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Free Labor and Free Enterprise

By PRESIDENT TRUMAN *

President declares democratic institutions at stake in November Elections. Asserts free and strong labor movement is best bulwark against Communism. Condemns "anti-labor policies" of GOP and predicts "bust" for labor if Republican Administration returns to power. In Labor Day statement President demands Taft-Hartley repeal.

This, in my opinion, is a great day for labor. This a great day for the country. When I can stand on the same platform in City Hall in Detroit with the Mayor and Walter Reuther and Frank Martell, I know that the country is on the road to recovery. I am more than happy to join in this Labor Day celebration.

President Truman

I am more than happy to be present when the CIO and the AFL are marching together side by side in the interest of the wel-

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*Labor Day address by President Truman in Detroit, Sept. 6, 1948.

Another Look Through The Crystal Ball

(Third Reading)

By JACQUES COE

Jacques Coe & Co.

Mr. Coe maintains only liquidation of the "scary Halloween Pumpkins" is needed to change the stock market picture and send prices up. Cites as bullish factors: (1) Easing of War threats; (2) Healthier labor picture; and (3) Election results. Looks for rally until Fall, 1949, followed by resumption of major down trend until 1950-51.

This is the third of a Series of "Crystal Ball" articles, the first of which appeared in the "Chronicle" on Jan. 22 of this year and the second on July 1, 1948. We summarize them briefly as follows:

Jacques Coe

The January article was a bold bullish prediction at a time when the financial district was in a despondent mood. The gloom was thick and the outlook obscure. At that time we anticipated a definite turnabout in security prices and an advance of substantial proportions continuing through the remainder of 1948 and most of 1949. Fortunately within three weeks after this article appeared, the market started moving and in four months advanced from 166 to 193 Dow Jones.

On July 1, the second "Crystal Ball" article appeared in the "Chronicle." While reiterating the principles and premises of the earlier discussion, we observed at that time that for the immediate short-term we were "mildly bearish." It was necessary to digest some of the advance from the lows of February to the highs of

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Oil Shares Again Under-Priced

By SCHROEDER BOULTON

Partner-in-Charge, Research Department, Baker, Weeks & Harden

Mr. Boulton contends oil industry is maintaining its basic strength, with seasonal increase in consumpton lying ahead. Concludes that petroleum shares, after recent wide declines, are attractively priced, because of: (1) their ratio to present and future earnings; (2) large yields even without dividend increases; (3) inflation protection; (4) tax status; (5) low labor costs, and (6) growth element.

Leaders in the recoveries of 1947 and 1948, oil stocks have been weaker than the market since the highs of June. Leading oils are now priced 15% to 20% below recent highs, current prices ranging from 3½ times to a high of about 6 times estimated 1948 earnings. In many instances large yields are available, while in others dividends have not yet increased to reflect improved earnings.

Schroeder Boulton

Three months ago almost the only worry expressed by large investors in oils was the possibility of a return of Federal price and rationing controls. Within the industry leaders were determined to develop adequate supplies of crude oil and refined products, preventing the shortages and the runaway markets which might well have led to political interference.

The production effort has been successful. As recently as June, financial newspapers published

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EDITORIAL

As We See It

Some Campaign Problems

The political campaigns of the year are just beginning to get under way in earnest, but some of the problems by which the candidates, one and all, are confronted are already plain enough. One of them, or a group of them, grows out of the effort to appeal simultaneously to the farmer, the union member and the housewife — and it matters not too much, either, if the housewife is the better half of a member of a labor union.

The crops, or most of them, are now certain to be very large, larger probably than can be disposed of at such prices as the farmer has become accustomed to getting. They are large, in part, as a result of excellent growing weather, but they are large also, in part, as a result of actions of the Federal Government which have led farmers to expand, or to maintain expanded operations. Price "support," always inexcusable, has already begun, and in some instances has already resulted in incredible situations which have been given good notices in the press. At the same time that the politicians make the welkin ring about inflation and the high cost of

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Our Greatly Under-Priced Stock Market

By EDMUND W. TABELL, Shields & Co.

Mr. Tabell asserts a mass fear psychosis is holding back stock market which now presents buying opportunity to those who remained out of market during 1946-1948 accumulation period. Maintains market in May, 1942, started long upward war price cycle, similar to 1914-'29, which will ultimately carry Dow-Jones Average through the former boom peak of 386.

I continue to believe that the market is definitely pointed higher for the longer term. I believe that the recent decline from the June-July tops is a secondary decline in the primary uptrend. It presents a buying opportunity to those who did not enter the market in my oft-repeated 160-170 buying zone during the October, 1946-March, 1948, period of accumulation.


Edmund W. Tabell

I believe the primary uptrend will be resumed shortly. When it will start and whether it will be necessary to again test the 177-175 support level is not yet quite clear. The market since July 19 has consisted of a series of short, rapid swings in a relatively narrow range as noted in the accompanying table.

The industrials decisively penetrated the Aug. 5 high on Tuesday and confirmed the uptrend signal given by the rail average last week. The Sept. 7 highs were 185.64 and 63.25 as compared with 184.54 and 62.14 on Aug. 5. The industrials, however, have not yet penetrated the July 28 high of 187.00. The rail average penetrated the July 28 high of 62.07 on both Aug. 5 at 62.14 and on Sept. 7 at 63.25.

The action of the rails is very important. As mentioned before, the rails have been the forerunners of every market advance ever since 1942. They led every advance from May, 1942, to early 1946 when their worse than market action was a warning of the September, 1946, break. In the early part of this year the rails again assumed their market leadership. In my opinion, the better-than-average action of the rails indicates a near-term upside break-out from the narrow trading of the last few weeks.

Regardless of the reaction of Wednesday, Sept. 8, I believe that the secondary correction of the February-June advance from 164 to 194 has been completed and the next step is a testing of the 1948 highs of 194.49 and 65.23. If both averages succeed in reaching new high territory, the major uptrend, which is now in effect, will be confirmed. Failure to penetrate the 1948 highs by both averages, followed by a downside penetration of the August lows of 177.40 and 58.25 would indicate a decline into or close to the 170-160 basic accumulation area. This would broaden the base pattern, but would be disappointing from a timing viewpoint.

It is the opinion of this writer that the major uptrend will be confirmed and that we are now in a broad upswing of two to four months' duration. The advance should reach the 205-215 level in the industrial average. While the rails point higher, it is difficult to figure the exact objective except in individual issues. First resistance to the advance will be met at the 188-190 level. After a minor technical correction, would expect a penetration of the 1948 highs.

As for groups, believe the rails, steels, automobiles and machinery equipment issues show the best technical patterns. As for individual issues, suggest the list in my letter of Aug. 11, entitled "Stocks With Favorable Technical Patterns."

In recent weeks there has been a decided increase in bearish prognostications regarding a slump in business and a depression. These predictions by economists, newspaper columnists and Washington writers, are not new. They started in the Autumn of 1945 when President Truman's advisory board warned of a coming drop in the business index that would result in seven or eight million unemployed by early 1946. As a result, the President attempted the obviously impossible procedure of trying to raise wages while holding down prices. No prediction could have been more wrong. The ensuing predictions have been equally fallacious. The predicted slumps in business in late 1946 and early 1947 and early 1948 have not occurred. Now the recession has been postponed to late 1949. As a result of these dire prophecies, the investing and speculating public has become so fearful of the coming catastrophe that stocks are selling at an absurdly low price-to-earnings-ratio, to yield, in innumerable cases, 5½% while high grade bond yields are still hovering around the 3% level.

Bust Not Inevitable

I do not pretend to be an economist. I don't know when business will start to fall off sharply. Obviously, our tremendous business boom cannot last forever. However, the inevitable ending is not necessarily a bust. It is possible that there will be piecemeal adjustments as each sector of industry, one by one, readjusts and returns to a normal pattern. This has already happened in many industries. Certainly, the shortages and demands built up by four years of war and by ten years of depression are not going to be satisfied by the last three years of peak production, large as that production may be. This becomes even more unlikely when we consider the growth in population over the last 20 years, and the greatly increased incomes of a vast segment of our people, thus greatly enlarging the mass buying power.

If the stock market had only partially discounted the vast business boom of the last three years, there might be some cause for concern about a drastic slump in the market, but even a temporary falling off in business should not effect, to any great extent, a market that has no top-heavy speculative positions, is not operating on borrowed money, and has not risen in price to discount the greatly increased earnings.

The Nation's Psychology

The stock market sceptics of today are possibly forgetting the psychological "state of mind" of the nation. This certainly has been true for the past two years when, despite the huge earnings and dividends, a mass fear psychosis has held back the stock market despite price rises in everything else. A mood of pessimism or of optimism, however, cannot be sustained over a long period of time. Nothing changes faster than public sentiment, and, after two years of fearful forebodings of dip in business, the mass psychology is about ripe for change despite even a possible temporary 33⅓ to 50% drop in earnings.

Mass thinking cannot be measured by statistics or fundamentals. It can only be measured by the technical action of the market itself, by the demand for and supply of securities. The stock market has been slowly building up a strong pattern for a number of years. With the many uncertainties of the present day, it is a hazardous task to attempt a long range forecast. The predictions of today may look awfully bad two years from now. However, while this article may have many faults, it is always willing to state a definite opinion. Based purely on the action of some 1,500 charts and graphs of the various market averages and individual stocks, I submit the following long range prediction. The price ranges are definite but the timing is only approximate and largely guesswork.

Upward War Cycle Started in 1942

I believe that the stock market in May, 1942, started a long upward war price cycle, similar to that of 1914-1929. Such long-term price cycles usually have five phases—three of advance and two of decline. The first phase was the advance from 93 in the Dow-Jones industrials in May, 1942 to 213 in May, 1946. The second, or declining phase, was the drop from 213 to 160 in May, 1947. This area was again tested in February of this year. We are now in the third phase—a period of advance. The recent decline was only a normal intermediate correction in the major upmove. This third, or

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Low	Date	Rally High	Date	Points Advance
179.58	July 19	187.00	July 28	7.42
180.04	July 30	184.54	Aug. 5	4.50
177.40	Aug. 11	185.64	Sept. 7	8.20

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Patrolling Partners Stymied

Discusses restraining order obtained by Otis & Co. against NASD re Kaiser-Frazer underwriting. Criticizes SEC and NASD activities in pursuit of confidential information between attorney and client. Welcomes opportunity to delimit SEC and NASD powers. Inconsistency of prying bodies which act in camera.

In an attempt to bring Otis & Company to heel as a result of the alleged repudiation of the Kaiser-Frazer underwriting agreement, both the Securities and Exchange Commission and the National Association of Securities Dealers have met a temporary judicial frustration.

This came about in the United States District Court for the District of Columbia wherein Judge Keech entered a "Temporary Restraining Order" containing the following provisions:

"*It Is Hereby Ordered, Adjudged and Decreed:*

(1) That the National Association of Securities Dealers, Inc., is hereby made a party to this cause for purposes of this order only.

(2) That for a period of ten days from the date hereof, the NASD is enjoined from (a) taking any action prior to the final decision of this Court to compel the disclosure of confidential communications which are part of the attorney and client relationship between intervenors Otis & Co. and Cyrus S. Eaton and any of their attorneys, and (b) from taking any steps whatsoever directed to applying any sanctions whatever against intervenors for failure to comply with the NASD's request to disclose such confidential communications, including requiring answer, holding hearings, or making any decision on the pending complaint or any similar complaint."

Note that the injunctive provisions are addressed to the NASD alone, yet we have said that "both the Securities and Exchange Commission and the National Association of Securities Dealers have met a temporary judicial frustration." How do we account for that?

Simple! Since the passage of the Maloney Amendment to the Securities Act which made possible the existence of the NASD, we have contended that the SEC and the NASD are auxiliary policemen operating out of the same precinct. This statute virtually gives to the SEC the life and death power over the NASD. When these bodies are engaged in a joint venture, therefore, the retarding of either one is a setback common to both.

The Court temporarily restrained any compulsion addressed to "the disclosure of confidential communications which are part of the attorney and client relationship . . . . "

In the continuing attempted extension and usurpation of power by administrative agencies and their satellites, the attempted violation of a sacred relationship old in the law is a cause for indignation although no cause for surprise.

The progressive pattern of SEC and NASD prying indicates that these institutions have no terminus to cheek and knavish resourcefulness in the invasion of the privacy of those engaged in the securities industry.

Via tricky questionnaires, spot checks, registration of salesmen, nefarious and un-American trials by District Business Conduct Committees, the shibboleths of "protecting the public interest," "fair and equitable principles of trade" artfully applied, and other questionable media, these bodies have made the lot of those in the securities field most unhappy.

Many disciplinary proceedings before the SEC and the NASD go by default because the respondents have neither the will nor the means to fight. Findings and the Order based on these defaults are then cited as precedent.

Fortunately in Otis & Company, the SEC and the NASD are encountering an entity which has both the will and the means to fight, the result of which may be a crystallization

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ECA Apportionment and Intra-European Clearing

By J. H. RICHTER*

Stating there is no system of intra-European clearing suited to accomplish the purposes of the European Cooperation Act, Dr. Richter describes a plan for a Clearing Pool, which, he contends, definitely helps the purposes outlined in the legislation. Furnishes data of estimated balance of payments of ECA nations with western hemisphere and within European Clearing Pool as well as ERP funds allocation.

One of the most important problems that must be solved before the European Recovery Program can get under way effectively is the development of a method of dealing with intra-European balances of payments to eliminate impediments to intra-European trade that are exclusively or predominantly due to payment difficulties. The following discussion places this problem into the setting of the wider subject of devising a yardstick for the apportionment of ECA funds among the participating countries. The problem is under continued consideration by OEEC in Paris, but no final and generally acceptable solution has yet been found.

J. H. Richter

The present discussion presupposes a broad familiarity with the so-called ERP Brown Books published by the Executive Branch, on whose estimates and computations the quantitative examples here given are based. The estimates were adjusted to current prices. Adjustments to changes in funds available and revisions of the balance of payments estimates can be made in routine fashion, based upon the procedure here outlined.

1. Basic Principles

There is obviously no method by which a completely equitable or economically optimal apportionment of ERP funds among the participating countries can be effected. Yet a procedure must be devised which can greatly reduce the influence of arbitrary judgment and would give a prominent place to objective criteria, thus presenting an attempt at impartial fairness of treatment which would help cooperation among the participating countries and promote the psychological and economic purposes of the Recovery Program.

Apportionment according to a formula that is based upon objective criteria could then be modified by a consideration of factors that cannot be expressed in precise quantitative terms, or cannot be expressed in an equation rigidly applicable to all countries. The objective criteria, in turn, would take account of considerations of equity and economic common sense, part of which is the desideratum of facilitating intra-European trade and payments.

2. Balances of Payments

On the basis of these premises, it is clear that criteria may be derived from the estimated prospective balances of payments. The estimates that have been made or revised by the Executive Branch refer to (a) balances with the United States, (b) balances with all of the Western Hemisphere, (c) balances with non-participating countries outside the Western Hemisphere, and (d) balances among the participating countries. Since these are net balances of each country with **groups** of countries, the idea that such net balances could be used as determinants of the amount of funds to be allocated to a country would only seem appropriate if the gross debit and credit items of these partial balances of payments are either all being settled in dollars, or mutually cleared one against the other. This condition is only realized in the case of the partial balances of payments of each participating country with (b) the Western Hemisphere which includes (a) the United States balances. It would also be realized in the case of (c)—balances of payments among the participating countries, provided there is a multilateral clearing among them. It cannot be realized in the partial balances of payments of each participating country with the non-participating countries outside the Western Hemisphere since there is no possibility of a multilateral clearing with all countries in this residual group. If this is so, a consideration of "net balances" with this group is devoid of any realistic meaning. A net deficit, say, equivalent to $100 million of participating country A with all non-participating countries outside the Western Hemisphere may be made up, for example, of a deficit of 20 with country R, a deficit of 60 with country S, a deficit of 120 with country T, and credits of 70 with country U and 30 with country V. These deficits and credits would not be mutually clearable one against the other, so that in actual fact, unless the credits **happened** to be payable in dollars, the dollar need for a settlement for country A of its debit accounts with non-participating countries outside the Western Hemisphere would indeed be $200 million instead of $100 million, as erroneously implied in the statement of **a net deficit for the group as a whole.**

It would thus be impossible for the European Recovery Program to contemplate consideration of the payments position of the participating countries **vis-a-vis** the non-participating countries outside the Western Hemisphere as a determinant for the apportionment of funds. The countries will need to be left to their own devices to find a way of balancing their payments with that group. After funds have been apportioned, off-shore purchases in non-participating countries outside the Western Hemisphere may be authorized out of apportioned ECA funds; this is an entirely different matter and has nothing to do with the determination of a basis on which ECA funds can be allocated.

If, then, we take as preliminary guiding bases in this connection the estimated net balances with the Western Hemisphere and among the participating countries themselves, and ignore the estimated net balances with the non-participating countries outside the Western Hemisphere, we can reduce the problem to more manageable proportions. It must be remembered at this point that, to include in the guiding bases the balances of payments of the participating countries with each other, it is necessary that the participating countries establish a multilateral Clearing Pool. It is assumed that such a Pool will be set up, for example, with the Bank for International Settlements.

3. Firm Allocations

If balances of payments are to be used as factors in the determination of the allocation of ECA funds among the participating countries, it is necessary to use advance estimates of the prospective magnitudes of such balances. Clearly, the United States could not generally commit itself to the payment of deficits as they would actually arise over a given period of time. Such unlimited commitments, for the whole of the program, would obviously be incompatible with the provisions of the Economic Cooperation Act. But it is not only for this reason that such commitments could not and should not be made. Such procedure, it must be noted, would also tend to make the receiving countries expand their imports unduly and neglect their exports. Firm allocations will avoid this effect.

By the same token, however, it would be undesirable to provide that, for those countries that have surplus balances on intra-European clearing account, firm basic allocations of ERP funds would be reduced by the amount of dollars they receive in settlement (or part-settlement) of these balances as they will actually arise. For, if such a provision were made, these countries would lose interest in promoting or even maintaining their exports to other participating countries since, no matter how large or how small their surplus balances on intra-European account, they would always have the same amount of ERP dollars at their disposal. To them, reducing exports would mean retaining additional domestic resources for home use.

Again this situation can be avoided by a firm allocation of ERP funds based on net deficits—Western Hemisphere and participating countries taken together—estimated in advance. Such firm allocations would then operate, in the case of the countries having surplus balances on intra-European clearing account, to make it possible for them to earn additional dollars by increasing exports to participating countries—just as it is possible for them to add to their dollar resources by increasing exports to the dollar area. It is true that, to adopt a system of administration for ERP funds that would make such a result feasible, it would be necessary at one point to break with the principle of "firm allocation" in the sense that no country could force up the dollar amount, employed for its benefit, by increasing its trading deficit. However, such leniency would apply only on a limited scale—set by a proportion of the intra-European net clearing balances—and would be protected, as far as United States commitments go, by an adequate reserve to be set aside by ECA for precisely this purpose. The mechanics of such procedure will be explained below.

4. Basic Allocation Quotas

The principle of firm allocations of funds, to be modified to a limited extent with respect to provisions for the intra-European clearing, may be anchored in the establishment of basic allocation quotas for each country related to the estimated net deficits, for a

(Continued on page 24)

*Dr. Richter is Chief of the European Division of the Office of Foreign Agricultural Relations, Department of Agriculture. During the war he served as a U. S. representative in London on a number of international Working Parties which dealt with the prospects of postwar European economic conditions and prepared relief and reconstruction programs. In 1946 and 1947 he was economic advisor to the U. S. Element of the Allied Commission for Austria. The present article is in no way intended to reflect Government policy, but merely represents the writer's personal views.

Abuse of Sterling Area Trading Facilities

By PAUL EINZIG

Noting British objections to pooling resources of Sterling Area with those of European countries, Dr. Einzig points out this action is based on British fear other countries will abuse Sterling Area trading privileges in order to obtain dollars at expense of Sterling. Holds Britain may yield to obtain Marshall Plan aid, but feeling persists problem could be worked out within Sterling Area.

LONDON, ENGLAND—One of the main obstacles in the Paris negotiations for a Western European currency clearing is Britain's reluctance to place the resources of the Sterling Area at the free disposal of the Marshall aid countries. The British attitude has come in for much criticism, not only on the part of the European countries which hope to derive unilateral benefit from the pooling of the resources of the Sterling Area with those of Western Europe, but also on the part of American quarters which are naturally anxious to ensure the success of the Marshall Plan.

Dr. Paul Einzig

Yet there is another side to the question. It is the legitimate British fear that the Western European Governments would abuse their trading facilities with the Sterling Area, in order to secure additional dollars at the expense of Britain and the Sterling Area. This suspicion is based on bitter and costly experience. Even in the absence of unlimited trading facilities there has been much trickery and deceit on the part of continental governments during the last two years. In many known and proved instances, goods imported by Western European countries from the Sterling Area were re-exported to the United States. This meant that since American demand for such goods was by no means unlimited, the dollar gain of the continental countries was the loss of Britain and the Sterling Area.

The Netherlands has been one of the worst offenders. Having purchased large quantities of Malaya rubber she has re-sold it to the United States, thereby depriving Britain of many millions of dollars. This practice continued for a long time in spite of repeated British protests. The Netherlands Government repeatedly promised to stop it, but such is the deterioration of morality that even a nation of such high integrity as the Dutch could not resist the temptation of dishonoring its promises for the sake of earning extra dollars. The Netherlands continued to import rubber under the false pretense that it was needed for domestic requirement, and, in violation of all undertakings, she continued to re-export it to the American market.

More recently another instance of wholesale abuse of Sterling Area facilities has come to light. It concerns the systematic re-export of wool and other Australian products to the United States. The European countries taking part in this traffic include France, Italy, the Netherlands and, of course, Belgium.

This latter country has acquired an unenviable reputation for securing dollars by means of every conceivable method of deceit and trickery at the expense of Britain. During the brief and disastrous experiment of sterling convertibility in 1947 Belgium was easily the worst offender among the countries which abused the conversion facilities, thereby contributing to the breakdown of the arrangement. Even after the suspension of convertibility Belgium has always found ways by which to secure rather more than her fair share of the British gold reserve. With the aid of devices that would have put the notorious Dr. Schacht to shame, the Belgium Government managed to secure gold from London almost every month since the conclusion of the payments agreement with Britain in Sept. 1947.

In the instance referred to above, Belgium and other Western European countries have secured dollars primarily at the expense of Australia but since Britain has to supply Australia with dollars out of the Sterling Area dollar pool, in ultimate end she has to bear a large part of the loss thus incurred.

The Australian Government has decided to send a special investigator to Europe to secure proof of the resale of Australian wool which has recently resulted in the loss of direct wool sales to the United States from Australia. Action is liable to be taken under the export control laws, in the form of embargoes on exports to the offending countries. The Australian Government has already informed several countries which have been re-exporting Australian wool to the United States that in future their purchases will have to be restricted by the Exchange Control branch of the Commonwealth's Bank to quantities that are considered sufficient for domestic requirements.

The effective application of this measure would close one of the loopholes. There are, however, innumerable others through which Britain stands to lose dollars, even under the existing limited Sterling Area trading facilities enjoyed by Western European countries. If, as a result of an agreement in Paris, these facilities should be extended considerably, Britain's dollar losses would be increased accordingly. Judging by past experience, undertakings given by the governments concerned to observe the rules of the game are not worth the scrap of paper on which they are written. Such is their need of dollars that they do not hesitate to resort to any conceivable underhand methods to satisfy their need at Britain's expense.

The worst of it is that, owing to the existence of loopholes in the British exchange control these countries are in a position to secure sterling in unofficial markets. This means that Britain does not even benefit by the receipt of goods corresponding to the continental purchase in the Sterling Area. It also means that, since sterling is obtainable in the free market at a discount, the continental countries are in a position to offer the re-exported goods at prices with which legitimate exporters in Sterling Area countries are unable to compete.

Such is Britain's need for Marshall aid that it is conceivable that, under American pressure, Sir Stafford Cripps will eventually agree to an arrangement resulting in heavy dollar losses. If so, the number of those who believe that, instead of accepting Marshall aid Britain ought to have worked out her salvation through closer co-operation within the Sterling Area is likely to increase considerably.

The State of Trade and Industry

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

The pace of industrial production for the country at large last week showed no important variation from its high operating rate of previous weeks. Minor strikes coupled with shortages of farm workers in some parts of the country were annoying, but their immediate effects were not too significant in the overall picture. With respect to claims for unemployment insurance, it was noted that they reflected no appreciable rise and that payrolls in general were steady.

* * *

Discussing existing inflationary conditions in the United States, the September issue of "Business Conditions," published by National City Bank of New York, points out that Congress in its special session rejected price controls, rationing, and the corporate excess profits tax as unnecessary, impracticable and positively harmful. It adopted the recommendation to permit restoration of controls over consumer credit, and it gave the Board of Governors of the Federal Reserve System power, effective until June 30, 1949, to increase member bank reserve requirements by a limited amount. On the other hand, states the business letter, it renewed and liberalized government guarantees of housing loans, which will encourage further expansion of urban mortgage loans which many people consider the most influential single factor in the inflation.

The new powers affecting credit can add nothing to the supply of goods, and while they are designed to reduce demand by limiting the ability of people to borrow and banks to lend, their effect in the overall situation is not likely to be very great, it observes. Consumer credit has expanded since the end of the war not primarily because instalment terms have been eased—in fact, the fixed terms prescribed by the Federal Reserve Board's Regulation W were in effect until November, 1947—but because the items sold on deferred payment became increasingly available, because needs were acute, and because people, having jobs and owning liquid assets, could command credit, states the letter. In most cases these influences toward expansion are still present. The trend seems unlikely to be reversed by stiffening terms on payments, although it may be slowed down and inflationary pressures to that extent abated.

It concludes by saying, the special session added to, rather than subtracted from, government spending—lending—guaranteeing; it encouraged a further growth in mortgage credit; and it adopted two credit control measures which cannot be expected to do much as long as other policies of the Administration favor credit expansion. This is not getting at the causes of inflation.

* * *

A comparison of prices of 34 automobiles as of September, 1948, with those advertised for the same cars in 1941, according to the Sept. 6 issue of "Steel" magazine, shows that during this period the average price increase per car—unweighted for production volume—is $942, or 87.7%. In 1941, 18 of the 34 makes were priced under $1,000. Today the lowest figure is $1,371.

In view of the sharp increase in price, which on some models exceeds 100%, one would think that after several years of high production signs of customer resistance to high prices would be discernible, states this trade paper. Such resistance that may exist is more than offset by unsatisfied demand, the magazine adds.

Unfilled orders for passenger cars on the books of new car dealers are estimated by the National Automobile Dealers Association at 7,300,000 on July 1, a gain of 11% over the backlog of Jan. 1.

At today's prices 7,300,000 cars would cost eager customers about $12,000,000,000. At the present rate of production, the paper concludes, 26 months would be required to fill the orders.

* * *

Net railway operating income of Class I railroads for July, 1948, was $105,256,808, according to the Association of American Railroads. The corresponding figure for July, 1947, was $61,197,828.

Net railway operating income for the first seven months of 1948, before interest and rentals, totaled $516,189,527 compared with $430,603,569 in the same period of 1947.

Estimated net income, after interest and rentals, totaled $76,700,000 for July, 1948, compared with $34,800,000 in the same month of 1947.

In the first seven months of 1948 net after interest and rentals is estimated at $334 000,000 compared with a net income of $247,000,000 in the corresponding period a year ago.

In the 12 months ended July 31, 1948, the rate of return on property investment averaged 3.79%, compared with a rate of return of 3.69% for the 12 months ended July 31, 1947.

Total operating revenues in the first seven months of 1948 amounted to $5,448,712,802 as against $4,858,577,843 in the like period of 1947, or an increase of 12.1%, while operating expenses totaled $4,275,076,138 compared with $3,805,390,575 in the corresponding period of 1947, or an increase of 12.3%.

* * *

The unfavorable effect of hot weather in most areas on retail trade was alleviated last week. Retail volume dropped slightly below

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The Investor Must Have Tax Relief!

By ROBERT A. GILBERT

Mr. Gilbert maintains it is feasible as well as necessary to afford investors material tax relief now. Shows great growth of present tax load in contrast with period after First World War; asserting burden is discriminatorily imposed on investor and securities business. Pleads for 50% maximum levy on large incomes and elimination of double taxation of dividends, demonstrating $2.5 billion cost thereof can be easily compensated for by reducing expenditures.

As we enter the fourth year after World War II Federal revenues have decreased only about 3% from the war peak total, and average about 21% of national income. The situation is a decided contrast to the trend of taxation after World War I. In the fourth year after the latter, Federal tax collections had been reduced about 37% from their war peak to a total of 3.6% of national income. Total tax collections now (Federal, state and local) are estimated to exceed $50 billion annually, or about as much as we spent on food in 1947 ($51 billion estimate). Personal income tax receipts in the fiscal year just ended were about 19 times 1939 levels.

Robert A. Gilbert

The burden of our increased tax load rests particularly heavily upon the investor, and is more restrictive upon the securities business than upon most other industries. Without in the present article going into the reasons why a restoration of the investor to his rightful position and a revival of the capital markets are essential to the maintenance of the American standard of living, it can be stated that a prerequisite to such a restoration and revival is a more reasonable tax policy for the investor — specifically a limitation on total taxes on large incomes to 50% and the elimination of double taxation of dividends.

The Cost

How much would these tax changes cost and what is the feasibility of their achievement now? At the outset of this discussion it should be noted that basically the revenue loss is really insignificant compared to the resumption of sound economic progress. For example, the revenue lost by limiting certain income taxes to 50% and eliminating double taxation on dividends may be estimated at about $2.5 billion, compared to an annual deficiency in plant investment, due largely to onerous taxes, amounting to about $8 billion.

Politicians, however, may be prone to overlook such fine points, so let us examine the recent budget figures for possible economics and let us also consider other possible sources of income to replace the lost revenues. The situation of the budget is somewhat complicated by European relief needs and the program of national defense. In addition there are many other items of Federal expense other than general government, the reduction of which may require considerable courage. It is quite possible that a different attitude toward the role of governmental spending will have to be evolved. Economy methods as novel (yet sound) as the New Deal novel (but unsound) spending methods may be needed.

Possible Economies

To mention some possible economies: The cost of general government last fiscal year was probably about $1.5 billion, compared to $556 million in 1939. This item is not a substantial percentage of total expenditures which in 1948 were $39.3 billion. Shrinking all departments to prewar size might produce a maximum saving of perhaps $500 million, after adjustments for the changed value of the dollar. Of course efficient administration can introduce many economies of operation. For example the New Jersey Chamber of Commerce has estimated that the various Federal bureaus have about 3.6 typewriters per typist employed. For really substantial savings however, we must look to other parts of the budget. Transportation and communication expenditures in fiscal 1948 were about $1.5 billion compared to $500 million in 1939. Included here were some $200 million for the Maritime Commission, $300 million for roads, and a postal deficit of over $300 million. With reference to the road expenditures we urge that the government give immediate consideration to the possibility of toll highways. Traffic congestion in many areas can be relieved by the construction of such highways which can be amortized on a sound basis at moderate tolls. The Pennsylvania Turnpike is an outstanding example of a successful toll road. Its self-supporting features have attracted private investment. More toll roads would relieve taxpayers of a substantial burden. Here there is an opportunity for novel but courageous economy in Federal spending.

With reference to the postal deficit there is apparently no near term solution to comfort the in-

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"OBSERVATIONS"

A. Wilfred May will resume his usual column in next week's issue.

Lloyd Hatcher Heads Inv. Dept. of Trust Co. of Georgia

ATLANTA, GA. — Lloyd B. Hatcher, Vice-President, has been appointed head of the investment department of the Trust Company of Georgia. Mr. Hatcher was formerly New York representative for the bank.

David Stein Forming Own Investment Co.

David Stein is forming David Stein Co. with offices at 637 Manida Street, New York City, to engage in the securities business. Mr. Stein was formerly manager of the trading department for Morris Stein & Co.

A Reply to the President

By HAROLD E. STASSEN*

Republican spokesman charges Mr. Truman's Labor Day talk was that of a candidate pleading for labor vote. Dishonoring labor with extreme demagogic appeal to set class against class. Asserts inflationary spiral was launched by President in 1945 in following Wallace postwar depression philosophy.

Yesterday in Detroit the American people were given an additional reason why there should be a change in the White House and Gov. Thomas E. Dewey should be elected in November as the next President of our country. It was clear that your special visitor of yesterday came not as the President to commend American labor on a superb record, but rather as complaining candidate for election seeking labor's vote.

Harold E. Stassen

His scolding, threatening, complaining speeches were further indications of the fact that he cannot furnish the essential leadership in affairs at home and abroad so vitally needed in these next crucial years. He used a day set apart for all Americans to honor American labor, and instead dishonored labor with an extreme demagogic appeal to set class against class made to an audience built up with labor boss threats of a $3 fine for non-attendance.

The people of our country want a united America making progress toward better living, better housing and better health. They want a united America presenting a solid stand against dictatorship and suffering in other parts of the world. They want a united America striving firmly and wisely for world peace. They want a united America with opportunities and freedom for young men and women in the years ahead. They know that a successful united America requires cooperation between labor and business and agriculture and every walk of life.

Deceit to Effect Disunity

But your visitor brought a transparent attempt to create disunity and to benefit politically by deceiving labor to secure the vote of labor. I am confident that labor will not be deceived. Labor will think for itself as free men. Labor will not be the tail on the political kite of any one candidate or any one party.

Working people realize that they cannot be separated from the consuming public in the economy of America. Wage increases to a working man are no benefit if that man's wife must leave the increase in wages at the corner grocery. Labor knows that the high standard of living in America is the result of high production which comes not only from their own skill and work, but also from the genius of management, the ability of the inventor and the use of capital.

I have great faith in the future of America and of freedom if the people of the great land keep their eyes lifted with a vision of progress, and join with the spirit and enthusiasm of its youth in a determination to win through.

The skill and accomplishment of American labor during and since the war, the ingenuity and ability of management, the perseverance and toil of the farmers, and the resilience and stout hearts of the veterans are to be highly commended. These are among the products of liberty which cannot be synthetically produced.

When World War II ended—first V-E Day and then V-J Day—the now President of the United States was in office and had with him in the national Congress a clear majority of both the Senate and the House of Representatives of his own party. He had a majority of fifteen in the Senate and of fifty-one in the House. In his initial months of service he had a more complete attitude of support and of good feeling and of well wishing and of cooperation than any President has had for a half century.

At this crucial point he began to make a record of failures at home and abroad.

He traveled to Potsdam for a vital international conference without taking with him a single representative of our Republican party even though the bipartisan foreign policy had been well established. Long before that date a remarkable contribution had been made to American foreign policy by Michigan's own distinguished citizen, the Honorable Arthur H. Vandenberg. Yet even he was left behind by the President, and Potsdam was a colossal failure for the United States.

Here at home at this pivotal time the President followed the misleading advice of assistants who have since been repudiated by the unfolding economic postwar record. He took a whole series of inflationary steps upon the mistaken concept that America's problem after the war would be a depression.

Wallace Followed

He and Henry Wallace, then his Secretary of Commerce, were in agreement on the erroneous misconceived appraisal of postwar America. He followed Wallace. Wallace followed those who had no faith in America.

Henry Wallace, Secretary of Commerce in 1945, predicted 7,000,000 unemployed. At the same time, the President predicted that wages would decrease by $20 billion. On Aug. 18, 1945, he abruptly released major wartime controls, and on his own initiative he set off the inflationary spiral from which this country is still suffering. This is the inflation which he now laments. This is the inflation which he now tries to blame on the Republican party.

One result of his action and his speeches was an all-time high record of strikes and work stoppages. This caused the loss of 116,000,000 man days of labor through strikes in 1946; the loss of over one billion dollars in wages to the workers; the loss of crucial production in steel, in food, in machinery and in coal; and the loss of substantial income to investors. Uncertainty was spawned in the minds of Europe and of the Kremlin as to the economic future of this great, free country.

After these initial fateful follies had begun to reap their harvest, he persisted in following this erroneous economic advice. His speeches of yesterday show that he is still following such advice. His miscalculations have been consistently based on a pessimistic view of the future of America.

With a record of little judgment and less faith he once again sets himself up as a prophet and attempts to arouse in America an unreasoning, nameless fear of future depression, unemployment and chaos if he is not retained in office.

One of your visitor's principal complaints in his address yesterday was the Taft-Hartley Labor Law. This law was passed with the support, not only of Republicans, but also of a majority of the members of his own party in Congress.

The Truth About Taft-Hartley Law

It is a law which he himself has used on seven different occasions to bring about settlements of threatened strikes in crucial industries, thus preventing damage to public and loss of wages to the men.

Under this new law, as every member of the AFL and CIO, including the United Auto Workers and the Teamsters Union knows labor today has negotiated the best wage contracts in history. Furthermore, these contracts were negotiated under the new law with the minimum loss of wages through strikes. The official government statistics show that there has been less than one-third the strike loss under the new law than there was in 1946. No fair minded, thoughtful union member in America would exchange the year 1948 under the law for the year 1946 without the law.

The curbs which have been placed on arbitrary, quick tempered action by some labor leaders have resulted in a great benefit to the ranks of labor and to the consuming public of the nation.

To be specific, in June, 1947, just before the Taft-Hartley law took effect, automobile workers, including Ford and General Motors, earned an average hourly wage of $1.50 under their contract. Today in the new contracts negotiated under the new labor law, they have increased from $1.50 to $1.65 average per hour. Labor as a whole increased from an average of $1.18 to an average of over $1.30 per hour in a year under the new law.

The plain facts are that under the short-sighted policy for labor advocated by the President between V-J Day and August, 1947, labor lost ground as compared to cost of living. Their average hourly wages in manufacturing employment, including overtime, increased 20%, but prices increased 24%, spurred up by heavy production loss due to strikes and other inflationary pressures.

Since the new labor law took effect in August, 1947, labor has fared better than it did before. It has at least kept abreast. Both wages and prices have increased approximately 7% under the law.

In short, labor has fared better under the broad public interest approach of this legislation than it did under the President's postwar narrow labor policy.

Why Truman Complaints?

In the face of these plain facts, why does the President make these extreme complaints about the law—a law which was passed over his veto by a two-third majority of the members of Congress and by a majority vote among the members of his own party in Congress?

Why does he complain about a law which provides for eighty days to settle a dispute affecting the whole country without a strike? Why does he complain about a law which requires financial reports of union officials, which opposes secondary boycotts, which reduces clashes between unions, but which does not take away the authority to strike, nor prevent successful bargaining for fair contracts? Clearly, it is be-

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*Prepared text of an address by Gov. Stassen at Masonic Temple, Detroit, Sept. 7, 1948.

What Is Sound Money?

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

Defining "sound money" as system which permits holder of currency to receive for it a definite weight in gold coin, just as trunk check issued by railroad gives right to claim a trunk. Attacks present monetary system set up by New Deal as species of robbery, affecting adversely the thrifty as well as workers and great middle class. Says restoration of gold standard will obviate need of price controls.

If you are a plain American citizen, you'll have the common sense to understand what I am going to say. But if you are a Harvard man, or a professor with a foreign accent, you'll find it harder to understand. And finally if you have been educated at Cambridge, England, like J. M. Keynes, who was called in by the New Deal to justify what no honest and competent American could stomach, namely, Government managed paper currency, requiring the prohibition of the right of Americans to own gold or gold coins, you'll have to learn again, as they are in England and their countries where the freedom to own real money was taken away, that it leads to Government control of your life, waste, denial of incentive to earn and save, and eventual slavery. "Those who do not use their eyes for seeing will need them later for weeping."

Philip M. McKenna

The Republican party has made a start by coming out in its platform for "sound money." What do they mean, exactly? It's easier if you consider that paper money is like a trunk check, or a meal ticket. What is a "sound" system of trunk checks? It's a system where after you give up your trunk to the baggage man on a railroad, you'll get your trunk back when you present the trunk check at the station to which it is sent. If the railroad steals some of the trunks and passengers get back only about 20 trunks out of 35 sent, or if you can get your trunk back some other time, like "pie in the sky, bye and bye," it's not a sound trunk check system. At present, we citizens don't have "sound money" because in 1934, "to meet an emergency" (where have I heard that phrase since) and on the advice of foreigners called in to advise the New Deal, a law was enacted prohibiting

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LETTER TO EDITOR:

"Irredeemable Notes Worthless"

In letter-to-the-editor, Edward Henry Neary cites statutes to show that the weight of gold is the only true criterion of value.

Editor, The Commercial and Financial Chronicle:

The Constitution of the United States provides Art. I, Sec. 8: "The Congress shall have power . . . To coin money, regulate the value thereof and of foreign coin, . . ."

The Gold Clause Cases, 294 U. S. 240 ss., arose out of events which occurred while the following four statutes were in force.

First, U. S. Code, title 31, sec. 314: "The dollar consisting of 25.8 grains of gold 0.9 fine, shall be the standard unit of value, . . ."

Second, ib. sec. 318: "Any gold coins of the United States, if reduced in weight by natural abrasion not more than ½ of 1% below the standard weight prescribed by law, after a circulation of 20 years, as shown by the date of coinage, and at a ratable proportion for any period less than 20 years, shall be received at their nominal value by the United States Treasury. . ."

The two foregoing fix ". . . the standard weight and limit of tolerance . . ." referred to in the last paragraph of the Joint Resolution of June 5, 1933, which is copied in a note to the opinion of the Court by Mr. Chief Justice Hughes, in the Norman Case (294 U. S. 240) and in sec. 457, copied below.

Third, ib. sec. 372: "The value of foreign coin . . . shall be that of the pure metal of such coin of standard value, . . ."

Fourth, ib. sec. 457: "The gold coins of the United States shall be legal tender in all payments at their nominal value when not below the standard weight and limit of tolerance provided by law for the single piece, and, when reduced in weight below such standard and tolerance, shall be legal tender at valuation in proportion to their actual weight."

Note that there is no such thing, material substance, as value; value can not be fixed by any law or regulation. The foregoing show that the gold is the repository of value and that the value varies directly as the weight. That is, the weight of the gold is the criterion of value. Therefore while gold was in circulation, properly certified bars of gold sold at a premum over coin because it was necessary to melt and assay coin in order to detect abrasion and counterfeiting.

In the Norman Case Mr. Chief Justice Hughes wrote for the Court: "Moreover by virtue of this national power, there attaches to the ownership of gold and silver those limitations which public policy require by reason of their quality as legal tender and as a medium of exchange. Ling Su Fan v. United States 218 U. S. 302, 310. Those limitations arise from the fact that the law 'gives to such coinage a value which does not attach as a mere consequence of intrinsic value'. Their quality as legal tender is attributed by the law, aside from their bullion value. Hence the power to coin money includes the power to forbid mutilation, melting and exportation of gold and silver coin, "to prevent its outflow from the country of its origin.' Id., p. 311."

The quality of legal tender gives to irredeemable notes a value which does not attach as a mere consequence of intrinsic value; they are intrinsically, i.e., inwardly, of themselves, worthless; their value is intrinsic, added by the fiat, the sayso, of the statute; they are fiat money. The value of redeemable notes attaches because of the gold with which they are redeemed, paid.

History abounds with examples of the effects of irredeemable, legal tender, paper, currency; China, e.g., at present.

EDWARD HENRY NEARY

Sept. 2, 1948.
273 Main St.,
Port Washington, N. Y.

From Washington Ahead of the News

By CARLISLE BARGERON

It is becoming increasingly apparent that there is a method to Henry Wallace's madness. His crusade is proving not to be in vain. This is to say that he is having a profound effect upon the shaping of Truman's campaign, and particularly his so-called foreign policy.

Carlisle Bargeron

On this latter, the investment of Commies in Henry is bringing a 100% return.

It is pretty clear now that Truman is making a complete about-face in his dealings with Stalin. No longer is the slogan one of "get tough" or "call his bluff." I despise the word, but it is unquestionably a program of appeasement that is being followed now.

The man most responsible for this is Henry. It is what he has been preaching. "We must understand Russia" is what he has said.

Well, we are getting around to "understanding" her. It seems that we were wrong, for one thing, in setting up a separate currency in the Allied zone of Germany. Russian currency is to take its place. Parenthetically, General Clay opposed the separate currency in the first place. But at that time we were "calling Russia's bluff," we were "acting tough."

Taking their cue from Washington, American occupation officers began talking about running armored trains through the blockade. It looked as though war might come any day. In this atmosphere, probably just an amazing coincidence, the military got more appropriations and the boys were again ordered up for the draft.

Under the circumstances, Clay and his fellow officers must have been quite surprised when he was called to Washington, several weeks ago, and told, among other things, to pipe down on the armored train stuff and such like.

I am prepared to give the devil his due and credit Henry 100% for bringing all this about. As a matter of fact, Henry is essentially an isolationist and a pacifist, the two epithets which his crowd of New Dealers applied to the Republicans who were not enthusiastic about World War II. Henry flung the epithets along with the rest of them. But he is now preaching his true thinking. He was an isolationist, a pacifist or whatnot in World War I at a time when he was of draft age. In fact, he got deferment as an essential stayer at home.

This did not deter him from smearing men who were heroes in that war and who, because of the disillusionment they experience, were against World War II. But he was acting out of character then. He was performing for Franklin Delano Roosevelt, the Great. Now he is back in his real role. Welcome him back, I say.

As much as Truman despises him personally, he would give anything for Henry to come back to the fold, not only Henry but his whole entourage. Because they are essential to his having a chance for victory.

And if they were to come back it would create a problem for the Republicans. Make no mistake about that.

Recent polls indicate that with Henry and his crowd, Truman would carry New York state.

What are the chances of his coming back? Left to him, the answer would be none. But the decision would not be his. He is a captive. All the crowd around him has to do is to pull out and leave him standing alone.

You have got to keep in mind that Truman didn't really fire Henry. He asked him to resign after his famous foreign policy speech, of course. But it was well known that Henry intended to keep on until he forced a break. If he didn't succeed that time, he was planning to try and try again. In other words, it was Henry who forced the break. Truman made nary a move. Indeed, he endorsed the speech which precipitated the showdown.

You might say that for these fellows now to switch back would be too rough for the American people to take. The Communists wouldn't openly do it. They would just pass the orders down. The others would undoubtedly denounce the Communists for having taken over their American movement and give this as the reason for their quitting. With a great show of patriotism, they would renounce their movement and say they were supporting Truman as offering the greatest promise for what they are trying to accomplish. There would be great rejoicing in what is known as the Democratic camp.

One has heard frequently that this is just what the crowd intends to do, after they do their job of softening up Harry and letting him know just how potent they are. Frankly, I've seen screwier things in American politics than this. In the meantime, they are certainly doing a good job in moulding Truman's campaign character.

Witherspoon to Give Course at University

ST. LOUIS — The University College of Washington University announces a ten weeks' course, "Investment for the Layman," to be given by William Witherspoon, economist of Newhard, Cook and Co.

William Witherspoon

The course will be given on Wednesday evenings 7:45-9:30 p.m., Sept. 29-Dec. 1. Tuition is sixteen dollars. The course is planned for persons desiring a knowledge of investing for themselves, estates, trusts or endowments. Included will be analyses of corporate statements, effect of monetary conditions, and the law of supply and demand upon security markets; investor psychology, theories of investment, and discussions of current developments affecting security prices.

Carborundum Co. Note Placed Privately

The First Boston Corp. announced Sept. 8 that it has placed privately with an institution purchasing it for investment, a $10,000,000 Carborundum Co. 3½% promissory note, due Aug. 1, 1965.

Financial Problems of the ERP

By M. S. SZYMCZAK*

Member, Board of Governors of Federal Reserve System

Reserve official maintains success of foreign program depends on our own future general policies abroad and at home. We must avoid prohibitive tariffs and increase imports. Cautions we keep our own house in order to avoid booms and depressions which cause drastic fluctuations in our foreign purchases

The European Recovery Program can be distinguished from other types of postwar assistance because of its main purpose—to bring about a balanced economy in Europe and throughout the world. It represents a unified approach to the overall economic problems of Western Europe. American assistance under the program is intended to meet the costs of imports of goods and services essential to maximize production within the participating countries and to expand their trade among themselves and with the rest of the world. These long-range aims represent a great progress over relief measures and wasteful methods of attempting to deal with short-term problems of individual countries on a piecemeal basis. To these ends, self-help and mutual cooperation on the part of the European countries are the necessary counterparts to American assistance, and the United States has a right to expect that the very large sums of money made available by Congress will be used in the most effective possible manner.

M. S. Szymczak

A program of four and a quarter years is contemplated and Congress has authorized approximately $5 billion of aid to Western Europe for the first year of the recovery program. This authorization was based upon careful and exhaustive studies by the technical staffs of the United States Government of essential European requirements and availabilities in the Western Hemisphere and elsewhere. It has been tentatively estimated that the total amount of aid needed over the entire period of the program might amount to $17 billion, but it is clear that estimates of requirements more than a year in advance must be very uncertain.

American assistance is not intended to enable European governments to continue practices of deficit spending and trade restrictions. The avoidance of inflationary practices in government budgets and the self-financing of internal costs of production and investments are regarded as prerequisite to the stabilization of currencies and the adoption of multilateralism in foreign trade. In this connection, the Administrator of the program has concluded agreements under which all recipient countries have undertaken very substantial obligations. These agreements embody the basic principles of the Charter of the International Trade Organization, which was adopted at Havana last March by 53 nations. Recipient countries agree to reduce trade barriers, to eliminate restrictive business practices, and to avoid arrangements restraining competition in international trade, limiting access to markets or fostering monopolistic control of natural resources. In particular, recipient countries agree to permit access to their natural resources by American investors and to put at the disposal of the United States scarce strategic materials in reasonable quantities and on reasonable terms.

Local Currency Funds

Of special significance is the provision in the European agreements requiring recipient countries to set aside in a special account local currency in amount equivalent to the dollar value of goods and services received from the United States in the form of grants. These local currency funds are to be raised as part of the general government revenue and their uses are subject to approval by the Administrator of the program. In a number of cases the amount in question will be a very considerable portion of the country's total money supply. Thus, in these European countries the Administrator will be in a position to exercise a great constructive influence upon their financial situations. The use of these local currency funds is to be determined in accordance with the principles and aims of the ERP; namely, for retirement of currency or public debt as an anti-inflationary measure, for supplementing existing savings in new investments of productive character, and perhaps for financing net exports to other participating countries.

The withdrawal of such local currency funds from the markets and their use to repay public debts have an automatic anti-inflationary effect. With the lessening of inflationary pressure and the gradual development of deflationary trends in certain countries, however, conditions may arise under which the release of these funds for new investments would put to work available resources and manpower. In such cases the use of these funds would have no inflationary effect in the short run and would contribute to raise production and stabilize the economy in the long run.

Financing Intra-European Trade

In a practical application of the principle of mutual cooperation among Western European countries, a possible use of these local currency funds might be for the purpose of financing intra-European trade. Since the end of the war the financing of such trade has been carried out largely through bilateral agreements, stipulating the kinds and amounts of goods to be traded and providing for the extension of reciprocal lines of credit. The restrictive nature of these agreements is obvious, as they tend to limit the volume of trade to the level of those countries which are least in a position to export. Moreover, the gradual exhaustion of the lines of credit has led creditor countries (such as Belgium) to insist on payments in gold or dollars for their surpluses or to balance trade on bilateral bases. Toward the latter part of 1947, this factor was apparently threatening a complete breakdown of intra-European trade. An attempt to

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*A Lecture by Mr. Szymczak before School of Banking, University of Wisconsin, Sept. 1, 1948.

What the Bankers Are Doing About Inflation

By A. G. BROWN*

Deputy Manager, in Charge of Agricultural Commission, American Bankers Association

ABA official describes constructive program of bankers to curb inflation and contrasts this movement with actions of Federal agencies in encouraging use of Government credit. Cites situation in Georgia and outlines information banks should have in granting sound agricultural loans. Warns banks may lend themselves to political attacks.

Your presence at this Bank Study Conference is one of the most encouraging aspects of banking. All over the United States, throughout the year, bankers are attending conferences, going to school, and keeping informed about the developments which affect the business and the welfare of our country. We do these things because we want to continue banking under private management. We want to make our business safe, secure, and profitable so that it will provide better opportunity, at good wages, for people who devote their lifetime to banking. We want to increase the services rendered by our banks so as to justify their continued growth as essential community institutions.

A. G. Brown

During the war, by their services to the government and to the people, banks reached a high point in public esteem. We can maintain this good will only by an honest and sincere effort to continue to provide unselfish public service. It goes without saying, that we are doing just that as is evidenced by the national campaign in which every bank in the country is participating to fight inflation.

It has been said that "everybody talks about the weather but nobody does anything about it." In this case, everybody was talking about inflation, but the bankers are doing something about it. Early this year the leading bankers in the United States, through the American Bankers Association, launched a campaign which has been carried on in every state by the state bankers associations, and at the community level by local banks, to educate the public as to the dangers of inflation and the advantages of thrift and conservative spending. How successful this campaign has been, especially as it applies to the well-being of agriculture, is shown by a recent survey on agricultural credit conducted by the Agricultural Commission of the American Bankers Association.

Bank Advertising

Before quoting figures from this survey, however, I want to call your attention to the fact that during the past year banks, in their advertising messages and in their face to face contacts with the public, have urged all people to:

"Buy only what you need now
Borrow only for essential purposes
Spend carefully
Save regularly
Invest regularly in United States Savings Bonds."

This message has been repeated thousands of times by the banks of Georgia as well as by the banks in every other state. Contrasted to the constructive advice, let me quote from a typical message from a government-subsidized agency in the agricultural field:

"FARM LOANS

Long Term—Low Interest Protect the future of your farm by financing with a

LAND BANK LOAN

Never comes due all at one time yet you can pay it off at any time.

PRODUCTION

Requires cash and Production Credit

Has the cash needed by its Members for Producing Crops, Buying Livestock, Fertilizer, Labor and other farm expenses.

For Farm Credit in Frederick County

through the

NATIONAL FARM LOAN AND PRODUCTION CREDIT ASSOCIATION

see

WALTER D. BROMLEY."

When the privately owned and operated banks of this nation embarked on a national campaign to curb inflationary uses of credit, they did not intend that there would be any relaxing of essential credit or credit which would increase production and have constructive uses. However, banks in Georgia as well as in other states have refused to make loans to farmers and would-be borrowers of farms for speculative purposes, the same type of loan that these government agencies apparently are advertising for. The banks have desisted from advertising for loans even though each bank has funds seeking investment. The government agencies, which by their very nature should do their utmost to curb inflation, are instead fanning the inflationary fires by advertising farm loans "Long-Term—Low Interest."

The Record of Georgia

Now, what is the record during the past year for Georgia? The agricultural loans made by Georgia banks during 1947 totaled $95,295,000. These loans met the credit requirements of 103,695 farmers in your state. At the same time, all of the government-subsidized agencies made loans to only 28,914 farmers, in a total amount of $28,008,000. The exponents of government-subsidized, easy credit have taken occasion to use these figures to show that banks, through their credit operation, have encouraged inflation. However, let us examine the purposes for which bank loans have been made.

During the last full year—1947—farm production loans made to Georgia farmers aggregated $60,037,000, and of this amount, only $19,475,000 remained outstanding at the beginning of 1948. The high percentage of pay offs, especially in this state, have indicated the sound and prosperous condition of Georgia agriculture. During the year also, the banks made Commodity Credit Corporation loans to farmers, on cotton and other crops in storage, amounting to $12,596,000. The loans made for production and to insure the orderly marketing of farm products will in no way be judged to be inflationary.

Now, let us consider lending by banks in the farm real estate field. During 1947, loans made by banks in Georgia secured by farm real estate totaled $22,662,000, but the total mortgage debt of Georgia banks at the beginning of 1948 was only $15,932,000. This is a very small amount compared with the increase in value of Georgia farms.

The fact that Georgia farmers have heeded this advice of their bankers to avoid the dangers of excessive debt during this current period of inflation is due in no small part to the national educational program carried on during the past seven years by the Agricultural Commission of the American Bankers Association and the Georgia Bankers Association to keep bankers, farmers, and business men informed about the inflation in farm real estate prices. We have consistently urged our farm customers to keep in sound financial condition, to pay down their debts during these years of prosperity, and have urged them not to make speculative investments in farm lands, but instead to invest their surplus funds in United States Savings Bonds in order to make their own future secure and to help the government manage the enormous debt resulting from the war. We have even gone further than that. We have told our farmer customers that the best way for them to increase production is by following sound soil conservation practices and by increasing the sources of farm income by a balanced and varied production.

It does not set well with us as bankers to sincerely and conscientiously carry on a constructive program for the welfare of our nation, while agencies of our government use the money we pay in taxes urging our customers to borrow money "long term — low interest."

The 31 Production Credit Associations in Georgia had a consolidated net worth at $5,000,181 at the end of 1947. Of this amount, $2,342,500 was government-owned capital stock. If the Farm Credit Administration was doing its duty, it would curb the activities of its agencies which are extremely inflationary and which could be said to be subversive and against the national interest.

What Banker Should Know

It is worthwhile to consider that in the United States the credit needs of the average community are handled mainly by the commercial banks, which gather the savings and surplus funds from the people of the community and lends them to those who can profitably use them. Thus, natural utilization is made by the community of its own credit resources. As a result, the American community and the average American citizen have been recognized as the most progressive and enterprising among the peoples of the world. For the banker to do his job, he needs to know the needs of his trading area. He should know the possibilities for increasing the incomes of the people. Here are some of the things a banker should know about his community and the relationships between banks and the community:

(1) The number of farms.

(2) The physical condition of the farms, including their average yield per acre.

(3) The value of the production of all farm products, including livestock.

(4) The available markets for the things that are produced.

(5) What is the potential income of the farm people? Can it be increased by the proper co-

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*An address by Mr. Brown before the Bank Study Conference, Emory University, Atlanta, Ga., Sept. 3, 1948.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Bowling starts at 8 p.m. sharp on Thursday, Sept. 9, at the City Hall Bowling Center, 23 Park Row (2nd floor). All members interested are urged to be there on time.

NSTA CONVENTION—HEADING THATAWAY, PODNER

Most any night of the week the sing-song voice of the Square Dance caller can be heard somewhere in Texas keeping in time with the whirling music of the fiddlers:

"Do-si-do and a little more dough
A little more heel and a little more toe
The ace is high; the deuce is low
One more change and on you go."

And come November the Dallas Bond Club will have the best rip-roaring fiddlers and barker in the State of Texas on hand to restore a touch of the Old South's culture which has been revived and is now spreading over the State like an epidemic.

Twelve lovely Texas models will be on hand to assist Mr. Stanley Marcus, of Neiman-Marcus, display the newest fashions for Dallas women. Fashion shows are always a popular feature with both Dallas men and women and Mr. Marcus has assured us that the Monday evening show at the Dallas Country Club will surpass any thus far.

Golf in Texas on a November afternoon is comparable perhaps to sailing on Cape Cod in June, swimming in Lake Michigan in July or to sitting in the California sun any time of the year. Judging from some of the scores from our recent field day, the Dallas Club will have some keen competition on hand for the convention tournament.

"Big D" has been witnessing a building boom unprecedented in the history of the Southwest with such landmarks as the Cotton Bowl, Southern Methodist University, Love Field and the Texas State Fair Grounds being subject to a considerable "face lifting."

NSTA members are urged to send in their reservations now to Carrol Bennett, Chairman Registration Committee, c/o Dallas Rupe & Son, Kirby Building, Dallas 1, Texas.

Dealer-Broker Investment Recommendations and Literature

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

Financial Analysis of Thirty Oil Companies for 1947—Brochure—Chase National Bank of the City of New York, Petroleum Department, New York 15, N. Y.

Fire Insurance — Analysis — Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Fire Insurance Stocks as Investment Insurance—Analysis—Carter H. Harrison & Co., The Rookery, Chicago, Ill.

How to Invest—Brochure—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Market Outlook — Outlook for New York and London markets —Cohu & Co., 1 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Chicago, Rock Island & Pacific**, and on **Rayonier.**

Natural Gas—Study of the industry—William R. Staats Co., 640 South Spring Street, Los Angeles 14, Calif.

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

Small Airlines—Reprints of article from "Business Week" including interesting data on **Trans-Carribean Airways**—B. S. Lichtenstein and Company, 99 Wall Street, New York 5, N. Y.

Stocks for Appreciation—List—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

* * *

Amerada Petroleum Corp.—Discussion—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available are an analysis of **Pittsburgh & West Virginia** mortgage bonds; a comparison of **Chicago Great Western, Chicago and Northwestern,** and **Erie;** and leaflets on **Interlake Iron** and **Electric Power & Light Corp.**

Archer-Daniels-Midland Co. — Memorandum—Piper, Jaffray & Hopwood, 115 South Seventh Street, Minneapolis 2, Minn.

Avco Manufacturing Corp. — Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Black Hills Power & Light Co. —Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is an analysis of **Savage Arms Corporation** and a leaflet of **Railroad News.**

Boston Insurance Company — Table of related prices for rights and capital stock—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Boston Insurance Company — Detailed analysis—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Brooklyn Union Gas Company — Memorandum — Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

Bulolo Gold Dredging Limited —Analyisis—Bacon, Stevenson & Co., 39 Broadway, New York 6, N. Y.

Central Illinois Public Service Co.—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **Central & Southwest Corp., Indianapolis Power & Light Co.** and **Portland General Electric Co.**

Cumberland Apartments—Memorandum—The Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Ky.

Elk Horn Coal Corporation—Analysis — Mitchell-Hoffman & Co., Inc., 1424 K Street, N. W., Washington 5, D. C.

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Fall Business Holds Close to Peak Levels

(From the September "Business Bulletin" of the LaSalle Extension University, a Correspondence Institution, Chicago, Ill.)

Industrial production and business volume remain steady. Commodity prices rising more slowly. Diverging trends become more prominent. Opposing factors in the business outlook. Crop production establishes a new record.

Commodity price trends and the best methods of dealing with them have continued to be the main center of attention in the current business situation. They have overshadowed the fact that industrial production and business volume have remained remarkably stable at very close to the postwar peak which was reached earlier this year. The plateau on which all activity is taking place is still high—over 90% above the average of the prewar years—and is about level. For over two years the total monthly output of all factories and mines has varied less than 10%. Although variations among different lines have been marked, the general average has shown greater stability at a high level than in any previous period.

Supporting Forces Still Strong

Prospects for Fall business are very good in most lines and only the usual seasonal expansion will be needed to keep the rate of activity around 5% higher than it was during the corresponding period last year. Business volume, which includes the physical volume of goods produced, transported and sold, as well as the prices at which goods and services are exchanged, is currently around 10% higher than it was a year ago. Rising prices will push it even higher, although the indications are that activity has reached a ceiling established by current productive capacity, the number of workers, and the supplies of material that are available.

The major uncertainties, apart from the disturbed international situation, are the possibility that prices may be rising beyond the ability of buyers to pay, that costs are becoming so high that business cannot meet them, that the enormous quantities of goods being turned out in many lines at high prices and costs may soon run ahead of demand. The readjustment to more nearly normal rates of output after wartime shortages have been filled is likely to take place at some time, but the precise date cannot be determined with any high degree of accuracy. Already it has been deferred longer than in previous postwar periods and longer than was generally expected. When it does come it need not be serious nor long continued but a better balance between prices, incomes and costs will provide conditions for a sound and sustained prosperity. The achievements so far in the postwar period have demonstrated the strength and vitality of the economic system. They also indicate the ability and competence of the managers of industry to make even drastic adjustments to rapidly changing conditions.

Fourfold Basis for High-level Business

Predominant supporting influences continue to be the same as have kept business good in recent years. They are: (1) extraordinary demands by domestic consumers who have both the money and the inclination to buy in large volume; (2) near-record spending by business concerns for new plants, for additional equipment and machinery; (3) enormous shipments abroad, greatly in excess of the imports received in return; and (4) large volume of construction of all kinds, which, in spite of high costs, is scheduled to surpass that of last year by 30% and probably establish a new peacetime peak.

While not all these forces can be considered permanent at present levels, they do not show any marked signs of falling off within the next few months. Even if some should decline, the rate would still be high as compared with most previous periods. Reductions in some fields may be offset by increases in others as they have been in recent years. Even though the quantities of goods produced have been large, in some lines the unfilled orders have been increasing faster than production. New orders have been coming in faster than they were a year ago. Only a marked change in consumer attitudes and different buying policies in connection with business spending and exports will greatly modify the current rate of activity.

Price Trends Most Prominent

Large demand for goods and services is reflected most prominently in the price level. Not even the most powerful forces in boosting costs, either of labor or of materials, can be effective for any considerable period unless buyers are willing and able to pay the higher price required. Increased costs during the last three years have been successfully met not only because they added somewhat to purchasing power but also because current incomes were reinforced by large amounts of savings which had been built up during the war years.

Although price changes have been somewhat divergent during the last few months, nearly all indexes which include a large number of commodities, especially industrial ones, have been rising steadily and are higher than ever before. During the last month, the comprehensive index prepared by the United States Bureau of Labor Statistics rose above the previous peak which was reached in May, 1920 at the high point of the boom after World War I. This index includes about 900 commodities in wholesale markets, and can be considered as widely representative of the level at which the major part of business transactions take place. It is 115% higher than in 1939, and although the rate of increase has slowed down somewhat in the last year, it is still around 1% a month.

The index of consumer prices or the cost of living surpassed its 1920 peak two years ago and is now about 15% higher than that high point. It is 75% higher than in 1939 and has recently been rising at a rate of about two-thirds of 1% per month. The change in retail prices has been about the same and the trend is still upward. Up until recently, retail food prices were advancing somewhat more rapidly but recent in-

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Joins Hess & Co. Staff

PHILADELPHIA, PA.—Hess & Co., Inc., 123 South Broad Street, members of the Philadelphia Stock Exchange, announce the association with them of Horace Linson Michener in their sales organization. In the past he was with Fitch, Crossman & Henry, Inc., and McMillen, Rapp & Co.

Illinois Brevities

Halsey, Stuart & Co. Inc. and associates on Aug. 19 publicly offered $25,000,000 Southern California Edison Co. first and refunding mortgage 3% bonds, series B, due Aug. 15, 1973, at 100.526% and interest. Included among the participants were Dempsey & Co.; Detmer & Co., Alfred O'Gara & Co., and Patterson, Copeland & Kendall, Inc., also of Chicago.

On the same date, Halsey, Stuart & Co. Inc. (the sole underwriter) offered an issue of $5,250,000 first mortgage 3⅛% bonds due Aug. 1, 1978 of Wisconsin Public Service Corp. at 102% and interest.

Another group of bankers, also headed by Halsey, Stuart & Co. Inc., and including, among others, Mullaney, Wells & Co., on Aug. 25, offered to the public $7,500,000 of Arkansas Power & Light Co. first mortgage 3⅛% bonds due Aug. 1, 1978 at 101.07% and interest.

* * *

Julien Collins & Co., Chicago, on Aug. 17 offered to the public 5,970 shares of $3.50 prior preferred stock (par $50) and 11,940 shares of class A common stock of Commercial Discount Corp., Chicago, in units of one share of prior perferred and two shares of class A common at $50.25 per unit. The net proceeds will be added to working capital and used for general corporate purposes.

The corporation is engaged in the busines of providing funds for the current operations of manufacturers, distributors and other business concerns. Its financing activities fall into five principal classifications: Accounts receivable, instalment contracts, warehouse receipt loans, chattel mortgages and miscellaneous loans.

* * *

Sales of Aldens, Inc. for the semi-annual period ended, July 2, 1948 totaled $37,474,691 to establish a new spring season sales record for the 59-year-old firm, Robert W. Jackson, President, announced. This represented a gain of $1,721,877 over the total of $35,752,814 for the corresponding period in 1947, while the 1948 January-June net profit of $303,643 was $90,680 over the figure for the first half of 1947.

Net profits for Spring, 1948 amounted to 63 cents per common share, after deduction of $81,505 for preferred dividends, as compared with 37 cents per common share, after $83,300 preferred dividends, in the same period last year.

* * *

An underwriting syndicate headed by Smith, Barney & Co., and which included, among others, Harris, Hall & Co. (Inc.), H. M. Byllesby & Co. (Inc.), William Blair & Co., the Illinois Co., Julien Collins & Co. and Farwell, Chapman & Co., on Aug. 12 publicly offered 200,000 shares of $4.80 cumulative preferred stock (without par value) of Northern States Power Co. (Minn.) at $102 per share and dividends. The net proceeds will be added to the general funds of the company and used to provide part of the new capital required for the construction program of the company and its subsidiaries.

* * *

Oak Mfg. Co., Chicago-Spring Lake, producers of parts for electronic industry, for the year ended May 31, 1948 reported sales of $10,738,885, and net profits after taxes and charges of $1,136,760, or $2.52 per share, as against sales of $12,138,279 and net of $1,247,597, or $2.77 per share for the preceding year. The remaining $232,000 outstanding 10-year 5% sinking fund convertible debentures were redeemed on June 15, 1948. Current assets at May 31, 1948 amounted to $3,885,157, compared with current liabilities from operation of $910,129.

The principal products of the company include rotary and push button switches, vibrators, record changers, tuners and condensers, as well as special parts made to specifications.

* * *

Illinois Consolidated Telephone Co., independent telephone operating firm serving a population of more than 200,000 has placed privately through Central Republic Co. $500,000 of 3¼% first mortgage bonds due in 1975 with the Mutual Life Insurance Co. of New York. The net proceeds will be used to pay for a construction program which calls for a total outlay of about $1,500,000 this year and next.

* * *

The directors of Howard Industries, Inc., have authorized the sale of $150,000 10-year 5% convertible debentures, the proceeds to be used to help defray the cost of the Cyclohm plant and increase working capital. These debentures are being offered to the company's stockholders without the intervention of an underwriter.

Sales and profit records were again broken during the six months' period ended May 31, 1948. Sales reached a new high of $1,148,212, compared with $827,389 last year. Profits before Federal and State income taxes were $203,527, compared with $130,253 for the same period last year. Net profit, after taxes, was $116,027, as compared with $78,253 last year. This was equivalent to 26 cents per share for the six months ended May 31, 1948. Net current assets rose to $469,456 on May 31, 1948, as against $353,860 on May 31, 1947.

* * *

The City Comptroller of Chicago will receive sealed bids until 11 a.m. on Sept 13 for the purchase of $3,500,000 water works system revenue certificates of indebtedness to be dated Sept. 15, 1948. Interest is not to exceed 2¾% per annum.

* * *

National Tea Co., Chicago, has issued transferable subscription warrants entitling its common stockholders of record Aug. 30, 1948, to purchase on or before Sept. 15, next, 128,230 shares of additional common stock (par $10 per share) at $20.50 per share in the ratio of one new share for each five common shares held. No fractional shares will be issued or sold. No special allocation of the net proceeds has been made. They will be added to the cash funds of the company and will partially restore cash heretofore expended for general corporate purposes. The offering has been underwritten by Hemphill, Noyes & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York City.

National Tea Co. reported sales of $20,415,006 for the four weeks ended Aug. 14, 1948, as compared with $15,720,008 for the corresponding period in 1947. For the current year to date, sales amounted to $164,362,108, against $123,698 045 in the same period last year.

* * *

The Inland Steel Co. last month placed privately through Kuhn, Loeb & Co., New York, N. Y., an issue of $20,000,000 first mortgage 3% bonds, series H, due Aug. 1, 1978, at 101 and interest with seven insurance companies. The net proceeds will be used to help meet costs of improving and expanding facilities.

* * *

The directors of Armour & Co. on Sept. 2 deemed it inadvisable to declare a dividend on the common stock at this time, George A. Eastwood, Chairman, announced. Payments of 30 cents each were made on Jan. 14, April 14 and July 15, this year, the first dividends on the common since 1937.

* * *

White, Weld & Co., New York, N. Y., recently completed the sale of 33,334 shares of common stock of International Harvester Co., of which 15,000 shares were placed privately and 18,334 shares were sold on the New York Stock Exchange on Aug. 19 at $29 per share, plus a commission of 75 cents per share. The offering was for the account of selling stockholders.

* * *

Crane Co., Chicago, and subsidiaries in the United States report for the 12 months ended June 30, 1948 a net profit of $13,891,388, after provision for Federal income taxes.

* * *

Slayton & Co. of Quincy, Ill., and Keokuk, Ia., recently offered to the public an issue of 10,000 shares of 5% cumulative participating preferred stock of Irwin-Phillips Co. at par ($10 per share). The net proceeds, being $90,000, with an additional $500, will be used to pay off a $90,500 note due to the stockholders from whom the original common stock of Irwin-Phillips Co. was purchased. The firm manufactures and sells a line of overalls, work shirts and various types of work clothes. It had a net profit after taxes and charges of $29,411 for the year 1947, against $27,226 in the preceding year and $16,317 in the year 1946.

* * *

All of the outstanding shares of 5% convertible preferred stock (par $50) of Illinois Power Co. have been called for redemption on Sept. 17, next, at $52.50 per share, plus accrued dividends of 32⅔ cents per share, at The Chase National Bank of the City of New York. Each share may be converted on or before Sept. 16 into two shares of common stock. As of Aug. 14, 1948 there were 472,954 shares of common stock reserved for such conversions.

The unconverted common stock will be publicly offered through an underwriting syndicate at $26.25 per share, the net proceeds of which will be used in connection with the redemption of the 5% convertible preferred stock. The following Illinois bankers will participate in the offering: A. G. Becker & Co., Inc., Central Republic Co. (Inc.), Harris, Hall & Co., (Inc.), Bacon, Whipple & Co., William Blair & Co., H. M. Byllesby & Co. (Inc.), Farwell, Chapman & Co. and The Illinois Co.

* * *

F. Eberstadt & Co., Inc., New York, N. Y., on Aug. 12 made a secondary distribution of 71,103 shares of $5 par value common stock of Victor Chemical Works, Chicago, at $39 per share. It was quickly oversubscribed.

* * *

The shareholders of Keystone Steel & Wire Co., Peoria, will on Sept. 24 consider a proposal to

(Continued on page 38)

Lower Meat Prices in Offing!

Northern Trust Company of Chicago reports present effective demand for meat and its products at all-time peak with declines of livestock slaughter. Anticipates larger supplies of livestock, and consequently meat products, will be available in next two years.

Meat at more reasonable prices for consumers appears to be in the offing next year or the year after, according to an article in the September issue of "Business Comment," the bulletin of The Northern Trust Company. Surveying current record prices of hogs and beef steers, the bulletin points out that during August, the latter averaged almost $36 per hundred pounds at Chicago, compared with $29 in August of 1947. Hogs averaged over $29, in comparison with $26 a year ago.

For beef cattle, these prices are far above any previously paid in this country, including the 1919 peak. For hogs, prices are also at a record level, though only moderately above 1919, the Bank states.

The explanation of these record prices, according to the article, lies in the factors which have affected demand and supply. With personal income payments at a peak annual rate of about $210 billion during the first half of 1948, compared with $190 billion in the first-half of 1947, the effective demand for meat and its products is probably at an all-time high, seasonal factors considered.

At the same time, livestock slaughter has actually declined from a year ago. It is estimated that total commercial meat production was 7% less in the first-half of 1948 than during the same period a year ago. In addition, marketings of livestock are seasonally lower in the spring and summer than in the fall and winter, with the result that in the current quarter 10% less meat became available than in the first quarter, the Bank states.

"The decline in livestock slaughter in the past year," according to the article, is associated with the cyclical swings in cattle and hog numbers, induced by changes in the relationship between livestock and feed prices. At present, this cycle is in a downward phase from the high level of livestock numbers reached in early 1945.

"The sharp declines in feed grain prices in recent weeks that have come with the outlook for abundant crops, including a record corn crop, have changed significantly the livestock-feed price ratios, which are indicative of the relative profitability of breeding and fattening livestock for market," the Bank reports. "The prospect is that the supply of corn per animal unit will be larger this year than in at least 20 years. The total supply of feed grains and by-product feeds in the year beginning Oct. 1 is estimated to be 16% larger per animal unit than the last year and the largest on record."

Summing up, the article concludes that "somewhat larger supplies of livestock, and consequently meat products, could become available next year but may not appear until early 1950."

A Pro-public Labor Program

By MAURICE J. TOBIN*
Secretary of Labor

Mr. Tobin affirms policy of developing free collective bargaining and better working conditions, benefiting farmers and businessmen as well as workers. Cites labor's active part in ECA, thus contributing to world peace and prosperity.

Today is the fourth Labor Day since the victorious end of World War II. The American people have gathered in their communities throughout the country to pay tribute again to the accomplishments of the men and women whose labor has made us a mighty nation. We have been looking both ways today—backward to determine our progress over the years, and ahead to plan for continued progress and a healthy prosperity.

Maurice J. Tobin

Labor Day was established 66 years ago in New York City upon the suggestion of a great trade unionist, Peter J. Maguire.

After the first celebration it spread rapidly to other cities.

Soon it became a national holiday.

Today, we observe it as Maguire suggested, paying tribute to what he called, I quote: "The industrial spirit, the great vital force of every nation."

The industrial spirit is really the will of American workers.

Their will for the blessings and benefits of freedom, economic as well as political, has added much to the luster of American democracy.

Their will to work and devotion to duty under this free system have made us supreme in war and a potent power for total and lasting world peace.

As the result of their efforts, we have the highest standard of living in the world and an economy which, if relieved of the inflationary pressures that have forced prices to all-time peaks, can move forward to new horizons of prosperity and stability.

The working people of the United States have always believed that there is strength in unity.

Since the time of the Declaration of Independence, they have put their faith into practice by forming and joining unions to raise the wages and improve their working conditions.

From these early and small beginnings have come the organized strength of today's labor movement with a membership of more than 15½ million workers, the highest in history.

Rise of Organized Labor

The rise of industrial America and the rise of organized labor as a national influence have taken place together. Our industrial system has been shaped by the influence which unions have exerted through the processes of collective bargaining. They have improved wages and working conditions, brought about more stable conditions of employment and production, and helped to make available trained workers for skilled occupations.

The skill, energy and devotion of American workers helped make the forces of democracy unbeatable on the battlefield.

This same skill, energy and patriotism has played a major part in the successful manner in

(Continued on page 34)

*Labor Day radio speech of Secretary Tobin; Sept. 6, 1948.

Hoffman Commends Labor

Declares international labor movement can greatly assist European Recovery Program.

Paul G. Hoffman, Administrator of the Economic Cooperation Administration, in a memorandum to his labor advisers on Sept. 6, strongly stressed the national and international role of labor in the European Recovery Program. *The text of the memorandum follows:*

On the occasion of Labor Day, it appears to us appropriate to state again the part labor, at home and abroad, can play in the European Recovery Program. The establishment of labor divisions in both the Washington and Paris offices of ECA signifies, we believe, the importance of labor in the present crucial task of aiding in European recovery.

Paul G. Hoffman

We can say that since the beginning of the European Recovery Program, no group in the United States has given it more wholehearted support, has worked harder for it, or understood it better than labor organizations of America. What we have to do now is to set our sights higher. We must join in the mutual objective of recovery—not just recovery to an old standard, but a forward movement, a revitalization of the life of the free peoples of Europe with higher objectives than ever.

The American people hope for a greater unification of the countries of Europe for mutual helpfulness. They feel that the future of Europe can best be built on a greater amount of intra-European trade, greater removal of restrictions to the flow of goods, services and people.

All organizations can play a great part in the European recovery program — farmers, businessmen, scientists and educators. In all these groups, the international labor movement can be of great assistance. It has been your tradition to step across state and country boundaries in your search for ways in which the standards and living conditions of Labor can be improved.

America has offered aid under a four-year program. The time is short. The urgency is great. Our aim is for America to get out of extending extraordinary outside assistance at the end of the four-year term. Among the American motives for the support of this program are the elements of humanity and the desire to have a peaceful and a stable world, but back of it all comes the recognition that we are all a part of Western Civilization and that there cannot be prosperity and peace here unless there is a strengthening in Europe of the source of the great tradition which we have inherited—of freedom, liberty and the dignity of the common man.

Nationalization in Norway

By JOHN BRUNAES*
Former President, Norwegian Federation of Industries

Prominent Norwegian industrialist reports his country's industries face widespread nationalization. Claims that while labor government has no such mandate, such socialization will be gradually accomplished. Scores two-sided trade agreements in Europe, and calls for their replacement by multilateral pacts.

It certainly is a great honor and an extreme favor, on an occasion like this and before an assembly of so prominent representatives of the economic life of the United States of America, to be given the privilege to say a few words. May I therefore start with expressing to my honored friend Mr. Schell my most heartily felt gratefulness!

John Brunaes

What might be of particular interest to mention would be the present economic standing of Norway, and its endeavors to rebuild its capacity from the time before an invading aggressor ruthlessly brought the well-founded and consolidated program of modernizing and extending within every important group of economic life not only to a standstill but made them find themselves faced with a complete confusion and later nothing less than a complete destruction. The figures showing the direct monetary loss which was the result of the five years and more of occupation have been stated so clearly and so repeatedly so they may be left outside the picture which should be drawn for you today. Might it only be considered that the clear and immediate decision, taken early in 1940, to resist and to fight against the foes, of every nation believing in real democracy and complete freedom for all individuals with a mentality of responsibility to think, to speak, to believe, and to do what everyone considers right and appealing, involved Norway in a very heavy burden which will have to be recognized by government and carried by the population for years or most probably for generations ahead. Whatever may be expected of the future, the extensive losses, which struck Norway more heavily, likely, than any of the smaller countries of Europe, are bound to be overcome through sacrifices and sufferings, particularly because the intention not only to rebuild but also to extend, to modernize, to invest, is so clear, so distinct within all groups of importance for the economic life of my country.

At the same time it should be quite clear that with a population of not above 3,000,000 it will remain limited how much these groups can be extended in spite of our endeavors to modernize and specialize.

There are three groups of economic life which are fundamental to the life of Norway. First is agriculture, of which not much is exported. The second big group is shipping, combined with whaling and industry. Then comes fishing.

Norway's mercantile fleet before the war the third biggest in the world and undebatably the most modern and specialized — the total tonnage was 5 and one-half million. Losses during the war reduced this to 2.5 million tons. However, even during the war, important contracts were placed wherever possible, mostly with Swedish shipyards. These ships are being delivered at a speed which will make it possible during the year of 1952 to reach a higher figure in tonnage for our mercantile navy than in 1940.

Of our export industries, the wood-group is far the most important, including pulp and paper manufacturers on a bigger scale. Another is the hydroelectric, chemical, and still another is the electrometallurgic industry.

Time does not permit my going into detail on all the different industries in Norway and the extent to which they have been revived. However, I would be most happy to answer any questions you might have on either Norway's export or home consumption.

Norway has—as might be well known — joined in all the endeavors of the leading democracies of the world to bring to trade a revival, which is the only way to re-establish confidence and goodwill between all nations and races. For that reason Norway took part, and wholeheartedly, in the proceeding leading to the drafting of a charter for the International Trade Organization. The leading economic organizations of Norway sent delegates to London in 1946, to Geneva in 1947, and finally to Havana. The opinion was, after having studied the first drafting which was discussed in London, that here was an opportunity, a chance to get rid of quite a lot of problems forthcoming from the many-sided interference of officials, so to say, in all countries. And being wholehearted believers in free, private enterprise as the only solution to prosperity and peace, prominent leaders of Norway's economic life did their utmost to support this valuable organization on its first steps. The deplorable happenings in Havana, when all delegates for economic life were, so to say, forbidden to appear, and the negotiations were left entirely in the hands of officials laden with the single interest to resist and destroy paragraphs which would interfere with their restrictions—all aiming against free private enterprise — have changed the picture. I was one of these economic delegates in London, and though many an unexpected debate took place there, I still kept the hope of success. I regret to announce that after Havana I can see no solution other than a complete reconstruction of the Charter for ITO.

Failure of European Trade

The lines by which the trade of Europe is practiced today, leading from one critical point to another have already proved to be a complete failure. These so-called bilateral agreements mean the opposite of prosperity and sound

(Continued on page 30)

*An address by Mr. Brunaes at luncheon of New York industrialists, Sept. 1, 1948.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

With the first half year figures of fire and casualty companies generally showing favorable results, an increasing amount of attention is being given to the investment status of insurance stocks.

One of the principal reasons mentioned in recommending the purchase of insurance stocks at this time is that prices for the shares are low in relation to the general market.

In recent years a number of unfavorable factors have combined to influence the market for insurance stocks. Since 1944, fire insurance underwriting operations have been generally unprofitable. Also, the large growth in premium volume has strained the capital resources of many companies. In a number of instances new funds had to be obtained through the sale of stock.

These considerations have also been reflected in dividend policies. While investment income has been increasing because of larger dividend payments on securities held, the unfavorable underwriting figures and need for capital have generally restricted increases in payments.

As a result of these factors, insurance stocks did not fully participate in the general rise in stock prices between 1942 and 1946 and lagged behind other industry groups. At the present time fire insurance stocks are only about 42% above the low prices established in 1942. At the same time the Dow Jones Industrial Average has shown a rise of over 100%.

Furthermore, insurance stocks are now selling at substantial discounts from their estimated liquidating values. While it is not unusual for these shares to sell at modest discounts from their existing liquidating values, the present discounts, averaging over 30% and ranging up to 48%, are abnormal.

The following tabulation for a group of selected insurance companies shows current market price, liquidating values as of Dec. 31, 1947, market price as a percentage of liquidating value, 1947 net operating earnings, present annual dividend, and current yield.

	Market Price 9-3-48	Liquidating Value 12-31-47	Market as % of liquidating value	1947 Net oper. earns.	Current Annual dividend	Yield
	$	$	%	$	$	%
Aetna Insurance	44¾	65.14	68.7	2.13	1.80	4.02
Agricultural Ins.	61	97.93	62.3	—4.52	3.00	4.92
American Insur.	15½	21.96	70.6	0.67	0.70	4.52
Continental Ins.	56¼	67.91	82.2	5.50	2.00	3.36
Fidelity-Phenix	61	75.46	80.8	5.86	2.20	3.61
Fire Association	55	84.93	64.8	5.42	2.50	4.55
Fireman (Newark)	13⅞	21.16	65.6	2.25	0.50	3.60
Glens Falls	43¼	52.58	82.3	4.44	1.60	3.70
Great American	30	43.89	68.4	2.89	1.20	4.00
Hanover Fire	28½	41.40	68.8	1.54	1.20	4.21
Hartford Fire	109	137.92	79.0	11.87	2.50	2.29
Home Insurance	27¼	37.91	71.9	3.48	1.30	4.77
Ins. Co. of N. Amer.	95½	109.24	87.4	7.71	3.00	3.14
National Fire	44	84.74	51.9	—2.14	2.00	4.55
New Hampshire	41	49.85	82.2	1.72	2.00	4.88
North River Ins.	22½	29.94	75.2	1.52	1.00	4.44
Phoenix Ins.	77½	114.86	67.5	6.03	3.00	3.87
Providence Wash.	32	45.72	70.0	1.71	1.40	4.38
St. Paul F. & M.	75½	75.70	99.7	9.07	2.00	2.65
Security Insurance	25½	45.75	55.7	1.39	1.40	5.49
Springfield F. & M.	41¾	55.69	75.0	2.55	1.90	4.55
U. S. Fire	50	74.15	67.4	3.98	2.00	4.00

Liquidating values as of Dec. 31, 1947 were used because interim reports on subsidiaries of certain companies are not issued and accurate per share data cannot be presented. However, liquidating values are now estimated to be between 8-10% higher than December 31st with part of the gain coming from undistributed earnings and the rest from gains in portfolio values as a result of a generally higher stock market. This additional gain in assets increases the discrepancy between current market prices and liquidating values.

From the above figures it can be seen there is considerable variation in the figures for different companies. All are selling below their respective asset values with the largest discounts shown by National Fire and Security Insurance. Most of the companies sell between 65 and 75% of their liquidating values. Others such as Insurance Company of North America, Continental, St. Paul Fire & Marine and New Hampshire are somewhat higher.

The factors which have in the past few years acted as depressants on insurance stock prices are now in the process of being corrected. With a more favorable outlook for earnings and the prospect of larger dividends, an appreciation of insurance stocks is possible which will restore a more normal relationship between market prices and asset values.

Three With Herrick, Waddell

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Helen L. Craig, Elise Diehl, and Ralph M. Hutcheson have been added to the staff of Herrick, Waddell & Reed, Inc., 8943 Wilshire Boulevard.

With Foelber-Patterson

(Special to THE FINANCIAL CHRONICLE)

FORT WAYNE, IND.—Harold E. Sheffer has been added to the staff of Foelber-Patterson, Inc., Lincoln Bank Tower.

Labor's Goals

By PHILIP MURRAY*

President, Congress of Industrial Organizations

Union leader states that although nation has made unprecedented progress, it has placed too much emphasis on property rights, with concentration in the hands of the few. Alleges "the monopolies are on the march," with their spokesmen dominating the 80th Congress, which tried to cut the heart out of the labor movement by passing "a legal monstrosity called the Taft-Hartley Law."

Sixty-six years ago today a comparatively small group of trade unionists paraded up Broadway to Union Square in New York City. They then went to Elm Park for a picnic, musical entertainment and speech-making. That was America's first Labor Day celebration. It was staged in the midst of a fight to establish the eight-hour day in the building construction industry. Many things that were good—and many things that were bad—have occurred since then to alter greatly this nation in which we live. It is about these things—and about what the future may hold for us—that I want to speak on this Labor Day, 1948.

Philip Murray

Our nation has gone through three wars since that first Labor Day celebration in 1882. Each has left deep scars on us. We fought these wars to establish democracy and peace throughout the world—but today we do not have peace, and we have too little democracy.

Most of us feel like we are sitting on a powder keg and that, perhaps, the fuse has already been lighted.

We have built great industrial enterprises. We have stretched great ribbons of concrete from one side of our nation to the other. We have sent out airplanes hurtling around the world, and made our soil produce great quantities of food and fiber.

We have outstripped the world on production. And yet today millions of our people are sorely pressed in their struggle to obtain the bare necessities of life.

We have built schoolhouses throughout the nation. We have established colleges and universities and technical schools. We have placed a high premium on knowledge.

But today our badly-treated educational system falls far short of meeting the needs of the people.

We have built a great labor movement in this country—a labor movement that has improved the working and living standards of millions and has served as a bulwark of democracy.

Legal Shackles on Labor

But today the labor movement is burdened by legal shackles that threaten to make it ineffective—that threaten its eventual destruction.

We have made great advances in the fields of science and medicine and we have produced many of the world's leading physicians and surgeons.

Yet today a large portion of our population lacks adequate health and medical services simply because they cannot pay for them.

Our great natural resources, our great factories and our highly-developed technical skills are envied by the rest of the world.

But many of our own people are not adequately housed, or adequately fed, or adequately clothed.

Please do not misunderstand me. I am not saying—or even inferring—that the United States has not made a magnificent record of achievement. **It has!** No other nation has gone so far in such a short time. No other nation has provided so many good things for so many people.

We have made great strides in many fields — **but we have not done enough.**

We Can Do Much More for Our People!

We, as a nation, have often placed too much emphasis on property rights and too little emphasis on human rights.

Too frequently we have permitted the wealthy and the powerful to trample on the poor and the weak.

Our giant industrial enterprises too often have treated their employees like machines instead of like human beings.

Too many of our office-seekers now work for the vested interests and too few for the great masses of our people.

We—the American people—are largely to blame for these wrongs.

We can remedy them. We can make the needed repairs on our political and economic machines. We can make the United States what we want it to be—what the United States should be.

We have the right and duty to go to the ballot boxes next November 2. We must vote into office men and women who will seek to make the American dream of peace, prosperity and equality come true.

We must stamp out segregation and other forms of discrimination. We can remove the voting limitations imposed by the poll tax. We can give real meaning to the civil rights provisions written into our Constitution.

We have the power to curb inflation, to solve our vexing housing problem, to provide all our people with decent medical and educational services.

Power and the intelligent use of power, however, are two entirely different things.

Concentration of Power

Concentrated in the hands of the few, power is dangerous. Distributed among the many, it is desirable.

It is the concentration of power in the hands of the few which gives me deep concern for the future of our country.

The monopolists are on the march, and make no mistake about it! They have been gobbling up independent factories and business houses at an alarming rate during the past eight years.

Their spokesmen dominated the 80th Congress—the Congress that made no real attempt to curb inflation, to increase the minimum wage, to broaden social security, to provide for slum clearance and real low-cost housing.

This is the Congress which attempted to cut the heart out of the labor movement by passing a legalistic monstrosity called the Taft-Hartley Law. This is the law that tipped the scales strongly in favor of management and is imposing "government by injunction" upon the nation's workers.

This Congress changed our tax structure so as to provide much relief for the wealthy and little relief for the average wage-earner.

I believe I would be remiss in my duties as an American citizen if I failed to call attention today to the sensational investigation some Congressional committees have been staging.

The Disloyalty Issue

They say their "investigations" are designed to rout disloyal people from governmental agencies—and I'm in favor of routing disloyal people from government.

I have no complaint to make about their stated objective because it is a commendable one. My complaint is against the manner in which the committees have abrogated the civil rights of the accused and have engaged in character assassination on the basis of rumor and evidence which no self-respecting court of law would accept.

My complaint, too, is against using this investigation as a smokescreen behind which some political leaders hope to hide their "do-nothing" record on pressing domestic problems.

Perhaps on this Labor Day I should have been content to talk about the many achievements of our own organization—the CIO—and the other trade union groups of the country, for these achievements have been many.

But our country's problems are so many and so great that I felt compelled to speak about them instead. And the things we have achieved—human dignity for the worker, a higher standard of living, a greater measure of security, an appreciation and an understanding of democracy—will vanish into thin air if our failure to solve pressing problems eventually hurls us into political and economic bankruptcy.

It would be a grave mistake to accept the words of the soothsayers who prattle about our having entered a period of lasting prosperity, and those who say that all we have to do to achieve peace is to let Russia have her way abroad.

High prices have been drying up consumer purchasing power at an alarming rate—and that's what happened before our last great depression.

Russia has been imposing her will on the conquered people of much of Europe and is now engaged in a "cold war" with the Western allies.

Two new political parties have sprung up in this country. One of them follows closely the line laid down by the Kremlin and the other is built on opposition to civil rights.

It is not a pretty picture—but it is not necessarily a picture of a hopeless situation.

The remedy, if there is one—and there surely must be—lies in the wise use of the rights and privileges I mentioned earlier.

In a little less than two months from now the people of the nation will have an opportunity to elect to office those who represent the best there is in America and remove from office those who have fallen down on their jobs.

I hope, sincerely, that they take full advantage of this opportunity.

*Labor Day speech delivered by Mr. Murray over Columbia Broadcasting System from Wheeling, West Virginia, Sept. 6, 1948.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—George P. Dorsey has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 818 Gravier Street. He was previously South Louisiana sales representative for Kingsbury & Alvis.

A. Wilfred May to Give Course on Investment

Graham, Lasser and Silverson will participate as guest speakers at New School

The New School for Social Research, 66 West 12th Street, New York, announces a 15-weeks' course, "Investment Today: Its Princi-

A. Wilfred May

Benjamin Graham

J. K. Lasser

ples and Techniques," by A. Wilfred May, economist and editor, beginning Thursday, Sept. 30.

The series analyzes the many problems confronting the manager of capital, the available technical tools, the security-holders' status and safeguards. Among specific topics to be discussed are: investment versus speculation; inflation; scientific portfolio policies; forecastability of business and the stock market; professional services available to the investor; security laws and the SEC.

Benjamin Graham, President, Graham - Newman Corporation; J. K. Lasser, Chairman, Federal Taxation Institute, and author, "Your Income Tax"; and Harry Silverson, member of the Faculty of New York University, will appear as guest speakers.

The calendar of lectures follows:

Sept. 30—What can be accomplished by the intelligent manager of capital. Investment versus speculation. Incidence of inflation.

Oct. 7—**Mr. Graham:** Scientific portfolio policies for the investor and speculator.

Oct. 14—Forecastability of business and the stock market.

Oct. 21—Stock market attitudes. The "technical market analysis" versus "business-value appraisal" approaches.

Oct. 28—Popular market tools explained and critically analyzed. The Dow theory; formula plans; ratio techniques; and other "systems."

Nov. 4—Lecture on investing tools continued.

Nov. 11—No session—course holiday.

Nov. 18—**Mr. Graham:** Practical techniques for analyzing and appraising specific issues.

Dec. 2—Professional services available to the investor. The statistical and advisory organizations, investment counsel, investment banker, trust company officer.

Dec. 9—The investing company ("investment trust") and investment fund. Advantages and disadvantages.

Dec. 16—**Messrs. Lasser and Silverson:** Tax Laws and regulations affecting the investor.

Dec. 23—Company reporting to stockholders.

Jan. 6—The securities laws and the Securities and Exchange Commission. Appraisal of protection actually afforded the investing public.

Jan. 13—The stockholder's status related to his management, to the Federal Government, and to competing community groups. What has been, and can be, done for him.

Jan. 20—**Mr. Graham:** The stockholder as owner of the business.

Jan. 27—Summary and conclusions.

Nebraska Securities Bureau Lauds Wiesenberger Dealer Advertising Material

Advertising material to aid the dealer handling of investment company shares was praised in a recent bulletin issued by the Bureau of Securities of the State of Nebraska, along the lines of the following excerpt:

"Several Nebraska dealers are contemplating the use of special advertising material prepared by Arthur Wiesenberger & Company, pertaining to investment company shares. We wish to take this means of complimenting the dealers for this forward step. This is one means of telling the true story about the securities business to the public."

Arthur Wiesenberger

Approval of such literature is also evidenced by Harold Johnson, Assistant Director of the Bureau of Securities of the State of Nebraska, according to the following quotation from a letter of Mr. Johnson to Arthur Wiesenberger & Company (as furnished to the "Chronicle" by Mr. Wiesenberger):

"The Central Securities Company, 720 First National Bank Building, Omaha, contemplate using the advertising material at the Douglas County Fair, to be held Sept. 15-18. We are cooperating with this company and will assist them at their exhibit booth at the county fair. Enclosed is a copy of a letter from the Bureau of Securities to the visitors of the Douglas County Fair. Through the courtesy of the Central Securities Company, we will distribute literature to the fair visitors. It is the plan of the Central Securities Company to also talk up investment company shares to their visitors."

Joins King Merritt Staff

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Ray E. Miller is with King Merritt & Co., Inc., 408 Olive Street.

Labor and Inflation

By WILLIAM GREEN*

President, American Federation of Labor

Mr. Green declares labor's most immediate problem is inflation, which spells poverty in midst of plenty. Accuses industry of fixing prices at whatever traffic will bear. Calls for social improvements to make America strong and preserve world peace.

Labor Day is more than a holiday—it is America's tribute to the dignity and importance of human labor, the formal recognition by our government and by our people that man takes precedence over the machine. Today the working men and women of our nation are deeply concerned over their economic welfare, the protection of their basic freedoms and the preservation of world peace. They are searching for a sense of security which they cannot find in the tense and troubled times in which we live.

William Green

Labor's most immediate and pressing problem is inflation. To many millions of workers, inflation means poverty in the midst of plenty. In a period of high employment, high wages and high production, prosperity remains a myth to the masses of our people. The shocking and continuous increases in the cost of living have robbed them of the means to provide what they need for themselves and their families.

It is indeed paradoxical that want and desperation should exist when all the elements necessary to insure to all the people a sustained period of unparalleled prosperity are at hand. Yet because of the lack of restraint and foresight on the part of the leaders of big business who set prices and because of the lack of statesmanship and responsibility on the part of the leaders of Congress, the American people today are afflicted with the dread economic curse of inflation.

Of course, the business interests keep emphasizing the familiar propaganda that their share of the pie amounts to only a few cents out of the sales dollar, that labor gets most of the money and that prices have to be raised because of wage increases. It might be easy for us to feel sorry for the poor, unfortunate corporations except for the fact that the official records tell an entirely different story. Corporate profits, after taxes, are now 272% above the 1939 level. Have your wages gone up that much?

*An address by Mr. Green before mass meeting at Summit Park, Akron, Ohio, Sept. 6, 1948.

Industry Setting Too High Price

The cold truth is that industry is setting prices at whatever the traffic will bear and at the same time is attempting to lay the blame on labor. For every wage increase, prices are boosted far out of proportion to the additional labor cost. This process is rapidly bringing about a maldistribution of income and a dangerous shrinkage in the real purchasing power of wage income. If such conditions are allowed to continue unchecked, our national economy will inevitably crash and a major depression will result.

We cannot afford to take such a terrible risk when not only the welfare of the American people, but the peace of the world, depends upon America remaining strong and prosperous.

It is obvious by now that inflation will not cure itself. Something must be done about it without further delay. In the absence of any effective legislation from Congress, such action will have to be voluntary.

The American Federation of Labor therefore calls upon our government to request business and agriculture to join with organized labor in conferences to protect the economic security of our country. It is the responsibility of business to halt all price increases and to start a gradual reduction in prices.

The free enterprise system has proved in the past to be far superior to any other. But free enterprise does not mean anarchy, nor a policy of the devil take the hindmost. It must operate for the benefit of all the people, not only a favored few at the top. Otherwise, our free enterprise system will be digging its own grave and abdicating to Communism.

In my judgment, the workers of America will never accept Communism unless they are driven to desperation by an economic squeeze and the repression of their basic freedoms.

Today the utter hypocrisy and fundamental evils of Communism are written in bold headlines for all the world to see.

Soviet Russia, operating behind the Iron Curtain, is waging a cold war against democracy. She is reaching out for more territory and constantly fomenting world revolution. She does not hesitate to use force and violence, purges, espionage, corruption, slave labor and destruction of human freedom to gain her ends. With many of the nations of Europe and Asia prostrate from the effects of the last war, Russia would be able to engulf whole continents were it not for fear of provoking America into actual warfare.

For today our great country remains the last stronghold of democracy. Here we enjoy freedom and democracy and possess the power to defend them. Make no mistake about it, the only thing that is holding Stalin and his colleagues back is their fear and respect for America's power.

Since America stands as the only effective stumbling-block to Soviet expansion, the Communists have redoubled their efforts to bore from within and undermine the strength and loyalty of the American people. Their chief point of attack has been the trade union movement.

AFL Repulsing Communists

I am proud to be able to tell you today that the American Federation of Labor, the greatest labor organization in the world, has resisted and repulsed all efforts by the Communists to capture control of our unions. Although they have used every form of deceit imaginable and spent

(Continued on page 30)

Mutual Funds

By HENRY HUNT

"If I Were a Retail Salesman"

The eleventh article in this series was written by Leon Abbett, President of **Lord, Abbett & Company**, national distributors of **Affiliated Fund, American Business Shares** and **Union Trusteed Funds** with combined assets in excess of $100,000,000.

On overseas veteran of World War I in the "77th" and a graduate of Princeton, Mr. Abbett has been an officer of Lord, Abbett & Company since its inception shortly after the market crash in '29. The firm has been identified with the mutual fund business since 1932 when it organized American Business Shares.

"Lon" is something of a gourmet and a connoisseur of good wines. He enjoys a foursome at golf and collects stamps as a hobby. One of the best dressed men in Wall Street, he looks ten years younger than his age of 54.

Investment Epitaphs

"At least once a year every investor should spend a few minutes thumbing through Robert D. Fisher's 'Manual of Valuable and Worthless Securities.' Every investment dealer should place it in a prominent position in his office so that his organization would see it every day.

"Fisher's Manual is a graveyard of investment and speculative hopes. Not all of the companies listed in the current volume or its predecessors are worthless as some have liquidation values and some have been merged with other companies. But they are a collection of over 800,000 obsolete and obscure investments and the vast majority are worthless.

The Epitaphs Read—

"We found no record of the company's operations."
"We found no value to any certificates the syndicate may have issued."
"Became insolvent in 1929."
"The stock never had any value."
"The stock has a problematical value."
"The stock is worthless."

"How Big is 800,000?—The first six volumes of Fisher's Manual list approximately 750,000 different companies. At least 75,000 more have been added in the following five volumes. The magnitude of this can be fully realized when compared with Standard-Poor's Manuals which list about 6,000 companies and New York Stock Exchange which has around 1,400 stocks listed.

"Investment Companies are not Graveyards—Investment companies buy the securities of vigorous, healthy companies and watch them carefully. The managements are human and like all investors, they make mistakes. Not all of their purchases are profitable. But they do not hold securities until they end up in Fisher's Manual."—The above is reprinted from **"Items"** published by **Broad Street Sales Corporation.**

How Fat Is Your Pocketbook?

"Upward the course of prices have taken their way—leaving progressively less real spendable income in the hands of Mr. and Mrs. Consumer.

"This is the picture painted by labor leaders, many politicians and even sections of press and radio—but is it **true?** What are the facts, not fancy, about the money people have left after paying for necessities and taxes? Let's see:

"In 1940 the national income was $78 billions. This year it will be $210 billions—an increase of 169%. On the other hand, higher taxes shrink this vast supply of money; higher prices compared to eight years ago shrink it still more. But, even so—real spendable personal income, after allowing for both these 'shrinkages' is up no less than 48% in 1940 dollars, standing at $111 billions!

"Even after allowing for the unusually large gain in population since 1940, this means an increase of 33% for each person—again, let's remember, in terms of what 1940 dollars will buy.

"To the investor these facts have a real and profound significance. For the prophets of disaster who herald a 'recession' this fall (or next winter or next spring, just as they predicted it originally 'not later than December, 1946') base their forebodings on the inability of the Nation as a whole to sustain its present prosperity because of lack of buying power.

"But 'buying power'—as these facts demonstrate—is just what the Nation **does** have! It is goods that are still lacking.

"When the fact that 'cold war' expepnditures (including both ERP and National Defense) will grow in the next year or two is borne in mind—and that the present shortage of many lines, particularly in heavy industry, shows little sign of abating — real spendable income seems likely to increase, not decrease.

"It is against this background, rather than one of vague fears and groundless rumors, that current business volume and earnings should be considered; it is in the light of the continued high purchasing power still in the hands of the people as a whole that the downright cheapness of securities in the light of those earnings must be weighed."—Quoted from **Distributors Group's "Investment News."**

"If I Were a Retail Salesman"

(11th of a Series)

By LEON ABBETT
President, Lord, Abbett & Co., Inc.

When I entered the investment business 28 years ago, I was a retail salesman, and I continued in that capacity for several years. Times and conditions have seen many changes since then, but I believe the interests of the sophisticated investor are fundamentally the same. He wants opportunity for capital appreciation and, meanwhile, he wants a good return on his money. If I were discussing with such an investor the best way for him to achieve these objectives, I would proceed along these lines:


Leon Abbett

"Capital appreciation opportunities at this time are mainly in common stocks. Therefore, let us concentrate our attention on common stock issues.

"Now, you and I could sit down and pick out, say, five good stocks. But I think you want more diversification than that, so what we ought to do is to select instead the shares of a good investment company which holds a large number of common stocks. In that way you will get much broader diversification, and also you will have less to worry about because the management will be looking after the investments.

"There are many good investment companies, and, in picking one, the first thing we want to decide is how much we want to stress the factor of capital appreciation—do we want to go for much or for little? In your case, I believe you can soundly elect to go for more-than-average appreciation.

"One method of obtaining faster than average market action is to buy the shares of an investment company which holds conservative high-grade common stocks of large and well-established companies and then borrows money itself at a low interest cost to provide the leverage. Here you have the advantage of owning an interest in a portfolio of stocks in seasoned companies which, because of their financial strength, established earning power and small amount of senior securities ahead of the common stock, can and do pay good dividends. In recent years the money which the investment company borrows could be invested at a much higher income return than the interest rate paid on this borrowed money. Hence, a very good income return would be yours. A second important advantage is flexibility. An investment company holding leading common stocks of this kind can liquidate them quickly in almost any kind of stock market and is in a position, therefore, to pay off its borrowed money, or leverage, quite rapidly.

"With an open-end investment company using leverage you get above average appreciation possibilities together with a good return. That is the kind of investment I would make if I were you."

Hill Richards Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Philip M. Benton has been added to the staff of Hill Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Vic Wikle

(Special to THE FINANCIAL CHRONICLE)

ANDERSON, IND. — Frederick D. Harris is with Vic Wikle & Associates, Inc., Citizens Bank Building.

Join J. Earle May & Co.

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, CALIF.—Norman F. Godbe and George G. Watson are now with J. Earle May & Co., 156 University Avenue. Mr. Watson was previously with First California Co. and Brush, Slocumb & Co.

With First California Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CAL.—Walter M. Wilkinson is with First California Co., 337 East Green Street.

Canadian Securities

By WILLIAM J. McKAY

The resiliency and fundamental strength of the Canadian economy continues to be manifested in unmistakable fashion. Less than a year ago the Dominion was in the throes of an exchange crisis of major importance; drastic measures were required to save the situation. Partly as a result of the austerity program and the imposition of severe import restrictions the alarming Canadian trade deficit with this country has been corrected to large degree. The extent and rapidity of the recovery however has been principally due to the basic latent strength of the Canadian situation.

Only a few years ago the economic potentialities of the Dominion were apparent to a mere few, who moreover were then considered as over-optimistic visionaries. When the late Stephen Leacock, although respected as an economist of no mean order, made the assertion that Canada could support a population of 200 millions, the statement was accepted as evidence of the well-known Leacock humor and not as a serious prognostication by an economic authority. Now however there is a world-wide consciousness of the fact that Canada has every opportunity of becoming the outstanding country of the future.

Almost daily, there is news of fresh discoveries of oil, iron-ore, coal, and base and precious metals of every description, some of which, such as nickel, platinum, uranium and titanium, are of the rarest occurrence elsewhere. It is also now more fully appreciated that the surface of the eighth wonder of the world—the fabulous mineral - rich Laurentian Shield—has been only scratched, and only an insignificant portion of this colossal area of more than 2 million square miles has yet been explored.

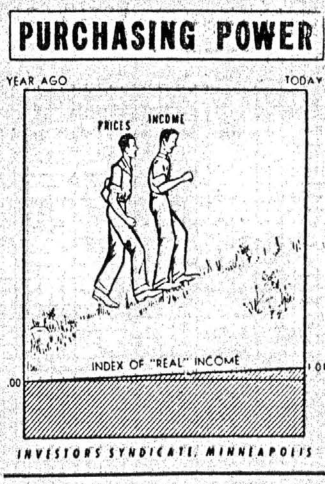
Canada moreover is not situated in the equatorial jungles of Africa or South America, or the frigid zones of the Arctic or Antarctic. Instead, the proximity of the Dominion to this country ensures its most rapid and complete development, especially when consideration is given to the indispensability of Canada in the U. S. scheme. There is current evidence that Britain is now also more aware of the importance in the world economy of her senior Dominion. A prominent representative of the British Board of Trade is already in Canada to study ways and means to promote U. K./Canadian trade. A large group representing the British engineering equipment industry is expected to arrive this week and towards the end of the month Sir Stafford Cripps, the Chancellor of the Exchequer, will complete this British invasion.

It can thus be repeated now with less fear of contradiction that Canada's next great problem can very well be an embarrassingly large surplus of exchange reserves. This in turn will bring into renewed prominence the question of the removal of the wartime exchange restrictions, the abolition of the unsatisfactory "free" market in this country for the Canadian dollar, and the end of the restrictions imposed in connection with the recent "austerity" measures.

During the week both the external and internal sections of the bond market continued to display the apathy usually associated with this period of the year. Free funds also registered no marked tendency. Stocks on the other hand were generally firmer with the golds again to the fore. It is now increasingly apparent that the prolonged bear market in the gold issues is now at an end and little encouragement will be needed to set in motion a bull movement of important proportions.

Buying Power Rising Faster Than Expenses

MINNEAPOLIS, MINN.—Prices are still rising, but the buying power of the average family is rising faster, according to the monthly survey of "real income" conducted by Investors Syndicate.



"Real income" is the relationship of revenue to living costs.

Although total costs for the typical family are 10% higher than a year ago, the average family's income is up 11%, leaving a net increase of 1% in buying power, the survey shows. For the past several months there has been a gradual increase of this sort in purchasing power.

Although shifts in various phases of the economy are evident, there is nothing in the economic picture to justify a prediction that a drop in buying power is likely soon, Investors Syndicate said.

"We are at a record-breaking level of production. Continued maintenance of that level seems to be indicated," stated E. E. Crabb, President of Investors Syndicate, a leading distributor of investment securities. "The demands of the buying public are still great and the ability to buy is increasing. High economic levels should be assured for a long time to come."

Snyder Says Tax Cuts Prevent Government Debt Reduction

Blame attached to Republican-controlled Congress. Savings Bond Drive Agricultural Committee named.

Speaking in Washington Sept. 7 before a meeting of farm leaders at the start of a drive to increase the sale of Savings Bonds in agricultural districts, Secretary of the Treasury Snyder stated the government will be unable to reduce its $253 billion debt during this fiscal year. He attributed this halt in debt reduction to the cut in taxes which was enacted by the Republican-controlled Eightieth Congress.

John W. Snyder

Names Agricultural Committee

Secretary Snyder also announced the formation of a group of volunteer advisers whose efforts will be devoted to the sale of U. S. Savings Bonds to farmers. The group, which held its first meeting at the Treasury, will be known as the National Agricultural Bonds Committee.

Members of the committee include representatives of leading national farm organizations, various other agricultural agencies, the agricultural press and the radio industry. They will assist the U. S. Savings Bonds Division of the Treasury in mapping plans to encourage farmers throughout the nation to build financial reserves in Savings Bonds.

Secretary Snyder welcomed the group and expressed the Treasury's appreciation of this further volunteer aid in its continuing campaign for greater bond sales. He pointed out that this has been another good crop year and that therefore it is a good time to reemphasize the Savings Bonds benefits to the farmer. He noted that farmers always had responded well to the bond campaign.

Vernon L. Clark, National Di-

(Continued on page 35)

What About School Discipline?

By ROGER W. BABSON

Mr. Babson, asserting teachers don't have time to teach, holds it might be wise to restore corporal punishment to instill discipline.

As this is the last column which I shall write in Gloucester this year, I want to relieve my mind on something that has troubled me all summer. It is concerning the utter lack of discipline and thoroughness which I note amongst the young people of Gloucester today compared with that of my boyhood.

Roger Babson

I cannot now comment intelligently regarding the teaching and discipline within the school buildings; but I have seen enough this summer of young people on the streets and at work to believe that teachers do not have sufficient time to drill, Drill and DRILL. They have too many interruptions and are obliged to teach too many subjects to do thorough work in any one. School committees are too much influenced by text book publishers. They should do less to amuse the kids and more to serve the taxpayers. In fact, I believe that we are making life too easy for our young people.

Psychologists assure me that young people know what is right and what they should do and should not do. These experts prove this statement by reminding me that when boys destroy property, lie, steal and make themselves a nuisance, **they always run away as soon as they see anyone coming.** In other words young people do not need to be taught what is right and wrong so much as they need to learn to control and discipline themselves.

For centuries the old-fashioned switch, cane or whip has been used to instill discipline. It it never had been used in the past, I would not recommend its adoption today; but considering that human nature has been dependent for centuries on such for correction and punishment, experts on heredity say that it is absolutely foolish to try to get on today, in our public schools, without corporal punishment.

School committees, principals and teachers make various excuses. In some States corporal punishment may be against the law and, of course, any teacher is subject to being sued if, in temper, he or she abuses a pupil. However, school committees can take out liability insurance to protect teachers against any such suits. Some few parents will complain at having their dear children 'whipped"; but instead of being influenced by these few, why could not a school committee take a vote of all parents and see what the great majority would desire? When such a vote is taken in a community, I hope to be told the result.

When I went to school we were in the building from nine to twelve in the morning and from two to four in the afternoon. We had very few books to take home. Our study hall was supervised and we learned there in one hour what would take two hours to learn at home. Moreover, in those days there was no radio at home to distract us, nor were there automobiles or movies to tempt us. Would it not be well to return to afternoon sessions and supervised study, especially in view of the coming television? A girl may be able to study while the old radio is going, but she certainly can't study while watching television?

Parents would like to have some of the "frill" studies omitted, **but with perfection stressed in a fewer important studies.** As an employer of many young people, I find that they have a smattering of a lot of subjects but are proficient in none. I am beginning even to question the value of vocational courses as now set up. I believe in an assignment of outside work, selected newspaper reading, certain worthwhile movies and radio talks, requiring the scholars to report thereon. The trips to factories and stores, which were given when I was in high school, would still be very useful. **Most important of all, school committees should rate high quality of teaching above the attainment by teachers of college degrees. Achievement in producing good students through experience and love for the students, is far more important than the ability to get much overrated academic degrees.**

Is Gold More Than a Deflation Hedge?

By BARRET GRIFFITH and BRUCE ELLSWORTH
B. Barret Griffith & Co., Inc., Investment Counsellors, Colorado Springs, Colo.

The lesson learned by investors since the mid-1920's and particularly during the 1929-1932 depression was that investments in gold as a commodity or in the form of common stocks in the industry

Barret Griffith   Donald B. Ellsworth

offer a satisfactory hedge during times of unfavorable business. Chart I shows that gold production tends to remain low during times when interest rates and commodity prices are relatively high; and that the production of gold increases when interest rates and commodity prices are relatively low. In times of good business and general prosperity gold producers find little profit in increasing production, and investors who hold either gold shares or the commodity receive small compensation. Such is the conclusion one reaches from the chart showing interest rates, gold production, and commodity prices since 1911. The chart indicates that actual depression and threat of currency devaluation, with accompanying low commodity prices and subnormal operating costs, make gold investments generally profitable.

It is the generally accepted theory that gold investments are attractive only during periods of business depression. The writers constructed Chart II (see facing page) showing the price of gold in pounds sterling from 1343 to the present time. Although there is some evidence from the chart that the price of gold advances during times of business strain, much more important is the fact that the price of gold during the last 600 years has advanced during periods of violent political and economic struggles. By comparing the following list of historical events with the chart, one can see the relationship between the price of gold in pounds sterling and various upheavals in England's history.

1337—Hundred Years' War began.

1346—English defeated the French at Crecy.

1459-1485—Wars of the Roses.

1544—Henry VIII fought an indecisive but costly war with France and Scotland. The currency was ruined, coinage was debased and prices rose.

1601-1612—Irish Wars. England was becoming richer, but the Crown poorer. James I borrowed at rates of 8% and more to maintain his court.

1665—Great Plague in London killed 170,000, destroyed commerce and crippled finances. Lack of funds forced English to lay up their fleet.

1666—The Great Fire in London destroyed most of the city.

1667—The Dutch burned the fleet in the Thames. War inadequately financed by government borrowings at 8-10%.

1692—National Debt established.

1694—Bank of England chartered.

1696—Currency reforms carried out. Coins milled for the first time to eliminate clipping. Restored faith in the currency.

1793-1802—War between Britain and France. English won victories on the sea, but Napoleon's Italian campaign forced her allies out of the war. By 1797 there was suffering and disappointment in Great Britain. Commerce interrupted, prices high, taxation higher than ever before in history and $80,000,000 added to the public debt.

Threat of invasion caused a run on the banks. Bank of England was nearly exhausted, so paper money was issued for the first time. It stood at par for two years.

1803-1815—Second phase of the war. French successful until 1812. Financial strain in Great Britain. Paper money at a discount which rose to 25% in 1815. War financed by loans. Napoleon's Continental Blockade greatly injured English commerce.

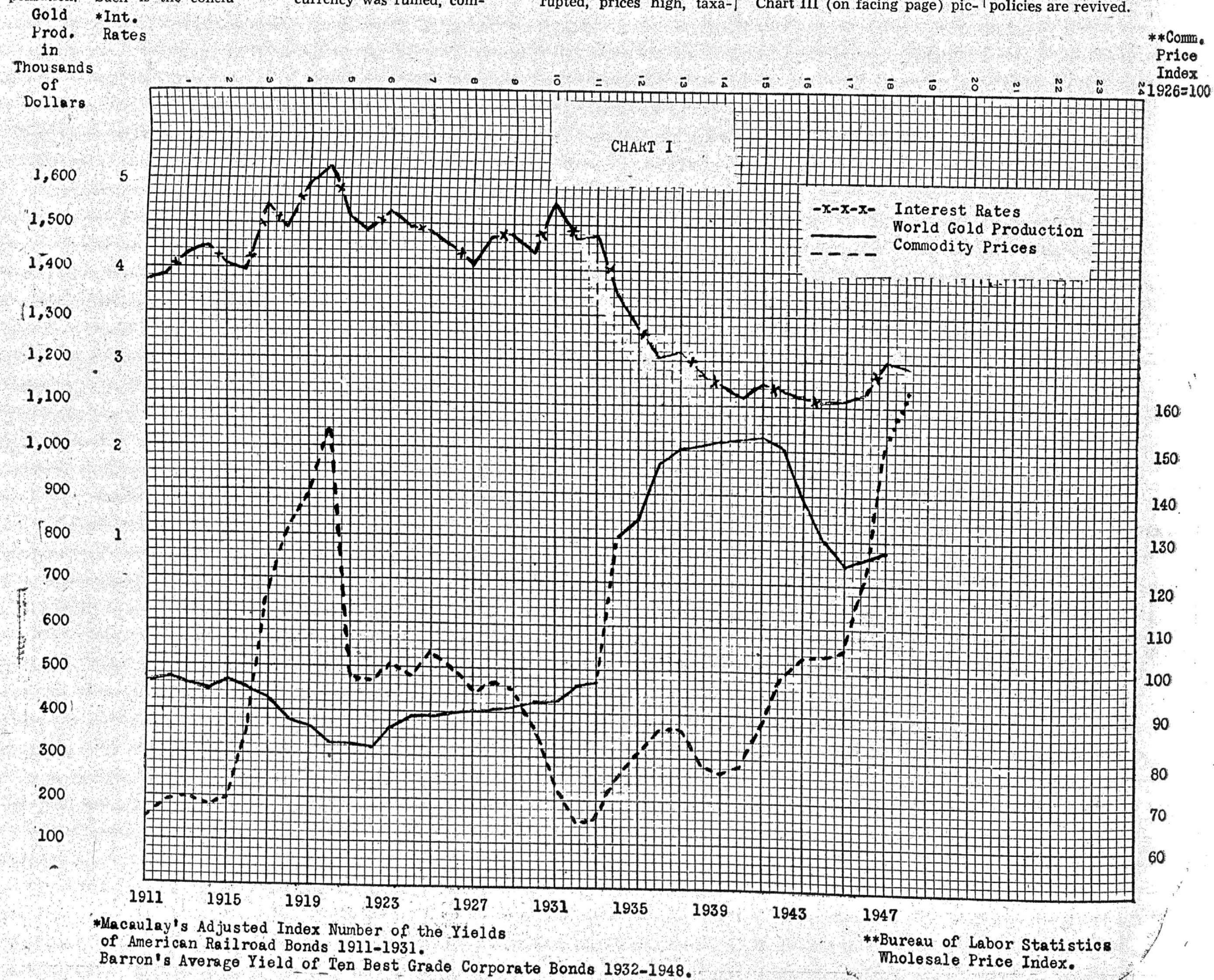
1813—Napoleon abdicated.

1816—Great Britain went on the gold standard.

Compare the period since 1934 with the period 1800-1815 and with the interval, 1680-1695. The present East-West struggle is somewhat like the conflict between Britain and France, and Napoleon's ambitions are not unlike those of Hitler and Stalin. Similarly, comparison exists between the growing lack of confidence in currency and fiscal policies existing in England from 1680-1695 and the current lack of faith by peoples throughout the world in most currencies.

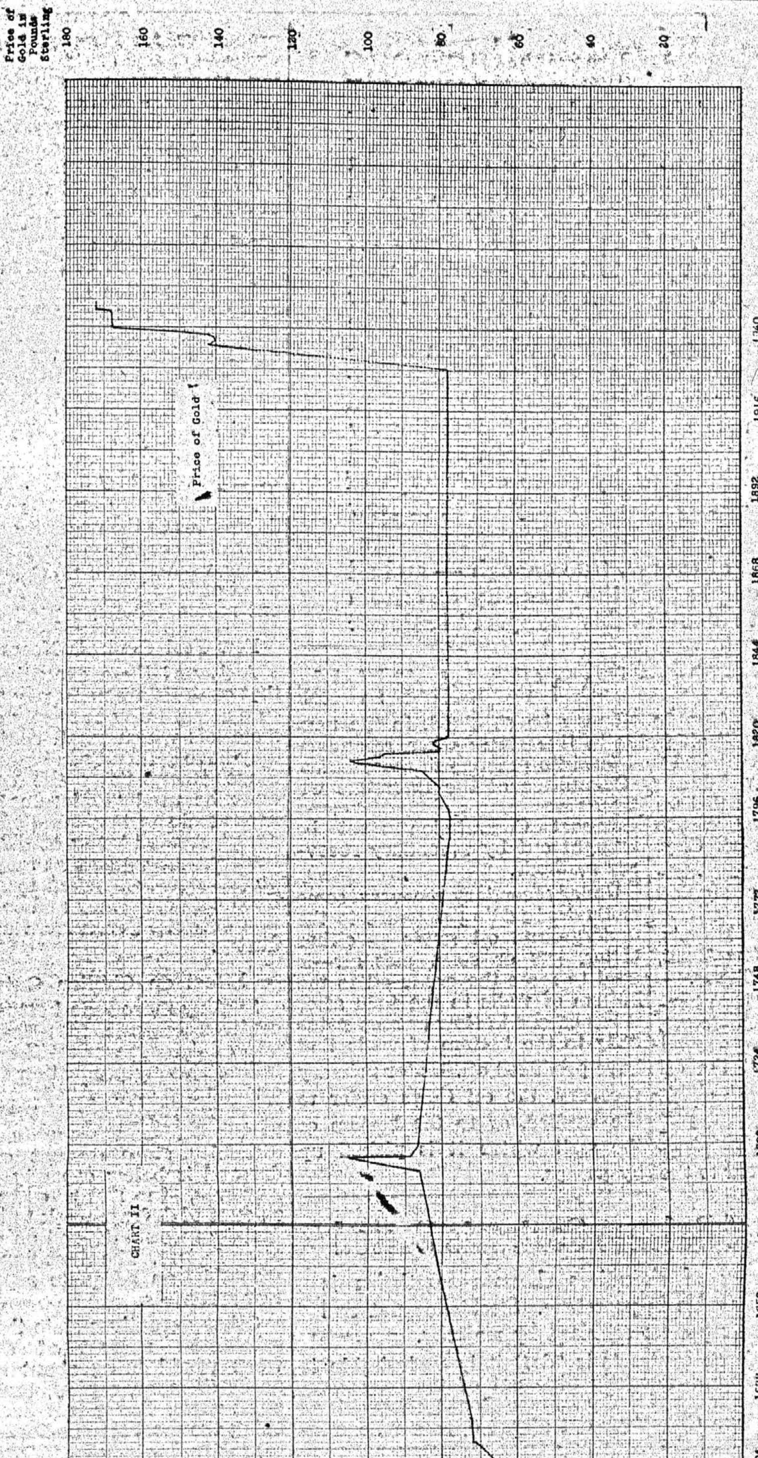
Chart III (on facing page) pictures the continual depreciation of currency in England from the 13th century to the end of the 17th century, when currency reforms were finally carried out. Coins were milled for the first time to eliminate clipping and the public's faith in currency was restored. Although the clipping of coins ceased in 1696, there may be a relationship between some of the present unorthodox government fiscal policies in handling national debts and the outlawed practice of coin clipping. In other words, if peoples throughout the world are losing faith in their nation's fiscal policies, results may be expected to be the same as they were before currency reforms were carried out.

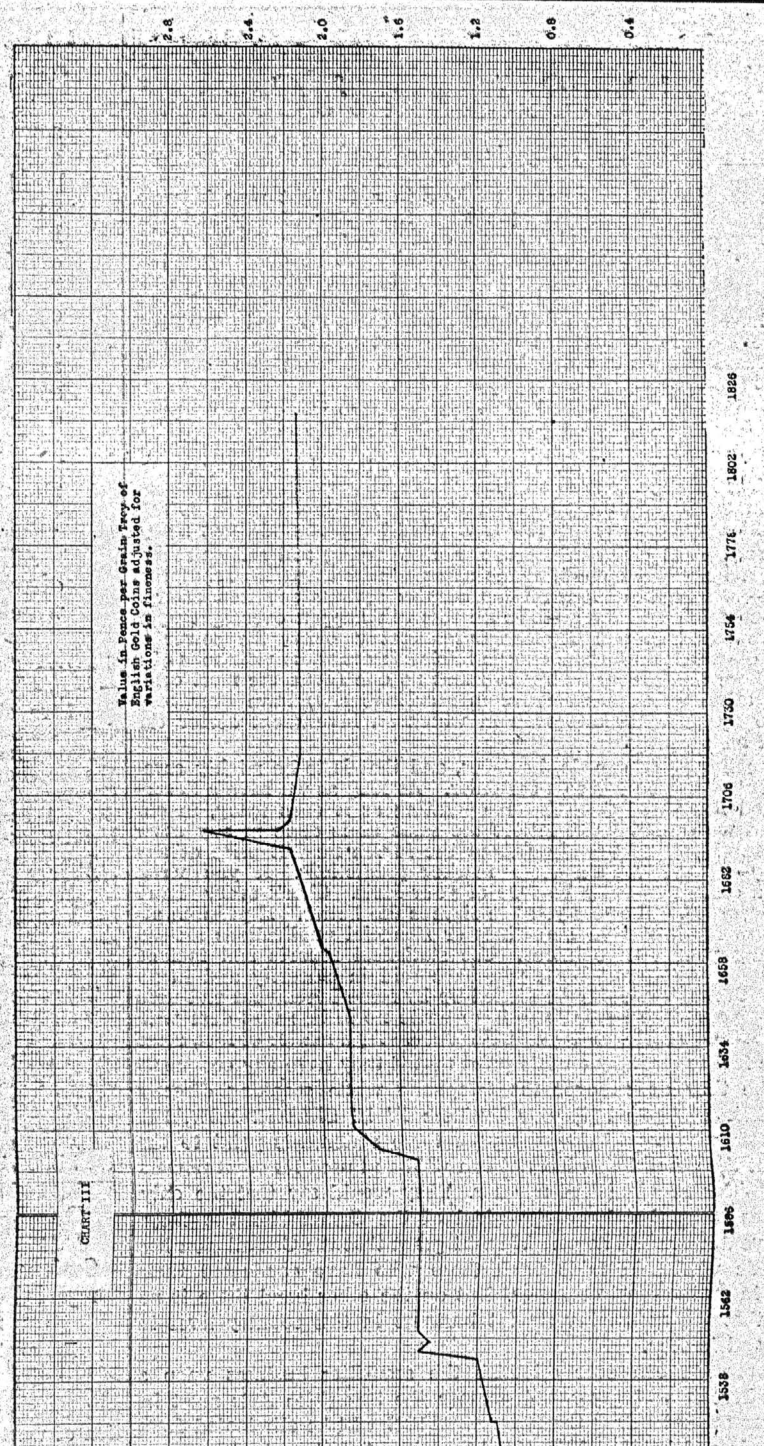
Although investments in gold appear to be most profitable during times when commodity prices, interest rates, operating costs and business activity are depressed, history rather definitely teaches that a stake in gold is worthwhile during uncertain times like the present. If history repeats itself, which it has a habit of doing, the price of gold might not be expected to decline until world peace is definitely established, world currencies are realistically revalued to allow trade to exist and orthodox governmental fiscal policies are revived.



*Macaulay's Adjusted Index Number of the Yields of American Railroad Bonds 1911-1931.
Barron's Average Yield of Ten Best Grade Corporate Bonds 1932-1948.

**Bureau of Labor Statistics Wholesale Price Index.


Price of Gold in Pounds Sterling
Price of Gold
CHART II


Value in Pounds per Grain Troy of English Gold Coins adjusted for variations in fineness.
CHART III

Securities Salesman's Corner

By JOHN DUTTON

In the securities business we live in a twilight zone between interpretations and rules that change from day to day and that have never been delineated or defined. Ever since the Securities and Exchange Commission came into existence no one engaged in the sale of securities has ever been able to find out what were the rules of the game. There have been interpretations of the laws—there have been decisions that back-tracked and reversed themselves—there have been attempts upon the part of the Commission to limit markups, yet no one has ever defined what is reasonable. There have been references made by the commission regarding violations of the Securities Acts which, it is claimed, dealt with a failure of the seller to disclose all material facts and yet it is doubtful if this particular phase of the Acts themselves could ever be complied with. No one could disclose all the material facts about any security unless he spent weeks and months digging into every situation. If all material facts must be disclosed every time a security is sold by brokers and dealers this law is violated ten thousand times a day.

Everyone engaged in the business of buying and selling securities can be wiped out—have his name smeared and his reputation ruined—and possibly lose all his surplus savings acquired after a lifetime of toil and sweat—and all this can happen overnight upon the whim and caprice of some bureaucrat who has the power to swoop down upon him and charge him with countless violations of a set of laws that are so ambiguous that no one (even the most competent attorneys who specialize in securities law) have ever been able to set up a definite area in which an investment dealer can operate his business.

One thing you can do, however, and that is to be mighty careful about what you say to a customer. As long as we have a Securities and Exchange Commission operating as it does today, in our business we cannot write letters the same as is done in any other business. Make no promises about the future market price of any security—always refrain from market predictions. If you write about a certain security be sure of your facts. Check every figure as to accuracy. The less you use figures the better. If possible always use reprints from magazines or financial publications instead of giving your own opinions. Use statistical reports and include them in your letters. What you have said in sincerity and in all good faith may some day be picked up by some bureaucrat and used to hang you. The best things is to write no letters that deal with SPECIFIC OFFERINGS OF SECURITIES. As a matter of fact, some dealers feel so strongly on this point that if they have any comments to make they do so over the telephone while speaking directly with their customers. In our business IT IS SELLER BEWARE.

Those who would disagree with these statements point to the fact that the Commission has not run wild and used its great powers in a punitive or vindictive manner. They would say that the only securities firms that have run afoul of the Commission are those that have deserved to do so. We will grant that the Commission has not made wholesale raids upon those who have conducted their affairs in an honorable manner. But on the other hand there is no doubt that the entire investment business in this country lives in terror and in fear.

Before we can ever establish the securities business upon a basis where it will grow and prosper the Securities Acts must be rewritten so that FEAR OF PERSECUTION will be eliminated from the minds and hearts of decent, honorable American business men who are engaged in this industry. We are not fools, neither are we children — WHEN IT IS THE SAFEST POLICY NOT EVEN TO WRITE A LETTER ABOUT MATTERS CONCERNING THE PURCHASE AND SALE OF THE COMMODITIES IN WHICH WE DEAL FROM DAY TO DAY IT IS TIME FOR A HOUSECLEANING UPSTAIRS. If capitalism is to survive—and that means liberty and freedom as we have known it under our Constitution—then a revision of the Securities Acts must be accomplished during the next session of Congress.

The Communists want to destroy private enterprise. They know that by destroying a free industry such as ours, which furnishes the capital for private business, they are taking the one step that can lead to a complete breakdown in our economy and open the door to totalitarian statism here. The Securities and Exchange Commission has done more to kill off the flow of investment in this country than any other agency of the government, with the exception of oppressive income taxation which has practically completed the job. The two greatest allies of the Communists in this country are the SEC and the tax eaters in Washington. This is why you are having 600,000-share days on the New York Stock Exchange at a time when the national income is running at the rate of $213,000,000,000 per annum.

True—and With Implications

"By this 'solution' (increased member bank reserve requirements) the Federal Reserve presumably would continue to inflate their Government bond holdings without predetermined limit, and in so doing facilitate increased lending by non-bank lenders. The reaction of the practical bankers — if one had been called upon to testify — might well have been: 'Why crack down on us so that our competitors can take the business?' And it is true that under prevailing conditions, where an insurance company has as ready access to Federal Reserve credit as any bank, it makes little practical difference, from the standpoint of inflationary credit expansion, whether a given loan is granted by a commercial bank or by some other type of lending agency."—The National City Bank of New York.

All of which is, of course, true enough — and all of which again emphasizes the necessity of reform which would put an end to this "support" business!

Large Oil Reserves Seen From 'Depleted' Fields

Five billion barrels of crude oil may be obtained, in the next few years, from "depleted" oil fields in five states when secondary recovery methods are developed and put into practice in those fields, the Secondary Recovery Advisory Committee of the Interstate Oil Compact Commission revealed on Sept. 1 at their meeting in the Hotel Roosevelt, New York City.

The five states where "authoritative estimators" have studied the possibilities of recovery from "depleted" fields are Illinois, Oklahoma, Arkansas, New York, Pennsylvania and West Texas.

This reserve of five billion barrels amounts to almost one-fourth as much as the entire proved crude oil reserves in all the oil fields in the United States. However, the crude oil reserves will be taken from the ground by primary recovery methods and the five billion barrels reported to the Compact Commission must be brought out by secondary recovery methods.

Under secondary recovery, some method of adding pressure to the underground oil sands — either water, gas or sometimes air—is used to force the crude oil to the bottom of wells in the field after it has ceased to flow or seep naturally to the bottom of wells that have produced oil. Under primary recovery, the oil flows either to the surface, or to the bottom of the well where it is picked up by pumps.

Renegotiation of Defense Contracts Scored

Conference Board survey of executives shows renegotiation is regarded definitely undesirable in peacetime. Steel allocation and mandatory order powers criticized by majority.

Renegotiation of defense contracts is "definitely undesirable in peacetime," according to approximately nine out of ten executives surveyed by the National Industrial Conference Board on problems of industrial remobilization. Only four out of ten oppose renegotiation of wartime contracts and the other six tend to qualify their endorsement, the Association announced on Sept. 9.

The Opposition to Renegotiation

Renegotiation in peacetime is opposed on the ground that it is unnecessary and that "it is impractical to expend great sums to establish a renegotiation staff." Executives are "not in favor of placing so much power" in the hands of an administrator. Many express the idea that renegotiation penalizes the person who cuts down his normal business in order to supply defense material. The law of supply and demand, say some of the executives, will give the government the best price. Peacetime renegotiation might "keep costs high and even provide an incentive to avoid accepting defense work contracts."

10% Condone Peacetime Renegotiation

The 10% who condone peacetime renegotiation feel that it is necessary to alleviate public resentment toward possible profiteering, and that the device "should be limited to noncompetitive products and nonstandard products where it is difficult to make accurate cost quotations."

Opposition to Renegotiation During Wartime

Many of the executives opposing renegotiation during wartime express the same views as those who do not agree to it during peacetime. Generally, they feel that renegotiation is not necessary and that properly established and equitable tax laws should be relied upon instead.

Although about six out of ten industrialists accept renegotiation in wartime, they do not like it and have reconciled themselves to the necessity of such a practice. The majority agree that it is justified on new projects where there are likely to be high fixed prices evolving out of the inability to make accurate cost estimates, and where they are likely to be constant engineering changes. Also, the speed of modern war "necessitates the elimination of certain preliminary operations such as time studies and cost analyses," thus warranting the application of renegotiation.

Acceptance of renegotiation for wartime contracts is frequently qualified by the statement that its operation should allow a fair return after taxes and that procedures should be equitable, well thought out, and rigidly controlled. According to one executive, it should be accompanied by "effective and universal control of (1) productive facilities of industry, agriculture and commerce including transportation; (2) definite limitation on profits to take all excess profits out of war, for both war and civilian industry; and (3) definite limitation and freezing of wages, salaries and income of all segments of the population."

Steel Allocation and Mandatory Order Powers Criticized

Steel allocation and mandatory order powers as embodied in the new Selective Service Act are criticized by a majority of executives participating in the survey as being unnecessary in peacetime. These executives believe that industry should take the problem on its own shoulders through voluntary action.

Approximately 13% reconcile themselves to the necessity of such controls, because they feel that these would insure accomplishment of the objectives of the present national defense program.

Few Feel Controls Necessary

A few of these executives feel that controls are necessary "to assure a continuity of supply of raw materials which small companies may have difficulty in obtaining." Some others think the controls must be used "to lessen bottlenecks and the worsening of shortages." A good many of these executives also agree that they must be judiciously handled to sustain maximum efficiency and cooperation between government and industry.

Effect on Civilian Output

Slightly more than half the executives indicate that they can take on defense work without curtailing regular production for the civilian market. About 10% of these executives say that they can handle defense work without any difficulty since current civilian demand is below capacity levels. However, in many cases, the amount of defense work to be undertaken would depend on one or more factors. The most important would be an adequate supply of raw materials.

Other executives state that any substantial amount of defense work would bring about bottlenecks of labor, capital, tools and plant space. Labor is indicated as being the most serious bottleneck.

Slightly fewer than half the executives assert that it would be difficult to accept defense work without seriously curtailing civilian production. "We are now operating with a huge backlog of orders," says one of them, "the factory is working at capacity, only limited headway is being made toward a reduction in the backlog. Acceptance of defense contracts would create serious bottlenecks of plant space and equipment and also of labor and materials." A few point out that a scrap shortage makes it difficult to accept defense work while others mention that civilian production is still insufficient to meet the present need. Still others "could not do defense work since it would require complete conversion, which would result in severe disruption of civilian production."

Wall St. Riders Have New Ride Headquarters

G. H. Struckmann, Bank of Manhattan, President of the Wall Street Riding Club, announces that the Club has transferred its ride headquarters to the Split Rock Riding Academy, 46 West Street, Pelham Manor, N. Y., where the Club will commence its 14th consecutive riding season on Oct. 1, 1948.

Weekly drill rides and other special events, formerly held in the ring on West 67th Street, will be continued at the new ride headquarters.

Merrill Foundation Financing 3-Yr. Study

The psychology that underlies the decisions businessmen make and the effect that their attitudes have on future business developments will be the subject of a three-year study to be undertaken by the University of Illinois and the National Opinion Research Center of the University of Chicago, it is announced. The study will be financed by a grant from the Merrill Foundation for Advancement of Financial Knowledge, an endowment fund established by the partners of Merrill Lynch, Pierce, Fenner & Beane.

The study will be under the general direction of Howard R. Bowen, Dean of the College of Commerce of the University of Illinois, and Clyde W. Hart, director of the National Opinion Research Center. Preliminary work will be started immediately on a grant of 15,000 from the Merrill Foundation. An additional sum of $65,000 has been earmarked by the Merrill Foundation and will be transferred when the preliminary survey has been satisfactorily completed, according to Winthrop H. Smith, President of the Foundation.

The basic objective of the study is to find out if it is possible to relate what a businessman thinks today with what he does tomorrow. The state of businessmen's psychology has long been considered an important element determining the course of business activity, but few systematic efforts have been made to find out what businessmen think about the economic outlook. It is hoped that it will be possible to develop a continuing index of business expectation.

Questions that the survey will try to answer, according to Dean Bowen, will include the following: "Does what a businessman think today about the future actually have an influence on the future course of business? How are waves of pessimism and optimism generated? What is the role of leadership? Who are the leaders and who are the followers? By what methods do pessimistic and optimistic ideas travel from one group to another?"

Under the terms of the Merrill Foundation grant, the first part of the study will include a complete survey of all the existing information on business attitudes. The study will then be developed through extensive interviewing of businessmen according to techniques similar to those used by the famous Gallop and Roper surveys, in combination with other methods of research.

According to Dean Bowen and Mr. Hart, possible products of the study include:

(1) New psychological data regarding current business conditions,

(2) A contribution to the knowledge of business fluctuations and business forecasting,

(3) New light on the process by which business decisions are made and on the influence of psychological factors, and

(4) New information on the process by which businessmen's opinions about the future are formed and are changed.

* * *

Mr. Smith also announced that the Merrill Foundation had voted a grant of $5,000 to Amherst College to support a study of the factors producing inflation in the United States since 1939. The Amherst study will be conducted under the supervision of Professor Lester V. Chandler of the Amherst faculty.

Public Utility Securities

Utility Prospects Improved

Earnings prospects for the utilities industry afford considerable basis for encouragement, according to the weekly Report of United Business Service, Boston, Mass., issued Sept. 7.

Year-to-year profit comparisons are likely to show a turn for the better this Fall, the Service feels. Revenues are running about 11% higher than last year, but rising costs more than offset this gain the first half. Chief item of expense was fuel, which was up more than 40% during this period. However, other operating costs are coming under better control, and with further major increases in fuel costs now appearing unlikely, cost comparisons should soon begin to improve.

The industry is spending upwards of $5 billion for expansion and improvement of plant, and eaarnings should reflect the benefits of these new and more efficient facilities as they are brought into operation. Until recently, utility management has hesitated to apply for rate boosts, but rising costs have induced a growing number of companies to petition for increases, and several have been granted. This is another fairly promising source of earnings improvement.

Finally, the industry probably will fare somewhat better under a Republican administration than it has in the past decade or so. Since enactment of the Utility Holding Company Act in 1935, some of the Government regulatory steps have—under the New Deal at least—bordered on the punitive, although it must be admitted that results of the Act in some instances have proved constructive.

The Service states that any improvement in operating utility profits should find quick reflection in the market prices of such equities—and in turn improve the "break-up" values of holding company stocks.

Group Insurance Provisions in 18½% of New Union Agreements, Conference Board Finds

Study reports benefits more frequent in CIO contracts, with paid sick leave provisions more prevalent in AFL agreements.

Group insurance provisions are an integral part of nearly a fifth (69 or 18.5) of 373 post-Taft-Hartley union agreements which have been studied by the National Industrial Conference Board. It was found that group insurance benefits occur more frequently in CIO agreements, while paid sick leave provisions are more prevalent in AFL contracts.

In a similar study, made in April, 1947, the Board found that approximately 15% of the contracts analyzed contained group insurance provisions.

Many Group Insurance Programs Not Part of Union Contract

Many group insurance programs, the Board points out, are not a part of the union contract. Earlier this year, for example, the Board found that wage earners in 71.2% of 455 companies were provided with disability benefits through group insurance. In an earlier report (1946), the Board found that 63.6% of 3,498 companies provided group accident and health benefits.

Types of Provisions

In its latest study, the Board finds that the types of provisions vary from those in which all the features of the plan are included to those which simply state that the present plan will be continued and "any changes to be made must be mutually agreeable to the company and the union."

Thirty-four contracts (49.1%) of those that have group insurance provisions merely indicate that the existing plan shall be continued.

Nine agreements have clauses which require the company to assume the total cost of the group insurance program covering union members.

Three of the thirty-four contracts provide for joint distributions. In one case, the employer pays 70% of the cost, in another 50%, and in the third the amount was not specified.

Details of Plans

Among the twenty-five agreements which include all the features of the plan, nineteen, or 76%, are affiliated with the CIO. Of this number, thirteen are with the Textile Workers Union of America (CIO). Four are with AFL unions, and two are with independent unions.

Most of the group insurance plans incorporated in union agreements provide for life insurance (88%), accidental death and dismemberment benefits (56%) weekly disability benefits (92%), and hospital and surgical benefits (80%). Only a few give hospital and surgical benefits for dependents and medical benefits for employees.

Life Insurance

Life insurance is payable for death from any cause. The amount of life insurance in most cases is a flat sum which ranges from $500 (ten agreements) to $2,000 (three agreements).

Accidental death and dismemberment benefits are provided in fourteen agreements. The schedule of benefits is ordinarily the same as is provided for life insurance. The amount of the benefits varies from $500 (eight agreements) to $1,000 (five agreements).

Sickness and Accident Benefits

Sickness and nonoccupational accident benefits are included in all but two of the 25 agreements. Fifteen provide uniform benefits for all covered; five graduate the amount on the basis of earnings.

Hospital and Surgical Benefits

Seventeen of the 25 plans use the group hospitalization plans underwritten by insurance companies. Three of the 17 provide benefits for dependents also. The amount of the daily benefit in these cases ranges from $4 to $8 a day.

Some unions, however, are not in favor of the insured type of hospital benefits because, under present conditions, they do not believe that the amounts provided will cover the cost of hospitalization. They prefer the type of hospital benefit provided under the Blue Cross, which provides service rather than cash benefits. Three agreements provide for Blue Cross coverage.

Surgical benefits are provided under 19 plans for employees and two of these cover employees' dependents as well.

Sees Federal Government Receding From Mortgage Business

Mortgage Bankers Association notes decline in Federal mortgage financing in face of increasing mortgage debt.

Uncle Sam, who went into the mortgage business more than 30 years ago, is now turning the field back to private enterprise more rapidly than he is in almost any other field he has entered, according to data compiled by the Mortgage Bankers Association of America.

J. C. Thomson

At the end of last year, the Federal Government owned only $1,833,565,454 in urban and farm mortgages distributed among six agencies. This is a decrease of 7.3% from the $1,968,099,550 at the end of 1946 and reflects a continuation of the decline in Federal mortgage holdings in recent years. The HOLC, one of the six agencies, held more than $3,000,000,000 in mortgages alone at one time. Today it owns only $486,000,000 a decrease from last year of 23.6%. Federal Land Banks are down to less than $900,000,000. All Federal agencies had smaller holdings at the end of 1947 except the Farmers Home Administration which registered a 4.5% gain, or to $198,710,174 from $190,128,000.

The U. S. mortgage debt as a whole, however, showed a gain of nearly 27% at the end of 1947 because of increased private activity.

Ways and means of creating more efficient operations in the mortgage lending business today in view of the present large loan volume and the anticipated continued high level of new construction will be exhaustively explored at the Association's 35th annual convention in New York, Sept. 22 to 24, John C. Thompson, President, said.

Among those who will talk on various aspects of the relationship between the mortgage correspondent and the large institutional investors whom they represent will be Harvey E. Handford, Bankers Life Company, Des Moines; Wallace Moir, President, Belmont Company, Beverly Hills, Calif.; Edgar N. Greenebaum, President, Greenebaum Investment Company, Chicago; and Donald W. Campbell, Treasurer, State Mutual Life Assurance Company, Worcester, Mass. L. Douglas Meredith, Executive Vice-President, National Life Insurance Company, Montpelier, Vt., will conduct the session assisted by Paul P. Swett, Jr., Treasurer, Baltimore Life Insurance Company.

British Export Gains Reported by Trade Official

Neville Blond, here on special trade mission, estimates his country's exports to U. S. so far this year at 50% increase over entire 1947 year. Automobiles and agricultural machinery most important items. Scores pound revaluation proposals, and expresses confidence exchange reserves will last until 1952.

Great success in already increasing exports, as well as confidence for the future, was vigorously voiced by Neville Blond, the British Government's Trade adviser in the United States, in a press conference held in New York City, Sept. 1. Mr. Blond, a British textile manufacturer, has been travelling far and wide throughout the United States since last June, and before his return home will have spent an entire year in furthering his country's trade building effort.

Neville Blond

Mr. Blond was particularly enthusiastic over the success already achieved in marketing automobiles and farm machinery. He expressed complete confidence that shipments will continue increasing, even after current post-war shortages in the United States have been made up. A tractor selling for £280 has met with particular success. Asked whether British sales of farm machinery to the United States might not be in conflict with ERP demands on this country for identical merchandise, Mr. Blond expressed complete confidence that such conflict would be resolved by the central direction of the Marshall Plan countries.

Autos And Tractors Replace Scotch Whiskey

Automobiles and farm machinery have replaced Scotch whiskey as the chief export items, while chemicals, textiles, toys, china, pottery and ship-building, are also rising in absolute and relative importance.

The rise in Britain's exports to the United States is reflected in the fact that they are now paying for one-third of her imports from here, as against one-fifth a few months, Mr. Blond asserted.

Mr. Blond denied the possibilty or advisability of devaluation of the pound, emphasizing the increased burden which would thereby be laid on British raw material imports. He expressed complete confidence that, his country with a continuance of her rigid *austerity*, will be able to husband her exchange reserves until 1952, when the international balance of payments should be restored. A *sine qua non* to this is, however, continued extension of Marshall Plan help, of the right quantity and kind.

No U. S. Slump

Asked his opinion concerning the impact on his country of a possible depression here, Mr. Blond denied the possibility, or at least probability, of an American slump, because of: (1) unsatisfied consumer demand, (2) continuing high profit levels, and (3) sustained production levels.

New York Stock Exchange Weekly Firm Changes

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

Interest of the late George E. Howe in Elmer H. Bright & Co. ceased Aug. 26.

Interest of the late Thomas F. Lough in Faroll & Co. ceased Aug. 16.

George E. Howe Dead

George E. Howe, partner in Elmer H. Bright & Co., Boston, Mass., died on Aug. 26.

Earnings Decline Shown by N. Y. City Reserve Banks

Decline of $13 million, or 19%, from 1947 level reported. Smallest size banks had better showing because of smaller bad-debt reserve charges.

The 35 member banks of the Federal Reserve System in New York City showed a decline of $13 million in net profits as compared with the corresponding 1947 period, according to information contained in "Monthly Review" for September of the Federal Reserve Bank of New York. In the remainder of the Second Federal Reserve District the consolidated returns of representative groups of member banks, shown in the accompanying table, indicate that between the first half of 1947 and the first six months of 1948 net profits declined between 11 and 27% in the three largest size groups and rose 11½% in the smallest size banks. The decline in the largest size groups (including New York City) was caused mainly by charges to earnings for the accumulation of reserves for bad debts on loans, as authorized by the Treasury ruling of Dec. 8, 1947, while the better showing of the smallest size banks resulted mainly from a larger increase in gross income and a relatively smaller volume of bad debt reserve charges.

The Review held that to the extent that the provision for bad debt reserves is utilized, it will tend to smooth out the cyclical fluctuations in banking profits arising from losses on loans, by enabling banks to accumulate tax-free reserves (in excess of actual current loan losses) in prosperous years for use in lean years when actual losses may be large. Such a policy is undoubtedly conservative, and it has been recognized as such in the past by many banks which have regularly set up reserves for possible loan losses out of net profits after taxes. During the first six months of 1948, additions to reserves for bad debts on loans were greatest in the larger banks of the District. Such additions amounted to 7.4% of total current operating income in both the central reserve New York City banks and the largest banks outside the city. The proportion of total current operating income set aside in the remaining groups declined steadily with the size of the bank sampled, equalling 6.0% in the $5-20 million group, 4.8% in the $2-5 million group, and only 1.3% in the smallest size group of banks, with deposits under $2 million.

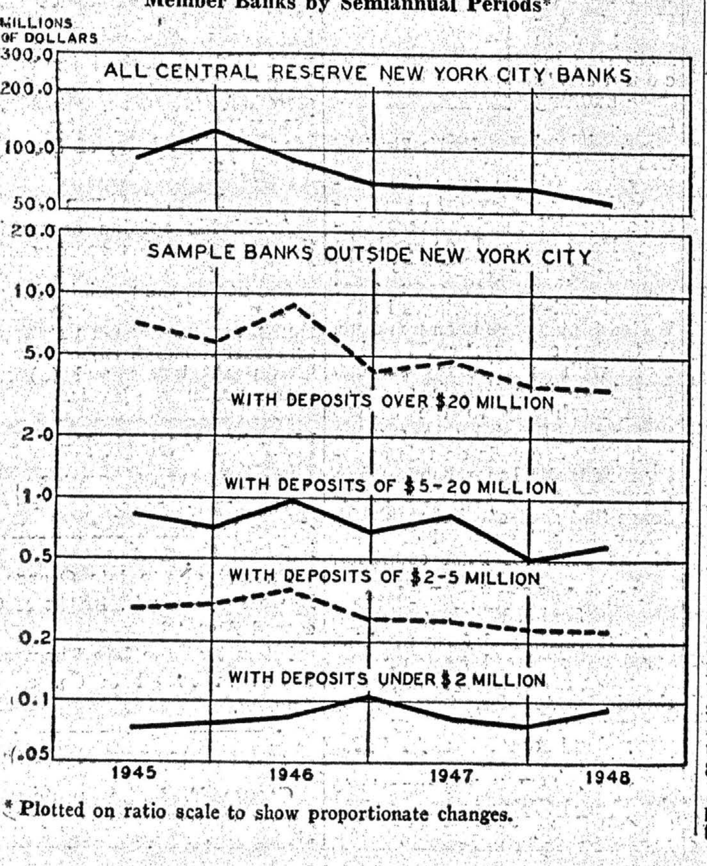
The Review reported that total current operating income showed gains compared with a year ago ranging from 5.1% in the case of the central reserve New York City banks to 14.1% for the smallest size banks (with deposits under $2 million), and for every group of banks it attained a new semi-annual postwar peak. In all cases the gain in loan income, which generally accrued from both greater volumes and higher rates, was more than sufficient to offset the decline in interest received on U. S. Government securities—a decline resulting from the reduction in holdings of such securities. Service charges collected on deposit accounts continued their upward trend and rose substantially in all groups of banks, but the gain was especially large at the central reserve New York City banks. Total current operating income in most of the groups of banks also was enlarged by gains in trust department income and larger income from non-Government securities.

Percentage Changes in Earnings and Expenses of Selected Second District Member Banks First Six Months of 1948 Compared with the First Six Months of 1947

Item	N.Y.C. banks Central reserve	Sample banks located outside N.Y.C. Deposit size (in millions of dollars) Over 20	5 to 20	2 to 5	Under 2
Number of banks	35	35	25	25	15
Interest on U. S. Govt. obligations	— 10.1	— 8.0	— 9.4	— 6.3	— 6.1
Interest and dividends on other securities	+ 1.8	+ 19.1	+ 1.2	— 2.8	+ 6.2
Interest and discount on loans	+ 24.4	+ 22.9	+18.0	+ 23.9	+38.6
Service charges on deposit accounts	+ 46.6	+ 22.6	+21.5	+ 25.3	+17.4
Trust department income	+ 7.9	+ 8.8	+14.4	+ 63.6*	0
Other current income	— 0.9	+ 7.4	+ 7.9	— 0.3	+ 7.6
Total current operating earnings	+ 5.1	+ 8.2	+ 5.2	+ 8.5	+14.1
Salaries and wages—officers and employees	+ 2.9	+ 11.2	+10.3	+ 13.0	+10.5
Interest on time and savings deposits	+ 2.7	+ 1.1	0	+ 2.4	+ 6.1
All other current expenses	+ 2.4	+ 9.4	+10.2	+ 10.9	+17.1
Total current operating expenses	+ 2.4	+ 8.6	+ 7.6	+ 9.6	+11.8
Net current oper. earns., before inc. taxes	+ 9.2	+ 7.2	+ 0.4	+ 6.3	+18.5
Profits on securities sold	— 41.1	— 16.9	—87.4	— 40.6	— 4.8
Recoveries	+108.6	+ 20.8	+54.3	+113.5	—19.6
Losses and charge-offs	+220.0	+201.5	+97.0	+191.1	+82.0
Taxes on net income	— 5.9	— 23.6	—26.8	— 21.7	— 9.0
Net profits	— 19.4	— 26.2	—27.0	— 11.0	+11.5
Dividends paid	+ 1.0	+ 9.3	+ 8.4	+ 4.4	+28.0
Retained earnings	— 48.0	— 45.5	—37.0	— 16.2	+ 8.6

*Change is not representative because of small number of banks having trust departments.

Net Profits of Various Deposit Size Groups of Second District Member Banks by Semiannual Periods*



*Plotted on ratio scale to show proportionate changes.

Operating Expenses Rise

Total current operating expenses for all groups of banks increased over last year's level, but the rise in New York City (2.4%) was considerably less than in the other Second District groups. The smaller rise in the city banks stemmed largely from smaller increases in payroll totals, occasioned by a virtual cessation in the upward trend of city bank employment, as contrasted with continued sizable gains in employment in the banks outside New York City. The city banks also appear to have kept a closer check upon "all other" current operating expenses than did the other banks. Their close control of operating expenses enabled the city banks to show a 9.2% rise in net current operating income before income taxes, a gain surpassed only by the smallest size banks.

Additions to net current operating income, before income taxes, arising from profits on securities sold were lower than a year ago in all groups of banks and reflected the generally lower level of Government security prices in 1948. Currently, security profits in the various groups of banks shown in the table are from 7% to 39% of the peak semi-annual volumes attained in the first half of either 1945 or 1946. For the central reserve New York City banks, security profits realized in the first half of 1948 were $7½ million, or one-fifth the peak volume established in the first six months of 1945.

Recoveries of previously charged-off assets were greater than a year ago in all but the smallest size banks. In many instances the expansion in total recoveries arose from the recovery on the March 15 tax date of part of the tax reserves set up in 1947 and later found to be too large because of deductions for bad debt reserves on loans. The Bank further found that the setting up of bad debt reserves was also the primary factor in the substantial rise in each group in losses and charge-offs on assets. As of June 30 four-fifths of the city banks and half of the sample banks located in the Second District outside New York City had set up such reserves.

Dividend Payments Higher

Reserves set aside for taxes on net income were generally lower than in the first half of 1947, in line with the currently reduced taxable income in the larger banks and the lower actual income tax payments, based on 1947 incomes, of the smallest banks, whose books are usually on a "cash basis." Despite the generally lower level of net profits, dividend payments again were higher in all groups of banks, continuing the steady upward trend of payments which has been in effect since 1943. The volume of net profits retained as capital to provide increased depositor protection thus was reduced rather substantially from last year's levels in all groups of banks but the smallest, where it increased 8.6%.

The trend of semi-annual net profits from the first half of 1945 through the first half of 1948 for the central reserve New York City banks and for the sample member banks in the Second District outside New York City is shown in the accompanying chart, which is drawn to show percentage changes and thus facilitate comparison between the various groups of banks. It will be noted that net profits in the city banks reached a high in the six months immediately following the end of the war, while in the three larger size groups outside the city the high were established six months later and in the case of the smallest size banks, a year later. Except in the smallest banks, where the growth of operating income was the dominant factor, the highs in the various groups coincided with the peak volumes of profits on securities sold and recoveries of previously charged-off securities. Consequently, other than in the $5-20 million group, in which a reduction in operating earnings extended the decline, the drop from the peaks occurred in the following six months or year as the sustaining influence of security profits evaporated. Subsequently, the steadily rising volume of net current operating earnings has exercised a stabilizing influence on the level of net profits, offsetting to some extent the declining volume of recoveries and profits on securities sold and the initial charge-offs to bad debt reserves on loans in the last two half-year periods.

Government's Manipulation of Credit Base Scored by National City Bank

Declares price pegs, in attracting bonds into banking system, are increasing inflationary pressures. Suggests restrictions on sales, or price-lowering below par. Terms "blunderbuss" raising of bank-reserve requirements.

The Administration's monetary policies for the alleged purpose of curtailing inflationary pressures are strongly assailed in the September "Letter" of the National City Bank. After citing the sharply accelerated rate of sales to the Federal Reserve Banks, the "Letter" says:

"Support of the bond market in the latest phase—since June 23—has been concentrated on the War Loan drive 2¼ and 2½ per cents, issues which commercial banks are not eligible to buy. The selling has originated with insurance companies, mutual savings banks, savings and loan associations, and other "nonbank" lenders who are using this means of increasing their lending power. The price pegs offer the nonbank lender an inducement to sell out the War Loans in favor of other lending or investing opportunities. On two of the ten bank restricted issues the nonbank lender can get out at par; on the other eight issues the Federal Reserve pays a premium—running up to one and one-quarter points—over the original purchase price. In short, the pegs as established invite selling and, with the record-shattering demands for funds, it is not surprising that the invitation is being accepted. The upshot is an undoing of the work of the War Loan drive committees during the war in placing s much of the public debt as possible outside the banking system. The commercial banks were forbidden to buy these securities, except for limited purchases for their savings departments. Now, from all the evidence, the Reserve Banks are buying them up and in so doing creating problems of credit expansion which the Reserve officials themselves view with misgivings.

"Redemptions of Treasury bills held by the Federal Reserve Banks, at a rate of $100 million a week since July 1, have offset a part of the Federal Reserve's purchase of long-terms. The recent rise in yields on Treasury bills and certificates has helped the authorities distribute in the open market some of their holdings of short-terms. Also, the Federal Reserve has withdrawn fixed supports from bonds held mainly by commercial banks.

"Nevertheless," the "Letter" continues, "the unmistakable tendency has been for the Federal Reserve's total portfolio of government securities to rise. This is a tendency which, in the circumstances, is undesirable and unhealthful. The crux of the problem obviously lies in the peg levels for the War Loan 2¼ and 2½ per cents. There are two direct ways out of this dilemma. One would be to place restrictions on sales. The other would be to allow the price to decline below par so that a holder of the War Loans would suffer some loss if he sold out prior to maturity. The first solution is that of a controlled economy. The second is that of a price economy.

"The problem of how to keep government bond pricees at arbitrarily fixed values, and at the same time curb tendencies toward excessive credit expansion, was constantly in the background during the brief hearings before the Congressional Banking and Currency Committees on the President's proposal to increase reserve requirements of member banks of the Federal Reserve System. Indeed, the stated reason for authorizing increases in the reserve requirements at this time was 'to enable the Federal Reserve System to acquire more—if necessary many more—long-term government securities to maintain the long-term yield level.' In this way, Chairman McCabe of the Federal Reserve Board stated, 'new reserves created by such System purchases could be absorbed through increases in reserve requirements and thus be unavailable for multiple credit expansion.'

"By this 'solution' the Federal Reserve presumably would continue to inflate their government bond holdings without predetermined limit, and in so doing facilitate increased lending by nonbank lenders. The reaction of the practical banker—if one had been called upon to testify—might well have been: 'Why crack down on us so that our competitors can take the business?" And it is true that, under prevailing conditions, where an insurance company has as ready access to Federal Reserve credit as any bank it makes little practical difference, from the standpoint of inflationary credit expansion, whether a given loan is granted by a commercial bank or by some other type of lending agency.

"Equally important inconsistencies of policy became apparent in the discussion of bank lending volumes. It was brought out that the bank loan classification showing the major increase this year was mortgage loans, backed by government guarantees. And one of the principal purposes for which the Congress had been convened was further to enlarge, not to reduce, the amount of money and credit available for building.

"Higher member bank reserve requirements not only would conflict with the government policy of easy mortgage credit and cheap borrowing rates for the Government itself, but also would involve risks of shutting off credits for essential business purposes. In a letter to the chairman of the Banking and Currency Committees, Joseph M. Dodge, President of the American Bankers Association, stated:

"'Credit has two aspects. One relates to consumption, and the other to production. The use of credit follows prices and business volume. Someone has to ask for credit before it is granted. Its use is based on the need for it. If business activity is to be continued at the present volume and at present high price levels, there will be a continuing need for a correspondingly large use of credit.

"'We must be careful not to contribute to an economic reversal so freely prophesied and wished for by the Soviets. We must be sure that the cure proposed does not bring a reaction worse than the disease. Credit on a national basis is a delicate mechanism. Rude handling can produce disastrous chain reactions.'

"The problem is to find the right middle road, putting the proper degree of pressure on lenders without precipitating an undesired curtailment of production and employment. In this respect, increasing reserve requirements is a blunt instrument, a blunderbuss that hits member banks and borrowers from member banks but leaves other credit channels wide open.

"Appreciation of these risks and inequities, together with the fact that no one seemed anxious to take the responsibility for a general crackdown on credit, doubtless explained the decision to permit increases in member bank reserve requirements of 4 points and 1½ points, on demand and time deposits, respectively, instead of 10 and 4 points as the President had suggested. Even the figures adopted, if put into effect, would require a conversion of at least $3½ billion of bank earning assets into idle cash."

The raising of bank reserve requirements is criticised by the National City Bank's analysis as follows:

"From quite another standpoint, some students of the money market have minimized the effectiveness of increases in reserve requirements under the assumption that the Federal Reserve Banks would simply take over the necessary amount of government securities from the banks, and thus nullify the effectiveness of their action.

"The two-point advances in reserve requirements of the New York and Chicago banks, in February and again in June, worked out in very much this way. The banks put government securities on the market to raise additional cash; the Federal Reserve Banks bought them. The upshot was a vast churning around of funds to little evident purpose.

"It is difficult to tighten up credit of the authorities undo with one hand what they set out to accomplish with the other," the Bank continues. "Nevertheless, even if the Federal Reserve freely buys all government securities offered, increases in reserve requirements can have vital, 'unplanned' effects. They can impose serious hardships on particular localities where the banks have been faced with heavy loan demands, do not have enough government securities left, and have little other recourse than to cut down their loans in order to raise idle cash to place on deposit with the Federal Reserve Banks.

"At the same time, there is a risk that forced liquidation of government bonds by the banks may cause contagious unsettlement in the government security market, with entirely unpredictable effects. As President Sproul of the New York Federal Reserve bank testified:

"'So long as we continued to give our support to the Government security market, the initiative will remain with the commercial banks and the market through the banks, as to whether they will make use of more reserve credit or not. To be sure, to the extent that the authority is used, the ratio of expansion of member bank credit based on a given volume of reserve bank credit will be reduced somewhat, and the possibility of its use will introduce another factor of uncertainty and doubt into the situation. But these gains may well be at the expense of an extended period of further unsettlement in the Government security market, involving our support and a consequent increase of the credit base, and at the expense of public confidence in the Federal Reserve System or in the sincere desire of the Government to do something about inflation. Giving the Federal Reserve System additional power to increase reserve requirements isn't going to bring down the price of meat or the cost of housing.'

"On a third proposal, to restore the old and higher reserve requirements for the Federal Reserve Banks, no action was taken. This was understandable since there had been little advance discussion of it.

"The proposal to apply higher reserve requirements to the Federal Reserve Banks, as well as to member banks, originated in Congress. It had the evident purposes of reminding the Federal Reserve authorities of the inflationary potentialities in their own operations, and of shifting some of the emphasis of Federal Reserve policy from protection of the bond market to protection of the purchasing power of the dollar. Without resort by the Federal Reserve Board to its power to suspend the reserve requirements of the Federal Reserve Banks, and on the basis of the current gold reserve, the Federal Reserve System has a potential capacity to inflate its government security holdings to $67 billion. This is more than three times the present $21½ billion, and $43 billion above the peak holdings of $24 billion at the end of 1945. If the required gold cover, now 25% of combined note and deposit liabilities, were restored to the 1914-45 figures of 35% against deposits and 40% against notes, the calculated ceiling on Federal Reserve holdings of government securities would be brought down to 36½ billion. This would still allow a margin of $15 billion for additions to the current portfolio, and a margin of 12½ billion over the 1945 peak holdings.

"It is thus quite clear that the restoration of the former percentages would not interfere with the current policy of pegging the prices of government bonds. Nevertheless, proponents of the proposal felt that there was something to be gained by calling attention to the reserve requirement and credit policies of the Reserve Banks and Board which lie at the very base of the credit pyramid.

Conclusions

"The Congress did not find, if anyone had hoped that it would, any new patent remedies for inflation, any easy out from the dilemma of wanting cheap money and dear money at one and the same time." The "Letter" concludes: "Expressions of confidence in the efficacy of legislative measures taken were notable for their absence. The clearest gain was in the decision of the Treasury and Federal Reserve authorities, once Congress had adjourned, to draw on their existing arsenal of powers to bring pressure to bear on the cost and availability of short-term credits. One has only to look back to the vigorous effect on the whole credit situation last Winter, when the Reserve System lowered its support levels for government securities and raised the discount rate, for a demonstration of the effectiveness of powers now held even when sparingly used. The tools are there for exerting an orderly restraint on credit expansion."

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Arthur S. Kleeman, President of **Colonial Trust Company of New York** announced on Sept. 7 the appointment of Theodore Colombo as Trust Officer. Mr. Colombo was formerly with the Continental Bank and Trust Company, where he had been active over the past 15 years in corporate reorganization and management.

* * *

Hampden Evans Tener, Honorary Chairman of the Board and former President of the **Irving Savings Bank, New York,** died on August 27, at his home in Montclair, N. J. Mr. Tener who was 82 years of age, was one of the organizers in 1907 of the old Fidelity Trust Company, now the Marine Midland Trust Co. of New York. He was also a director of the Montclair Trust Co. and had been a director of the Irving National Bank. In 1907 Mr. Tener became a trustee of the Irving Savings Bank, and in 1910 was elected to the Presidency. He served as President from 1910 until 1937. Before becoming associated with the banking field Mr. Tener was with the Continental Tube Works, Ltd. of Pittsburgh, and the Carnegie Steel Company, of which he was a junior partner.

* * *

Absorption of the **Manufacturers Bank of Cohoes, N. Y.,** by the **National City Bank of Troy, N. Y.,** on August 16, was reported by the Board of Governors of the Federal Reserve System on Aug. 21. As a result of the absorption a branch of the Troy bank has been established at Cohoes.

* * *

The capital of the **Barnstable County National Bank of Hyannis, Mass.,** was increased from $100,000 to $125,000, effective Aug. 16, by the sale of $25,000 of new stock.

* * *

Directors of the **Industrial Trust Co. of Providence, R. I.,** on Aug. 30 appointed Albin E. Pilblad as Assistant Treasurer of the company, it is learned from the Providence "Journal" of Aug. 31. Mr. Pilblad, it is stated, has been affiliated with the trust company since 1922.

* * *

Owen Morgan, Vice-President and Secretary of the **Society for Savings, of Hartford, Conn.,** died on Aug. 31. He was 65 years of age, reports the Hartford "Daily Courant" which also said that Mr. Morgan was a member of the board of trustees and the Executive Committee of the Society for Savings and a director of the First National Bank of Hartford.

* * *

An agreement of sale has been entered into by the **Western Saving Fund Society of Philadelphia,** covering the sale of 1000 Walnut Street, site of the bank's home office since 1855, to an undisclosed purchaser. The sale was negotiated by Samuel Beck and the consideration was $250,000. The announcement was made by P. Blair Lee, President of the 101-year-old bank. After settlement, the bank will continue to occupy the property until its new main office at the southeast corner of Broad and Chestnut Streets becomes available upon completion of extensive alterations. The new location, which the bank purchased in 1945, and the adjacent Hallowell Building on South Broad Street, acquired by the bank early this year, will be known as the Western Saving Fund Building. Transfer of the bank's main office to Broad and Chestnut is expected to take place about the middle of next year, at which time the central city branch office at Chestnut and Juniper Streets will be combined with the new main office. In addition, the Western Savings Fund will have six branch offices throughout the city.

* * *

Land Title Bank and Trust Company of Philadelphia will open a South Philadelphia title insurance office at 2302 South Broad Street, in charge of John F. Steele as Manager. It will be the eighth branch title office of the Land Title, the others being in Jenkintown, Germantown, Upper Darby, Norristown, West Philadelphia, Frankford and West Chester.

* * *

Milton D. Reinhold, Vice-President and Cashier of the **Philadelphia National Bank of Philadelphia, Pa.,** died on Sept. 1. According to the Philadelphia "Inquirer" Mr. Reinhold began his banking career with the First National Bank of Lebanon, Pa., in 1906. He later joined the Franklin National Bank, Philadelphia, and was appointed Assistant Cashier in 1919. The "Inquirer" added in part:

"Following the merger of Franklin National with the Philadelphia National in 1928, he became an officer of the latter institution and in 1940 was elected Vice-President, and Vice-President and Cashier two years later. Mr. Reinhold served as State Vice-President of the American Bankers Association in 1944 and Regional Vice-President in 1945-46. He was also active in Philadelphia health and welfare groups."

* * *

The directors of **Union National Bank of Pittsburgh** on Sept. 2 appointed Benjamin F. Kuhn Assistant Cashier and Robert W. Jeffreys Assistant Auditor, it was stated in the Pittsburgh "Post Gazette" of Sept. 3, which further said:

"Emerson Stilley was appointed Trust Secretary; H. Mason Reed and George K. Leitch, Assistant Secretaries; N. Paul Jones, Assistant Real Estate officer, and Russell K. Zeiler, Assistant Auditor, all in the trust department. In the corporate trust division, William E. Pensom was named Assistant Secretary."

* * *

Subject to the approval of the stockholders, the **First National Bank in Latrobe, Pa.,** will become the Latrobe office of the **Mellon National Bank and Trust Co. of Pittsburgh.** The "Post-Gazette" of that city, from which the foregoing is quoted, in its issue of Aug. 27, added:

"Richard K. Mellon, Chairman of the Mellon Bank, and James H. Rogers, President of the Latrobe bank, announced Thursday that Paul H. Miller, Executive Vice-President, will serve as Manager of the Latrobe office of Mellon. Fred J. Metz and Martin G. Skavish will be Assistant Managers.

"Directors of the Latrobe bank will serve as an advisory committee to the new Mellon office. Mr. Rogers will be Chairman of the committee."

* * *

Keith G. Cone becomes associated with the **La Salle National Bank, Chicago,** as Vice-President and manager of its personal credit department. John C. Wright, President, in announcing Mr. Cone's appointment on Sept. 7 indicated that he would direct all of the bank's installment lending activities. Mr. Cone comes to Chicago from Detroit where he has served for the past 22 years with the Industrial National Bank—most recently as Vice-President in charge of the loan servicing division and a member of the senior loan committee. During the war he served with the Foreign Economic Administration in Washington as director of the Cinchona section. Mr. Cone has been active in civic and banking affairs and has served the American Institute of Banking as President of its Detroit Chapter and as a member of national committees.

* * *

The **Lincoln Security National Bank of Chicago, Ill.,** has changed its name to the **Lincoln National Bank,** effective Sept. 1, it was indicated in the weekly bulletin, Aug. 30, issued by the Office of the Comptroller of the Currency.

* * *

The new Hollywood office of the **California Bank of Los Angeles** will open for business at Vine Street and Selma Avenue on Sept. 20, C. C. Pearson, Assistant Vice-President and Manager of the branch, has announced. The bank, which has been at Hollywood and Vine since 1932, will move its facilities one block south to the new quarters necessitated by increased business.

* * *

Charles L. LeSourd has retired from the **Seattle-First National Bank of Seattle, Wash.,** after a service of more than 42 years with the bank. This is learned from the Seattle "Times" of Sept. 1, which notes that Mr. LeSourd at the date of his retirement on Aug. 31 was Vice-President and Supervisor of trust department operations in the bank. The "Times" likewise states that Reno P. Ransom, Vice-President and a member of the trust department since 1943, has been named to succeed Mr. LeSourd.

* * *

Promotion of three officers and election of two staff members as officers of the **National Bank of Commerce of Seattle, Wash.,** effective Sept. 1, was announced on Aug. 27 by Andrew Price, Chairman, and Maxwell Carlson, President of the bank. At the head office in Seattle, Sheridan P. Gallagher was promoted to Assistant Cashier, and assigned to loan administration duties. Edward C. Shannon was elected to succeed him as Manager of the credit department. Mr. Gallagher joined the N. B. of C. organization last March after three years with the Reconstruction Finance Corp., where he had been Assistant Chief of the Seattle loan application division. He has had 20 years of banking experience, beginning in Port Angeles. Mr. Shannon came to the bank in October, 1946, after four years in the Army. Prior to that he had been associated for 10 years with the Central Hanover Bank and Trust Company in New York.

Bert L. Sellin was promoted to Assistant Manager of the Ellensburg Branch. He began his banking career in 1935 as a messenger at the Yakima Branch of N. B. of C.; he was elected an Assistant Cashier in 1944. John M. Schutt was promoted to Assistant Manager of the Vancouver (Wash.) Branch, where he has been Assistant Cashier since January, 1946. Mr. Schutt began his banking career as a main office messenger in 1936. Richard L. Hunter was elected Assistant Cashier at the Centralia Branch; he has been with the Centralia bank since 1935.

John J. Whipple Dies

John J. Whipple, partner in Wood, Walker & Co., New York City, died on Sept. 2.

Railroad Securities

Erie common stock has been finding its way into the most active stock group in recent weeks. A number of years ago, when the road first emerged from bankruptcy, these shares had quite a loyal speculative following. As earnings plumeted sharply in the postwar period, however, and the eastern roads generally came into disrepute, this enthusiasm pretty well dried up. Although the $1.00 dividend rate was maintained throughout, the stock dropped from a 1946 high of 23⅛ to a 1947 low of 8⅛. The sluggishness of the stock's recovery is evident from the fact that even this year it sold at 9⅛, or only a point above the 1947 low. Recent revival of interest pushed the stock last week to above 16.

The improved sentiment toward Erie appears warranted on the basis of the sharp earnings improvement registered so far in the current year. Despite the severe winter weather, which so adversely affected many of the eastern carriers, and the subsequent coal strike, the road reported a substantial increase in revenues during the first seven months. Moreover, the management has been highly successful in controlling operating costs in the face of higher wages and the increase in prices for fuel and materials. It is particularly notable that for the first half year the transportation ratio was down 1.8 points from a year earlier. This was one of the best relative showings in the industry and compared with an increase of 0.9 points for the Class I carriers as a group.

This efficiency trend was accelerated in the opening month of the second half of the year, with a transportation ratio of 39.5%, more than 5 points below the ratio for July, 1947. At the same time, there has been a modest drop in the maintenance ratio even though the actual dollar outlay was higher this year. For the seven months' period there was a gain of $14,592,000 (17.1%) in gross revenues. Nearly 28% of this revenue increase was carried through to income available for charges after taxes, which amounted to $10,683,000 compared with $6,648,000 in the like 1947 interval. Increased Federal income taxes had absorbed close to $2,700,000 of the revenue gain.

Earnings on the common stock for the seven months through July amounted to $2.18 a share before sinking and other reserve funds and $1.67 after allowing for such requirements. In the first seven months of 1947 the earnings had amounted to only $0.54 a share before funds and $0.20 a share after the funds. As a matter of fact, the seven months' earnings this year were in excess of full 12 months' earnings for each of the past three years and not much below the results for the full year 1944. It appears virtually certain, then, that 1948 will be one of the road's best earnings years in recent history.

August car loadings were presumably somewhat lower than in the like 1947 month. With the higher rates now in effect, however, it is probable that gross ran from 20% to 25% ahead of last year. Moreover, the prospects appear excellent for maintenance of a high level of traffic throughout the balance of the year. On this basis it seems entirely possible that earnings available for the common stock (that is, after allowance for sinking and other reserve funds) may reach $4.00 or more a share. This would be the second best year since the company was reorganized and would compare with top earnings of $5.04 realized in 1942.

The sharp improvement in earnings this year, coupled with the road's conservative scaled-down debt structure, has naturally focused the attention of speculators and investors on the possibility of an increase in the dividend, or an extra dividend. It has long been held in many quarters that, whenever justified by earnings, a dividend should be established that would afford old bondholders who got the stock in reorganization an income return equivalent to the interest rate on their old bonds. This would amount to about $1.60 a share compared with the $1.00 rate in effect since reorganization. Aside from earnings, the company would appear well able financially to adopt a more liberal policy. There seems to be a distinct possibility of some such action over the intermediate term.

Agriculture Maintaining Sound Financial Status Despite Rising Costs, ABA Survey Shows

Analysis of bank lending shows success of American farmer in avoiding debt despite great cost inflation.

Although the costs of things the farmer buys are continuing to rise, American agriculture is maintaining a sound financial position, according to a national survey recently completed by the Agricultural Commission of the American Bankers Association. The survey, an annual analysis of bank lending, shows that the American farmer is being generally successful in avoiding the dangers of excessive debt in spite of current inflated costs.

During 1947, the banks of the United States loaned $4,969,596,000 to their farm customers. At the beginning of 1948, the total agricultural loans outstanding in the banks aggregated only $2,403,022,000, an increase of less than $300,000,000 from the beginning of the preceding year. In some states, loans outstanding actually dropped during the year. This high percentage of pay offs is considered an indication of the prosperous condition of the nation's agriculture. The over-all increase is accounted for principally by the greater availability of materials and equipment for capital improvements.

Of the total amount loaned to farmers in 1947, farm production loans aggregated $4,208,734,000, of which $1,544,357,000 was outstanding at the beginning of this year. Loans secured by farm real estate totaled $620,358,000, advancing the amount outstanding in these long-term credits to only $793,371,000. Commodity Credit Corporation loans, secured by farm products in storage, amounted to $140,504,000. Fifty-one per cent of the nation's 5,859,169 farmers were served by their community banking institutions with credit during the year.

While the privately owned and operated banks of the United States were meeting the financial requirements of 2,977,492 farmers, the combined credit operations of all of the government-subsidized agencies were used by only 467,499 farmers, who borrowed a total of $1,020,301,000.

Attached is a tabulation by states of farm loans made by banks in 1947 and loans outstanding at the beginning of 1948 compared with outstandings at the beginning of 1947.

AGRICULTURAL CREDIT IN SOME TYPICAL STATES — 1947

	Total farm loans made by banks in 1947	Farm loans outstanding in banks at beginning of 1948	Farm loans outstanding in banks at beginning of 1947 (approximate)
New England			
Connecticut	$10,324,000	$4,838,000	$4,000,000
Massachusetts	11,612,000	5,716,000	4,000,000
Maine	24,324,000	13,457,000	24,500,000
New Hampshire	3,520,000	3,675,000	3,000,000
Rhode Island	1,781,000	1,458,000	1,600,000
Vermont	13,722,000	19,653,000	21,500,000
Middle Atlantic			
New Jersey	$16,327,000	$12,252,000	$10,000,000
New York	91,498,000	70,872,000	57,900,000
Pennsylvania	89,743,000	67,861,000	52,000,000
Southeastern			
Alabama	$87,543,000	$33,429,000	$28,000,000
Delaware	4,900,000	7,175,000	5,000,000
Georgia	95,295,000	41,484,000	37,500,000
Florida	28,978,000	15,855,000	13,000,000
Louisiana	44,224,000	18,576,000	16,500,000
Maryland	26,518,000	24,303,000	18,000,000
Mississippi	53,952,000	27,331,000	28,000,000
North Carolina	60,187,000	26,437,000	23,000,000
South Carolina	42,182,000	10,018,000	19,000,000
Tennessee	86,190,000	54,743,000	46,000,000
Virginia	48,145,000	46,563,000	36,000,000
North Central			
Illinois	$257,584,000	$114,299,000	$95,000,000
Indiana	136,133,000	84,295,000	72,000,000
Iowa	350,391,000	153,138,000	153,600,000
Kansas	259,538,000	103,662,000	91,000,000
Kentucky	95,583,000	69,682,000	59,000,000
Michigan	118,029,000	69,197,000	57,000,000
Minnesota	171,067,000	87,494,000	77,000,000
Missouri	244,416,000	113,341,000	93,000,000
Nebraska	268,332,000	89,501,000	76,500,000
North Dakota	52,401,000	18,990,000	18,500,000
Ohio	144,364,000	108,278,000	88,800,000
Wisconsin	133,447,000	80,758,000	64,000,000
West Virginia	11,090,000	13,931,000	11,200,000
Southwestern			
Arkansas	$124,503,000	$30,958,000	$27,000,000
Arizona	9,024,000	25,374,000	19,000,000
New Mexico	58,467,000	17,789,000	16,300,000
Oklahoma	151,397,000	64,674,000	49,000,000
Texas	456,377,000	182,475,000	172,000,000
Rocky Mountain			
Idaho	$81,601,000	$22,769,000	$20,000,000
Montana	69,825,000	24,809,000	18,000,000
Nevada	7,110,000	6,093,000	5,000,000
Wyoming	48,560,000	16,191,000	14,000,000
Pacific Coast			
Oregon	$68,734,000	$25,087,000	$21,000,000
U. S. Totals	$4,969,596,000	$2,403,022,000	$2,100,000,000

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government securities markets are still on the uncertain side, despite the firmer tone that has been in evidence recently. . . . The improved demand for the longer bank-eligibles is attributed largely to short-covering especially in the 2¼s due 1956/59. . . . The partially-exempts continued to act better than the general market, because they are again under accumulation by the deposit banks. . . . Investors have been switching from some of the longer taxable eligibles into the partially-exempts due to the more favorable tax-free yield that is obtainable in the latter obligations. . . .

Bids have appeared at intervals just above the "pegged" prices for the longer tap bonds, but they have been hit or disappeared about as fast as they have appeared. . . . Selling by non-bank investors of the ineligible obligations was heavy again last week, with reports to the effect that about $200,000,000 of the $208,000,000 bought by "Federal" was from one large insurance company. . . . Fear that support levels of long governments will be changed continues to bring liquidation into these securities. . . .

The future trend of prices of government bonds, in the opinion of many money market experts, will be determined by the amount of Treasury obligations that are sold in the future by the insurance companies. . . . If there should be continued heavy liquidation of government securities by these non-bank investors, it is believed that support prices of the tap bonds will be lowered by the monetary authorities. . . . On the other hand, a sizable drop in sales of long Treasuries by insurance companies would eliminate the threat of lower "pegged" levels for the ineligible obligations. . . .

Where new support prices would be is anyone's guess, although some observers feel that when, as and if a change is made, it will carry prices below the 100 level in order to penalize sellers of these obligations. . . .

HOW FAR DOWN?

There seems to be rather general agreement that if present supports should be altered they will be reestablished at lower levels and not done away with entirely. . . . An orderly government bond market is still very important to the economic well-being of the nation, which would rule out a completely unprotected one. . . . What many observers are trying to do now is to pick the new bottom level at which supports will be finally held, after the plug has been pulled. . . .

It is believed in some quarters that if "pegs" should be lowered, they would go to 99½ and then, if liquidation is not slowed sufficiently, an indefinite support policy would be adopted until the 98 level would be reached. . . . About two points under 100 is the lowest that has been forecast by any of the informed money market followers, should there be need to change current supports because of the large-scale liquidation of government holdings by insurance companies. . . .

BUSINESS TREND IMPORTANT FACTOR

Business conditions, the loan trend and commodity prices are going to be very important to the government bond market in the months ahead. . . . If the inflation spiral is running its course, as some economic advisors believe, then considerable pressure will be taken off the money markets. . . . However, there will probably not be any immediate change in plans of the monetary authorities for higher reserve requirements, which are expected in the near future. . . . It could, nonetheless, result in a more gradual upping of requirements, instead of an all-out increase at one time. . . .

If the business picture should show signs of deteriorating, as some think it may in the not distant future, then the selling of government bonds by non-bank holders should not be so much of a problem for the authorities. . . . Liquidation might be eliminated entirely and these institutions might swing over to the buy side of the market. . . . There are very few things that are more indigestible than sour loans. . . .

INSIDE THE MARKET

Uncertainty is still very prominent in the government bond market, with the big question marks being reserve requirements and future support prices of long Treasury obligations. . . . Commercial banks by and large are continuing to hold or to build up their positions in short-term obligations. . . . Some prefer to keep cash until they know how hard they will be hit by the expected change in reserve requirements. . . .

According to reports, liquidation of taps by insurance companies has slowed in the last few days, which may be attributed to the lull in corporate financing which usually takes place at this time of the year. . . . Savings banks have been buyers of shorts and some of the intermediate-term 2s with an occasional purchase being noted in the longer eligibles. . . .

HIGHLY FAVORED

The partially-exempts, particularly the last four maturities, have been going out of the market in fairly sizable amounts. . . . The demand has been rather general, coming from the larger banks in most sections of the country. . . . The floating supply of these securities becomes more limited every time the banks purchase them. . . . It is being pointed out by buyers of the last four partially-exempts that the tax-free return is substantially better than that available in comparable or longer maturities of taxable obligations. . . . Also the premium is not as large as it used to be and amortization of this premium over the next few years brings prices down to levels that are considered attractive. . . .

The 2¾% due 1960/65 is still the most favored obligation although good buying is also going on in the other three issues.

As We See It

(Continued from first page)

living, these same politicians are often being careful not to let the farmer's pocketbook suffer any reduction in weight or size for the cause, if they can help it. Taxpayers are becoming acutely conscious of the fact that they are being required to finance the expensive business of keeping the farmer fat and their own cost of living high. The housewife, required to pay fantastic prices for potatoes, is naturally not placated when she learns that the Federal Government is laying out many millions to make certain that these potatoes do not come into the market at lower prices. She hears or reads similar tales about eggs and a dozen other items which go to make up her distressingly enlarged budget.

Labor and the Cost of Living

It took a long time for the rank and file to become really convinced that the tactics of the labor unions were in large measure responsible for the prices they must pay when they enter the market for almost any sort of goods. Any man or woman today who does not find this fact obvious should consult a psychiatrist without delay. The repeated insistence of the unions upon higher and higher wages for fewer and fewer hours of work each week; even more to the point, their persistent unwillingness in many instances to do a day's work for several days' pay; and their demand for all sorts of silly restrictions and featherbedding arrangements, have, however, finally brought the facts of the situation home to many in much greater degree than ever before, or at least it seems so to us. This realization is more pronounced in rural and agricultural areas, perhaps, than in highly concentrated centers of population where what are now politely termed "production workers" predominate. It has become something of a question as to whether the so-called farm vote can be won easily by any candidate who is willing to continue to pamper labor as in the past. The farmer is, after all, both entrepreneur and laborer. Much the same is true of the so-called "independent" vote.

How then is the poor political candidate to appease the farmer, the unionist and the housewife, all in one election — and all under conditions in which it is not possible to say one thing (in public, at any rate) in industrial centers and another in rural areas, and something else again for consumption in the home without all factions hearing all that is said? President Roosevelt, confronted with some such situation, met it in a typical way — a way which, we should certainly hope, would be political suicide this year. He, pleading spurious war arguments, merely arranged to borrow money—largely from the banks through sale of Treasury obligations to them — with which to pay the farmer (and some others, for that matter) prices satisfactory to him and at the same time to enable the housewife to obtain what she desired at prices which did not reflect what the farmer actually received for his product. If the American people are ready again to sanction such tomfoolery at this time, then there is not much hope of saving them from themselves for a long time to come. Some other method must be sought and found for attacking this situation.

Facts About the Farmer

The first element in any sound approach to this problem is plain, simple, everyday frankness and honesty. The farmer needs to be told in a straightforward way that he as a reasonable man cannot expect, and should never have expected, to continue to get absurdly high prices for his products. He needs to be reminded that he will have large quantities to sell, and that he can do very well without such prices. He needs further to realize that it is simply out of the question for him to continue to receive largesse running into hundreds of millions not to say billions of dollars a year in perpetuity. He, as a self-respecting man of the world, must be prepared to return to a fully self-sustaining status like all the rest of us. We can not bring ourselves to believe that the farmers of this country are so lost to reason and self-respect as not to be able to see the obvious truth of such statements as these.

But such doctrines can hardly be successfully advanced by a political regime which does not talk the same language to the labor unions. Of course, it is no part of the functions of government to decide what wages should be. By the same token, neither is it any part of the duty of government to say how many hours a man shall work for this or that pay. Not only has government from time to time in recent years given rather direct encouragement to unions demanding more and more pay for less and less work, but it has placed laws upon the statute books of the nation and, in general, conducted itself in such a way as to be of inestimable assistance to the unions in adding immeasurably to the cost of living. All this is gradually intruding itself upon the consciousness of both housewife and farmer. It will no longer do for the practical politicians to arrange for the vote of the wage earners and disregard other votes which may well be lost in the process of buying those of the unionists.

Practical Truths

Now this is a practical world in which we live and in which the politician plies his trade. There may be, and doubtless are, definite limits to what a candidate for office may say about such issues as these and still hope to be elected, but there are some truths which could and should be uttered by these leaders or would-be leaders. One of them is the self evident but often forgotten fact that there are very definite limits to the extent that the wage earner can, in the very nature of things, improve his economic status by merely demanding higher wages. The limits are still more severe when higher wages are accompanied by any sort of arrangement or condition which reduces the output of the worker.

Full cooperation by the wage earner in enlarging production — all quite within reason — would go a long, long way toward making present or even higher wages possible without giving rise to crushing increases in the cost of living. Is the American wage earner so lost to reason that it would be political suicide to suggest such obvious facts?

It will be of more than ordinary interest to observe how the candidates this year approach and deal with these current dilemmas.

Another Look Through The Crystal Ball

(Continued from first page)

June. We enumerated some of the possibilities and probabilities which temporarily could make the inveterate "Bull" miserable. Practically all of the scarecrows came to life—particularly the break in commodity prices—a decline in the bond market, and increasing tension with Soviet Russia.

The subsequent reaction from 193 to 179, or a little over 50% of the previous advance, completed what we term a normal interruption in a bull market, sometimes designated as a "secondary."

Ready For Upswing

Now we are ready for another upswing right through the Presidential elections.

It is our well considered opinion that European political developments, which so largely have dominated the stock market, gradually are losing their depressing influence on our security market. We seem to be immunizing ourselves against possibilities of further unfavorable news, while good news from that quarter quickly could bring in considerable buying.

From the standpoint of our own political affairs, certainly the security markets have not adequately reflected possibilities of the many important changes in fiscal affairs which could and probably will take place if and when we have a change in administration.

The Market Underpriced

The stock market, in terms of earnings and dividends, has been underpriced for such a long time that the rank and file have become accustomed to this unusual relationship. It is well recognized by technicians, analysts, statisticians, economists, business men and the general run of investors, that the relationships between earnings, dividends and prices completely have been out of line.

Many securities have been selling on a basis of four to five times earnings, when the recognized and accepted yardstick over a period of a great many years is at least eight to ten times earnings.

Many securities also have been selling on an income yield basis of 7% to 10% when the normal accepted expectancy is nearer 6%.

The question, of course, is "why," and the immediate answer is (a) fear of the future, (b) inability to see through the maze, (c) lack of confidence in the past Administration (4) fear of punitive measures against capital and the capitalistic system and other deterrents too numerous to mention.

It is well worth remembering that the stock market never appraises earnings and prospects with any degree of exactitude. In fact, security markets are notorious for over-emphasizing or minimizing any set of conditions. That is why there is no such thing as a fair appraisal.

Mass Psychology

Economics and statistics make up 40% of any bull or bear market, the other 60% is made up of mass psychology. Most people do their thinking in terms of what the market has done in the immediate past.

Factors For Higher Prices

From the standpoint of rationalization—what can put the market up? Why should we have rising prices for the next four or five months? How can you get the speculative and investing public, both large and small, in a better frame of mind? Well here, at least, are a few instances:

(1) "Venture" capital can be persuaded to believe that we are not going headlong into a Third World War within the next two or three years.

(2) We can believe and hope that the peak of commodity prices has been passed, so that the cost of living index (which cumulatively had been going higher and higher), now should turn around and go down. If this is correct, that in turn could bring about an entirely different labor picture.

(3) Hence we can bring ourselves to believe that during the next few years, there will be a minimum rather than a maximum of labor troubles with resultant expensive strikes. Industrial costs evenually should become stabilized and once again margins of profit reasonably estimated.

(4) If one is willing to make a bet on the election—that is to say, believe that we will have a Republican Administration, and that there will be intelligent cooperation by this Administration with business both large and small, with fair treatment for all, particularly in taxation, a reorganization of our funded debt, a liquidation of our excess of Government Bureaus and surplus organizations, then the relationship of earnings and dividends to prices may be revised. That is what we expect.

(5) All we need to send this market up is a fairly decent confidence in the future. All we need to change the stock market picture, is a liquidation of some of these scary Halloween Pumpkins.

For the present there seems to be no question but the maintenance of the high level of business activity will continue. It follows that once the stock market by its increased momentum and higher prices begins to generate some confidence—the entire list will broaden out.

It may be that by the end of this year we may have occasion to look into the "Crystall Ball" once again in order to determine whether or not a case for "market indigestion" has developed but that is four months away. After all, this rise is only beginning here; to be exact, we detected "buying spots" between Aug. 20 and Aug. 26.

The Major and Minor Cycles

In closing, just few words about the major and minor security cycles. There seems to have been confusion by some readers of my last article as to whether I was bullish or bearish. The answer specifically is as follows: The long-term major cycle, according to our studies, started downward in the Summer of 1946 and should continue down (with usual interruptions) for a minimum of four and one-half years; in other words, sometime into 1950 or 1951. However, there are always temporary counter movements of substantial duration within that cycle. From the Summer of 1946 to the pring of 1948, both the minor and major cycle were in gear. Again according to our studies, the minor cycle is supposed to be in an upward direction from the Spring of 1948 to the Fall of 1949, so that for the next twelve months we see no reason to disturb portfolios. Of course during the past few weeks, we have been adding to portfolios—largely replacing securities sold during last May and June.

Plan for Midwest Exch. In Discussion Stage

CHICAGO, ILL. — While plans for the formation of a large Stock Exchange in the Mid-West which would be a consolidation of exchanges now in existence in Chicago, Cincinnati, Cleveland, Detroit, Minneapolis, New Orleans and St. Louis, have been discussed, they are in a conversational stage only according to the heads of the Chicago and Detroit Stock Exchanges.

It is understood that there will be a meeting early this Fall of committees from all the exchanges for further discussions. The conservations up to date have embodied the possibility of merging these exchanges into one central exchange, at one central point, with the idea that through such a market place the markets for the stocks of the great Midwest corporations that are currently listed on these Exchanges would be improved and broadened. The plan does not propose or intend that this market place should compete with the Eastern markets to any greater extent than the individual exchanges have in the past, but rather to create a vehicle that can better serve the public, according to James E. Day, President of the Chicago Stock Exchange.

ECA Apportionment and Intra-European Clearing

(Continued from page 4)

12- or 15-month period, in their balances of payments with the Western Hemisphere and among themselves. Thus, the allocation basis for the basic quota might be, for each country, the total estimated deficit with the Western Hemisphere (less old loans and credits) plus, say 75% of the estimated deficit with the Clearing Pool or minus 75% of the estimated surplus with the Clearing Pool. The total amount of the thus calculated allocation bases for all countries would then be related to the total of the ECA funds available (diminished by a special clearing and allocation reserve explained below) and the proportion of coverage would thus be determined. This proportion may be assumed at 90%. Basic quotas for each country would then be determined at 90% of the allocation bases. (Table 2.)

5. Clearing Pool Operations

From the basic quotas of those countries who are prospective debtors of the Clearing Pool will be deducted the coverage proportion (90%) of the 75% share of their estimated net deficits with other participating countries —the Clearing Pool—and placed, by ECA, into the Clearing Pool for United States disposition. In return for this deduction, ECA would assume the obligation of paying 75% of all net deficits that will actually arise, for participating countries, in the Clearing Pool during the 12- or 15-month period, no matter what that amount will turn out to be.[1] (ECA would acquire title to the local currency equivalents of these payments, for later disposition in accordance with arrangements to be agreed upon between the United States and the respective countries. All Clearing Pool accounts would be kept in local currency and in dollars at the official rates of exchange at time of commitment. Subsequent changes in the valuations of the currencies participating in the Clearing Pool would not change the dollar balances in the Clearing Pool in existence prior to such changes.) If a country's deficit in the Clearing Pool during the 12- or 15-month period turns out to be smaller than estimated in advance, the country will receive an additional dollar allocation from ECA's Special Clearing and Allocation Reserve to the extent of the coverage proportion (90%) of a 75% share of the shortfall.

As a result of the obligation undertaken by ECA, to pay 75% of the Clearing Pool deficits, the countries having surpluses with other participating countries would be paid a 75% share of the actual net surpluses that would arise for these countries in the Clearing Pool[2] during the 12- or 15-month period, no matter what this amount may turn out to be. Conversely, these countries would undertake to extend long-term accommodation to the Clearing Pool for the remaining 25% of the surplus balances not paid by ECA through the Clearing Pool[3], under terms of repayment to be agreed upon with the debtor countries.

6. Special Provisions

Since it would be possible, under such a system of funds allocation, that—depending upon the development of intra-European trade—some countries might accumulate dollar balances, originating from ECA funds, in excess of their payments in trade with the Western Hemisphere, special provisions would be called for to rectify such a situation. Thus, any country that would accumulate dollar balances (other than through new credit operations or from dealings with non-participating countries outside the Western Hemisphere) in its trading relations with the Western Hemisphere or its relations with the Clearing Pool, would be obligated to repay ECA to the extent of such accumulation up to the sum of any grants received from ECA plus the dollar amounts received from the Clearing Pool (which originated from ECA funds). To the extent that refunds are made for dollar receipts from the Clearing Pool, ECA would be obligated to transfer to those countries title to the equivalent amount of the respective Clearing Pool currencies.

Switzerland and Portugal (including Dependencies), who would not be eligible for the receipt of ECA funds, should be asked to join the Clearing Pool on condition that they would pay any net deficits, in dollars, Swiss Francs, or gold, that might arise for them in the Pool, or would extend long-term accommodation to the Pool to the amount of any surpluses they may come to hold in the Pool over the 12- or 15-month period.

7. Special Reserve

To protect the United States Government against the commitment of unappropriated funds as a result of its operations in the European Clearing Pool, ECA would set aside a special reserve. This reserve should also provide amounts for additional allocations to countries deserving special consideration and the amount of $200 million for the Bizone of Germany for payment to non-participating countries outside the Western Hemisphere, as envisioned by the Executive Branch.

As an example, it may be assumed that the total available funds for a 15-month period would amount to $6,702.5 million, as estimated in the Brown Books. A 90% coverage proportion for the "allocation bases" as defined above would amount to 90% of $6,807 million (see Table 2) or $6,126 million dollars for 15 months. This would leave $576 million in the Reserve of which $200 million would go into the separate allocation for the German Bizone and $376 million would remain for additional allocations to countries deserving special consideration and for the coverage of "overdrafts" in the Clearing Pool. If, as additional allocations to countries deserving special considerations, seventy million dollars would go to Italy, $30 million to Austria $30 million to the Bizone, Germany, and $10 million to the French Zone, Germany—or a total of $140 million[4] an amount of $236 million would be left for Clearing Pool protection. This amount would probably suffice to cover a 40% to 50% increase in the Clearing Pool balances over their now estimated size.

8. Aspects of the Clearing Pool Provisions

The advantages of a multilateral clearing among the participating countries as such need no elaboration. The main purpose and essence of the various provisions under which ECA would assist in the establishment and operation of an effective multilateral clearing among the participating countries is to facilitate and expand trade within the group. The provisions are, therefore, calculated to afford incentives to the expansion of both imports and exports, at the same time establishing safeguards against reckless importing and exporting. In fact, the provisions would operate most effectively in furtherance of the purposes of the Economic Cooperation Act if they were to benefit countries expanding their trade, without benefitting increases in exports any more than increases in imports; if the provisions are neutral in this respect and the countries would feel it equally to their advantage either to increase exports or to increase imports, the purpose of promoting trade would be served best.

This is the basic philosophy for the suggested standards and regulations under which ECA would operate in the Clearing Pool. The provision that countries having basic surplus positions vis-a-vis the Pool can increase their dollar earnings by increasing their exports (surpluses) to other participating countries should stimulate efforts to this effect. The fact, however, that they would have to extend long-term accommodation for 25% of these surpluses (and that this 25% will eventually have to be paid by the deficit countries) should act as a desirable deterrent to forcing upon other participating countries supplies that are not badly needed there.

The provision that ECA, through the Clearing Pool, will pay fully 75% of the deficits actually arising for countries that have a deficit position in the Pool should operate to maintain or even increase their trade with other participating countries, which is on a deficit basis. At the same time the 25% of the deficits which these countries sooner or later must pay, and the fact that for these 25% the exporting countries must extend long-term credit, should act as a brake upon running up deficits for supplies not urgently needed. The provision that if actual deficits in the Clearing Pool of the deficit countries fall short of those estimated in advance there will be some addition to the direct dollar allocation of these countries, proportionate to that shortfall, should also tend in the same direction.

There is no system ideally suited to accomplishing fully the purposes of the Cooperation Act. However, it is believed that provisions such as those tentatively suggested for ECA assistance to the Clearing Pool will definitely help these purposes. Moreover, it will be one of the important functions of the ECA country missions to watch the policies of the countries with respect to intra-European trade and to recommend remedial action in case the clearing (or any other) provisions are abused or prevented from exercising a beneficent effect upon trade. The missions will not condone deliberate curtailment of exports or expansion of imports in unnecessary luxury items, or any other infractions of the aims of the Recovery Program.

9. Testing the Quantitative Estimates

The appended Tables 1 to 4 have been compiled to illustrate, and to portray some effects of, the application of the suggested method of apportionment of ECA funds and of operations in the intra-European clearing. Yet, the estimates made are more than merely an example; rather, they are suggestions of a quantitative content for the method outlined.[5]

There can be no completely satisfactory criteria for the relative needs for outside assistance as among societies in varying stages of historical and economic development, of varying types of organization, and of incommensurate social propensities. It is nevertheless believed that there is reasonable fairness in the objective bases on which the relative amounts of funds for each country — plus adjustments — have been calculated in the tables. Thus, it is considered a fair proposition that, in a determination of the relative financing needs of the countries concerned, the estimated balances of payments, not only with the Western Hemisphere, but also on an intra-group basis, should be taken account of. The prospective favorable effect upon trade of such consideration of the intra-group balances has previously been mentioned. It goes without saying that the deficits to be covered by ERP finance must be diminished by the amounts of non-ERP finance (old or other loans and credits) that may be available to the countries concerned. On the other hand, it is only fair if—in a per capita comparison of dollar finance for the first ERP period—the comparison of quotas excluding non-ERP loans and credits is given as much consideration as the comparison of quotas that include such non-ERP finance.

Table 3 computes estimates of total receipts of funds under ERP as the direct dollar allocation less deduction, if any, for the Clearing

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1 It is deliberately assumed that ECA should pay these deficits, that will accrue as dollar receipts to the intra-European surplus countries, at the rate of 75%, although only 90% of this share (as above) would be collected, by ECA, for the Pool. The difference would come out of the special clearing and allocation reserve discussed below.

2 With upward adjustment of share for 100% payments of clearing deficit by Switzerland and Portugal. (See also paragraph 6.)

3 With downward adjustment for the full payment of balances by Switzerland and Portugal.

4 Italy: To cover the full amount of the estimated deficit with the Western Hemisphere and in consideration of the low per capita finance for Italy. Austria: To bring allocation up to the level of previous relief grants. Bizone and French Zone: To cover the full amount of the estimated deficit with the Western Hemisphere. For calculations see Tables 1 and 2. These additional allocations are to be considered, not as suggestions, but as examples for the mechanics of the process. They are, however, based upon the original Brown Book illustrative obligation estimates for these areas where the United States has a special interest.

5 Except for the "Special Allocations from ECA Reserve" (see preceding footnote) which are illustrative only. These are the special allocations that should be governed by considerations not susceptible of rigid or uniform application to all countries. Even in this respect, however, the estimates given here have a measure of realism in that they aimed at the Brown Book results for those countries where the United States has a special interest.

TABLE 1

Estimated Balances of Payments, 15-month period (1948-49)

Million Dollars

Country	—Balances of Payments— With Western Hemisphere	With intra-European Clearing Pool	*Old Loans and Credits
Austria	— $258.6	—$104.3	$20.0
Belgium-Luxembourg (including Dependencies)	— 636.9	— 109.9	211.0
Denmark	— 240.5	— 82.7	62.0
France (including Dependencies) and Saar	— 1,645.9	— 28.9	185.0
Greece	— 171.6	— 93.5	----
Iceland	— 15.3	+ 21.6	----
Ireland	— 159.7	+ 7.4	----
Italy	— 947.9	+ 235.7	112.0
Netherlands (including Dependencies)	— 996.0	+ 68.2	175.0
Norway	— 137.5	+ 136.8	79.8
Portugal (including Dependencies)	— 98.4	— 1.8	----
Sweden	— 133.0	+ 174.4	63.0
Switzerland	+ 136.2	— 8.2	----
Turkey	— 11.7	— 7.6	----
United Kingdom (including Dependencies	— 2,181.7	— 180.6	407.0
Bizone, Germany	— 1,175.9	+ 12.1	822.0
French Zone, Germany	— 132.5	— 38.7	----
Totals:			
Minus	—$8,943.1	—$656.2	----
Plus	+ $136.2	+$656.2	----
Totals (excluding Portugal and Dependencies and Switzerland):			
Minus	—$8,844.7	—$646.2	----
Plus		+$656.2	2,136.8

*Non-ERP finance available for the coverage of part of the Western Hemisphere deficit in the first ERP period.

TABLE 2

Apportionment of ERP Funds, 15-Month Period (1948-49)

Million Dollars

Country—	*Est. bal. of payments with the Western Hemisphere (minus old loans)	*75% of est. balances of payments with intra-European Clearing Pool	Allocation bases (deficits only)	90% basic quota (90% of allocation bases)	Deduction for Clearing Pool (90% of three-fourths of deficits with Pool)	†Est. dollar receipts from Clearing Pool (75% of est. surpluses with Clearing Pool)	‡Special allocations from ECA reserves	†Estimated ultimate dollar receipts through ECA
Austria	— 238.6	— 78.2	— 316.8	285.2	70.4	----	30.0	244.8
Belgium-Luxembg. (incl. Dependencies)	— 425.9	— 82.4	— 508.3	457.5	74.2	----	----	383.3
Denmark	— 178.5	— 62.0	— 240.5	216.4	55.8	----	----	160.6
France (incl. Dependencies) and Saar	—1,460.9	— 21.7	—1,482.6	1,334.3	19.5	----	----	1,314.8
Greece	— 171.6	— 70.1	— 241.7	217.5	63.1	----	----	154.4
Iceland	— 15.3	+ 16.2	----	----	----	16.3	----	16.3
Ireland	— 159.7	+ 5.5	— 154.2	138.8	----	5.5	----	144.3
Italy	— 835.9	+ 176.8	— 659.1	593.2	----	177.6	70.0	840.8
Netherlands (incl. Dependencies)	— 821.0	+ 51.2	— 769.8	692.8	----	51.4	----	744.2
Norway	— 57.7	+ 102.6	----	----	----	103.2	----	103.2
Portugal (incl. Dependencies)	— 98.4	— 1.4	— 99.8	----	----	----	----	----
Sweden	— 70.0	+ 130.8	----	----	----	131.4	----	131.4
Switzerland	+ 136.2	— 6.2	----	----	----	----	----	----
Turkey	— 11.7	— 5.7	— 17.4	15.7	5.1	----	----	10.6
U. K. (incl. Dependencies)	—1,774.7	—135.5	—1,910.2	1,719.2	122.0	----	----	1,597.2
Bizone, Germany	— 353.9	+ 9.1	— 344.8	310.3	----	9.2	230.0	549.5
French Zone, Germany	— 132.5	— 29.0	— 161.5	145.3	26.1	----	10.0	129.2
Totals (excl. Portugal and Dependencies and Switzerland)	—6,707.9	—484.6¶ +492.2	—6,806.9	6,126.2	436.2	494.6	340.0	6,524.6§
Payment of clearing deficits by Portugal (and Dependencies) and Switzerland					10.0†			
Draft on U. S. Clearing Reserve					48.4†			
Total dollar payment into Clearing Pool					494.6			

*See Table 1.

†Assuming Clearing Pool balances turn out as estimated in Brown Books. Adjustment was made, for presumed full payment by Switzerland and Portugal of their clearing deficits, through equitable distribution of the 25% for these two countries over all clearing claimants.

‡See text.

¶492.2 if Portugal and Dependencies and Switzerland included.

§Includes 10.0 payments into Pool by Portugal (including Dependencies) and Switzerland to cover their own deficits. Net dollar receipts from ECA therefore, 6,514.6; remaining ECA clearing reserve: (236.3—48.4=) 187.9, see text; total ECA funds (6,514.6+187.9=) 6,702.5.

Pool, plus the intra-clearing deficit, if any, or less 25% of the intra-clearing surplus, if any—for each country. The theory of this computation is that the total of funds that each country can properly be said to receive under ERP — including the effective clearing made possible by ERP—is the dollar value the country obtains without giving anything currently in return. Thus, the countries with both a Western Hemisphere deficit and an intra-clearing deficit actually receive a value equivalent to the net direct assistance from ECA plus the full amount of their deficits on clearing account. On the other hand, the countries that have a deficit with the Western Hemisphere, but a surplus in intra-European clearing, actually receive a value equivalent to the direct dollar assistance from ECA less the 25% of their intra-European surpluses which they are required to lend, long-term, to the Clearing Pool in favor of the deficit countries. Their own receipts of dollars from the Clearing Pool in payment of 75% of their clearing surpluses cannot be counted as values received without current compensation because these receipts are in payment for goods and services supplied by these countries; it is the deficit countries, in whose behalf the surplus countries would credit 25% and ECA would, through the Clearing Pool, pay 75% of the deficits, that are the real recipients of those dollars and are considered as such in the calculations of Table 3.

When these "real" receipts under ECA are compared with the "net balances" of the countries—their balances of payments with the Western Hemisphere and the clearing, less non-ERP finance—as can be done by a comparison of Table 1 with Table 3, it appears that there is reasonable coverage for all net deficit countries concerned.

There is full, or near-full, coverage for Austria, Italy, the Bizone Germany, and the French Zone Germany. These are the countries which have low per capita receipts of funds (Italy, the German zones), or which represent a special United States interest. Small shortfalls in the coverage of the estimated deficits for Greece and Turkey could, if desired, be easily covered out of the Special Reserve.

There would be only about 90% coverage for the remaining deficit countries — the United Kingdom, France (including Saar), the Netherlands, Belgium-Luxembourg, Denmark, and Ireland. However, all these countries would have above average per capita receipts of funds (Table 4). The per capita receipts are particularly high for the Netherlands, Belgium-Luxembourg, and Denmark; but these are at the same time among the countries with the highest per capita trade before the war. (Table 4.) The estimated per capita receipts (including non-ERP finance) of France—and the Saar—are only little above average; however, France's prewar per capita trade was relatively small. The estimated per capita receipts of funds (including non-ERP finance) of the United Kingdom and Ireland, while well above average, are relatively modest, especially if measured against the vague subsidiary index of a high prewar per capita trade.

Looking at the comparison of the estimated per capita receipts (Table 4) first, and at other relevant data second, it appears that the quotas are particularly low for Turkey and Italy. Turkey clearly is a special case; moreover, a very small absolute additional allocation would fully cover the remaining estimated net balance of requirements. For Italy a special allocation has been suggested, and the total estimated receipts, despite the low per capita quota, fully cover her estimated net requirements balance. It may also be noted that Italy's prewar per capita trade was very small.

The position of Sweden, Norway, and Iceland represents a separate category. While these countries have net deficits with the Western Hemisphere, their estimated surpluses in the intra-European clearing—even at the 75% share payable in dollars — exceed those net deficits by substantial margins (Table 2). Hence they would get no direct allocation of ECA funds. Yet the help extended to them as a result of ECA operations in the Clearing Pool is considerable; in fact, this indirect assistance, as indicated, goes beyond coverage of their net deficits with the Western Hemisphere. (It is with a view to this situation that the "repayment clause" has been suggested in paragraph 6. Special Provisions, above.) Under the method here outlined these countries would appear as contributors to finance under ERP to the extent of their accommodation to the Clearing Pool for 25% of their substantial intra-European surpluses.[6] If, in the case of these countries, the repayment clause should become effective, their contribution to finance under ERP would even be greater. Again, the results of the method outlined would be fair and reasonable for these countries as well, since they stand to gain much from the possibility, afforded by ECA operations in the Clearing Pool, of financing their net dollar deficits with the Western Hemisphere from their intra-European surpluses.

10. Grants Versus Loans

While this problem has partly been settled, or will at any rate be largely decided on the basis of other considerations, the statistical data condensed in the appendix tables should throw additional light on conditions that have a bearing upon it. Thus, consideration of the Clearing Pool provisions and operations would lead to the conclusion that ECA contributions through the Clearing Pool would probability be exclusively in the nature of grants (subject to the local currency provision suggested in paragraph 5 above). High per capita quotas of estimated total receipts of funds, as per Table 4, in turn would seem to suggest a relatively larger share of loans as against grants in the direct allocation of ECA funds to the countries concerned. Most probably one would also conclude that the loan share in a basic quota for any one country will in no way exceed, in absolute amount, the net direct allocation after deductions, if any, for the intra-European Clearing Pool.

11. Conclusion

It is quite possible that the indirect allotment of aid through the European Clearing as envisioned above may not be considered compatible with the present provisions of the Economic Cooperation Act. This is, however, largely a matter of interpretation or one that could be taken care of by legislative amendments to the Act. The more it appears desirable to emphasize the all-European aspects of the Economic Recovery Program, as against sectionalized programs for individual countries, the more obvious does it appear that the apportionment of funds among the countries and the facilitation of intra-European trade and payments are parts of a single problem. Methods of apportionment of funds and of facilitating European trade other than those envisioned in this outline have been suggested and may lead to the same or even better results. This much, however, may be said in favor of the above outline: it realizes the fundamental identity of the two parts of the problem and it offers reasonably fair conditions—so far as this is possible at all — that should be acceptable from the point of view of any country committed to European economic cooperation. The method could not do more than that. In particular, it could not of itself create economic equilibrium in Europe, although it might be a step in this direction and is certainly a method of liberalist design.

Finally, in a negative way, the method has perhaps something to commend itself in that it does not contemplate the use of local currency equivalents of ECA dollar assistance in payment of intra-European clearing balances. One may be fascinated by the elegance with which such funds could be employed, as if they were additional to the dollar help given Europe by ECA. But there is no shortcut to heaven and no trick of financial jugglery could alter the hard and fundamental physical facts of the European situation. Within the European Recovery Program, no country can receive assistance additional to that extended by the United States, unless another country makes a corresponding sacrifice. The use of local currency equivalents for the settlement of clearing balances may—to some—make this basic truth less apparent, but could not make it less true.

6 Receipts under ERP = Direct allocations (O) — deductions for clearing pool (O) + intra-clearing deficits (O) — 25% of intra-clearing surpluses (here; $81.9 million, see Table 3). Receipts for these three countries hence are negative and thus represent a contribution to finance under ERP.

TABLE 3

*Calculation of estimated total receipts of funds under ERP, 15-month period (1948-49)

Million Dollars

Country	Basic Quotas	Special Allocations	Total Direct Allocations	Deductions for Clearing	Net Allocations	†Funds credited by or contributed to clearing	Total Receipts of funds under ERP
Austria	$285.2	$30	$315.2	$70.4	$244.8	$104.3	$349.1
Belgium-Luxbg.	457.5	----	457.5	74.2	383.3	109.9	493.2
Denmark	216.4	----	216.4	55.8	160.6	82.7	243.3
France and Saar	1,334.3	----	1,334.3	19.5	1,314.8	28.9	1,343.7
Greece	217.5	----	217.5	63.1	154.4	93.5	247.9
Iceland	----	----	----	----	----	— 5.3	— ‡5.3
Ireland	138.8	----	138.8	----	138.8	— 1.9	136.9
Italy	593.2	70	663.2	----	663.2	— 58.1	605.1
Netherlands	692.8	----	692.8	----	692.8	— 16.8	676.0
Norway	----	----	----	----	----	— 33.6	— ‡33.6
Portugal	----	----	----	----	----	----	----
Sweden	----	----	----	----	----	— 43.0	— ‡43.0
Switzerland	----	----	----	----	----	----	----
Turkey	15.7	----	15.7	5.1	10.6	7.6	18.2
United Kingdom	1,719.2	----	1,719.2	122.0	1,597.2	180.6	1,777.8
Bizone	310.3	230	540.3	----	540.3	— 2.9	537.4
French Zone	145.3	10	155.3	26.1	129.2	38.7	167.9
Totals	$6,126.2	$340	$6,466.2	$436.2	$6,030.0	+ ¶$646.2	+ §$6,596.5
						—**161.6	— ††81.9
						+ $484.6	+ ‡‡$6,514.6

*Calculation, as an example, assumes clearing balances to turn out exactly as estimated in advance. For theory of calculation see footnote 2 to Table 4.

†Funds credited by the Clearing Pool are 100% of the clearing deficits of the intra-European deficit countries. Funds contributed to the Clearing Pool are 25% of the clearing surpluses of the intra-European surplus countries, with adjustments made, for presumed payment by Switzerland and Portugal of their clearing deficits, through proportionate distribution of 25% of the deficites of these 2 countries over all clearing claimants.

‡Negative receipts or net contributions to ERP finance, as a result of contributions to Clearing Pool.

¶Total of clearing deficits of deficit clearing countries, excepting Switzerland and Portugal.

§Total receipts of funds under ERP by net receiving countries.

**Totals of contributions by surplus clearing countries.

††Total of negative receipts or net contributions under ERP by surplus clearing countries.

‡‡Total ECA contribution, direct and via clearing: Basic quotas 6,126.2; special allocations 340.0; payment to Pool out of clearing reserve 48.4; total 6,514.6.

TABLE 4

*Estimated Receipts of funds (excluding and including non-ERP finance), total and per capita (15-month period, 1948-49), and prewar trade per capita.

Country	†Est. total receipts of funds under ERP Million Dollar	$ per Capita	Est. total receipts of funds under ERP plus non-ERP finance Million Dollar	$ per Capita	Prewar (1937) Trade Imports $ per Capita	Exports $ per Capita
Austria	$349.1	$49.9	$369.1	$52.7	$40	$33
Belgium-Luxembourg	493.2	58.0	704.2	82.8	106	99
Denmark	243.3	57.9	305.3	72.7	96	90
France and Saar	1,343.7	32.1	1,528,7	36.5	41	23
Greece	247.9	33.6	247.9	32.6	20	14
Iceland	—‡5.3	—40.7	—5.3	—40.7	97	110
Ireland	136.9	45.6	136.9	45.6	73	37
Italy	605.1	12.9	717.1	15.3	17	12
Netherlands	676.0	69.0	851.0	86.8	99	73
Norway	—‡33.6	—10.5	46.2	14.4	109	69
Portugal	----	----	----	----	----	----
Sweden	—‡43.0	—6.1	20.0	2.8	86	81
Switzerland	----	----	----	----	----	----
Turkey	18.2	1.0	18.2	1.0	6	7
United Kingdom	1,777.8	35.8	2,184,8	44.0	99	54
Bizone, Germany	537.4	12.4	1,359.4	31.4	¶32	¶35
French Zone, Germany	167.9	30.0	167.9	30.0		
Totals (excl. Portugal and Switzerland):						
Finance	§$6,596.5		$8,656.7			
	**81.9		—5.3			
	††$6,514.5		$8,651.4			
Finance			††$6,514.6			
			‡‡$2,136.8			

*See footnote 2 to Table 2.

†Direct allocations if any, less deductions, if any, for Clearing Pool, plus intra-clearing deficits, if any, less 25% of intra-clearing surpluses, if any. The theory of this computation is that the total of funds that each country can be said to receive under ERP—including the clearing arrangement made possible by ERP—is the dollar value the country obtains without giving anything in return currently. Thus, the countries with both a Western Hemisphere and an intra-clearing deficit actually receive a value equivalent to the direct dollar assistance from ECA plus the full amount of their deficits on clearing account. On the other hand, the countries that have a deficit with the Western Hemishpere, but a surplus in intra-European clearing actually receive a value equivalent to the direct dollar assistance from ECA less the 25% of their intra-European surpluses which they are required to lend, long-term, to the Clearing Pool in favor of the deficit countries. Their receipts of dollars from the Clearing Pool in payment of 75% of their surpluses are not counted as values received without current compensation because these receipts are in payment for goods and services supplied by these countries; it is the deficit countries, in whose behalf the surplus countries would credit 25% and ECA, through the Clearing Pool, would pay 75% of the deficits, that are the real recipients of those dollars and are counted as such in the above calculation. See Table 3 where this process is carried through. Small adjustments are required, and have been made, to take account of presumed full payment of their own clearing deficits by Switzerland and Portugal.

‡See footnote ‡ to Table 3.

¶Germany in prewar (1937) boundaries.

§Total receipts of ERP finance by receiving coutries.

**Share of above total financed by contributing countries Sweden, Norway and Iceland.

††Financed by ECA directly or via Clearing Pool.

‡‡Non-ERP loans and credits.

Business Man's Bookshelf

Car Building and Car Repairing—Yearbook of statistics on building, repair and use of railway cars (25th edition — American Railway Car Institute, 19 Rector Street, New York 6, N. Y.

Comptroller of the Currency—Eighty-fifth annual report for 1947 — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—paper—40¢.

Dilemma of Postwar Germany, The—Compiled by Julia E. Johnsen—The H. W. Wilson Company, 950 University Avenue, New York 52, N. Y.—cloth—$1.50.

Public Letters by A Private Citizen—George F. Logan—William-Frederick Press, 313 West 35th Street, New York 1, N. Y.—paper—$1.00.

Taxation of Regulated Enterprises—Selections from "The Utility Reference" — The Economic Reference, Inc., Ridgewood, N. J.—paper.

Rosenfeld & Co. Offer Auto Washer Stock

A stock issue of 300,000 shares of Minit-Man Operating Corp. common stock, at $1 per share, was announced Sept. 8 by Henry P. Rosenfeld Co. of 37 Wall St., New York.

The Minit-Man automatic car washer washes a car in 55 to 60 seconds by concentrating a series of continually rotating water-sprayed brushes against the front, the top and the sides. The wheels of the car are cleaned by a rotating brush. The car is then drawn through a conveyor system into a series of especially designed air ducts, which assist in the quick drying of the entire exterior of the car.

Since the announcement, early in 1946, that the Minit-Man, Inc., a division of Commerce Pattern Foundry and Machine Company, was in a position to accept and deliver Minit-Man Car Washers, the new and revolutionary equipment has received volume publicity in general periodicals and the business press. At this time, there are 86 machines in operation and over 200 machines sold throughout the United States. The purchase price of a Minit-Man is $16,000 f.o.b Detroit, and terms of sale provide a 10-year territorial protection.

The purpose of this issue is to open and operate Minit-Man Automatic Car Washing Stations.

Australia Wheat Exports Top Record

Wheat and flour exports from Australia during the 1947-48 selling season reached the record total of 105,000,000 bushels up to Aug. 31. Previous high was 69,000,000 bushels in 1939-40, and, because of transport difficulties, a carryover of about 4,000,000 bushels is expected. No change at present in export price, following the downward trend of prices in the United States and Canada, will be sanctioned. After payment of wheat tax, Australian growers will receive $2.00 a bushel, less freight.

Financial Problems of the ERP

(Continued from page 7)

solve this problem was made at that time, when a group of Western European countries agreed to set up a multilateral clearing system operated by the Bank for International Settlements. This mechanism proved to be workable, but its results were limited by the fact that settlement of intra-European balances could not be made automatic and universal. In fact, with few exceptions, most countries reserved the right to accept or reject propositions for compensations made by the Bank for International Settlements according to whether or not they considered such compensations desirable.

Reports now indicate that European countries participating in the recovery program have agreed in principle to a new system of multilateral settlement, under which creditor countries will extend grants to debtor countries out of the local currency funds set aside as counterparts of the dollar grants received from the United States. The application of this new system continues to be under study both in Paris (by the European governments) and in Washington (by the United States Government). It is impossible at the present time to outline the exact way in which it will operate. In general, however, it appears that the new procedure will enable ERP dollars to perform a double function: (1) Provide direct assistance to the recipient countries for purchases in the dollar area (primarily the Western Hemisphere); and (2) make possible the continuation and expansion of exports from creditor to debtor countries within Europe.

Exchange Rates and the International Monetary Fund

The ERP agreements contain clauses obligating the recipient countries to pursue orderly domestic ecnomic and financial policies, by balancing the government budget, creating or maintaining internal financial stability, restoring confidence in the monetary system, stabilizing the currency and establishing or maintaining a valid rate of exchange. These agreements provide also for consultation with the United States on all matters, including, of course, exchange rates. Of course, it is not the desire of this Government to impose policies on other countries. Moreover, the Government has expressed its intention to make full use of the International Monetary Fund in dealing with exchange rate problems in connection with the European Recovery Program. At the same time, the United States reserves the right to initiate discussions respecting exchange rates.

The Articles of Agreement of the Fund require each member country to agree on a par value for its currency before it can obtain assistance from the Fund; they recognize, however, that such par values need not be permanent and provide a procedure for orderly changes through consultation with the Fund. Before beginning exchange transactions on March 1, 1947, the Fund approved the par values of thirty-two members and deferred determination in the case of nine members; subsequently it agreed on par values of seven other members (including five new members). At the time when these initial par values were established, both the Fund and the member countries recognized that the acceptance of such par values was tentative and that some of the rates would need modification from time to time.

The United States Government, through its interested agencies, gave careful consideration to the problem of initial parities and agreed with the Fund's view that par values established immediately after the end of the war could only be tentative. It recognized also that prevailing rates of exchange may in some instances be out of line with relative wage and price levels, and that some adjustments in exchange rates may prove necessary. There is general agreement that any action in Europe on exchange rates must be related to the steps taken toward internal stabilization of the economic and financial situations of the member countries. It is also clear that the United States has a direct interest in the maintenance of proper exchange rates in Europe as long as large scale dollar aid is being provided. Obviously, however, the adjustment of exchange rates cannot be made simultaneously for all countries, since the requisite degree of internal stability is attained at different periods.

Problems have already arisen in connection with the exchange rates of two important European countries, namely, Italy and France. At the time Italy was admitted to the Fund (March, 1947) she had an exchange system based on multiple fluctuating rates and the Fund agreed to defer determination of the par value of the lira. Subsequently, in November, 1947, Italy proposed modifications in her exchange system, limiting spreads and fluctuations of rates. The Fund regarded this proposal as a step in the right direction, but could not give its approval because the new system was not made in accordance with the long-range objective of the Fund, the establishment of a single and stable exchange rate.

In January, 1948, the French Government proposed to change the par value of the franc, which had been agreed upon with the Fund at approximately 119 per dollar, and to modify the exchange system to include multiple and fluctuating rates. A new official rate of 214 francs per dollar (or the equivalent) was proposed for all currencies; but for the dollar (and the Portuguese escuda, which is also a freely convertible currency) a "free market was established which actually was soon pegged at about 305 francs per dollar. Exporters to the dollar area could sell half their exchange at the free rate, which gave an effective export rate of 260 francs. The most essential imports from the dollar area were to enter at the 214 rate, but other imports would enter at the free rate. There was no intention to maintain cross rates in line with the new dollar rate. While the Fund recognized the special difficulties of France, it was unable to agree to a system which seemed unlikely to avoid uncertainty and instability in exchanges. Despite the Fund's objection, France put the system into effect. This action disqualified France from using the Fund's resources, but did not require France to withdraw from membership.

The United States Government has kept the Italian and French exchange system, as well as the exchange systems of other countries, under close and continual study. It believes that the pattern of exchange rates—in Europe and elsewhere—is by no means satisfactory for all countries, but is fully aware of the difficulties in establishing exchange rates which can be maintained by the member countries without undue recourse to the Fund under the circumstances prevailing in the world today.

The Role of the National Advisory Council

Cooperation on financial matters pertaining to the European Recovery Program is required among the various departments and agencies of the United States Government concerned with foreign financial activities. The medium for such coordination is the National Advisory Council on International Monetary and Financial Problems, which was created by Congress in 1945 under Section 4 of the Bretton Woods Agreement Act. The Council consists of the Secretary of the Treasury, the Secretary of State, the Secretary of Commerce, Chairman of the Board of Governors of the Federal Reserve System, the Chairman of the Board of Trustees of the Export-Import Bank, and, now, also the Administrator of the European Recovery Program.

Since its creation, the Council has played an active part in the determination of the foreign financial policy of the United States and in insuring consistency of action on the part of all government agencies dealing with foreign financial matters. In particular, the Council has maintained constant consultations with the United States Directors of the International Monetary Fund and the International Bank, and has given advice to the Administrator of the European Recovery Program on matters of local currency funds, loan-grant ratios, and all other financial aspects of the program. It has been a primary concern of the Council to make certain that the domestic and international policies of the United States are effectively coordinated in a manner designed not only to insure the attainment of our foreign objectives, but to insure also that our actions in this field do not threaten the stability of our economic system.

The American Economy and Foreign Aid

It must be recognized that our foreign economic program in the aggregate imposes a very real burden upon the United States—a financial burden upon our Federal budget and an economic burden upon our people, who are called upon to export to foreign countries far more goods and services than they receive in exchange. The European Recovery Program is the most important, though not the sole, item of our foreign aid. Other Congressional appropriations have provided assistance to areas occupied by United States forces, such as Germany and Japan, and to other countries such as China, Greece and the Philippines, while the Export-Import Bank and the International Bank for Reconstruction and Development (the latter thus far making little except dollar loans) continue to finance sound economic projects in Europe, Latin America, and other parts of the world. The predominant character of the European Recovery Program may be gauged by the fact that the amount authorized and appropriated on its account—$5 billion—represents about four-fifths of the total appropriations by Congress for foreign aid for the current fiscal year. Because of the large dependence of Europe on world trade, the role of the European Recovery Program goes far beyond any geographical limitations—in fact, it is intended that a substantial part of the dollars made available to European countries will be spent in Canada, Latin America, and countries outside the Western Hemisphere. In this way our aid to Europe will also serve to provide Canada and Latin America with dollars, which they in turn can use to pay for goods they need from this country, and will help to alleviate balance-of-payments problems in a wide area.

The Administration's recommendations on foreign aid were decided upon in the light of careful and comprehensive studies of our capacity to bear this burden. These studies were undertaken in the second half of 1947, at a time when taxation remained at wartime levels and defense expenditures were declining. The general conclusions were that the amount of foreign aid contemplated for the current year would not impose any greater drain upon American resources than occurred during past years, and that this drain would not unduly affect the standard of living of the American people and the stability of the American economy. These conclusions were based on certain assumptions, mainly that there would be no overall increase in government expenditures or decrease in taxation, and that the inflationary impact would be held in check by appropriate domestic measures. The most important of these domestic measures is in the realm of budgetary policies; it is supremely important that government expenditures, including those on foreign aid and national defense, be covered within a balanced budget. If this practice is followed, the purchasing power created by these expenditures will be withdrawn from the market through taxation. At the same time, in view of the inflationary pressure arising from domestic as well as foreign sources, it is important to carry out a monetary policy designed to restrain the expansion of bank credit. To achieve the proper combination of budgetary and monetary policies requires the close cooperation of the United States Treasury and the Federal Reserve System. This I shall develop further this evening.

The cost of the foreign economic program as a whole represents a substantial measure of genuine sacrifice and subjects the American people to further inflationary pressures on the domestic economy in the short run in order to contribute to international security and economic stabilization in the long run. The cost of foreign aid seems to be small indeed compared to the cost of the alternative. If we should refuse to extend assistance to foreign countries in critical need, we would run the risk of precipitating foreign developments of the most sinister character. We would be confronted with revolutionary economic and political changes throughout the world. All hope of a democratic international order would be gone. War-wrecked countries in Europe and the Far East, deprived of the hope of a return to tolerable living standards, would become the easy prey of regimes which promise economic security in exchange for the surrender of political freedom. Confronted with a world largely made up of dictatorships of the left or right, the United States would find itself isolated in a cold and hostile world. To maintain even a pretense of security under these conditions would require a level of expenditures for defense vastly greater than any now contemplated. The present and prospective sums spent for foreign aid should be measured against these alternatives.

Conclusion

There is, of course, no certainty that our foreign recovery program will achieve all that we hope for it. Difficulties at present unforeseen may arise to disappoint and thwart us, but such possibilities should not blind us to the certainty of disaster if we shrink from the task. In this connection, there is grave danger that we shall set too much store by the results achieved in the first year and, if these results are disappointing, take the short-sighted step of discontinuing or greatly curtailing the program. In fact, the objectives sought by the program cannot possibly be achieved in one year. To expect more than a sound beginning of the desired recovery would be to misunderstand the nature of the problem and of the remedy. It should be remembered that after the first World War, which was vastly less destructive and disruptive than the recent conflict, it was not until 1925, or seven years after the defeat of Germany, that European economic activity was restored to the pre-war level.

To a very large degree, the success of our foreign economic program will depend upon our own future actions. This applies not only to our actions directly relating to the program itself but to our decisions in the broader field of economic policy as a whole. For example, we cannot expect either the recovery of world trade or the recovery of Europe if, after a short breathing spell, we attempt to reinstate prohibitive tariffs and thereby prevent Europe from selling the exports it must sell if it is to pay for the imports it needs and thus become self-supporting again. For Europe to pay its way, it is not enough that European countries are able to **produce** the necessary volume of exports; they must also be able to **sell** them. This means that other countries, including our own country, must be prepared to increase imports.

In the second place, we cannot expect Europe to achieve economic and political stability if our own economy, which is such an important segment of the world economy, is characterized by severe booms and depressions accompanied by equally drastic fluctuations in our purchases from abroad. Much depends on our ability to keep our own house in order — particularly on our ability to avoid the evils of inflation and deflation. Inflation is the immediate problem, and this we must fight at the source, which means maintaining maximum production and restraining as well as reducing excess purchasing power.

To a degree which is almost impossible to exaggerate, the future depends on the type of leadership shown by this country. Of the major countries which were engaged in the recent conflict, our country was almost alone in being able to keep its productive capacity intact. It has been estimated that the United States at present accounts for roughly half of the world's industrial production. Thus, without asking for the role, we find ourselves catapulted into a position of great power and influence which carries with it a great responsibility both abroad and at home. In the sea of problems which now beset us and which lie ahead of us, it will be very difficult to steer a straight course, but we must remember that the stakes of our action are very great. Civilization itself may be in the balance. We need not, and we cannot afford to fail.

Joins Maxwell, Marshall Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Alex. T. Robinson has become associated with Maxwell, Marshall & Co., 647 South Spring Street, members of the Los Angeles Stock Exchange. In the past he was with Bankamerica Company and prior thereto was an officer of Floyd A. Allen & Co.

Francis B. Manchester With First California Company

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Francis B. Manchester has become associated with First California Company, 510 So. Spring Street. In the past he was an officer of Nelson Douglass & Co.

Herbert H. Foster, previously with G. Brashears & Company, has also become connected with First California.

Free Labor and Free Enterprise

(Continued from first page)
fare of the country's citizens. In unity there is strength. Working people need every ounce of strength they possess to meet today's problems. Forces in the world and our Government would destroy free labor. Therefore I am urging you with everything I have to send Frank Hook to the Senate of the United States and to send a Congressman from Michigan that will go along with me on this program.

As you know, I speak plainly sometimes—in fact, I speak bluntly sometimes and I am going to speak plainly and bluntly today.

These are critical times for labor, and for all who work. There's great danger ahead. Right now, the whole future of labor is wrapped up in one simple proposition.

If in this next election you get a Congress and an Administration friendly to labor, you have much to hope for. If you get an Administration and a Congress unfriendly to labor, you have much to fear and you had better look out.

Labor Versus Communism

I believe that a strong and free labor movement constitutes a tremendous force for preserving our form of government. A free and strong labor movement is our best bulwark against communism.

To remain strong and free you must have a friendly Administration and a friendly Congress.

There's only one test of friendship: the test of the heart. You know without being told who is your friend and who is not your friend.

Glance back over the years. Between 1900 and 1933, labor was dealt three major blows. In each case these blows coincided with depressions, which occurred under Republican Administrations and Republican Congresses.

In the depression years of 1907 and 1908, sweeping injunctions were used to weaken labor and send its trusted leaders to jail.

1921 Blow to Labor

But another blow to the heart of labor came in 1921, when the Republican depression put nearly 6,000,000 workers out of employment.

The strength of labor organizations dropped off. A vicious campaign of anti-labor propaganda swept the country. It was an era of the open shop and the yellow-dog contract. A few years passed and, you all remember, came the Republican panic of 1930, and the great depression, which dealt the workers of the country a terrible blow.

There was no unemployment compensation under the Republicans. There was no floor under wages under the Republicans. Average hourly earnings in 1932 were only 45 cents—under the Republicans.

From 12,000,000 to 15,000,000 workers were out of work and unemployed—under the Republicans.

Then, in 1933, came the Administration of Franklin Delano Roosevelt.

For the first time, labor received the recognition and encouragement that it needs—that it merits. By constructive legislation President Roosevelt and a sympathetic Congress corrected many of the abuses against labor—against which labor had been contending.

That Democratic Administration of which I was a part from 1935 passed the Wagner Act to assure fair collective bargaining; abolished the sweat shop, provided unemployment compensation, passed the Social Security Act, saved millions of workers' homes from foreclosure, brought the average wage from 45 cents to $1.33 an hour.

Democratic Boom

You all remember how a Democratic Administration turned the greatest depression in history into the most prosperous era the country's ever seen.

Sixty-one million people are employed today. The gains of labor were not accomplished at the expense of the rest of the nation. Labor gains contributed to the nation's general prosperity.

Incomes of farmers and businessmen are higher than ever before in the history of the world. But we still have to fight to keep the gains that we've made in the last 16 years. The plain fact is that these gains are under heavy attack by the spokesmen of reaction.

Two years ago the people of this country—and many working men among them—seemed to feel that they wanted a change. They elected the Republican 80th Congress—and they got their change. That Congress promptly fell into the familiar Republican pattern of aid for big business and attack on labor. The Republicans promptly voted themselves a cut in taxes and voted you a cut in freedom. The 80th Republican Congress failed to crack down on prices. But it cracked down on labor all right!

The Republicans failed to give the consumers of America protection against the rising cost of living. But at the same time they put a dangerous weapon into the hands of the big corporations in the shape of the Taft-Hartley Law, which I vetoed, but which was passed over my veto.

The union men with whom I have talked tell me that labor is just beginning to feel the effects of the Taft-Hartley Law. And you and I know that the Taft-Hartley Law is only a foretaste of what you will get if the Republican reaction is allowed to continue to grow.

Republican Anti-Labor Campaign

Important Republican newspapers have already announced in plain language: the Republicans in Congress are preparing further and stronger measures against labor.

If the Congressional elements that made the Taft-Hartley Law are allowed to remain in power, and if these elements are further encouraged by the election of a Republican President, you men of labor can expect to be hit by a steady barrage of body blows. And if you stay at home, as you did in 1946, and keep these reactionaries in power, you deserve every blow you get.

Sees Threat to Unorganized

Not only the labor unions, but all men and women who work are in danger. And the danger is greatest for those who do not belong to unions. If anything, the blows will fall most severely on the white-collar workers and the unorganized workers.

And that's not all. If this Taft-Hartley Law remains in effect, labor's position will be bad enough. But suppose, while that law is in effect, a reactionary Republican Administration were to bring upon us another boom-and-bust cycle similar to that which struck us during the last Republican Administration.

I don't have to tell you that that is an exceedingly real possibility, if the Republicans get control of this country again. You can already see signs of it. The boom is on for them. And the bust has begun for you.

If you let the Republican reactionaries get complete control of this Government, the position of labor will be so greatly weakened that I would fear not only for the wages and living standards of the American working man, but even for our democratic institutions of free labor and free enterprise.

Remember that the reactionary of today is a shrewd man. He is in many ways much shrewder than the reactionaries of the 1920's. He is a man with a calculating machine where his heart ought to be. He has learned a great deal about how to get his way by observing demogogues and reactionaries in other countries. And now he has many able allies in the press and in the radio.

If you place the Government of this country under the control of those who hate labor, who can you blame if measures are thereafter adopted that destroy the powers, prestige and earning power of labor? I tell you that labor must fight now harder than ever before to make sure that its rights are kept intact.

In practical terms, this means a powerful political effort which must culminate in an all-out vote on election day. Anything short of an all-out vote would be a betrayal by labor of its own interests.

Family Living Standard at Stake

It is not only the rights of the unions which are at stake, but the standard of living of your families. If prices are permitted to rise unchecked, it is your wives and your children who will suffer. As real wages decline in the face of rising prices, it is the housewife who must try desperately to feed and clothe her family, while her buying power is steadily whittled away.

My sympathy is with those best of business managers, the wives and mothers of this nation. Think how they have made the pay envelopes stretch with each rise in prices.

Now mother has to outfit the children for school at outrageous prices. How she does it I don't know. I tried to help her out in this terrible price situation but I got absolutely no help from that do-nothing 80th Republican Congress.

Make no mistake, you are face to face with a struggle to preserve the very foundations of your rights and your standards of living. If we are to have a reactionary Administration in the years ahead, labor could be only on the defensive, fighting a losing fight.

If you produce a smashing victory at the polls you have much to hope for. Given such a victory, I forsee the time, and not far off, when it will be possible to develop a new and sounder program of labor relations for the nation; when it will be possible for labor to obtain a more equitable share of the nation's increased productivity than it ever has had.

As a basis for such a new program of labor relations, I think it is clear that labor will need to link its position more closely with that of the farmer and the small businessman. I know from my own experience with labor leaders and unions that the ability of labor to discipline itself and to achieve cooperation with other groups in the country in steadily growing.

During the war, when I was surveying American industry as chairman of the Senate Investigating Committee, I came to know the conditions under which labor works and lives. I came to know and respect the minds and spirits of the workers and union leaders. I saw them, and talked to them, and visited their homes in scores of communities. I watched them at work in hundreds of plants.

I know that labor is just as willing as any other group in the country to cooperate with intelligent programs in the interest of the nation as a whole.

Good Sense Will Defeat GOP

I am one of those who believe in the fundamental good sense and good feeling of the American people. It is my prediction that the Republican reaction will be rejected.

The American public wants a Congress and an Administration that will play fair with labor. The people will support a program under which labor makes gains consistent with the progress of our total economy.

I said a moment ago that the public is full of good feeling and good sense. That is certainly true of the great majority.

Nevertheless, I must point out that there are too many short-sighted and unthinking Americans who have adopted a "damn labor" attitude which does not become any citizen of this country. It is time that every American recognized what out fathers knew — that it is an honorable thing to work with your hands.

Our basic social freedoms can be traced largely to the fact that labor had its birth of real freedom in the United States of America. That is why our fathers came to America — to find the country where the man who worked with his hands was as good as the next man.

Today too many Americans in dining cars and country clubs and fashionable resorts are repeating like parrots the phrase "Labor must be kept in its place."

It is time that all Americans realized that the place of labor is side by side with the businessman and with the farmer, and not one degree lower.

Labor Must Unite

One of the aspects of this Taft-Hartley agitation that has been most shocking to me has been the Republican attitude as expressed in the pious speeches of some of their leaders in government and business. They seem to think that labor is some kind of a spoiled child, that needs to be spanked. They lift their eyes sympathetically and say, "It hurts me worse than it hurts you."

It does not hurt them one bit, but it certainly does hurt you.

In practical terms, it means that labor needs to unite in common causes. They must unite, and it will be a great day for labor and a great day for the country when that happens.

All of labor stands at the crossroads today. You can elect a reactionary Administration. You can elect a Congress and an Administration which stand ready to play fair with every element in American life and enter a new period of hope. The choice is yours.

Do you want to carry the Taft-Hartley law to its full implication and totally enslave the working man, white-collar and union man alike, or do you want to go forward with an Administration whose interest is the welfare of the common man?

Labor has always had to fight for its gains. Now you are fighting for the whole future of the labor movement. We are in a hard, tough fight against shrewd and rich opponents. They know they can't count on your votes. Their only hope is that you won't vote at all.

They have misjudged you. I know that we're going to win this crusade for the right!

* * *

Repeal of Taft-Hartley Law Demanded by President

The Taft-Hartley law was excoriated by and its repeal asked for, in a so-called Labor Day statement made by President Truman on September 1. The President declared the legislation imposes unfair curbs on workers, and highly lauded labor's contribution to international peace and recovery. Mr. Truman further called for a raising of the minimum wage to 75 cents per hour, together with increased social security and health insurance.

The full text of the statement follows:

The fourth Labor Day since the war affords us an opportunity to pay tribute to the achievements of American labor in the tremendous task of reconverting our economy to a peace-time basis.

The skill and energy of American workers have played a major part in the national effort which has resulted in today's all-time high records in achievement, production, income and profits.

Despite great stresses and strains, in general we have succeeded in working as a team. Labor, agriculture and business have all worked to boost our national production and our standard of living.

Free collective bargaining and our free enterprise economy have proved their strength during those trying years and the production of American workers has helped to make our nation the cornerstone in international efforts to bring about world recovery and prosperity and a lasting peace. American labor has never wavered in its support of our bipartisan effort to win peace by aiding other nations in their effort toward industrial recovery.

Production Must Be Raised

Our goal now is to continue to increase our production and our standard of living. Equally important we must improve the fairness of the distribution of the fruits of our labor.

Our American way of life is the best way of life in the world. But we can and must improve it. Some workers see their actual earnings reduced despite pay increases by the rising tide of inflation. We must act to end this economic dislocation. We must curb inflation before it leads us to economic disaster.

Higher Minimum-Wage Needed

Some workers lack the protection of a decent minimum wage. We must relieve such injustice and increase the minimum-wage level from 40 cents an hour to at least 75 cents an hour.

Too many workers lack the protection of adequate social security and a national health insurance program. We must provide this security for them.

All American workers lack the services which should and could be provided by an integrated Department of Labor provided with adequate staff and adequate funds. This situation must be remedied.

Finally, there is at present on the statute books a law which unfairly restricts labor unions and their members. It should be repealed.

Better legislation on labor-management relations is an absolute necessity in the program to increase our economic strength and to improve our national standard of living.

This year labor, always interested in good government, is making great efforts to get out the vote in November. It is to be hoped that every eligible voter —not just the customary minority of those eligible—will go to the polls and register an opinion on what course the United States should take in the days ahead. Then, the outcome will be the decision of all America.

Labor was in the forefront when our democracy was challenged on the battlefield and in the factory. We all know that labor will be in the forefront in meeting the challenge of today's peace-time problems to that same democracy.

Fall Business Holds Close To Peak Levels

(Continued from page 9)

dications point toward a possible slowing down and the probability that they will decline before long, due primarily to the exceptionally good crops this year.

While the general trend in the price level has been upward, the prices of some commodities have dropped and are lower than they were a year ago. Among the most significant of them are the grains, including those for food as well as those for feeds. Also lower are sugar, eggs, and cotton. A number of other commodities are higher than they were a year ago, but still below the high point which was reached early this year. Both the United States Bureau of Labor Statistics index of 28 sensitive commodities and the Dun and Bradstreet index of 30 basic commodities are about 10% below the peak. The most trends in each have been downward, although the changes have not been great. These changes may be significant for the future as they are occurring in those prices which have in the past often moved ahead of the general price level.

Factors Causing High Prices

Although many factors have combined to produce the present high price level, the basic one has been the great increase in the supply of money which accompanied the financing of the war and the continued heavy spending by the Federal Government since. These liquid assets held by individuals and corporations, which include deposits in banks and other financial institutions, cash in people's pockets, and cashable government bonds, are more than three times greater than they were before the war. These liquid assets have been supplemented by widespread extension of credit in many forms and the borrowed funds have further increased the competition for the limited supplies of goods. As compared with this great increase in the amount of money the total output of factories has risen only 90%. As long as public psychology remains favorable for buying, the result of such a condition will inevitably mean higher prices.

This basic inflationary situation has been further stimulated during the last three years by the policies which have been followed in many fields. The expansion of credit has given consumers and business concerns many more dollars with which to buy goods. Bank loans to business are three times greater than they were in 1939 and they are still increasing at a rate of 2% a month. Other financial institutions, especially insurance companies, have also increased their lending. Many of the loans to business have been for the purpose of building new plants and adding to productive capacity. Others, especially those for short periods, have been used to build up inventories. In the long run, the increases in productive capacity will be a factor in reducing prices as the supply of goods turned out is made greater. The first effect, however, has been to increase prices through using more of the scarce materials. Current surveys indicate that much of the capital expansion program will be completed this year.

Another field in which credit has expanded greatly is that extended for housing. The mortgage debt on homes has risen $20,000,000,000 or more than doubled since 1941. It has been rising at the rate of close to $5,000,000,000 a year. The need for more housing is still urgent and the increase in debt may be well justified but it has been a factor in pushing prices higher.

High consumer incomes and large amounts of savings have been supplemented by the steady and rapid expansion in consumer credit. Consumers are now more deeply in debt that at any previous time as is indicated by the figures reported by the Federal Reserve Board. The total consumer credit now outstanding is over $14,000,000,000, an increase of 180% within the last three years. The peak before the war was $9,899,000,000 in 1941, and the prewar average of $6,400,000,000. The rise from the wartime low of slightly over $5,000,000,000 has been one of the factors responsible for the high level of consumer demand, although it has not been the major one. The ratio of consumer credit to current expenditures or to current consumer income is very low, however, and much further expansion can take place before the prewar ratio will be reached.

The reasonable use of credit both by business and by consumers is normally a significant and constructive policy in promoting and maintaining good business conditions. At times, however, it may be undesirable and credit policies at all times must be soundly administered. Expanding credit or debt is a trend that stimulates sales temporarily and is an important means of financing consumer purchases. The increase must be considered as a temporary influence, however, which cannot be continued indefinitely, even though it can go much further than it is now before the danger point is reached. As the amount of debt grows, an increasingly larger percentage of current incomes must be used to pay off past indebtedness and a smaller per cent will be available for purchasing the goods factories are turning out currently. This condition may not be the controlling factor in affecting trends during the next few months but at some time in the future it may become significant. Even with restrictions that are being imposed now, the use of credit is likely to continue to be a stimulating influence during the next few months.

Consumer Spending Boosts Prices

Consumer expenditures are determined mainly by the volume of employment and the level of salaries and wages. Employment in civilian jobs is higher than ever before and with 61,600,000 persons at work the goal of full employment has been reached. Unemployment has been reduced to less than 2,000,000, which is considered close to the minimum to allow for work interruptions, the changing of jobs, and other temporary factors.

Not only are more persons at work but also their rates of pay have been increased. Weekly wages in factories have risen to an average of $52.81, as compared with the 1929 average of $23.86. The increase in the last year has been about 7% which is only half the increase that was made in the preceding year. Total weekly wages are higher than at the wartime peak when many more hours were worked. The increase in wages has been greater than the increase in production and is one of the major factors in the rise of industrial prices. The increase of over 100% is also greater than the rise in the cost of living, and indicates that real earnings of the workers have gained considerably during the last ten years.

These gains are reflected in the enormous demands for goods and services which in turn have maintained a large volume of production and trade. People have been spending more money in retail stores and for services than in any corresponding previous period. Sales are currently running close to 10% higher than they were a year ago and the total amount of goods sold in retail stores this year may reach $125,000,000,000. The increase in the dollar volume is about the same as the rise in retail prices but it does indicate that consumers are still willing and able to buy the goods that are being produced.

Changes in the rates of pay and in consumer incomes are significant not only for their effect on prices and sales volume but also because they indicate something as to the costs under which industry must operate. Unless the raises are offset by increased productivity, the selling prices of goods must be raised to cover the additional expenses. An accurate appraisal as to the wisdom of wage policies at any time must take into account both aspects of wages. On the one hand, they do represent the number of dollars which a large section of the population will have to spend to purchase the goods that are being produced. The total can be ascertained by considering the product of the wage rates, the number of people working, and the number of hours they work. On the other hand, wages indicate labor costs which for most companies represent the major item in operating expenses. One of the major problems of management and labor is to find the proper balance between wage rates as costs and total wages as purchasing power. When either gets out of line, industry will eventually be slowed down and general business will decline. Under unusual or abnormal conditions, such as extremely large liquid assets, a lack of balance may be hidden for a considerable period and may even become worse. In time, however, it will become prominent and may lead in the future as it has in the past to serious difficulties and involve considerable readjustment.

Another important comparison is that between the number of persons at work and the total output of goods and services. Employment has risen in the last year and has reached a new peak. The rise has been slightly more than the increase in production which may indicate that productivity is not increasing as it should normally do. Allowance must be made, of course, for the reduced number of hours worked each week and for some part-time employment. These changes have shown wide variations among different industries, but in some lines of manufacturing a larger number of workers has been needed to turn out each unit of product than in the prewar years. A major problem for labor and for management is to find ways by which productivity can be increased and more goods turned out for each hour of labor. That method is the only constructive way to deal with the problem of rising prices in the long run.

Increased productivity is the way in which progress has been made in the past. Output per worker has risen to over three times that of 70 years ago, with the average annual rate of increase at about 3 per cent. Future progress will depend upon additional increases and upon the wisdom with which these increases are managed. These fundamental factors will be more significant in determining the future standard of living in this country than many of the more spectacular items which are prominently displayed in current headlines. For that reason they deserve the careful attention and consideration of business, labor, and government. A broad understanding of basic principles of economics is an essential requirement for maintaining a permanently high level of production and trade.

These long-run considerations need to be taken into account when any appraisal is made of the current situation with the large national income and a steadily rising price level while production is increasing only slowly. Total income received by all individuals is approaching an annual rate of $212,000,000,000, an increase of 10% in the last year. Wages and salaries constitute close to $140,000,000,000 of that amount. In the previous boom year of 1929, the total income was a little under $90,000,000,000. Whenever prices rise faster than income and production, as they have been doing for a long time, the result will be a temporary inflationary period followed by a later deflation which will involve drastic readjustments until conditions again become favorable for the production of the maximum quantities of goods and services. The permanent effects of any policy may be quite different from the temporary ones. The date of the reversal cannot be forecast with any high degree of accuracy, but the possibility of it should be kept in account in all business planning.

Methods of Dealing With High Prices

Considerable attention has been given in recent months to the problem of inflation and to a consideration of the best methods to use in order to keep prices down. One method is that of restrictions on installment credit in order to reduce the pressure of demand for many types of products, especially durable goods, which are still not plentiful. In so far as the restrictions are effective they will tend to reduce demand, but many of the lines in which price rises have been greater are those in which installment credit is only a minor factor.

Financial measures, such as requiring larger bank reserves, are also designed to reduce credit and thus lower demand for goods. They will be particularly effective in tending to hold down business loans and the expansion of borrowing of all kinds. Working in the same direction is the policy of raising interest rates and thus making borrowing more expensive. While the tendency of these measures is definitely in the direction of reduced demand and lower prices the net effect on the economic system is not certain. Many other and possibly more powerful forces are still working in the other direction and are likely to control until the balance of these forces changes. Economic changes are always determined by a complex combination of influences and modifying a few of them may not be effective.

Some of the other methods which have been adopted will work in the opposite direction from that caused by the restriction on credit and the raising of interest rates. Among them are the easier credit for construction of rental housing and broader guarantees for building loans. Even though the need for housing is great, the effect of these measures will be to increase the pressure toward higher prices in some of the areas where it is already strongest.

Much of the difficulty in dealing with the problem of inflation is due to an inadequate understanding of what is involved in it. Incomes, prices, and costs are closely interrelated and always change together unless they are accompanied by greater productivity. Every price is an income to some one and a cost to someone else. If prices are reduced so that people as consumers will be able to get goods by paying less, then people as producers will receive less. A policy which results in enabling some people to receive more must inevitably also result in having other people pay more. Until this fact is clearly realized, methods of dealing with price problems are likely to be ineffective or harmful in that they will prevent the attainment of balanced conditions which will provide for the greatest production and exchange of goods and services.

Agricultural Prospects Most Favorable

Weather conditions this season are more favorable for the farmers than in any previous year and total crop production will establish a new record. It will surpass by a substantial margin both the peak years of 1942 and 1946. Large acreage and high yields per acre have been responsible for this outstanding achievement. Output of major crops is estimated to be 28% greater than the ten year average, which included some very good years.

Most significant is the record crop of corn amounting to 3,329,000,000 bushels which is almost 1,000,000,000 more than last year. Almost as good are the crops of the other feed grains, especially oats and barley. These crops are considerably above average. The hay crop is somewhat smaller than last year but will be large enough to meet the demand. In comparison with the numbers of livestock on farms, the total supplies of feed grains per animal will be larger than in any preceding year. This large amount will encourage the feeding of livestock and will result in larger supplies of meat next year.

The harvest of food grains has also been large. The wheat crop of 1,242,000,000 bushels is the second largest ever raised and the crops of rye and rice are also larger than average. The potato crop is also large, due primarily to a record yield per acre.

The cotton crop of 15,000,000 bales is not only about 3,000,000 bales larger than last and ten-year averge, but also the largest since 1937. It will be somewhat in excess of current consumption which has been running somewhat lower than last year. Exports of cotton are likely to be increased, however, and a market will probably be found for this large output.

Variations among prices of different farm products reflect the changing conditions in production. Prices of grains and of cotton have been declining and are lower than at any time in the past year. On the other hand, prices of livestock and many livestock products continue to rise. They are not only higher than they were a year ago, but also are establishing new peaks.

The average price of all farm products is about 10% higher than it was a year ago and very close to the peak which was established early this year. It is close to 200% above the perwar level. The combination of high prices and increased output has boosted farm income to over $2,000,000,000 monthly, as compared with less than $700,000,000 in the prewar years.

Declining prices due to large production may indicate that the peak of farm income was reached last year, although government loans and price support policies will tend to prevent as rapid declines as have taken place in the past under similar conditions. Demand for farm products is large and will help keep agricultural conditions favorable.

Joins Akin-Lambert

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Hunley E. Seaton, Jr., has joined the staff of Akin-Lambert Co., Inc., 629 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges. He was formerly with Gross, Van Court & Co.

Geffeney With Lester Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William L. Geffeney has become associated with Lester & Co., 261 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with Bingham, Walter & Hurry.

Oil Shares Again Under-Priced

(Continued from first page)

reports that another 25-cent rise in the price of crude was practically a "foregone conclusion." This increase has been avoided because the industry has developed the desired rise in the supplies of crude and end products during the summer period when consumption normally runs below winter levels.

The Deflation Fear

It might be thought that investors would be happy, now that the oil industry has achieved stability and has averted the loss of public good will and the political threat which might have accompanied sky-rocketing prices. Instead, many investors now fear that the industry may be entering a period of awkward deflation. Fears are heightened by the same news sources which earlier this summer were editorializing on how demand was continuing to outrun supply. Such sources now emphasize that production has been outrunning consumption, and that spot market price premiums have been lessening. As a result of more comfortable supplies, certain price developments favorable to consumers and to major oil interests, and unfavorable to the marginal companies, already have occurred, and further changes are in prospect.

An additional factor which affects investors not only in this but in other industries is widespread obsession with the "business cycle." Sophisticated investors generally are thinking in terms of the undependable and irregular prewar pattern of "boom" and "bust." The possibility of reaching a plateau which might be maintained for a significant period near or moderately below current levels is not being given the consideration which it may deserve.

Oil industry inventories have been increasing, although the increase has been solely in refined products, particularly residual heavy fuel oils. The decline in world trade has affected shipping, and there has been only a small increase in residual fuel oil consumption in 1948. Consumption of distillate or lighter fuel oils and kerosene has been large, but inventories have risen sufficiently to indicate that a repetition of last year's shortages will be averted.

In all, the average rate of increase in refined product inventories during the past four months has been 2.8 times that of the same period of 1947 and 1.9 times that of the same period of 1946. The aggregate inventory accumulation amounts to only six days' additional supply at current rate of consumption.

Inventory Increase Normal

The current increase in inventories largely reflects the normal seasonal decline in consumption, an important and apparently little recognized factor. To a lesser extent it also reflects rising domestic production plus a small increase in net imports. Responding to a loosening of production prorationing restrictions, and a higher price of crude with a 20% increase in drilling activity, oil production has advanced. However, the recent average of 5,500,000 barrels daily is only 4.3% above the December, 1947, daily average of 5,275,000.

To overcome shortages many fields have been currently producing above the output rates most desirable for maximum economic recovery (M.E.R.). However, state boards and the Interstate Oil Compact Commission continue to function. They may be expected to cut down on marginal output whenever any definite signs of over-production are seen, provided the producers themselves do not take such steps first. Inventory withdrawals will probably be required in the coming winter, but in the summer of 1949 proration restrictions might well need to be tightened if undue inventory increases are to be avoided. The levels of production and of demand that far ahead are hard to forecast accurately.

All but a small percent of the movement of refined oil products is at contract prices through established channels. In recent years contract supplies have not always been adequate to take care of the full needs of regular clients. Purchasers have frequently gotten the small additional amounts needed for rounding out requirements from inefficient marginal sources. These have stayed in business by charging extravagant spot prices to offset uneconomic methods of oil procurement, refining, or shipment. For their part, the majors also have been forced to use uneconomic expedients for the top part of their sales and such operations have often resulted in losses.

The industry has been operating its refinery capacity at about 97% as against a normal well below 90%, indicating the degree to which all facilities, high-cost or low, have been pressed into service. Last spring cash premiums ran above 3¢ per gallon on gasoline, with even larger proportionate premiums on distillate and heavy fuel oils. Now these premiums have been sharply reduced or eliminated. It is natural that, as the industry reaches a balanced position, spot prices recede to contract prices (and in some cases below), but the effect of this change is constructive, rather than otherwise, for the majors.

Although spot markets are weakening, a recheck of various factors affecting oil, domestically and internationally, suggests that **oil basically is still a short commodity rather than a surplus commodity.** There is little that is tangible to indicate that this basic position will change over the medium term, or even necessarily over the longer term, barring a radical slump in general business.

Long-term trends will be much affected by policies and practices of major petroleum interests in exploiting recently developed Near East fields, which will provide increasing supplies for Europe and also for the United States. Near East fields are the richest in the world, but their ownership is concentrated, and exploitation is expected to be orderly.

Wartime economic developments, particularly in the United States, caused a large jump in the demand for oil products, both as related to oil reserves and to the interrelated capacities of the world's oil wells and oil refineries. **Consumption of distillate fuel oils in the United States in 1947 was 121% above the prewar 1939 level, and consumption of other end products has risen sharply, albeit at a lesser pace.** The rise in gasoline consumption from 1939 to 1947 was 43%.

Domestic Demand for Refined Products
(In millions of barrels, U. S. Bureau of Mines)

	1939	1947	% Increase
Motor Fuel	555.5	749.9	43
Residual fuel oil	323.5	518.4	60
Distillate fuel oil	135.0	298.3	121
Kerosene	60.5	102.5	69

Statistics of the industry are complicated. In the form reported by the press, they give little clue to seasonal variations, and in discussions with investors we have noticed that the average sophisticated investor still has a concept of the industry hitting its peak in summer months. However, **the rise in fuel oil usage quietly has shifted the seasonal consumption peak of all oil products from the summer to the winter.**

The Peak in January

Oil demand in 1946, as indicated by our seasonal index number, peaked out early at 106.4 in January, declining to 95.4 in June, and rising to a late crest of 118.5 in December. The pattern in 1947 was similar, with a January peak of 107.2, a June low of 92.8, and a December high of 121.0. It is apparent that the average of the winter months' consumption is 10% to 15% above the average of the summer months' consumption. Currently, with crude production averaging over 5,500,000 barrels per day, this difference is equivalent to a seasonal fluctuation of some 600,000 barrels in ultimate daily demand.

Net earnings for the oil industry this year are expected to be about 50% higher than those of 1947. **If 1949 witnesses moderate declines in crude oil prices, in refined products prices and in net earnings this would neither be surprising nor particularly disturbing.** Much depends on the trend of general business, but the December, 1947, increase in crude oil price, 50 cents per barrel, admittedly was a large one, and the industry could well prosper on a somewhat lower price basis. An easing of supply-demand pressures would probably result in a stretching out of the industry's tremendous expansion program, making a larger proportion of earnings available for dividends.

Refined Products Demand Index
Four Major Products
(U. S. Bureau of Mines)
(Monthly average for each year equals 100)

1946		1947	
January	106.4	January	107.2
February	95.0	February	95.4
March	98.6	March	101.7
April	96.4	April	94.5
May	101.7	May	95.5
June	95.4	June	92.8
July	98.1	July	94.9
August	95.4	August	93.5
September	89.8	September	96.7
October	100.5	October	104.1
November	104.8	November	103.6
December	118.5	December	121.0

Stock Market Conclusions

The current decline in prices of oil shares has gone far on a price basis, and in time has occupied three months. Around current levels, selected oil shares appear to offer the conservative investor sound attraction on several important counts, not least of which is the inadequate present appraisal of the seasonal lift the industry is to experience. Apart from this, oil stocks are attractively priced in relation to conservatively stated earnings, also to probable future earnings, even if projected on a considerably reduced basis. In many cases large yields are available apart from any further dividend increases. Oils give the inflation protection provided by strategic assets in and above the ground, valued in today's stock market well below current replacement costs. Tax status is sound; oil assets may be exploited without undue tax burden. The leadership exerted by major companies and the industry's low labor costs alike make for the sort of stability which investors desire. Finally, the oil industry continues to display a superior growth element.

Leading oil stocks which particularly deserve mention include Gulf Oil, Standard Jersey, Texas, Socony Vacuum, Standard California, Standard of Indiana and Shell. Oils of reasonable quality which are interesting for their usually low price-earnings ratios, and for other features as well, include Atlantic Refining, Pure Oil, Cities Service and Sinclair.

What the Bankers Are Doing About Inflation

(Continued from page 8)

operation from the business men in town?

(6) The banker should know his county agent and officers of soil conservation services.

(7) Is your county organized for soil conservation and reforestation? How many farmers are participating? Do the farmers need credit for the purchase of proper equipment?

(8) What farm organizations are represented in your community? What percentage of your farmers belong to the Farm Bureau, the Grange, or the Farm union? What is the membership of the local group in the National Council of Farm Cooperatives? What is the program of these farm organizations?

Information Supporting Loans to Farmers

All of these things will help your bank to do a better job, but for any busy banker to carry on the banking business and to keep informed is almost impossible, and this brings up the point that every country bank needs to have some member of its staff designated as its agriculture representative. In other words, a bank needs a farm department. If you do a big agricultural business, then there is need for trained leadership because credit is more sound when it is extended on complete information. What constitutes sufficient information to support loans to farmers?

Here are a few points that are worthwhile to keep in mind:

Application; history of the applicant; memo. of loan conditions; financial statement; inventory; budget; operating statement; annual analysis sheet; real estate appraisal; photographs; inspector's report; community survey, chattel mortgage; credit reports; public records abstract; tax record; aerial maps; correspondence; clippings, reports, etc.

The test of a good farm mortgage loan is one where the farm offered as security will produce sufficient income to pay operating expenses, including taxes and insurance; provide a living for an average family; and leave enough margin to pay interest and principal on the loan.

The loan should be amortized on a plan adapted to the borrower's ability to repay, and the loan contract should permit advance payments on principal. Loans made during the periods of high income should provide for rapid repayment until reduced to an amount that can be carried with much lower farm income.

Records such as land classification maps, soil maps, and aerial photographs should be used to help determine the quality and productivity of the land in the territory and of the farm offered as security.

Farm property offered as security should be appraised by a qualified person, familiar with local farming practices and values. His report should show description of the land as to is productivity, types of soil, and its relative values with other farms in the community.

The appraiser's report, which becomes a permanent record of the bank, should include full information as to the borrower and his family; his character and industry; his attitude toward conserving the soil, and building up his property; and his experience and ability as a manager.

In making an appraisal of the farm, first consideration should be given to the income which the farm is expected to yield at average farm prices over a period of years.

Farm buildings should be appraised according to their usefulness to the business of the farm, on the basis of their contribution to the farm income, rather than on their cost.

Loans should be supported by adequate records — records that can be made available, if necessary, to the bank examiners to confirm the judgment of the bank officers and directors who made the loan.

A proper appraiser recognizes the importance of putting down on paper every fact and factor that has to do with the productivity of the farm and the ability of the farmer. It's something that the ABA is concerned about. Our Agricultural Commission will develop a manual for bankers to follow in the making of farm loans, giving particular emphasis to the proper appraisal of the farm.

The future for agriculture in Georgia is bright. The growth in population and the increase in the purchasing power of the people in your state opens many possibilities for increasing farm incomes. Among them is the growing importance of dairying. With the long pasture season, southern farmers will be able to produce milk more cheaply than those in the snow areas. The change in dairying however, involves a complete transition of the type of agriculture that maintains mainly in the south. The farmer needs the advice and cooperation of his banker, for it's going to take a lot of credit to effect the change. The banker needs to know cattle, grasses, and markets; he needs to know more about the dairy farming business than he ever knew about cotton. Each farm represents industrial endeavor; each one must stand on its own.

In conclusion, let me urge you to keep closely in touch with your state college of agriculture. Its program for Georgia is constructive and planned to meet local conditions. We need also to know about legislation that will affect our business and to use our influence toward the enactment of sound laws.

Banking is vulnerable in that it deals with such intrinsic qualities as savings, and therefore, lends itself to political consideration. Norman Thomas in most of his appeals for support of the socialist ticket, puts banks as the number one business institution to be come socialized. Mr. Wallace does not go as far as Mr. Thomas as saying that all business and industry should be socialized, but simply some of the main ones; he doesn't put all banks in this category but lists the 100 largest.

Charles L. Andrews Dies

Charles Lee Andrews, limited partner in De Coppet & Doremus, died at his home at the age of 89 after a long illness.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Buying time now at hand. Stocks recommended but stops are not to be neglected. Up and down period about over.

If I had the good sense to write one column and then shut my mouth, or at least, keep away from the typewriter, I could build quite a reputation for myself as being quite wonderful. Instead I keep writing week after week about things that don't matter and before I know it I've written something that changes everything that I've written before, and there I am: a prophet who doesn't know enough to come in out of the rain.

* * *

All this is a left handed swipe at myself for having forgotten my column of Aug. 19. In that one the advice was clear and specific that buying of stocks — I gave a list — should be started. I also said that for the remainder of the month the market would do little but zig-zag.

* * *

Then along came subsequent columns in which I completely forgot what I wrote and warned that the time to buy wasn't ripe. No one called me on it.

* * *

Oh yes, I did get one letter. A market analyst for a stock exchange house. The gentleman wrote me Aug. 20 saying "I sincerely enjoyed your article under date of Aug. 19."

* * *

Then just as I started to glow with justifiable pride I read the next paragraph in which he added, "It is interesting to a humble market student to be confirmed by a columnist, especially when he had a week to think it over."

* * *

I couldn't help wondering if the writer was peeved because he agreed with me, or peeved because I took so long in agreeing with him and anyway he thought of it first. If it's any satisfaction to the gentleman, I hasten to assure him I hadn't read his market letter.

* * *

But to get back to the market. I think it's about time to get in if you haven't already done so. I don't know if the market will start with a whoop and a holler from here on, but I do know the signs are propitious. So here are the stocks I suggest and the prices at which they should be bought, plus the stops to be applied.

* * *

Buy **Alleghany Ludlum Steel**, 29-30, stop at 27. **American Airlines**, 7½-8, stop isn't given. It is flatly a speculation. **Armco** buy at 29-30, stop at 27; **Burlington Mills** 21-22, stop at 20; **Inspiration Cons. Copper**, 19½-20½, stop at 18. **Interlake Iron**, buy at 14-15, stop at 13; buy **Loew's** 16-17, stop at 15, and **Paramount** 23-24, stop at 21.

* * *

I doubt if you'll get them all at the prices recommended. If you do I probably won't like it. But we can't wait forever.

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.]

Nationalization in Norway

(Continued from page 11)

development of all trade all over the globe.

It is my positive opinion that, unless the form of two-sided agreements can be replaced by more-sided trade, not only Europe but the rest of the world will shortly be faced with difficulties, which may lead to unknown dangers. Therefore, if the ITO organization would take this most important problem up to consideration with the distinct decision to find a solution, then the appearance of the organization would certainly mean a most desirable step in the right direction.

As everywhere else in Europe, we are in Norway restricted in out economic life much more than necessary to assure the welfare of the population. It would lead too far to explain to you even a few of these restrictions. However, the political party situation, which is explained by stating that the Labor Party holds absolute plurality, means that many of these restrictions, temporarily drawn, will exits as long as the Labor Party, which is a social democratic one, maintains its majority. Besides the Labor Party, the Communists are represented in our national assembly, "Stortinget" by 10 votes out of 150, which of course in special cases gives the labor government an extra support. Coming back just to one restriction which has been made law temporarily until July, 1949, the control of prices and of all enterprise, private or run by the state or the municipalities, is sufficiently extensive to allow the government to interfere in every question of importance. An industrial enterprise, for instance, can be instructed to transfer its raw materials, its machines, and even personnel to other factories —or to close down or to extend. The only happening which is left open is that an enterprise which has been destroyed completely—say, for instance, by fire, by natural happenings — cannot be ordered rebuilt or reconstructed.

No Authority for Nationalization

Our present labor government does not from its election program hold an authority to nationalize enterprises of any description, and the Labor Party has not drawn its line for the future so far as this question is concerned. However, it is beyond any doubt that the theoretical conviction of the Labor Party is definitely in favor of nationalizing certain groups of private enterprise, and if the party is able to hold its present majority after the election in 1949, we will in Norway experience a gradually increasing nationalization. What the dangers will be for our economic life is one side of the problem only, though an extremely serious one. What is more threatening is our geographical situation and the temptation to the Communists from the east to make an onslaught on our national freedom. Our Labor Government has very distinctly confirmed that Communism is not considered to be a democracy in any shape or form and that in case of an onslaught the resistance will be extended to the utmost of strength and ability. Communism does not hold any important position in Norway today, the reason undoubtedly being that the general conviction is that Communism is a dictature just the same as Nazism and Fascism. And because of our experience of the Nazi regime we know that the Communism's bloody hand would mean destruction not only of our national freedom but also freedom of all individual life, of what we consider being culture and happiness of all mankind.

We Norwegians are well known all over the world just because of our strong national feelings. This is due to our ships, our sailors, holding a sublime reputation; our explorers Leif Eriksson, Frithjof Nansen, and Roald Amundsen, every one of them having represented our free, three-colored cross flag from the Artic to the Antartic, and round the waist of the globe. Here in the United States of America are living, and for generations, Norwegians and of Norwegian descent, of whom we at home are extremely proud, and not only that, we are grateful for their keeping of their national feelings and the connections at home, whilst they are rendering to their new country, and to the nation which has accepted them, all their services and their wholehearted support and embracement. Therefore, I consider myself entitled to confirm my country's and its population's convincing obligation: against dictation in whatever shape it might appear, for democracy, national and individual freedom. This is our belief for which we will live or die.

When you consider Norway's geographical position, holding an extensive coastline of some 3,600 kilometers fronting the North Sea and the Atlantic Ocean, keeping in mind the importance of our mercantile navy, it ought to be an easy task to convince anyone that Norway is entirely west-minded and has been ever since the Vikings started their sailings. Our mentality is the same as the one of Great Britain, and even more probably of the U. S. A. I am desirous of expressing the good feelings between our countries and to bring a special greeting from Norway's Federation of Industries to the National Association of Manufacturers of the United States of America.

Labor and Inflation

(Continued from page 13)

large sums to invade and wreck our movement, they have never gained any headway. The eight million members of the American Federation of Labor have stood up unflinchingly against these assaults. They form an impenetrable barrier against any and every attempt of the Communists to use the same strategy in America as they did in Czechoslovakia—first take over the labor movement and then seize control of the government.

There is one thing we have to give the Communists credit for—they never give up. The American Federation of Labor has been forced to wage a ceaseless and unremitting fight against their philosophy and in defense of the free enterprise system.

Instead of according recognition to our efforts and offering encouragement, big business in America has now cut the ground out from under us. Big business, which depends for its very existence on the maintenance of the free enterprise system, has played right into the hands of the Communists, who are sworn enemies of free enterprise.

Despite all our warnings, the National Association of Manufacturers prevailed upon the 80th Congress to adopt the Taft-Hartley Act over the President's veto.

We branded that measure as a "Slave Labor Bill" and now that it has been in operation more than a year, our fears have been fully confirmed.

Time and again during the past year, workers smarting against a sense of injustice have been forced to work aginst their will because of injunctions issued by the courts under the Taft-Hartley Act. What choice did they have? They could either continue on the job under conditions which they resented or defy the courts and risk being sentenced to jail. This alternative of "work or jail" does not square with the principles of American freedom. It constitutes involuntary servitude.

A generation ago, the abuse of the writ of injunction became so acute that a storm of public protest was aroused and Congress in 1932 passed the Norris-LaGuardia Act, forbidding the Federal Courts to issue injunctions in labor disputes. For the next fifteen years labor enjoyed freedom of contract and free collective bargaining, which enabled it to achieve great progress in improving working conditions and raising the standards of the nation's workers. Then, a year ago, the Taft-Hartley Act was passed restoring the evils of government by injunction.

A shocking example of the sweeping terms of some of these injunctions is provided in a case now pending before the Federal Courts in Indiana. In that case, attorneys for the National Labor Relations Board, acting in behalf of the Government of the United States, have asked the court for a super-injunction which would forbid the union to pay strike benefits to thousands of men who quit their jobs in Chicago. This means an attempt by our Government to break a strike by starving out the wives and children of the strikers. Such cruel and inhuman tactics are not only permitted but required by the Taft-Hartley Act, according to the Government lawyers.

I don't think I have to go into any further details about the abuses and oppressions which labor is suffering under the Taft-Hartley Act, after citing that one example. Knowing your hearts and minds, I proclaim here and now that workers in every community in our land will respond to the challenge and gladly contribute from their own wages to the strikers' families if the court issues the injunction requested by the Government.

But such action, praiseworthy as it is, will provide merely temporary relief in a single case. We cannot counteract and offset all the multitudinous injustices resulting from the Taft-Hartley Act with piece-meal defenses. There is only one certain and complete remedy for that oppressive law and that is its outright repeal.

Let me emphasize as strongly as I can that that remedy lies within your hands—the hands of the millions of wage earners in our country. All you have to do is to discharge your duty as American citizens by registering and voting in the November elections.

The 80th Congress, which passed the Taft-Hartley Act, which placed property rights above human needs, and which failed the people on such vital issues as high prices, housing, minimum wages and social security improvements, was elected in 1946 by only one-third of the qualified voters in America. If all our people make certain to register and vote this year, we can elect a new Congress and give it a clear mandate for progress. Let our keynote for this Labor Day of 1948 be "Use Your Vote!"

* * *

The 80th Congress failed the nation when it adopted the present inadequate housing law. This law may lead to additional housing for families in the upper income brackets. But it cannot and will not provide low-cost homes for the average worker and his family or the average veteran and his family. A recent survey by the American Federation of Labor shows that we need 10 million more homes to meet the current housing shortage and a total of 15 million homes in the next ten years. Congress refused to act to meet these acute needs.

Consider for a moment the present minimum wage law. It is obviously out of date. With the cost of living at record heights, it is nothing short of cruel for our Federal Government to set a minimum wage standard of only 40 cents an hour. That would permit a family breadwinner to bring home at the end of a 40-hour week the paltry sum $16. Can you tell me how any individual, let alone a family, can keep body and soul together on that kind of income at present prices? Yet the 80th Congress at its regular and special sessions ignored all appeals to raise the minimum wage. The American Federation of Labor is convinced that the minimum wage should be lifted immediately to one dollar an hour. But to obtain that kind of progressive, social-justice legislation, we will have to elect a new Congress, a Congress which thinks that human needs are paramount.

Another desperate need of the American people, consistently ignored by the 80th Congress, is improvement of the Social Security system. More than 20 million Americans are still deprived of the protections of this law. Those who are covered and who have already retired from active work because of old age are receiving the pitiful sum of $21.90 a month, on the average. And remember, those few dollars a month will buy only half what they did 11 years ago when the Social Security Act went into effect.

What did the 80th Congress do about this emergency situation? The Senate Finance Committee appointed an advisory group made up of business, farm, labor and Government representatives, together with technical experts, to investigate the need for strengthening the law. This group, after careful study, flatly and unanimously recommended that Social Security coverage be broadened and that its benefits be doubled. It was a highly constructive and nonpartisan report. What happened to it? Why, it was filed away in a Congressional pigeon-hole and left to die.

Let me refer briefly to another vitally necessary improvement in our social security program—health insurance. The costs of medical care are so high today that many families in the low-income groups cannot afford to call a doctor in when they need one, or have to postpone a necessary operation until they can save the money to pay for it. I am talking about sturdy, hard-working people who don't want to ask for charity yet can't spare the money to pay huge medical bills. There are millions of them. And there are millions of others to whom illness is a catastrophe because it wipes out in a few weeks their savings of a lifetime.

Through a Federally-operated insurance program, it is possible to protect these people and all other American citizens against the calamities of illness. Legislation to carry out such a program has been introduced time and again in Congress. It is known as the Wagner-Murray-Dingell Bill. This last 80th Congress didn't even given it a hearing. I have outlined here only a few major needs of the American people, a simple program of social justice and social welfare legislation to safeguard the physical and economic health of our people. It constitutes social security not only for the American people but for the free enterprise system as well. For unless the American people obtain these basic protections against the hazards of life in our modern civilization, they may well begin to wonder whether the free enterprise system is the best for them.

Social Improvements Needed

Progressive and intelligent business men join with labor in seeing the need for such social improvements. But since the 80th Congress was elected in 1946, the reactionary elements in our country have been in power.

From an immediate as well as a long-range standpoint, the peace of the world depends upon the power of America to guarantee peace. To prevent war, America must remain strong. I charge that the policies instituted by the 80th Congress are sapping the strength of America and the American people. Those policies must be reversed.

As I said earlier, the responsibility rests upon you, the workers and the voters of America. You have the precious political power to vote the 80th Congress out of office and to elect a new Congress with a new and more progressive outlook. You must use that power for your own sake and for the future welfare of our country.

I hope you will go out from here inspired and determined not to let anything interfere with your duty to register and vote in the November elections.

Harris, Upham & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—John J. Stack has been added to the staff of Harris, Upham & Co., 232 Montgomery Street. He was previously with E. F. Hutton & Co.

With Coffin & Burr, Inc.

(Special to THE FINANCIAL CHRONICLE)

COCONUT GROVE, FLA. — Mrs. Linnie L. Hillbom has joined the staff of Coffin & Burr, Inc.

With Barclay Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — David W. Shirley is now with Barclay Investment Co., 39 South La Salle Street. He was previously with Mullaney, Wells & Co.

The State of Trade and Industry

(Continued from page 5)

the level of the previous week, but remained fractionally above the corresponding level of 1947. Promotional sales increased in number while consumer interest in Fall merchandise remained large. Consumers continued to seek moderate priced goods of high quality.

While the buyer demand for Fall merchandise increased a trifle during the week, total wholesale order volume continued to be near the level of the preceding week. Total dollar volume was moderately above that of the comparable week a year ago. There was a continued large demand for building materials and hardware supplies.

STEEL PRODUCTION OFF FRACTIONALLY DUE TO LABOR DAY HOLIDAY

Anyone who thinks that the program of steel industry-government cooperation to direct steel to certain consumers is harmless because it amounts to less than 10% of current output is toying with a Trojan horse. The hitch comes when this voluntary allocations program is considered product by product, according to "The Iron Age," national metalworking weekly.

For instance, almost a third of expected steel plate production during the fourth quarter is earmarked for freight cars, tankers, barges, atomic energy, oil field tanks and equipment and military needs. This is material over which steel sales departments no longer have any control. Plate is the tightest product on the program with structural shapes down for more than 20% of output, states this trade paper.

Except for some flat-rolled products, the voluntary allocations program hasn't pinched most consumers much as yet. Sales officials feel that voluntary allocations should be made only to groups whose products are essential to industrial strength for defense, but pressure is constantly put upon their advisory groups from various sources, many in Washington, to add to the program. If it keeps growing at its present rate it will nullify all efforts to assure fair distribution of tight steel products, states the magazine.

Steel for military needs is apparently not being ordered at anything like the rate set up recently in Washington. A canvass of several large steel companies this week disclosed only a light booking of military steel orders. Over and above normal steel shortages a post-Labor Day increase in steel demand has developed. Steel fabricators who shut down or curtailed operations due to vacations now find their own backlogs heavier than a few months ago. Over the next month or so cry for steel will be at a higher pitch with no chance that pressure for steel from automakers will diminish in months to come. It is a certainty that it will increase, "The Iron Age" 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 94.5% of capacity for the week beginning Sept. 7, 1948, a decrease of 0.7 point, or 0.7%, from last week. A month ago the indicated rate was 94.9%.

This week's operating rate is equivalent to 1,703,300 tons of steel ingots and castings as against 1,716,000 tons last week, 1,710,500 tons a month ago, 1,475,200 tons, or 84.3% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

ELECTRIC OUTPUT A TRIFLE BELOW ALL-TIME HIGH PEAK

The amount of electrical energy distributed by the electric light and power industry for the week ended Sept. 4, was 5,469,539,000 kwh., according to the Edison Electric Institute. This was a decrease of 8,202,000 kwh. below output in the preceding week, but an increase of 748,880,000 kwh., or 15.9% higher than the figure reported for the week ended Sept. 6, 1947. It was also 1,285,135,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS OF REVENUE FREIGHT LOWER FOR WEEK AND YEAR AGO

Loadings of revenue freight for the week ended Aug. 28, 1948, totaled 891,495 cars, according to the Association of American Railroads. This was a decrease of 9,077 cars, or 1% below the preceding week and 34,217 cars, or 3.7% below the corresponding week in 1947. For the similar week in 1946 it represents a decrease of 16,945 cars, or 1.9%.

AUTO OUTPUT OFF IN LATEST WEEK—SEPTEMBER OUTLOOK UNCERTAIN

Production of cars and trucks in the United States and Canada declined slightly to 100,573 units from 100,699 (revised) units the previous week, according to "Ward's Automotive Reports."

Output in the similar period a year ago was 83,444 units and, in the like week of 1941, a model changeover period, production totaled 32,940 units.

This week's output consisted of 72,488 cars and 22,865 trucks made in the United States and 3,415 cars and 1,805 trucks made in Canada.

Termination of two serious foundry strikes, one at Campbell, Wyant & Cannon which began 80 days ago and the other at New Haven, down since July 22, helped to relieve a tight supply situation. The general production picture was aided by improved Ford and Chrysler volumes which offset in part the slump at General Motors last week.

September's outlook is still uncertain, said Ward's. Full production on all fronts can only come as low stocks of essential items are progressively built up.

BUSINESS FAILURES SHOW MODEST DECLINE

Commercial and industrial failures dipped to 94 in the week ending Sept. 2, from 96 in the preceding week, Dun & Bradstreet, Inc., reports. The number of concerns failing was considerably above the 60 which occurred in the comparable week of 1947 and almost seven times the 14 in 1946. Total casualties, however, were less than one-half as numerous as the 1939 total of 209 for the corresponding week of that prewar year.

Failures involving liabilities of $5,000 or more remained at 79, unchanged from last week, but above 49 reported a year ago. Six of the failures in this category involved liabilities above $100,000 each.

Retail failures accounted for almost one-half the week's total, being two and one-half times as many as a year ago. Mortality continued low in other industry and trade groups.

Both the Middle Atlantic and Pacific States accounting for over one-half the week's total. Declines from the previous week prevailed in each of these areas, while several other regions had increases, notably the New England States.

WHOLESALE FOOD PRICE INDEX RECEDES FURTHER IN LATEST WEEK

Following sharp declines recorded in the two preceding weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell moderately last week to stand at $6.90 as of Aug. 31, a drop of 0.6% from $6.95 last week. It represented the lowest index figure since May 4 when it stood at $6.88. Compared with last year's $6.71, the current level now shows a rise of only 2.8%.

WHOLESALE COMMODITY PRICE INDEX RESPONDS TO RECOVERY IN LEADING GRAINS

The Dun & Bradstreet daily wholesale commodity price index trended slightly higher the past week, largely due to advances in leading grains. The index closed at 279.46 on Aug. 31, compared with 274.65 a week earlier and with 277.12 on the corresponding date a year ago.

Grain markets were very irregular last week with the prices fluctuating nervously over a rather wide range. An early dip to new seasonal lows for all deliveries of grain and soybeans, except September and December wheat, was followed by a substantial recovery movement in the latter part of the period.

Strength in cash wheat reflected government buying on a broad scale and light offerings in spot markets.

New crop wheat was said to be entering the government loan as rapidly as storage space becomes available. Corn rallied sharply toward the close of the week as the result of reports of damage to the crop in Iowa and Nebraska. Cash corn at Chicago finished with a net gain of 16 cents per bushel for the week. Trading in grain futures expanded sharply last week. Sales of all grain futures on the Chicago Board of Trade reached a total of 268,739,000 bushels for the week ended last Friday. This was equivalent to a daily average of about 45,000,000 bushels, as compared with 30,000,000 the previous week, and 43,000,000 a year ago.

Responding to price concessions, demand for Spring patent and gluten flours improved considerably with mill bookings reported the largest for many months. Livestock prices were irregular with choice steers in the Chicago market up to a new record high of $41.40 per hundredweight. Hog prices fluctuated unevenly and closed unchanged from a week ago. Lamb prices trended steadily downward during the week. Cash lard was in fair demand with prices holding steady but liquidation in lard futures sent all deliveries to new low levels for the season.

Under the influence of the large crop prospect for this season, cotton prices moved in an extremely narrow range and held around the season's lows during the past week.

Other unsettling influences included uncertainty over the possibility of crop controls for next season and the disturbed political situation abroad. Mill demand was somewhat more active for both prompt and forward shipment. Sales in the 10 spot markets last week increased sharply to 143,700 bales, from 92,500 bales in the previous week, and 89,200 for the same week a year ago. Inquiries were fairly numerous but farmers were not offering freely and reports indicated that a considerable volume of cotton was being made eligible for the government loan. Cotton ginnings reported through August 15 totaled 544,000 bales, or about two-thirds larger than the 324,000 bales ginned to this date last season.

RETAIL AND WHOLESALE TRADE SHOWS NO SIGNIFICANT CHANGE FOR LATEST WEEK

The heat wave in many parts of the country last week caused some curtailment of consumer purchasing. Although total retail volume for the week declined fractionally below the level of the preceding week, retail dollar volume continued to be slightly above that of the corresponding period a year ago, Dun & Bradstreet, Inc., reports in its current summary of trade. Response to Fall promotional sales continued to be favorable and moderately priced quality merchandise sold well.

In spite of hot weather in many localities the consumer demand for most apparel items remained near the preceding week's high level.

The demand for boys' and girls' back-to-school apparel continued to be substantial. Fall promotions of women's dresses and suits were well attended after the week-end. Woolen and corduroy suits and dresses in plaids and tweeds sold well and promotions of velveteen and suede trimmed suits received a favorable response. Zip-in lined coats continued to attract much attention. The demand for hats, handbags and blouses increased in some localities.

Food volume dropped slightly in the week and was a trifle below that of the similar 1947 week. The demand for most meats rose fractionally, although it continued to be generally low. Low-priced meat cuts and meat and butter substitutes remained in large demand. Although there was some increased demand for fresh fruits and vegetables at the end of the week, total consumer demand for these items remained almost unchanged from the level of a week ago.

The consumer interest in furniture increased moderately in many parts of the country. Household appliances remained in large demand, but there was considerable instalment buying of consumer durables. The consumer demand for building materials was also sustained at a high level.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 2 to 6% above that of a year ago.

While wholesale order volume was almost unchanged in many localities during the week, total dollar volume remained slightly above that of the corresponding 1947 week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 28, 1948, decreased by 8% from the like period of last year. This compared with an increase of 12% (revised) in the preceding week. For the four weeks ended Aug. 28, 1948, sales increased by 8%, and for the year to date by 7%.

Retail trade in New York the past week reacted favorably to cooler weather following the extreme heat of the week preceding by recording an advance in department store sales of about 7% ahead of last year.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 28, 1948, decreased 16% below the same period last year. This compared with an increase of 5% in the preceding week. For the four weeks ended Aug. 28, 1948, sales increased by 2% and for the year to date by 5%.

Patrolling Partners Stymied

(Continued from page 3)

of the duties owed by underwriters to the investing public, and the extent of the duties and powers of the SEC and the NASD with respect thereto.

The persistent efforts to force a disclosure of confidential communications in the attorney and client relationship strikes us as asinine, particularly when practiced by regulatory bodies which periodically indulge in in camera activities.

It will be remembered that through these columns we persistently challenged the SEC to disclose the nature of its inter-related activities with the NASD in the latter's adoption of the "5% spread yard stick." We asked what conferences, if any, were held which gave rise to that "philosophy." Who participated in these? Is it a fact that both bodies were co-sponsors of the idea? All these inquiries were met with a significant silence.

In connection with the underwriting agreement between Kaiser-Frazer and Otis & Company, we now ask similar questions. Did representatives of both SEC and the NASD confer? Who were these men? Were the punitive proceedings taken against Otis & Company the result of joint planned action? Will the SEC and the NASD, who seek the disclosure of confidential communications, publicize the memoranda in their respective files concerning their actions in the case of Otis & Company?

From the decision in disciplinary proceedings instituted by the NASD an appeal lies to the SEC. Where as prosecutors both bodies are proceeding jointly, what degree of justice can be expected in such an appeal? Doesn't the whole system appear to be a rotten abuse? When this upper and nether millstone starts grinding, it takes considerable means, plus fortitude, to get out of the toils even when a respondent's cause is absolutely just.

We express no opinion in the case against Otis & Company. We do, however, condemn the methods employed by the joint prosecutors particularly in their efforts to elicit confidential communications given by a client to his attorneys. With this further attempt to invade privacy, we are entirely out of sympathy.

We shall be watching this case closely because in it we see the possibility of delimitation of SEC and NASD powers which we have long advocated.

Super Elec. Products Stock Placed on Market

A block of 59,700 shares of $2 par value common stock of Super Electric Products Corp. was offered Sept. 8 by The First Guardian Securities Corp. Price to the public is $5 per share.

Proceeds of the offering will be used by the company to provide additional working capital for expansion of sales of the company's products; expansion of production of the electronics and radio television divisions and to provide additional capital for the sale and marketing of new products which, on test, have received public acceptance, the prospectus states.

The company was organized in 1938 to manufacture ignition transformers and has since expanded its products and production. It now manufactures gas and oil burner ignition transformers for the heating industry, fluorescent ballasts and cold cathode transfers for the lighting industry, neon transformers for the sign industry, radio and television transformers for the radio industry, coils and chokes for hearing aids, step-down transformers and other type transformers on special order, loading antennae units, oscillator units and test equipment.

The company and its subsidiaries had consolidated net sales for the year ended June 30, 1948, of $2,399,840. Consolidated backlog of orders at July 1, for delivery during the first four months of the fiscal year ending June 30, 1949, stood at $1,264,200.

R. T. McGurk Joins Stone & Webster

SYRACUSE, N. Y. — Stone & Webster Securities Corporation announce that Robert T. McGurk has joined the firm in charge of its new central New York State office in Syracuse, which is being opened today.

Mr. McGurk is well known through central and upper New York State, having had his own investment securities firm, R. T. McGurk & Co., in Syracuse for the past 11 years. The opening of the Syracuse office will make available in this territory the investment services of Stone & Webster Securities Corporation through its principal offices in New York, Boston, Chicago and Philadelphia. The main office of the firm is at 90 Broad Street, New York City.

With Stern, Frank & Meyer

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Fred D. Blake is now with Stern, Frank & Meyer, 325 West Eighth Street, members of the New York and Los Angeles Stock Exchanges.

C. E. Abbett Adds Three

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Lester A. Morrison, Robert M. Vacca and Harry F. Wagner, Jr., are now with C. E. Abbett & Company, 3277 Wilshire Boulevard.

With Ellis, Holyoke

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, NEB. — Charles K. Clem is with Ellis, Holyoke & Co., Stuart Building.

A Reply to the President

(Continued from page 6)

cause he hopes to secure a big political dividend by a cheap, political complaint.

But every day additional thousands of members of organized labor are realizing that what the law has done is to require a few labor officials to be less arbitrary with their own members and with management. It has required labor's leadership to be more thorough, more fair, more conscientious in their bargaining and negotiations without strikes.

The law should be constantly studied. All legislation in the field of labor is dealing with a rapidly changing, shifting, dynamic problem in our economy. Laws concerning labor and management require constant attention, change and study. I have made it clear from the first day of its passage, that taken as a whole I favored this law; that I would oppose its repeal; but that I believed it required some amendments.

For Dynamic People's Capitalism

I pledge to you that in the months and years ahead, I will continue to oppose unfair and anti-labor provisions, to seek a fair balance between capital and labor, and to insist on maintaining a dynamic people's capitalism in America. I am confident that the majority of the members in Congress will take this course.

As this campaign proceeds, I anticipate that Governor Dewey will make it clear in his addresses, as he has in his record in New York, that he will be fair to labor and will seek the best interests of the people as a whole.

Under Governor Dewey, New York has adopted the first law against discrimination in employment. The state's unemployment insurance program has been broadly liberalized to provide for increased benefits. Year round employment has been encouraged. The Workmen's Compensation Board has been improved and expanded. The state's minimum wage laws have been extended to protect 500,000 additional workers. The apprentice training program has been expanded and multiplied, as has on the job training. The nation's first school of industrial and labor relations has been established at Cornell University, and both the minimum pay and the average pay of state employees has been greatly increased.

Under the Dewey administration, New York's Independent Mediation Board and State Labor Relations Board have excellent records in settling industrial disputes. Both have the respect and confidence of employes and employers.

I urge you to examine the records and listen to the addresses of Governor Dewey. I urge you to consider carefully what has happened since the war under the present National Administration. If you do, I believe that you will conclude that Governor Dewey should be elected to the White House.

Governor Dewey has made it clear, in his acceptance message, that he will carry out the Republican platform in the spirit in which it was written . . . as a forward looking document developed under the chairmanship of Senator Lodge through the insistence of millions of the younger and more liberal members of the Republican party.

Protection of White Collar Workers

In addition to the preservation of the rights of union labor, deep consideration will be given to white-collar workers, teachers, clerks, firemen, policemen, bookkeepers, pensioners and others with fixed incomes, who have been most seriously pinched by the postwar inflation. Their plight will receive prompt attention, both for their own sake and for the peril which this lack of balance presents to our entire economic system.

The second campaign complaint made yesterday was to seek to shift the blame for high prices.

This tactic was sharply exposed last year when, after he had listed gambling in grain as one of the factors causing high prices, it was thereafter proved and confessed that members of his own official family were gambling in grain and commodities on a sure-shot inside basis.

These facts were brought to light before the investigating committee so capably headed by the able junior Senator from Michigan, the Hon. Homer Ferguson.

Clearly the primary causes of high prices are the world-wide shortages of goods in the wake of war, coupled with the unsound policies of the Administration after the war, and the further urgent necessity of sending quantities of American goods abroad to help the peoples of other nations to regain their feet.

Every time an American family or an American housewife pays a high price for food she is paying a part of the price for America's assistance to millions of people abroad. This is a price that we should be proud to pay.

Only a great, free productive nation, humanitarian in its impulses, could possibly provide more than $18 billion worth of food, clothing and materials for others since V-J Day and yet continue to enjoy the highest standard of living of the entire world.

It is a tragedy that this essential rebuilding of other nations and their peoples has been made so difficult by the unsound nature of our own international agreements after the war and by the destructive and aggressive tactics of the Soviet Union of Russia.

But this should be clearly understood: We would not solve our problems if we gave to government the extreme powers of centralized control requested by the President. No economy in all history has shown steady progress under this kind of economic control. Centralized control destroys initiative. High production and individual economic freedom are inseparable. The choice is obvious.

But this does not mean that we should then ignore the inflationary problems that do come with individual economic freedom, problems basically caused by the world-wide shortage of goods.

The credit and financial regulations which are now on the statutes should be used wisely and carefully. Purchasing for European countries should be administered in a sound manner. Hoarding should be combated. Profiteering should be penalized. Governor Dewey, as I see it, will exercise the essential economic management in the Presidency to prevent a bubble boom and also to avoid the sickening bust of sudden deflation.

The Red-Herring Charge

The third major complaint of your visitor of yesterday is that the Republicans are pulling red herring across his trail. Let me assure him that the Republicans are not pulling hed-herring across his trail—they are driving the red herring out of the official waters of the Potomac.

This is long overdue. Too many red herring have been in Washington for too long a time. The President should help man the red herring nets instead of complaining against the fishermen.

He spoke yesterday as though labor constituted a separate, distinct class in our society. His speech was in variance with American tradition. Young America still believes, as does the Republican party, that our America is the land of opportunity.

Many American families have, as my family has, members who are in the ranks of organized labor, of small business, of professional and white-collar work, and on the farm. Let us beware of the politician who would sow the seeds of disunity in the minds of American youth for the sake of fleeting political advantage.

We of the Republican party appeal for cooperation, not for class war and hatred. I believe that our Republican party will furnish such leadership by the decision of the people next November. We will make progress in the increased real wages of labor, the fair balance of our economy, the improvements in health and in housing.

The Housing Jam

Housing is a sorry problem in America. It is unthinkable that more than a million of the veterans of this war cannot find a decent place for themselves and their families to live. We must break through this housing jam.

This much should be said: Neither political party is blameless in the picture. Neither is entirely responsible. The conditions with which we are now suffering go back many years and have been compounded through the war.

But it should be pointed out that the immediate post-war confusion and bungling in the housing situation occurred at the time the President and his party were in complete control of all branches of the government.

At least we are now building houses at a higher rate than ever before in our history. But I will be the first to say that these houses are being constructed at a price beyond the reach of the average purchaser and the rate of construction is still too slow.

I do look forward to forthright action in the new Republican Administration to close the gap of this housing shortage. New York State's $435,000,000 low-rent-housing and slum-clearance program to provide decent homes for 160,000 members of low-income families is a tribute and a testimony to Governor Dewey's desire and ability to move forward on this vital problem.

The years immediately ahead will determine whether America can advance in the well-being of all its people, avoiding booms and depressions. These next years will be decisive in the grave question of whether we find the way to strengthen and develop the United Nations without the tragedy of a third world war.

The President's address here in Detroit silhouetted the reasons why this Administration has failed in these critical post-war years. He failed when he had a Democratic Congress to work with. He failed when he had a Republican Congress to work with.

It is high time to elect a President who can work successfully with others as an American team. His complaints remind one of the out-of-step marcher who protests that he is not out of step; all the rest of the marchers are out of step with him.

A Republican Administration under the leadership of Governor Dewey and Governor Warren, carried on in keeping with the sound principles of a truly liberal philosophy, carried on with a humanitarian emphasis in the highest of American traditions, will best serve all the people of our land of the free and home of the brave.

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)					
Equivalent to—	Sept. 12	94.5	95.2	94.9	84.3
Steel ingots and castings produced (net tons)	Sept. 12	1,703,300	1,716,000	1,710,500	1,475,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Aug. 28	5,528,650	5,521,300	5,455,450	5,156,850
Crude runs to stills—daily average (bbls.)	Aug. 28	5,682,000	5,591,000	5,718,000	5,255,000
Gasoline output (bbls.)	Aug. 28	17,722,000	17,742,000	17,646,000	17,043,000
Kerosine output (bbls.)	Aug. 28	2,165,000	1,988,000	2,213,000	1,920,000
Gas oil and distillate fuel oil output (bbls.)	Aug. 28	7,491,000	7,338,000	6,823,000	6,019,000
Residual fuel oil output (bbls.)	Aug. 28	8,818,000	8,642,000	9,080,000	8,879,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 28	95,504,000	95,132,000	99,116,000	86,300,000
Kerosine (bbls.) at	Aug. 28	23,281,000	22,497,000	21,051,000	20,736,000
Gas oil and distillate fuel oil (bbls.) at	Aug. 28	66,321,000	63,524,000	56,661,000	54,075,000
Residual fuel oil (bbls.) at	Aug. 28	70,853,000	69,379,000	65,713,000	56,283,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 28	891,495	900,572	894,381	925,712
Revenue freight rec'd from connections (number of cars)	Aug. 28	692,459	696,421	700,970	701,060
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS-RECORDS:					
Total U. S. construction	Sept. 2	$146,801,000	$95,191,000	$153,594,000	$122,766,000
Private construction	Sept. 2	65,466,000	39,974,000	65,811,000	90,272,000
Public construction	Sept. 2	81,335,000	55,217,000	87,783,000	32,494,000
State and municipal	Sept. 2	74,557,000	48,458,000	65,684,000	28,884,000
Federal	Sept. 2	6,778,000	6,759,000	22,099,000	3,610,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 28	12,236,000	12,315,000	12,470,000	12,015,000
Pennsylvania anthracite (tons)	Aug. 28	1,171,000	1,170,000	1,231,000	1,204,000
Beehive coke (tons)	Aug. 28	142,300	*146,800	132,100	135,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Aug. 28	254	*271	235	277
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 4	5,469,539	5,477,741	5,319,409	4,720,659
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Sept. 2	94	96	116	60
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 31	3.75833c	3.75833c	3.75833c	3.18925c
Pig iron (per gross ton)	Aug. 31	$44.61	$44.52	$43.94	$37.08
Scrap steel (per gross ton)	Aug. 31	$43.16	$43.16	$43.16	$37.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 1	23.200c	23.200c	23.150c	21.225c
Export refinery at	Sept. 1	23.425c	23.425c	22.175c	21.425c
Straits tin (New York) at	Sept. 1	103.000c	103.000c	103.000c	80.000c
Lead (New York) at	Sept. 1	19.500c	19.500c	19.500c	15.000c
Lead (St. Louis) at	Sept. 1	19.300c	19.300c	19.300c	14.800c
Zinc (East St. Louis) at	Sept. 1	15.000c	15.000c	15.000c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Sept. 7	100.72	100.71	100.76	104.00
Average corporate	Sept. 7	111.44	111.44	111.62	117.00
Aaa	Sept. 7	116.22	116.22	116.22	121.67
Aa	Sept. 7	114.46	114.46	114.27	120.02
A	Sept. 7	110.70	110.34	111.07	116.80
Baa	Sept. 7	105.17	105.00	105.69	109.79
Railroad Group	Sept. 7	107.44	107.27	107.80	112.37
Public Utilities Group	Sept. 7	111.81	111.81	112.19	118.20
Industrials Group	Sept. 7	115.43	115.43	115.43	120.22
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Sept. 7	2.45	2.45	2.45	2.24
Average corporate	Sept. 7	3.09	3.09	3.08	2.80
Aaa	Sept. 7	2.84	2.84	2.84	2.57
Aa	Sept. 7	2.93	2.93	2.94	2.65
A	Sept. 7	3.13	3.15	3.11	2.81
Baa	Sept. 7	3.44	3.45	3.41	3.18
Railroad Group	Sept. 7	3.31	3.32	3.29	3.04
Public Utilities Group	Sept. 7	3.07	3.07	3.05	2.74
Industrials Group	Sept. 7	2.88	2.88	2.88	2.64
MOODY'S COMMODITY INDEX	Sept. 7	422.1	424.2	429.2	426.2
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Sept. 4	242.7	245.6	245.9	226.1
Fats and oils	Sept. 4	222.2	209.4	221.6	187.6
Farm products	Sept. 4	267.3	269.5	270.9	261.0
Cotton	Sept. 4	294.2	292.6	305.4	303.2
Grains	Sept. 4	222.9	219.7	222.0	277.9
Livestock	Sept. 4	283.4	289.3	288.1	256.1
Fuels	Sept. 4	233.8	233.8	233.8	191.6
Miscellaneous commodities	Sept. 4	169.0	169.3	172.0	164.2
Textiles	Sept. 4	197.4	195.0	198.6	210.9
Metals	Sept. 4	187.4	187.4	184.4	159.1
Building materials	Sept. 4	235.3	233.3	233.4	231.3
Chemicals and drugs	Sept. 4	155.3	155.3	156.6	149.7
Fertilizer materials	Sept. 4	140.8	140.9	138.4	129.1
Fertilizers	Sept. 4	147.5	147.5	145.4	135.5
Farm machinery	Sept. 4	144.5	144.5	143.1	127.1
All groups combined	Sept. 4	225.3	226.4	227.4	210.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 28	166,039	175,762	176,753	167,268
Production (tons)	Aug. 28	183,835	185,537	178,892	176,588
Percentage of activity	Aug. 28	93	93	92	99
Unfilled orders (tons) at	Aug. 28	344,469	362,761	358,955	425,412
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Sept. 3	144.6	144.3	144.6	140.0
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Aug. 28	168.4	169.2	168.3	154.0
Farm products	Aug. 28	189.3	191.0	192.2	181.7
Foods	Aug. 28	187.8	189.5	187.7	172.1
Hides and leather products	Aug. 28	189.9	189.6	189.6	183.3
Textile products	Aug. 28	147.7	148.0	148.3	140.1
Fuel and lighting materials	Aug. 28	137.4	137.3	136.8	114.2
Metal and metal products	Aug. 28	171.7	171.5	167.3	149.8
Building materials	Aug. 28	202.3	202.0	200.7	179.3
Chemicals and allied products	Aug. 28	132.2	131.7	133.1	117.6
Housefurnishings goods	Aug. 28	146.8	146.8	146.0	131.9
Miscellaneous commodities	Aug. 28	118.4	118.7	118.6	115.9
Special groups—					
Raw materials	Aug. 28	181.7	182.8	183.4	167.9
Semi-manufactured articles	Aug. 28	159.0	159.3	156.9	149.9
Manufactured products	Aug. 28	164.2	164.9	163.5	148.9
All commodities other than farm products	Aug. 28	163.8	164.3	162.9	147.9
All commodities other than farm products and foods	Aug. 28	153.2	153.1	152.1	137.3

*Revised figure.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION — For Month of July:			
Total gas (M therms)	2,012,096	2,245,092	1,945,809
Natural gas sales (M therms)	1,804,368	2,007,558	1,722,067
Manufactured gas sales (M therms)	147,343	167,263	146,057
Mixed gas sales (M therms)	60,385	70,271	77,685
AMERICAN PETROLEUM INSTITUTE—Month of June:			
Total domestic production (bbls. of 42 gallons each)	177,880,000	182,646,000	163,483,000
Domestic crude oil output (bbls.)	166,330,000	170,574,000	152,978,000
Natural gasoline output (bbls.)	11,522,000	12,044,000	10,455,000
Benzol output (bbls.)	28,000	28,000	50,000
Crude oil imports (bbls.)	9,749,000	10,293,000	7,628,000
Refined products imports (bbls.)	4,011,000	4,519,000	3,711,000
Indicated consumption—domestic and export (bbls.)	180,995,000	*183,736,000	169,265,000
Increase — all stock (bbls.)	10,645,000	*13,722,000	5,557,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC. — 215 CITIES Month of July:			
New England	$18,671,510	$23,549,648	$17,729,123
Middle Atlantic	64,550,181	75,102,332	52,935,815
South Atlantic	32,744,718	43,790,880	33,776,460
East Central	78,546,812	90,427,295	64,528,798
South Central	47,886,574	42,904,263	37,877,828
West Central	19,731,192	22,299,254	17,122,351
Mountain	10,965,371	7,881,189	7,143,160
Pacific	72,308,991	75,908,258	51,132,595
Total United States	$345,405,349	$381,863,119	$282,246,130
New York City	35,561,273	44,196,207	26,952,358
Outside of New York City	309,844,076	337,666,912	255,293,772
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS RECORD — Month of August:			
Total U. S. construction	$560,292,000	$713,719,000	$413,494,000
Private construction	229,515,000	357,495,000	222,772,000
Public construction	330,777,000	356,224,000	190,722,000
State and Municipal	253,217,000	281,338,000	146,324,000
Federal	77,560,000	74,886,000	44,398,000
COAL EXPORTS (BUREAU OF MINES) — Month of June:			
U. S. exports of Pennsylvania anthracite (net tons)	611,908	624,765	714,249
To North and Central America (net tons)	450,969	421,343	365,452
To South America (net tons)	------	1	3,940
To Europe (net tons)	158,080	203,421	344,571
To Asia (net tons)	------	------	286
To Africa (net tons)	2,859	------	------
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1939=100—As of July 15:			
All items	173.7	171.7	158.4
All foods	216.8	214.1	193.1
Cereals and bakery products	171.0	171.2	155.6
Meats	261.8	255.1	220.2
Dairy products	209.0	205.9	178.8
Eggs	204.3	194.2	203.0
Fruits and vegetables	213.4	214.9	202.6
Beverages	205.2	205.1	180.8
Fats and oils	200.8	200.5	182.0
Sugar and sweets	170.9	170.6	179.7
Clothing	197.1	196.9	184.7
Rent	117.3	117.0	110.0
Fuel, electricity and ice	134.8	132.6	119.5
Gas and electricity	94.4	94.2	91.7
Other fuels and ice	174.2	170.1	146.8
Housefurnishings	195.9	194.8	184.3
Miscellaneous	150.8	147.5	139.5
MAGNESIUM WROUGHT PRODUCTS (DEPT. OF COMMERCE) — Month of July:			
Shipments (in pounds)	212,000	526,000	265,000
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of August:			
Copper (per pound)—			
Electrolytic, domestic refinery	23.085c	21.375c	21.225c
Electrolytic, export refinery	23.425c	21.668c	21.326c
Lead (per pound)—			
New York	19.500c	17.800c	15.000c
St. Louis	19.300c	17.608c	14.800c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	73.835c	74.625c	65.655c
Silver, London (pence per ounce)	44.667d	45.000d	39.975d
Sterling Exchange (Check)	$4.02750	$4.02750	$4.02512
Tin (per pound)—			
New York Straits	103.000c	103.000c	80.000c
New York, Chinese or 99%	102.400c	102.400c	78.900c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$75.000	$75.423	$84.000
¶Antimony (per pound) (E. & M. J.)	38.170c	38.170c	35.940c
Antimony, (per pound), bulk, Laredo	35.000c	35.000c	33.000c
Antimony (per pound), in cases, Laredo	35.500c	35.500c	33.500c
Antimony (per pound), Chinese, Spot	Nominal	Nominal	Nominal
Platinum, refined, per ounce	$93.000	$89.154	$55.615
†Cadmium (per pound)	$1.900	$1.750	$1.750
‡Cadmium (per pound)	$1.950	$1.775	$1.775
§Cadmium (per pound)	$2.000	$1.800	$1.800
Aluminum, 99% plus, ingot (per pound)	16.000c	16.000c	15.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
Zinc (per pound)—East St. Louis	15.000c	12.462c	10.500c
**Nickel	40.000c	35.913c	Not avail.
RR. EARNINGS — CLASS I ROADS (ASSOC. OF AMER. RRS.)—Month of July:			
Total operating revenues	$841,993,545	$838,105,949	$705,996,510
Total operating expenses	626,159,046	626,079,812	555,703,112
Operating ratio — per cent	74.37	74.70	78.71
Taxes	$96,398,698	$72,690,939	$74,978,264
Net railway operating income before charges	105,256,808	124,979,003	61,197,828
Net income after charges (est.)	76,700,000	94,000,000	34,800,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission) (Month of May):			
Net railway operating income	$90,178,066	$53,104,074	$76,818,501
Other income	15,331,899	16,065,108	15,220,240
Total income	105,509,965	69,169,182	92,038,741
Miscellaneous deductions from income	4,249,721	3,663,872	2,843,883
Income available for fixed charges	101,260,244	65,505,310	89,194,858
Income after fixed charges	66,924,922	30,160,439	52,588,886
Other deductions	3,210,407	3,244,194	3,157,772
Net income	63,714,515	26,916,245	49,431,114
Depreciation (way & structures & equip.)	31,090,411	30,773,529	29,437,170
Amortization of defense projects	1,362,078	1,366,669	1,357,846
Federal income taxes	28,136,690	20,205,989	24,862,689
Dividend appropriations:			
On common stock	26,700,522	2,956,177	21,454,573
On preferred stock	12,053,517	1,204,088	9,935,467
Ratio of income to fixed charges	2.95	1.85	2.44

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot, packed in cases, f. o. b. New York. **F.O.B. Port Colborne, N. S., U. S. duty included.

A Pro-public Labor Program

(Continued from page 11)

which this nation has solved most of the problems of reconversion.

As a result, employment, wages, production and profits are now at their highest levels in history.

Because of our unprecedented volume of production, this country is able to take a position of leadership in the international effort for world recovery and lasting world peace.

Make no mistake about it, the goods and services which the United States is able to make available to less fortunate nations which are struggling to rebuild their disrupted economies is an important force for democracy and peace.

We can never hope to buy democracy or peace, either with goods or with concessions, but we can help those who want to live in freedom and peace rebuild their own lives.

The labor movements of this country have led in advocating and supporting the European Recovery Plan to implement our hopes for democracy and peace.

Just today, Administrator Paul G. Hoffman of the Economic Cooperation Administration issued a Labor Day statement emphasizing the importance of labor in the present crucial task. I would like to quote a few paragraphs from Mr. Hoffman's statement:

"Since the beginning of the European Recovery Program, no group in the United States has given it more whole-hearted support, has worked harder for it, or understood it better than labor organizations of America. What we have to do now is to set our sights higher. We must join in the mutual objective of recovery—not just recovery to an old standard, but a forward movement, a revitalization of the life of the free peoples of Europe with higher objectives than ever.

"The American people hope for a greater unification of the countries of Europe for mutual helpfulness. They feel that the future of Europe can best be built on a greater amount of intra-European trade, greater removal of restrictions to the flow of goods, services and people.

"All organizations can play a great part in the European recovery program—farmers, businessmen, scientists and educators. In all these groups, the international Labor movement can be of great assistance. It has been your tradition to step across State and country boundaries in your search for ways in which the standards and living conditions of Labor can be improved.

"America has offered aid under a four-year program. The time is short. The urgency is great. Our aim is for America to get out of extending extraordinary outside assistance at the end of the four-year term. Among the American motives for the support of this program are the elements of humanity and the desire to have a peaceful and a stable world, but back of it all comes the recognition that we are all a part of Western Civilization and that there cannot be prosperity and peace here unless there is a strengthening in Europe of the source of the great tradition which we have inherited—of freedom, liberty and the dignity of the common man."

Mr. Hoffman has gone further than just words in carrying out his ideas. He has established labor divisions in his Administration's offices here and in Paris, staffed by experienced and high-ranking labor people, to carry out labor functions and to aid in the development of useful cooperation and understanding among the working people of the noncommunist countries covered by this program. The missions to be established in each of the 16 countries affected, will include labor advisers from the American labor movement to help develop the kind of cooperation and understanding that is necessary if this is to be a real recovery program.

Furthermore, Mr. Hoffman's program and policies have been worked out in close consultation with the Department of Labor and with an advisory committee that includes among its members high officials from American labor unions.

Thus, labor is vitally involved in our planning for world peace and prosperity.

There is another Labor Day topic of outstanding importance that I would like to discuss. That is the outstanding lesson brought out by the history of labor-management relations during two wars—World Wars I and II—and in the aftermath of both wars.

In both of these conflicts, labor made substantial gains. Collective bargaining was enjoyed by more workers than ever before. Workers' representatives were given important positions on government boards and agencies. Wages were raised and working conditions improved. For patriotic reasons, past differences were put aside and cooperation substituted for them. Labor sacrificed possible gains and pledged itself not to strike during the war. Production rose to new heights and continued into the postwar period.

Open Shop and Depression

After World War I, when this lesson was put aside and an "open shop" drive was undertaken to liquidate unions' gains, the country wound up in one of the worst depressions in the history of the world.

For most of my listeners tonight it is not necessary for me to recall the grim and sordid details of that depression, the soup kitchens, the unemployed war veterans selling apples on the street corners. In my own City of Boston, I remember a time when there were nearly a hundred dentists on the relief rolls, hundreds of other professional men and thousands of college trained men. This was in the early 30's prior to the establishment of the FERA, when the back-breaking financial burden of caring for the needy unemployed was carried by the local communities.

The nation made a great comeback from that depression. That comeback was based on a great program of social reform, instituted when President Franklin Roosevelt took office in 1933.

As a part of that program labor unions and collective bargaining rights were recognized by law as well as by tradition.

Now, three years after the end of World War II, new dangers, new problems have arisen affecting the industrial spirit, the great vital force of labor, even the maintenance of our high standards of living.

Impact of Inflation

Inflationary prices in recent months have cut down the ability of all people who work for a living or who live on a small or moderate income to buy the necessities of life. This is especially true of food and shelter. This situation strikes hardest at our veterans and our young people.

In addition, Federal and State legislation has been enacted imposing serious restrictions on labor's hard won rights. Laws have been passed which hamper free collective bargaining. Labor's power and labor's prestige, and labor's authority to seek a better distribution of this country's goods and wealth have been impaired.

Furthermore, anti-labor forces have made successful attempts to weaken labor's voice in the Government. The appropriations for the U. S. Department of Labor, of which I am the head, have been cut to a point where its functions have been reduced in their effectiveness and general public usefulness.

Important manpower and industrial relations functions have been removed from the Department of Labor.

These trends must be reversed if our Nation is to get back on the road to progress and improvement.

As Secretary of Labor, I propose to do all in my power to reestablish and expand the usefulness of a department which was created, in the language of an Act of Congress passed in 1913, "to foster, promote and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment."

This is not a pro-labor program. It is a pro-public program. The Department for all of its 35 years has administered the laws strictly on a basis of fairness to employers and to the public as well as to labor. The Department's past policy and my policy is to preserve and develop free collective bargaining and better working conditions. As these principles have been followed in the past, we have advanced to our present position of economic freedom and prosperity. We need more of both of these. Economic freedom and prosperity are the foundation of the voluntary methods whereby American workers and the employers have established the highest wage and living standards in the world.

This is not a program to benefit labor at the expense of anybody else. I do not need to remind you that the farmers and the small businessmen and the professional workers and the big businessmen benefit and prosper only when labor produces more and consumes more industrial goods and farm products.

White, Weld Group Offers Verney Common

An underwriting group headed by White, Weld & Co., F. S. Moseley & Co. and Paine, Webber, Jackson & Curtis offered to investors Sept. 8 100,000 shares of Verney Corp. $2.50 par value common stock. The stock, priced at $14.50 per share, was purchased by the underwriters from Gilbert Verney, President of the company. The company will not receive any of the proceeds from the sale of this stock. Upon consummation of this sale Mr. Verney will own, directly or indirectly, 167,302 shares, or 26.2%, of the outstanding common stock.

Verney Corp., an integrated textile organization located in Boston, Mass., is principally engaged in the spinning, weaving and finishing of rayon fabrics at one Canadian and five New England plants. Products are marketed through sales subsidiaries.

For the 1947 calendar year, consolidated net sales and operating revenues amounted to $30,219,464 with a net income after all charges and reserves of $2,907,327, equal to $4.40 per common share after allowing for preferred dividends. For the 24 weeks ended June 19, 1948, consolidated sales and revenues were $19,594,621 with a net income of $2,535,956, or $3.94 per common share. Common dividends in 1947 totaled 85 cents per share. On Sept. 1, 1948, the quarterly dividend rate was increased to 40 cents per share. Thus far in 1948 distributions have totaled 90 cents per common share.

The company at June 19, 1948, had outstanding long-term debt of $2,645,064; 19,000 shares of $5 preferred stock and 639,625 shares of $2.50 par value common stock. The Canadian subsidiary had outstanding 19,840 shares of 4½% preferred stock, $50 par value.

What Is Sound Money?

(Continued from page 6)

Americans from owning gold or gold coin and requiring them to turn it in to the Treasury in return for which they were forced to accept $20 in paper money for every $20 gold piece containing very close to an ounce of gold. After the gold money was collected, the Treasury declared gold to be worth $35 an ounce and bought lots of it from foreigners at $35 an ounce. At present, there are $23.6 billions value of gold at $35 an ounce in the U. S. Treasury, because Americans were so capable and industrious, and under the protection of the Constitution had acquired the habit of thinking it paid to get busy and work and think up new ways of production in factories, farms and mines, that we earned it. That is, people all over the world, as well as in America, bought the things we made which gave value to the American dollar. Let's read what another plain and courageous American thought about paper money. Andrew Jackson said in the eighth annual message to Congress, Dec. 5, 1836:

"Variableness must ever be the characteristic of a currency of which the precious metals are not the chief ingredient, or which can be expanded or contracted without regard to the principles that regulate the value of these metals as a standard in the general trade of the world." In the same message he also said:

"The progress of an expansion, or rather depreciation of the currency by excessive bank issues, is always attended by a loss to the laboring classes. This portion of the community have neither the time nor the opportunity to watch the ebbs and flows of the money market. Engaged from day to day in useful toils. they do not perceive that although their wages are nominally the same, or even somewhat higher, they are greatly reduced in fact by spurious currency, which, as it appears to make money abound, they are at first inclined to consider a blessing."

In modern America, it is the great middle class, the frugal savers of earnings in savings accounts, insurance bonds and preferred stocks (the ordinary financial protection of the honest and thrifty citizen) who are chiefly defrauded today by irredeemable paper money of which there is now 51 billions compared to 8 billions in the U. S. A. in 1930 before the New Deal called in the "money managers." Fortunately, we have earned the real money, now in the U. S. Treasury, $23.6 billions, to enable us to repeal the laws prohibiting the use of real money. We'd have over 51% gold coverage for our Federal Reserve Notes and other paper money—30% was deemed sufficient during the 1920's. Representative Howard Buffett has introduced a bill HR. 5031, calling for the repeal of the laws denying the right of American citizens to own gold and gold coins, and reestablishing sound money, namely money redeemable on demand in gold coins. We cannot undo the wrong done those who were required to accept $20 for an ounce, which was thereafter valued at $35 by the Government. But we can stabilize the value at $35 an ounce. Thus, we may enjoy the blessings of freedom and control of the power of the purse in the people through their duly elected representatives. When we regain this freedom, there need be no more talk of "managed currency." With this freedom will come responsibility for the average citizen and the banks to insist upon the circulation of a reasonable proportion of gold money, just to ensure that we have a sound system and can get our money when we want it, or when we have doubts about the fiscal policies proposed by a government that does not recognize that the people rule. A Harry Hopkins can't say then, "The people are just too damn dumb."

Andrew Jackson wanted to have no paper money below $20. Perhaps we'd better make it $50 today. He said "If, by this policy, we can ultimately witness the suppression of all bank bills below $20, it is apparent that gold and silver will take their place and become the principal circulating medium in the common business of the farmers and mechanics of the country. The attainment of such a result will form an era in the history of our country which will be dwelt upon with delight by every true friend of liberty and independence. It will lighten the great tax which our paper system has so long collected from the earnings of labor, and do more to revive and perpetuate those habits of economy and simplicity which are so congenial to the character of Republicans than all the legislation which has yet been attempted."

Now in modern times, we can use paper money where it is convenient only if it is redeemable in gold money on demand. This will insure, better than any legislation controlling prices, that prices will not get out of hand and our country be plagued with the evils of a deteriorating currency. The New Deal's boast of what is has saved the depositor by insuring bank accounts under $5,000 looks very hollow when one realizes that the buying power of these savings in banks, life insurance and other forms of indebtedness payable in terms of dollars has depreciated almost two-thirds.

Since 1934, the total sum so lost already has been greater than the total losses by bank failures in the previous 140 years.

The citizen is not so dumb as the professional planners in government think. It takes some common sense and some courage to get America back to sound money. When Sherman was Secretary of the Treasury he said, "The way to resume is to resume." He said this when the proportion of gold was very much less in the Treasury than today. To the credit of our representatives in government at that time, we did resume specie payments and our paper money was made redeemable after a short emergency occasioned by the Civil War. The effect will be to establish confidence and investment of savings for worthwhile enterprises in the U. S. A. The question to day is, does the average American have the same courage and the will to preserve his financial liberty? Or does he crave dictatorship and being told what's good for him, as in Germany and in Russia?

Newspaper Controllers to Hold Annual Meeting

The Institute of Newspaper Controllers and Finance Officers, a national organization of newspapermen and businessmen, will hold its first annual meeting on Sept. 27, 1948 at the Hotel Stevens in Chicago. Election of officers will be held at this meeting.

Officers' nominations have already been made which include Mr. Edward H. Hoffman nominated for the post of First Vice-President, and Mr. Harold Ferguson nominated for the office of Treasurer. Mr. Hoffman is Assistant Comptroller of the New York Post Corporation and a Director of the Brooklyn Chapter of the National Association of Cost Accountants. Mr. Ferguson is Controller of Newsday, Inc., and is also an active member of the Brooklyn Chapter of N.A.C.A.

The Investor Must Have Tax Relief!

(Continued from page 5)

vestor. A recent estimate expects the $300 million loss to soon reach a $1 billion. Reorganization may be difficult and take considerable time.

Agricultural Expenses

Agricultural expenditures in fiscal 1948 seem to have been above $1 billion plus transactions with the Commodity Credit Corp. Without going into a discussion of the advisability of continued support of farm prices at the taxpayer's expense, there are several other economies in the department which seem feasible now. In 1941 the department spent $251 million on rural electrification. This is a function which should be immediately restored to private utilities. In 1948 the Farm Home Administration spent $114 million and its expense ratio on some loans was apparently about 30%. At the present levels of farm prosperity and with ample private capital available there seems to be no need for this agency. It is only adding to inflation. These two suggested savings add up to $365 million.

Social security payments including the railroad retirement fund were about $1.7 billion in fiscal 1948. No decrease here seems possible due to the statutory rates established.

Foreign aid expenditures in 1948 seem to have been about $4.8 billion, including $3 billion earmarked for use in 1949. We are committed to large expenditures here and no reduction seems possible. However, we would point out that long-term loans are, of course, preferable to grants from the taxpayer's standpoint and that amortization on very long-term loans would not be particularly burdensome to many recipients of our foreign largess. Veterans Administration expenditures in 1948 were $6.4 billion. It is not clear whether any economy is possible here now if we are to meet our honorable obligations, so we have no suggestion to make. Interest on the debt took $5.2 billion in fiscal 1948.

One item in the budget should be of particular interest to those willing to try courageous economy. The RFC received $437 million in 1948. This item highlights the cost to the taxpayer of maintaining a large number of governmental corporations no longer serving their original functions. The original functions of the RFC—those of rescuing distressed situations in periods of emergency—have long since been outmoded by changes for the better in business and banking conditions. It seems unnecessary and unjust to use the taxpayers money now to provide such easy financing when private financing is being hurt by excessive taxation. In addition to the RFC there are a number of other governmental corporations. The consolidated balanced sheet of certain governmental corporations and agencies as of Mar. 31, 1948, showed a total equity of $28.5 billion. We suggest an immediate investigation of the needs for any and all of these corporations. Those no longer needed could be liquidated and the funds applied to the increased national defense program. Why shouldn't we avail ourselves of these assets instead of taxing ourselves excessively.

Another possibility which merits consideration is the search for ways and means of reducing the investor's tax burden immediately is an increase in the excise taxes on "luxuries." (We do not refer to the excise on certain durable goods). Certainly if we cannot have the tax reductions necessary to restore the property values of security holders any other way than by increasing luxury taxes, we should not hesitate to do so, because there can be no comparison of the importance to the country of the two courses of action. Some tax authorities warn against taking a "sumptuary" view of what constitutes luxuries, but we must point out that Congress has in effect taken an arbitrary view of what constitutes "excessive" income in establishing the present phenomenally high tax rates. Surely luxuries cannot be exempted from criticism while economic incentive goes begging.

Thus it is quite feasible for the investor to obtain tax relief now. It is hoped that the investor's needs will be recognized as national needs as well because in the long run the American standard of living cannot be maintained without a healthy market for private capital.

Snyder Says Tax Cuts Prevent Government Debt Reduction

(Continued from page 15)

rector of the Savings Bonds Divison, also addressed the new committee. He stressed the need for volunteers to carry forward the Savings Bonds program. Members of the committee, he noted, represent organizations and agencies which are in daily contact with farmers and exercise a profound influence upon their thinking and hence are well placed to encourage the thrifty practice of bond buying.

Members of the National Agricultural Savings Bonds Committee, appointed by Secretary Snyder are: Carl Calvin, Deputy Governor, Farm Credit Administration, Washington; John Davis, Executive Secretary, National Council Farm Cooperatives, Washington; Roger Fleming, Director, Washington Office, American Farm Bureau Federation, Washington; Albert S. Goss, Master, The National Grange, Washington; Edward F. Holter, Lecturer, The National Grange, Middletown, Md.; Van B. Hart, Professor of Farm Management, New York State College of Agriculture, Cornell University, Ithaca, N. Y.; Allan B. Kline, President, American Farm Bureau Federation, Chicago; William R. Kuhns, Secretary, Savings Bonds Committee, American Bankers Association, New York City; Don Lerch, Agricultural Director CBS, National Association of Radio Farm Directors, Washington; C. L. Mast, Secretary, American Agricultural Editors Association, Chicago; W. A. Minor, Assistant to Secretary, U. S. Department of Agriculture, Washington; William I. Myers, Dean, New York State College of Agriculture, Cornell University, Ithaca, N. Y.; Charles T. O'Neill, Chairman, Agricultural Commission, American Bankers Association, Charlottesville, Va.; James Patton, President, The National Farmers Union, Denver; H. H. Rathbun, President, National Council Farmer Cooperatives, New York City; Paul Sanders, President, American Agricultural Editors Association Richmond, Va.; Glenn Talbott Chairman, Executive Committee the National Farmers Union, Jamestown, N. D.; and Charles O Worcester, President, National Association of Radio Farm Directors, Cedar Rapids, Iowa.

John E. Miller Joins Newburger, Loeb & Co.

Newburger, Loeb & Co., 15 Broad Street, New York City, members of the New York Stock Exchange and other exchanges, announce that John E. Miller, market analyst, has joined its staff at the firm's main office.

Our Greatly Under-Priced Stock Market

(Continued from page 2)

advancing phase, will be comparatively moderate and selective with the better-grade, well-managed companies leading the advance. The ultimate objective, interrupted by intermediate corrections, will be around 250 in the Dow-Jones industrials with 5% leaway on either side. This objective should be reached in late 1949. The fourth or declining phase should culminate in the early 1950s in the 200-180 area. The fifth, or final advancing phase will be an upsurge carrying into the middle 1950's. This will be the dynamic upswing with over-speculation and heavy public participation. The pattern is not complete as regards the ultimate price objective for this final advancing phase, but the Dow-Jones industrials should sell above the 1929 high as 386. A preliminary objective, calculated from the long-term base patterns, suggests about 450 in the averages.

The objectives of 250 for the present phase, and 450 for the ultimate advance, seem fantastic now, but only because of the present depressed mental state. Percentagewise, the advances are quite in line with the moves of the market over the past 60 years. It must be remembered that this country is still in a long-term upward growth channel. My prediction may eventually turn out to be quite conservative.

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. 14-18, 1948 (Dallas, Tex.)
National Security Traders Association Convention.

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

Leo G. Griffith Joins Kay, Richards & Co.

PITTSBURGH, PA.—Leo G. Griffith has become associated with Kay, Richards & Co., Union Trust Building, members of the New York and Pittsburgh Stock Exchanges. He was formerly resident manager for Stroud & Co., Inc.

Dealer-Broker Recommendations

(Continued from page 8)

Emerson Electric Manufacturing—Memorandum—Bache & Co., 36 Wall Street, New York 5, N. Y.

Also available are brief memoranda on **General Motors** and **Dow Chemical.**

Ero Manufacturing Company—Analysis for dealers only—Straus & Blosser, 135 South La Salle Street, Chicago 3, Ill.

Federal Water & Gas Corporation—Analysis—Brush, Slocumb & Co., 1 Montgomery Street, San Francisco 4, Calif.

Fireman's Fund Insurance Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Haloid Company — Circular — John B. Dunbar & Co., 634 South Spring Street, Los Angeles 14 Calif.

Also available is a circular on the **Pfaudler Co.**

Lakeside Laboratories, Inc. — Special report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

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.

Maxson Food Systems—Survey—Schwamm & Co., 50 Broadway, New York 4, N. Y.

Morgan Engineering Company—Card memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

National Delta Merger—Discussion—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Pan American Airways—Memorandum—Wm. M. Rosenbaum & Co., 285 Madison Avenue, New York 17, N. Y.

Philip Carey Manufacturing Co.—Analysis—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Il.

Security Banknote Company—Memorandum — Homer O'Connell & Co., Inc., 25 Broad Street, New York 4, N. Y.

Silver Creek Precision Corp.—Data—Heimerdinger & Straus, 50 Broad Street, New York 4, N. Y.

Southern Production Company, Inc.—Analysis—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Also available are memoranda on **Delaware Power and Interstate Power Co.**

Verney Corporation—Analytical description—A. G. Woglom & Co., Inc., 53 State Street, Boston 9, Mass.

Also available are **Main Central Railroad** and **Keyes Fibre.**

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

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

Straus To Be Partner in Augenblick & Kohn

NEWARK, N. J.—Effective with the death of Harry A. Augenblick on Aug. 30, the former partnership of Augenblick & Kohn, 31 Clinton Street, was dissolved. A new partnership consisting of Richard E. Kohn and Ferdinand A. Straus, member of the New York Stock Exchange, was formed effective Sept. 2. Mr. Straus was formerly active as an individual floor broker in New York City and prior thereto was a partner in Freehling, Meyerhoff & Co.

Thomas L. Lewis Opens

GREENVILLE, S. C.—Thomas L. Lewis has opened his own office at 108 West Washington Street to engage in the securities business. He was formerly local manager for Courts & Co.

Rothbern & Co. Formed

PROVIDENCE, R. I.—Rothbern & Co. has been formed with offices at 15 Westminster Street. Mr. Rothbern was previously with Gifford & Co.

Now J. Allen McMeen & Co.

FT. WAYNE, IND.—The firm name of McMeen-Merillat & Co., Ft. Wayne Bank Building, has been changed to J. Allen McMeen & Co. Mr. McMeen is now sole proprietor.

Townsend, Weston & Co.

CHARLESTON, S. C.—William L. W. Weston and John C. Townsend have formed Townsend, Weston & Co. with offices at 114 East Bay Street to engage in the securities business. Mr. Townsend previously did business as an individual dealer.

Geo. P. Smith Dead

George Plumer Smith, Sr., died at his home at the age of 68 after a long illness. Mr. Smith was a senior partner and a founder in 1901 of the New York Stock Exchange firm of Smith & Gallatin.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Air Commuting, Inc., White Plains, N. Y.
June 17 (letter of notification) 1,060 shares of capital stock (no par value), of which 600 shares will be sold publicly at $100 per share. **Underwriter** — Burnham & Co. **Proceeds**—To be used to engage in limited helicopter operation over routes which the company is presently certificated to fly or in limited helicopter commercial work. Postponed indefinitely.

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.

• Blackstone Press, Inc., Somerville, N. J.
Sept. 1 (letter of notification) 600 shares of capital stock (par $50). Offered in units of six shares at $50 per share. **Underwriting**—None. Expansion of present business, purchase of additional printing equipment, etc.

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.

• Boysen (Walter N.) Co., Oakland, Calif.
Aug. 31 (letter of notification) 1,250 shares of 6% participating preferred stock (par $100). **Price**—Par. No underwriter. For factory and office expansion.

• Brockton Edison Co., Brockton, Mass.
Sept. 3 filed $4,000,000 first mortgage and collateral trust bonds, due 1978. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Coffin & Burr. **Proceeds**—To pay $2,625,000 of promissory notes and to finance additional construction costs and corporate needs.

• Capital Securities Fund, Inc., Chicago
Aug. 30 filed 300,000 shares of common stock (par $1). **Underwriter**—Capital Distributors Corp. **Price**—Market (about $10.43 per share). **Proceeds**—For investment.

Carpenter Paper Co., Omaha, Neb.
August 19 filed 6,177 shares of 4% convertible preferred stock ($100 par). **Offering**—To be offered to present holders of preferred and common stocks and to the extent unsubscribed by them, to certain key employees and officers. Price, by amendment. **Underwriting**—None. **Proceeds**—For additional working capital.

Central Maine Power Co.
Nov. 10 filed 160,000 shares ($10 par) common. **Underwriting**—Company called for competitive bids Dec. 8, 1947 and only one bid, that of Blyth & Co., Inc. and Kidder, Peabody & Co. was submitted and was rejected by the company. They bid $13.75, less $1.75 underwriting commission. Now expected on negotiated basis through Blyth & Co., Inc. and Kidder, Peabody & Co. **Offering**—To be offered to 6% preferred and common stockholders for subscription on the basis of one-half share of new common for each preferred share and one-tenth share of new common for each common share held. Price by amendment. **Proceeds**—For construction and repayment of bank loans.

Central Power & Light Co.
Nov. 21 filed 40,000 shares ($100 par) cumulative preferred. **Underwriters**—Lehman Brothers; Glore, Forgan & Co.; Dewar, Robertson & Pancoast negotiated a purchase contract in April, 1948, but the SEC on July 27, 1948, concluded that financing by the proposed preferred stock issue is not necessary.

Century Electric Co., St. Louis, Mo.
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 (9/14-17)
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.

• Dynacycle Manufacturing Co., St. Louis, Mo.
Sept. 3 filed 100,000 shares (80c par) common stock. **Underwriter**—White & Co., St. Louis. **Price**—$5 per share. Proceeds, plus an additional amount which may be obtained from the sale of franchises (estimated at $100,000), will be added to company's general funds. About $230,000 would be used to purchase equipment and $185,000 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.

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.

• Family Finance Corp., Wilmington, Del.
Sep. 2 filed 25,000 shares of 4½% cumulative preference stock, series A (par $50) (convertible to and including Aug. 1, 1956) and 97,580 shares ($1 par) common stock to be reserved for conversion of the preferred stock. **Underwriter**—E. H. Rollins & Son, Inc. **Proceeds**—To reduce outstanding bank loans and commercial paper.

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.

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.

Hall (C. M.) Lamp Co., Detroit
August 2 (letter of notification) 53,770 shares of common stock (par $5). Offered for subscription to stockholders of record Aug. 30 on basis of one new share for each five shares held. Rights expire Oct. 1. **Price**—$5 per share. For advances to a subsidiary, Indiana Die Castings, Inc., and to improve shipping and storing facilities. No underwriting.

Heidelberg Sports Enterprises, Inc., Pittsburgh, Pa.
June 25 filed 2,041 shares of class A common stock and 5,000 shares of class B common stock (par $100). **Price**—Par ($100 per share). **Underwriter**—None. **Proceeds**—$600,000 to be used for spectator grandstand and balance for related purposes.

Heyden Chemical Corp., New York, N. Y.
June 29 filed 59,579 shares of cumulative convertible preferred stock (no par) to be offered common stockholders in the ratio of one share of preferred for each 20 shares of common stock held. **Price**—By amendment. **Underwriter**—A. G. Becker & Co. will acquire the unsubscribed shares. **Proceeds**—To be used in part for improvement and expansion of manufacturing facilities. Offering postponed.

Holly Sugar Corp. (9/15-16)
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.

• Household Service, Inc., Clinton, N. Y. (9/13)
Sept. 3 (letter of notification) $10,000 5% sinking fund 10-year serial debentures, series C, due Jan. 1, 1958. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y. Price, par. Expansion of gas distribution system.

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.

NEW ISSUE CALENDAR

September 9, 1948

Household Service Co.----------------Debentures

September 13, 1948

New York Central RR.--------Equip. Trust Ctfs.

Trenton Chemical Co.------------------Preference

September 14, 1948

Chieftain Products, Inc.------------------Common

Indiana & Michigan Electric Co.
11:30 a.m. (EDT)---------------------------Bonds

September 15, 1948

Holly Sugar Corp.------------------------Preferred

National Bond & Share Corp.--------Capital Stock

September 17, 1948

Southwestern Associated Telephone Co.--Preferred

September 20, 1948

Official Films, Inc.------------Pref. and Common

Toledo Edison Co.-----------------------------Bonds

September 21, 1948

Ohio Edison Co.---------------Bonds and Common

Pacific Tel. & Tel. Co.-----------------Debentures

September 22, 1948

Wood (Alan) Steel Co.-----------------------Bonds

September 23, 1948

United Utilities & Specialty Corp.--------Preferred

September 28, 1948

Metropolitan Edison Co.------Bonds and Preferred

September 29, 1948

Southern Ry.-------------------Equip. Trust Ctfs.

October 1, 1948

Clarostat Mfg. Co.----------------------Preferred

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.

● **Ivey (J. B.) & Co., Charlotte, N. C.**

Sept. 3 filed 100,000 shares ($5 par) common stock. **Underwriter**—R. S. Dickson & Co. **Proceeds**—To pay part of the purchase price of all the outstanding shares of the Yowell Drew-Ivey Co.'s common stock, the remainder of the purchase price to be paid from the cash funds of J. B. Ivey & Co.

● **J-D Industries, Inc., Clearfield, Pa.**

Aug. 31 (letter of notification) $10,000 common stock and $20,000 preferred stock. **Price**—$100 per unit. **Underwriting**—None. Expansion of production facilities.

Kansas Soya Products Co., Inc.

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.

● **Leeds & Northrup Co., Philadelphia, Pa.**

Sept. 2 filed 1,500 employees' shares at $111.63 per share and 2,000 participating shares at $100 per share plus accrued dividends. Offering will be made by the Trustees under the deed of trust dated Oct. 20, 1916. Trustees plan to offer for sale such other stock trust shares as may be acquired by them from the holders from time to time. The trustees estimate that the number of shares so acquired and offered for sale during the fiscal year ending May 31, 1949, will not exceed 100 employees' shares and interim shares and 400 participating shares.

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.

● **Matheson Co., Inc., East Rutherford, N. J. (9/14)**

Sept. 7 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $20) and 1,000 shares of common stock (no par). **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y. To be offered in units of five preferred shares and one common share at $100 per unit. Replenish working capital funds for payments on account of capital stock of Paragon Testing Laboratories, etc.

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. Registration statement effective Sept. 7. Expected Sept. 28.

Midland Cooperative Wholesale, Minneapolis, Minn.

Aug. 9 filed 15,000 shares of Preferred stock D, noncumulative ($100 par). **Underwriting**—None. Shares are to be sold at par, plus a premium of $1, $2, and $3 for the second, third and fourth quarters, respectively, in which they are sold, representing an allowance for dividends. **Proceeds** for additions and improvements, inventory and accounts receivable.

National Battery Co.

July 14 filed 65,000 shares ($50 par) convertible preferred stock. Price and dividend, by amendment. **Underwriters**—Goldman, Sachs & Co., New York; Piper, Jaffray & Hopwood, Minneapolis. **Proceeds**—To retire $3,000,000 of bank loans and general corporate purposes. Temporarily deferred.

National Bond & Share Corp. (9/15)

Aug. 13 filed 31,600 shares (no par) capital stock. **Underwriter**—Blyth & Co., Inc. **Proceeds**—Stock is to be sold from the estates of two deceased persons.

● **Northern Enterprises Co., Inc. (Philippines)**

Sept. 2 filed 500 shares of class A stock and 1,500 shares of class B stock. **Price**—Class A, $102.50 per share and class B $100 per share. **Underwriting**—None. **Proceeds**—For sawmill machinery and equipment, purchase of general merchandise and hardwares, etc.

Official Films, Inc., New York (9/20)

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.

Pennsylvania Power & Light Co.

Aug. 17 filed 316,863 shares (no par) common stock. **Underwriters**—The First Boston Corp. and Drexel & Co. **Offering**—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**—$16.25 per share. **Proceeds**—To finance company's construction program.

Powers Oil & Drilling, Inc., Casper, Wyo.

July 14 (letter of notification) 800,000 shares (25¢ par) common stock. **Price**—25 cents per share. **Underwriter**—John G. Perry & Co. For drilling operations.

Public Service Electric & Gas Co.

June 11 filed 200,000 shares ($100 par) cumulative preferred stock. **Proceeds**—For property additions and improvements. **Bids**—Company, Aug. 4, received two bids 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.

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.

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● **Southwest Airways Co., San Francisco, Calif.**
Aug. 31 (letter of notification) 23,750 shares of common stock. **Price**—$1.26 per share. No underwriter. For working capital.

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.

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.**

● **Tennessee Gas Transmission Co., Houston, Texas**
Sept. 7 filed 400,000 shares ($5 par) common stock. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co. Price by amendment. **Proceeds**—For expansion of the company's pipe line system.

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. (9/20)
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.; Union Securities Corp., and Salomon Bros. & Hutzler. **Proceeds**—For construction. Expected Sept. 20.

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. (9/23)
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.

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.

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. Rights expire Sept. 28. **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. (7/22)
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

● **Chicago & North Western Ry.**
Sept. 4 company asked the ICC for authority to issue $5,325,000 equipment trust certificates to help finance the purchase of 20 Diesel locomotives and 550 gondola cars, the total cost of which is expected to be $6,672,340. Certificates are to be dated Nov. 1, 1948. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Cleveland Electric Illuminating Co.**
Sept. 3 although company recently obtained a bank credit of $25,000,000, this temporary expedient will be replaced later this year or early in 1949 with a proper balance of preferred and common stock and long-term debt, it is reported.

● **Dayton Power & Light Co.**
Sept. 3 company asked the Ohio Utilities Commission for permission to issue up to $16,468,705 in stocks and bonds.

● **Gulfcoast Northern Gas Co., Tulsa, Okla.**
Aug. 31 company applied to FPC for authority to construct and operate 1,184 miles of transmission system to transport natural gas from Texas to Chicago area. Cost of project estimated at $119,000,000, to be financed by issuance of bonds, preferred stock and common stock.

● **Kansas Gas & Electric Co.**
Aug. 25 stockholders voted to increase authorized common from 600,000 shares to 2,500,000 shares (no par). Only 100,000 shares of the stock is to be sold, probably early next year. Probable underwriter, Union Securities Corp.

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).

● **Public Service Co. of Colorado**
Oct. 19 stockholders will vote on creating a new series of 4¼% cumulative preferred stock, the initial series to consist of 75,000 shares (par $100). Probable bidders include The First Boston Corp.

● **Reynolds (R. J.) Tobacco Co.**
Sept. 8 reported company planning a large offering of preferred stock, probably in neighborhood of $50,000,000. Traditional underwriters, Dillon, Read & Co. Inc. and Reynolds & Co.

● **Southern Pacific Co.**
Sept. 3 reported company plans sale of $11,000,000 equipment trust certificates the end of this month. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

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.

Illinois Brevities

(Continued from page 10)

increase the outstanding capital stock from 625,000 shares to 1,875,000 shares by the issuance to stockholders of two additional shares for each share now held. The authorized number of shares will be increased from 840,000 to 2,500,000. It is planned to place the increased stock on a $1 annual dividend basis, payable 25 cents quarterly, which would be equivalent to 75 cents per share each quarter on the present outstanding stock on which 25 cents extra and 50 cents regular have been paid every three months. Reuben E. Sommer, President, stated that it will be the management's policy to recommend such additional extra payments on the new shares from time to time as the earnings justify. Total indicated earnings for the company and subsidiaries will approximate $9.44 per share for the year ended June 30, 1948, compared with $9.47 per share for the preceding year.

* * *

A group of investment bankers headed by A. G. Becker & Co., Inc., on Aug. 10 publicly offered 350,000 shares of $1.20 cumulative convertible preferred stock (without par value) of Ashland Oil & Refining Co. at $24 per share and accrued dividends. Other Illinois bankers participating in this offering were: Kebbon, McCormick & Co., Central Republic Co. (Inc.), William Blair & Co., Bacon, Whipple & Co., A. C. Allyn & Co., Inc., H. M. Byllesby & Co. (Inc.), Straus & Blosser, Farwell, Chapman & Co., The Illinois Co., and Carter H. Harrison & Co. The net proceeds will be added to Ashland's general funds.

* * *

Fansteel Metallurgical Corp., North Chicago, on Sept. 1 acquired the entire common stock equity in Vascoloy-Ramet Corp. held by Vanadium-Alloys Steel Co. This gives Fansteel 100% ownership in Vascoloy-Ramet which will continue to be operated under its own name as a division of Fansteel. The plant of the new unit, located in Waukegan, contains 80,000 square feet of floor space.

* * *

Among those participating in the public offering on Aug. 19 of 300,000 shares of common stock, par $1, of Continental Motors Corp., Muskegon, Mich., at $7.50 per share were the following Illinois investment firms: Paul H. Davis & Co., First Securities Co. of Chicago, Straus & Blosser, Betts, Borland & Co. and Dempsey & Co. The offering was oversubscribed. The net proceeds will be used to pay off bank loans.

* * *

The Burson Knitting Co., Rockford, manufacturers of elastic stockings, has been sold to the Kendall Co. and will be operated by the latter's Bauer & Black division, Chicago.

* * *

The consolidated net income of Standard Gas & Electric Co. and its subsidiaries (excluding Pittsburgh Rys. Co. and subsidiaries and other street railway subsidiaries of Philadelphia Co.), after charges and Fed. income taxes, amounted to $5,343,141 equal to $11.41 per share of prior preference stock and $2.86 per share of $4 cumulative preferred stock, for the 12 months ended June 30, 1948, which compares with a net of $6,491,647, or $13.86 per share of prior preference stock and $4.37 per share of $4 preferred stock, for the preceding 12 months' period.

* * *

A letter of notification was filed with the Securities and Exchange Commission Aug. 9 covering 4,700 shares of $5 par value common stock of Eureka Williams Corp., Bloomington, which will be offered at $6.25 per share, the net proceeds to be added to working capital.

* * *

Ero Manufacturing Co., Chicago, for the eleven months ended July 31, 1948 reported net sales of $7,735,923 and net income, after taxes, of $739,167, equal to $2.11 per share, as compared with net sales of $7,426,881 and net income, after taxes, of $700,219, equal to $2 per share, for the fiscal year ended Aug. 31, 1947. Current assets at July 31, 1948 amounted to $3,094,055, against current liabilities of $1,100,042.

Net profit for July, 1948, even with the 12-day annual vacation shutdown, was $70,923, or 20 cents per share. Sales for the month of August, 1948 are estimated at approximately $900,000.

* * *

The Harmon Development Co., a recently organized concern headed by Rockford men in the sewing machine industry, on Aug. 31 purchased the National Sewing Machine Co., Belvidere, for a reported price of $5,000,000.

* * *

Earnings of Harrison Wholesale Co., Chicago, after charges and income taxes, amounted to $298,369, equal to $1.42 per share, for the six months ended July 31, 1948, as against $247,112, or $1.18 per share, for the corresponding period last year.

* * *

Halsey, Stuart & Co. Inc. announces that the permanent first mortgage sinking fund 2⅝% bonds, series C, due May 1, 1967, of the Cudahy Packing Co. are now ready and exchangeable for the temporary bonds originally issued. The exchanges may be made at the office of the bankers at 35 Wall St., New York, N. Y.

* * *

Cory Corp., Chicago manufacturers of glass coffee brewing equipment, Fresh'nd-Aire electric air circulators and home humidifiers, announced that sales, including its subsidiary, Cory Corp. (Canada) Ltd., for the six months' period ended June 30, 1948 amounted to $4,473,427, while net profit after provision for Federal income taxes totaled $330,456, or 51 cents per common share.

* * *

A. E. Staley Manufacturing Co., Decatur, reports a net profit of $1,779,235, or $2.05 per common share, for the second quarter of 1948, compared to $1,113,166, or $1.26 per common share, for the first three months of this year. For the six months ended June 30, 1948 net profit was $2,892,401, equal to $3.31 per common share, compared with $6,281,786, or $7.31 per common share, for the first half of 1947 when earnings were affected by a non-recurring inventory gain.

* * *

Record sales of $18,920,909 were reported by Thor Corp., Chicago, a major producer of home laundry appliances, for the six months ended June 30, 1948. These were higher than in any comparable period in the company's 41-year history and reflected a 16% gain over that of $16,246,724 in the first six months of 1947. Net profit for the first half of the current year was $1,428,052, or $3.24 a share, compared with $1,607,909, or $3.64 a share, in the six months ended June 30, 1947. This decline in profit, it was announced, was due to the stepping up by the company of its selling and advertising expenditures.

Our Reporter's Report

The underwriting industry approaches the opening up of the fall season of increased activity with its house in good order.

During the summer lull, particularly through the latter part of August, bankers and dealers had an opportunity to work off the odds and ends, rather large in a few instances, carried over from earlier undertakings.

From current reports in the trade they took full advantage of the situation and are coming down to the "jumping off" line with their shelves pretty well cleared of such accumulations.

Currently dealers reported the seasonal market remains pretty much in the doldrums with trading, if anything, a bit slower than immediately preceding the summer-end holiday.

The slight pick-up which preceded the Labor Day recess presumably reflected a little in the way of "sharpshooting" by traders who were picking up some of the choicer issues in the hope of a quick resale on the expected reappearance of buyers.

But the latter, apparently, are not of a mind to be rushed and evidently it will require the passage of a few days for them to get back in stride. Meantime observers report the Treasury market steady to firm though, as the "keystone" of the general situation, subject to the closest kind of scrutiny.

Floating Debt

Public Service Electric & Gas Co., which twice turned down bids for an issue of cumulative preferred stock, has arranged to finance itself temporarily through the sale of unsecured notes to a group of commercial banks.

With the approval of the Securities and Exchange Commission the company is borrowing $50,000,000 on 2 and 2¼% notes, due not later than April 15 next.

The company first rejected bids for its stock without even opening the two tenders received, and on the second occasion looked the bids over but decided to forego the sale.

Since then application or permission to negotiate the sale of the stock, 200,000 shares, has been approved. The current temporary financing will, of course, permit the company to await more satisfactory conditions before attempting to sell the senior equity.

Another Utility Preferred

Another public utility preferred issue came into prospect with the announcement that shareholders of the Public Service Co. of Colorado have been called to a special meeting on October 19, next.

At that time the management will ask approval of its proposal to amend the certificate of incorporation to create a new preferred stock issue of 75,000 shares, with a cumulative 4¼% dividend.

The company now has outstanding an issue of 160,000 shares of cumulative 4¼% preferred.

Breaking The Ice

Offering for sale at competitive bidding of $25,000,000 of new 30-year first mortgage bonds of the Indiana & Michigan Electric Co., scheduled for next Tuesday, now looks as the harbinger of the fall season in the new issue field.

Indications are that no less than five banking houses will be in the running for the bonds, suggesting that competition for the sizable offering will be keen. Offerings of the foregoing dimensions invariably bring out the largest number of bids.

The investment fraternity will be watching this one with more than customary interest in the hope that it will give a clear cue to what, if any, effect, recent anti-inflation moves of the Treasury and the Federal Reserve have had on bankers' thinking.

Kenneth Ebbitt With Shelby Cullom Davis

The New York Stock Exchange firm of Shelby Cullom Davis & Co., 110 William Street, New York City, announced the opening of a municipal bond department. Kenneth C. Ebbitt, formerly a partner of Campbell, Phelps & Co., New York, and later of Ryan, Moss & Co., Newark, N. J., is manager of the new department.

Kenneth C. Ebbitt

The firm was organized in April of 1947 following the resignation of Mr. Davis as Deputy Superintendent of Insurance of the State of New York. The company conducts a general investment business specializing in securities of American insurance companies and in their markets. Mr. Davis has been a member of the New York Stock Exchange since 1941.

James W. Means to Be Partner in Courts Co.

ATLANTA, GA.—James W. Means has resigned as a Vice-President of the Trust Company of Georgia and will become a partner in Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange. Mr. Means for the past seven years has served as Vice-President in charge of the investment department of the Trust Company of Georgia.

J. W. Means

Melven Sole Proprietor

Sydney R. Melven is now sole proprietor of S. R. Melven & Co., 125 Cedar Street, New York City, James J. McLean having retired from the firm.

Edmund C. Stanton Dead

Edmund Courtlandt Stanton, senior partner in the Stock Exchange firm of Stanton & Co., died at his summer home at the age of 57.

Record Funds Going Into Home Construction

Savings associations' lending has been concentrated on low-priced construction financing.

More money was channeled into the construction of new homes in the first half of 1948 by the nation's savings associations than in any corresponding period on record, the United States Savings and Loan League reported on Sept. 4. It was indicated, moreover, that the average size of the loans, $4,560, witnesses to the prevalence of low-priced home construction financing, such as the League has been urging its member associations, by a special campaign, to concentrate upon during 1948.

Trade organization for more than 3,650 savings and loan associations and cooperative banks, the League reported that 115,000 mortgage loans, totalling $524,000,000 were made for new homes from the first of the year to June 30. This represented a sharp upward climb of 40% from the 82,000 new units financed by the associations during the first half of 1947.

Conversely, the numbers of loans made for the financing of existing dwellings continued to run below last year. The greater-than-ever emphasis on new construction loans trimmed the available funds for financing existing homes so that only 271,000 mortgages were made for that purpose during the first half of this year, a decrease of 8% from 1947's first six months.

Total credit extended by the savings and loan associations for all home-ownership purposes to June 30 this year amounted to $1,852,000,000 as against $1,751,000,000 for the similar 1947 period. This over-all figure includes loans for the refinancing and reconditioning of homes.

Ralph M. Smith, West Somerville, Mass., President of the League, pointed to the certainty that the shift of savings and loan association financing to more and more new construction has helped keep the nation's home building machine at top speed. He said, also, that the over-all effect of the use of larger and larger percentages of the available mortgage funds for new units rather than for transfer of existing units helps attack the problem of high prices on homes, at the source.

"Availability of more houses is the only effective cure for the high prices of homes," he said. "Therefore, the program of thrift and home financing institutions for keeping a stream of funds flowing into new building becomes more and more essential to the solution of the housing ills of the majority of Americans today."

Ever since spring the League has been urging its members to concentrate their lending on new homes priced between $4,000 and $10,000. As a result, in June the monthly total of loans for home construction reached $100,000,000 for the first time in the history of the business and this represented an increase of 42.3% over June, 1947.

INVESTORS MUTUAL, INC.

Dividend No. 32

The Board of Directors of Investors Mutual, Inc. has declared a quarterly dividend of thirty-four cents per share payable on September 29, 1948, to shareholders on record as of September 16, 1948.

E. E. Crabb, *President*

Principal Underwriter and Investment Manager

INVESTORS SYNDICATE

Minneapolis, Minnesota

DIVIDEND NOTICES

New York & Honduras Rosario Mining Company

120 Broadway, New York 5, N. Y.

September 8, 1948.

DIVIDEND No. 384

The Board of Directors of this Company, at a meeting held this day, declared an interim dividend for the third quarter of 1948, of Seventy Cents ($.70) a share, on the outstanding capital stock of this Company, payable on September 25, 1948, to stockholders of record at the close of business on September 15, 1948.

W. C. LANGLEY, Treasurer.

THE TEXAS COMPANY

184th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 75¢ per share or three per cent (3%) on par value of the shares of The Texas Company has been declared this day, payable on October 1, 1948, to stockholders of record as shown by the books of the company at the close of business on September 3, 1948. The stock transfer books will remain open.

L. H. LINDEMAN

August 6, 1948 *Treasurer*

RADIO CORPORATION OF AMERICA

Dividend on First Preferred Stock

At the meeting of the Board of Directors held today, a dividend of 87½ cents per share, for the period July 1, 1948 to September 30, 1948, was declared on the $3.50 Cumulative First Preferred Stock, payable October 1, 1948, to holders of record at the close of business September 13, 1948.

A. B. TUTTLE, *Treasurer*

New York, N. Y., September 3, 1948

ATLANTIC

THE ATLANTIC REFINING CO.

PREFERRED DIVIDENDS

At a meeting of the Board of Directors held August 30, 1948, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable November 1, 1948, to stockholders of record at the close of business October 5, 1948.

At the same meeting a dividend of ninety-three and three-fourths cents ($.9375) per share was declared on the Cumulative Preferred Stock 3.75% Series B of the Company, payable Nov. 1, 1948, to stockholders of record at the close of business Oct. 5, 1948.

Checks will be mailed.

RICHARD ROLLINS

August 30, 1948. *Secretary*

CANADA DRY

DIVIDEND NOTICE

The Board of Directors of Canada Dry Ginger Ale, Incorporated, at a meeting thereof held on August 31, 1948 declared the regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock and a dividend of $0.15 per share on the Common Stock; both payable October 1, 1948 to stockholders of record at the close of business on September 15, 1948. Transfer books will not be closed. Checks will be mailed.

WM. J. WILLIAMS,

V. Pres. & Secretary

DIVIDEND NOTICES

St. Louis, Rocky Mountain & Pacific Co.

Raton, New Mexico, August 27, 1948

COMMON STOCK DIVIDEND No. 98

The above Company has declared a dividend of 50 cents per share on the Common Stock of the Company to stockholders of record at the close of business September 15, 1948, payable September 30, 1948. Transfer books will not be closed.

P. L. BONNYMAN, Treasurer.

REYNOLDS METALS COMPANY

Reynolds Metals Building

Richmond 19, Virginia

PREFERRED DIVIDEND

COMMON DIVIDEND

The regular dividend of one dollar thirty-seven and one-half cents ($1.375) a share on the outstanding 5½% cumulative convertible preferred stock has been declared for the quarter ending September 30, 1948, payable October 1, 1948, to holders of record at the close of business September 24, 1948.

A dividend of twenty-five cents (25¢) a share on the outstanding common stock has been declared payable October 1, 1948, to holders of record at the close of business September 24, 1948.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, *Secretary*

Dated August 31, 1948.

ROYAL TYPEWRITER COMPANY, INC.

A dividend of 1¾%, amounting to $1.75 per share, on account of the current quarterly dividend period ending October 31, 1948, has been declared payable October 15, 1948 on the outstanding preferred stock of the Company to holders of preferred stock of record at the close of business on October 6, 1948.

A dividend of 50¢ per share has been declared payable October 15, 1948, on the outstanding common stock of the Company, of the par value of $1.00 per share, to holders of common stock of record at the close of business on October 6, 1948.

September 1, 1948 H. A. WAY

Secretary

ROYAL

CHEMICALS

TEXTILES

PLASTICS

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK $4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable October 1, 1948 to holders of record at the close of business September 17, 1948.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable October 1, 1948 to holders of record at the close of business September 17, 1948.

COMMON STOCK

60 cents per share, payable September 30, 1948 to holders of record at the close of business September 17, 1948.

R. O. GILBERT

Secretary

September 7, 1948

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—If any one wants to see what a beguiling job a Federal agency does when it bids for more power, more influence, more money, and more promotions, he should pick up and glance through a copy of the Federal Security Agency's latest brochure, "The Nation's Health, a Ten Year Program, a report to the President by Oscar R. Ewing, Federal Security Administrator."

The commas in this title were supplied by this writer. Commas, however, were not in the title. By neat, varied typography, the use of commas was eliminated in a way which cannot be artistically shown at private expense.

It is a wonderful looking book. Just to look at its eye-appealing cover, its superb type, its wonderful layout, its ingenious charts, is to invite reading. There is none of this dull Government Printing Office style in this document, and it is freely made available in every newspaper reporter's office.

* * *

Now it is different with the report of the trustees for the Old Age Insurance and Survivors' Trust Fund. This is printed in dull GPO style. Its columns of figures are almost unreadable. Nobody attempts to spell out what those figures mean. One has to be slightly economically literate to understand them. Nevertheless, they tell a story of another great social experiment being operated under the eye of Mr. Oscar R. Ewing, who is only limited in his power to end all men's ills by the degree to which he is unable to persuade a reactionary Congress to wave the statutory wand and thus bring heaven on earth.

* * *

What you can read in the report of the trustees is the inevitable march of the statistics toward what a non-government person would call the insolvency of the social security "trust fund." What the figures show is that the time is inexorably approaching when the future of social security pensions will lay in the question whether the youngsters of today, a generation hence, will consent to tax themselves heavily to provide the pensions which the Congress half a generation ago promised.

Then, too, you have to look around to get a copy of the report of the trustees. And nobody with large type and abundant white spaces and over-simple charts, explains what happens when more money will be going out than comes in, even assuming the "trust fund" is "invested."

* * *

Mr. Ewing's latest bid for a so-called "national health program" was widely reported in the press for its supposed medical phases. But Mr. Ewing makes it crystal clear that merely providing more doctors, hospitals, laboratories, and the wherewithal to pay for this in some obscure manner, is but a part of the national health problem.

"Provision of ample health and medical services everywhere is of course fundamental, but many other factors will make important contributions to our success." With this brush off of the paltry $4 billion a year program, Mr. Ewing gets to the meat of the health problem.

"Our standard of living, the conditions under which people live and work, the food they eat—all affect health. In a broader sense, the strains of competitive living, of financial insecurity and economic conditions, of discriminatory practices and community rancors—all of these—must be ameliorated if we ultimately are to achieve, for every one, a full measure of abundant and physical health," expounded Mr. Ewing.

He apparently believes that the tension of competitive life should be done away with. Since Mr. Ewing believes in health anyway, it probably is not fair to impute to him the suggestion that for an alcoholic to interrupt his drinking for the sake of competitively working to hold a job would increase the individual's tension and contribute to his ill health. But at least a man should throw the alarm clock away and relax in his bed on days too good to work or days too hot or too cold or too rainy to work, for otherwise he would be subjecting himself to the tension of fighting the elements for the competitive purpose of holding down a job so that he could eat a well-rounded diet and live in something besides substandard housing.

* * *

There is a curious paradox to the problem of the oil supply for domestic consumers. Last winter the Congress and the Administration were all steamed up over the heating oil shortage, based on isolated cases where in some communities the supply ran temporarily out. Then the oil industry was saying quietly that except for these occasional and local shortages, it would be able to take care of the situation. It did. Under the Taft voluntary allocations plan, the industry has worked out a system whereby local oil supplies can be pooled legally next winter to avert any threatened shortages.

Now various industry and semi-official sources are turning optimistic as to the supply outlook, and predicting that there will be no heating oil shortage next winter. It happens that industry now is beginning to fear this optimism. If there are storms or other accidents which interrupt transportation or production, including strikes, the level of consumption being expected to run close to supply, these accidents would bring about shortages. What is feared more, however, is the throwing away of restraints on the installation of new oil heating equipment. All the relatively optimistic appraisals of the outlook have been predicated upon the assumption that consumption of oil will be maintained at not materially higher than last winter's levels. The rush to substitute oil for coal may upset the applecart.

So, the industry thinks, the bright consumer will think twice before shifting to oil from some other fuel.

* * *

What Tom Clark really had in mind in bringing his regional trust-busting attorneys into Washington a couple of weeks ago was to provide a forum whereby scores of small businessmen could air freely all their gripes against "big business." Attending the meeting of the trust-busters were those representatives of small business. This was to be one of the Administration's election bids to small business during the current political season.

Actually what happened was that between government lawyers and a staff member of one of the small business committees of Congress monopolizing the floor, the little fellows hardly got a chance to open their mouths. So the trust-busting session proved to be a political bust.

* * *

In the very near future business is likely to work up a bit of ire over the proposed "uniform set of cost principles" to be instituted by all the Armed Forces. The fourth and near final revision of these proposed cost principles is about to be announced after it has been given the final once-over by the munitions board.

Those who are familiar with accounting practices assert that these cost principles very often bear little resemblance to cost accounting practices used by industry. Thus, a manufacturer would be disallowed the interest he would be compelled to pay on a loan to enlarge or modify his factory so as to handle a war order. While the cost of altering the factory would itself be allowed in the contract, the cost of reconverting to civilian production would be disallowed. The Armed Services would allow as a deductible cost advertising in "trade papers," not otherwise defined, but all other advertising would have to come out of profits.

* * *

Although belittled by President Truman, the new housing law passed by the special session of July-August adds substantially to the frontiers of government support for housing finance. How extensively these new aids will be used, remains to be seen as builders and investors avail or ignore the new provisions.

It is generally agreed by all, except perhaps a minority in the staff level of the housing bureaucracy, that the scheme of insuring a yield of 2¾% on rental projects will catch few fish. There are too many strings to the government aid for investors to rise to the bait. The revival of insurance for rental housing projects is expected to attract a substantial volume of business.

Nevertheless, when a government agency has got a power on the statute books, even if the power is unworkable, it has, so to speak, got its man on third base. Next year there will be agitation to broaden the benefits to make it more workable.

So it was with special insurance last year for pre-fab housing manufacture. Out of 25 pre-fab supplicants for this accommodation, only one walked off with the money. The chief problem was the lack of government financing aid for the retailer who erected the pre-fab house on the site—so it was said. Hence this year Congress provided some aid for the dealer in pre-fabs. Even this hasn't excited the pre-fab industry generally, but may bring in a few more clients, especially firms with less established financing connections.

The government is not excited about the new section providing housing insurance for on-site manufacturers, since this idea originated with Congress rather than with the Administration.

On the other hand, the government is enthusiastic over the new modifications to FHA's Title II, providing for insurance of construction loans to builders for units costing $6,000 and less, and also providing higher loan insurance limits on individual homes.

In any case, the volume of new housing units of all kinds is now expected by industry sources to pass the million mark this year for the first time in history—and this record probably would be achieved without any new government financial props.

BUSINESS BUZZ

"Listen, Stupid! You were right there when the broker told me to sit on my securities!"

Two With R. H. Johnson

PORTLAND, MAINE—John M. McNamara and Leon W. Pillsbury are now with R. H. Johnson & Co.

Stoetzer, Faulkner Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Donald J. German has been added to the staff of Stoetzer, Faulkner & Co., Penobscot Building, members of the Detroit Stock Exchange.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

PONTIAC, MICH. — Linus F. Belanger is with King Merritt & Co., Inc., 53½ West Turon Street.