limited to a certain time; dependent on the removal from a certain place. A direction that the income of the trust be paid to the surviving spouse for life and the corpus be distributed to others at the spouse's death would be a terminable interest. So would a terminable interest exist, if the bequest of an annuity to a surviving spouse is coupled with a direction that at the death of such spouse the annuity be paid to others. A contingent bequest in trust, that certain property be for the joint benefit of the surviving spouse and another person, or that the trust property pass outright to the survivor of the two, will be a terminable interest.

If the surviving spouse's interest is not terminable, the Marital Deduction may be used even though some other person may have an interest in the property; as a device of real estate to another for life with a vested remainder to the surviving spouse. The Marital Deduction will be disallowed in cases where terminable interests are to be acquired for the surviving spouse by the decedent's executors or trustees pursuant to a direction to purchase an annuity contract for the surviving spouse for a term of years or for life.

There are few exceptions such as death caused in a common accident. A legacy to a surviving spouse will not be disqualified if the only conditions tied to outright ownership shall lapse and the property pass to others if the surviving spouse die within six months of the decedent spouse's death and/or both die in a common disaster. These conditions tied to a legacy will not of itself disqualify the surviving spouse's right to a marital deduction unless the surviving spouse dies within the stated period.

Provisions can be made in the event the power of appointment is not exercised by the surviving spouse, that the property be distributed to others designated. A legacy to the surviving spouse of other than specific assets as "one-half of my estate," should be coupled with a direction that prohibits the executors from satisfying such legacy from terminable assets or the proceeds of such assets. The law stating that if there are terminable interests in the estate that could be used to satisfy the legacy those interests will be conclusively deemed to have so been used.

The Rate of Tax

The rate of tax is not changed by the amendments to the revenue law, but the act does not permit exemptions for property previously taxed within five years, as the old law provided.

Under the old law there was an exemption of $60,000. This exemption is kept intact in the new law. Now with the Marital Deduction, if the revenue act is complied with, one-half of the estate will be tax free because of the Marital Deduction and the other half will have the $60,000 exemption. There, therefore, will be no tax unless the "Adjusted Gross Estate" is over $120,000.

The rates of tax remaining the same the tax is as follows—If the net estate after deducting the specific Federal exemption is $5,000 the Federal tax is $150 or 3% on the first $5,000. If over $5,000 and not over $10,000 the tax is $150 on the first $5,000 and 7% on the balance or $350, making a total tax of $500 if the net taxable estate is $10,000. The rate of the tax is progressive to wit:

$5,000	3%	$150	
to 10,000	7%	350	
			$500
to 20,000	11%	$1,100	1,600
to 30,000	14%	1,400	3,000
to 40,000	18%	1,800	4,800
to 60,000	25%	2,500	9,500
to 60,000	25&	2,500	9,500
to 100,000	28%	11,200	20,700

If the net taxable estate is $500,000 the tax is $145,700 and if $1 million the tax is $325,700 at a tax rate of 39% to estates of $10 million when the tax is $6,088,200 at a tax rate of 77%. The revenue laws relating to estate taxes were never consolidated to make one Federal Estate Tax Law, so that today we must look at the Federal statutes of 1926, 1932, 1942 and 1948 to comprehend the entire estate tax laws of the Federal Government. In 1926 the exemption was $100,000 and the rate of tax was and still is 1% on the first $50,000 after exemption of $100,000; 2% on the next $50,000; 3% on the next $100,000; 4% on the next $200,000; 5% on the next $200,000 and so on. The tax runs from 1% on the first $50,000 to 20% on $10,000,000 and over. An allowance is permitted for estate taxes paid to the domicile state equal to 80% of the tax computed under the 1926 Revenue Act.

There is no precise method of insuring that the interest passing to the surviving spouse will equal one-half of the decedent spouse's "Adjusted Gross Estate." The Marital Deduction will be decreased by the amount of death duties charged against such interest so that there should be a direction that such interest be exempted from bearing any part of the death duties. Bequeathing one-half of an "Adjusted Gross Estate" as provided by the Federal Revenue Laws and providing that such bequest shall not bear any part of the death duties will be near enough to obtain such object.

Application to Life Insurance

The Federal Estate Tax laws apply to life insurance. If the insured at the time of death possessed any incident of ownership, or paid directly or indirectly the premium or premiums for such insurance, the proceeds are part of the decendent's estate and taxable. As far as annuities are concerned the commuted value at the day of death is the value to be reported in the gross estate.

Legal incident of ownership has never definitely been defined by the courts. Treasury regulations 105 of the Reveue Act reveals what matters may be involved in determining the question of legal incident of ownership:

"The right of the insured or his estate to its economic benefits; the power to change the beneficiary; the right to surrender or cancel the policy, to assign it or revoke an assignment, to pledge it for a loan, or to obtain from the insurer a loan against the cash or surrender value of the policy."

The regulation practically limits the insured to make only an out and out assignment of the policy for value received and without any strings attached to the assignment.

The proceeds of life insurance becoming part of the decedent's gross estate will give rise to the Marital Deduction. The estate tax law applying to one's estate applies with the same force to the insurance proceeds. The Marital Deduction will only be allowed when the surviving spouse receives the proceeds of the life insurance outright, or if payable in instalments or left at the interest option, the installments or interest are paid commencing not later than thirteen months after death, are paid yearly or at lesser intervals, are paid soley to the surviving spouse during his or her life and with full power to appoint any amount remaining after death to his or her estate. A provision directing installment payments or interest payments to the surviving spouse, with full power to name his or her estate and in the event such power is not exercised the balance of the proceeds to go to other named persons is permissible.

Every kind of life insurance is included in the statutes, whether the contract of insurance be denoted, "Term," Limited Payment, Life, Paid-Up, Endowment, National Service Life, Family Income, Group or any other designated name. Death claims under accident insurance or double indemnity policies are considered life insurance.

Annuities are not considered life insurance and are treated as any other form of property. A life annuity ceasing at death naturally has no value left to be taxed. A refund annuity, providing either a cash refund or continuation of installments to others is taxable for the cash actually received or to the aggregate amount receivable by the beneficiary discounted to its present value.

Where life insurance contracts are absolutely and unconditionally assigned for an adequate consideration the proceeds are not subject to the Federal Estate Tax.

Usually in connection with life insurance several questions arise mostly relating to the income tax laws. The death proceeds of a life policy, whether paid under any of the options or in a lump sum are not taxable income to the beneficiary, except if the interest option is chosen the interest received is income in the year received. Income policy for a divorced wife under a final decree of divorce is income to the divorced wife. Dividends are not interest but the excess cost of the insurance.

In an endowment policy, that matures during the life of the insured, the excess received over premiums paid, (less dividends) is ordinary income and taxable in the year the policy matures. If left with the company, the excess still must be reported in the year of maturity. When a policy of life insurance is surrendered for its cash value the same rule applies and the excess must be reported in the year of the surrender. Surrenders are not considered capital gain and are not considered as a sale or exchange.

Annuities are taxable yearly income for 3% of the aggregate premium paid. Thereafter when the aggregate is reached, all payments received are considered income and taxable in the year received.

The Gift Tax

The gift tax is an important measure in planning one's estate. The Federal Gift Tax like the Federal Estate tax is based upon the same theory of transfer. The gift tax is 25% lower than the estate tax and the specific exemptions are quite different. While in the estate tax there is a specific exemption of $60,000, the gift tax allows the following exemptions, to-wit:

(1) An overall exemption of $30,000 during life.

(2) A yearly exemption of $3,000 during each calendar year in addition to the $30,000 exemption.

The marital deduction is now permitted in respect to gifts made on and after April 2, 1948. A gift made either by husband or wife is considered made one-half by each spouse. Thus, a husband can give his wife and so can a wife give her husband a gift of $6,000 each year and not be subject to the gift tax. One important consideration must be remembered, the gift must be outright and no strings attached.

If neither spouse has used any part of his or her overall exemption of $30,000, it is possible for a spouse to give to a child $120,000 over a 10-year period without incurring a gift tax. $6,000 of such gift would be the annual exemption of both spouses totalling $60,000, and the balance of $60,000 being the overall exemption of both spouses.

Whether it is wise to depend on the continuation of these exemptions in the future is very questionable. In 1932 the life exemption was reduced from $50,000 to $40,000, and some years later to $30,000 the present exemption. The annual exclusions from the gift tax at the same time was reduced from $5,000 to $4,000 and then to the present $3,000.

The marital deduction with respect to gifts is limited to the amount of such gifts included for the purpose of computing net gifts. Example: a donor transferred by gift to his spouse $4,000 in January, 1948 before the marital deduction was permitted, $4,000 in July, 1948. Total $8,000. $3,000 is the annual exemption. Balance $5,000 net gift.

Since the total marital deduction of $4,000 does not exceed the net gift of $5,000 the marital deduction is allowed in full.

Under the present Gift Tax Laws, third party gifts, on and after April 2, 1948, received the greatest impetus. Under the present act, as shown in the gift to a child, a large distribution of capital assets can be made. The act permits a gift to be made each year to third parties as if one-half were made by the husband and one-half by the wife, regardless which spouse is the actual donor. To qualify for this marital deduction each spouse must be a citizen or resident of the United States. They must be married to each other at the time the gift was made and neither one is permitted to re-marry during the calendar year. Both spouses must signify in writing their consent to the gift.

A consent to any gift made during a calendar year is a consent to all gifts made during such calendar year. The consent must be made and filed on or before March 15, of the following year. If an extension of time is granted to file both returns the time to file the consent will be extended to such time. The consent can be revoked before March 15 of the following year of the gift, but a consent filed after such March 15 cannot be revoked.

The liability for the gift tax (where the consent has not been revoked) devolves on each spouse, because they are jointly and severally liable for the tax. If one spouse pays the gift tax of both spouses such payment is not deemed a gift to the other spouse.

We have already seen how a gift to a child, or any other third person would work out. Over a 10-year period $120,000 could be transferred without any gift tax liability. Now, let us see how the Gift Tax law works as between the spouses. Let us assume a gift of $100,000 to the wife by the husband. The figures would show up as follows:

Gift $100,000:

$50,000	or ½ of the total gift would be tax free. The total being deemed community property, ½ of the gift is made by the husband and the other ½ considered as property of the wife.
30,000	The specific life exemption of the husband.
3,000	The annual exemption of the husband.
$83,000	Total amount Tax free.

So that we have the sum of $17,000 subject to the Gift Tax, which tax amounts to $952.50.

Formerly if a gift was made within five years of the death of the recipient a deduction was allowed in the recipient's estate for the gift tax. No such allowance is permitted.

Future interests as reversions, remainder or other interests or estates vested or contingent which are limited to commence in use, possession or enjoyment at some future time cannot pass as a gift. The gift therefore must be of immediate use.

The gift of life insurance, like that of any other kind of property is based on the fair market value of the contract at the date of the gift. The surrender value is usually the market value of a life insurance gift.

The State Estate Laws

In order to get a full picture of planning an estate one must know the laws relating to death duties of the particular state where one resides. The State of New York has the most comprehensive statutes relating to death duties. The New York State Transfer (estate) Tax law adheres to the Federal State Tax Law as closely as possible. The New York State tax decisions are generally in uniformity with the Federal tax decisions. Many other States have followed the New York statutes relating to death duties and we will use this State as an illustration.

The exemptions are few in the New York Transfer Tax Law. To husband or wife an exemption of $20,000 is permitted; $5,000 exemption is permitted to each lineal ancestor or decendant, brother, sister, son-in-law, daughter-in-law. If the net estate is less than $2,000 no tax is imposed.

There is one very important asset that need not be included in the gross estate (although the same must be reported), and that is life insurance, the proceeds of which are payable to others than the insured or his estate. While the Federal statute requires all life insurance proceeds be included in the gross estate and taxable, the Courts of the State of New York, have ruled, that where the proceeds of a life policy are payable to others, such proceeds never became part of the decedent's estate and never passed to the beneficiaries as an asset of the insured decedent.

The New York Statute continues the exemption of property received from a decedent within five years of the present decedent's death. Such property must

Digitized for FRASER
http://fraser.stlouisfed.org/

have been reported in the gross estate of the first decedent. This is not now contained in the Federal statutes.

In New York State the Net Estate for all practical purposes is the same as the Federal "Adjusted Gross Estate." For tax purposes the net estate is divided in blocks each block being taxed at a rate higher than that for the preceeding block.

Net Estate	Amt. of Block	Rate of Tax	Tax Amt. on Block	Total Tax
$150,000	$150,000	1%	$1,500	$1,500
200,000	50,000	2%	1,000	2,500
300,000	100,000	3%	3,000	5,500
500,000	200,000	4%	8,000	13,500
700,000	200,000	5%	10,000	23,500
900,000	200,000	6%	12,000	35,500
1,100,000	200,000	7%	14,000	49,500
1,600,000	500,000	8%	40,000	89,500
	the last block is			
10,100,000	1,000,000	19%	190,000	1,354,500

If the net estate exceeds $10,100,000 the rate is 20%.

The New York Estate Tax law applies to those decedents who were domiciled in the State of New York at the time of death. Many bitter and expensive law suits have occurred because of the question of the decedent's domicile, a person can have only one domicile although he may have several residences. The derivation of the words point out the distinction in their meaning. A home (domus) is something more than a temporary place of remaining (residendi) however long such stay may continue. As to married women the general rule is that her domicile is that of her husband.

We now come to the payment of death duties and gift taxes. Payment of the Federal Estate Tax must be made within fifteen months of death. If no extension is obtained a penalty of 6% per annum is added from the end of the fifteen month period.

Payment of the Federal Gift Tax must be made on or before March 15th of the following year after the gift is made. Interest at the rate of 6% is charged from March 15th in the event payment is not made on time.

Payment of the New York State Tax should be made as soon as practicable for a 5% discount is allowed if the tax is paid within six months after death. This discount decreases ½% each month thereafter, so that payment made 15 months after death will exhaust the discount. If the tax is paid later than 18 months after death, 10% interest per annum is added from the date of death. This 10% can be reduced to 6% by the decree of the Surrogate on good cause being shown.

The Correct Approach To Bank Supervision

(Continued from page 6)

are expected to possess and to apply a profound sense of responsibility and trustworthiness.

Cooperation With Bank Supervisors

The fact that I have been invited to be with you assures me that you realize the necessity of real cooperation between bankers and bank supervisors, to the end that our banking system shall be strong enough to meet any tests imposed upon it by a very uncertain future.

In the light of that fact, perhaps I should have confined my remarks to pointing out specific problems which bankers must face today, correctible defects which I see from my vantage point as a national bank supervisor, somewhat conversant with the practices of banks from one ocean to the other. Some of the things I would have liked to deal with, in order to assist you in determining what should be done to put your own bank in the best condition, have possibly been covered by your courses here. I have in mind, for example, the need for getting the best men to serve as directors of your bank; the need to set up personnel procedures designed to get the most competent employees — and to keep them; the dangers of one-man banks; the hazards of trying to substitute formulas for original thought, logic, and common sense in deciding banking problems; the inadequacies of bank credit files; the need for consistent and strict liquidation of loans; the danger of overlending; the hazards of reaching out of one's territory for loans; and, cutting the list short, the haphazard manner in which "stranger loans" are often handled—by that I refer to the acquisition and disposition of so-called investment securities—obligations of far-away industries and municipalities concerning which the banker too frequently knows nothing except what he has been told by a bond salesman, whose sole and dominant interest in the transaction is profit. All of these subjects—and many more—could be the basis for self-scrutiny which would be in line with what you are attempting to do in this school—make your banks better banks, and hence, strengthen the whole banking system which is so important in our economy.

Improving Bank Supervision

However, I wish to devote a little time to the presentation of another side of the picture, a side which is generally overlooked.

I said that I considered my invitation here as proof of a realization of the necessity for cooperation between banks and bank supervisors — state and national. That cooperation cannot be one-sided; it must flow from both sides; and as a condition precedent to effective cooperation there must be a thorough understanding of each other's work, function and duties. Too few people ever take the time to study the workings of government, to study its role and the make-up of its personnel. Therefore, for your benefit, let me look at myself and all other bank supervisors for a few moments, as I would urge you to look at us—because you should have more than a passing interest in improving supervision.

What are you entitled to expect of bank supervisors? You are entitled to be examined by a man who is interested in helping you improve your bank. If a banker cannot benefit from an examination, either he is an **exceptionally** good banker, or the examiner isn't what we expect him to be. You are entitled to expect examinations to be made by men who are intelligent and thoroughly trained to understand the bank's problems and to determine whether it is adhering to the law and to safe and sound banking practices. Therefore, the examiner must have a thorough knowledge of the pertinent law; he must know banking practices and procedures in general and in special fields; he must possess credit judgment to a high degree; he must be tactful, yet persuasive; but above all, he must have the courage of his convictions and be willing to "call his shots" as he sees them.

The examiner's superiors must have the ability to analyze his work and extract from his reports a correct picture of a bank. They must possess a goodly amount of intelligence and judgment; they must know, for example, when to stop supervising and when to rely on banker self-restraint and self-discipline.

You have a right to expect your bank supervisors to be alert, constructive with their suggestions, receptive to new ideas and developments, and willing and able to cull out the risky and encourage the worthy. You are entitled to expect your supervisors to be free from any alignments which would prevent them from being in a position to act impartially and without fear of consequences —political or otherwise. You have a right to expect them **not** to be fanatics—**i.e.,** persons who redouble their zeal after they have lost sight of their aims. If bank supervisors cannot measure up to these few expectations they cannot properly discharge their obligations as public servants.

How Supervision Functions

All of what I have said goes to qualifications and there is nothing more important. But in addition to qualifications of personnel, I think you should likewise interest yourselves in the **modus operandi** of your supervisors, **i.e.,** how they function. President William Henry Harrison once said: "A decent and manly examination of the acts of government should be not only tolerated, but encouraged."

Let's look at just one typical procedure: The banker makes a loan or an investment, or enters into some other transaction or activity; the examiner comes along and says it is illegal or unsafe and unsound; then either the banker or the examiner refers the case to the head office where a decision must be made. In making such decisions there are two general approaches; roughly speaking; the general principal method, and the case-by-case method.

In passing upon numerous cases involving the same general point, arising in all sizes of banks in all parts of the country (or State, as the case may be), the formulation and consistent application of a general principle is not easy. It calls for hard work, thorough study, and an understanding of the factual background and the extent to which it varies from one situation to another. It involves weighing the numerous legal and practical factors involved in every such problem, and expressing the general principle or rule in language which is clear and as simple as possible while yet covering the entire ground.

This is the correct—but painful —way to exercise this bank supervisory function. The immediate reward for one's labor is that the ruling or the interpretation, and the agency itself, are laid wide open to every attack and criticism which can be worked up by those who feel that their interests are adversely affected.

The Case Method

The alternative course, namely, the avoidance of the formulation of general principles and the deciding of issues exclusively on a case-by-case basis, is far more tempting because it is easier and dodges criticisms by the simple device of avoiding publicity and giving the minimum explanation for each individual decision— there is nothing much for adverse criticism to sink its teeth into.

Those who espouse this latter technique in government often defend it with attractive adjectives and slogans. A favorite is the bureaucratic cliche that "each case must be decided on its own merits"— a doctrine which is very sound in some situations, but which is very much overworked and is used with respect to an unbelievable number of governmental problems. It is also said that a general principle or "rule" once formulated, acts as a "strait jacket," whereas the case-by-case approach is "flexible" and "able to fit itself to the varying features of each situation." Others say that "rules" deprive an administrator of his "freedom of action," but what they perhaps mean is their freedom to act on the basis of their emotions on particular occasions.

I can assure you that every responsible government official is **tempted** again and again to decide his problems not on the legal and practical principles involved, but on his estimate of the character of the persons or institutions involved. This is understandable because a given practice, for example, may be far less dangerous in a well-run conservative bank than in one which is manned by speculatively-inclined or slipshod ill-equipped officers and sufficient leeway for exercising common sense in such cases must be preserved. But every public official who makes decisions on this basis must keep constantly in mind the implications of his procedures.

One of the fundamental precepts of American democracy is that our government shall be a government of laws and not of men. What may begin as a "reasonable relaxation of principle" to take care of a "special case" can degenerate into a system in which partiality, arbitrariness, favoritism and caprice come very close to downright corruption.

I feel it is no exaggeration to say that the difference between a system in which basic rules and principles of general applicability are made and published and applied uniformly and openly, and a system in which there are no such rules or principles and all decisions are predicated upon secret reasons of an individual, is the difference between our free American way, where a man can conduct his personal business affairs without fear, and the authoritarian way of which we have seen so many horrible examples in the last quarter-century.

Policy of Comptroller's Office

I am glad to say that the Office of the Comptroller of the Currency has adopted what I believe to be the right course of action in this respect and one which will be helpful to the whole banking fraternity. Within the next two weeks the Comptroller of the Currency will publish and send to every national bank in the country a digest of opinions and interpretations of law relating to powers and operations of national banks. We have published it in loose-leaf form in order that it can be kept current and grow with the development of banking and so that we can fill in the many gaps and correct the errors we may have made.

We know we may be stirring up a lot of trouble for ourselves by this action in that any statement of a general principle is subject to misinterpretation. But we also know that we are moving in the right direction toward better government and, we hope, better banking, by furnishing national banks with a "guide" which will answer many questions that arise in the course of their business. We believe the great majority of banks will accept it in good faith and use it wisely and honestly with benefit to themselves.

I have mentioned this publication to you because it seems to me to exemplify a correct approach by bank supervisory authorities to their problems and your problems; an approach through which they may serve as clearing houses to disseminate information concerning the soundness of banking practices; an approach by which the banks under their supervision may be informed, as fully as their examiners, of the general rules and principles which the supervisors believe are sound and are trying to apply.

We must always remember that the goals of bankers and of bank supervisors are basically identical —namely, the ultimate maximum benefit and development of American banking. It is my conviction, and I hope that of all State and Federal supervisory authorities, that there is everything to gain by frank and honest disclosure of the things we are trying to do and the reasons for doing them, by willingness to consider every honest criticism and suggestion, by willingness to admit errors and scrap unsound doctrines and procedures and to build better ones.

Even so, real improvement of bank supervision is dependent upon the sincere interest of bankers, expressed through their aggressive cooperation and giving rise to constructive suggestions.

The approach which I have outlined is not the easiest course to pursue. It is difficult to hold to it in times of doubt and skepticism. But those are the times which demand the greatest courage and single-mindedness in adhering to the idea upon which our American public system is based—a government that is in the best sense a government of laws and not of men.

In conclusion, let me say that although our problems today are grave and the present world outlook is gloomy, with cynicism, weariness, selfishness, fear and suspicion prevailing in nearly all sectors of the world, we need not despair. We need not despair if we will regain some of what we lost with the passing of the frontiers; the willingness to work together with our neighbors in common endeavors toward the same end—not the end that one of us shall be stronger and more powerful than the rest of us, but rather the end that through harmonious joint efforts, we as a people shall be strong enough to preserve for our nation, and for all other like-thinking nations, those freedoms which are the four cornerstones of democracy, as we know it, as we want it, and as we will have it.

At another Lexington, the minutemen stood firm because they had faith; faith in principle, and faith in themselves, individually and collectively. With such faith we, too, can face the future with confidence and even with eagerness.

Seth Szold Joins Edwal Laboratories

CHICAGO, ILL.—Appointment of Seth L. Szold as Vice-President and Treasurer of Edwal Laboratories, Inc., was announced by Dr. Walter Guthmann, President of Edwal. Mr. Szold's responsibilities, which began Sept. 1, will cover accounting, financial control and forward planning. Creation of this new vice-presidency in the company, Dr. Guthmann explained, was made necessary by Edwal's expanding operations.

Mr. Szold comes to Edwal from J. M. Dain & Co., investment firm in Minneapolis. Prior to his position as Secretary of Dain & Co., he was assistant chief renegotiation officer in the office of the Secretary of the Navy.

Before entering the navy in 1943, Mr. Szold specialized in chemical industry research with Stein & Roe, investment counsel firm in Chicago, now Stein, Roe & Farnham. Szold's prior associations were with the Chicago office of Lehman Bros., with Lawrence Stern & Co., with the First National Bank of Chicago and the Foreman National Bank where he started his career in finance upon graduation from the University of Chicago.

igitized for FRASER
ttp://fraser.stlouisfed.org/

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Stocks beginning to edge to buying levels. Early August lows suggested waiting for.

With everybody talking, sighing or muttering about the weather — few people, in the East anyway, have shown any interest in the stock market or its gyrations, or the lack of them. But the market has managed to keep its head above water even if it has done so with no drum thumping to speak of.

* * *

The big talk today, besides the is-it-hot-enough-for-you conversations, is the Washington spy hunt and how will Truman run his campaign. No one apparently expects Truman to win. The only argument is how big will Dewey's plurality be. I don't know if any of the foregoing is interesting to you. I merely mention it so you can be up on the latest board room gossip. Me, I'm bored with it. No pun intended. Whether the Committee on Un-American Activities comes up with anything besides headlines, and incidentally a couple of votes, is of less interest than whether stocks will sell higher or lower.

* * *

I'm less concerned with Dewey's or Truman's political fortunes than I am with the kind of Congress we'll have and the kind of new laws it'll pass. What has all this to do with the market? Nothing, really. I'm merely passing it along as conversation pieces.

* * *

Now to get down to talking about the market. A couple of weeks or so ago I wrote here that I thought prices would go up but looked for up-down-up-down action before any move would develop. Last week it looked like the advance was getting underway. But the fog of lassitude which lifted slightly came down again and the enthusiasm was quenched. (How do you like those mixed metaphors?)

* * *

At this writing stocks are down again and the period I have been suggesting waiting for seems closer at hand. The question is what to buy and at what prices. Here are some answers.

* * *

The stocks I favor are, Alleghany Ludlum; American Smelters; Armco; Babcock Wilcox; Colorado Fuel; Commercial Solvents; Continental Oil; Electric Storage Battery; Ex-Cell-O; Glidden; Paramount; Phillips Petroleum, and U. S. Steel.

* * *

The answer to the question of where to buy them is equally important. I suggest prices about one point above their lows of early August. Based on today's market these are still some points away. It is likely, however, that they may be seen in the comparatively near future. In any case, waiting rather than charging in is the plan suggested.

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.]

Pacific Coast Securities

Orders Executed on Pacific Coast Exchanges

Schwabacher & Co.

Members
New York Stock Exchange
New York Curb Exchange (Associate)
San Francisco Stock Exchange
Chicago Board of Trade

14 Wall Street New York 5, N. Y.
COrtlandt 7-4150 Teletype NY 1-928

Private Wires to Principal Offices
San Francisco—Santa Barbara
Monterey—Oakland—Sacramento
Fresno

Carl G. Schirmer Joins Geo. Eustic Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO.—Carl G. Schirmer has become associated with Geo. Eustis & Co., 18 East Fourth Street, members of the Cincinnati Stock Exchange. Mr. Schirmer was formerly with Horan & Grischy, and in the past with Ballinger & Co.

Thomas Tuite Now With Horan & Grischy Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO.—Thomas T. Tuite has joined the staff of Horan & Grischy, Union Trust Building. Mr. Tuite was formerly associated with Geo. Eustis & Co. as Cashier. Prior thereto he was with W. D. Gradison & Co.

Geo. A. McDowell Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Roy E. Spear has been added to the staff of George A. McDowell & Co. Buhl Building, members of the Detroit Stock Exchange.

Farrell Securities Co. Opens

Farrell Securities Co. is engaging in the investment business from offices at 134 West 58th Street, New York City.

Frank J. Ruggere Opens

Frank J. Ruggere is engaging in a securities business from offices at 120 Liberty Street, New York City.

I. A. McDowell & Co. Formed

(Special to THE FINANCIAL CHRONICLE)

ALBANY, ORE.—I. A. McDowell & Co. has been formed with offices at 723 Ferry Street to engage in the securities business. Principals are I. A. McDowell, Katherine M. Buike and Donald R. Catt.

The Story of "Time, Inc."

(Continued from page 3)

the "Life" experiment lost $3,400,000 on its own. On top of that by 1938 the depression within a depression was under way. The year 1939 looked like the beginning of a period of normalcy. "Life" was a success and net profit for the year was $3,200,000, the largest in the history of the company. Gross that year was $29,000,000 and over the period of the war this gross was steadily increased despite government controls on paper, etc. Then Time, Inc. entered its fourth period—the period of high taxation. Due to high taxation generally, and the corporation's low average earnings base for figuring excess profit taxes (a situation resulting from management's imagination, courage and productiveness in starting "Life") net earnings after taxes from 1939 to 1945 were held roughly between $3,000,000 and $3,800,000. Taxes paid by Time, Inc., which were only about $700,000 in the banner year of 1939, jumped to $11,300,000 in 1943. Next, came the fifth period, or period of reconversion, 1945 and 1946, which were years of expanding printing capacity, securing circulation fulfillment, building experimental plants and research laboratories.

Finally, the current period, marked by the completion of this post-war work and the beginning of an era of pre-tax profit at what seems to be a new high average level. This is also the beginning of an era of net profit after taxes on a new high average level. Expressed on a per share basis, Time, Inc. earned $7.73 during 1947 compared with $4.11 per share in 1946 and compared with average earnings of $3.71 for the six years 1941 to 1946. In the first six months of 1948, this new level of earnings was continued when net after tax equalled $4.37 a share compared with $4.19 a share in the first six months of 1947. Roy E. Larsen, President, in his message of July 26, 1948, to stockholders said, "Circulation and advertising volume of the company's publications have continued at high levels during the first half, and the outlook at mid-year is for them to continue strong. Second half operations will fully reflect increased newsstand, subscription and advertising prices for certain of our publications which went into effect during the second quarter, but costs and expenses will be up in the second half, and can only be partially offset by improvements in machine efficiencies and technology."

In the writer's opinion, the net result should be a higher net per share after taxes in the last half of the year, than in the first half of this year or the second half of last year.

A very important factor in the Time, Inc. earnings picture as far as the future is concerned, is the fact that advertising rates for the whole magazine industry and for Time, Inc. are still extremely low. The milline rate of the industry is not up over 15% to 20% compared with ten years ago. There is a logical opportunity here to increase revenue by bringing advertising rates up in line with increased average cost of almost everything else. As a matter of fact, the advertising budgets of most corporations are today a lower and below average percentage of total budgets as compared to what we used to call normal. Not only is this partly the result of low advertising rates, but it is also partly due to the economic situation.

Advertising budgets were boomed during the war by the excess profits tax which cut down sharply the real cost of advertising. They were boomed again after the war by heavy consumer advertising in lines like cosmetics, which are now in a recession, as is the publishing business, itself. The effect on the latter so far seems to hurt the weak sisters and, if anything, helps leaders like "Life." It had been expected that as consumer resistance to sales developed, advertising budgets would increase. This has not been the case, broadly speaking, in lines of business now running into trouble. However, these lines running into trouble in a way cannot be considered typical. It is thought that the picture will be far different when competition returns to the old established advertisers such as, for example, the automobile industry.

Another important factor in the Time, Inc. earnings picture is the operating profit margin which is still below average percentages. It may be that in common with practically all corporations, modern conditions will prevent a return to the old basis but an improvement over the current basis is more probable.

The recent increase in the price of "Life" magazine has been very well received and probably could have been done some time ago.

The outlook for Time, Inc., for 1948 and 1949 remains favorable even if we should experience a mild, but not severe recession.

As to dividends, last year $3.25 a share was paid. In the period 1941 to 1946, $2.50 a share was paid each year, except in 1942 when $2.25 was declared. Over a period of time, something like 70% of net earnings have been paid out in dividends and, of course, this ratio is now thrown badly out of line by the new and higher earnings level. Some adjustment may well be made this year and if economic conditions permit, a further adjustment is possible next year. If earnings this year run $9 to $10 a share, dividends may run $4.50 to $5 a share, with perhaps a portion of this paid in stock to conserve cash. A dividend of $1.00 was declared payable to stockholders Sept. 10.

The stock of Time, Inc. is still very closely held. It is a true "ownership - management company." It is thought that about 40% of its outstanding stock is owned by investors and the balance by management and employees.

It would seem that a logical step would be the listing of the common shares on the New York Stock Exchange. At the present time, however, nothing of this sort is known to be contemplated. A split-up in the shares on an approximately two for one basis would also be helpful. Such a split-up could be justified on corporate grounds, to capitalize as it were the doubling of recent average net earning power. Banking sponsorship on Time, Inc., has been more or less centralized and there are indications that a wider interest on the part of additional investment banking firms may be forthcoming.

The yield on Time, Inc., stock between 1938-1948 inclusive have ranged at the high prices from 2.1% to 7.8% and at the low prices from 4.1% to 13.4%. The average at the high prices for the period was 4.7% and the average at the low prices was 7.5%.

On a price earnings ratio basis, the current ratio of about six times compares with an average at the high prices for the years 1938-1948 of 9.8 and at the low prices of 16.7.

The average price-earnings (P-E) ratio of the Dow-Jones Industrial Average for the 1938-1948 period inclusive was 15.1 at the high and 11.7 at the low. During this same period, Time, Inc. sold at an average of 35½% of the D-J at the high and 27.3% at the low. At approximately 183 for the D-J and 52 for Time, Inc., the D-J is selling at a P-E of 9.1 and Time, Inc., at 5.8. The current percentage of Time, Inc., to the D-J is 29.4%.

The capitalization of Time, Inc. was represented, as of Dec. 31, 1947, by approximately 961,594 shares of common stock of $1 par value outstanding, preceded only by long-term notes payable to banks maturing Dec. 31, 1949, to 1955 which then amounted to $13,900,000.

In the Tables appended, we are giving in tabular form, some of the pertinent facts of the previous discussion.

Table 1 includes the highlights on Time, Inc.'s income.

Table 2 is a brief chronological memorandum of historical facts concerning Time, Inc. from 1930 to the end of the first six months of 1948.

Table 3 shows the price earnings ratio of Time, Inc. as related to the price earnings ratio of the Dow-Jones Industrial Averages and statistics on yields.

Table 4 shows the operating profit ratio.

Table 5 shows Dow-Jones Industrial and Time, Inc. earnings and Time, Inc. per cent of Dow-Jones Industrial earnings per share.

TABLE 1

Time, Inc.

		(In millions of dollars)				
		Gross Income	Profit Before Taxes on Income	Prov. for Inc. Taxes and Tax Conting.	Net Profit	
1947		$120.40	$12.60	$5.17	$7.43	2nd Growth Phase Begins
1946		95.96	6.34	2.33	4.01	Reconversion
1945	Years of high taxes	74.16	10.15	7.11	3.04	World War II
1944	Years of high taxes	68.77	13.87	10.07	3.80	World War II
1943	Years of high taxes	60.73	14.95	11.26	3.69	World War II
1942	Years of high taxes	51.45	8.26	5.26	3.00	World War II
1941	Years of high taxes	45.05	8.19	4.44	3.75	World War II
1940	Years of high taxes	37.80	5.85	2.36	3.49	World War II
1939	Years of high taxes	29.31	3.89	0.69	3.20	World War II
1938		23.59	1.33	0.20	1.13	Depression
1937		21.00	0.24	0.07	0.17	Depression
1936	("Life" launched)	11.80	3.24	0.49	2.75	Depression
1935	("March of Time" on screen)	8.62	2.55	0.30	2.25	Depression
1934		6.70	2.06	0.29	1.77	Depression
1933		4.65	1.18	0.17	1.01	Depression
1932	("Architectural Forum" purch.)	4.11	0.78	0.13	0.65	Depression
1931	("March of Time" on radio)	4.50	0.96	0.11	0.85	Depression
1930	("Fortune" launched)	4.01	0.93	0.11	0.82	Initial Growth Phase
1929		2.33	0.35	0.03	0.32	Initial Growth Phase
1928		1.31	0.14	0.02	0.12	Initial Growth Phase
1927		0.89	0.004	.0004	.004	Initial Growth Phase
1926	("Time" started 1922)	0.68	0.01	.001	.009	Initial Growth Phase

(No data available prior to 1926)

TABLE 2

1930—"Fortune" established. Expected to contribute to the profits in 1931. Income year ended Jan. 3, 1931 $4,000,000, year ended Jan. 4, 1930 $2,300,000. Net profit before taxes $930,000 and $350,000. Tax $113,000 and $29,000. Net profit $818,000 and $325,000.

1931—Magazine circulation declined. "Time" and "Fortune" circulation grew. "The March of Time" presented on the radio. "Time" gained 17% in advertising lineage in 1930 while the five leading weeklies lost 9.6%. Compared to 1929, "Time" lost 6.6% and the other five weeklies lost 31.3%. Income Jan. 2, 1932, $4,500,000. Net profit before taxes

Digitized for FRASER
http://fraser.stlouisfed.org/

$962,000. Taxes $115,000. Net profit $847,000.

1932—A history in this report of "Time" from 1923 to date. First mention of "Architectural Forum." Profit was satisfactory in the depression and "Time's" declines against the dark pattern of economic woe were held to a minimum. Income year ended Dec. 31, 1932 $4,100,000. Jan. 2, 1932 $4,500,000. Net profit $775,000 versus $962,000. Taxes $125,000 against $115,000. Net profit $649,000 versus $847,000.

1933—Net income for the first time exceeded $1 million. "Fortune" broke even. "Architectural Forum" lost money. "Time" made all the profits. Excess funds of the company were invested 1/3 in cash, 1/3 in government bonds and 1/3 in equities. Dec. 30, 1933 income $4,550,000. Profit $1,229,000. Tax $165,000. Net profit $1,063,000.

1934—First year that "Fortune" contributed a big share to earnings. "Architectural Forum" still loses money. Beginning of the motion picture "March of Time." Dec. 29, 1934 income $6,700,000. Net $2,061,000. Taxes $288,000. Final net $1,773,000.

1935 — $900,000 put into the movie "March of Time." Initial losses from this policy. Took some profits in common stocks. Experimental publication of letters began. Fiscal year ended Jan. 4, 1936 — income $8,621,000. Net $2,547,000. Tax $298,000. Final net $2,249,000.

1936—The launching of "Life." "Life" is losing a great deal of money. $900,000 went into "Life" in 1936 and the loss in 1937 estimated at $2½ million. Year ended Jan. 2, 1937 income $11,800,000. Net profit $3,238,000. Tax $491,000. Consolidated net $2,747,000.

1937 — "Life" lost $3,400,000. The "Architectural Forum" made its first profit. Income Dec. 31, 1937 $20,998,000. Jan. 2, 1937 $11,803,000. Profit before taxes $230,000, versus $3,238,000. Taxes $67,000 versus $491,000. Net profit $168,000 versus $2,747,000.

1938 — The depression within the depression which began late in 1937 and steadily became worse until late 1938 affected "Life" but even so, while advertising appropriations were everywhere being curtailed, "Life" attracted advertising revenue. "Time" made plenty of money. Year ended Dec. 31, 1938 income $23,594,000. Profit before taxes $1,334,000. Taxes $205,000. Net $1,129,000.

1939—The 1939 report is out of print and a copy was borrowed from the Central Hanover Bank & Trust Co. and returned to them. Net profit for the year 1939 was $3,207,000, the largest in the history of the company. This is the first year that the "Life" situation really got under control. Investments were made in Champion Paper.

1940 — First important increase in taxes. "Time" being hurt because its invested capital base is low. Also the average earnings base is bad because of the imagination, courage and productiveness in starting "Life." Income 1940, $37,700,000. Profit before taxes $5,850,000. Taxes $2,350,000 against $686,000. Net profit $3,494,000.

1941 — Another big increase in taxes to $4,400,000. An increase of over $2 million over the previous year. Inauguration of the "Time" Air Express edition to Latin and South America.

1942—Government controls on paper. Foreign editions of "Time" extended.

1943—Investment in the American Broadcasting System. An increased investment in General Precision Equipment Corp. Circulation again held in check by paper shortage. Department set up to consider postwar planning.

1944—Company still hurt by excess profits tax and is asking for relief under Section 722 because the publication of "Life" was begun in 1936 during the base period 1936-1939. Invested $2,300,000 in the Bryant Paper Co. of Kalamazoo, Mich. Bought the Michigan Square Building in Chicago. Made investment in Adcraft in Los Angeles.

1945 — First discussion about raising the price of "Life" which has been 10c and "Time" which has been 15c. During the war, the "Saturday Evening Post" and "Collier's" doubled their prices. Paper costs going up due to elimination of controls. Investments discussed. Purchase of Maine Seabord Paper for $4,200,000 plus $2,500,000 in advances. Discussion of a new building in New York. Sold its 10% interest in the ABC, the Blue Network. Substantial program of a development and additional printing capacity. $15 million bankroll to begin this program. New and younger publishers for "Time" and "Life." James A. Linen, III for "Time" and Andrew Heiskell for "Life."

1946—Income is up but operating profit only 5½% of income as compared to 12% in 1945 and other higher percentages in previous years. Only 1% operating profit margin in the first six months so that margin in second six months was considerably better. Prices of "Life" and "Time" increased in June and July. New subscription system completed and is in successful operation. Greater improvement in lower costs. Management is cognizant that increasing costs have been offset by increased income and that in times of depression, depending upon the nature of it, income may be expected to fall off. Paper properties sold to St. Regis Paper. Construction of a new coating mill. Sale of stock to officers and employees at $65 per share. Completion of $1,600,000 research laboratories.

1947 — 10% profit ratio compared with 18% in 1941. Beginning of the end of postwar reconversion and start of getting the benefits therefrom. Coating mill in Kalamazoo sold to St. Regis. New "Life" plant being built by Donnelly in Chicago completed and the Pacific press plant on the coast completed. Promises improved production, lower costs, higher quality in 1948. Purchase of the Churchill memoirs. The 25th anniversary of the first publication of "Time," March 3, 1923.

1948 — Six months ended July 30, 1948, reflects the largest sales volume in 24 years. "Fortune" to be redone and conceived as a magazine with a mission to assist in the successful development of American enterprise at home and abroad through its leadership in the field of communication.

TABLE 3

	Dow-Jones Industrial Avg. Price-Earnings Ratio		Time, Inc. Price-Earnings Ratio		Time, Inc. Percentage Ratio to Dow-Jones		Time, Inc. Yields %	
	High	Low	High	Low	High	Low	High	Low
1938	26.5	16.6	29.2	18.5	21.9%	22.2%	4.5	2.9
1939	17.0	13.2	12.2	8.1	26.6	22.7	6.4	4.2
1940	14.0	10.1	12.2	7.8	29.6	26.0	7.0	4.4
1941	11.5	9.2	8.4	4.8	24.7	17.8	13.2	7.6
1942	13.3	10.3	9.1	5.3	24.0	18.0	13.4	7.8
1943	14.7	12.0	11.6	6.6	30.9	21.3	9.9	5.6
1944	15.2	13.4	17.3	11.2	45.2	33.1	5.6	3.6
1945	18.7	14.5	38.1	19.3	61.8	40.4	4.1	2.1
1946	15.6	12.0	29.2	13.8	56.5	35.6	4.4	2.1
1947	10.0	8.8	9.4	7.1	38.7	33.7	5.9	4.5
*1948	9.6	8.3	6.7	5.5	31.1	30.0	8.0	6.6
Total	166.1	128.4	183.4	108.0	391.0%	300.8%	82.5	51.4
Average	15.1	11.7	16.7	9.8	35.5	27.3	7.5	4.7
Average of High-Low		13.4		13.2		31.4%		6.1
Current Ratios 8-4-48		9.1		5.8		29.4		7.7

*1948 is based on annual rate of first six months earnings using $20 per share earnings on Dow-Jones, estimated $9 per share earnings and $4 dividend on Time, Inc. Price ranges used were the high and low for the first six months.

TABLE 4

Time, Inc.

Year—	Oper. Profit Ratio
1948 (6 months)	9.9%
1947	9.8
1946	5.3
1945	12.3
1944	19.2
1943	24.0
1942	15.7
1941	17.6
1940	14.7
1939	12.7
1938	5.0
11-Year Annual Avg.	13.3%

TABLE 5

	Dow-Jones Indus. Earns. Per Share	Time, Inc. Earns. Per Share	Time, Inc. % Dow-J. Earnings Per Share
1938	$5.97	$1.19	19.9%
1939	9.20	3.41	37.1
1940	10.94	3.70	33.8
1941	11.60	3.95	34.1
1942	8.98	3.13	35.2
1943	9.94	3.87	38.9
1944	10.03	3.98	39.8
1945	10.47	3.18	30.4
1946	13.60	4.11	30.2
1947	18.64	7.73	41.4
1948	*20.00	*9.00	*45.0

* Estimated.

Costs in Social Insurance

(Continued from page 11)

is a psychological value to a tax as a reminder of the existence and cost of government. Also, it is worthwhile to have the beneficiary feel he has contributed to his benefits, even though he may receive far more than he has "actuarially" paid for. Furthermore, although there is little likelihood that any Congress would void the system, the participation of employer and employee does create certain political protection for future commitments. Another value is the possibility that the mounting costs of the program will call attention to government spending tendencies in general. Since the government cannot hold cash in the trust funds, these tax collections must be used for general purposes or debt retirement, and an enormously large so-called reserve would be more apt to tempt the spending, rather than the retrenching proclivities of Congress. Any brake to check easy-come, easy-go tendencies would be constructive, and if simulation of actuarial balance will do it, it is an argument in favor of the effort.

Question of Purchasing Power

A second area of public concern and some misunderstanding in regard to social security costs is the question of purchasing power. This is not at heart a problem of social insurance, but one of public finance and general economics. It is true, however, that the purchasing power of a given individual who has a predetermined and fixed income, is reduced under inflationary circumstances. That is one of the causes of current pressure that increased benefits be paid *now*. A certain increase of benefits later will automatically accrue because of inflated wages now. However, the immediate and practical answer to a decrease of individual purchasing power because of fixed social insurance benefits, is the same as the answer to any individual case of need due to deficient income. Here is one of the reasons not only for the existence of public assistance, but for its steadily mounting costs under current conditions of full employment. This is an ironic factor in the workings of a system originally intended to cut into, if not render insignificant, the outright relief burden. And it brings up an issue, too lengthy for discussion here, concerning the basic nature of social security and the manner consequently best suited to its implementation.

It is, however, the overall question of purchasing power which is least apt to be recognized in its true light. When social security taxes exceed benefits, there is no stimulus to overall purchasing power in the benefits paid. It is merely a transfer of the buying power from the taxpaying workers to the government, in the amount of the taxes. There is a deflationary effect, however, if the excess of taxes collected is used to reduce bank-held debt, as is currently the case. However, when benefits in total exceed the payroll taxes collected, the effect will depend on how the deficit is financed. To the extent that general taxes supply the deficit, there will be again only a transfer of purchasing power, through the hands of government from the taxpayers in general to the beneficiaries. But, if the deficit is made up by government borrowing from the banks, there is corresponding expansion of credit and hence, inflationary results. Whenever this debt is redeemed by general taxes or, because of an excess of payroll taxes, transferred into special non-marketable issues held in the trust funds, then again there will be a deflationary tendency.

Who Bears the Burden?

With these aspects of cost reviewed, who then pays for social security? Where does the initial burden of the taxes, as such, fall; and where is the ultimate burden?

There are various opinions as to the incidence of the payroll taxes, but little scientific analysis or empirical evidence on any particular point. Some economists have evidently even considered the enforced levy a "contribution," rather than a tax. The whole question seems somewhat of a theoretical free-for-all. However, one point of agreement is that the tax on employees is not shifted. And, by a process of elimination, a certain concensus develops that payroll taxes on employers, too, are in the long run borne by the wage earners.

This conclusion is arrived at by two somewhat different lines of reasoning. The first, represented by economists writing on social security in the late twenties and thirties, posits that the burden is essentially on wage-earners through the indirect effects of lessening employment and wage rates.[2] Elasticity of demand for the product, flexibility of production and marketing factors, demand and supply of labor in various occupations, will all affect the degree and immediateness of shifting. To the extent that this effect is delayed or prevented, absorption by the employer will occur and some burden will fall on profits and ownership.

This burden on profits is held by economists to be of minor importance, and its degree, small, although it is more readily acceded in regard to marginal and submarginal concerns. However, the business accounting outlook is likely to differ from the economic view, and employers themselves are prone to feel they are shouldering most of the tax burden. This was indicated, for example, by a questionnaire study made in 1939 by the New York Credit Men's Association.[3] Although only a fraction of the membership replied, only 14% of those responding said they added the tax cost to the price of merchandise; whereas 84% reported the cost was absorbed.

The concept of shifting the tax to the consumer by way of price has been given much attention recently[4] and is the essense of the second line of reasoning which concludes that the payroll taxes are an ultimate burden on wages. This view stems essentially from the modern system of business accounting; for, price fixing on the basis of cost tends to classify, attempt recovery of, and thereby transfer taxes with other costs into the price. The premise is, of course, that tax is a cost. Meriam says the payroll tax "becomes an inescapable part of labor costs, and thus . . . it has the same effect as an increase in . . . wages."[5] Another writer calls them outright "operating-cost taxes."[6] As a cost then, the tax must be reflected in price, and recovered, otherwise business failures and the impairment of capital result.

An example of this thesis is life-insurance, where there are strict legal requirements that premiums be actuarially equated against *all costs*. Obviously the consumer bears the tax burden in this case. Regulated industries, where prices are fixed to give a certain profit above cost are further illustrations. As one writer said in regard to the railroad unemployment tax, "This money comes from only one substantial course, the rates and fares paid by the public."[7] A further example is provided in a study of the relative over-all tax costs of certain manufacturing industry in New York City as compared to similar types of business in comparable cities. This study was made before New York state had an experience-rating provision in its unemployment compensation system, and one of its major findings was:[8]

. . . differences among the states in payroll taxes to finance unemployment compensation, in effect, control the comparative tax standing of each city, as a place in which to do business.

. . . it is apparent that the competitive position of manufacturers in New York . . . may be handicapped as against employers in the six other cities under study, where experience rating is in effect.

Thus, as indicated, circumstances permit three possibilities:

(1) The employer absorbs the tax; the burden is on profits.

(2) The tax is shifted to the employee in decreased employment and wages; the burden is on labor.

(3) The tax is transferred to and recovered in the price; the burden is on consumer spending.

The most strongly held views are the last two. And they are the same in effect: for in the overall sense, the wage-earner *is* the consumer, or provides for the consumer. Therefore, regardless of theoretical approach, the major conclusion is that the wage-earner bears the burden of the social security taxes.

The Ultimate Burden

Now where does the ultimate burden lie?

It is obvious, of course, that taxes come out of current income or product. The immediate impact of the personal income tax testifies to that. However, despite

(Continued on page 32)

2 Carl Shoup, Committee on Social Security of the Social Science Reserach Council, *The Prospects for a Study of the Economic Effects of Payroll Taxes*, 1941. See Section VI, "Review of Work Already Done. . ."

3 *Ibid.* Responses to questionnaires are reproduced in Appendix E.

4 See Lewis Meriam, *Relief and Social Security*. The Brookings Institution, 1946. Chapter XXVIII; and, Harley L. Lutz, *Public Finance*, Appleton Century 4th Ed., 1947, Chapter XVIII.

5 *Op. cit.*, p. 692.

6 A. G. Hart, *Money, Debt and Economic Activity*, Prentice-Hall Inc., 1948, p. 241.

7 Julius H. Parmelee, "The Tax Rate in Railroad Unemployment Insurance," *American Economic Security*, Chamber of Commerce of the United States, May 1948, p. 30.

8 Harley L. Lutz, *Report on Relative Tax Costs Within Seven Selected Cities for Three Groups of Manufacturing Industries*, September 1944, pp. 4, 75.

igitized for FRASER
ttp://fraser.stlouisfed.org/

Costs in Social Insurance

(Continued from page 31)

difficulty of recognition and mistaken assumptions as to the "future" aspect of cost, the ultimate or final payment for social security also comes out of current product.

Benefits, like taxes, are current obligations, whether it be 1948 or 1998. No taxes paid in 1948 are going to provide benefits in 1998. When payroll taxes exceed benefit payments only the part which meets the requirements of current benefits will actually be paying for social security. The rest will be used for other purposes, and a pledge to repay, which means more taxes later, will be all that marks the spot where excess tax collection took place. On the other hand, when benefit payments equal or exceed current payroll taxes, there will be an overall economic balance of give and take out of current product—regardless of whether special payroll taxes suffice or there is a government contribution from general funds. Of course there will be an imbalance of burden between classes of taxpayers. For example, if benefits are limited to a section of the people, the potential beneficiaries gain somewhat at the expense of the tax-bearing non-beneficiaries. Universal coverage would tend to equalize burdens and advantages, but would not effect any basic readjustment of burden.

By and large, the mass of workers must meet the cost from current product. Neither an excess of bookkeeping IOU's, nor the taxing power of the nation can provide more food, shelter and clothing for the beneficiaries of any generation than the workers of that generation produce and are willing to share. It is only the hogs and corn, houses and cloth produced at any given time, which can provide either our own or our grandchildren's security. In the economic sense only current product pays for anything. There is no storing up of acorns.

But cost-payments for social security comprise only one of the current demands on product. And the amount which can be given over to it is naturally subject to the various priorities and limitations that determine all distributive shares within the total. How large the share can be is the only real "budgetary" problem in regard to social security.

This potential is being influenced by more and more factors. In the first place there is a general trend toward greater public responsibility for individual and family security. Also the increasing commitments and revenue requirements of generally expanding government eat into the product of the private section of the economy. A second area of influence is the changing pattern of population growth: the increasing number of the aged, and the decreasing ratio of the prime-producer age groups (20 to 44) to the non-producer age groups. Not only is there an increasing proportion of dependents in our own population; there are greatly enlarged segments of world population which are not producing sufficiently for themselves and look to the United States for various forms of assistance. These factors are all a drain upon the national product. There are also forces at work which reduce the aggregate as well as the relative amount of product. For example, public "make-work" projects do not always contribute the product equivalent of their cost. The continuance of excessive taxation has a negative effect on investment and production. Certain labor practices limit output.

Stripping Down to One Fundamental

If the entire question of social security were to be stripped down to one fundamental, it would involve the production, rather than the distribution, of goods and services. Economic security is short-sightedly thought of as a matter of sharing the wealth. The social security system is essentially a distributive mechanism, whereas the real answer to security is production. As a writer of popularized economics clearly explains it:[9]

The problem of distribution, on which all the stress is being put today, is after all more easily solved the more there is to distribute.

The "New England Letter" ties this point specifically to social security:[10]

What is lost sight of is that our living standards depend upon the productive energies of workers. . . . This is clearly understood in a primitive society where a family either provides for its own wants or starves. But in our modern and complex exchange economy, there is so much confusion as to the source of income and wealth that a large proportion of the people are under the illusion that by some push-button technique the Government can provide . . . and guarantee security without individuals earning their passage.

But there has always been and there will always be a certain burden upon the workers for those who do not earn their own passage. From the Elizabethan Poor Laws down to the present Social Security Act, relief for the needy has been a community obligation. A certain socialization of product, such as is always present in tax-supported government services, is therefore to be expected. However, it is necessarily and essentially limited.

In summary, then, the cost of social security, whether in initial tax payments, or in the sense of the ultimate discharge of obligations, constitutes a demand upon current product. As such the burden falls on the producers at large, and is determined not only by the extent of total output at any given time, but by the ability and willingness of those who do produce to share with those who do not.

The road to real social security is not through the legislative halls. If there is one answer to all things, it is probably work. And that is surely the way to security. As Professor Groves has effectively and axiomatically stated it:[11]

"In these days of much paternalism and statism, when a full stomach for all, however attained, is so frequently exalted as the end product of reform, it is well to recall that it is better to help an individual help himself than only to help an individual."

9 Henry Hazlitt, ***Economics in One Lesson***, Harper & Bros., 1946, p. 70.

10 First National Bank of Boston, May 31, 1948.

11 Harold M. Groves, ***Trouble Spots in Taxation***, Princton University Press, 1948, p. 31.

One Billion Yearly of Federal Money for South!

(Continued from page 9)

and power trusts. These vested interests bitterly oppose any sound Southern development program.

They profit from low wages, low farm income, unbalanced industry and agriculture, extortionate charges for power and transportation. They and their political henchmen have slowed southern progress in the past. They can be counted on to stop at nothing to halt your plan for the future.

We Progressives can be counted on to do everything within our democratic framework to stop their plans for the future.

We know that the people of the South will do their full part to end this real outside interference in their affairs.

It cannot be ended by the people of the South themselves. It must be ended by a new national party in the North and South dedicated to uprooting the most powerful monopolies, which today to control both old parties.

We made a start at a national program for a square deal to the South under Franklin Roosevelt, whose second home was in the South. I know about this. When I was Secretary of Agriculture, we lifted Southern farm income, began to rebuild Southern soil, and through Farm Security to save the small farmer and tenant. But I would be the first to admit that we didn't go far enough. I am truly proud of what we did accomplish. Thousands of North Carolina farmers and workers are still better off today because of that New Deal program which was so maligned by its enemies.

Vested Interests Thwarted Roosevelt

I know now why we failed. We failed because we did not build a political movement to oppose the unholy bipartisan coalition of the vested interests of North and South. That bipartisan coalition of Republicans and Southern Democrats ten years ago successfully began its march to power. It thwarted Roosevelt's attempts to extend further national cooperation to the South.

It stopped a higher minimum wage. It stopped increased social security and education, health and housing. It substituted planning for private profit in place of planning for the people.

And when Roosevelt died, this bipartisan coalition moved completely into the seats of power. The limited bipartisan coalition is now a total coalition of the two old parties—a coalition which has largely liquidated the New Deal program, including those parts of it of greatest importance to the South, such as the Farm Security program.

The bipartisan administration of today has turned the key posts in government over to the men of Wall Street. With cooperation of a bipartisan Congress, it increasingly diverts huge Federal revenues to war preparations, instead of spending for abundance. The men who would not vote 100 millions for the security of Southern farmers now vote billions for the security of Greek kings and Chinese despots. The men who defend the poll tax in the South demand "democratic" elections in the Balkans.

There is no hope of substantial Federal actions to improve the South or any other part of the country as long as the bipartisans spend for war and militarism. There is only the prospect of increasing hardship to labor and to independent enterprise, farm and city.

The meaning of the phrase guns instead of butter was driven home to me by a recent union survey of tobacco workers in this state. These workers and their families have lost in weekly food supplies since the end of OPA:

More than three quarts of milk; more than two dozen eggs; more than four pounds of meat, and more than a pound of butter.

Truman-Dewey Policy of Bipartisanism

That is why I say that so long as Mr. Truman proposes annual increases in the war budget his speeches about stopping inflation, about increasing social security, about anything liberal or progressive, aren't worth the air waves that carry them.

Equally, so long as both Mr. Truman and Mr. Dewey support the bipartisan policy of militarism, their verbal gestures for more civil rights are powerless to hold back the tide of repression and restriction of civil rights they are setting in motion.

That is why peace is central in the program of the Progressive Party. This is why the good people of the South, who want prosperity, homes, hospitals, and schools, who want strong and independent industry and agriculture in the South—will join with us in fighting for peace.

As we build peace, we can realize the better life, for all the common people of the South, and all the common people of our country.

We will not be stopped by violence or arbitrary arrests.

We will not be stopped by the poll tax, or other devices by which our enemies try to thwart the will of the people.

We will not be stopped by discrimination, segregation, or other means by which our enemies try to divide us.

The striking increase in Southern registration this year shows that the people of the South are on the way — on the American democratic way—to the goals we all share.

Sees U. S. Controlling World Gold Price

(Continued from page 15)

directly or by fiscal concessions, have also been considered in Australia.

The scope for influencing the output of gold through subsidization of this character is, however, very limited. Apart from the vigilance of the International Monetary Fund, the mere fact that direct or indirect subsidization of this kind has an immediate impact on the budgets of the countries concerned and that the benefits to the gold mining industry are openly revealed as coming from the pockets of other taxpayers, sets a strict limit to what can be achieved by such means. If gold production is to be appreciably stimulated by conscious Governmental action it must be through monetary and not fiscal policy. Such monetary policy can take one form only, an increase in the monetary price for gold.

This is no longer a matter in which the principal nations of the world are free to do as they like. With the one exception of Soviet Russia, they are members of the International Monetary Fund. As such, what they may do in changing the currency price of gold in their own countries is strictly defined and even more strictly limited. As has already been mentioned, they may not subsidize domestic gold production by paying a higher price for this gold than the parity indicated by the official rate of exchange as notified and agreed with the Fund. They can merely inform the Fund of changes amounting to not more than 10% of the initial par value of their currencies and within this limit the Fund's consent may not be withheld. Beyond it, the Fund will concur in any proposed change of parity if it is required to correct a member's "fundamental disequilibrium." These provisions for changing the par value of individual currencies are clearly not intended to meet the special difficulties of gold producers Even a country like South Africa, where the gold industry represents an important element in the economy, might find it difficult to convince the Fund that, merely because its gold industry was depressed, it was in such fundamental disequilibrium as to justify a devaluation of its currency. The difficulties of that industry might quite conceivably exist, while the general price structure was in perfect equilibrium with that of other countries.

There is another section of the International Monetary Fund agreement which might more usefully be invoked as a means of stimulating gold production. It is the one which provides that the Fund, by a majority of total voting power of its members, may make uniform proportionate changes in the par value of the currencies of its members. This is subject to veto by any member holding more than 10% of the voting rights — which at present means by the United States and the United Kingdom. If the necessary majority could be mustered, and if the United States and the United Kingdom were willing, the currency price of gold could be written up—or down—throughout the 46-nation membership of the Fund. Such a move would not affect the prevailing exchange rates since all countries would change the value of their currencies in terms of gold by the same ratio.

Is there any reasonable prospect of such initiative being taken by the Fund? The key to this question must be sought in the attitude of the United States, whose voice is inevitably dominant in the councils of the two Bretton Woods institutions, and who has power of veto on this particular issue. The attitude of the United States is likely to be powerfully influenced by two considerations. The first is the fact that the United States is not the most important gold producer, and therefore has no particular vested interest to serve in raising the dollar price of gold. The second is the growing fear in the United States of the inflationary implications of the gold inflow into that country. A world-wide devaluation would have as its avowed objective the encouragement of world gold production designed to cover part of the prospective dollar deficit of countries outside the United States. It would, in other words, be designed to swell the already enormous hoard of gold deposited at Fort Knox, Kentucky, and to add to the inflationary potential whose strength is causing serious concern to the authorities in the United States. Nor must it be forgotten that any increase in the dollar price of gold would require the consent of the United States Congress and that this assembly is likely to be preoccupied by other problems for many months to come. Consequently, it would be unreasonable to expect from the Fund any action that would involve an increase in the American dollar price of gold.

Business Man's Bookshelf

Survey of Contemporary Economics, A—Edited by Howard S. Ellis — The Blakiston Company, Philadelphia 5, Pa.—Cloth—$4.75.

gitized for FRASER
tp://fraser.stlouisfed.org/

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)	Sept. 5	95.2	95.9	94.2	92.4
Equivalent to—					
Steel ingots and castings produced (net tons)	Sept. 5	1,716,000	1,728,600	1,697,900	1,616,900
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Aug. 21	5,521,300	5,507,050	5,447,800	5,152,800
Crude runs to stills—daily average (bbls.)	Aug. 21	5,591,000	5,535,000	5,591,000	5,269,000
Gasoline output (bbls.)	Aug. 21	17,742,000	17,489,000	17,879,000	16,823,000
Kerosine output (bbls.)	Aug. 21	1,988,000	2,050,000	2,166,000	2,104,000
Gas oil and distillate fuel oil output (bbls.)	Aug. 21	7,338,000	7,509,000	6,625,000	5,990,000
Residual fuel oil output (bbls.)	Aug. 21	8,642,000	8,932,000	8,825,000	8,596,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 21	95,132,000	96,634,000	100,641,000	85,735,000
Kerosine (bbls.) at	Aug. 21	22,497,000	21,679,000	20,382,000	20,025,000
Gas oil and distillate fuel oil (bbls.) at	Aug. 21	63,524,000	61,458,000	54,756,000	52,114,000
Residual fuel oil (bbls.) at	Aug. 21	69,379,000	68,523,000	64,556,000	55,734,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 21	900,572	891,277	882,566	900,895
Revenue freight rec'd from connections (number of cars)	Aug. 21	696,421	689,543	685,161	682,753
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS-RECORDS:					
Total U. S. construction	Aug. 26	$95,191,000	$117,146,000	$114,276,000	$136,943,000
Private construction	Aug. 26	39,974,000	55,420,000	52,226,000	84,413,000
Public construction	Aug. 26	55,217,000	61,726,000	62,050,000	52,530,000
State and municipal	Aug. 26	48,458,000	51,521,000	48,377,000	32,775,000
Federal	Aug. 26	6,759,000	10,205,000	13,673,000	19,755,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 21	12,315,000	*12,490,000	12,250,000	11,988,000
Pennsylvania anthracite (tons)	Aug. 21	1,170,000	1,199,000	1,191,000	1,198,000
Beehive coke (tons)	Aug. 21	140,400	*146,200	134,500	139,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Aug. 21	272	258	231	243
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 28	5,477,741	5,390,788	5,352,439	4,939,801
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 26	96	94	98	64
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 24	3.75833c.	3.75833c.	3.75902c.	3.18925c.
Pig iron (per gross ton)	Aug. 24	$44.52	$44.52	$43.72	$37.10
Scrap steel (per gross ton)	Aug. 24	$43.16	$43.16	$43.16	$37.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 25	23.200c.	23.200c.	21.200c.	21.225c.
Export refinery at	Aug. 25	23.425c.	23.425c.	21.800c.	21.150c.
Straits tin (New York) at	Aug. 25	103.000c.	103.000c.	103.000c.	80.000c.
Lead (New York) at	Aug. 25	19.500c.	19.500c.	17.500c.	15.000c.
Lead (St. Louis) at	Aug. 25	19.300c.	19.300c.	17.300c.	14.800c.
Zinc (East St. Louis) at	Aug. 25	15.000c.	15.000c.	12.000c.	10.500c.
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Aug. 31	100.71	100.71	100.73	104.07
Average corporate	Aug. 31	111.44	111.25	112.00	117.00
Aaa	Aug. 31	116.22	116.22	116.41	121.88
Aa	Aug. 31	114.46	114.27	114.66	120.02
A	Aug. 31	110.34	110.34	111.44	116.80
Baa	Aug. 31	105.00	105.00	105.86	109.79
Railroad Group	Aug. 31	107.47	107.09	108.16	112.37
Public Utilities Group	Aug. 31	111.81	111.81	112.37	118.40
Industrials Group	Aug. 31	115.43	115.43	115.63	120.43
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Aug. 31	2.45	2.45	2.45	2.45
Average corporate	Aug. 31	3.09	3.10	3.06	3.10
Aaa	Aug. 31	2.84	2.84	2.83	2.84
Aa	Aug. 31	2.93	2.94	2.92	2.94
A	Aug. 31	3.15	3.15	3.09	3.15
Baa	Aug. 31	3.45	3.45	3.40	3.45
Railroad Group	Aug. 31	3.32	3.33	3.27	3.33
Public Utilities Group	Aug. 31	3.07	3.07	3.04	3.07
Industrials Group	Aug. 31	2.88	2.88	2.87	2.88
MOODY'S COMMODITY INDEX	Aug. 31	424.2	420.7	434.1	419.9
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Aug. 28	245.6	246.2	244.3	224.5
Fats and oils	Aug. 28	209.4	212.0	225.1	186.6
Farm products	Aug. 28	269.5	272.3	276.1	255.8
Cotton	Aug. 28	292.6	295.8	313.0	312.7
Grains	Aug. 28	219.7	220.2	230.0	268.9
Livestock	Aug. 28	289.3	292.9	292.4	248.2
Fuels	Aug. 28	233.8	233.8	233.8	186.4
Miscellaneous commodities	Aug. 28	169.3	168.5	172.7	163.4
Textiles	Aug. 28	195.0	195.5	199.7	216.2
Metals	Aug. 28	187.4	187.4	181.8	159.1
Building materials	Aug. 28	233.3	233.3	231.9	230.4
Chemicals and drugs	Aug. 28	155.3	155.3	156.6	149.7
Fertilizer materials	Aug. 28	140.9	139.2	138.6	129.0
Fertilizers	Aug. 28	147.5	147.5	145.4	135.5
Farm machinery	Aug. 28	144.5	143.1	143.1	127.1
All groups combined	Aug. 28	226.4	227.1	228.0	207.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 21	175,762	165,194	159,210	149,464
Production (tons)	Aug. 21	185,537	184,342	175,182	177,712
Percentage of activity	Aug. 21	93	93	91	100
Unfilled orders (tons) at	Aug. 21	362,761	375,515	360,981	438,848
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Aug. 27	144.3	143.9	145.3	139.4
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Aug. 21	169.2	169.0	168.2	153.5
Farm products	Aug. 21	191.0	190.4	194.6	181.4
Foods	Aug. 21	189.5	190.3	190.4	172.3
Hides and leather products	Aug. 21	189.6	188.3	189.5	182.3
Textile products	Aug. 21	148.0	147.8	148.1	140.1
Fuel and lighting materials	Aug. 21	137.3	137.3	136.5	114.1
Metal and metal products	Aug. 21	171.5	170.9	160.9	147.0
Building materials	Aug. 21	202.0	202.0	198.0	179.1
Chemicals and allied products	Aug. 21	131.7	131.6	132.9	117.4
Housefurnishings goods	Aug. 21	146.8	146.8	145.9	131.9
Miscellaneous commodities	Aug. 21	118.7	118.3	119.2	115.6
Special groups—					
Raw materials	Aug. 21	182.8	182.5	184.6	167.7
Semi-manufactured articles	Aug. 21	159.3	159.7	154.5	149.5
Manufactured products	Aug. 21	164.9	164.7	163.1	148.3
All commodities other than farm products	Aug. 21	164.3	164.2	162.3	147.4
All commodities other than farm products and foods	Aug. 21	153.1	152.9	150.6	136.6

*Revised figures.

	Latest Month	Previous Month	Year Ago
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FED. RESERVE BANK OF NEW YORK — As of July 31:			
Imports	$150,910,000	$155,475,000	$114,898,000
Exports	46,693,000	56,193,000	45,056,000
Domestic shipments	9,374,000	10,592,000	9,439,000
Domestic warehouse credits	9,937,000	8,730,000	11,286,000
Dollar exchange	674,000	2,289,000	1,000
Based on goods stored and shipped between foreign countries	17,762,000	19,880,000	6,664,000
Total	$235,350,000	$253,159,000	$187,344,000
COTTON GINNING (DEPT. OF COMMERCE:			
Running bales (exclusive of linters) prior to Aug. 16	544,406	------	324,110
COTTON SPINNING (DEPT. OF COMMERCE)			
Spinning spindles in place on July 31	23,798,000	23,779,000	23,832,156
Spinning spindles active on July 31	21,328,000	21,479,000	21,415,434
Active spindle hours (000s omitted), July	7,923,000	10,320,000	8,530,817
Active spindle hours per spindle in place, July	356	461	358
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of June (000's omitted)	19,297,128	19,162,732	17,546,119
Revenue from ultimate customers—month of June	$344,778,500	$341,687,300	$309,630,500
Number of ultimate customers at June 30	39,555,213	39,309,819	37,242,938
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—Month of June:			
All manufacturing	12,955,000	*12,740,000	12,672,000
Durable goods	6,658,000	*6,642,000	6,639,000
Non-durable goods	6,297,000	*6,098,000	6,033,000
Employment indexes—			
All manufacturing	158.1	*155.5	154.7
Durable goods	184.4	*183.9	183.9
Non-durable goods	137.5	*133.1	131.7
Payroll indexes—			
All manufacturing	359.2	*346.9	327.2
Durable goods	401.3	*390.9	375.5
Non-durable goods	318.0	*303.9	280.0
Estimated number of employees in manufacturing industries—			
All manufacturing	16,161,000	*15,904,000	15,672,000
Durable goods	8,131,000	*8,114,000	8,050,000
Non-durable goods	8,030,000	*7,790,000	7,622,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR — Month of July:			
Earnings—			
All manufacturing	$52.96	*$52.95	$49.03
Durable goods	56.25	*56.32	52.23
Non-durable goods	49.47	*49.39	45.65
Hours—			
All manufacturing	39.8	*40.2	39.8
Durable goods	40.1	*40.7	40.0
Non-durable goods	39.5	*39.8	39.8
Hourly earnings—			
All manufacturing	$1.330	*$1.317	$1.232
Durable goods	1.404	*1.385	1.306
Non-durable goods	1.251	*1.242	1.152
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX 1935-39=100 (COPYRIGHTED) AS OF AUGUST 1:			
Composite index	141.5	141.2	135.7
Piece goods	144.2	144.0	135.7
Men's apparel	140.3	140.0	134.7
Women's apparel	137.2	137.1	130.6
Infants' and children's wear	130.7	130.6	126.0
Home furnishings	148.5	148.0	143.1
Piece goods—			
Rayons and silks	131.2	130.4	122.4
Woolens	139.6	139.4	135.2
Cotton wash goods	166.3	167.6	156.0
Domestics—			
Sheets	182.5	182.2	170.1
Blankets and comfortables	140.5	140.3	138.7
Women's apparel—			
Hosiery	108.0	107.8	107.5
Aprons and housedresses	146.8	146.5	145.0
Corsets and brassieres	133.0	133.0	132.4
Furs	162.7	161.4	144.5
Underwear	138.8	138.9	130.5
Shoes	140.8	140.9	130.4
Men's apparel—			
Hosiery	140.4	140.5	136.7
Underwear	155.7	154.8	143.6
Shirts and neckwear	132.8	132.6	129.8
Hats and caps	127.3	126.8	127.2
Clothing, including overalls	131.5	131.1	127.2
Shoes	169.1	169.5	158.2
Infants' and children's wear—			
Socks	131.5	131.1	126.7
Underwear	121.1	121.1	119.0
Shoes	144.5	144.7	139.1
Furniture	150.4	150.5	146.8
Floor coverings	155.6	154.8	149.1
Radios	123.5	123.5	125.0
Luggage	130.9	131.0	125.9
Electrical household appliances	140.6	139.0	134.0
China	133.1	133.0	128.7
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSOC.) — Month of July:			
Total number of vehicles	474,387	431,033	379,192
Number of passenger cars	356,582	312,406	297,631
Number of motor trucks	116,802	117,572	97,755
Number of motor coaches	1,003	1,055	1,806
NEW BUSINESS INCORPORATIONS—DUN & & BRADSTREET, INC.—Month of July	7,690	8,550	9,041
NON-FERROUS CASTINGS (DEPT. OF COMMERCE) — Shipments, month of June:			
Aluminum (thousands of pounds)	35,822	33,866	32,586
Copper (thousands of pounds)	84,817	81,286	84,604
Magnesium (thousands of pounds)	709	622	613
Zinc (thousands of pounds)	37,136	35,469	33,890
Lead die (thousands of pounds)	1,183	1,260	1,079
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of June:			
Production (M sq. ft. ⅜-in. equivalent)	150,187	*151,364	140,147
Shipments and consumption (M sq. ft., ⅜-in. equivalent)	149,742	*150,924	142,817
Stocks (M sq. ft., ⅜-in. equivalent) at end of month	41,425	*40,778	31,345
Consumption of logs (M ft., log scale)	65,287	*64,889	60,231
Stocks (M ft., log scale) at end of month	153,859	*131,920	141,461
STEEL CASTINGS (DEPT. OF COMMERCE)—Month of June:			
Shipments (short tons)	152,894	143,337	139,031
For sale (short tons)	117,794	111,616	103,888
For producers' own use (short tons)	35,100	31,721	35,143
Unfilled orders for sale at end of month (short tons)	469,973	482,531	445,475

*Revised figures.

Digitized for FRASER
http://fraser.stlouisfed.org/

Immediate Problems of Retailing

(Continued from page 7)

likewise at a peak today far exceeding the prewar figures and, of course, looking mountainous as compared with the war years and Regulation "W." Nor can we overlook the effects of credit regulation—although those recently promulgated are relatively easy, and of less stringency than those in effect at the terminus of Regulation "W." Nor will these regulations, without additional legislation, be for too long duration.

So that it would seem that we have a very real problem in looking ahead for retail sales volume. Certainly retailers should and will promote in the attempt to get their share of the American earnings and they probably should extend credit as aggressively as they will be permitted to do so. But they should extend credit on the basis of reasonable credit standards. We all know the headaches that have come with too great liberality—but the safeguard has always been in the replevin value of the merchandise sold and the wide distribution of the risk in many hands. The public relations effect of careless extension or credit and overharsh prosecution of delinquents is not to be overlooked either.

So to summarize this phase of our study: the favorable factors are high employment and high earnings, and so long as these continue with or without a much needed readjustment of prices in the consumer goods field, retail sales will continued at a high level. We have seen no decline in the dollars of retail sales generally nor are we likely to in the immediate future so long as we retain full employment.

On the other hand, competition for a share of the American income is against the continued investment in housing and perhaps in other consumer capital goods such as automobiles, kitchen appliances, and television.

The credit situation I believe is important and will be one more element in a curtailed net quick position.

Price Factor

But the price factor is one that is becoming more and more important in the present day economy. How much it has or will effect retail sales is a question. And here we are dealing with a many sided and volatile subject. The wholesale markets are not moving together. In some fields there are definite signs of weakness in other commitments for late fall and winter delivery are at higher prices. Certainly it is generally true that lower wholesale prices are not immediately foreseeable. At what point do you reach buyer resistance in an upward trend of prices? And if merchandise costs continue higher, how long can retailers permit a lag before retail prices must likewise be increased. And this particularly in the light of the increased operating costs.

Expense Problems

The expense problem for many retailers is closely related to the price situation. For although generally retail sales dollars are up, the number of pieces sold has declined. This means then that if the reverse takes place namely that the average price of goods declines and the number of pieces sold goes up, presumably a larger staff is needed to handle the increased load. Now, we know that there is always a lag in payroll rates. That is if prices decline wages will not decline as quickly. This lag is where profit vulnerability lies. Here again planning in advance is the only out. For if the problem is known and studied in advance, just what procedures are to be followed under a given set of circumstances there is much more likelihood of accomplishing an organized readjustment than if under the stress of the situation the cutting down process is first studied and initiated. To this end the careful calculation of a break-even point is a most desirable aid in operating at a profit in the retail field.

That brings us to the next phase of this discussion, namely the question of operating expenses. In the department store field it's very tough sledding. Well managed stores are operating with the same or fewer people than last year and because of increased payroll per person their costs are up.

This constant increase in payroll demands has left its imprint on the whole distributive field. But retailers cannot or should not lie down and die under these circumstances. Although this is a difficult problem that doesn't mean that the brains in the industry, with study, can't greatly improve efficiency. One might with reason be discouraged by the lack of improvement in production in American industry, but whatever improvement that has been has come as a result of study. What are the most effective selling techniques—can they be studied, can they be taught and thus since prewar days is the most vulnerable point in American retailing. At what point does advertising stop being productive? To what degree can one cut your supply costs (boxes, twine, paper) without interfering with sales or creating added customer resistence?

These are all factors which go into merchandising for a profit. But there are more. First perhaps in importance is turnover rate—by items and by class of items. How alert are retailers to style changes and particularly in the light of the changing distribution of incomes here in America. With the number of people with large incomes declining and with the lower and middle income groups stepping up to higher incomes, how important are these changes in the composition of the American income to merchandising plans?

And this leads the problems presently related to inventory total and outstanding orders. With this constant upward swing of prices, it is most difficult not to make commitments at an accelerated pace. The figures published by the Federal Reserve Board showing the result of the figures of 296 department stores indicate again a material upswing in the figures recently published of outstanding orders. This movement is accompanied by a decline in inventories but will inevitably translate itself into larger stocks unless a precautionary measure is taken by the stores. At the end of June of this year, those stores had approximately 2¼ months sales in their inventory. This was back to the 1940 ratio. Outstanding orders in these stores followed the pattern of 1947 with a sharp decline in the spring which was the reverse of 1946 and the upswing in June in outstanding orders mentioned above. How much of a hazard is there in inventory at today's prices? The risk, if it's a real one, might very well be translated into added markdowns in case of a readjustment. This is not immediately foreseeable. But there are many indications of softening in certain of the wholesale markets and the picture is a mixed picture.

Caution Urged

Under these circumstances the best advice seems to lean toward great cautiousness in placing orders for the immediate future. But these are general statements and we must be specific when it comes to merchandising. The point is that on commitments or purchases for the fall perhaps now more than ever before items should be bought on their statistical performance. In other words, we are far away from the wartime policy of buying because of availability.

So let's see. Merchandising for a profit will in the next year present certain possible tax problems. These should be faced on the basis of getting the best possible tax advice and not permit the tax implications to warp business judgments. The 19 cents expense dollar during the excess profits years did more to harm management control and judgment than almost anything of which one can think. It is to be hoped that we won't slip into that kind of reasoning again no matter what happens to the tax rate. The implications of all possible tax methods including LIFO which is an intricate and involved but exceedingly advantageous tax method should again be studied.

For retailers to get their share of the American consumer's dollar, they will of necessity have to be alert in extending credit within the limits of sound credit judgment for their balance sheets sales and aside from the public relations evils which come from bad credit extension.

The effect of the new Federal Reserve regulations will be relatively small. The restrictions are slight as compared with those in effect even at the termination of the old regulations in November, 1947. That the Federal Reserve Board was so lenient in itself is interesting. Perhaps too severe regulation in their opinion would have produced under present conditions too fast a deflation. Perhaps the theory which has much merit that full employment is the first pre-requisite was in their minds. And that with full employment continued prosperity may still be maintained even with a downward price adjustment in the consumer goods field. The effect of such a readjustment, an orderly one, would not be too severe on the operations of the good retailers whose inventories are in hand and who always are "open to buy" for advantageous purchases. This is a problem in timing and control.

But the retailers must also be exceedingly price conscious and try to measure the point at which buying resistence enters into the sales picture. For in the final analysis the sales problem will be the important one for all retailers in the immediate future. And this is one which in the past five years they have not studied and must relearn.

W. W. Lanahan Dies

William Wallace Lanahan died in Providence, R. I., at the age of 64 after being stricken with a heart ailment. Mr. Lanahan, a member and former Governor of the New York Stock Exchange from 1914 to 1942 was senior member of W. W. Lanahan & Co. of Baltimore. When the company merged in 1942 with Alex. Brown & Sons, he became a partner in that firm. Mr. Lanahan was President of the Board of Johns Hopkins Hospital.

Two With Davis, Skaggs

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Charles C. Clarke and John W. Turner have been added to the staff of Davis, Skaggs & Co., 111 Sutter Street, members of the San Francisco Stock Exchange.

With H. B. Cohle & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—William E. Hogue has joined the staff of H. B. Cohle & Co., Union Trust Building, member of the Cincinnati Stock Exchange.

Labor-Management Must Avoid Depression

(Continued from page 9)

unemployed are in the process of changing jobs.

Average weekly earnings in manufacturing occupations was $16.73 in June, 1933. In June of this year, the average had risen to an all-time high of $52.81.

Reform Laws Furthered Free Enterprise

Workers today are protected against unemployment and old-age under the Social Security Act. They have a nation-wide system of free employment offices. The Fair Labor Standards Act provides for a minimum wage, time and one-half after 40 hours a week, and the regulations of child labor.

These and other laws protecting the rights and welfare of the wage-earners have helped to preserve our system of private property, and free competitive enterprise. We must continue to improve them to meet today's economic conditions.

As my many friends in Boston and throughout the State of Massachusetts know, I believe in the private property order and in free enterprise in America.

I believe in private property not as a theory, but as a condition to be enjoyed by a happy, prosperous people who have the means and the opportunity to buy their own homes, properly feed and clothe their families, provide for education, health and reasonable recreation.

The term free enterprise has been kicked around a lot. Some people have taken it to mean license. License to do anything they please, pay anything they please, employ workers under any conditions they please regardless of safety and health, carry on their business without regard to the public welfare.

That is not a free competitive enterprise in accordance with democratic and American ideals.

In the past, some people have even advanced the argument that public utilities, which are monopolies without competition shouldn't be regulated. The most ultra-conservative doesn't believe that today.

One of the greatest blessings to America has been the over-all unionization in the 48 States, instead of having the labor movement confined to the Northeastern industrial area and the large cities.

The great exodus of the textile industry from New England to the South in the days prior to the NRA and the National Labor Relations Act, when workers were not protected in the right to join unions and bargain with their employers, could be attributed to the availability of nonunion, cheap labor, and child labor.

By means of devious and shoddy appeals, based on wage standards far below our own and the opportunity to exploit not only adult workers, but children as well, some Southern States were able to lure industries into their areas.

Now all that has been changed. Unionism has come to the South, and with it greater prosperity than the South has ever known before.

We are better off too, because New England no longer has to worry about the exodus of industry to other parts of the country because of drastically lower wages. Our own standard of living has benefited and is higher than ever before. And there is a greater purchasing power in the rest of the nation to buy the goods which we produce.

Unions are this nation's greatest insurance for prosperity.

When President Roosevelt took office in 1933 the Nation was in the very depths of the depression. He took immediate measures to put the country back on its feet. Legislation was enacted to revive industry, raise wages, spread employment, and encourage productive employment.

The NRA

One of the first of such laws was the National Recovery Act, proposed as a quick-cure for a sick industry. An important part of this law was Section 7 (a), which, as a forerunner of the National Labor Relations Act, spelled out in the law of the land the right of workers to join unions of their own choosing and bargain collectively with their employers.

When it was very sick and flat on its back industry welcomed this law. However, as soon as industry became strong and healthy again it repented and wanted to do away with the regulations that made its recovery possible.

Industry, in other words, acted like the intemperate drinker who, having taken too much alcohol, swears off when he thinks he's dying and returns to his old habits as soon as he's back on his feet again.

This country is on a binge today. High prices have wiped out nearly all, if not all, of the economic gains that the workers have made since the war. In July, the cost-of-living for moderate income families reached a new all-time high of 173.7% of the 1935-39 average.

Since OPA controls were, for practical purposes, abandoned in the summer of 1946, wages of factory workers have not kept pace with prices. Average weekly earnings have gone up 22.3% and the cost of living in the United States has gone up 30.3%. Wages of some other groups of workers particularly in the white collar category, have lagged behind even to a greater extent.

To the wage-earner who foots the bills and the housewife who has her budget to worry about, the rise in prices is not a statistical problem, but a real problem of making the pay check last out the week. It means getting along without meats and other necessary foods, and actually meeting the higher prices with a reduction in living standards.

President Truman has warned the Congress of the dangers of inflation. They failed to act in the last special session which he called for this purpose. We must solve this problem if prosperity and economic stability, as well as the well-being of the workers, are to be protected.

As Secretary of Labor, I urge all unions to cooperate with management to increase productivity. That is the way to improve their standard of living. The American wage-earner expects, and should get, a just share of the return that goes to the common effort.

H. A. Augenblick Dead

Harry A. Augenblick, a lawyer in Newark, N. J., and a member of the New York Stock Exchange, died at the age of 60 after an illness of several months.

With Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

KENOSHA, WIS.—James H. Myers has become affiliated with Thomson & McKinnon, 625 57th Street.

gitized for FRASER
p://fraser.stlouisfed.org/

Are We Running Out of Oil?

(Continued from page 5)

and standards laid down by Congress. The Bill advocates neither the high nor the low tariff approach; it seeks only a fair break for the American producer and worker when competing with the cheaply produced imported item.

The proposed legislation would turn the present tariff commission into a foreign trade authority which would determine an import fee on the "fair and reasonable competition" basis—representing in general the differential of cost of production between this country and our competitors due to the difference in the wage-standard of living.

The foreign trade authority would operate independently in determining such import fee in the same manner as the Interstate Commerce Commission acts in the matter of freight rates—eliminating all "log rolling," "lobbying," or "horse trading" methods.

The Fuels Position of the United States

Our National Resources Economic Committee in the Senate is at this time preparing a report—hearings will be continued on October 4 of this year—on the "Fuels Position of the United States." The Committee has already published a report on the "Minerals Position of the United States."

The fuels report will include the proven production area of oil, gas and coal, together with areas of potential production where development and exploration can, and should logically be undertaken with reasonable expectation of success. The report will also include synthetic fuels, the production of petroleum and gasoline from oil shale and from coal, and the foreign sources available to us under certain conditions.

Synthetic Fuels

Both the oil shale and coal production processes are in the pilot plant stage, but entirely feasible, though somewhat more expensive. The engineers and scientists report that the laboratory and pilot plant work in the production of petroleum fuels from coal is now nearer the commercial stage of development than was synthetic rubber at the beginning of World War II. They further report that in the event of national emergency, they could produce any needed quantity of fuels, once the necessary large plants were constructed.

A Shortage Impossible—Except Through Government Interference

In addition to the 23 billion barrels of known petroleum reserves, the estimates of the synthetic oil and fuels supply from oil shale are more than 100 billion barrels; and of the synthetic fuels from coal, the supply is, for all practical purposes, unlimited. Some engineers place it at 1,000 years. Certainly more than a hundred years supply is available and far beyond any calculations presently necessary.

Short Sighted Government Officials in High Places

Government officials in high places have for 15 years taken great pains and apparent pleasure in pointing out in Sunday supplements and magazine articles that we have a very few years supply of petroleum and that, in the event of war, we would have no petroleum fuels for the Navy. Therefore, they contend, we must save our visible supply and import foreign oil for our normal domestic consumption.

There never was a greater fallacy or misrepresentation of the facts. If these officials had been in power prior to the larger discoveries of oil and gas and their "have not" policies had prevailed, we might well have been out of fuel now and entirely dependent upon our potential enemies for our petroleum supply.

Foreign Oil and National Security

Apparently all military authorities agree that, in the event of war, Russia could take over the Middle East oil fields within 60 days at a maximum. It would be suicidal to allow ourselves to become dependent upon the Middle East source for the necessary fuel in this country since once exploration and development had ceased, the war could be lost before we could recover our present position.

Many authorities agree that it will be many years before the natural underground sources of production have leveled off, if, in fact, this condition is ever established in our time. But all agree that, if the selective free trade policy adopted by the State Department is carried through to a logical conclusion, within a very few years new exploration and development will have so diminished that we will definitely be on the way out as a major oil producing nation.

Steel Production

You are all cognizant of the degree to which development and exploration have been retarded since the war due to the shortage of steel. The testimony before our National Resources Economic Committee last year disclosed that we were approximately 70,000 wells behind in normal drilling operations, although we were shipping steel to European areas at the rate of 6 or 7 million tons annually. While this steel could be supplied from German plants of a current capacity of 25 million tons annually, we, by designed policy, have curtailed production to the present level of about 5 million tons annual rate.

All investigations, including my own—I visited the German plants and coal mines in the Ruhr in 1947—indicate that the annual production of 7 or 8 million additional tons of steel needed in Europe could be reached in Germany within a matter of months, simply through an order by our government reactivating that amount of additional German production.

"Spot" Shortage of Oil

1947 hearings by our Committee proved conclusively that if we could retain our own steel production in this country that within approximately a year and a half gas pipe lines could be constructed from East Texas and other fields into the northern industrial areas displacing a considerable amount of petroleum now used in that area. Refineries could be established in the natural gas production areas, manufacturing gasoline from the natural gas, and that additional necessary tankers and tank cars could be manufactured. This would avoid the well-known "spot" shortage of oil which the evidence before our committee showed was usually due solely to lack of facilities for distribution. The pipe would also be available for the necessary exploration and "wild cat" drilling which is indispensable in the discovery of additional reserves.

Shot From Ambush

I mention this unused German steel capacity as a typical illustration of the unpredictable chain of causation resulting from government action, or inaction, in the field of economics and trade. This seemingly small incident in our policy with respect to the German economy, 3,000 miles away, caused serious nationwide repercussions in our own economy. Our government, unfortunately too often, pursues the currently fashionable theory that any economic ailment can be cured by law, executive order or a bureau regulation. No individual or group can fully comprehend or envisage the full diversified impact on the countless segments of the economy when Washington undertakes to manipulate national policies affecting production, marketing and trade.

Because of these indirect consequences latent in every governmental attempt to harness the laws of economics, businessmen hesitate to engage in long-range planning involving capital expenditures. Individuals or companies, including petroleum, minerals, agriculture and manufacturing may have the best lawyers in the world, complying with every known law and regulation when suddenly they are "shot from ambush" by a new law or executive order promulgated in Washington under an emergency atmosphere. The resulting impairment to the business or industry is suffered without fault or error on its part but simply because we have no principle which forbids changing the rules while the ball is in motion.

Federal Legislative Standards

No one questions the necessity for Congress and the Federal Government entering the field of economics and trade. But one has a right to assume that our national programs will be designed to safeguard the economic substance of America and to protect our producers and workers from the adverse effects that emanate to our shores from the disrupted economics of foreign countries.

The strict application of these principles as a standard of measure would require a critical re-examination of several of our present trade policies, which have been widely popularized by intensive propaganda.

Fallacy of Gift-Loans to Support Foreign Trade

The present emphasis on exporting solely for the sake of exporting, with payment being made by our own gift-loans, cannot last long. The current program of making up the trade balance deficits of the world each year through cash as exemplified by the Marshall-Bevin plan is conducive solely to bankruptcy.

The Trade Agreements program has run its course, as our remaining tariff rates are now so low that our markets are accessible to all the world and consequently we have no further bargaining power.

The proposed International Trade Organizations under which 57 nations, each with one vote, would gather together once a year and divide up the remaining markets and production of the world among themselves, is the culminating step in the present trend to commit this country to free trade and to complete the redistribution of wealth.

Tidelands

For nearly 100 years the shores of navigable waters and the oils under them were naturally taken for granted as the properties of the States, which included the rivers and stream systems of the nation.

This ownership by States was taken for granted and approved many times through the courts on the long accepted theory that any powers or authority not specifically transferred to the Government of the United States were reserved to the States.

The legal fraternity and the executive departments of the government have applied this rule of property continuously during that time, and the government itself has in many special cases purchased and leased such lands from the States for Federal use.

Even the Secretary of Interior in 1933 is credited with interpreting the law to mean that:

"Title to the soil under the ocean within the three-mile limit is in the State of California and the land may not be appropriated except by authority of the State."

From an historical study of the situation, I think it may be reasonably concluded that the Government of the United States filed suit in the Supreme Court to change this long-established ruling on the theory that the petroleum and natural gas under these lands were necessary for the security of the government and not on any basis of Constitutional right.

This has been the plan of certain theorists for many years and all markets and production have been kept in a state of flux, with no definite national or international policy, purposely to bring out the desired results.

It is my firm opinion that the Congress of the United States should review this entire field.

Controlling Fundamental Economic Laws

In closing let me say that in my opinion it is time we again take notice of the fundamental economic laws which will ultimately control.

We have no definite national or international policy.

We have a selective free trade policy promoted by the State Department while at the same time advocating a system of subsidies from the tax-payers to keep the domestic producer in business.

We have a Federal Reserve Board putting out low interest government bonds and buying many of such bonds back to support a shaky market.

We have an executive policy of continually advocating policies calling for more money in circulation while calling loudly for Congress to cure inflation.

Common Interests

The same adverse Federal policies affect not only the oil reserves of this country, thereby endangering the very security of this nation, but affect alike the wage-living standards of the workers in the mineral, livestock, textile, wood and wood products, agricultural and ultimately the processing and manufacturing industry of the country.

Under common sense Federal policies encouraging exploration and development of the actual and potential petroleum and gas fields—and the synthetic fuels from oil shale and from coal—it is impossible for this nation to run out of petroleum fuel in the foreseeable future.

A Completed Secondary Reaction

(Continued from first page)

52 days and the distance retraced 57%.

These reactions serve as safety valves. They reduce speculation to conservative proportions. Although usually accompanied by news events, the events are nearly always found to be a rationalization of the decline rather than its cause — the actual cause having been overspeculation.

The Current Reaction

In analyzing the current reaction, I find that the preceeding up-move lasted from March 15-June 12 (D. J. Industrial averages) or for 88 calendar days. The retracement to the recent low took 53 days and the distance retraced was 56%.

All this put the current reaction in line with the average of all past secondary movements as to time and distance lost.

The News

Insofar as news events are concerned, there have been two new items, and one that is always with us. The latter is that old bugaboo — the DEPRESSION — so freely predicted ever since V-J Day — the others, the Russian situation and the Administration's anti-inflationary campaign.

The Russian Situation

Insofar as the Russian situation is concerned, I have no special sources of information. I note, however, that the London Stock Market, traditionally sensitive to international news, has been rising since July 17, surely a sign that best British financial opinion does not seem to believe in the imminence of a shooting war. We believe that those who do not wish to own stocks during the period of our disagreements with Russia will be out of the market for years to come, for all experience with totalitarian governments shows that these governments continually provoke crises.

The Deflationary Program

Had the President's deflationary program been enacted in toto, business and the markets would surely have been unsettled for some time to come. However, very little of it was actually placed on the statute books, as was foreshadowed from the outset.

When Will the Boom End?

Nobody has ever fully explained what causes the end of a boom period, but everyone has his own opinion. One observation, however, does seem to stand the test of experience: no serious depression in modern times has ever begun while there was a redundance of money. At the present time, there certainly is ample money to go around—so much, in fact, that in spite of a three-fold increase of production (gross national product) since before the war, prices are still rising.

Nothing on the horizon indicates a money pinch. As a matter of fact, it would seem quite unlikely that such a pinch could occur while the Federal Reserve keeps its peg under government bonds. Since 1940 our money supply (U. S. Government funds excluded) has risen from approximately $60 billion to about $170 billion. Since Jan., 1946 it has risen about $20 billion during a period when no government bonds were issued and when $25 billion were actually retired. This new money came into being through the government purchase of gold and the granting of loans by commercial banks to individuals and corporations.

How long can this continue? Indefinitely, just so long as the peg is maintained, for with $60 billion in governments in the hands of the banks and a sure market for their sale—the amount of credit which the banks can extend, thus creating new money, is almost limitless.

This great supply of funds will continue to make effective a demand which still remains at record high levels in the heavy industries, and which should be further stimulated by the requirements of the ECA and national defense programs.

Conclusion

Since the present decline has all the ear-marks of a completed secondary reaction in a bull market, and since the news does not appear to be of a nature which will change the basic trend of the market—my opinion is that stocks are a buy.

I would favor those industries whose earnings still are on the up-grade—steels, railroads, automobiles, oils, etc.

gitized for FRASER
http://fraser.stlouisfed.org/

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Acala Cotton Mills, Inc., San Francisco, Calif.
Aug. 26 (letter of notification) 22,000 shares of common stock (par $10). Price, par. No underwriting. For construction and equipping a mill.

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.

• Arel Inc., St. Louis, Mo.
August 23 (letter of notification) 1,900 shares of 6% cumulative preferred stock and 1,025 shares of common stock. Preferred will be sold to the public at $100 per share, and the common at $50 per share. No underwriter. For additional working capital.

• Arizona Edison Company, Inc., Phoenix, Ariz.
Aug. 25 (letter of notification) 24,000 shares ($5 par) common stock. **Price**—$12.50 per share. **Underwriter**—Refsnes, Ely, Beck & Co., Phoenix, Ariz. To partially repay bank loans and to provide funds for the construction of, additions and improvements to, the company's properties.

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.

• Bannockburn Cooperators, Inc., Wash., D. C.
Aug. 30 (letter of notification 92,250 shares of common stock (par $1). Price, par. No underwriter. For the development of a cooperative housing project on the site of a golf course.

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.
August 11 filed 100,000 shares ($10 par) capital stock. **Offering**—Offered for subscription by stockholders of record July 28 on basis of one new share for each three shares held. Rights will expire about Sept. 17. **Underwriter**—The First Boston Corp. will purchase unsubscribed stock. **Proceeds**—For additional capital funds.

• Bridgehampton (N. Y.) Associates, Inc.
Aug. 24 (letter of notification) 1,384 shares of capital stock (no par). **Price**—$10 per share. **Underwriting**—None. Pay mortgage indebtedness.

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 Conditioning Corp., Clearwater, Fla.
August 24 (letter of notification) 1,970 shares of preferred stock and 992 shares of common stock. Preferred to be sold at $100 per share and common at $1 per share. No underwriter. To start business of corporation.

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.
August 23 (letter of notification) 25,000 shares ($10 par) common stock. **Offering**—Common stockholders of record Sept. 7 will be given right to subscribe on or before Oct. 29 on basis of one new share for each 21 shares held at $12 per share. No underwriter. To increase 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.

• Clarostat Mfg. Co., Inc., Brooklyn, N. Y. (10/1)
Aug. 26 (letter of notification) 37,400 shares of 50¢ cumulative convertible preferred stock. **Underwriter**—Cantor, Fitzgerald & Co., Inc., New York. **Price**—$8 per share. Working capital, etc.

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.

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.

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.

• Eastern Corp., Brewer, Me.
August 26 filed 25,000 shares ($10 par) common stock. **Underwriter**—Carl M. Loeb, Rhoades & Co. **Proceeds**—To selling stockholders.

• Elder (Paul B.) Co., Bryan, Ohio
Aug. 26 (letter of notification) 1,000 shares of cumulative preferred stock (par $50). Price, par. No underwriter. To pay current borrowings from banks and to provide working capital.

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 385,000 shares of 60 cent convertible preferred stock (par $5) and 325,000 shares of common stock (par $1). **Underwriter** — Floyd D. Cerf Co., Chicago. **Price**—preferred $10; common $6. **Proceeds** — Stockholders will sell 260,000 preferred shares and 250,000 common shares and company 125,000 preferred shares and 75,000 common shares. Company's proceeds will be used for general corporate purposes. Effective May 5.

• Founders Mutual Depositor Corp., Denver, Colorado
Aug. 20 filed 600 systematic payment plan certificates, to be offered at $1,500 each; full-paid plan certificates consisting of 75 accumulative plan certificates and 75 income plan certificates, both aggregating $124,400; and beneficial interests in Founders Mutual Fund, viz.: 50,000 systematic payment plan certificates, at market, $286,000; 20,000 accumulative plan certificates, at market, $124,400; and 20,000 income plan certificates, at market, $124,400.

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.

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.

• General Stores Advertising Co., Inc., N. Y.
Aug. 27 (letter of notification) 1,500 shares of common stock (par $100). **Price**—$100 per share. **Underwriting**—None. Pay current operating expenses, etc.

• Group Housing Cooperative, Washington, D. C.
Aug. 30 (letter of notification) 900 shares of common stock (par $5). Price, par. Underwriter, Bannockburn Cooperators, Inc. (which see). To pay administrative expenses and finance general educational work on cooperative housing.

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 un-

THE FIRST BOSTON CORPORATION
Corporate and Public Financing
NEW YORK BOSTON PITTSBURGH CHICAGO
Private Wires to Offices in other Principal Cities

ABC VENDING CORPORATION
COMMON STOCK
Bought — Sold — Quoted
Prospectus on request
Reynolds & Co.
MEMBERS NEW YORK STOCK EXCHANGE NEW YORK CURB EXCHANGE
AND OTHER PRINCIPAL EXCHANGES
120 BROADWAY, NEW YORK 5, N. Y.
Telephone WOrth 4-6700 Teletype N. Y. 1-655

BROKERS
DEALERS
UNDERWRITERS
KIDDER, PEABODY & CO.
Founded 1865
Members of the New York and Boston Stock Exchanges
NEW YORK BOSTON PHILADELPHIA CHICAGO

Digitized for FRASER
http://fraser.stlouisfed.org/

NEW ISSUE CALENDAR

September 7, 1948
Kansas Soya Products, Inc. ------ Common & Pfd.
Sterling Oil & Refining Corp. ------ Debentures

September 8, 1948
Minit-Man Operating Corp. ------ Common
Wheeling & Lake Erie Ry. ------ Equip. Trust Ctfs.

September 10, 1948
Remington Corp. ------ Common

September 13, 1948
New York Central RR. ------ Equip. Trust Ctfs.
Trenton Chemical Co. ------ Preferred

September 14, 1948
Indiana & Michigan Electric Co., 11:30 a.m. (EDT) ------ Bonds

September 15, 1948
Holly Sugar Corp. ------ Preferred

September 16, 1948
National Tea Co. ------ Common
Wood (Alan) Steel Co. ------ Bonds

September 17, 1948
Southwestern Associated Telephone Co. ------ Preferred

September 21, 1948
Ohio Edison Co. ------ Bonds
Pacific Telephone & Telegraph Co. ------ Debentures

September 22, 1948
National Bond & Share Corp. ------ Stock

September 28, 1948
Metropolitan Edison Co. ------ Bonds and Preferred

September 29, 1948
Southern Ry. ------ Equip. Trust Ctfs.

October 1, 1948
Clarostat Mfg. Co. ------ Preferred

subscribed shares. **Proceeds**—To be used in part for improvement and expansion of manufacturing facilities. Offering postponed.

Holly Sugar Corp. (9/15)
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. **Bids**—Bids for the purchase of the bonds will be received at office of American Gas & Electric Service, Corp., 30 Church St., New York, before 11:30 a.m. (EDT) 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.

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.

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.

● **Minit-Man Operating Corp., New York (9/8)**
Aug. 30 (letter of notification) 300,000 shares of common stock (par $5). **Underwriter**—Henry P. Rosenfeld Co., New York. **Price**—$1 per share. Working capital, acquisition, etc.

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. (9/22-24)
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 (9/16)
Aug. 6 filed 128,230 common shares ($10 par). **Offering**—Common stockholders of record Aug. 30, are entitled to purchase, on or before Sept. 15, one common share for each five common shares held, at $20.50 per share. Certain stockholders have agreed to exercise their rights to purchase 29,590 shares. Any of the remaining 98,640 shares not purchased by stockholders will be taken up by underwriters. **Underwriters**—Hemphill, Noyes & Co. and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To restore cash spent for general corporate purposes and to finance modernization of stores.

● **Northern Illinois Coal Corp., Chicacgo, Ill.**
Aug. 27 (letter of notification) not to exceed the balance of 4,100 shares (no par) capital stock, out of 5,000 shares for a total cash consideration of not more than $100,000. No underwriter.

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.

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 of record Sept. 22. Commonwealth & Southern Corp. owns 90% of the outstanding common. **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. 15, in ratio of one new share for each three shares held. Rights expire Sept. 30. **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.

● **Pedco Laboratories, Inc., Washington, D. C.**
Aug. 27 (letter of notification) 200 shares (no par) common stock. **Price**—$50 per share. No underwriter. For benefit of Garrett W. Peck individually.

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.

● **Pittsburgh (Pa.) Reflector Co.**
Aug. 27 (letter of notification) 60,000 shares of common class B stock (par $5). **Price**—$5 per share. **Underwriting**—None. Increase working capital ($60,000) and repay notes of $240,000 payable to Commonwealth Trust Co., Pittsburgh.

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 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.

● **Remington Corp., Cortland, N. Y. (9/10)**
Aug. 31 (letter of notification) 5,620 shares of common stock (par $5). **Price**—$7.25 per share. **Underwriters**—Eastman & Co. and Grabau-Buchman, Syracuse, N. Y., will act as selling agents. Development of air-conditioning units, etc.

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.

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. (9/17)
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
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.

● **State Bond & Mortgage Co., New Ulm, Minn.**
Aug. 30 (letter of notification) 460 shares ($100 par) common stock. **Price**—$125 per share. Present stockholders will have right to purchase 46/54ths of one share for each share owned at the date of offering. No underwriting. To increase capital funds.

● **Statton Furniture Manufacturing Co., Hagerstown, Md.**
August 24 (letter of notification) 451 shares ($100 par) 6% preferred stock. **Price**—$90 per share. **Underwriter**—Cohu & Co. For general working capital.

Sterling Oil & Refining Corp. (9/7-10)
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.

● **Sunny Hills Mutual Water Co., Fullerton, Calif.**
Aug. 27 (letter of notification) 4,072 shares ($1 par) capital stock. **Price**—$15.95 per share.

(Continued on page 38)

gitized for FRASER
ptized://fraser.stlouisfed.org/

(Continued from page 37)

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.

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.

• **Toy Pop Corp., New York**
Aug. 26 (letter of notification) 150,000 shares of class A (voting) common stock (par $1). **Price**—$1.25 per share. **Underwriter**—Ackerman, Conte, Mattielli & Co., New York. Purchase of factory in Connecticut, purchase of machinery, etc.

Trenton Chemical Co., Detroit, Mich. (9/13-17)
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.

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.

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.

• **Walker (J. R.) & Sons, Inc., Reno, Nev.**
Aug. 27 (letter of notification) 8,000 shares of non-assessable common stock (par $10). Price, par. To retire indebtedness, purchase additional building supplies and for working fund.

• **Western Pioneer Automobile Insurance Co., Oakland, Calif.**
Aug. 25 filed 18,000 shares of common stock (par $10). **Underwriting**—None. **Price**—$20 per share. **Proceeds**—Engage in automobile insurance.

• **Western Royalty Co., Denver, Colo.**
Aug. 26 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$1 per share. No underwriter. For operations and to acquire interests.

• **Western World Industries Inc., Salt Lake City, Utah**
Aug. 27 (letter of notification) 10,000 shares non-assessable common stock (20¢ par). **Price**—50¢. No underwriter. To make a loan.

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. (7/16-22)
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

• **Central & South West Corp.**
Sept. 21 stockholders will vote on increasing authorized capital stock from 6,600,000 shares to 8,000,000 shares (par $5). The corporation contemplates the issue and sale in 1948 of approximately 660,000 additional shares of common stock, such shares to be offered in the first instance to the stockholders for subscription by them on the basis of one new share for each 10 shares held. The net proceeds of the sale will be invested in the common stock equity of Southwestern Gas & Electric Co. and of Central Power & Light Co.

• **Detroit Edison Company**
October 26 stockholders will vote on approving an issue of $47,000,000 of convertible debentures. Proceeds will 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 Boston Corp.; Halsey, Stuart & Co. Inc.; Dillon, Read & Co.; Coffin & Burr, Inc., and Spencer Trask & Co. (jointly).

• **New York Central RR. (9/13)**
The company has issued invitations for bids to be received Sept. 13 for $13,800,000 equipment trust certificates. The certificates will be dated Sept. 15, 1948, and are to mature in 10 equal annual instalments from Sept. 15, 1949 to Sept. 15, 1958. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

• **Pressed Metals of America, Inc.**
Sept. 15 stockholders will vote on creating an issue of 67,500 shares of 5% cumulative convertible preferred (non-participating) stock (par $20) and on increasing authorized common to provide preferred conversion. Tentative underwriting arrangements have been made and it is expected that $1,200,000 will be raised which will be used for expansion purposes.

• **Southern Railway (9/29)**
August 26 reported company has under consideration plans for sale of approximately $8,700,000 in equipment trust certificates. The offering, it is expected, will come up for bidding on or about Sept. 29. Probable bidders: Harriman Ripley & Co. and Lehman Brothers (jointly); Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Kuhn, Loeb & Co., and Blyth & Co., Inc.

• **Wheeling & Lake Erie Ry. (9/8)**
Company will receive bids up to noon Sept. 8 for the purchase of $1,600,000 equipment trust certificates, series Q, to be dated Sept. 1, 1948, and due semi-annually March 15, 1949-Sept. 15, 1958. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

Fact Finding in California

(Continued from page 8)

spending machinery in Washington, $1,429,000,000. This is a burden costing about two-and-a-half times what the California state and local governments cost.

"Every time you turn around there's a Federal man at your elbow out here," a farmer said to me this morning. "We only want about one out of ten of them, but they're forced on us. Why, I guess it's as bad today as it was before the Revolutionary War, when the American settlers were called on to quarter the British soldiers. We've got more Federal people out here in California, living on us, than there were soldiers in the British Army. And certainly Washington, D. C., is as far from California as London was from Bunker Hill."

People Show Resentment

That's what I find on people's minds across our country. People who live in each community, and who are having a hard time just getting along, resent carrying regiment after regiment of these Washington Redcoats on their backs. There are over 200,000 of them right here in this state. I don't know how many there are in this county alone.

Ten years ago the cost of the Federal government in this county was about one-half the combined cost of the state, county and city governments, instead of two-and-half times, as it is today. You can see how this immense Federal balloon has gone up, creating inflation like gas in the balloon itself.

Compare these Federal taxes to factory pay rolls. This is a tremendous manufacturing community. I was in an immense Los Angeles aircraft plant. Thousands of men and women are employed and at good wages. The pay roll is very large.

A great deal of money is involved in the pay rolls of this county's manufacturing enterprises. Last year the factory pay rolls totaled over $653,000,000. **Yet Federal taxes, drained off to Washington, D. C., were over twice the total amount of the pay rolls.** That may give you an idea of the size of the Federal tax burden.

The Washington bill levied on this community represents more than twice the value of all building permits sought for building up the community itself. The Federal tax burden on the people is more than six times the value of all farm products produced in the county. It is more than seven times the value of all crude oil produced. Similar comparisons may be made here and across our land.

How Long Can This Go On?

Can we, in our towns and workplaces, go on with a burden like this indefinitely? How can working people expect to carry such Federal extravagance on their backs and still have enough left for good local government, right on the spot where they themselves live, and where they're supporting so many Washington Redcoats that they can't even live as they should.

This is the kind of thing that broke modern France. It will break any country and its hard-pressed people if it continues long enough.

What Kind of "Planning" Is This?

History proves how right our people are in getting gun-shy about these costs for Federal government by remote control. Look at Germany. Germany had a big government in Berlin that dealt in the affairs of every township. Italy had big government in Rome sucking at the roots of each community. Russia has the same kind of big government. Britain has gone overboard for big government and is building one—and look at the mess in England.

It all adds up to the same thing—dictatorship by the few instead of dictatorship by the millions, planning for everybody from the top instead of grass-roots planning by the people themselves, in their own American way.

A government-planned economy is a system which keeps you from doing what you plan to do. How good is that kind of planning? How well has it worked in these other countries?

A lot of dishonest oratory has attempted to put over the idea that big buildings and big government, in a big capital town, will do everything for everybody. Actually the real chances in life of people who worked across the land are being taken from them by the very apparatus which has been praised to sound like their salvation.

Problem Not Partisan

This is not a partisan problem—a question of Republicans or Democrats. It's a basic problem of good government, on the realization of which we must depend for better times.

The best governed people are the least governed.

In your land and mine, most government should be local. The act of governing should be performed as close as possible to our own homes, where its results, good and bad, can be seen and checked up on. That's why we have state governments in this republic. It's the reason why our founding fathers founded states.

NYSE Opens Office for Draft Registrations

To expedite registration for Selective Service and at the same time to make such registration convenient for employees of the New York Stock Exchange and of New York City member firms central headquarters for this purpose have been established on the first floor of the 24 Broad Street building, in cooperation with the New York City Selective Service Board. Registration at this point by eligible employees obviates the necessity of registering elsewhere.

Any employee of the Exchange or of a member firm who is required to register may do so at this special registration headquarters between the hours of 9:00 a.m. and 4:00 p.m., at the convenience of the individual employee and firm. Employees may register at this special headquarters on any day regardless of age group or residence.

This office will be staffed with a view to expediting as well as centralizing registration. An adequate staff of registrars will be available.

Col. Candler Cobb, Selective Service Director for New York City, has appointed Mr. J. Horace Block, a member of the Exchange, in charge of the special Member Firm registration headquarters.

J. T. Sebald

(Special to THE FINANCIAL CHRONICLE)

MIDDLETOWN, OHIO — J. Thomas Sebald is now engaging in a securities business from offices at 11 South Main Street.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA. — Louis H. Tea has become connected with Merrill Lynch, Pierce, Fenner & Beane, Lincoln Building. He was formerly with Daniel F. Rice & Co.

Holt & Collins Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Holt & Collins, Russ Building, members of the San Francisco and Los Angeles Stock Exchanges, have added William M. Donnelly, Jr., to their staff.

Two With Herrick Waddell

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — James A. DeNike and Rodney L. Price are now with Herrick, Waddell & Reed, Inc., 332 South Michigan Avenue.

L. V. Shaw Opens

(Special to THE FINANCIAL CHRONICLE)

FALMOUTH, ME. — Leigh V. Shaw is engaging in the securities business from offices on Edgewater Road. He was formerly with Geo. F. West & Son.

With A. E. Aub & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — Alfred Bettman has joined the staff of A. E. Aub & Co., Union Trust Building.

With W. J. Kelsey Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Leo J. Bernard has become affiliated with W. J. Kelsey & Co., 25 Taylor Street.

Digitized for FRASER
http://fraser.stlouisfed.org/

Our Reporter's Report

Thus far the investment market has not been seriously disturbed by the recent actions of the Treasury and the Federal Reserve Board in moving to curb bank credit expansion as their contributions to the stop-inflation drive.

With minor adjustments the corporate market has remained relatively firm and Treasuries, likewise, have steadied after their unsettling movement in the wake of the news.

Market observers, however, recognize that "one swallow does not make a summer" and they are awaiting a more definite test of conditions in the weeks ahead once the prevailing summer lull has run its course.

Naturally, all eyes are focused on the government market for any indication of a possible follow-up move, if necessary, to lower the "peg" on bank eligibles.

To date the corporate market has been virtually free of any marked selling pressure and the consensus is that it will continue to hold an even keel unless, of course, the support level for Treasuries should be shaved. Such a move naturally would be expected to provoke some measure of general adjustment.

Since the new issue market will have little to offer for another week or more portfolio experts probably will be scanning the seasoned list in the interval seeking out opportunities.

Direct Negotiations

From current conjecture it appears that investment bankers are destined to be plagued by the spectacle of a substantial outcropping of directly negotiated loans in the months ahead.

Reports indicate that a rather liberal schedule of such negotiations is underway between potential borrowers and lenders which would eliminate the task of distribution normally undertaken by the investment underwriters.

Those claiming to have leads on a number of such deals expect the vanguard of this type financing will be disclosed within a brief period after the Labor Day holiday passes.

Utilities Top List

The first new issue destined to come up for competitive bids, once the current lull ends, is Indiana & Michigan Electric Co.'s $25,000,000 of new first mortgage bonds, due 1978.

Bankers are slated to compete for that issue on or about Sept. 14, or a week from next Tuesday. Sale of the bonds will put the issuer in funds to prepay $6,000,000 of bank notes, incurred to finance construction, plus $10,000,000 borrowed by Indiana Service Corp. and assumed by the first-mentioned company through merger. The balance would go into general treasury funds.

A week later, on Sept. 21, Pacific Telephone & Telegraph Co., is slated to open bids for $75,000,000 of new 35-year debentures to provide funds for repayment of advances by American Telephone & Telegraph Co. and to meet new construction costs.

Detroit Edison Co.

Calling of a special meeting by Detroit Edison Co., for Oct. 26 brings another large issue, $47,000,000 of convertible debentures into sight.

Shareholders will be asked to authorize that issue and change the common stock to no par from the present $20 parity. Funds raised from the sale of the debentures would put the company in funds to carry through its construction program well into the new year.

Dealer-Broker Recommendations

(Continued from page 8)

American Cyanamid; Texas Company and a list of interesting **Dividend** payers.

Argus Research Corp.—Analysis—Collin, Norton & Co., Gardner Building, Toledo 4, Ohio.

Avco Manufacturing Corp.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Brooklyn Union Gas Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Burroughs Adding Machine Co.—Special memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Federal Water and Gas Corp.—Analysis—Crowell, Weedon & Co., 650 South Spring Street, Los Angeles 14, Calif.

Ferry Cap & Set Screw Co.—Analysis—Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Fireman's Fund Insurance Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Harris-Seybold Co.—Memorandum—in current issue of "Railroad and Other Quotations"—B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

In the same issue is information on **Joseph Bancroft & Sons Co.**

Kansas City Fire & Marine Insurance Co.—Memorandum—First Boston Corp., 100 Broadway, New York 5, N. Y.

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.

Manufacturers Trust Co.—Analytical study—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Also available is a special bulletin on **Federal Deposit Insurance.**

Maule Industries, Inc.—Circular—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Minneapolis Gas Co.—Writeup—A. C. Allyn and Co., Inc., 100 West Monroe Street, Chicago 3, Ill.

Minneapolis Gas Co.—Memorandum—Charles A. Fuller Co., Northwestern Bank Building, Minneapolis 2, Minn.

Minneapolis Gas Co.—Brief description of company and its prospects—Kalman & Co., Inc., McKnight Bldg., Minneapolis 1, Minn.

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.

Pickering Lumber Corp.—Analysis—Russ & Co., Inc., Alamo National Building, San Antonio 5, Texas.

Plomb Tool Co.—Detailed study—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Puget Sound Power & Light Co.—Analysis—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

Seaboard Air Line Railroad Co.—Analysis—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Also available is a memorandum on **General Electric Co., Electricity Utility Operating** commons and **Industrial** preferreds.

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.

J. P. Stevens & Co.—Memorandum—Harriman Ripley & Co., Inc., 63 Wall Street, New York 5, N. Y.

J. P. Stevens & Co.—Circular—Morgan Stanley & Co., 2 Wall Street, New York 5, N. Y.

Taylor Instrument Cos.—Circular—John B. Dunbar & Co., 634 South Spring Street, Los Angeles 14, Calif.

Also available is a leaflet of market opinion.

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

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

SITUATION WANTED

UNLISTED TRADER

Seeks position—15 years' experience in active trading—has many contacts—presently employed. Capable of organizing and managing own department. Box S 826. Commercial & Financial Chronicle, 25 Park Place, New York 8.

DIVIDEND NOTICES

GUARANTY TRUST COMPANY OF NEW YORK

New York, September 1, 1948.

The Board of Directors has this day declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending September 30, 1948, payable on October 1, 1948, to stockholders of record at the close of business September 8, 1948.

MATTHEW T. MURRAY, Secretary.

HOMESTAKE MINING COMPANY
DIVIDEND No. 869

The Board of Directors has declared dividend No. 869 of fifty cents ($.50) per share of $12.50 par value Capital Stock, payable September 17, 1948 to stockholders of record 3:00 o'clock P. M., September 7, 1948.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

August 17, 1948

J. I. Case Company
(Incorporated)

Racine, Wis., August 31, 1948.

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable October 1, 1948, and a dividend of 40c per share upon the outstanding $25 par value Common Stock of this Company has been declared payable October 1, 1948, to holders of record at the close of business September 11, 1948.

WM. B. PETERS, Secretary.

Allied Chemical & Dye Corporation
61 Broadway, New York

August 31, 1948

Allied Chemical & Dye Corporation has declared quarterly dividend No. 110 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable September 20, 1948, to common stockholders of record at the close of business September 10, 1948.

W. C. KING, Secretary

AMERICAN LOCOMOTIVE COMPANY

30 Church Street Alco New York 8, N. Y.

PREFERRED DIVIDEND No. 161

COMMON DIVIDEND No. 93

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of thirty five cents (35¢) per share on the Common Stock of this Company have been declared payable October 1, 1948 to holders of record at the close of business on September 9, 1948. Transfer books will not be closed.

CARL A. SUNDBERG

August 26, 1948 *Secretary*

C.I.T. FINANCIAL CORPORATION

Dividend on Common Stock

A quarterly dividend of 50 cents per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable October 1, 1948, to stockholders of record at the close of business September 10, 1948. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, *Treasurer*

August 26, 1948

DIVIDEND NOTICES

EATON & HOWARD
BALANCED FUND

The Trustees have declared a dividend of twenty cents ($.20) a share, payable September 25, 1948, to shareholders of record at the close of business September 15, 1948.

24 Federal Street, Boston

EATON & HOWARD
STOCK FUND

The Trustees have declared a dividend of ten cents ($.10) a share, payable September 25, 1948, to shareholders of record at the close of business September 15, 1948.

24 Federal Street, Boston

LOEW'S INCORPORATED
"THEATRES EVERYWHERE"

September 1, 1948

THE Board of Directors has declared a quarterly dividend of 37½c per share on the outstanding Common Stock of the Company, payable on September 30th, 1948, to stockholders of record at the close of business on September 10th, 1948. Checks will be mailed.

CHARLES C. MOSKOWITZ,
Vice President & Treasurer

United States Plywood Corporation

Weldwood

For the quarter ended July 31, 1948, a cash dividend of 25c per share on the outstanding common stock of this corporation has been declared payable October 11, 1948, to stockholders of record at the close of business October 1, 1948.

SIMON OTTINGER, Secretary.

New York, N. Y., September 1, 1948.

WICHITA RIVER OIL CORPORATION

Dividend No. 10

A dividend of Twenty-five cents (25¢) per share will be paid October 15, 1948 on the Common Stock of the Corporation, to stockholders of record at the close of business September 30, 1948.

JOSEPH L. MARTIN, *Treasurer*

August 30, 1948.

WARD BAKING COMPANY

Preferred Dividend

The Board of Directors has declared the quarterly dividend of $1.37½ a share on the Preferred Stock payable October 1, 1948 to holders of record September 14, 1948.

Common Dividend

The Board of Directors has declared a quarterly dividend of 25 cents a share on the Common Stock payable October 1, 1948 to holders of record September 14, 1948.

L. T. MELLY, *Treasurer*

WARDS TIP-TOP BREAD 475 Fifth Ave. New York City July 22, 1948 WARDS TIP-TOP CAKES

DIVIDEND NOTICES

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared a quarterly dividend of thirty-five cents (35c) per share on the common stock payable October 15, 1948, to stockholders of record at the close of business on September 15, 1948.

GERARD J. EGER, Secretary

IRVING TRUST COMPANY

One Wall Street, New York

August 26, 1948

The Board of Directors has this day declared a quarterly dividend of 20 cents per share on the capital stock of this Company, par $10., payable October 1, 1948, to stockholders of record at the close of business September 7, 1948.

STEPHEN G. KENT, *Secretary*

INTERSTATE POWER COMPANY
DUBUQUE, IOWA

Notice of Dividend

The Board of Directors has declared an initial dividend of 15¢ per share on the outstanding Common Stock, payable on September 20, 1948, to stockholders of record on September 10, 1948. The transfer books will not be closed.

OSCAR SOLBERG, *Treasurer*

August 30, 1948

OTIS ELEVATOR COMPANY

THE WORLD'S WORD FOR ELEVATOR SAFETY

PREFERRED DIVIDEND No. 199

A quarterly dividend of $1.50 per share on the Preferred Stock has been declared payable September 20, 1948, to stockholders of record at the close of business on September 7, 1948.

Checks will be mailed.

C. A. SANFORD, *Treasurer*

New York, August 25, 1948.

THE West Penn *Electric Company*
(INCORPORATED)

PREFERRED DIVIDENDS

The Board of Directors of The West Penn Electric Company has declared regular quarterly dividends on the preferred stocks of the Company as follows:

$1.75 per share (1¾%) on the 7% Cumulative Preferred Stock and $1.50 per share (1½%) on the 6% Cumulative Preferred Stock, for the quarter ending November 15, 1948, payable on November 15, 1948, to stockholders of record at the close of business on October 19, 1948.

$1.75 per share on the Class A Stock for the quarter ending September 30, 1948, payable on September 30, 1948, to stockholders of record at the close of business on September 17, 1948.

COMMON DIVIDEND

The Board of Directors of The West Penn Electric Company has also declared a dividend on the Common Stock of the Company in the amount of twenty-five cents (25¢) per share, payable on September 30, 1948, to stockholders of record at the close of business on September 16, 1948.

H. D. McDOWELL, *Secretary*

gitized for FRASER
p://fraser.stlouisfed.org/

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Congress probably will be in a mood next Winter to lower the mandatory government supports on farm commodities—so long as the present outlook does not change. That is for abundant crops and the prospect that wheat, corn, cotton, tobacco, and sundry other commodities will drag on the supports.

This outlook is indicated only by the fact that the forces that count politically are for it. It is not indicated by any formal or informal decision of Congressional leaders. They have not yet gotten together to discuss it.

One of the most important forces bearing on this issue consists of the big farm organizations. By and large they are not opposed to the idea of a lower and flexible support pricing system. The more responsible ones have come to recognize it as inevitable. They admit privately that if the government faces the prospect of getting involved to the tune of hundreds of millions, and not unlikely even a couple of billions, to maintain high farm prices, the anger of the public in these times of high food prices will be something awful. It is quite likely, they fear, to sweep much of the ground away from the whole idea of government support prices.

From the point of view of the farm leaders, even stories that the government was putting hundreds of millions of commodities under loan would do them no good, even if subsequently it developed that the government worked out without appreciable losses, the commodities not averaging lower than their supports during the crop year. The public would get the idea that the support price was keeping the price of food high. This the farm leaders don't want to risk.

* * *

Actually, the Senate and House Agriculture committees, the chief other forces that count in this equation, are and were also for lower supports. The original House committee bill provided for supports between 60% and 90%. It subsequently got dropped in a legislative melee, most of the details of which are technical and of no great interest.

Chief difference between the House and the Senate Committees on Agriculture was over whether a so-called "permanent" revision of the farm laws should be enacted this year. The Senate committee was most avidly for farm law revision in 1948. It lobbied against the Senate leadership to get its proposition enacted before the June adjournment. It was not that the Senate GOP leadership was opposed in principle to legislation now. It was afraid of getting the thing in a jam which would have complicated the ending of the regular session.

Members of the House committee, on the contrary, were opposed to revision in government supports during an election year. They steadfastly refused to accept a revision.

Hence the bill that passed was that queer concoction which provided for continuation of all the supports (and some most notable additions) of the Steagall commodities through 1949, plus a farm law revision (the Senate version) to become effective in 1950. The House members accepted the Aiken or Senate revision on this basis because they knew they could have a chance to amend it in 1949 before it became operative.

So a revision in supports was due any way, to give the House boys a crack at writing into law their ideas and to forestall acceptance automatically in 1950 of the unchanged Aiken farm law revision. This revision would go into effect unless the subject were taken up in 1949.

The fact that the big farm crops are dropping down to or near their support prices furnishes only an additional reason for farm law revision next year.

* * *

For the first time since farm real estate prices started their long upward climb, officials have come to have a firm expectation that the peak has been reached in farm land values. As of July 1, last, the index of farm land values stood at 174% of values in the years prior to the first war. Although farmers' gross income from marketings, despite price drops, is holding up well because of the large volume of cash crops now being harvested, farmers' net is likely to be sufficiently reduced because of higher operating costs, officials think, to start a downtrend in prices of land, or at least arrest the rise.

* * *

In the forthcoming conference of farm organizations on "farm credit legislation in 1949," there is something which will give the new Administration next year something to worry about. Besides seeking to protect farm loan subsidy money, the farm organizations also want to promote the idea of an independent Farm Credit Administration operated by a bi-partisan board outside the Department of Agriculture.

The Department of Agriculture naturally wants to keep the FCA under its wing. Then if the Department should want to discourage production it could prevent the FCA from following lending practices which would encourage production. The Department probably will feel that way even if it has a Republican Secretary of Agriculture.

While the Republicans were the opposition, it was fun to work for the independent FCA, even if they were stopped from legislating it by the threat of a veto. How the Republicans will feel about it—with the farm organizations needling them to adopt it—when they are responsible for the administration of the department, remains to be seen.

* * *

There was considerable disappointment that the CAB seemed to kiss off the air transport problem with the "rabbit out of the hat" proposal to boost fares on the scheduled lines by 10%. The dope which was given out was that the various agencies concerned with the problems of the scheduled airline operations were going to work on a long-term problem with the idea of finding a long-term set of solutions.

Nevertheless, something in the way of long-range studying is going on. RFC is working "day and night" to get out a report on airline financing problems, particularly the problem of financing acquisitions of more modern and efficient operating equipment. The CAB, it is said, will still go ahead with trying to work out ways of reducing operating costs. The RFC report will be ready some time shortly after the middle of September, according to the present schedule.

There is said to be an expanation for the haste in proposing the fare increase. The Ferguson subcommittee of the Senate Expenditures committee is investigating air mail subsidies. It is reported that the subcommittee already has begun to feel that it could make out a good case for "gross mismanagement of the airline problem."

It is believed that the CAB acted as though it were afraid the Ferguson subcommittee might blast the Administration at a series of hearings some time between now and Nov. 2, next. Hence something had to be done and done quickly seem to get the airlines into the black, if possible. At this particular juncture the Administration is sensitive to public investigations.

Another future development bound up with the fortunes of the Dixiecrat rebellion against the left-wing control of the Democratic party is the personal future of one of the New Deal leaders forced upon Congress under the leash of the last President Roosevelt. That individual is Senator Alben Barkley of Paducah, Ky. Barkley's post as Democratic Leader of the Senate is at much up for auctioning Nov. 2 as his long-run chance to be Vice-President under Harry Truman.

The late Mr. Roosevelt's penchant for monkeying with the Congressional leadership was one of the most amazing facets of the deceased President's career. Ordinarily it is dangerous to the extreme for a President to try to force the House or Senate to choose a leader different from the genuine choice of that House. Yet Mr. Roosevelt, in effect, ditched three outstanding leaders because they weren't 100% New Dealers, and more or less got away with it.

In the mid-30's, Mr. Roosevelt didn't like John O'Connor of New York as Chairman of the Rules committee, because O'Connor was only 75% for the President's program. Mr. Roosevelt's influence brought about the purging of O'Connor in the election. Succeeding O'Connor was Representative Adolph Sabath of Illinois, 100% in loyalty to Roosevelt if not 100% in ability. Subsequently the White House "Lost" the House Rules committee to the coalition of southern Democrats and Republicans which was a thorn in Mr. Roosevelt's political side until his death.

The late Senator Pat Harrison of Mississippi was rated by all odds one of the most brilliant of the Democratic leaders. As alert as Mr. Barkley is slow, "Pat" Harrison was almost without equal in the game of parliamentary tactics. Despite the fact that Senate Democrats had chosen him as leader, the President in his "Dear Alben" letter of 1937, influenced Senate Democrats by a narrow vote to reverse themselves, toss out Harrison, and install Mr. Barkley as the Majority Leader. The first fruit was the defeat by Congress that year of a government reorganization bill by which Mr. Roosevelt set great store. Next year Mr. Roosevelt lost the "spend-lend" bill.

BUSINESS BUZZ

"It's 54—Like to Try for 64?"

South Jersey Gas
Reiter Foster Oil
Belle Isle Corp.
U. S. Finishing
Dorset Fabrics
Lonsdale Co.
Seatex Oil

M. S. WIEN & Co.
ESTABLISHED 1919
Members N. Y. Security Dealers Ass'n
40 Exchange Pl., N. Y. 5 HA. 2-8780
Teletype N. Y. 1-1397

Trading Markets:
Ralston Steel Car
Oregon Portland Cement
Riverside Cement A & B
Spokane Portland Cement

LERNER & CO.
Investment Securities
10 Post Office Square, Boston 9, Mass.
Telephone Hubbard 1990 Teletype BS 69

HAnover 2-0050 Teletype—NY 1-971
Firm Trading Markets
FOREIGN SECURITIES
All Issues
CARL MARKS & CO. INC.
FOREIGN SECURITIES SPECIALISTS
50 Broad Street New York 4, N. Y.
AFFILIATE: CARL MARKS & CO. Inc. CHICAGO

This entire issue has been placed privately at par and this advertisement appears as a matter of record only.
NEW ISSUE
$500,000
Penn-Ohio Steel Corporation
5% Cumulative Preferred Stock
($100 Par Value)
HILL, THOMPSON & CO., INC.
September 1, 1948.

Digitized for FRASER
http://fraser.stlouisfed.org/