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Truman Emphasizes Science Research As Defense Aid

President tells Science Association Government in addition to its own activities should aid private research. Wants more study in Social Sciences and attacks "politicians" who cause scientists to shun government work.

President Truman on Sept. 13, in an address before the American Association for the Advancement of Science, now holding its centenary meeting in Washington, stressed scientific and social research as a factor in national security and urged Federal aid to private research projects as well as enlargement of present governmental research agencies.

President Truman

In his remarks the President stated:

Two years ago I appointed a scientific research board. Its report, entitled "Science and Public Policy," was submitted last fall to

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See PICTORIAL INSERT for pictures taken at recent outings of Security Traders Association of N. Y. and Denver Bond Club-Rocky Mountain IBA.

Pitfalls of Seller's Market In the Automobile Industry

By J. R. DAVIS*

Vice-President and Director of Sales and Advertising, Ford Motor Company

Ford executive, though predicting sizable business recession at some future date, forecasts a strong seller's market in lower priced cars for two years or more. Deplores unfair dealer practices in present car market and neglect of proper relations between dealers and customers, and warns there will be retribution and difficulties when buyer's market returns. Blames backlog of production on materials shortages and ECA program.

For the past two years there have been periodic waves of cheer and gloom about the business situation. Some of our economists now tell us the end of the boom is not yet in sight, and with this viewpoint I personally am heartily in accord. The various factors of demand continue to add up to more than available supply for most durable goods at least. This, of course, is because production has been held back due primarily to shortages of materials — especially steel. In fact, the steel shortage is so acute in the United States that total automobile production this year will probably not exceed five million and for next year, maybe even less than this figure.

J. R. Davis

The uneasy feeling about the boom may be expected to continue, however, in recurrent waves of pessimism. There are a

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*Part of an address by Mr. Davis at the Annual Convention of the Federation of Automobile Dealer Associations, Banff, Alberta, Canada, Sept. 15, 1948.

The Currency Reform in Germany —Can Planners Plan?

By DR. MORITZ J. BONN

Formerly Adviser to Germany on Reparations

Former German economist attacks Four Power planning under Potsdam Agreement and ascribes difficult economic conditions in Germany to policy of drastic de-industrialization and isolation by Russia of Eastern zone from rest of Germany. Describes currency reform in Allied zones of Germany and holds its failure to bring about German economic recovery arises in part from continued policy of "dismantling" in order to reduce country's war potential.

I

The currency reform inaugurated in Germany two months ago is a bold attempt at decontrol. It aims at making Germany a going concern, and at rescuing her from the torpor in which she has sunk since the Potsdam Plan. Planning can be structural or functional. Russia has been able to indulge in structural planning. Western planners hitherto had had to be content with manipulating the functions of their society by gentle pressure and repetitive exhortation, until the unconditional surrender of Germany (and later of Japan) gave them their great chance for remaking a highly advanced nation of 66 millions, in accordance with their own images of perfection. The Potsdam agreement was the most ambitious piece of "planning" ever attempted. Four powers, with at least three irreconcilable conceptions of a "good society,"

Moritz J. Bonn

(Continued on page 24)

EDITORIAL

As We See It

More Trifling With Inflation

This is an election year and, accordingly, it may be too much to expect any one in authority really to do anything about "inflation"—except talk, of course. The Administration in Washington is committed to policies which preclude effective anti-inflationary action, and accordingly, only the un-understanding, the naive, or the perennial optimist could possibly expect action which could reasonably be expected to put the nation on a sound monetary or credit standing. The only thing surprising about either the recent increase in discount rates or the action of the Federal Reserve in raising the reserve requirements of member banks is that there should be any willingness at this time to take whatever risk there may be to the Government bond market and to those elements in the current business situation—if there really are any — which may for the time being at least be adversely affected by the psychological implications of the steps thus taken.

At any rate such steps as these are quite clearly inconsistent with and, indeed, definitely antagonistic to

(Continued on page 26)

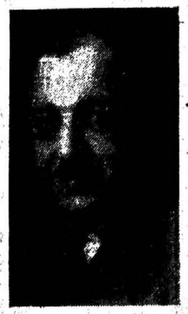
A Mid-Year Appraisal of the Rails

By EDWARD H. TEVRIZ

Manager, Railroad Department, Blyth & Co., Inc.

Railroad analyst contends earnings of railroads, based on current levels of rates and costs, warrant continuation of confidence in railroad securities. Reviews outlook for the rails both under war conditions and under normal peace operations and concludes favorable aspects justify reasonable optimism on rail equities as well as on many of their bond issues, particularly contingent interest bonds.

With the numerous changes that have taken place in rapid succession during the past two years as to rates and operating costs, including wages, a need has appeared to clarify their effects for investors. The following study with respect to the current outlook of the railroad industry was thus undertaken, and an attempt made to answer some of the broader questions. In the course of this review, certain basic data and trends were analyzed and developed, some of which have not been too well publicized to date. Among them are the favorable trends evidenced in the volume of non-commuter passenger business, the high rate of current freight movement, as well as the distinctly satisfactory levels of "earning power" of the industry on an annual basis, under present rates and operating costs.



Edward H. Tevriz

July and Seven Months' Earnings

Earnings for the months of June and July, as well as for the first seven months of 1948, recently released, make distinctly pleasant reading. With only a single minor exception, all of the major carriers disclosed increases in their monthly total operating revenues compared with the like 1947 periods. Indeed, total revenues of class I railways established new peaks for each month, surpassing even the 1944-1945 records. For the first seven months, each major road showed gains in cumulative gross revenues.

Such gains were recorded despite the adverse effects of the coal strike and severe weather conditions earlier in the year, and reflected in large part the boosts granted as to freight rates and in passenger fares during late 1947 and early 1948, as well as increases in charges for mail, express and other transportation services. In this connection, it should be noted that not all of these increased rates were in effect for the entire period; thus, the higher rate levels now prevailing should exert a favorable influence over operating results during the final five months of 1948, to an even greater extent (barring any sudden and sharp traffic slump—now unanticipated). The aggregate gain in June gross revenues for all class I railways was 20.1% over the 1947 figure, while the rise in July operating revenues is estimated at between 18% and 20%; thus, the cumulative increase for the seven months would be indicated at 12%-13%.

Each carrier, without a single major exception, disclosed increases in net railway operating income (net after operating expenses, taxes and rents but before non-operating income or fixed charges), during both June and July, compared with a year ago. In some cases, these were of substantial amounts. The June accounts reflected in appreciable part the reduction in the unemployment tax rate from 3% to ½ of 1%, retroactive to Jan 1, 1948, and the crediting therein of previous months' accruals, reported to have been in the neighborhood of $30,000,000. Including the latter, June net income for all class I railways has been calculated at about $94,000,000, versus $44,000,000 in June, 1947; the first-half aggregate net income thus has been indicated at $259,000,000, compared with $225,000,000 reported net of last year.

Based upon incomplete returns for July, the indicated upturn of $40,000,000 to $45,000,000 in the month's net operating income promises an additional gain (of like amount) for net income after charges for all the roads. As to the various individual carriers, the increments in net operating income during June and July were sufficient, in quite a number of instances, to convert decreases in the cumulative totals to gains for the seven months over the like 1947 period. There remained, however, not many more than a handful of roads where the seven months' net operating income failed to equal the 1947 performance, including the following major roads: the New York Central, the Chesapeake & Ohio, the Virginian, the "Milwaukee," and the Northern Pacific. Considering the narrow lag existing (in most cases) between these two years' results, and the further upturn anticipated as to August results, there is basis for the expectation that even in the case of these roads, net operating income through Aug. 31, will have caught up with or even surpassed the comparable 1947 aggregates.

Forecast—Balance of Year

Not only are the earnings results recorded to date encouraging, but prospects appear bright for continuation of such earnings gains over the final months of 1948—seasonally, the more important months of the year. This outlook is based upon the forecast of a continuation of present high traffic volumes over the foreseeable future. Foremost among the factors contributing to this expectation are the following: (1) the bumper corn crop—the largest on record, (2) the large wheat harvest—second largest to the 1947 record, (3) the continuing insatiable demand for iron and steel augurs for sustained heavy movements of coal and ore, (4) the huge unfilled orders for automobiles and trucks, farm equipment, railroad equipment (freight and passenger cars, and locomotives), and (5) pressing needs for equipment and capital improvements for public utility enterprises (transmission lines for telephones, electricity, and natural gas, etc.); all of these should contribute toward manufacturing output at capacity levels in most durable goods lines. Not least in the economic picture is the definite prospect that the construction industry will continue apace at around peak levels, particularly in the building of family dwellings, with the dissipation of the housing shortage not indicated before mid-1949, if then.

With personal income, on an annual basis, at a new peak in June, 1948, little abatement in the present rate of general economic activity can now be foreseen. Finally, the whole structure may well be supported by expected larger expenditures for armaments under a preparedness policy and by increasing shipments abroad under the European Recovery Program (Marshall Plan).

Railroad Outlook Under War Conditions

During recent weeks, security markets have at times reacted markedly to the tensions between our country and Russia with respect to Berlin and the German question, as well as broader European problems. In the unhappy event that hostilities are commenced (this possibility must be conjured with as a short or longer term potentiality flowing from present as yet unsubsiding tensions), the railroad industry should be regarded as one that may benefit therefrom perhaps more than many other industries. Improvements to this industry's basic financial position in World War II need only be cited to bring this to mind. War-swollen traffic enriched the carriers' treasuries and led to sharp reduction of debt and fixed charges via retirement at maturity and open-market repurchases of funded debt at appreciable discounts for cash, and later, by interest-savings refunding operations. Because of their heavy capitalization, the roads were in a peculiarly favorable position with respect to heavy excess profits taxes; such high taxes siphoning off the huge earnings engendered by the heavy volume of passenger and freight movement only in the latter stages of the war.

There has been one distinct betterment with respect to the roads' status that has taken place since the end of the recent conflict. Effective Oct. 1, 1946 (by the so-called Boren Bill), "Land Grant" rates for the transportation of military and government goods have been eliminated and the government now pays full commercial rates. Furthermore, with urgent national demands for oil during any war period (accentuated by any need to carry on military operations at great distances from our own territory), embargoes and restrictions on gasoline for private automobile use would unquestionably be swift and severe, so that railroad passenger traffic would inevitably mushroom again to duplicate or exceed the peak volume figures prevailing in 1943, 1944, and 1945. With the increased rates now in

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Prudent Bull Market Ahead!

By ERNEST JELLINEK

Resident Partner, Jacquin, Bliss & Stanley

Market commentator maintains likely continuance of high earnings, large backlogs in heavy industry, and inflated dollar, have been ignored by stock market. Asserts possible future setbacks in business activity and deflation have already been fully discounted by present share prices. Says present soft spots will end in stabilization of production rate higher than in any previous pre-war period.

In the past decade, the economy of the United States has undergone tremendous changes and in many cases people have not recognized the impact that these new factors will have in our future daily life.

Ernest Jellinek

The quadrupling of our money supply since 1939 is accepted as a fact. However, its consequences have been almost completely ignored. The results of this flood of money will be far-reaching and permanent. We must realize that we are dealing with a new dollar; the labor dollar, commodity dollar, budget dollar and expense dollar of 1948 are far different from 1939. The non-recognition of our new dollar is outstandingly apparent in the stock market. Investors will not concede that a higher dollar level of earnings is now permanently imbedded in corporate operations. The large earnings of 1947 and 1948 are regarded as transitory and, therefore, stock purchasers have been wary.

These profits, however, are not abnormal when one takes the time to realize that the tremendous rise in the cost of living (due to the inflationary trend) has left corporations with the same income in real purchasing power with their 1948 profits as compared with 1939 earnings. Present higher dividend payments, similarly represent no increased purchasing power to the investor than was received before the war. The only segment of the capital markets that has not reflected the altered situation, are stock prices, and these prices must eventually move upward to come into proper alignment with other property values in the United States.

The business cycle and the stock market are like tides in their actions and neither can be turned from their course by a single new development. The introduction of a new factor may temporarily change the flow, but the eventual results are determined by a mass of individual influences, whose aggregate produces a general trend. Stocks have never participated in the inflation of our economy and thus cannot logically be expected to show any appreciable fall in value should the "bug-a-boo" of deflation occur. Conversely, stock prices are logical candidates to rise if business activity remains at a high level and the political climate becomes more favorable. Statistics sharply highlight the tremendous disparity between the performance of the stock market and other segments of the United States' monetary economy during this past inflationary decade. From 1939 to mid-1948 the money supply of the country increased 163%, personal expenditures rose 160%, and personal spendable income after taxes was 168% greater. **In this same period, earnings of corporations have increased more than 100% while stock prices are only 18% above their 1939 level.**

Possible Setbacks Discounted

Since record earnings and the largest dividend distributions in the history of United States industry have not been shown to any appreciable degree in current stock prices, any temporary economic setbacks as well as constant scares caused by international problems appear to be fully discounted at present price levels. It is possible that today's economy of shortages may be supplanted by one of adequate supply, but this should not blur the outlook for normal good business. There is still a tremendous shortage of steel which has created large backlogs in industries dependent upon this commodity. The automotive corporations are clamoring for steel as well as the aircraft, oil equipment, rail equipment and building industries. The multi-billion dollar utility construction program has been hampered by inadequate steel supplies. The day when the present list of orders on the books of such companies can be filled, appears to be at least 18 months away. Production of this type of durable goods should offset any possible decline in demand for soft goods. The result of such changes in our productive output should produce a sound state of business and permit national income to remain at a high level.

A new and important factor has been introduced in our economic picture. Our corn crop for 1948 will be the largest in history, and our wheat crop will be the second largest in the annals of U. S. agriculture. The abundance of grain will bring about a stabilization of commodity prices near the government support level. A reduction in the price of meat and poultry products should set in about six months after the harvest of feed grains and check the rising cost of living, with the end effect of leaving a larger total of purchasing power in the hands of the public. The period of falling food costs should coincide with the expiration of the last major series of wage contracts and thereby reduce the chances of a fourth round of wage demands or will hold such pressure to a minimum. An outright break in the

(Continued on page 19)

Labor's Economic Dilemma

By IVAN WRIGHT

Economist points out fallacy of labor insisting on higher wages which lead to higher prices, and contends that this wage-price spiral is not in interest of laborers, management or general public. Holds unions, instead of asking higher wages to meet higher living costs, should turn their activities toward bringing about price stabilization through: (1) complete freedom of production; (2) fullest possible efficient production; (3) sound money and fiscal policy; (4) eradication of all monopoly and price fixing; and (5) free enterprise and opportunity under law for all.

It is the natural desire of every laborer to gain more of the things he wants. These desires and wants of each individual worker make up the combined wants of organized labor. Labor-leaders give expression to these wants by demanding higher wages, better working conditions, shorter hours and by limiting and regulating the amount and kind of work each laborer is permitted to do.

Dr. Ivan Wright

Do these demands on the part of organized labor gain for the working man the things he wants? What is it that the workingman really wants? He wants more wages because he wants to buy more of the goods and services available to him and his family when he has the money to pay for them. But are higher wages the best way to get the buying power for the things he wants? Why does he not demand lower prices so that the wages he already receives will buy more? The wage earner knows that increased wages add to the cost of the article produced. Higher wages must result in higher prices if production remains the same. Higher prices reduce the buying power of wages. Moreover, if the prices of one line of goods are increased because of higher wages, the mass of workingmen in other industries and trades who have not received increased wages will have to buy less of these goods. These reduced purchases, because of higher prices, must bring on reduced production and unemployment in the industries which have raised their costs and prices above the ability or willingness of consumers to pay for the products.

The prices of goods are made by supply and demand. No matter how well established the demand for well-known articles may be, an increase in price will discourage buyers. The capacity of consumers to economize on their consumption or find substitutes is one of the most powerful economic forces in limiting the demand for goods when prices rise. It seems evident from this brief statement of the universal tendency of buyers that organized labor in any industry should seek to help its members gain more of the things they want by reducing the costs of production and reducing prices. Increases in wages which inevitably result in higher costs and prices in any industry may reduce the buying power of labor instead of gaining for labor increased buying power. Increased costs may reduce or even destroy the demand for the products of the industry. Competitive products and substitutes will supply the consumers' demands. On the other hand, the worker's wants in an industry can be met more securely by increased efficiency of production and by producing more per worker, per day, and per dollar of wages, thus enabling the industry to lower its costs and prices. These reduced costs and prices will encourage consumers to increase their buying of these products and make more secure the employment in the industry. In addition, these reduced costs and prices will enable workers to buy more of the things they want with their wages.

All increases in wages and other costs are paid by the workers and the consumers. When the costs of producing any product have been increased above the price at which the product will sell, that product will soon cease to be produced and the jobs furnished by such production will disappear. It is only natural for producers to avoid the risks of unprofitable production and seek out the opportunities in production where costs are less and a margin of profit more secure. It is not always easy for workers or labor-leaders to see that their demands for increased wages may defeat their needs for more buying power and may even destroy their jobs.

At the present time, when the costs of living are very high in comparison with prewar costs, labor organizations are asking for increased wages to meet the increased costs of living. The motor car industry furnishes a good example. There is a large accumulated demand for motor cars. Wages and other costs of production have increased for beyond the capacity of labor and management to increase the efficiency of production and turn out volume production to meet these increased costs. Consequently, the prices of motor cars have been increased in proportion to the increased costs of production. Further increased costs of production, whether in increased wages or taxes, will force still higher prices for motor cars. The production of motor cars has the same cost price problems as any other industry. Competition and mortality in this industry is probably not exceeded by any other in the country. Anyone familiar with this industry can produce an extensive catalogue of well-known names of motor car companies and suppliers who are no longer in business. Do you think these manufacturers went broke on purpose? What would the stockholders do to a management who went out of business when there was a demand for the products at profitable prices? The passing of motor car companies and their suppliers is the result of competition or inefficiency on the part of their labor and management. In this business the companies that can supply the best products at the lowest cost price and make a profit will live and keep on furnishing jobs. Other companies will be driven out of business and their employees will be out of jobs.

The accumulated demand for motor cars will not last if by increased wages and other costs the prices of cars are too high. Wages in the motor car industry are perhaps the highest for any industry in the country. While the wage earners in this industry may think that they can buy motor cars at these prices, it is important for them to remember that in order to have continuous employment motor cars must be produced at a cost price that the workers in all other industries can buy them. To supply all the workers directly in the motor car industry with a car would not require six months' production. It is that great majority of workers in all other industries who want

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The Upward Trend of Bank Earnings

By FRANK L. ELLIOTT

Research Dept., Paine, Webber, Jackson & Curtis

Mr. Elliott cites Reserve Bank data showing marked rise in net current operating earnings. Holds high rate of improvement in loan income and levelling-off of expense items, together with expected continuing upward trend of interest rates, make increased bank earnings "a mathematical certainty." Effect on earnings of new increase in reserves seen as temporary.

From the investment point of view the most important thing that should be known about the New York banks is that their earnings are trending upward. The 10 largest New York banks which report operating earnings semi-annually showed an increase in aggregate net current operating earnings of approximately 10% in the first six months of 1948 compared with the first six months of 1947. Based on past experience the results enjoyed by this important sample of the New York banks is rather closely indicative of the results enjoyed by the whole group.

Frank L. Elliott

In any event the Federal Reserve Bank compiles the net current operating earnings before income taxes of the 35 central reserve New York City banks. This complete figure reveals the same up-trend in earnings as our representative sample banks and the rate of improvement indicated is very nearly the same.

The September Review of the Federal Reserve Bank of New York concludes its comments on the earnings of the Central Reserve City banks of New York in the first six months of 1948 with the following statement:

"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.**"

Somewhat earlier in the same article the following statement appeared:

"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."

The 9.2% increase in Net Current Operating earnings before income taxes shown by the central reserve New York City banks in the first six months of 1948 compared with the first six months of 1947 indicates considerable improvement. However, it is even more significant that net current operating earnings before income taxes were 5.8% higher in the first six months of 1948 than in the last six months of 1947 and were 3.2% higher in the second six months of 1947 than they were in the first six months of 1947. A moderate but persistent uptrend in net current operating earnings before income taxes has been maintained for the year ended June 30, 1948 and this improvement is increasing both in rate and amount.

In the first six months of 1948 compared with the first six months of 1947, total current operating income increased $11.3 million or 5.1% to a new semi-annual post war peak. This increase in total current operating income resulted from a continued increase in other income and an increase in loan income which was more than enough to off-set the decline in income from investments.

Expense Rise Moderate

Total expenses increased only $3.3 million or 2.4% so $8.0 million of the $11.3 million increase in total current operating income was carried through to net current operating earnings before income taxes, resulting in the increase of 9.2% referred to earlier.

It is significant that the rate of improvement in loan income has continued to increase sharply but that the rate of decline in investment income has diminished and expenses have tended to level-off.

Total combined income from loans and investments has increased in spite of decreased income from Government bond account. Income from Government securities has decreased because the increase in average rate has not been enough to off-set the decline in the amount of Government securities owned. Banks have been gaining on the roll-over of bills and certificates at higher rates but losing on reinvestment of funds derived from called and matured bonds and notes.

For instance $3.7 billion of 1½% notes due Sept. 15 will be refunded with a 1⅜% note issue, and $451 million of partially tax exempt 2½s due Sept. 15 will be paid off in cash. But from here on things will be different for a while at least. On Oct. 1, $2.8 billion of certificates and $4.1 billion of notes, all bearing a 1% rate, will be rolled over into 1¼% certificates. With the exception of $571 million of 2% partially tax exempt bonds, optional on Dec. 15, 1948, there is nothing maturing or callable until June 15, 1949 that could not be reinvested to better advantage in today's market.

Investment Income Stabilizing

It seems clear that investment income should tend to stabilize in this period and possibly even increase unless an unlikely large decrease in amount of securities owned should occur. If investment income stabilizes then the full effect of increased income from loans will be translated into greater total operating income.

The fact that "Net Profits" of the central reserve New York City banks, as reported by the Federal Reserve Bank showed a decline of 19% in the first six months of 1948 compared with the first six months of 1947 calls for some explanation and comment.

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The State of Trade and Industry

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

Total industrial production in the holiday-shortened week suffered a slight decline from the level prevailing in the preceding period. Activity in manufacturing showed up favorably with the high operating level of the corresponding week a year ago, despite the hampering influences of strikes in some lines during the past week. As was true for some time in the past, payrolls continued steady and high, as did employment, with an increased demand for farm workers in many sections of the country.

* * *

Notwithstanding the current shortage in steel, the American Iron and Steel Institute reveals in a current release on Tuesday of this week that in the eight months of 1948 steel production totaled more than 57,500,000 tons of ingots and steel for castings, an output larger for such a period than ever made before in peacetime. That amount of steel, the Institute states, was approximately 1,645,000 tons larger than in the first eight months of 1947 and exceeded the total output of the entire year 1939 or any other year in the 1930's. In the event operations of steelmaking furnaces over the next four months continue to be maintained at the rate of the previous four months, the Institute makes the prediction that total production for the current year will approach 87,000,000 tons, or a new peacetime record.

* * *

Late on Wednesday of last week the Board of Governors of the Federal Reserve System took the necessary action vested in it by the anti-inflation measure which became a law in August, to raise the reserve requirements of all its member banks.

The action taken means that all member banks of the System the current month will have to increase by two points the reserves they set aside against their demand deposits; and by 1½ points the reserves they set aside against their time deposits.

For country banks, effective Sept. 16, reserve requirements will be 16% instead of 14%; on Sept. 24 requirements of reserve city banks will be 22% against the present 20%, and those of the central reserve cities of New York and Chicago will go to 26% from the present 24%. On time deposits for all banks, the requirements will go to 7½% from the current 6%.

The foregoing step was the third monetary measure taken by the government in less than a month to curb inflation.

* * *

Lower farm income was largely responsible for a $100,000,000 decline in personal income to $17,600,000,000 in July from $17,700,000,000 in June, the Commerce Department reported.

July personal income was running at an annual rate of $211,500,000,000, considerably higher than the 1947 rate of $195,200,000,000 and the $208,600,000,000 average rate over the first seven months of this year.

Agricultural income in July this year was at the seasonally-adjusted annual rate of $23,300,000,000, compared with $24,600,000,000 in June, due in part to the fact that the volume of farm marketings rose "less than seasonally." It was, however, still "considerably above" last year's monthly average.

Non-farm personal income advanced to an annual rate of $188,200,000,000 in July against a $187,700,000,000 rate in June.

* * *

Non-farm employment hit a new high in August the Census Bureau reported. Total civilian employment, however, was off from the July record, due to a normal mid-summer slack in farm operations.

Non-agricultural employment, the Bureau added, totaled 52,801,000 in August, close to 350,000 above the previous record figure of 52,452,000 in July, while farm employment fell from 9,163,000 in July, to 8,444,000 last month, and total civilian employment was put at 61,245,000 in August, 370,000 below July's record 61,615,000.

About 1,941,000 persons were unemployed last month, not quite 300,000 below the 2,227,000 persons looking for jobs in July.

* * *

Consumer buying last week was encouraged by generally improved weather conditions and by increased needs for the Labor Day holiday. Retail volume rose moderately above the level of the previous week and was slightly above that of the comparable 1947 week. Fall promotional sales continued to meet with favorable consumer response and medium-priced items of good quality remained in large demand.

Holiday market closings and shipping strikes in the New York and Pacific Coast areas were reflected in a slight decline in wholesale volume during the week. Dollar volume continued to be somewhat higher than that of the corresponding week a year ago and re-order volume for fall merchandise remained large.

STEEL OPERATIONS SCHEDULED THIS WEEK AT HIGHEST LEVEL IN THREE MONTHS

More steel capacity to come this and next year is not all new equipment. Blast furnaces and openhearths are part of the picture,

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Observations . . . .

By A. WILFRED MAY

Market Trend-Chasing Continues
— Dow Theory in Crisis —

The time seems ripe for another look at the doings of the followers of Dow Theory and other mechanical stock market systems. They are important because of their effects on the market's price structure; the conclusions derivable regarding investment technique; and since recent results clearly recorded under Dow Theory now adds "hard-boiled" practical doubts to the existing skepticism based on "theoretical" logic.


A. Wilfred May

In these days, more than ever, a ready-made investing "system"—particularly with the emotional comfort arising from association with a community of fellow-travelers—offers a convenient and wonderfully relieving *escape* from the multitude of inscrutable elements in the national and international political and economic situations. It merely furthers the public's deep-seated yearning for systems of all kinds—fundamentally the result of the great emotional need for "a way out" from more rigorous logical judgment and the scientific investing approaches increasingly realized have become the alternative difficulties of appraising worldwide economic, fiscal and political events; and the divergence between stock market price action and external factors, as strongly evidenced since 1946.

What a marvelous feeling it must be to have perfect confidence, per the firm conviction recently expressed by a leading cycle-theory exponent, that not even the outbreak of a world war would change to any degree his projected course for the short- and long-term ebbs and flows of business activity! Similiary indifferent to all external events are the stock market chartists, who rest on unshakeable confidence that the market is governed by a *trend* discoverable from its own past performance. Under this principle not even a fundamental event like a major relaxation of margin requirements would alter the mechanical omniscience of the charts. And the chartists, of course, are not bothered with the worries over such aggravating nuisances as market selectivity or the particular factors confronting individual industries and companies.

Dow Theory Defined

The principles and basic rules of the Dow Theory as handed down by Rhea and Hamilton (ex-current distortions, alibis, and other *ex post facto* explanations) are simple, clearly defined and non-controversial. It assumes that bull and bear markets, although interrupted by reactions and rallies, will continue in the same direction until a reversal is *indicated*. This direction, like the rise and fall of the tide, is conceived of as continuing *trend*; the reversals of which are discoverable and "confirmable" by the market's penetration of so-called preliminarily established *resistance points* by both the indexes of representative railroad (sic) as well as industrial shares.

Outside of the relatively simple prescriptions of the Dow Theory, there is being increasingly embraced throughout the Street a general philosophy of resistance points penetration in the guise of break-throughs of levels of the single, double, or triple variety, with conclusions from the amount of volume added. The one consistent element in this search for *trend* is intuitive mental leaning on the supposed decisiveness of the penetration of the defined resistance points.

Market forecasters are more than ever concentrating their attention on the testing of highs and lows, in lieu of such inscrutable things as industrial activity or Politburo strategy. And general business economists seem to be assuming the self-propulsion of indicated trends through resistance levels, thus likewise joining in the mental-charting game.

Recent Dow Results

Are "resistance points" actually a guide to the recognition of a real stock market trend? The orthodox Dow Theory, being the most clearly defined, offers the nearest approach to an objective measurement of results. Skipping over the record since the begin-

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Geo. J. Ourbacker Is With Yarnall & Co.

PHILADELPHIA, PA.—Yarnall & Co., 1528 Walnut Street, members of the New York and Philadelphia Stock Exchanges, announce the association with them of George J. Ourbacker, former President of the Philadelphia Securities Association.

Mr. Ourbacker, until his new association, was branch manager in Philadelphia for Kalb, Voorhis & Co., members of the New York Stock Exchange. He has been in the investment securities business in Philadelphia for the past 27 years, having been a Vice-President of F. J. Young & Co. for 14 years. He is a graduate of the University of Pennsylvania and attended the Oxford University in England; is a member of the Philadelphia Bond Club, Union League and the Midday Club.

Two With Higbie McDonald

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Thomas J. Angott and Cornelius M. King are now with Higbie, McDonald & Co., Guardian Building, members of the Detroit Stock Exchange.

With H. O. Peet & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—John C. Fehlandt, Jr. is with H. O. Peet & Co., 23 West Tenth Street, members of the New York Stock Exchange.

Municipal Bonds in the Bank Portfolio

By I. A. LONG*
Vice-President, Mercantile-Commerce Bank and Trust Co., St. Louis

Banker lists new methods for analyzing municipal issues; and further emphasizes the factor of citizens' character. Cautions municipal bonds, like any other type of security, require constant checking. Concludes that as group they constitute safest investment medium outside of U. S. Government securities.

Safety of principal and income are the prime considerations in the investment of the deposits of a bank. I believe we will all agree that State and municipal bonds on their past record rate next to United States Government securities in this respect. While State bonds are not, technically speaking, municipal bonds, I will treat them as such in this discussion. There is a vast difference in the security of municipal bonds, and any statement to the effect that they be included in the portfolio of a bank should be qualified by "provided they measure up to certain standards."

I. A. Long

Many new methods for analyzing municipal bonds have been advanced in recent years. I do not believe there is any set formula, or yard-stick, which can be applied in the purchase of all municipal bonds. However, the following factors, given proper relative weight, may be helpful in arriving at an appraisal.

I

Population

(A) Character and ability of citizens. Just as the success of a corporation over a period of time will be determined to a large extent by the character and ability of the men who manage its affairs, so the credit of a municipality will depend upon the character and ability of its citizens.

(B) A sense of moral responsibility on the part of the average citizen.

(C) Trend in population, and whether the trend appears to be temporary due to unusual conditions.

II

Assessed Valuation

(A) Trend in the valuation of property for tax purposes.

(B) The approximate ratio of assessed valuation to actual valuation. A 10% net debt is regarded as high. However, if the property is assessed for tax purposes on an average of 50% market value it would be reasonable.

III

Tax Collection Record

(A) Percentage of levy collected over a period of years. It is important to note whether the municipality collected a reasonable percentage of taxes levied during depression years.

(B) Whether budget is based on total levy, or the percentage of taxes actually collected during the previous year. The conservative procedure is to base the budget on the amount of taxes actually collected during the previous year. This permits the use of delinquent taxes, when collected, as a cushion to take care of items not anticipated in the budget.

(C) Tax rate and trend over a period of time.

(D) Whether bonds are payable from unlimited taxes. If not, whether tax limit is high enough to protect debt service. An unlimited tax for debt service is preferred. If the bonds are payable from a limited tax, it is important to note whether the limit will provide adequate revenue in the event of a decline in tax collections.

IV

Receipts and Disbursements

(A) Does municipality operate on a balanced budget?

(B) Is deficit of one year included in budget for succeeding year?

V

Debt Paying Record

(A) Default, if any, cause, duration and how cured.

(B) Has there been any forced refunding?

VI

Debt Retirement

(A) Is debt being reduced by accumulation of sinking funds or payment of serial maturities. If not, does the growth of the municipality justify the increase in debt.

(B) Are sinking funds safely invested. The ideal situation is to have the municipality invest its sinking funds in its own bonds of a maturity not longer than the bonds for which it is provided.

VII

Total Net and Overlapping Debt

(A) Ratio to assessed valuation.

(B) Indirect debt, such as revenue and special assessment bonds. It should be kept in mind that revenue bonds are payable to a large extent by the same people who pay general obligation bonds, therefore they are a contingent liability of practically every tax payer.

(C) Is the bonded debt which is payable primarily from specific revenues actually self-supporting?

(D) Amount of floating or unfunded debt.

(E) Is the overlapping debt reasonable in relation to the assessed and actual valuations?

VIII

Stability and Diversification of Enterprises in Municipality

IX

Legality

(A) Bonds should carry the approving opinion of a nationally recognized firm of municipal attorneys.

In my opinion, one of the most important factors in determining the investment status of a municipal bond is the character of its citizens. Given the willingness to pay, with a reasonable debt load, most hazards to the

(Continued on page VIII of Pictorial Section)

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

What Will Happen to Taxes in '49?

By LARSTON D. FARRAR

Washington publicist takes optimistic view of immediate tax reform outlook. Mr. Farrar forecasts following constructive action by Eighty-first Congress: (1) thoroughgoing revision of excise taxes; (2) more consistent coverage of Social Security with increased contributory taxes; (3) ironing-out of inequities in corporate low-income brackets; (4) increased parity of tax incidence on co-ops and competing private business; (5) elimination of double-taxation of corporate dividends; and (6) amelioration of numerous minor inequities affecting investors, businessmen and farmers.

The alert businessman has two big reasons for keeping taxes No. 1 on his "think list" this fall—even before he is sure, beyond peradventure, of the political complexion of the next Congress.

First, smart businessmen make decisions not only on what is true today but on what will be true tomorrow. Future conditions — particularly future tax conditions — can settle or unsettle business conditions.

Larston Farrar

Second, this is the time—right now—for businessmen who want specific tax changes to get into a huddle with the Congressman-to-be from their district and to let him know their opinions on tax problems. Just as an ounce of prevention is worth a pound of cure, so an inexpensive trip to your Congressman's home now can save you an expensive trip to Washington next year. And, as an added incentive, you won't be subjected to necessity of registering as a lobbyist if you call on your Congressman while he is at home and let your wishes be known as one of his constituents.

The 80th Congress, long to be remembered by taxpayers because it was the *first* Congress in almost two decades to lower taxes may yet be outdone by the 81st Congress in the field of tax reform.

It would be *lese majesty* for any Washington observer, even before the November election results are in, to predict flatly what the 81st Congress might do as to this or that specific tax, or, in particular, what Congress will do on taxes in general. But there are many straws in the wind indicating the trend of thought among the majority of seated Congressmen (most of whom are likely to be returned to office unless there are some political atomic bombs exploded between now and Nov. 2).

On the basis of present available facts—all the way from one's own feelings and intuitions to the Gallup poll—the Republicans are going to have a majority in both houses of Congress, come next Jan. 3. Also, the GOP is going to have a President in the White House. He may not view every problem in the same way as the leading Congressional Republicans view it, but there is every indication that much of the recent bickering and backbiting between Capitol Hill and the White House (particularly in the field of taxes) will become only a memory—for at least a year, possibly much longer.

Even if the Republicans were to lose control of the Senate (a distinct possibility, although not a probability at this point), the following forecasts of tax things to come would not necessarily turn out to be erroneous. There are enough Democrats in the Senate who view economic and tax problems in the same way as the majority of the Republicans in the same body to assure passage of legislation now being planned.

From my constant study of Congress over the past eight years, much of which time has been spent among Congressmen, learning their foibles and their predilections, I believe it is reasonable for interested businessmen to look for tax legislation in 1949 embodying these specific points:

Excise Tax Changes

(1) A thoroughgoing revision of excise taxes. There is a distinct probability that such excises as the 20% cabaret tax (levied in night spots that allow dancing along with dining), the excises on stoves, cosmetics, photographic equipment and a variety of other popular items will be abolished entirely. Other excise taxes, some of them ranging up to 20%, will be lowered, but not abolished. This is probable in the case of jewelry, for example.

It is obvious that a reasonably prompt review of the excise tax situation can be foretold in view of the recent announcement by Representative Harold Knutson (R.-Minn.) that the House Ways and Means Committee, of which he is Chairman, is making a study of these taxes with the view of repealing some and reducing others.

"This is particularly true in the case of those taxes where the rates in effect are operating as a resistance to the purchase of articles on the part of consumers," Mr. Knutson said. This is a clear indication that he and other Congressmen have been "hearing from the people" on the subject of excises on stoves, refrigerators, photographic supplies and other items used in everyday living.

The cabaret excise tax—not mentioned by Knutson, but certainly in his mind—shows what a high excise tax can do. Literally, dozens of cabarets in every State have had to close due to the workings of this tax. Hotels have reported declines in their dine and dance rooms of as high as 88% in the months past. Many hotels have closed down the dancing portion of their dining rooms to escape the excise tax. Canada repealed this tax about four months ago and business in such dine and dance establishments picked up appreciably from the day the tax was lifted. All these facts show clearly that the government eventually will lose money, instead of make money, off this particular tax, if it is not doing so at this time.

Mr. Knutson pointed out in his late-summer announcement that

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From Washington Ahead of the News

By CARLISLE BARGERON

NASHVILLE, TENN.—Elmo Roper, the pollster, has looked into his crystal ball, and come up with the opinion that the Presidential race is so far over, there is no need for him to make another poll on it. He intends now, he says, to get around to State contests which have an important bearing on the future.

Carlisle Bargeron

There are some of these State contests, of course, that will determine whether or not Dewey, sweeping the country with one of the largest electoral and probably popular votes in history, may not at the same time, lose the Senate. With such a widespread sweep as he is expected to make there would seem to be no doubt about the Senate outcome. Yet in five States, because of peculiar circumstances, there is doubt about it.

To offset any possible losses they may have elsewhere—the loss of three Republican seats would tie up the Senate, the loss of four would throw control to the New Dealers—a tremendous fight is being made in this state to pick up a Republican Senate seat in the form of Carroll Reece, who served for 24 years as a member of Congress from the First District, and then a term as National Chairman.

In the first and second districts, the nomination of a Republican has been equivalent to election, just as has been the nomination of a Democrat in the rest of the South.

Reece now is running in the entire State, normally Democratic.

Running with him is Roy Acuff, who has attained national fame as a singer of mountain melodies. One has only to know the gentleman awhile to realize, also, that he is quite a successful business man.

Anyway, he and Reece are touring the State together, going into every county seat, up over the hills, and down into the valleys. They are accompanied everywhere by Roy's fiddling Smokey Mountain Boys, seven of them. They have an advance sound truck into the community a few days before their appearance, then here comes Reece and Acuff with the latter's entertainers with their portable stage and another sound truck. They move into a county seat at noon or midafternoon, quickly set up the stage in the courthouse square before crowds averaging four and five thousand. Reece and Acuff talk, then Roy puts on his show. They move on to night audiences which have run up as high as 20,000. Roy and his boys have long been favorites on the Southwide Saturday night Old Oprey Program from Nashville. He has made some 10 mountain or nostalgic movies. He and his boys have been as the Bible to thousands of Tennesseans.

This writer has been traveling with them for two weeks. It has been one of the most refreshing experiences of his life. In their first 10 days they have appeared before more than 100,000 people in the State, by far the largest number ever to listen to political speeches in the history of the State.

The opposition is screaming bloody murder. They say Reece, an old wily reactionary, as they put it, is putting over an awful hoax on the State. He is just using Roy, they say, to gratify his political ambitions. They say it would be an outrage for Roy to become governor of the State.

The fact is that four years ago, the Democratic leaders beseeched Roy to run on their ticket. They wanted him to run against the then incumbent governor, Cooper, who was supposedly a "tool" of the Memphis Crump machine. There were even overtures made to Roy to run two years ago.

What seems to burn these leaders up is that when Roy really decided to run, he selected the Republican ticket. It seems that his whole background has been Republican.

But it is a scream to hear the very same Democratic leaders who were trying to get him to run, now to be professing horror over the Republicans running him.

It is this writer's guess, in the meantime, from the relatively brief observation he has had the opportunity of making, that Roy is going to sweep the State and carry Dewey and Reece with him.

This State along with other Southern States is burning up about Truman's Civil Rights' program. Reece is opposing the FEPC, and his opponent Congressman Estes Kefauver, who is one of those Southern boys who has thought that the way to go was to cultivate the Eastern intellectuals, has said he is against the FEPC, too. But Reece comes right back and says he can't be sincere otherwise the CIO wouldn't be 100 percent behind him.

On the other hand, Governor Dewey is tarred in this state, with having sponsored an FEPC in New York. Of course, this is only one State. The question is whether he is, in the campaign, going to advocate Federal FEPC legislation. The GOP platform is silent on the subject.

There is no reason to believe that Dewey does favor anything like this. And he certainly doesn't need to come out for any such thing to get votes in the East. He doesn't need the votes. He can, as a matter of fact, hurt himself in the Middle West by sponsoring a Federal FEPC. If he doesn't do it this State, it is believed, is as good as won for him, and also for a badly needed Senator.

The Housing Situation and Government Policy

By HON. RALPH A. GAMBLE*
U. S. Congressman from New York
Chairman, Joint Congressional Committee on Housing

Congressman Gamble, maintaining housing shortage is exaggerated and is being rapidly eliminated, expresses opposition to government "socialization" of housing facilities. Lauds accomplishments of private industry in housing field and predicts steady improvement in housing this year and next year. Denies there is justification for further expansion in government ownership and operation of housing.

When I was first approached as to the possibility of addressing this Convention, the thought I had in mind was to give you a simple narrative of developments in the housing situation, adhering, as I always have since being made Chairman of the Joint Housing Committee, to a non-partisan and non-political outlook. Since then, however, many things have changed.

Ralph A. Gamble

President Truman, who is now also Candidate Truman, chooses to make Government ownership and operation of housing one of the principal arguments why he should be returned to Washington. Thereby, as you men who are engaged in the building and loan business know, rests a long and complicated story. This story can best be told by reference again to the fogginess which has been purposely created in the mind of the people through propaganda distributed since the beginning of the New Deal by those whose primary interest and intent is to socialize, first, our housing facilities; second, our industry; and finally, our entire economy.

In one of his recent speeches as the Republican nominee for President, Governor Dewey referred to the people as groping in a fog of misunderstanding and propaganda. Nowhere among the important issues is this fog more in evidence than in housing. An acute issue in many of the large centers of population, housing nevertheless is not now in the strict sense a national issue. That is, it is not a national issue until it is taken out of the sphere of individual enterprise and thrown into the whirlpool of ideological politics.

Extent of Housing Shortage

Let me first lay before you a few of the facts with which most of you should be familiar but which many of the members of your respective associations may never have heard.

The claim is again being made that there is a shortage in dwellings of from 10 million to 15 million units. This fantastic claim can be explained only when it is understood as being based upon loosely and incorrectly defined "standards."

We maintain in Washington a Bureau of the Census which supplies the information upon which most of our Governmental and private activities are based. The Bureau of the Census, wisely leaving to others the debate as to social conditions, bases its housing figures on the number of families to be sheltered. If we take these figures and assume that it is desirable if not actually the right of each family who so desires to have a dwelling of its own, we learn from the Bureau of the Census that the actual housing shortage at the start of 1947 was no more than 1,500,000 units.

The other day while in Washinton preparing for this talk, I visited with the officials in charge of the Bureau of the Census and obtained from them some interesting figures as to what might be expected in the way of family increase within the next few years. Whereas the advocates of Government ownership and operation speak in astronomical figures of the accrued and continuing housing shortages, the Bureau of the Census prefers to deal in the figures which it has obtained first hand from the people themselves, and to base its estimates for the future on figures of conditions in the past.

We thus start with a real shortage of not more than 1,500,000 dwelling units.

Contrary to what was believed when World War II ended, marriages in 1948, which would normally be expected to number around 1,400,000, will total perhaps 1,800,000. Marriage dissolutions, through death, divorce, etc., will be such as to keep down the net increase in the number of families in 1948 to 700,000 or 800,000. The Bureau further states that the net increase in 1949 will drop sharply to 475,000, hold steady at that rate during 1950 and drop further to 450,000 in the years 1951 and 1952.

Let us now contrast this situation with what is being accomplished in actual construction.

In 1946, 670,500 dwellings were begun and 437,800 were completed. In 1947, 849,000 were started and 831,700 completed.

Neither the mortgage insurance program nor the beneficial effects which I believe flowed from the investigation of the Joint Housing Committee, became much in evidence until 1948. The current record is most impressive. What the builders in private enterprise have accomplished thus far this year far exceeds any similar performance by the construction industry, public or private, anywhere in the world.

In January this year 52,600 homes were started, contrasted with 39,300 in January, 1947. The increase in February this year over February last year was 7,000. The increase in March was nearly 20,000. The increase in April was close to 30,000. Final figures for May, June, July and August are not yet available but the Bureau of Labor Statistics tells me that it expects that the figures for these months will be as follows: May, 1948, 100,000 as contrasted with 72,900 the same month a year ago. The 100,000 mark was also probably achieved in June of this year as against 77,200 in June of last year. The figure of 94,000 is set for both July and August as against 81,000 and 86,300 for those respective months last year. What September holds remains to be seen but it should near an all-time peak in starts and if good weather prevails building should continue through October and November at an increased rate over last year.

It is now evident that the prediction which my Committee made many months ago that a million houses would be started in 1948 will be proven true, as the figures which I have just given do not take into account conversions, which may run as high as 100,000.

If we shun the dishonesty of political propaganda and steer clear also of the dangerous experiment of mixing social emotions with economics, we can readily see that the actual housing shortage will quickly disappear if we have the courage and the common sense to pursue the course indicated in general by the 80th Congress.

Before concluding this recital of statistics I should like to mention another thing that I learned from the Bureau of the Census. A great deal is made by the propagandists for government ownership and operation about the doubling up of families in homes due to the housing shortage. In substantiation of this they will quote you very fantastic figures which simply will not stand up

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*An address by Representative Gamble before the 60th Annual Convention of the New York State Savings and Loan League, Saranac Inn, N. Y., Sept. 14, 1948.

Six Steps to Stability

By HON. HUGH D. SCOTT, JR.*

U. S. Congressman From Pennsylvania
Chairman, Republican National Committee

Asserting we cannot anticipate a thriving and constructive economy with a "floating dollar," Republican party spokesman lays down as basic approaches to solution of problem: (1) buttressing of world peace; (2) a consistent and sustained program of government economy; (3) tax reduction; (4) restriction of area of government activities and controls; (5) elimination of communists from Federal agencies; and (6) most important, reestablishment of sound currency.

If America is to resume the march of progress we must restore a degree of long-term stability in our economy. That is the broad task before the new Administration which will take over in Washington next January. We cannot anticipate a thriving and constructive national economy so long as we operate on a floating dollar—a dollar which has lost more than 40% of its purchasing power during the last 10 years.

Hugh D. Scott, Jr.

As a direct result of this very considerable degree of inflation we are confronted today with a vast complex of social and political problems which can be ameliorated only by a restoration of economic stability. The whole field of education, from the grade schools through the colleges, is dislocated by today's rapidly advancing costs. Some careful students of the problem estimate that an increase of 25% in our total educational expenditures would not be sufficient to restore the whole system to its pre-war basis of adequacy and efficiency.

The same situation prevails in relation to hospital and medical costs, and to all sorts of public services.

All these deficits pile up from year to year in new demands for additional tax revenues all along the line, from the county seat to the Federal Treasury. From coast to coast, County Commissions and City Councils are constantly seeking out new sources of revenue. In many instances the tax base is being expanded to yield more revenue without changing the tax rate percentagewise.

But the local communities are face to face with the fact that they are almost to the end of the line on the matter of taxes. It is becoming increasingly difficult to locate new sources of revenue which are socially and politically tolerable. A further depreciation of 10% in the purchasing power of the dollar almost surely would present an unbalanced budget in virtually every County, School District, Town and City in the United States.

But this problem of economic stability is not to be solved by any one step or policy. The inflation which confronts us has been developing over a period of 15 years. The solutions today must reach to the whole field of international policy as well as questions of taxes, Government spending, administrative efficiency, currency, banking and credit.

These solutions must be attempted if we are to make a beginning toward reestablishing the American system of competitive enterprise and freedom under law. For so long as these dislocations prevail there will be increasing demand for Government controls and various degrees of regimentation and bureaucratic management throughout the entire economy. In this sense the restoration of economic stability is the gateway to the larger accomplishment, which is the survival of our American Constitutional order.

*From an address by Congressman Scott before the Executives' Club of Chicago, Chicago, Ill., Sept. 10, 1948.

What, then, are the segments of the problem of economic stability? As I see it, there are six basic approaches.

First, we must organize and buttress the peace of the world. We do not accept the defeatist's cry that world peace is a lost cause. The record is clear, on the contrary, that the peace has been bungled and frustrated, largely by incompetence and indecision.

About one-third of our Federal budget today is directed to military expenditures. An additional 12% of our Federal expenditures are going directly to overseas commitments which confront us only because peace was not established after the war.

These two items account for more than half of our Federal spending in the post-war era. They make a total of almost $20,000,000,000 in the current fiscal year. There can be no hope nor expectation that this burden will be diminished until the peace of the world is organized by practical measures of diplomacy and statesmanship.

The second step to stability looks to a consistent and sustained program of economy in Government. The Federal establishment today is spending more than eight dollars for every dollar it spent 20 years ago. The Federal Government today employs more than 2,200,000 civil servants, exclusive of all military personnel. This compares with a total of approximately 575,000 people on the Federal rolls only 15 years ago, and during every recent month the Trumanites have **increased, not decreased,** this expanding nonproductive payroll. Economy and efficiency must be restored as principles of Government. The barnacles of bureaucracy must be chipped off our Constitutional system. The Hoover Commission is making a detailed study of this facet of our over-all problem and will be ready with a report for the Eighty-first Congress next January. The job will be difficult and painful but it must be accomplished if we are to work our way back to stability.

If these first two steps can be accomplished, we will then be in a position to talk rationally of tax reduction. The average American family today must set aside more than $100 a month for all forms of taxes before it has a cent available for the household budget. If the tax-collector's take could be cut in half over the next five years, every family budget in the land would again be in balance. That would be the third major step toward stability.

Reduce Government Business Activities

The fourth step has to do with the whole area of Government economic controls — allocations, subsidies, Federal corporations, Government domination of the commodity markets, export controls, and limitation of production in both agriculture and industry, as influenced by wages, price levels and labor policy.

It has escaped public attention generally that we have today 86 Federal corporations operating in the United States and overseas. These corporations are owned, controlled, operated and managed by the Federal Government. They have a combined borrowing power and lending power aggregating $30 billion. Their outstanding obligations today are about $12 billion. All but four of these corporations were launched after 1933. They range from Commodity Credit Corporation to the Export-Import Bank, Tennessee Valley Authority, U. S. Commercial Company, RFC and HOLC.

In the last Session of the Eightieth Congress the Appropriations Committe of the House made a study of the powers and activities of these 86 corporations. The Committee Report points out that they are engaged in all manner of business activities, including production, transportation, power, housing, insurance and banking. Many of these Federal corporations have indeterminate charters.

When you consider that the Commodity Credit Corporation is but one of 86 corporations and that the Virgin Islands Company is a second, you begin to glimpse the full range of Federal intrusion, management and direction as it influences the economic life of the entire country.

This is the road we have been traveling. **It is not** the road which points to free enterprise and Constitutional liberty. The road to stability lies in the other direction. The Government corporation is a recognized device of statism. Recent experience has taught us that the American people can plan better for themselves than Government can plan for them. The time is not far distant when we must abandon the easy habit of creating a new Government agency to administer every new problem of growth, adjustment and progress.

If we will set our course resolutely in the direction of free enterprise many of the administrative problems which vex our political judgments today gradually will be resolved by the energy, producence and common sense of the American people. And in the process we will realize a tremendous economy in the Federal payroll.

Drive Communists from Federal Agencies

The fifth step to stability may be simply stated:

We must drive the Communists and fellow travelers out of the Federal agencies.

One of the most significant accomplishments of the Eightieth Congress was the determined drive against subversives within the Government itself.

The American people overwhelmingly endorse the principle that there is no place for Communism within the structure of the Federal Government.

The revelations now coming from the House and Senate committees on this score are an old story in Washington. It has been almost ten years since the Committee on Un-American Activities first published its report naming Communists and fellow travelers in the Federal agencies. But the first conviction of a Communist operating within the Government was not recorded until 1947!

It has been suggested in high places that talk of subversives in government is merely a "red herring." Yet we have the testimony of J. Edgar Hoover, Direc-

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Dealer-Broker Investment Recommendations and Literature

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

Common Stock Program for Investors—Brochure containing data on stocks of 50 companies in 23 major industries—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Drug Industry—Analysis of both proprietary and ethical branches—A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Ill.

Investment Securities Review—James Richardson & Sons, 80 King Street, W., Toronto, Ont., Canada.

Contained in the issue is a brief analysis of **Beatty Brothers Ltd.** and tables of provincial, municipal and corporation bonds.

Position of the Market—Analysis in current issue of "Information for Investors"—Otis & Co., Terminal Tower, Cleveland 13, Ohio.

Securities of the United States Government, 1948 Edition—Comprehensive 74-page booklet on U. S. Government securities with charts and tables—First Boston Corp., 100 Broadway, New York 5, N. Y.

* * *

Arkansas Western Gas Company—Detailed information for dealers—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Baltimore & Ohio Junior Bonds—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is a leaflet of **Market Opinion** and memoranda on **Bank Stocks** and **Chicago, Indianapolis & Louisville.**

Bethlehem Steel—Memorandum—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Also available is a leaflet on **Continental Insurance and Texas Company.**

Brown Company—Current analysis—Lampard, Francis & Co., Ltd., 66 King Street, West, Toronto 1, Ont., Canada.

Celanese Corporation of America—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Columbia Broadcasting System, Inc.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available are studies of **Cleveland Electric Illuminating Co., Delaware & Hudson Company, Fruehauf Trailer Co., Homestake Mining Co.**

Columbia Gas System Incorporated—Circular—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Fabricon Products, Inc.—Circular—Baker, Simonds & Co., Buhl Building, Detroit 26, Mich.

Fireman's Fund Insurance Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Fuller Manufacturing Company—Study—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

Giant Portland Cement—Discussion of interesting situation—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Greer Hydraulics—Data—Heimerdinger & Straus, 50 Broad Street, New York 4, N. Y.

Also available are data on **Security Banknote and Silver Creek Precision.**

Gulf, Mobile & Ohio—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Also available are circulars on **New York, Chicago & St. Louis. Public Service Co. of New Hampshire,** and **Public Utility Common** stocks.

Hollingsworth & Whitney—Circular—Paine, Webber, Jackson & Curtis, 24 Federal Street, Boston 10, Mass.

Also available is a price comparison of common stocks of **Paper Companies.**

Kansas City Public Service Company—Circular—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Leonard Refineries, Inc.—Circular—George Birkins Company, 40 Exchange Place, New York 5, N. Y.

Minneapolis Gas Company—Study—Granbery, Marache & Co., 52 Broadway, New York 4, N. Y.

Mohawk Rubber—Bulletin—Strauss Bros., Inc., 32 Broadway, New York 4, N. Y.

Also available are bulletins on **Whiting Corporation, Upson Company, Clearing Machine Corporation, American Furniture Company, Nathan Straus-Duparquet, Shepard Niles Crane & Hoist Corp.,** and **Gisholt Machine Company.**

National Aluminate Corp.—Memorandum—Lee Higginson Corp., 231 South La Salle Street, Chicago 4, Ill.

National Biscuit Company—Memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Packard Bell Company—Memorandum—John B. Dunbar & Co., 634 South Spring Street, Los Angeles 14, Calif.

Also available is a leaflet of market comment, and a circular on **Todd Co.**

Seaboard Airline Railroad Co.—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Security Banknote Company—Memorandum—Homer O'Connell & Co., Inc., 25 Broad Street, New York 4, N. Y.

Southwestern Public Service Corp.—Analysis—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Sperry Corporation—Analysis and opinion—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

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

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

The Real Inflation

By THOMAS I. PARKINSON*
President, Equitable Life Assurance Society of the U. S.

Mr. Parkinson calls on monetary authorities to curb production of new money in real anti-inflation campaign. Scores adulteration of dollar through new creation of money through commercial bank deposits, Government Bond support, and gold purchase policies.

We hear and read these days much talk about inflation. Unfortunately, little of this talk deals with the real inflation, the huge increase in our supply of money; most of the talk deals with the use made or to be made of the newly created volume of dollars.


T. I. Parkinson

The people are urged to avoid spending, to save, to buy E bonds and to make other anti-inflationary use of our existing supply of money.

It is high time for our monetary authorities to take control of the production of new money in a real anti-inflation campaign. We cry out against inflation, but only in the sense of urging the mass of the people to avoid a conflagration while some of the people and their responsible officials pour infammable materials on existing fires.

Discussion of our monetary problems should never lose sight of the fact that inflation is something that happens to money; a sudden increase in the quantity, the dictionary says, of that which is currently used as money. The last report of the New York Federal Reserve Bank says that inflation is always a combination of "deficiency of goods and superfluity of money." We certainly have the "superfluity" of money. We had it at the end of the war as the result of Treasury and banking policies during the war. Our money supply at the end of 1945 was approximately $150 billions, up from about $60 billions just before the war; at the end of 1947 it had risen to $170 billions and on June 30 was $168 billions.

During this post-war period prices and the cost of living have risen proportionately and so have wages. You do not need to be an economist or a monetary expert to know that these increases in prices are the direct result of the "superfluity" of money. Our dollar has been adulterated with newly created money and its purchasing value decreased. During this same post-war period our Government debt (excluding the savings bonds and bonds held by the Social Security and other Trust funds) has gone down $39 billions but our money supply has gone up $18 billions. The reasons for this opposite trend of money and debt cannot be too often emphasized as:

(1) The continued use by commercial banks of newly created bank deposits to make long-term corporate loans, real estate mortgage loans and investments in bonds, state, municipal and corporate.

(Continued on page 14)

*A release by Mr. Parkinson through the Continental Press Syndicate, Brightwaters, N. Y.

Deflation Not Likely

By LEWIS H. HANEY
Professor of Economics, New York University

Dr. Haney, commenting on desire and expectation of deflation in many quarters, points out such turn of affairs is unlikely, since there is no indication of substantial reduction in farm prices or in exports, and shortages of both consumer and heavy goods persist. Sees no ground for credit stringency.

The same persons who have been bearish for the last two or three years, remain bearish. Their seeming hopes for a deflationary recession are being revived by several current arguments, upon which I comment below. But first it should be observed that to at least some small extent this continued "forecasting" of recession is probably associated with the desire of radicals for the defeat of private enterprise.


Lewis H. Haney

These may not desire Russian dominance; but they certainly prefer the so-called "managed economy" which is much the same in results as communism.

One may well ask: Is it good timing to start up the "recession" talky-talk again just at the time when the Berlin crisis is at a critical stage?

Fortunately the German people are still a factor in the question and it appears that they are getting fed up with Russian methods —at least those who were not Communists before the war. So it may well be that the deflation propaganda here may be too late —the peak of the crisis may be passed and the Russians have lost the "cold" battle of Berlin.

Briefly the strongest "arguments" that deflation and recession are at hand are three:

(1) Farm prices must break, and cause some recession — so some say. It is argued that still larger crops are likely, that exports of wheat and cotton will be reduced, and that domestic storage space is inadequate for the surplus.

(2) Others stress signs of slackening in certain lines of business—radios, textiles, shoes, men's clothing, and luxuries such as jewelry and furs.

(3) Finally, the pessimists argue that the action of the administration in raising short-term money rates and increasing bank reserve requirements will cause a contraction of bank loans and precipitate business recession.

* * *

As to farm prices, my comment is that a moderate decline has long been desirable, and some further decline this Fall would be constructive.

First, the decline in farm prices will be relatively small, because of the inflation of the currency. By "relatively small," I mean that prices will probably not decline in proportion to the size of the crops. Thus the total farm income will remain large. At the same time, we will be able to buy more non-farm goods.

Exports under the Marshall Plan have been slow, and largely lie ahead.

Government purchases will increase as prices decline, and the surplus will be taken off the domestic market. (Incidentally, this will require increased currency inflation.)

As to lags in some industries, you will find them few, largely consumer goods, and mostly luxuries which are near the end of a postwar slump. A boom is on in most heavy goods, with much shortage still apparent. Look at steel, automobiles, building, and farm equipment. Non-farm employment is up. Total retail sales are very good.

* * *

Finally, as to credit tightening, a few bar facts:

(A) Bank credit is no way near being tight, and commercial loans are expanding.

(B) Money rates are still abnormally low.

(C) No action has been taken that is drastic enough to cause deflation.

(D) None is likely under existing politics, and the fixed commitment to maintain the 2½ per cent yield on bonds.

(E) Banks hold abundant reserves of Government debt.

Only those who don't understand inflation now predict early deflation.

Reprinted, by permission, from New York "Journal American" of Sept. 15.

Connecticut Brevities

Fafnir Bearing Co. of New Britain and Waugh Equipment Co. of New York announced they will collaborate in the manufacture and sale of Fafnir anti-friction railway journal bearings. Manufacturing will be carried on at Fafnir's plants and a new division of Waugh, to be known as the Fafnir-Waugh bearing division, will handle sales, sales promotion and service.

* * *

Laurence F. Whittemore, Boston banker and industrialist, has been named President of the **New York, New Haven & Hartford Railroad.** Mr. Whittemore is resigning from the Presidency of the Federal Reserve Bank of Boston. The new President is a veteran railroad man, having spent nearly a quarter of a century with the Boston and Maine, 15 as assistant to the President.

* * *

Powdrell & Alexander, Inc. earnings for the 6 months ended July 31, 1948 were $1.87, a little higher than the $1.66 reported for the same period last year. An extra dividend of $.10 in addition to the regular quarterly dividend of $.25 has been declared, payable Sept. 15.

* * *

Frank E. Wolcott has retired as President of **Silex Company** and assumed the duties of Chairman of the Board. He has been succeeded as President by Louis S. Chick, formerly sales promotion manager of the Grocery Division of Standard Brands. It has been indicated that Mr. Wolcott will devote himself mainly to furthering the firm's sales interests, while Mr. Chick will manage the company's manufacturing operations.

* * *

New York, New Haven & Hartford Railroad has made funds available for the payment of the company's 15-year secured 6% bonds, due April 1, 1940. Payment of $835.50 per bond plus accrued interest from June 26, 1948 to Sept. 1, 1948 ($9.05 per $1,000 of original face amount) will be made on or after Sept. 1 by Irving Trust Co.

* * *

In its 6 months report, **United Aircraft Corp.** showed sales of $110 million in the first 6 months of 1948 against $97 million for the same period in 1947. Net income for the period was $1.92 per share against $1.04. The backlog was estimated at $265 million compared to $240 at the end of the first quarter and while it was indicated that earnings for the third and fourth quarters would be handicapped by plant shutdown for vacation and costs of introducing new models, it was stated that operations for the year as a whole were expected to be on a reasonably satisfactory basis.

* * *

Hartford Electric Light Company has called for payment Oct. 1, 1948 at 100 and interest $70,000 of its 3% debentures due April 1, 1967 at the Hartford National Bank & Trust Co.

* * *

Locke Steel Chain Company's report for the fiscal year ending June 30, 1948 shows that earnings on the common stock rose from $3.17 in 1947 to $4.18 in 1948. Sales for the 1948 year were $3,-189,673, an increase of 22% over the 1947 net sales of $2,620,653. The net book value rose from $10.54 the previous year to $13.12 on June 30. Working capital was equal to $7.31 per share.

* * *

North & Judd Manufacturing Co. reports net income for the fiscal year ending June 30, 1948 equal to $0.42 per share compared to $3.93 for the previous year. Working capital and book value per share were $26.32 and $43.55 respectively. The decline in profits from the 1947 level was partially attributed to expenses incurred during the year in the interest of expanding the company's product line; strengthening the organization; improving manufacturing methods; and taking steps to insure long-range stability and profitableness of the company. Sales in the last 6 months of the year showed a decided improvement over the first 6 months, and indications are that continued improvement will be shown over the near term.

* * *

The seven-weeks strike at **Torrington Company's** Excelsior and Standard Plants in Torrington was ended Sept. 2 when company and union employees agreed upon a wage increase of nine cents an hour.

National Bond & Share Offering By Blyth & Co.

Blyth & Co., Inc., publicly offered Sept. 15, 31,000 shares of capital stock of National Bond & Share Corp. at $23.50 per share less 80 cents per share concession to members of the National Association of Securities Dealers, Inc. The shares are being sold for the estate of Bernon S. Prentice, deceased. None of the proceeds will accrue to the corporation.

National Bond and Share Corp. was incorporated in 1929 and is registered as a diversified, management investment company of the closed-end type. Under its charter the company is authorized to invest in all forms of securities with no provisions prescribing policy with respect to the type of securities or limiting the proportion of its assets which may be invested in any type. On June 30, 1948, total assets of the corporation were distributed approximately as follows: common stocks, 76.1%; preferred stocks, 7.7%; cash in banks, U. S. Government obligations, dividends receivable and interest accrued, 16.2%.

Net asset value per share on Sept. 8, 1948, was approximately $27.10 per share.

Dividends from net income from interest and dividends paid during the first six months of 1948 totaled 30 cents per share. In the calendar year 1947, dividends of $1.25 per share were paid from such net income and 89 cents per share from security profits, making a total of $2.14 per share paid in that year.

Michigan Brevities

On Oct. 26, the stockholders of The Detroit Edison Co. will consider authorizing $47,000,000 principal amount of convertible debentures and changing each share of capital stock, $20 par value, into one share of capital stock, no par value. The net proceeds from the sale of new debentures are expected to provide the company with sufficient funds to finance its construction program well into 1949.

* * *

On Aug. 11, Blyth & Co., Inc., New York, N. Y., publicly offered and sold 190,000 shares of capital stock (par $20) of The Detroit Edison Co. at $20.62½ per share, for the account of the American Light & Traction Co., which proposes to use the net proceeds of the sale to purchase additional common stock of its subsidiary, Michigan-Wisconsin Pipe Line Co. The latter in turn will use the funds to carry forward its proposed natural gas pipe line from the Hugoton, Kansas field to Detroit.

* * *

The Detroit Stock Exchange reports that trading volume in August, 1948 totaled 173,393 shares. This compares with 217,845 shares in July, and 299,196 shares in June.

The 10 most active stocks during August were: Detroit Edison Co., McClanahan Oil Co., Gerity-Michigan Corp., Electromaster, Inc., Gar Wood Industries, Inc., Aveo Manufacturing Corp., Frankenmuth Brewing Co., American Metal Products Co., Parke, Davis & Co. and Packard Motor Car Co. Local issues continued to be the most active traders on the Exchange.

* * *

The American Metal Products Co. will on Oct. 25 issue one additional share of common stock for each share held to common stockholders of record Sept. 15 who will also receive the usual quarterly cash dividend of 50 cents per share on Sept. 30.

* * *

Carr & Co., Detroit, will be the underwriters for the proposed public offering of 175,000 shares of 6% cumulative convertible class B preference stock, par $2, of Trenton Chemical Co., Detroit, at $2.25 per share. The net proceeds are to be used to build and equip a plant and for additional working capital.

* * *

Pressed Metals of America, Inc., Port Huron, has entered into a tentative underwriting arrangement for the sale of an issue of 5½% cumulative convertible preferred stock (non-participating), par $20 each, which should net the corporation approximately $1,200,000 in cash. The net proceeds will provide working funds and supply the capital required for the completion of the program of plant expansion.

* * *

A. H. Vogel & Co., Detroit, have sold to residents in the State of Michigan at par ($1 per share, 75,000 shares of common stock of Radioactive Products, Inc., which plans to market an instrument of great flexibility capable of counting particles at a higher rate than that of other competitive products, together with another instrument of greater simplicity and reliability than now available. It will manufacture instruments to measure radioactivity and process radio isotopes to be obtained from the atomic piles at Oak Ridge. Everett C. Swanson, a member of the firm of A. H. Vogel & Co., is on the board of directors.

* * *

The common stockholders of C. M. Hall Lamp Co., Detroit, of record Aug. 30 have been given the right to subscribe for 53,770 additional shares of common stock at par ($5 per share) on the basis of one new share for each five shares held. The subscription privilege will expire on Oct. 1, 1948.

* * *

A banking syndicate headed by Van Alstyne Noel Corp., New York, on Aug. 19 offered to the public 300,000 shares of common stock (par $1) of Continental Motors Corp., Muskegon, at $7.50 per share. The net proceeds, together with other funds, will be used to pay off $3,500,000 of bank loans. The offering was oversubscribed. Wm. C. Roney & Co., Detroit, participated in this offering to the extent of 8,000 shares.

* * *

The Dow Chemical Co., Midland, plans to offer 100,000 shares of its common stock to employees at an early date, Dr. Willard H. Dow, its President, announced following action of the directors Sept. 7 authorizing the move. Details of the proposed offering have not yet been worked out.

* * *

Watling, Lerchen & Co. participated on Sept. 8 in the public offering of 100,000 shares of Verney Corp. common stock (par $2.50) at $14.50 per share.

* * *

United States Radiator Corp. on Sept. 1 mailed to its common stockholders one additional share of common stock for each share held as of record Aug. 10, 1948, increasing the issued and outstanding common stock to 461,718 shares.

* * *

On Aug. 11, Clark Equipment Co., Buchanan, last month placed privately through Merrill Lynch, Pierce, Fenner & Beane, New York, $6,000,000 of its 15-year 3¼% debentures.

* * *

Gar Wood Industries, Inc. reports for the quarter ended July 31, 1948, sales of $8,303,609, and net profit after provision for Federal taxes of $561,960, equal to 51 cents per common share. For the nine months ended July 31, sales totaled $26,233,176 and net after taxes was $1,897,105, equal to $1.74 per share.

* * *

Philip Sporn, President of American Gas & Electric Co., announced on Aug. 31 the merger of Indiana Service Corp. into Indiana & Michigan Electric Co. The combined assets of the two companies are said to be more than $120,000,000.

During the first six months of 1948, Burroughs Adding Machine Co., Detroit, continued its expansion and improvement program with resulting record unit production and sales volume, according to John S. Coleman, President, who added: "As was to be expected, however, to carry out its policy of financing this program, without incurring long-term debt, the company had not only to use funds available from current earnings but also to draw on its cash resources in the United States to the extent of more than $5,300,000 since June 30, 1947."

Total income from sales and service activities of Burroughs and its subsidiaries during the six months ended June 30, 1948 was $50,099,740, as compared with $30,898,528 for the same period last year. Consolidated net earnings for the first-half of the current year were $6,604,781, as compared with $2,657,382 for the corresponding period in 1947. Of these earnings, $1,024,869 were earnings of foreign subsidiaries during the first half of 1948, as compared with $749,485 earned by foreign subsidiaries for the first six months of last year.

* * *

During the last fiscal year, the revolving credit of the Gerity-Michigan Corp., Adrian, at the National Bank of Detroit was increased from $500,000 to $875,000. At June 30, 1948, $650,000 of that credit was being used. Stockholders at the close of the year numbered 3,956 as compared with 3,227 a year ago. Current assets at June 30, 1948 totaled $3,378,797, against current liabilities of $1,456,999.

* * *

Walter S. McLucas, Chairman and a director of the National Bank of Detroit and a director of the Chesapeake & Ohio Ry. Co., and the Detroit & Cleveland Navigation Co., has been elected a director of the Bendix Aviation Corp. He is also a member of the board of the Fire & Marine Insurance Co., Detroit Steel Products Corp., Interstate Securities Co., Michigan Consolidated Gas Co., National Cement Co., Planet Insurance Co., Safe Deposit Co. of Detroit, Standard Accident Insurance Co. and The Whittier Corp.

The directors of the Bendix Aviation Corp. have declared an extra dividend of 50 cents per share and the regular quarterly dividend of 50 cents per share, both payable Sept. 30 to holders of record Sept. 11.

With C. E. Abbett & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Harry V. Barrett Jr. has been added to the staff of C. E. Abbett & Company, 3277 Wilshire Boulevard.

Join Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA.—Justus C. Martin, Jr. has joined the staff of Thomson & McKinnon, Healey Building. He was previously with Beer & Co.

NSTA Notes

"AD LIBBING"

May we this week recognize and thank Henry Kuipers of Lord, Abbett & Co., New York, for placing a half-page ad in the "Chronicle's" NSTA Convention Year-Book Supplement issue. Henry, though a new member of STANY, has demonstrated his cooperative spirit and we are pleased to advise you of his assistance.

* * *

We are now approaching the "40 and 8" mark, and those wishing for a further explanation, may consult any of the Committee to learn the up-to-date results of your Advertising Committee.

* * *

Your Committee will have a letter in your hands very shortly and we hope all our members will do their part in making our "Financial Chronicle" Convention Issue a big success.

* * *

K. I. M. YOUR NSTA..............."BUY ADVERTISING"

HAROLD B. SMITH, Chairman
Yearbook Committee, NSTA
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120 Broadway
New York 5, N. Y.

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David A. Balfour, Russell, Hoppe, Stewart & Balfour, Portland
Charles C. King, Bankers Bond Co., Louisville

NSTA LEGISLATIVE COMMITTEE

Paul I. Moreland of Moreland & Co., Detroit, Chairman of the Special Legislative Committee of National Security Traders Association, Inc., announces that each of the 27 affiliates of NSTA has appointed a representative to the Special Legislative Committee. They are as follows:

Atlanta	Lex Jolley, Johnson, Lane, Space & Co., Inc.
Baltimore	J. Creighton Reipe, Alex Brown & Sons
Boston	Ralph F. Carr, Ralph F. Carr & Co.
Carolinas	D. Jennings Lucas, G. H. Crawford Co., Columbia
Chicago	Larry A. Higgins, Hulburd, Warren & Chandler
Cincinnati	Franklin O. Loveland, Field, Richards & Co.
Connecticut	Andrew Tackus, Putnam & Co., Hartford
Cleveland	Morton A. Cayne, Cunningham & Co.
Dallas	Louis W. Stayart, James & Stayart, Inc.
Detroit	William Moore, McDonald, Moore & Co.
Denver	Malcolm F. Roberts, Sidlo, Simons, Roberts & Co.
Florida	H. S. Wheeler, Leedy, Wheeler & Alleman, Orlando
Houston	Claude T. Crockett, Moroney, Beissner & Co.
Kansas City, Mo.	Laurence B Carroll, Prescott, Wright, Snider Co.
Los Angeles	William P. Bunyan, Edgerton Wykoff & Co.
Louisville	J. Berges Reimer, Berwyn T. Moore & Co.
Memphis	Howard Ross, Leftwich & Ross
Nashville	Chas. W. Warterfield, Cumberland Securities Corp.
New Orleans	H. Wilson Arnold, Weis & Arnold
New York	J. M. Mayer, Merrill Lynch, Pierce, Fenner & Beane
Philadelphia	Edmund J. Davis, Rambo, Close & Kerner, Inc.
Pittsburgh	Earl E. Sweitzer, E. E. Sweitzer Co., Inc.
Portland	Donald C. Sloan, Sloan & Wilcox
St. Louis	John R. Thomas, Blair & Co.
San Francisco	Ernest Blum, Brush, Slocum & Co.
Seattle	Edward Easter, F. K. Easter & Co.
Twin Cities	William J. Lau, C. S. Ashmun Co., Minneapolis

The purpose of this is that the National organization may have a real "grass roots" sounding board connection with each affiliate and thus give the National a cross section of opinion and constructive suggestions on any proposed changes in securities acts or regulations.

(Continued on page 16)

COMING EVENTS

In Investment Field

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. 22, 1948 (New York City)

Association of Customers Brokers annual election and dinner at Delmon's Restaurant.

Sept. 23, 1948 (Des Moines, Iowa)

Iowa Investment Bankers Association annual field day at Hyperion Club, with breakfast at Hotel Savery.

Sept. 25, 1948 (New York City)

New York Curb Exchange Floor Clerks Association clam bake at Overpeck Park, Ridgefield Park, N. J.

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.

With Coffin & Burr, Inc.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—William D. Hilton has become associated with Coffin & Burr, Inc. He was formerly with the First Boston Corp.

Herrick, Waddell Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Anton M. Miller is now connected with Herrick, Waddell & Reed, Inc., 332 South Michigan Avenue.

Vic Wikle Adds

(Special to THE FINANCIAL CHRONICLE)

ANDERSON, IND.—Nelson H. Carr has been added to the staff of Vic Wikle & Associates, Inc., Citizens Bank Building.

Missouri Brevities

The Dynacycle Manufacturing Co., St. Louis, on Sept. 3, filed a registration with the Securities and Exchange Commission covering 100,000 shares of 80-cent par value common stock. The issue will be underwritten by White & Co., St. Louis, and will be publicly offered at $5 per share, the net proceeds thereof to be used to purchase equipment, and for working capital. Dynacycle will manufacture power units to convert bicycles into motorcycles.

* * *

Included in the group of underwriters which on Aug. 19 publicly offered 300,000 shares of $1 par value of common stock of Continental Motors Corp. Muskegon, Mich., at $7.50 per share (which issue was oversubscribed) were the following St. Louis bankers: A. G. Edwards & Sons, Newhard, Cook & Co. and Taussig, Day & Co., Inc. The net proceeds were used to retire bank loans.

* * *

The common stockholders of Century Electric Co., St. Louis, of record Sept. 7 have been given the right to subscribe on or before Oct. 29 for 25,000 shares of additional common stock (par $10) at $12 per share on the basis of one new share for each 21 shares held. The net proceeds will be used to increase working capital.

These 25,000 shares, plus an additional 55,000 shares of common stock have been authorized for listing on the New York Curb Exchange. The 55,000 shares are issuable at any time prior to Dec. 31, 1950 in payment of stock dividends which may be declared on outstanding common stock.

* * *

Edison Brothers Store Co., St. Louis, reports sales of $5,265,632 for the month of August, as compared with $5,462,047 for the same month in 1947. For the first eight months of the current year, sales totaled $47,838,439, against $44,-157,717 for the corresponding period last year.

* * *

The tentative basis for exchange of stock in connection with the merger of Hyde Park Breweries Association Inc., St. Louis, with Griesedieck-Western Brewery Co., it was reported Sept. 6, will be on the basis of four shares of Griesedieck-Western new, to be authorized and outstanding following three-for-one split-up in October, for each five shares of Hyde Park stock held. This would place an aggregate value on Hyde Park's assets of about $6,500,000, according to current market value for Griesedieck-Western stock.

* * *

Consolidated Retail Stores, Inc., St. Louis, had sales of $2,628,970 in August, a gain of 20.1% over the $2,188,403 reported for the same month last year. For the first eight months of this year, sales amounted to $20,885,677, an increase of 11.4% over the $18,-746,624 for the same period in 1947.

* * *

Transcontinental & Western Air, Inc., Kansas City, has reported to the Securities and Exchange Commission that it has borrowed an additional $2,-890,364, evidenced by 3% notes, payable from Sept. 30, 1948 to May 31, 1953. The corporation had $16,031,439 of notes outstanding on July 31, all secured by chattel mortgage.

The company further announced that air freight carried in July on its domestic routes increased by 132.34% over the same month last year. A similar increase was shown in the volume for the seven months ended July 31, 1948, bringing the total revenue ton-miles to 4,891,786. In the seven-month period the volume of air mail carried increased 24.58% and air express increased by 4.74%, as compared with the 1947 period.

* * *

Hamilton Scheu & Walsh Shoe Co., St. Louis, announces the change of its name to Hamilton Shoe Co. and the purchase of the Eastern Boot & Shoe Co.

* * *

Net profits of Chase Candy Co., St. Louis, for the fiscal year ended June 30, 1948 amounted to $816,-556, equal after preferred dividends to $1.31 per share on the 555,647 shares of common stock outstanding. This compared with a net of $2,566,179, or $4.93 per share on 509,357 common shares outstanding, for the preceding fiscal year. Sales for the 1948 year established a new high of $17,735,-783, compared with $16,453,171 for the 12 months ended June 30, 1947.

As of June 30, 1948, current assets totaled $5,290,522, against current liabilities of $2,254,896, including $1,000,000 of bank loans.

John E. Miller With Newburger, Loeb Co.

Newburger, Loeb & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announce that John E. Miller, market analyst, has joined their staff.

Mutual Funds

By HENRY HUNT

"If I Were a Retail Salesman"

The twelfth article in this series was contributed by **Eugene J. Habas**, Vice-President in Charge of Sales for **Hugh W. Long & Co.**, sponsor of New York Stocks and Manhattan Bond Fund and distributors of Fundamental Investors.

Although Gene has been in the "Street" since 1926, he has been in the selling end of the business for only a few years. Prior to joining Hugh W. Long, for some years he was in charge of Fenner & Beane's large investment research organization with more than 20 men working under him. Today, when Gene hits the road, his office can follow his route by watching the sales pick up in the territories he has visited.

"What Is a Growth Stock?"

In an interesting new folder, **Calvin Bullock** answers the above question as follows:

"A growth stock may be defined as the common stock of a company that has shown above average growth in sales and earnings for a number of years, with favorable prospects for a continuation of such growth.

"As a rule, the current dividend return on such stocks is below average because these companies pay out only a small part of their earnings in dividends, retaining the major part in the business to provide for further expansion. Experience has shown that, through the compounding of earnings plowed back into the business, the growth in value of such stocks makes them most profitable holdings over the longer term.

"High yields on individual stocks are frequently a danger signal indicating that dividend payments are in jeopardy, that earnings are about to decline, or both.

"A prominent investment counselor once said: 'Generally speaking, the surest way to financial suicide is to buy stocks selling to yield 9%, 10%, or more.'

"A **low** yield, on the other hand, often presages an increase in the dividend or larger earnings, and higher prices for the stock.

"The adage, 'You can't eat your cake and have it too,' applies rather aptly to the purchase of common stocks. If you buy a stock that pays out all its earnings in dividends, you can't expect it to grow in value as well.

"Growth stocks, properly selected, have been the basis of many a large fortune.

"To quote from a recent article in the New York 'Herald Tribune': "Fortunate indeed is the investor who ties his financial destiny to a real 'growth' stock. This means that the purchaser of a security becomes part owner of an expanding American business enterprise and, circumstances permitting, goes right down the line, ignoring the mercurial price movements occasioned by successive bull and bear markets."

Market Awaiting Better Foreign News

Ralph Rotnem, Harris Upham's sound market commentator, has the following to say about the market outlook in his September "Letter":

"The market should now be in a better position to respond to any change for the better in the foreign news. It has gone through technical correction of its sharp 26-point rally from February to June, which is normal both in extent and time. Also in declining during the uncertainties of foreign developments it has acted much like it did in 1938 and 1939 when there were five war scares. Yet the people who bought near the end of those war scares obtained substantial profits as the following figures show:

	Year	% Decline	Days	% Rally	Days
Austrian crisis	1938	27½%	31	55%	96
Munich crisis	1938	14	53	28	38
Czechoslovakian crisis	1939	22	24	16	51
Danzig crisis	1939	7	17	13	23
Polish crisis	1939	10	24	20	51
Berlin crisis	1948	7	24	?	?

"September is a month when the market has often made up its mind and started on definite moves. Perhaps the explanation is that business trends are more clearly defined after Labor Day. At present there are a few weak spots in some of the minor industries but the demand is still strong in the pivotal sections of our economy. The influence of tax reductions will be more noticeable from now to the end of the year. Our program of aid to Europe has been slow in getting going but will be a strong influence in coming months. During election years since 1900, the month of September has produced movements which have ranged from a gain of 11% in 1916 to a loss of 6% in 1900."

"Decision by Default"

"'Let's not decide today.' How easy it is for investors to simply postpone action when the question of 'what to do' is a difficult one.

"Yet, in 'sitting tight'—in evading positive action—whether for a day or for months, a **decision has been made.** In postponing action it is simply 'Decision by Default.' And it may be costly.

"We have 'Decision by Default' when investors fail to keep in mind this one basic thought—that idle money is sterile money. Capital, whether it be the savings of a lifetime—an estate—or perhaps a large institution of some sort—should be employed **to produce an additional income.**

"'Decision by Default' usually means that the investor is uncertain as to what he should do . . . he needs help.

"How may he obtain this needed help? He may do it in two ways. He may seek the advice and guidance of a competent and experienced investment dealer—and he may find such help through professional investing companies.

"The present is a time when investors are finding it particularly difficult to make definite decisions. Yet, whether these decisions affect but a few hundred, or many thousands of dollars—continuous professional help is available through mutual funds."—Quoted from **George Putnam's "Prudent Investor."**

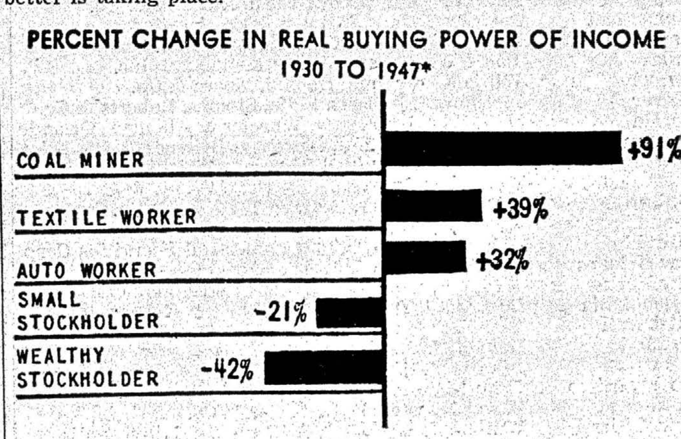
Rich Man, Poor Man

The following excerpt from **Hugh W. Long's "New York Letter"** clearly illustrates the divergent trend in the buying power of earned and unearned incomes during the past 18 years:

"It has been estimated that there are between 15 and 16 million American stockholders. This means that there are almost as many stockholders as there are members of labor unions. Both groups are important consumers and it is necessary that their real buying power be sustained if we are to have a healthy economy. Actually, stockholders have fared badly over a period of years.

"The accompanying diagram illustrates changes in the real buying-power income of certain labor groups and stockholders since the pre-New Deal year 1930. These figures have been computed by taking an average rate of pay in each industry, subtracting Federal income taxes at rates applicable to single individuals with $3,000 base pay and adjusting the balance for changes in the cost of living. Wage earners have improved their buying power positions whereas stockholders have retrogressed considerably. But a change for the better is taking place!"

PERCENT CHANGE IN REAL BUYING POWER OF INCOME 1930 TO 1947*



***Computations made by National City Bank of New York. Small stockholder is assumed to have a taxable income of $3,000 and the wealthy stockholder a taxable income of $30,000.**

"If I Were a Retail Salesman"

(Twelfth of a Series)

By EUGENE J. HABAS

Vice-President, Hugh W. Long & Co.

There was a play on Broadway many years ago which opened with a tailor sitting at his bench cutting out a full-dress suit. In the second act he was wearing the suit in the grand ballroom of the local Waldorf and fraternizing with the "best" of society. The difference between his tailor's apron and the dress-suit was all the passport he needed to a different world.

Eugene J. Habas

But the fourth act closed with the tailor again sitting at his bench.

The securities salesman all too often is in the position of the tailor. The passport of a bull market takes him on up in the income scale, but when the "play" is over, he is right back where he started, tackling the job of building up a paying business all over again.

If I were a retail salesman, that is a pitfall I would want to avoid. I would want to know that my work in clientele building was permanent building for my own future.

There is a way toward that goal. That way is to sell the kind of investments that—

(a) Provide a service which customers need in good times and in bad.

(b) Build up confidence so that customers are prone to buy again and again, regardless of price levels.

(c) Make buying securities as natural as taking out insurance or depositing money in the bank.

Such investments do exist. They offer services which investors need—more dependable income, the certainty of profit in favorable markets, reduced risk in unfavorable markets.

Moreover, they leave the retail salesman free of the need to do research work in individual securities and thus give him more time for his own profession of selling and servicing clients.

Is all this fine-sounding theory? Let's see. Retail sales of the kind of securities we are discussing increased some 37% while volume on the New York Stock Exchange remained at an all-time low in 1941-1942. Sales have increased fivefold since then. The Securities and Exchange Commission has called this growth "the most important single development in the financial history of the United States during the past 50 years."

People who own these securities buy again and again. Research into stockholders' records shows that over a period of the past four years, some 43% of shareholders made repeat purchases. Of these, more than half bought three times, 30% four times, and some 16% five times or more. These same records also show dollar averaging accounts with sales in the same amount time and time again over a long period of years. These clients, like other repeat purchasers, are buying securities as matter-of-factly as they would walk down the street to deposit money in the bank.

We are discussing, of course, Mutual Fund shares. The statistics cited are those of the Mutual Fund business and of certain individual companies.

If I were a retail salesman, I'd certainly want to be participating in this "growth" division of the securities business as a means of insuring my own personal future.

Soviet Pressure Opposed By Hovde

New School President, as member of American Delegation at World Congress of Intellectuals in Poland, takes practically lone stand in opposing Communist propaganda line. Receives little support even from fellow-Americans.

The tenor of characteristic attacks against the United States, and the overwhelming pressure of the pro-Communist line, was recently well-illustrated in the proceedings at the recent World Congress of Intellectuals in Wroclaw, Poland. The difficulties of a pro-West and pro-U. S. defense are portrayed by the following letter received from Dr. Bryn J. Hovde, liberal leader and President of the New School of New York, and by the copy of his vigorous statement made at the Congress, both of which follow.

LETTER FROM DR. HOVDE

WARSAW, POLAND, Aug. 30 — The "Intellectuals' Congress" was torture to me. Every speech insulting the U. S. and glorifying the Soviets—and except for two or three English speeches and my own, that was all we heard — was wildly applauded. I was angry enough to burst. After the first speech, by the Soviet novelist Fadeyev, a speech which for vituperation was never excelled and which set the tone for the Congress, I got busy and wrote an answer, a tough one. But when the translating section got hold of it my request for a speaking spot was postponed and postponed. One of the interpreters took one look at it and exclaimed: "I say! This is going to make quite a stink, you know!" By badgering I finally got the floor at the last moment of discussion. The hall became still as death, so I had a good chance to tear into Fadeyev and the whole Communist ideology. Somebody sent for Fadeyev and he came hustling in to hear. Then he got very busy in the USSR delegation, the upshot of which was the designation of David Zaslavsky, veteran Pravda writer, to answer me. I wound up with a strong statement of democracy as the only basis for peace. No speaker at the Congress got a colder reception. Only a handful of Americans and Britons clapped, and one nice guy from Ceylon who didn't quite know what I said. Speaking was like throwing flat stones on an icy lake. The words ricocheted off the audience and bounded into the distance.

Bryn J. Hovde

Julian Huxley spoke just after I did, in somewhat the same vein, but with more conciliation. He too got frozen out by the USSR delegation, which sat in stony silence while others, however, applauded him. As a consequence, Huxley and Lady Huxley promptly left the Congress and flew back to Paris.

I had damned little support even in the U. S. delegation. We put up a stern fight for a good resolution and got substantial modifications. But even in final form six others and I found it unacceptable and voted "no". There were also a few British. We got holy hell from some other members of the American delegation, but stood ground. We insisted on the reading of a statement on our behalf and the reading of our names. Now we go about with long heavy woolen mental underwear to fend off the icyness of other Americans who think we disgraced them by our reactionism. The reception at the Polish "White House" here in Warsaw last night was a nice, cozy affair, except for the presence of us "capitalists and imperialists and imbeciles." . . .

Statement by
BRYN J. HOVDE
American Delegation
Aug. 28, 1948

To this meeting of workers of the mind and the arts, in this war-ravaged city, though I speak as an individual I feel competent to bring the greetings of the overwhelming majority of my countrymen. They want peace, not war. They want justice and equality among all men. They want freedom within each state to determine the conditions of its own life. And they want a world of free states associated together to promote the welfare of all peoples and to keep the peace.

I have come to this conference in the hope that intelligent participants from many lands, meeting under the rules of free speech and fair play, with an earnest desire to learn from one another, might discuss the cause of war and the foundations of culture and of freedom. In such discussion it is my belief that we should all find so much understanding of one another's problems and good intentions that for us at least, and through us for our peoples, the will to avert the next war would be forever fixed.

Resolutions Unimportant

I am not much interested in the adoption of any finely or cleverly worded resolution at the end of this conference. One does not protect the peace by proclamations. That is done only by the slow but immensely rewarding processes of strengthening mankind as a whole, laboriously removing the causes of possible conflict. Nothing more specific need come out of this conference if only we set the precedent of talking honestly and solemnly to **one another** instead of, as usual, to ourselves. If here, and I would hope at subsequent conferences, we could hold serious discussion in the scientific spirit, we should do far more for peace than by proclamations.

That is why Mr. Fadeyev's address yesterday, and to some extent those of others, were very sad to hear. Mr. Fadeyev did not assume the possibility of peace; he assumed the probability, if not the actual existence, of war between the USSR and the US. He gave unstinting praise to the USSR and utterly condemned the US and Great Britain. If made by a responsible member of a government, this was the kind of speech that would be made to give propaganda-justification to a premeditated military attack. It would only have the effect of creating division and disillusionment in this conference for peace.

The worst of it is that Mr. Fadeyev appears actually to believe the completely wrong picture he painted. His particular kind of "science" compels him to believe it, no matter what experience and facts may stand in the way. In my country we come to different conclusions, and we keep them tentative, because we follow no superrevelations or any party line, but search for the facts and make them teach us the truth. If Mr. Fadeyev does believe that the United States is as he painted it — imperialistic, expansionistic, decadent, immoral — and if this doctrine is believed by others within his party wherever that

(Continued on page 25)

Capital Needs and Decline in Dollar's Purchasing Power Curtail Real Earnings of Oil Companies

Financial results in petroleum industry demonstrated in current as well as prewar dollars in Chase Bank study. Concludes record dollar income in 1947 was result of higher prices and increased volume, and was barely adequate to generate capital needed for replacements and expansion.

While the financial results of the petroleum industry in 1947 showed marked upward changes from 1946, these increases "are revealed to be temperate in the light of vastly increased capital requirements and with due regard to the purchasing power of the dollar," according to a study, "Financial Analysis of Thirty Oil Companies for 1947," which was issued by the Chase National Bank Sept. 9. For the first time, the financial results are presented not only in "current" dollars, but also in "prewar" dollars, thus measuring the effects of inflation on the petroleum industry's operations.

Joseph E. Pogue

Frederick Coqueron

This annual review, prepared by Joseph E. Pogue, Vice-President in charge of the bank's petroleum department, and Frederick G. Coqueron, staff associate, supplements previous reports and provides a continuous series of data for the 14-year period 1934-1947 on a group of companies which represent about two-thirds of the aggregate investment of the industry. The new booklet, more comprehensive than those of previous years, contains 21 tables and seven charts as a part of its 30 pages of text.

The Demand Challenge

In the second year of peacetime operations, the study finds, the petroleum industry in 1947 was challenged with a rise in demand for its products representing an increase of 569,000 barrels per day, or 11% over 1946.

This impelled the industry to approach capacity operations, exceeding those of the wartime peak; stimulated an advance in petroleum prices, resulting in sharply increased gross and net income; and accelerated the development of a vast expansion program, requiring unprecedented capital expenditures at inflated costs, the study adds.

"Under these circumstances, the dollar income soared, but so did the capital requirements. The matching of these two items was so closely achieved that the industry was able to bring about an approximate balance between supply and demand for petroleum products during 1947 and to prepare for a still better position in 1948."

All Operating Results Increased

The study discloses that virtually every item of financial and operating results of the 30 companies in 1947 shows a substantial increase over 1946 and a larger advance over the five-year base period, 1941-1945.

In 1947, as compared with 1946, total income amounted to $10,483 million, an increase of $2,934 million, or 39%; costs and other deductions totaled $9,264 million, a rise of $2,478 million, or 37%; and net income was $1,219 million, up $456 million, or 60%. On the other hand cash dividends of $425 million in 1947 represented an increase of only $94 million, or 28%, because of the reinvestment in the business of $794 million, or 65% of the earnings. This relatively large retention was necessitated by a rise of $699 million, or 51%, in capital expenditures to $2,076 million in 1947, thus illustrating, the survey emphasizes, "the contribution of the stockholders to

(Continued on page 30)

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

The most important development of the past week from the standpoint of bank operations was the decision of the Federal Reserve Board to require higher reserves against demand and time deposits of all member banks.

The authority for this action was granted in the anti-inflation program recently enacted by the special session of Congress.

As a result, on Sept. 16 the reserve requirements on demand deposits for country banks will go up from 14% to 16%. Eight days later, on Sept. 24, requirements for reserve city banks and central reserve city banks will rise from 20% to 22% and from 24% to 26%, respectively. For all member banks the reserve requirements on time deposits will be increased from 6% to 7½% on the appropriate dates.

The total increase in required reserves is estimated at approximately $1.9 billion. For central reserve city banks (New York-Chicago), in which the largest investor interest is concentrated, the increase in requirements will amount to around $490 million.

While most banking officials had expected higher reserve requirements at some future date, the timing of the move was unexpected. Nevertheless, the bank stock market seemed to be little affected and in general showed considerably greater resistance to decline than the general stock market.

In the table below there is presented a list of leading New York, Boston and Chicago bank stocks with market bid prices as of Sept. 3 and Sept. 10. Also shown are the price ranges so far in 1948, the current annual dividend rates and net indicated earnings for the first half of 1948 and 1947.

	Market Bid Price		—1948 Range—		Annual	Net Indicated —Earnings—	
New York City—	Sept. 10	Sept. 3	High	Low	Dividend	1948	1947
Bank of Manhattan	24¼	24⅛	24⅞	22⅛	1.20	1.09	0.93
Bankers Trust	39¾	40¼	42	36¾	1.80	1.63	1.25
Brooklyn Trust	99	100	115	95	5.00	3.19	4.40
Central Hanover	89½	89	93¼	82½	4.00	3.00	3.00
Chase National	36¼	36⅛	37	33⅛	1.60	1.06	1.32
Chemical Bank & Trust	41¾	42	43½	38½	1.80	1.48	1.42
Commercial National	42	42¼	44½	37	2.00	1.71	1.74
Corn Exchange	55¾	56½	56½	50	2.80	2.45	2.49
First National	1,275	1,280	1,335	1,200	80.00	42.10	40.59
Guaranty Trust	280	277	282	254	12.00	9.18	9.75
Irving Trust	16⅛	16½	17⅛	14¾	0.80	0.60	0.56
Manufacturers Trust	50¼	50¾	52⅛	45¾	2.40	2.59	2.30
*National City	39¾	40	41¾	36⅞	1.60	1.55	1.87
N. Y. Trust	86¼	87¾	90¼	80	4.00	3.14	3.17
Public National	39¼	39½	41	36¾	2.00	2.32	2.08
U. S. Trust	555	560	600	510	35.00	18.85	18.12
Outside of New York—							
*First National Boston	47½	47½	50⅞	45¾	2.00	1.77	1.80
Continental Ill. National	75	77	82½	73	4.00	3.75	3.93
First National Chicago	217	217	223	198	8.00	13.12	12.47

*National City includes earnings of City Bank Farmers Trust and First National Boston includes earnings of Old Colony Trust.

For the week, bank stock bid prices showed little change. Most of the issues were only fractionally lower and in a few cases unchanged or slightly higher. At the same time the Dow Jones Industrials declined 3.74 points, or approximately 2%.

While the recent increase in reserve requirements is the third boost this year for central reserve city banks, the loss of earning assets has been offset by the higher rates on business loans and on government securities.

An indication of this change, is the rate charged to prime risks. A year ago bank credit to prime names was available at 1½%. Today, 2% for the same risks is general, and earlier this year it was 1¾%. Also, the rates on short-term Treasury obligations have moved up sharply. A year ago the market was adjusting itself to a 1% yield on 12-month certificates of indebtedness. During the next several weeks a large refunding program will be carried out by the Treasury at 1¼%. This upward trend in interest rates is one of the more favorable factors in the outlook for bank earnings.

Thus, while the increase in reserve requirements will tend to restrict any further gains in net operating earnings from those reported in the first half of the year, the earnings rate for the remaining months should be well maintained. For the full year 1948 operating earnings, in most cases, should be approximately equal to those reported for 1947.

Says Congress "Double-Crossed" Farmers

Senator J. Howard McGrath, Chairman of Democratic National Committee, contends Republican Congress welched on its "parity promises" under pressure from grain interests.

Senator J. Howard McGrath, Chairman of the Democratic National Committee, declared in a statement issued on Sept. 12, that the Republican-controlled 80th Congress "double-crossed" American farmers. The Senator said in a statement: "On one day the GOP Congress passed a bill extending price support legislation. But on another day the Republicans enacted a measure defeating some of the major purposes of the parity law.

J. Howard McGrath

"Large numbers of agricultural leaders throughout the nation have told members of the Democratic Party in recent weeks that the Republican Congress 'double-crossed' America's farmers."

Senator McGrath explained that the bill granting the Commodity Credit Corporation a Federal charter nullifies, to a large degree, the expressed purposes of the price support legislation.

"Why did the Republican Congress slap farmers in the face in this way?" Sen. McGrath said. "The GOP welched on its parity promises under pressure from America's grain interests—another one of the special interests that controlled the Republican reins during the 'do nothing' 80th Congress."

He stated the CCC was set up in 1933 to handle farm products under the parity loan program fostered by the Democratic Party, and he pointed out that when prices of agricultural commodities supported by the government fall below parity levels, many farmers sell their crops at support prices to the CCC or get a loan from the CCC at the support levels. The loan provisions are used most often. At the expiration of the loan period, according to Sen. McGrath, the farmer may buy back the crop or turn title to it over to the government. Then the CCC does the marketing.

Senator McGrath then went on to say:

"To operate successfully and to follow the spirit of the support program, the CCC needs adequate storage facilities.

"The support program is relied on by farmers to keep their living standards in line with those of the rest of the population. If the CCC sold the crops just as fast as it got title to them, the support program would not maintain prices as fair levels for farmers. When faced by a lack of storage bins, the CCC would be forced to flood the markets at harvest times. The result would be low prices for a relatively short period.

"By 1939 the CCC had built up its storage capacity to 300 million bushels. But when World War II placed its heavy demands on American farm production, the CCC liquidated all but facilities for 50 million bushels. Now the CCC should be building up its storage capacity to guard against the time when agricultural surpluses may again be a national problem.

"However, when the Republicans gave the CCC its new charter this year, the GOP refused to let the agency lease or buy any additional storage facilities.

"This means that within a short time the CCC probably would be forced to sell crops almost as quickly as it got title to them from farmers because of the lack of sufficient storage facilities.

"If the CCC has to flood the market with crops, prices would be forced down, together with price supports, and many of the major purposes of the support program would be lost.

"While farmers suffer, the grain interests would profit. That is what the 80th Congress did for the grain lobby."

The Real Inflation

(Continued from page 9)

(2) The continued supply of Federal Reserve Bank funds for new extensions of bank credit through the so-called support of Government bond market prices under which the commercial banks have been able to dump their Federal bonds into the Federal Reserve Banks and receive excess reserves which enable them to expand their bank deposits and our money supply by from five to six times the value of the bonds so turned over to the Reserve.

(3) The continued purchase of gold by the Treasury through the Federal Reserve System in a way which provides the commercial banks with reserves available for expansion of bank loans and investments by at least five times (possibly twenty times) the purchase price of the gold.

Had it not been for these policies which continue to expand our money supply, the gross "superfluity of money" which we enjoyed at the end of the war would have been gradually reduced and we might by this time be hopeful of bringing our inflation under control.

What sense is there in supporting Government bonds or buying gold in a manner which increases our already inflated money supply by five or six times the amount of the purchase price of the gold or the bonds supported? There can be no sense in it except for the deliberate purpose of creating an additional money supply. Will any responsible banker or monetary official say that in the interest of the public welfare of this country now and in the future we need a still larger money supply? Will any of them dare to discuss the continued inflation of our money supply as distinguished from its inflationary use by the people after it is turned loose?

The President or the Secretary of the Treasury or the Federal Reserve Board could immediately decrease the existing money supply or stop its violent increase with the result that pressure would be taken off prices and we would not have to depend on the people's avoidance of inflationary use of the inflated money supply but would strike at inflation at its source. That direct attack on inflation of money seems to be politically unpopular and, unfortunately, equally unpopular with our bankers and many others who prefer the possible dangers of the present inflationary boom to the possible reaction of some deflation of our money supply.

In any event, it would be better for the ultimate public welfare for the people of this country if more of our talk about inflation dealt with the real cause of inflation, that is, the continuing increase in our money supply, and less of it were devoted to the consequences of a normal use by the people of the greatly increased number of dollars which have been put into their hands.

London Stock Exchange Official Year-Book Out

The 1948 edition of the Stock Exchange Official Year-Book, made and printed in Great Britain, has just been released in this country. This, the 74th edition, contains a record number of pages—a total of 3,525. The increase is mainly due to the inclusion of notices of 250 additional companies and 11 Government and municipal loans.

Owing to the continuous growth year by year of the editorial contents the book has increased in size to such a degree that it has become difficult to handle and it has been decided to publish future issues in two parts. Part I of the 1949 edition will be published on Jan. 1, 1949 and Part II on July 1, 1949.

The 1948 issue, which is published by Thomas Skinner & Co. (publishers), Ltd., Gresham House, Old Broad St., London, E.C. 2, England, under the sanction of the Council of the London Stock Exchange, costs $30 per copy (duty paid) in the United States and Canada.

The 1948 edition of The Register of Defunct and Other Companies has been further enlarged by the addition of details of the final history of approximately 1,300 companies which formerly appeared in The Stock Exchange Year-Book (subsequently incorporated in The Stock Exchange Official Year-Book). Thus the closing history of approximately 22,500 companies which formerly appeared in the Official Year-Book and its predecessors over a period of upward of 70 years is now placed on record for the first time. Copies of this volume can be obtained from Thomas Skinner & Co., Ltd., 1 Broadway, New York City, at $5 per copy.

Semisch New Pres. Of Phila. 2nd Nat'l

William G. Semisch, Vice-President and Cashier, was elected President and Robert L. Hilles, President, was elected Chairman of the board of Second National Bank of Philadelphia, both effective Oct. 1, 1948.

Mr. Semisch becomes the seventh President of Second National Bank since its founding in 1864. His banking career started in 1912 at Integrity Trust Co., Philadelphia. In 1922, he was appointed Assistant Secretary and in 1925 he became Secretary of that institution. He was elected Treasurer in 1927 and in 1928 was elected Vice-President and Treasurer, positions he held until the Integrity Trust's liquidation early in 1940.

Mr. Semisch joined Second National Bank in May, 1940, as Vice-President and Cashier, and in August of that year he was elected to the board of directors.

Aaron W. Hardwick, a director of the bank since 1937, and President of Summerdale Dyeing and Finishing Works, was elected Vice-President.

Kenneth J. Barber, Assistant Cashier, was elected Cashier. He came to Second National immediately after his graduation from Frankford High School in 1920.

What to Do About Russia

By NORMAN THOMAS*

Candidate for President, Socialist Party

Mr. Thomas, asserting primary responsibility for present international crisis lies with deliberate and ruthless pursuit of power by communist dictatorship, proposes: (1) public explanations of American aims; (2) an appeal to the UN to consider Russian aggression as threat to world peace; and (3) universal disarmament under effective international control. Wants abolition of veto and creation of security force in United Nations.

In terms of international politics, the present cold war between Russia—more accurately the Soviet Union—and the United States, is a conflict between the two most powerful nations of the earth. Hence the importance of understanding Russian history and the Russian character. But this aspect of the struggle is subordinate to the fact that the dictators of the USSR are heads of an international movement grimly intent on the achievement of world power. It is to this that the secular religion of Communism has been reduced although it still exploits with considerable success Lenin's slogans of universal economic justice, slogans grotesquely denied by the facts of life in the Russian police state. Organized international Communist (in which Russian imperialist nationalism seeks to maintain a primacy already threatened by other nationalisms like Tito's which the Communists have unscrupulously exploited) is the foe of freedom and peace.

Norman Thomas

What that Communism means to the world is illustrated by the monstrous nature of the Russian police state. That state has revived a literal chattel slavery which it has imposed in its cruelest forms upon millions of victims in its work camps. It has set up a political control over art, music, literature, philosophy and science unprecedented in history. It permits no civil liberties and has no regard for the individual. In the economic field its collectivism is really state capitalism and the extremes of remuneration of workers are proportionately as great or greater than in the United States. At home and abroad the dictatorship practices a disregard for truth and for good faith which would appall Machiavelli.

If any realistic approach to the cold war requires us to recognize these facts, it also requires us to recognize that they are not universally admitted. There is a tendency in Europe, including Western Europe, to look with approximately equal dislike on the USSR and the USA. The great church conference at Amsterdam condemned the ideologies of Communism and Capitalism equally. From the standpoint both of Christian ethics and socialism, I heartily agree in condemning Capitalism and Communism.

I do not agree, however, that today Communist ideology puts what the Amsterdam report calls "the emphasis upon economic justice"—certainly not in practice. The report is significant, I think, of a widespread tendency among good people in Europe to magnify American sins and minimize Russian sins and their significance for peace, freedom and general wellbeing. But this is a fact of which we must take account in our policy both by a better explanation of matters misunderstood in Europe and by a correction of our own faults of which perhaps racism is the most glaring.

*Summary of speech by Mr. Thomas at a luncheon of the Overseas Press Club at Sherry Netherlands Hotel, New York City, Sept. 15, 1948.

In the history of the cold war leading up to the present crisis there is no question but that primary responsibility lies on the deliberate and ruthless pursuit of power by the Communist dictatorship. Nevertheless, our own policy or lack of policy from Casablanca — when Roosevelt scrapped the Atlantic Charter for the negative concept of unconditional surrender—until now has greatly contributed to produce the present crisis.

The method of total war and the nature of Communism precluded any easy settlement after total victory by the supposedly peace-loving nations. Nevertheless, I am proud that I and my party were among that small minority who, in the Presidential campaign of 1944 and afterwards, argued that peace could not be established by creating vacuums of power; that it required a conscious planning of economic and political cooperation to a United States of Europe; that the demilitarization and the de-Nazification did not require the division of Germany into zones, or the arrangements which left Berlin an island in a Russian sea; in short, that a combination of the Morgenthau Plan and appeasement of Stalin was never the road to an abiding peace. Mr. Roosevelt's motives may have been excellent, but he invited a third world war when he played his hunch that Stalin did not really believe the Communist doctrine of world revolution and that he whose hands were red with the blood of the Polish and Finnish victims of his alliance with Hitler could be dealt with like an American politician. It is a tragedy of the hour that there is no way of doing what almost certainly could have been done by the right policy in the years between Casablanca and Secretary Byrnes' speech at Stuttgart in 1946. Even since that date, American policy has been inconsistent and too often has invited suspicion of militarist and imperialist intentions. The difficult combination of patience and firmness which those critical times require may be easier if we remember that our own country has not been without guilt.

It is against this sort of background that we come to the question of what should be done today. One extreme answer has been given by Henry Wallace. He would have us scuttle out of Berlin and go back to his pro-Stalinist interpretation of the Yalta and Potsdam agreements. This champion of the common man and of peace has never even condemned the infamies of slavery in Russia or of the policy under which more civilians have been driven from their ancestral homes by our victorious allies than Hitler had time to displace. Before this audience I need hardly argue that the Wallace type of appeasement would only postpone, not avert war, and in the process impair all the standards of public morality in a democracy. A complete surrender to a Communist world would not bring peace. The darkness of midnight which would follow such a surrender would be broken only by the bale-

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Revaluation of New Zealand Pound

By PAUL EINZIG

Dr. Einzig reports increase of exchange rate and its restoration to parity came as complete surprise, and New Zealanders are proud of their alteration of exchange rate without permission from International Monetary Fund. Asserts future association with Fund depends on success of move.

LONDON, ENG.—The decision of the New Zealand Government to increase the exchange value of the New Zealand pound so as to restore it to parity with the British pound came as a complete surprise. For even though the possibility of such a move has been freely canvassed since the closing years of the war, the very fact that it has been talked about for so long without anything happening was apt to convey the impression that nothing is likely to happen. Yet there was a strong case in favor of a revaluation. The causes for the devaluation of the New Zealand pound 18 years ago—its gross overvaluation and the resulting export difficulties—no longer exist. Indeed ever since the early part of the war New Zealand has managed to present a picture of stability and of reasonable prosperity. Prices remained remarkably stable until recently with the result that the New Zealand pound has become undervalued in relation to currencies of countries where prices have risen to a relatively high degree. For instance, in relation to Britain, the New Zealand pound was at a discount of 25% even though its internal purchasing power was at least as high as that of the pound sterling.

Dr. Paul Einzig

The position is exactly the same as far as Australia is concerned and it was widely assumed that the two countries would pursue an identical policy. Yet New Zealand revalued its pound independently of Australia. Indeed it is even suggested that its decision took the Australian Government completely by surprise. And the Australian Prime Minister lost no time in declaring most emphatically that his government had no intention of following the example of New Zealand. This difference in policy is attributed to the fact that in New Zealand producers do not stand to lose nearly as much as in Australia through a revaluation of the local currency. It is true, the New Zealand pound equivalent of prices obtainable abroad will decline as a result of the revaluation. But owing to the system of government trading that has been in operation in the country for some time it will be possible for producers to receive substantially the same prices in spite of the revaluation. For during recent years the greater part of the surplus proceeds of exports due to the devaluation in 1930 was not allocated to the producers but was set aside by the government. Now that the proceeds will diminish as a result of the revaluation all that the government will have to do is to pay out to the producers the whole of the proceeds instead of continuing to retain part of it. Since there is no similar arrangement in Australia, a revaluation of the Australian pound would inflict serious losses on the producers there. Revaluation would be, therefore, very unpopular among a large and influential section of the public.

In spite of this the Australian Prime Minister's disclaimer of any intention to devalue is not taken at its face value by many people in Australia or abroad, because the main consideration which induced New Zealand to devalue operates also in Australia. It is the recently developed trend of increasing prices due to the rise in world prices. Both Dominions experienced a sharp rise during recent months, not through any internal inflation but because of the rise in prices in the United States, Britain and other countries on which their economies largely depend. It was to check the upward spiral of prices, costs and wages that New Zealand decided to raise the international value of the local currency.

From the point of view of Australia there would be an additional reason for following the example of New Zealand. It is to discourage the practice, pursued by several European countries, of buying Australian wool and re-selling it in the United States. Even though a revaluation of 25% would not in itself check the practice it would certainly tend to discourage it. Moreover, Australia would receive more sterling and other currencies for the same quantity of exports. This brings us to the cause which played a decisive part in the revaluation of the Canadian dollar and the Swedish krona in 1946, and which must have influenced also the New Zealand Government's decision.

The experience of Canada and Sweden has not been particularly encouraging. Both countries embarked on revaluation at a time when their foreign exchange position was very strong. Before very long the change resulted in a sharp deterioration of their foreign exchange positions. Had it not been for consideration of prestige both countries would have reversed the change long ago, instead of continuing to put up with the disadvantages resulting from it.

It remains to be seen whether the experience will repeat itself in the case of New Zealand and of Australia should the latter follow the former's example. Meanwhile New Zealanders are congratulating themselves on having been able to effect a 25% change in their parity without depending for it on permission by the International Monetary Fund. New Zealand is one of the countries which has retained her full freedom to change her parities by refusing to sign the Bretton Woods agreement.

Tobin Denounces Taft-Hartley Act, Calls for Increased Minimum Wage

New Secretary of Labor scores Congressional action in limiting scope of his Department's activities and upholds President's anti-inflation program.

Addressing a meeting at the 23rd Convention of the International Brotherhood of Electrical Workers, AFL, at Atlantic City on Sept. 13, Maurice J. Tobin, recently appointed Secretary of Labor, took occasion to denounce the Taft-Hartley Act as well as other legislation of the 80th Congress relating to his Department and, at the same time, called for a rise in the minimum wage of "a bottom level of at least 75 cents per hour, and perhaps 85 or 90 cents." He also referred to the high cost of living as creating a danger of a "bust," and urged the enactment of President Truman's anti-inflation program. In connection with these matters Mr. Tobin stated:

Maurice J. Tobin

"Here in convention I know you will be much more concerned with the problems faced by your organization and its members in the future. Topmost of your current problems is what some of us call inflation. All of us know this problem as the high cost of living. This has become very serious. The cost of necessities for an ordinary worker's family has risen by about 30% in the last two years, as much as it rose during the previous seven years of war and war-induced shortages. And this in the face of a famous statement, printed in full-page advertisements in the newspapers in May, 1946, a few weeks before Congress scuttled price control. I quote from the National Association of Manufacturers' advertisement:

"'Remove price controls on manufactured goods and production will step up fast. Goods will then pour into the market and, within a reasonable time, prices will adjust themselves naturally and competitively, as they always have, in line with the real worth of things. This is the way you can get goods you want at prices you can afford to pay.'

"Since June of 1946, wage increases have lagged behind price increases, so that the buying power of the average paycheck is less than it was then. This is hard on your members. It is even more difficult for retired, aged and infirm workers and widows, many of them living on fixed incomes which have not been adjusted to keep up with the cost of living.

"It is rough, too, on the wives and mothers of all workers, and I want to pay tribute to these great women. They are the people who come closest to grips with the problem of keeping the family nourished and clothed. They are the ones that have to see that junior gets off to school this month. Just how difficult their lot is I found out the other day in a check of prices for clothing needed by a 'teen-age girl returning to school this month.

"The wool suit a girl wore in September, 1946, costing $24, now costs $29.95. Her wool coat has risen from $19.95 to $24.95. Her wool dress has gone from $14.95 to $19.95. Her shoes, low-medium quality, went up from $4.95 to $6.95; a rayon slip from $2 to $2.98.

"An outfit for a girl consisting of one each of the garments I have listed, plus one pair of hose, one undergarment, and cotton anklets came to a total of $87.67, up nearly $20 from the September, 1946 figure of $68.33.

"The danger is great of a bust and a depression, since we have reached a very high point in a traditional boom. But even at this late date, I believe that some effective action can be taken if the Congress will follow the proposals made in the President's anti-inflation program.

The Department of Labor

"I would like to put before your convention another pressing item of Government business that concerns and affects your organization and its members very directly and intimately. I refer to the Department of Labor, which I head. Since I have taken the oath of office, I have become increasingly impressed with the serious plight to which Congress has brought this Department. This Department is your spokesman in the councils of Government. It is set up to service the working men of this country, your members and the rest of organized labor, and the unorganized millions who have no one to speak for them. The Department of Labor has suffered crippling blows at the hands of the last Congress. Its funds and its force have been reduced. The important functions of mediating and conciliating labor disputes, placed in the Department by the law which created it in 1913, were removed and placed in an isolated, independent agency by one of the little-noticed provisions of the Taft-Hartley Act.

"The Department's proper function of handling manpower and coordinating the Nation's system of free employment offices, which President Truman returned to the Department after the war, have been taken away from it again.

"The operating budget of the Department has been cut in two years from $32 millions to less than $15 million, its entire staff from 7,000 to 3,300.

"We have a program for rebuilding the Department. These agencies and other labor functions outside of the Department should be returned. The services which have had to be curtailed must be replaced and developed into greater usefulness for the labor movement and for the other groups in our country who depend upon impartial facts and statistics.

"The Wage-Hour Act, which 10 years ago was a massive milestone in the advance of labor through the elimination of substandard wages and sweat shops, has become obsolete by reason of the mounting price level. It must be brought up to date and made effective again by establishing a new minimum wage floor, a bottom level of at least 75 cents an hour, and perhaps 85 or 90 cents.

"I feel confident that your organization will consider these problems and act upon them as you have repeatedly acted in the past in supporting and developing

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NSTA Notes

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SECURITY TRADERS ASSOCIATION OF NEW YORK

The annual summer outing of the Security Traders Association of New York was held on Sept. 10 at the New York Athletic Club on Travers Island. Pictures taken at the gathering, which was a huge success in spite of a heavy downpour, appear elsewhere in today's issue of the "Chronicle."

BOND CLUB OF DENVER

The annual frolic of the Bond Club of Denver and the Rocky Mountain Group of the Investment Bankers Association was held on Aug. 27 at the Park Hill Country Club. Pictures taken at the outing by genial photographer, Earl M. Scanlan, of Earl M. Scanlan & Co., appear elsewhere in this issue of the "Chronicle."

In golf, Malcolm Roberts of Sidlo, Simons, Roberts & Co., came in first with a net of 62 and took possession of the Newton cup for the following year. Donald F. Brown, Boettcher & Co., had low gross, with Orville Neely of Merrill Lynch, Pierce, Fenner & Beane taking most blows for the afternoon (he can't seem to differentiate between his golf and bowling—high score in the former and low score in the latter). John Alff of Amos C. Sudler & Co. and Bill May of Stone, Moore & Co. were the champion horseshoe players while Phil Clark of Amos C. Sudler & Co. and Bob Newman of Newman & Co., Colorado Springs, tied for first place in the tennis round robin. Top prize winners were William J. Edwards of Fort Worth and Arthur F. Bosworth of Bosworth, Sullivan & Co., Denver.

There were 178 guests at the dinner which included 20 visitors from Boston to Los Angeles.

BOND CLUB OF LOUISVILLE

New officers of the Bond Club of Louisville are:

Urban J. Alexander, Urban J. Alexander & Co., President.

Urban J. Alexander

Henry Christman, Jr.

R. H. Johnston, Jr.

Henry Christman, Jr., James C. Willson & Co., Vice-President.

R. H. Johnston, Jr., Bankers Bond Co.; Secretary.

Wm. T. Watkins, Merrill Lynch, Pierce, Fenner & Beane, Treas.

DETROIT BROKERS' BOWLING LEAGUE

Members of the Detroit Brokers' Bowling League opened its 1948-49 season on Sept. 15 at the Club Bo-Lo.

The League, composed of 14 teams totaling 70 bowlers employed by financial houses of Griswold Street, is sponsored by the Securities Traders Association of Detroit & Michigan, Inc., and annually competes for the Michigan Investors Trophy.

The competition appears to be keen this year as the boys will be bowling on the same alleys for the second straight year. All the teams are keyed up and eager to take an early lead and fight to stay up there.

Fred Huber of Reid & Co., a little man with a mighty high average and last year's champ, will have to bowl his best to again lead the pack.

The First of Michigan team who, last year put on a beautiful stretch drive to win the Michigan Investors Trophy on the last night of bowling from a tired Reid & Co. team, will find all the other teams gunning for its crown.

Beside the two already mentioned above teams, the league is comprised of: Wm. C. Roney & Co. (Coe) 1946-47 Champions; Paine, Webber, Jackson & Curtis; McDonald-Moore & Company; George A. McDowell & Company; Crouse & Company; Detroit Stock Exchange; Cray, McFawn & Company; Chas. A. Parcells & Company; Smith, Hague & Company; Goodbody & Company; Wm. C. Roney & Co. (Floyd); Chas. E. Bailey & Company who takes over spot vacated by C. G. McDonald & Company.

Officers of the League for the new year are: President—Charles Bechtel, Watling, Lerchen & Co. (who succeeds Clarence A. Horn, First of Michigan Corp.); Vice-President—W. A. Ross Sutherland, Cray, McFawn & Company; Treasurer—Richard Carman, M. A. Manley & Company; Secretary—Hayden Brown, Wm. C. Roney & Company.

The 1947-48 season was climaxed by an Inter-City Tournament, including teams of Detroit, Chicago and Cleveland with the Chicago team composed of Elmer Erzburger, Smith, Burris & Company; Morey Sachnoff, Straus & Blosser; Arthur Sacco, Detmer & Company; Star Koerner, Mitchell, Hutchins & Company; Larry Marr, E. H. Rollins & Sons, Inc., running away with the so graciously donated First of Michigan Trophy.

It is the hope of the new officers that more cities will be represented at the end of this season to wrest the trophy from Chicago.

Those interested, please get in touch with Chas. Bechtel, Watling, Lerchen & Company, Ford Building, Detroit 26, Michigan.

What John Q. Public Should Do

By ROGER W. BABSON

Mr. Babson asserts if both employers and workers would work harder and give the consumer more for his money, the country would continue to enjoy good business. Questions Truman's and Dewey's desire to be President.

I am a statistician and not a politician. Moreover, I always vote the Prohibition Ticket rather than that of either of the two big paries. Hence, perhaps I am not worthy to discuss politics. But—as my mother used to say—"I like to see even the devil get his due."

Roger Babson

Therefore, as the Presidential campaign is now opening, the members of both parties should ponder over the following figures.

With all the cussing we give President Truman, statistics show that since his Administration this country has had the highest national income in its history. At the risk of repeating some facts which I have already stated, let me emphasize that the volume of U. S. business has been above normal for the last ten years (including four of war effort). In fact, the National income for 1948 will be about $215,000,000,000 compared with $40,000,000,000 when Roosevelt became President. This fourfold increase consists of a doubling of goods and services produced and a doubling of prices.

This record really outdistances the boom era of 1922-1930. The volume almost fell to the normal line in 1940 as in 1924; it came within four points of the normal line in 1945. From this point, however, it recovered to a new all-time high within a period of one year. During 1947 and so far in 1948 the volume has run at record highs. The volume of business today stands at 28% above normal. This is close to the April, 1947, all-time high and 24 points above the low point of 1945.

Comparing the '40s With the '20s

There is considerable difference between the boom period of the past 10 years and the so-called Coolidge boom of the twenties. The prosperity period of the twenties was a post-war boom culminating in a period of drastic uncontrolled stock market inflation and frenzied speculation. The business of the last 10 years consisted of a war and post-war boom culminating in a period of uncontrolled wage inflation which may result in a similar collapse.

During both the early '20s and '40s peacetime goods were reduced to a minimum creating a pent-up demand for consumers goods which to this day is not completely satisfied. This is further being aggravated somewhat now by stockpiling of war material again and the shipping of billions of supplies to Europe.

So far there is as yet no overproduction of consumer's goods; but in some few instances the supply is beginning to catch up with the demand. There are still shortages in automobiles, steel, nonferrous metals, electrical equipment, new homes and several other capital goods. The inflation at the present time is not in the stock market but in wages and the concomitant high prices.

If this country is headed for a lower national income and the natural decline in business going therewith, I cannot imagine why either Mr. Truman or Mr. Dewey wants to be President. If I were Mr. Truman I would want to retire in my glory; while if I were Mr. Dewey, I had rather wait four years and see what happens to the country in the meantime. Based upon Newton's Law of Action and Reaction, whichever is elected is sure to face hard times and—unless "saved" by World War III—will probably be defeated in 1952.

What John Q. Public Should Do

Yet if we all—employers and wageworkers—would be willing to work harder and give the consumer more for his dollar, the United States could continue to enjoy present good business for sometime to come. If we consumers would be willing to change our buying habits in accordance with demand and supply, this would prevent prices from going any higher.

If we would encourage the government to cut its pay and relief rolls in half and put millions of people back into industry, it would both reduce taxes and the labor shortage. There is much that each reader of this column could do to prolong prosperity; but are we willing to do so? Remember that politics are only an echo of what we ourselves are willing to do. A river does not run higher than its source.

Inv. Analysis Course At Trinity Univ.

SAN ANTONIO, TEX.—A course in anlyses and techniques of investments will be initiated at Trinity University, Downtown Division, on Sept. 21, 1948, and will meet every Tuesday thereafter from 7 to 9:40 p.m. This course, which is listed as Business Administration 328, will offer 3 semester hours of college credit to those who desire it, or may be taken for non-credit.

E. S. C. Coppock, a staff member of J. Wilbur Chapman and Company, San Antonio investment bankers, has been secured as the instructor for this new course. Mr. Coppock is a member of the New York Society of Security Analysts and author of a weekly market letter used by investment bankers and investment counselors. A record of Mr. Coppock's past market forecasts reveals an unusual degree of accuracy.

NYSE Reg. Facilities For Selective Service

Emil Schram, President of the New York Stock Exchange, announced that the Selective Service registration facilities on the first floor of 24 Broad Street, opened by the Exchange to expedite convenient registration of its employees and those of member firms, is prepared to register any financial district employee who is subject to Selective Service requirements. This enlargement of local registration facilites is undertaken in cooperation with Colonel Candler Cobb, Selective Service Director of New York City. Registration at this headquarters obviates the necessity of registering elsewhere, regardless of age group or residence.

Registrars headed by J. Horace Block, a member of the Exchange, are available between the hours of 9 a.m. and 4 p.m. daily. About 1,000 employees have already been registered.

A. W. Porter Dies

Arlington Wesley Porter, President of A. W. Porter, Inc., of New York City, died at the age of sixty-nine.

Urges Savings-Loan Associations to Insure Loans

In presidential address at 60th Annual Convention of New York State Savings and Loan League, Deweese W. DeWitt cautions mortgage institutions of possible shrinking of real estate values.

Deweese W. DeWitt, retiring president of the New York State Savings and Loan League, in his presidential address at the 60th Annual Convention held at Saranac Inn, New York, Sept. 12 to 15, sounded a note of caution against unsound mortgage lending and urged the members of the organization to have their accounts insured by the Federal Savings and Loan Insurance Corporation. In this connection, Mr. DeWitt stated:

Deweese W. DeWitt

"I have been very much pleased to note the number of associations which have had their accounts insured by the Federal Savings and Loan Insurance Corporation during the past year. I understand there are a number of others who have made application and hope to receive their certificates before the first of the year. The time has come when all boards of directors should give serious thought to this subject. I have noted in my own association that prospective customers who I know are perfectly able to understand a financial statement, give very little weight to the item of 'surplus and reserves.' All they want to know is 'Are your accounts insured?' If the answer is 'No,' they usually turn without a word and leave the building. All of us realize that as competition becomes keener and keener we must give the public what it demands. If we want to increase our share capital so that we can take care of our mortgage demands, insurance of accounts becomes a necessity. If you have the slightest doubt as to real estate prices remaining at their present levels, it would seem the wisest course to apply for insurance while things are booming rather than wait until the public might have some doubt regarding the stability of your mortgage portfolio, due to shrinking real estate prices.

"I cannot close this address without reiterating the words of caution that I first mentioned in my message at the semi-annual meeting of the League in New York last March. It is true that wages are on the increase and some commodities are reaching new highs. However, if you will compare the selling price of 30 representative commodities on Sept. 7, 1948 with the selling price a year previous you will find that 14 are selling for less, 15 for more, and one exactly the same. In the New York 'Herald Tribune' of Sunday, Sept. 5, there was an article on the 'State of Business' by Harvey C. Runner in which he called attention to the similarity of conditions existing in August, 1948 and those of August, 1920. Predictions in August, 1920, were that business could not help but remain good for the balance of the year and probably would likewise continue during 1921. However, cotton futures dropped from 24.45 in August, 1920 to 13.85 in December and a general business slump was on the way. The article goes on to point out that the parallel of 1920 and 1948 is not necessarily a prediction that a readjustment is evident now but a warning that 'it can happen.'

"While I do not want to go on record as saying that I believe 1948 will duplicate 1920, I will say that I think the peak in real estate prices has been reached and I cannot too strongly urge that association managers proceed very cautionsly in granting loan applications. I would suggest that first, you should carefully review the appraisals with the question in mind, 'Will this property be worth its present appraisal in three years?' Bear in mind that a drop of 20% in value will wipe out your equities in a great many cases. Next carefully weigh the moral risk, because in times of adversity the moral risk is sometimes the most important security you have. Third, never let a prospective customer hurry you into granting an application without making a complete investigation. This situation was very ably expressed by Abraham Lincoln in his first Inaugural Address when he said: 'Nothing valuable can be lost by taking time. If there be an object to *hurry* any of you, in hot haste, to a step which you would never take deliberately, that object will be frustrated by taking time; but no good object can be frustrated by it'."

Registrations For AIB Evening Classes

Registration for fall classes in banking and allied subjects is being accepted Sept. 13 through Sept. 17 from 5 p.m. until 8 p.m. by the New York Chapter, American Institute of Banking, Fourth Floor, Woolworth Building, 233 Broadway. Classes, held only during the evening, are scheduled to start Sept. 20.

The school is a section of the American Bankers Association and is sponsored by banks in Greater New York.

Export-Import Bank Makes Loan to Finland

The Export-Import Bank of Washington announced Sept. 8 the extension of a credit of $5 million to the Republic of Finland. The credit, repayable in 15 months, will carry a rate of interest of 2½% per annum. The purpose of the credit is to finance the purchase of raw cotton in the United States.

The Finnish textile industry is operating at a rate of about 70% of prewar and has been almost wholly dependent upon imports of raw cotton from the United States. Its market is largely domestic, but small quantities of textiles are exported to Denmark and Norway.

Securities Salesman's Corner

By JOHN DUTTON

In the Aug. 26 issue of the "Chronicle" we put forth the suggestion that unlisted firms should sell listed securities. But we also brought out the fact that as desirable as this policy appears from the standpoint of the investor and the dealer as well, that under present conditions the unlisted dealer must handle this business at a loss unless he can charge his customer an additional commission. The proposal was put forth that a committee comprising the most able men in both the unlisted and listed fields should get together and make a study of this whole problem with the objective of devising a method whereby the unlisted firm could be compensated in some manner for this business.

This column elicited a number of replies, and the suggestion that such a committee should be formed met with considerable approval. One letter in particular from George Hemmen of The George Hemmen Investment Company made some interesting observations on this matter. We quote: "The fact that the average dealer is not given any concession by the Stock Exchange members affects his judgment and has a tendency to prejudice his decision because of the lack of profit involved. Personally, to be honest and sincere with our clients, I point out this fact to them and because of the service we render, they mutually agree to pay us a small additional commission above the Stock Exchange commission. . . . I believe, with you, that if the Stock Exchange members would make a scientific study of the matter, they would find it would, in due course, not only increase their volume of business but at the same time make the Stock Exchange transactions more stable and improve public relations. No doubt they would contend that the average commission is approximately $18 or $20 on a hundred shares, but the very fact that they cater more to the small-time speculator is probably responsible for the low average commission rate. I believe that if they would allow concessions to all members of the National Association of Securities Dealers [We disagree here—w say all registered securities dealers.] that they would find the better part of these dealers who considered their transactions more of an investment nature rather than speculation, and would result in transactions in the better and higher quality stocks. . . . All in all, I believe if the Stock Exchange members would grant all such dealers a concession, it would not only stimulate more business but would, moreover, raise the standards, and dealers would gradually do a better job for their clients."

We believe that Mr. Hemmen is right when he states that the average unlisted dealer looks first for unlisted situations because he cannot make a profit out of good listed stocks. He sells investment funds as one medium of offering listed securities and still make a profit; however, if we are going to go into the business of becoming distributors for mutual funds to the extent that we neglect individual securities, we are building up a gigantic Frankenstein and some day we may live to regret it. Mutual funds have their place and they deserve the high standing which they hold today, BUT IF OUR BUSINESS IS TO RETAIN ITS POSITION OF IMPORTANCE IN OUR ECONOMY WE MUST RETAIN ITS TRADITIONAL CONNECTION WITH THE FINANCING AND DISTRIBUTION OF INDIVIDUAL SECURITIES OF SEPARATE BUSINESS ENTITIES.

There are billions of idle dollars lying around in the banking system that are either going to stay in hiding or they are some day going to flow back into business. Some of these dollars will be needed to finance the staggering demand for additional capital that will be required by our economy in the years which lie ahead. But in order to coax this money out of its hiding place we need the cooperative effort of the entire securities industry. What better method for formulating such a program of cooperation in our industry could we undertake than to select some such problem as this one and try to solve it. The member firms need more business—good business of an investment character—the unlisted houses can produce this business—the investors of the country need the best, unbiased investment service which we can give to them—we say again, MAYBE THERE IS AN ANSWER TO THIS PROBLEM, SO LET'S GET TOGETHER AND FIND OUT.

Cooperation between men of good will, all engaged in the same business, all under attack by a hostile Administration for 16 years, all with a job to do, and engaged in a vital industry which needs make no apology to anyone; what better basis could we find for trying to enlarge our activities, increase our services to our clients and enlarge the profit possibilities which lie ahead of us?

Marshall Corns Joins Wolf and Company

CHICAGO, ILL.—Wolf and Company, certified public accountants and management engineers, announce that Marshall Corns, formerly President of Marshall Corns and Company, management engineers and consultants to banks and bankers, has become associated with them. He will head their bank division which renders financial and business audits, accounting, management and consulting services to banks and bankers.

Marshall Corns

Mr. Corns is an experienced and practical banker and for a number of years was an operating officer of one of the leading banks of Chicago. He is well-known nationally as a bank management engineer and consultant and has been a frequent contributor to banking publications on management and economic subjects.

Wolf and Company, one of the long established firms in the public accounting field, maintains offices at 7 South Dearborn Street, Chicago, and in New York, Philadelphia, Indianapolis, Des Moines and Oklahoma City.

Customers Brokers Get Slate for New Officers

A slate of officers and members of the Executive Committee has been announced by the Nominating Committee of the Association of Customer's Brokers. Elections are to be held at the annual meeting of the Association 4 p.m. Wednesday, Sept. 22. The meeting, and the dinner to follow, will be at Delmon's Restaurant, second floor, 16 Liberty Street.

Archie F. Harris, of Merrill, Lynch, Pierce, Fenner and Beane, has been proposed as President, Maurice Glinert, of Hirsch and Company, as Vice-President, Edmond Tabell, of Shields and Company, as Secretary, and Milton Leeds, of Pershing and Company, as Treasurer.

To fill vacancies on the Executive Committee the following have been nominated for the term of office as indicated by the year in parentheses:

N. Leonard Jarvis, Hayden Stone & Co. (1952).

Frank P. Rinckhoff, E. F. Hutton & Co. (1952).

William Cogswell, Fahnestock & Co. (1952).

Jack B. Huhn, Bache & Co. (1952).

Nicholas F. Novak, Drysdale & Co. (1950).

Arthur J. Messing, Herzfeld & Stern (1949).

Lewis R. Harder, Harris, Upham & Co. (1949).

The Nominating Committee is composed of:

Thomas Bowes, Bache & Co.; Harry Corbett, Gude, Winmill & Co.; John Gordohn, Steiner, Rouse & Co.; John Hart, E. F. Hutton & Co.; Raymond J. Kane, Wm. H. Rosenbaum & Co.; Laurence J. Moran, Smith Barney & Co.; Nicholas F. Novak, Drysdale & Co.; Michael Sommerfield, Hayden, Stone & Co.; John Tucker, Fahnstock & Co.

Joins I. M. Simon & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Paul E. Peltason, Jr. has joined the staff of I. M. Simon & Co., 315 West Fourth Street, members of the New York and St. Louis Stock Exchanges.

Better Living Depends on Strengthening Free Economic Society, Says Rukeyser

Publicist condemns political adventurers seeking power through demagogic splintering of population.

SPRING LAKE, N. J. — Better living for 40,000,000 American families can be promoted by popular insistence on strengthening the economic foundations of a free society.

This view was expressed here on Sept. 10 by Merryle Stanley Rukeyser, economic commentator for International News Service, in a speech before the convention of the New Jersey Gas Association.

Merryle S. Rukeyser

"After 16 years of floundering," Mr. Rukeyser, who is author of "Financial Security in A Changing World," declared, "the United States can renew its strength by drinking again at the fountains of freedom and individual initiative. In practical terms, this means turning thumbs down on political adventurers who seek power through devisive class appeals to special interests of numerically important pressure groups. Such splintering of the population leads to Old World backsliding. The American Way depends on promoting inter-group harmony, not on fanning the fires of class warfare.

"At a time of postwar readjustment, it is important that the Republic meet its problems courageously on the basis of an informed citizenry.

"In the circumstances, circulation of political blue sky is dangerous and disruptive. It is an insult to the intelligence of the voters to separate effects from their true causes."

Mr. Rukeyser further declared that the major intellectual error of the period is the use of false labels. As an illustration, he cited the tendency to describe reactionary Marxian collectivization as "progressive" and "liberal." He further decried the effort to represent as "social gains" the tricks incidental to money manipulation and robbing Peter to pay Paul.

The speaker cautioned against the new fashion to give lip service to free enterprise, while trying to hamstring the system through unsound tax, monetary and legislative policies. He called for a revival of the American dream of Horatio Alger, Jr. and asked for new respect for thrift and industry and for the creative achievement of science and invention.

In concluding, Mr. Rukeyser said: "What Julius Tannen said of individuals is also true of nations. The comic remarked: 'A pauper is a fellow who used to be a sucker.' The citizen is a sucker who assumes that we can have the continuing benefits of the American enterprise system without adhering to the ingredients which have been demonstrably successful. With Marxians momentarily in retreat in the free world, this is no time to proceed half way to slavery through what is glibly described as a 'mixed system'."

Mr. Rukeyser asserted that it is a sign of immaturity to be against inflation without recognition of the basic policies and activities which cause the trend.

SEC Survey of Investment Companies

The Securities and Exchange Commission on Sept. 9 made public quarterly data on 147 management investment companies registered under the Investment Company Act of 1940, of which 69 were open-end and 78 closed-end companies. All companies included have fiscal quarters ending March 31 and June 30, 1948.

The market value of the security holdings of these companies (exclusive of governments and securities of other investment companies) amounted to $2,385,036,000 at the end of the second quarter of 1948 compared to $2,236,125,000 at the end of the first quarter, while their total assets rose from $2,632,113,000 to $2,802,112,000. In relation to total assets, these security holdings represented 85.0% at the end of the first quarter and 85.1% at the end of the second quarter. Cash and cash items declined slightly from $105,724,000 to $105,382,000. Holdings of government securities, on the other hand, rose from $175,290,000 to $182,166,000.

The survey shows that during the second quarter of 1948 all companies in the aggregate reported an excess of purchases over sales (purchase balance) of portfolio securities amounting to $9,365,000, compared with a purchase balance of $10,778,000 during the first quarter of the year. Both of these amounts exclude transactions in government bonds. The 69 open-end companies reported a purchase balance in their portfolios of $28,708,000 during the second quarter of 1948, compared with a purchase balance of $24,230,000 during the first quarter. In contrast, the 78 closed-end companies showed a sales balance in their portfolios during the second quarter of $19,343,000 compared with a sales balance of $13,452,000 during the first quarter.

During the second quarter of the current year, open-end investment companies continued to sell to the public more shares of their stock than they repurchased; for the 69 companies, the excess of sales over purchases in this quarter amounted to $22,876,204, compared with $21,088,194 in the preceding quarter. Meanwhile, closed-end companies continued to retire both their stock and funded debt; the excess of repurchases over sales of stock in the second quarter of 1948 for the 78 companies totaled $2,407,783, compared with $18,780,062 in the first quarter, while the excess of repurchases or redemptions of funded debt over the amount of sales in the second quarter of 1948 was $2,000,199, compared with $908,296 in the preceding quarter.

John L. Mayhew Joins Roberts Co. As Analyst

Roberts & Co., 61 Broadway, New York City, members of the New York Stock Exchange, announce that John L. Mayhew, formerly with J. Arthur Warner & Co., Inc., has become associated with the firm as security analyst.

Mathews Now With Mitchell, Hoffman & Co.

BALTIMORE, MD. — Harry E. Mathews has become associated with Mitchell, Hoffman & Co., Inc., Mercantile Trust Building. He was connected with the former firm of Frank B. Cahn & Co. for about 23 years.

How Can It Be?

CORRECTION

In our issue of Sept. 2 the name of Professor Josef L. Hromadka was inadvertently omitted at the end of a brief extract taken from his recent address in Holland. The net effect was to make it appear as if John Foster Dulles were the author of the sentences in question. We offer our apologies to both Mr. Dulles and Professor Hromadka. The brief article now corrected to remove the unfortunate error appears below.

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

John F. Dulles

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

* * *

"Today many who defend the institutions of the West do so on purely materialistic grounds, such as that they have developed mass production. Such reasons are inadequate. No political or social system should prevail unless it is the means whereby men are consciously trying to bring human conduct into accord with moral law and to enlarge the opportunity of men to exercise their human rights and fundamental freedoms."—John Foster Dulles.

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

More Light!

"I have flown to New York for a final conference with Governor Dewey and John Foster Dulles before Mr. Dulles leaves for his critical responsibilities in the General Assembly of the United Nations at Paris. We have canvassed the foreign policy problems which confront our country, including the situation in Berlin.

A. H. Vandenberg

"Regardless of political differences at home we are serving notice on the world that America is united to protect American rights everywhere and through firmness in the right to seek peace with justice for ourselves and the other peace-loving peoples of the world.

"It is of the greatest importance that other nations which do not understand our political system should not be misled by our political campaign at home. We shall be in internal controversy regarding many phases of foreign policy. But we shall not be in controversy over the basic fact that America is united against aggression and against the foes of freedom."—Senator Arthur H. Vandenberg.

This is no time to "rock the boat," and we have no intention of doing so, but we should like a little more light on the precise meaning of the terms "against aggression and against the foes of freedom."

Prudent Bull Market Ahead!

(Continued from page 3)

commodity price level does not seem to be in the cards due to the extension of government support laws through 1949, and the tremendous influence of the farm lobby.

Armament Program Will Prevent Deflation

Deflation of any consequence cannot occur if the armament program is stepped up, no matter which political group may be in power. A completely friendly settlement with Russia and a neighborly association does not appear possible for some time to come. Russia is and always will be an Oriental enigma to Western minds. I cannot see, therefore, a reduction in armament orders from governmental sources. Another fact of the international situation must be considered. ERP, it should be remembered, is a long-range program and the demand for hard goods in the domestic market will be augmented for some time by purchases for the assistance of the participating countries.

While some soft spots do exist in the business picture, all signs point to a stabilization of our economy at a rate of production higher than in any pre-war period. Prices of many items must be brought into alignment with the major sections of our economy. This adjustment is being carried on now. Lumber prices are receding from their fantastic postwar peak, luxury items have seen their sellers market disappear, the electrical appliance group has shown the glut of overproduction at high prices and "high-cost" companies are having difficulty meeting competition. These adjustments are necessary to produce a healthy economy and the over-all business picture will be bettered when the process is completed. The position of efficient producers will be strengthened by these changes and prices for stocks of such corporations will advance, reflecting high stable earnings and dividends.

I believe in a bull market but a selective bull market where careful and prudent buying will be the key to profitable transactions. Careful analysis of each individual issue under consideration will be necessary, **but exercising such care will bring its own reward — profitable market purchases.**

Courts & Co. Will Admit Three Partners

ATLANTA, GA.—Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange, will admit James W. Means, Frank B. Sites, and McKee Nunnally to partnership as of Sept. 23. Mr. Sites and Mr. Nunnally have been associated with the firm. Mr. Means, whose admission to Courts & Co. was reported in the "Chronicle" of Sept. 9, was previously Vice-President of the Trust Company of Georgia.

Ed. T. Volz Forming Own Investment Firm

SAN ANTONIO, TEX.—Edward T. Volz will form Edward T. Volz and Company, with offices in the South Texas Bank Building, about Oct. 1. Mr. Volz is Vice-President of the First of Texas Corp.

O. D. Bashford in Massillon

MASSILLON, OHIO — D. D. Bashford is engaging in a securities business.

Canadian Securities

By WILLIAM J. McKAY

At the present rate of progress the oil of the Canadian prairies gives promise of surpassing in economic importance the hitherto paramount assets in the shape of wheat and other farm products. Largely as a result of the spectacular development of the new Leduc and Lloydminster fields, the Canadian oil production has been doubled in the course of the last year. In addition to these new proven areas, it is believed that Pincher Creek and Redwater will add two more major fields to the already imposing array of Alberta oil-producers. Moreover, Canada's first and oldest major oilfield at Turner Valley, which appeared until recently to be in steady decline, has now taken on a new lease of life following the discovery of fresh productive areas.

According to expert opinion this is only the beginning, and almost the entire strata underlying the Western prairies and the North West Provinces is considered to be potentially oil-bearing. The vast expanse of the McMurray tarsand area alone is estimated to contain the largest amount of oil reserves in the world. All major oil companies here and elsewhere are now fully cognizant of the tremendous possibilities for Canadian oil production on a vast scale, and are now engaged in intensive drilling activity. Already production is severely taxing the existing refinery and transport facilities which are now in course of important expansion. It now appears that the time is not too far distant before Canada's oil requirements will be supplied from domestic sources, and ultimately the Dominion should become a major exporter instead of an importer of petroleum products.

In view of the ever increasing world demand, the prairie provinces will always have a ready market for its oil, whereas, as it has been seen in the past, surpluses of wheat and other grains are sometimes difficult of disposal. Western Canada's dependence on a constant world demand for her export surpluses of grain has always constituted a vulnerable factor in the Dominion economy; the addition of another major export item would therefore be a further step towards a healthier stabilization of Canadian foreign trade. It would also contribute to an important degree towards the solution of Canada's U. S. dollar problem by creating a favorable instead of an unfavorable balance on this account.

The location of the Canadian Western oil fields is also fortunate in view of their proximity to areas which are now poorly served by existing sources of supply. The northern Pacific coastal area and the northern states of this country could readily be supplied by comparatively short pipe-lines, and the fuel requirements of Alaska could also be conveniently satisfied. The importance of the availability of adequate supplies of Western Canadian oil to these areas in time of war cannot be overestimated.

During the week the external section of the bond market remained dull and inactive, and the internals were unchanged, despite the easier trend of free funds following decreased demand on tourist account. The stock markets lost much of their recent buoyancy, but the Western oils resisted the downward trend following further reports of new drilling successes in the Redwater district of Alberta. The gold mines also held most of their recent advances as the feeling still persists that this section of the market is in the early stages of a new bull trend.

In recent years, especially during the war period, the Canadian gold-mining industry has suffered a series of shocks in the shape of rising costs of production, the scarcity of labor, and the upward revaluation of the Canadian dollar. The cost of production still constitutes an unfavorable factor but in the event of a general economical recession, the position of gold as it has been proved historically is automatically improved. The Canadian labor situation is now much improved, and there is still a naturally strong tendency for the price of gold to rise in relation to other commodities. There would thus appear to be good grounds for the current optimistic sentiment with regard to the Canadian gold stocks, which moreover have been unduly depressed in the past few years.

Gerald F. X. Kane Is With P. P. McDermott

Peter P. McDermott & Co., 44 Wall Street, New York City, announce that Gerald F. X. Kane has become associated with them in charge of the unlisted trading department. Mr. Kane, who has been in the "Street" for twenty years will trade in all unlisted securities. He was formerly with Luckhurst & Co., Inc.

Gerald F. X Kane

E. W. Clucas to Admit Gowen as Partner

Vincent M. Gowen will become a partner in E. W. Clucas & Co., 70 Pine Street, members of the New York Stock Exchange and other exchanges, on Oct. 1. Mr. Gowen is Trading Manager for the firm.

Public Utility Securities

Northern States Power of Minnesota

While the capital structure and system set-up have been comparatively simple as compared with most utility holding companies, Northern States Power of Delaware has gone through some years of litigation in connection with the efforts to develop a dissolution program satisfactory to all interests. The preferred stockholders seemed to be favored somewhat by the management, but class A stockholders were also strongly represented by counsel. Many plans have been presented during the course of proceedings before the SEC and the Federal Court in Minnesota. One of these plans was approved by the SEC and was considered by the Federal Court, but so much opposition developed that it was returned to the SEC; later the present compromise plan was evolved and approved by the SEC and on Sept. 1 by the Federal Court.

While Judge Nordbye has not yet signed the dissolution order, he is expected to do so around Sept. 15. Opinion in well-informed Wall Street quarters is that the plan will not meet with further active opposition. The appeal period will, it is understood, be 60 days instead of the former 90 days, so that barring an appeal dissolution might become effective around mid-November.

Under the plan the four stock issues of Northern States Power of Delaware will receive common shares of Northern States Power of Minnesota (which will be recapitalized to 9,527,632 shares). Each share of 7% preferred with arrears of $10.06 will obtain 10 shares of new common and $3.50 cash; each share of 6% preferred (with $8.62 arrears), nine shares and $3; the A stock, 5¼ shares, and the B stock 5/12 share.

Following announcement of the Federal Court decision, an over-the-counter market in the new common stock temporarily developed, though this was discontinued when it was discovered that the official order had not yet been signed. Quotations were in the general range of 8¼-9. The preliminary market quotations presumably were fixed merely on an arbitrage basis, with quotations on either the preferred stocks or the class A stocks as a guide.

For the 12 months ended June 30, Northern States Power of Minnesota reported net income on a consolidated basis of $8,488,000 available for the common stock, equivalent to 89 cents a share. On July 20, the company sold $10,000,000 3% bonds and on Aug. 11, 200,000 shares of $4.80 preferred stock, proceeds being used to repay a $12,000,000 bank loan incurred about a year ago, to advance about $6,000,000 to the Wisconsin subsidiary, and to provide construction funds. The net annual increase in fixed charges (after tax adjustment) might approximate $125,000, and preferred dividend requirements have increased $960,000. These additional charges for new money requirements would amount to about 11 cents per share, reducing pro forma earnings to 78 cents.

In the spring of 1946 Northern States Power made voluntary rate reductions for electric, residential and commercial customers, aggregating about $2,700,000, and smaller electric and gas reductions aggregating about $1,000,000 were also made in 1947-1948. The recent prospectus on the preferred stock offering stated "due to the increases in the cost of fuel, labor, materials and supplies, and other items, consideration will be given by the management to the restoration of electric rates to the approximate levels of those in effect before the 1946 reductions."

There is no regulation of electric and gas rates by State Commission in Minnesota and it is understood that the rate increases in that State will become effective Nov. 1. Applications for other increases are said to be pending in Wisconsin and in the Dakotas. Assuming that all pending and proposed rate adjustments are effected, revenues might be increased by approximately $4,300,000, it is estimated, equivalent after increased taxes to $2,700,000, or 28 cents a share. This would bring our pro forma estimated share earnings to $1.06.

However, much of the advantage to be gained through the rate increases may be lost through increased labor costs. Wages were increased about 12% this summer, the net annual increase after tax savings being approximately $1,000,000. The higher wages were accrued for two months of the 12 months' period ended June, so that to adjust to a pro forma basis five-sixths of the amount ($830,000, or 9 cents a share) should be deducted from earnings. Moreover, the company is planning to install a pension system, the net annual cost of which (after tax savings) is $1,055,000, or 11 cents a share. These labor costs would reduce the earnings estimate to a level around 86 cents.

However, this is probably too low an estimate. Like other utilities the company has been greatly handicapped by having to use obsolete generating equipment. Steam-generated power for the entire system was 2,239,544,070 kwh. in the 12 months ended March 31, an increase of 130% over the 975,812,012 in 1942. The company spent about $22,000,000 last year for construction, will spend about $32,000,000 this year and some $70,000,000 during 1949-51. Present system generating capacity of about 480,000 kw. will be increased by 337,000 during 1948-51, a gain of 70%. Obviously, this should permit very substantial fuel savings, as well as further expansion of the business. Additional financing over the next three years is estimated at only about $40,000,000 (no determination has been made as to the method). Natural gas was recently introduced into St. Paul, and while the supply is limited this should favor earnings. While it is impossible to estimate future earnings closely, allowance for fuel savings and growth would seem to warrant a figure around $1.

It has been estimated in the Street that such earnings would permit payment of a 70c. dividend (although the recent rate was around 60c.). This would mean continuation of the same income to the Delaware 7% preferred stock which it has been receiving recently (the 6% would fare slightly better).

Because of the large size of the Northern States system (annual revenues approximate $65,000,000) and the company's high credit standing (its bonds are rated Aa), it seems logical to expect that the new common stock should eventually, after market seasoning, sell on a similar yield basis to stocks of other important utilities.

With H. O. Peet & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Paul M. Morris is with H. O. Peet & Co., 23 West Tenth Street, members of the New York Stock Exchange.

Predicts "New Look" in Prices

National Association of Purchasing Agents reports declining agricultural prices mean reduced upward pressure on industrial prices.

The Sept. 8 issue of the "Bulletin of the National Association of Purchasing Agents," in a review of price shifts, portrays an approaching "new look" in prices. According to the survey, the drag on farm prices has now reached the point where quite a few food prices are being affected and the decline in raw cotton prices is definitely pulling a number of textile prices lower.

"All that adds up to a pattern of declining agricultural prices and lessened upward pressure on industrial prices.

Political Football

"The Republicans now have made official their claim that the Administration is deliberately trying to hold farm prices up until after election. That is the first salvo in an election campaign which will probably be fought out largely on the issue of prices. Each major party is blaming the other one for the present high prices—and both of them with some degree of justification because, in the final analysis the present high price level probably is their joint responsibility for mixing politics and economics.

Drag on Foods

"Pressure on food prices is growing. Even meat prices floundered badly last week—but that was mostly due to the fact that supplies were piling up as a result of the heat wave. People eat less meat when it gets too hot.

"This probably is not yet the start of the 'real thing,' as far as the decline in livestock and meat prices are concerned. But, it serves as a warning that even this important price group is no longer a one-way street.

"As meats go, so goes the cost of living. Even if support levels hold prices of grains far above what they would be without such crutches, it is well to remember that grains have already come a long way down from their post-war peaks. These were reached last January, just before the big February nose dive—which now does not look half as phony in retrospect, as the inflation-conscious statesmen wanted us to believe.

"A drop in the cost of living, of 10% or slightly more, by early Summer of next year now seems a reasonable bet.

"Meanwhile, Uncle Sam will have to dig down deep into his jeans, in order to provide the funds asked for by grain and cotton farmers for 'loans' on 1948 crops. The total will surely run into the billions; maybe $3 billion will prove a conservative guess. That money is not all "lost" from the taxpayer's point of view. Some of the stuff placed into the loans will be needed for domestic consumption, as the crop year progresses. For that, the Treasury will be reimbursed, of course, and the taxpayer merely pays in the form of higher domestic prices. But, a lot of the 1948 crops will be surplus and we may even have a heck of a time giving them away.

The Industrial Front

"Everything was rather quiet on the industrial price front during the pre-holiday week.

"Maybe there would have been more enthusiasm to get ready for the Fall season, had it not been for the heat wave. But, as things were, everybody seemed to be marking time.

"That is clearly reflected in the extremely small number of price changes reported last week. The only market sector that showed anything like a trend was textiles—and, there, the tone was decidedly on the heavy side.

"Unless textile demand perks up real soon and with real oomph, textile manufacturers will have to tackle some real problems. Inventories in their warehouses are large: the next decision is whether or not to cut production in order to restore a better balance between supply and demand. That will bear watching. (Incidentally, read what is happening in coal, lumber and paper markets reported in this issue.)

"A quick run down of last week's price changes shows the following picture:

Textiles

"Further cuts in the cotton textile market seem to be in the making. **Cotton yarn** demand continues spotty with prices on the easier side. It is reported that efforts by spinners and sellers to support quotations bring little result, and trading has been confined to small lots.

"A slow market prevails in **print cloths**, with buyers demanding lower prices and producers unwilling to shade quotations. A few mills have offered **work clothing** fabrics for delivery through the fourth quarter. The offerings show converted types off in price, while colored yarn goods continue at the present level. This pattern is expected to be followed in the bulk of fourth-quarter offerings.

"In the **fine combed goods** market, further cuts may be on the way. An oversupply of goods and buyer pressure has brought on a definite softening, which makes selling houses look toward the Autumn months with no little uncertainty. The **surgical dressing** trade is reported to be hard hit by the lower gray cloth prices. Caught between high contract prices for cotton gray goods and the necessity for reducing prices on finished goods, this market is facing a tough problem.

"The largest individual operator in the **spun rayon fabric** field has opened his fourth-quarter bookings at unchanged prices. This mill distributes a substantial volume of fabrics for popular and medium priced apparel trades.

"It has been predicted in the trade that prices of all types of **Japanese silk fabric** will be raised on Jan. 1. At the same time, **raw silk** prices will probably be advanced. Increase on the fabrics might be as high as 20%, according to some guesstimates.

"**Raw cotton** has recovered somewhat from the lows of last week. Light trading for export, mill buying and some professional covering are among the factors. There are reports of a heavy movement of the staple into the government loan, a factor that could easily strengthen prices.

Chemicals

"One maker has boosted the price of **bismuth** preparations used in medicinals, cosmetics and toiletries 15c to 30c per pound. **Menthol** is reported declining on narrow demand and prospects of further receipts from Brazil, Japan and China.

"The upward trend in **podophyllin**, which started about two week ago, is pushing even higher and is now reported selling at $14.25 per pound, compared with the previous quotation of $14. Because of competitive conditions, **tartaric acid and cream of tartar** prices have been reduced 4c and 3c per pound respectively. Tartaric acid goes into the manufacture of cream of tartar, tartar emetic, intermediates, organic chemicals, baking powder, effervescent beverages, is used as a silvering and tanning agent, and in certain branches of the textile industry.

"It is reported that the critical shortage of **cresylic acid** is to be with us for some time. The acid, a coal-tar chemical now widely used by manufacturers of textiles, plastics, dyes, inks, disinfectants, medicinals and in ore flotation and petroleum refining, until lately was restricted to bug killing preparations.

"**Ground** and **refined sulphur** prices have been hiked $5 to $7 per ton. Carnauba wax prices have eased. The latest quotation is $1.16 per pound, off 4c.

"A number of declines continue to come through in the **essential oils** field. **Orange oil, oil of peppermint, wormwood, pine needle, fennel** and **citronellyl acetate** are all lower. A new pain killer, a drug said to be more potent than cocaine or procaine has been discovered. As yet, it cannot be made generally available until further laboratory tests have been made.

"Little change is reported in paint materials. In line with earlier announcements, **zinc oxide** prices have been lifted 2½c per pound. The new and higher prices are only guaranteed for the month of September. **Naval stores** continue quiet and the trade factors looked for no improvement until after Labor Day week end.

"Activity in the **fats and oils** market is reported near a standstill. With fourth-quarter allocations for export not expected until Sept. 15, some producers are hesitant to extend positions this early. **Fancy tallow** is quoted at 13½c per pound; crude **china wood oil** at 20¾c; **corn** 24½c; **coconut** 22½c; **cottonseed** 22c; **peanut** 24½c, and **soybean** 21c. **Tall oil** continues to jog along at 2c per pound.

"**Furfural**, used in nylon, plastics, synthetic rubber and adhesives, is now 8% to 10% lower in price, according to the announcement by a leading producer. Furfural is manufactured from milling by-products and corncobs.

Foods

"Food prices were lower last week, particularly in the meat department. **Beef, pork** and **lamb** were all lower and were off $2, $7 and $6 per hundredweight, respectively.

"Medium sized **eggs** were 2c a dozen lower; **grade A butter** held about unchanged, while cheese declined another 1c a pound. **Sugar** and **cocoa** declined, while the price of **canned tomatoes** firmed up on reports of a short supply in Maryland canning district.

"The cash grain market continued its erratic course, up today, down tomorrow, following the temper of **corn**. **Flour** prices held about unchanged, at $5.75 per 100 pounds.

Miscellaneous

"Another company has announced price increases on **radio** and **television** receivers on or about Sept. 8, because of wage and material price hikes.

"The price of **southern pine** lumber edged a little higher, to $77 per thousand board feet, up $1.

"A new **smokeless fuel** made from coal is now being produced. The makers report that the product sells for $17.10 a ton at the curb in Pittsburgh, compared with these prices for other smokeless fuels: **egg anthracite**, $20.40; **pea anthracite**, $17.85; **run of mine low volatile coal**, $13.75; **anthracite briquets**, $17.35, and an **economy mix** of hard and soft coal $15.88."

Herrman & Samuels Form'g

Herrman & Samuels, a New York Stock Exchange member firm, will be formed as of Oct. 1 with offices at 120 Broadway, New York City. Partners will be Herbert Erlanger Herrman, Donald L. Samuels, member of the Exchange, and Joseph T. Murray, general partners; Milton Jones will be a limited partner. Mr. Samuels was formerly a partner in MacQuoid & Coady. Mr. Herrman was with Dreyfus & Co. and prior thereto with Hirsch & Co.

Harl Warns Banks to Maintain Adequate Capital

Chairman of Federal Deposit Insurance Corporation, in annual report, says increase in business loans by banks calls for improvement in ratio of capital to bank assets.

Extreme caution in making bank loans and maintenance of adequate bank capital were urged Sept. 15 by Chairman Maple T. Harl of Federal Deposit Insurance Corporation when he released the Corporation's annual report to Congress for the calendar year 1947.

Maple T. Harl

"The probable risk pertaining to the different types of assets held by banks is generally considered a pertinent factor in assaying the need for capital," Mr. Harl said. "The rapid expansion in bank assets during the war was concentrated in assets which involved little risk of loss if held to maturity. Since the war, bank loans have expanded, while a decline has occurred in the amount of United States Government obligations held by banks. The ratio of capital accounts to assets other than cash and U. S. Government obligations declined from 25.5% at the end of 1945 to 20.6% at the end of 1947."

Mr. Harl pointed out that banks have been urged to write off their losses as soon as they become apparent, and to establish, during years of profitable operation, reserves for losses which might occur in later years.

"The extent to which this policy has been followed is indicated by the small amount of substandard assets held by banks in recent years. During the examinations made in 1947 examiners found that less than ½ of 1% of the assets of insured commercial banks were below the standards set for bank investments and were, therefore, subject to criticism."

Mention also is made of the Corporation's plan for repayment to the Treasury of the $289,000,000 of capital originally subscribed to it in 1933. The repayment, begun in September 1947, was completed on Aug. 30 of this year, when Chairman Harl handed to Secretary of the Treasury John W. Snyder the Corporation's check for $12,600,000 to cover the final installment.

The report not only recapitulates the operations of the Corporation from its inception to the end of 1947, but also presents comprehensive statistics on banks and bank operations.

Holds Government Financing and Credit Policies Gave Impetus to Postwar Inflation

First Boston Corporation, in booklet on U. S. securities, criticizes low pattern of interest rates as expanding money supply and contends access by banks to Federal Reserve to redeem government bond holdings contributed to bank loan expansion.

The First Boston Corporation has just published a comprehensive analysis on United States Government securities. The firm's last previous publication on Government securities was in 1943.

An important chapter in the study discusses the consequences of wartime and postwar government financing which expanded bank credit and "added impetus to war and postwar increases in prices." When the Treasury borrowed heavily to finance the war, it "set and maintained maximum rates of interest for new issues," and made short-term rates "abnormally low relative to long-term rates." This, combined with other techniques, increased the money supply.

Although commodity prices rose at the war's end, the book points out that the Treasury delayed the rise of short-term borrowing rates, which inflated money still further. Eventually, "support of longer-term Treasury issues was necessary, and this offset much of the benefit obtainable by the rise in short-term rates." Among other approaches to the management of public debt, the chapter urges that "the goal should be away from rigid pegging of the price of money, which has aggravated postwar inflation," and establishment of "a single agency responsible for policies on credit and the public debt" and competent to "advise and influence Congress in the related field of taxation."

The book also contains a description of the salient features of all obligations of the Treasury, governmental corporations and agencies and of the International Bank for Reconstruction and Development. Also included are sections on the budget, the ownership of the public debt, considerations of taxation as applicable to the investment income of corporations of various types, as well as Treasury war financing, Federal Reserve "support" operations and items influencing bank credit.

The outstanding government obligations embrace numerous separate issues, and the tax status, interest rate, date of issue, amount outstanding and denominations of each are shown in convenient tables.

Commercial and Federal Reserve banks' holdings of government securities fluctuated from $18 billion at the close of 1939 to a peak of $115 billion six years later and to $91 billion on Dec. 31 last. The holdings of other investors increased from $29 billion on Dec. 31, 1939, to a high of $163 billion on Dec. 31, 1947.

Of this amount, $65 billion was held by individuals, $24 billion by insurance companies and the balance by mutual savings banks, other corporations and associations, state and local governments and U. S. Government agencies and trust funds.

The heavy participation of the public in war bond financing is shown by the increase of individuals' holding of government securities from $10 billion in December, 1939, to $64 billion in December, 1945. The bulk of their purchases was in the form of savings bonds. Concern was frequently expressed that individuals would redeem their savings bonds and sell their marketable securities in substantial amount as soon as the war was over, but at the close of last year their holdings of government bonds were larger than they were at the end of the war.

The book outlines certain of the more important considerations that buyers of government securities may follow in the light of their individual circumstances. Corporations, particularly banks and others deriving a substantial proportion of their income from securities, are urged to "consider fully the tax picture in formulating investment policy" and constantly to "review this policy in the light of actual or potential changes in income status and tax liability."

Besides voluminous text treating of various phases of government financing, the book contains 23 tables and 12 charts.

Railroad Securities

The market is almost entirely dominated at the present time by foreign news and the obvious fears of many investors and speculators that the cold war may shortly degenerate into a shooting war. There is a disinclination, perhaps natural under the circumstances, to take any positive action. Characteristic of such periods, air pockets develop on the down side if even a modest amount of stock is offered for sale. Similar air pockets are noted on the up side when any buying interest develops in the market generally or in individual issues specifically. Price swings tend to be wide and with little, if any, regard for fundamentals. It is a particularly difficult time for the security analyst.

Markets of this nature are naturally particularly susceptible to rumors. Two old ones were dusted off again last week. As a result, and in the face of generally sharply declining prices, Nashville, Chattanooga & St. Louis and St. Louis-San Francisco stocks advanced on relatively heavy volume. In the case of Nashville, Chattanooga & St. Louis there were unsubstantiated reports that the road would be involved in a three way merger. The other two linked with the road in the merger rumors were Louisville & Nashville, which controls the Nashville, Chattanooga & St. Louis, and Atlantic Coast Line, which owns a large block of Louisville & Nashville stock.

Railroad analysts generally agree that on its own merits Nashville, Chattanooga & St. Louis stock is an attractive issue. Statistical appeal, however, has not been sufficient to stimulate buying interest in a substantial list of other railroad stocks. Considering the chain of control it is also possible that the rumored merger would have considerable support in logic —Louisville & Nashville already guarantees its subsidiary's first mortgage bonds. Anyone that has had any experience with railroad mergers, however, will recognize the well nigh insurmountable difficulties that would be involved in bringing about a three way consolidation. At best, any such development would appear a long way off.

St. Louis-San Francisco has been involved in merger rumors practically ever since it was discharged from bankruptcy. Last year there were negotiations looking toward possible merger with Gulf, Mobile & Ohio. A few weeks ago there were reports that these negotiations, which had been officially dropped, had been reopened. These reports were denied. There followed within a short period the circulation of rumors that Atchison, Topeka & Santa Fe and St. Louis-San Francisco were looking into the feasibility of a consolidation. Up to the time of this writing there has been no official denial of these latest reports.

This rumored prospective merger of Santa Fe and Frisco is particularly intriguing to sentimentalists in the railroad security field. Some 60 odd years ago the predecessor of the present Santa Fe did acquire one of the predecessors of the present Frisco (St. Louis & San Francisco Railroad), and lost it in the receivership of the 1890s. One of the major stimulants to the recent rumors of merger has been the talk that consolidation with Frisco would afford Santa Fe a direct entry into St. Louis. Santa Fe has been after such an entrance for many years. A recent proposal that the road, jointly with Burlington, acquire the line of the old Alton from Kansas City to St. Louis was turned down by the ICC.

Rumors of a possible merger of Santa Fe and Frisco appear to most railroad analysts to be unfounded. For one thing, there would presumably be strenuous objections from other roads in the territory and from communities served competitively by the two roads. In the second place, the Frisco lines would not afford Santa Fe any feasible route into St. Louis. Finally, it is difficult to see what manner of exchange offer could be made to holders of most of the Frisco securities. A fractional share offer might be attractive to Frisco common stockholders and a compromise of some nature might possibly be worked out for the Frisco preferred. It is hardly likely, however, that Santa Fe would be willing to assume liability with respect to Frisco First Mortgage and Income Bonds. At the same time, holders of these bonds would not likely take kindly to being relegated to an equity position for any major part of their holdings.

Reports Big Increase in Retail Sales

Conference Board finds 1948 annual rate almost 12% over 1947; reaching annual rate of $127 billion.

For the first six months of 1948, the annual rate of retail sales reached $127 billion, a gain of almost 12% over 1947 according to an analysis of movements in retail sales which has just been completed by the National Industrial Conference Board. This indicates, the Board points out, that 1948 will set another record in dollar volume.

In 1929, the prewar peak, only $48.5 billion moved across retail counters. Sales in the current year are more than two and a half times the 1929 total, while consumers' prices are only 40% higher.

Sales Increase in Durable Goods

Sales increases currently are primarily concentrated in the durable goods categories, according to the analysis. While nondurable sales in the opening half of the year were 10% higher than a year ago, durable sales increased 21% and total sales rose 13%. The rise in rural retail sales has been 11%. Durable sales are now 25% of total retail sales as opposed to the wartime low of 14% in 1944. The prewar peak for durable goods was 29% in 1929. In 1933, it fell as low as 20%.

Practically all the durables, led by motor vehicles and building materials, show sizable increases over last year. The weakest sector is jewelry, running 6% behind. Although jewelry sales recovered from a February low, they were, in June, on a seasonally adjusted basis, 7% below the corresponding month of 1947.

Gains in Nondurable Goods

Among nondurable goods, except for food, filling stations, and fuel and ice, no gain greater than 10% was registered. Liquors and men's clothing are running behind in dollar volume. Other apparel groups, shoes, drug stores, and eating and drinking places, although doing an increased dollar business, are probably behind in unit volume.

Chain-Store and Mail-Order Sales

A comparison of chain-store and mail-order sales with total sales discloses that gains for the group as a whole are the same, but that the internal structure of the sales is less diverse. No group shows an increase as high as 20%; on the other hand, grocery and combination stores, apparel and general merchandise have held up better than the total for all sales in these categories.

Sales by Independents

Independents, therefore, are apparently doing less well in the nondurable lines where supplies have been comparatively full and price a major consideration. They appear to have done better in building materials and furniture and homefurnishings, and hold a slight lead in automotive parts and accessories, drug stores, and eating and drinking places.

Homefurnishings, building materials and automotive sales show substantial increases. Others, for the most part, show negligible gains or losses. For the first six months the total sales gain of this sample is 7% as compared with almost 13% shown by the total and the chain and mail-order groups.

Total Sales Above "Normal"

On the basis of the interwar pattern, total sales are now (first half of 1948) $8.1 billion, or 6.8% above "normal" (relationship between sales and disposable income, 1922 to 1947); durable goods sales $6.8 billion, or 17.5% below normal; and nondurable goods sales $15.4 billion, or 19.3% above normal.

Excise Taxes

The rate of collection of retail excise taxes on products in the discretionary spending category, discloses, in general, that expenditures on these items have been declining since 1946. Fur sales have suffered most. Admissions to places of amusement and jewelry have also, in the main, gone down, while toilet preparations and luggage have shown some recovery in 1948.

April, 1948, collections show a marked pickup over last year in all categories. This reflected a general advance in retail sales in that month. The numerous recent trade reports that motion picture houses, night clubs and theatres are doing very poorly are not apparent in the excise collections data.

The Treasury Department, in a report on the four retail excise taxes, stated in respect to the luggage impost that, "as conditions of supply and demand become more normal, the present rate of tax may affect profits significantly." Similar conclusions were drawn for fur and jewelry taxes, although not for the tax on toilet preparations.

Francis J. Lynch Is V-P of Katz & O'Brien

CINCINNATI, OHIO.—Francis J. Lynch has become associated

Francis J. Lynch

with Katz & O'Brien, Inc., Carew Tower, as Vice-President. Mr. Lynch was formerly an officer of Kline, Lynch & Co., Inc.

Graham, Parsons Co. Adds Two in Boston Office

BOSTON, MASS. — Graham, Parsons & Co., 10 Post Office Square, have announced the association with them of Edward Motley, Jr. and A. Vernon Woodworth, Jr.

Federal Reserve Board Raises Reserve Requirements of Member Banks

Two per cent rise on demand deposits. Increase estimated at $1,900,000,000.

Intensifying its efforts to curtail the inflationary expansion of bank credit, the Federal Reserve Board on Sept. 8 ordered the reserve requirements of its member banks increasd by about $1,900,000,000.

Thomas B. McCabe

All member banks during September must increase by two points their reserves against demand deposits; and by 1½ points reserves against time deposits.

On Sept. 16 the country banks' reserves against demand deposits will be raised from 14% to 16%, and on September the requirements of reserve city banks will be 22% instead of the present 20%. The banks of the reserve cities of New York and Chicago will be raised from 24% to 26%. The requirements of all banks on time deposits will be raised from 6% to 7½%, which reaches the limit on time deposits.

This is the third increase in reserve requirements effected by the Reserve System during this calendar year, the two preceding ones having been applied only to the New York and Chicago reserve cities.

The increase in reserves already ordered constitutes merely half the rise which was made permissible by the recent Congressional legislation.

Explaining the objective of the Reserve Board, Chairman McCabe stated the purpose of the Board as "restrain further credit expansion and not toward forcing liquidation of the outstanding volume of credit."

Text of the Board's Order

The following is the text of the Reserve Board's order:

As a further step towards restraining inflationary expansion of bank credit, the Board of Governors on Sept. 8 increased the amount of reserves required to be maintained with Federal Reserve Banks by banks which are members of the Federal Reserve System as follows:

		Effective
On net demand deposits		
Nonreserve city banks	From 14 to 16 per cent	September 16, 1948
Reserve city banks	From 20 to 22 per cent	September 24, 1948
Central reserve city banks	From 24 to 26 per cent	September 24, 1948
On time deposits		
Nonreserve city banks	From 6 to 7½ per cent	September 16, 1948
Central reserve and reserve city banks	From 6 to 7½ per cent	September 24, 1943

The effect of these increases will be to raise the required reserves of banks in central reserve cities by approximately $500 million, of banks in reserve cities by approximately $700 million, and of banks in nonreserve cities by approximately $700 million.

At the recent special session of Congress the Board of Governors was given temporary additional authority to increase reserve requirements of member banks and under the provisions of Section 19 of the Federal Reserve Act as thus recently amended the Board now has authority to establish reserve requirements for the various classes of member banks within the following limits:

	Minimum	Maximum
Against net demand deposits		
Central reserve city banks	13	30
Reserve city banks	10	24
Nonreserve city banks	7	18
Against time deposits		
All classes of banks	3	7½

When the increases become effective on the dates stated above, reserve requirements on time deposits will be the maximum limit under existing authority and requirements on net demand deposits will be 2% points less than the maximum at reserve and nonreserve city banks and 4% points less than the maximum at central reserve city banks.

Ethiopia Borrows $300,000 from Monetary Fund

During the month of August the International Monetary Fund sold $300,000 to Ethiopia, against Ethiopian dollars, it was reported by Camille Gutt, Managing Director of the 47-nation organization. This marks the first time that Ethiopia has consummated any transaction with the Fund; and brings to eleven the number of member countries which have had access to the resources of the Fund since the commencement of operations March 1, 1947.

INTERNATIONAL MONETARY FUND
SUMMARY OF TRANSACTIONS

	For the Mo. of Aug. 1948		For the Fiscal Period May 1, 1948, through Aug. 31, 1948	
Exchange Transactions	Amt. in Currency	U.S. Dollar Equivalent	Amt. in Currency	U.S. Dollar Equivalent
Currency Sold				
Belgian Francs	------	------	500,000,000	11,408,380
U. S. Dollars	300,000	300,000	16,420,000	16,420,000
		300,000		27,828,380
Currency Bought				
Ethiopian Dollars	745,341	300,000	745,341	300,000
Indian Rupees	------	------	53,333,333	16,120,000
Netherland Guilders	------	------	18,158,843	6,845,028
Norwegian Kroner	------	------	22,646,910	4,563,352
		300,000		27,828,380

Note—No gold transactions were effected by the Fund during the period May 1 through Aug. 31, 1948.

Now A Partnership

BOISE, IDAHO — Wegener & Daly, First National Bank Building, is now doing business as a partnership. Members of the firm are Theo. H. Wegener and Donald F. Daly.

F. I. du Pont Co. to Admit

Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Henry H. Badenberger to partnership on Oct. 1.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

LaSalle Street Women will open their 1948-49 season with a dinner meeting on Sept. 23 at Martin's Restaurant, 120 South La Salle Street, Chicago, Julien H. Collins, President of Julien Collins & Co., will be the guest speaker. Mr. Collins is also President of the Investment Bankers Association of America. Before being elected to this office, he served as Governor and later as Vice-President of the I.B.A. Mr. Collins will address the group on "The Outlook for the Investment Banking Business."

Colina Clow

Among other outstanding speakers for the ensuing year will be: Dr. Melchoir Palyi, internationally known economist, whose subject will be "The European Loophole Economy"; and Samuel A. McMurray of Merrill Lynch, Pierce, Fenner & Beane, who will speak on "The Overall Picture of Livestock and Commodity Markets." The discussion groups will continue to be an important adjunct of the club's activities.

The officers for this year are: President, Miss Colina Clow, Secretary to Dr. Melchoir Palyi; Vice-President, Miss Edith Jiencke, Gofen & Glossberg; Recording Secretary, Miss Grace Zern, Nelson L. Buck; Corresponding Secretary, Mrs. Dorothy Petrie, Harriman, Ripley & Co., Inc.; and Treasurer, Miss Lillian Birkholz, Ketcham & Nongard.

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The Board of Directors of **J. P. Morgan & Co. Inc.** at its regular meeting on Sept. 8 appointed Ellmore C. Patterson, Assistant Vice-President. The Board appointed William G. Stott, Assistant Secretary. The Board also appointed the following Assistant Treasurers: George H. Chittenden, Walter H. Page, DeWitt Peterkin, Jr and Robert B. Whitney.

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John T. Madden, President of the **Emigrant Industrial Savings Bank of New York**, announces that Andrew J. Haire, President of the Haire Publishing Company,

Andrew J. Haire

has been elected a Trustee of the Bank. Mr. Haire is President and a director of the Advertising Club of New York and is also a director of the National Association of Magazine Publishers, also Chairman of the Board of Associated Business Papers, Inc. Mr. Haire is past President of the Rotary Club of New York.

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Banking facilities have been provided at the New York International Airport, Long Island, N. Y., by a branch of **The National City Bank of New York** which opened on Sept. 10. International Airport Branch it is announced by the bank will enable it to care for the banking needs of air travelers arriving from and departing for all parts of the world, and others requiring banking services. George B. Humphrey, Jr. is Manager.

The National City Bank of New York opened its new Stuyvesant Town Branch on Sept. 13 at 262 First Avenue opposite 15th Street. It is located on the site of Peter Stuyvesant's peach orchard. The branch is modernly equipped to offer a complete banking service, and is National City's 67th branch in Greater New York. Herbert H. Thompson is Manager and Kenneth Allen, Assistant Manager.

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The Board of Directors of **The National City Bank of New York** on Sept. 14, appointed George P. Egbert as Assistant Vice-President and Riley P. Stevenson was appointed Assistant Cashier.

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As a result of a poll of the preferences of its prospective customers, the Turnpike, office, of the **Bayside National Bank, at Bayside, Queens Borough, New York City,** when it is completed and ready for business next month, will remain open Monday evenings from 6:00 to 8:00 p.m. It is located at Union Turnpike and 186th Street, Jamaica Estates North. J. Wilson Dayton is President of the bank. The main office in Bayside is open on Friday evenings.

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President H. Frederick Hagemann, Jr., of **The National Rockland Bank of Boston, Mass.,** and President Edward Motley of the **Webster and Atlas National Bank of Boston,** announced on Sept. 9 that their Directors have approved a plan of consolidation of the two institutions to be presented to the stockholders and to the Comptroller of the Currency. The name of the consolidated bank will be **Rockland-Atlas National Bank of Boston.** It is contemplated that the consolidated banking institution will occupy the present quarters of **The National Rockland Bank** at 30 Congress Street, Boston and 2343 Washington Street, Roxbury, and the present quarters of the Webster and Atlas National Bank at 199 Washington Street, Boston. It is planned that H. Frederick Hagemann, Jr., will be President and the executive head of the consolidated bank, that Edward Motley will become Chairman, and Roger Amory, Honorary Chairman, of the Board of Directors. Mr. Hagemann, who was born in St. Louis in 1906 was with Kauffman, Smith & Co., investment bankers, St. Louis, 1926-29; Boatmen's National Bank 1929-46, being elected Vice-President of that organization in 1938 and serving in that capacity until his resignation in 1946. He was elected President of the National Rockland Bank of Boston, Aug. 6, 1946.

Mr. Hagemann has also served in various other capacities, viz.—Former Governor of Investment Bankers Association: Member, American Bankers Association Government Borrowing Committee, composed of nationally known bankers who act in an advisory capacity to the Secretary of the Treasury of the United States; Chairman, American Bankers Association National Committee on Treasury Savings Bonds, etc.

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Frederick W. York, has retired as Vice-President of the **Phenix National Bank of Providence, R. I.,** after more than 46 years, having been identified with the city's banking interests. The Providence "Journal" reports that he joined the staff of Phenix National Bank in February, 1902 and that he served in various clerical capacities until October, 1923, when he was elected Assistant Cashier, a position he held until July, 1933, when he was made Cashier of the bank. In October, 1938, he was made a Vice President. He had also been a member of the Providence Clearing House Assn., for a number of years, serving as a committee member. The bank's board of directors said the "Journal" presented him with an inscribed wrist watch at a simple ceremony on Aug. 31.

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The Windsor Trust Company of Windsor, Conn., joined the Federal Reserve System on Sept. 15 bringing to 338 the number of member banks in the First Federal Reserve District. The decision to apply for membership in the Federal Reserve System was taken by the bank's board of directors on May 17.

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Albert H. Marckwald, Vice-President of the **National Newark & Essex Banking Co. of Newark, N. J.,** was awarded a gold engraved wrist watch on Sept. 9 to commemorate the completion of 25 years' service with the bank. According to the Newark "Evening News" the presentation was made by William E. Hocker, Vice-President and Trust Officer, at a meeting of the Twenty-Five Year Club.

George H. Werner, former Mayor of Orange, N. J., also banker and plumbing contractor, died on Sept. 8. He was 78 years of age. Stating that Mr. Werner was well known, in banking and building and loan circles in his community, the "Newark News" of Sept. 9 also said in part: He was appointed to the board of the **Second National Bank (Orange),** in January, 1916; was elected Vice-President in 1936 and had been President of the board since 1943. He had long been associated with the Orange Building and Loan Association and was its Vice-President since 1932. He also was a member of the board of the Half Dime Savings Bank since 1935, and President of the Orange Sinking Fund Commission since 1945.

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John W. Hyland, who was recently elected a Vice-President of the **Pennsylvania Co. of Banking and Trusts, of Philadelphia,** has now assumed his new duties. Mr. Hyland until recently was Assistant Vice-President of the **Fifth Third Union Trust Co. of Cincinnati, Ohio.**

* * *

Richard L. Austin, formerly head of the **Girard National Bank of Philadelphia,** and also formerly Chairman of the Board of the **Federal Reserve Bank of Philadelphia,** died on Sept. 10. He was 89 years of age. It was noted in the Philadelphia "Inquirer" of Sept. 10 that Mr. Austin helped organize the Federal Reserve Bank in November, 1914, and became the first Chairman of its Board. He served continuously in that capacity until Dec. 31, 1938, when the retired. Mr. Austin began his banking as a clerk in the Central National Bank; he became Cashier of the Independence National Bank nine years later, and served in that post until 1889, when he become its President.

In 1901, said the "Inquirer," he became Vice-President of the Girard National Bank. He served as Vice-President until March 17, 1914, when he was chosen President of that bank, which later was merged with the Philadelphia National Bank. He resigned Oct. 6 of the same year to become associated with the new Federal Reserve Bank.

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The death occurred on Sept. 7 of Henry B. Reinhardt, former

Vice-President of the old **Colonial Trust Company of Philadelphia,** and who at the time of his death was connected with the War Assets Administration in that city. The Philadelphia "Inquirer" of Sept. 8 stated that Mr. Reinhardt was affiliated with the Colonial Trust until its merger several years ago with Pennsylvania Co.

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An increase of $50,000 in the common capital stock of the **National Bank of Chambersburg, Pa.,** raising it from $350,000 to $400,000 is reported in the Sept. 7 weekly bulletin of the Office of the Comptroller of the Currency. The increased capital, which results from the sale of new stock, became effective Aug. 27.

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Stating that it was learned on Sept. 2 that two substantial blocks of stock in the **Union Bank of Commerce of Cleveland** have changed hands recently, the Financial Editor, Guy T. Rockwell, of the Cleveland "Plain Dealer," in the Sept. 3 issue of that paper also reported in part:

"Interests acquiring the stock are the Perry-Payne Co., pioneer real estate firm, and its President, Ben P. Gale. The number of shares acquired was not divulged but it included part of the holdings of the M. A. Hanna Co. and all of the holdings of Vernon F. Taylor, capitalist of San Antonio, Texas.

"It is understood that this will make Mr. Gale the largest individual holder of Union Bank stock, excepting corporate interests. This distinction previously was held by Mr. Taylor. He is a director of Pan American Airways Corp. Just how much of its stock the Hanna company sold was not stated, but according to the company's last annual report it held 28,950 shares then worth $1,244,850. R. L. Ireland, Chairman of the Executive Committee of the Pittsburgh Consolidation Coal Co., in which the Hanna company has the largest interest, is a director of Union Bank of Commerce."

* * *

It is learned from the Chicago "Journal of Commerce" of Sept. 11 that the surplus account of the **Continental Illinois National Bank & Trust Co. of Chicago** was increased to $90,000,000 from $75,000,000 on Sept. 10 by a transfer of $15,000,000 from undivided profits. Undivided profits at June 30, date of last published statement, was $30,547,998. The legal lending limit of bank, says the paper from which we quote, was increased from $13,500,000 to $15,000,000 by the transfer which has given the bank a combined capital and surplus of $150,000,000. Its capital account, it is noted, is $60,000,000 and banking regulations permit loans to one borrower up to 10% of combined capital and surplus.

* * *

Charles E. Thwaite, Jr., Vice-President of the **Trust Company of Georgia, in Atlanta,** was elected President of the **Fourth National Bank of Columbus, Ga.,** on Sept. 7, it is learned from the Atlanta "Constitution" of Sept. 8. Mr. Thwaite is also Vice-President of the Trust Company of Georgia Associates, which owns control of the Fourth National Bank of Columbus, it was noted in the "Constitution," from which we also quote:

"At the same time, the directors of the Fourth National Bank elected George P. Swift, President of the Muscogee Manufacturing Co. of Columbus, as Chairman of the board of directors. For a number of years past Mr. Swift has served as Chairman of the bank's executive committee.

"Mr. Thwaite succeeds R. C. Dunlap, Jr., who became President of the Fourth National Bank of Columbus in 1944. Mr. Dunlap resigned to become associated with his family business, the Dunlap Chevrolet Co. of Macon.

The board of directors of **The First National Bank of San Antonio, Texas,** announces the election of George O. Stone to the office of First Vice-President and director, effective Oct. 1.

* * *

Arthur O. Garrett, President and director of the **Pasadena-First National Bank of Pasadena, Cal.,** announced his resignation on Sept. 9 to accept the Presidency of the new **Southern Commercial & Saving Bank in East Pasadena,** now in process of organization. The Los Angeles "Times" of Sept. 10, from which the foregoing is taken, in part also said:

"Edward L. Olmstead, Vice-President, also resigned to become Vice-President of the new bank.

"Other directors of the Pasadena-First National resigning were Willis M. Eason, a Pasadena banker for the past 50 years; V. R. G. Wilbur and Mrs. E. F. Nolting.

Controlling interest in the Pasadena-First National was acquired in August by S. F. Mang, President of the Valley National Bank of Alhambra, and associates. Resources of the 25-year-old institution as of June 30, last, amounted to $12,310,000.

* * *

George C. Bringolf, who has been associated continuously with the **National Bank of Commerce of Seattle, Wash.,** since 1906, retired on Aug. 31. His 42 years of service form one of the longest banking careers in Seattle history. He had been Assistant Cashier since 1936. The bank tendered a dinner for Mr. Bringolf on Aug. 27 at the Rainier Club when the officers presented him with a set of binoculars. Earlier, at a party in the bank lobby after hours, his associates similarly presented him with appropriate gifts.

Reports Retail Profits Receding

Half-year survey of National Retail Dry Goods Association shows, despite 5% gain in business volume, increased expenses have caused decline in profits from 3.4% to 2.9% of net sales. Turnover of inventory also slower.

Despite a record high in the dollar sales volume, department store and specialty store net profits, after estimated taxes, at the half-way mark of the current fiscal year declined to 2.9% of net sales, compared to 3.4% for the identical firms for the first six months of 1947 according to a release of the National Retail Dry Goods Association. This drop of ½ of 1% in the net profit ratio to sales is reflected in the report of operations of 198 department and specialty stores throughout the country with actual net sales of $1,185,450,000. The survey, completed by the Controllers' Congress of the NRDGA, indicated a trade-wide trend toward lower profit margins, according to John J. Kavanagh, General Manager of the Controllers' Congress, who pointed out that the numerical count of the department and specialty stores with an annual sales volume of $1 million or more reveals that 131 stores of the reporting group had lower profits in the first half of 1948 while 60 showed higher profits over the comparable period of the previous year.

Markdowns Lower—Expenses Up

The first six months of the year reflected only slight improvement in the typical gross margin which averaged 35.7% compared with 35.2% in 1947. Markdowns declined from 7.7% to 6.8% and contributed principally to the improvement in gross margin. Nevertheless, the marginal betterment was more than absorbed by the increased cost of doing business since total operating expenses advanced at a faster rate. Such expenses reached a ratio to sales of 31.5% with all categories in an upward trend and principally produced the lower profits. Total store payroll typically rose from 17.2% to sales to 17.7%. Newspaper costs advanced from 2.3% to 2.5%. Trade-wide, the operating expense per transaction or salescheck increased from $1.33 to $1.45 for stores with an annual sales volume of a million and over.

Sales and Transactions Gain

Dollar sales gains were 5% for the typical store, accompanied by a slight improvement in the physical volume of business. Transactions increased 1%, to make this gain the median experience of the stores surveyed. The average gross sale rose 24 cents to average $4.53 compared with $4.29 at the end of the prior interim fiscal period. Presumably, much of this rise was due to the advance in the level of prices. Returns in percent to gross sales were 7.9% and thus reached a new postwar high, but remained lower than the prewar average of approximately 8.9%.

Inventory Situation

The analysis indicated a slackening off in the number of stock turns for the first half of the current year over the same period of 1947, when turnover was 2.0 turns against 1.9 turns as an average at July 31, 1948. During the period, the average monthly inventory for the first six months of the current year was representatively 11% higher than the same inventory measure for the six months ending July 31, 1947. It was observed that this inventory growth was not due entirely to the price inflation, since the B.L.S. Index of Department Store Inventory Prices reportedly advanced only 8.6% for the period. Generally, the larger department stores seemed to have maintained a lower inventory level. Stores with sales volume over $20 million had an average monthly inventory increase of only 4% while other stores in the lower volume group, 2-5 million, reported 19% increase.

Further commenting on the first half-year operations in department and specialty stores, Mr. Kavanagh said that store managements were unwilling to meet the sharply increased operating expenses of payroll and service through higher markon percentages, with consequent higher prices to the consumer. Merchants, he said, are showing business statesmanship in absorbing the sharply increased operating expenses out of profits which tradewide have sagged to the 1935 experience when net profits to sales averaged 3%. He expressed the view that the time is approaching for producers of goods to recognize that distribution must also be profitable if sales are to expand and the productive facilities of the country effectively utilized on a high level.

The study released to the trade by the Controllers' Congress—NRDGA, gives detailed operating and statistical medians for 33 functions by eight sales volume groups of stores. The 219 reporting stores had an aggregate net sales of $1,191,160,000 for the six months' period reviewed.

Morton Gold Opens

Morton B. Gold is engaging in an investment business from offices at 307 East 44th Street, New York City.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government bond market has taken the increase in reserve requirements pretty much in stride because the authorities have protected prices, as securities are being let out by the commercial banks. . . . Stable prices and higher reserve requirements seem to be the program of the powers that be. . . . The "out of town" banks, with their heavier holdings of the longer eligibles, will have the same opportunity as the larger banks with their ample positions in short-terms, to liquidate issues in order to meet larger reserves, as long as prices of the more distant maturities are maintained. . . . The longs will be about as liquid as bills in the presently protected market. . . . Activity has increased, with indications that volume will continue sizable as the banks adjust their reserve positions to the new requirements. . . . The government market is now almost a completely managed affair with the authorities protecting practically all issues except the partially-exempt obligations. . . .

Larger reserve requirements for member banks of the Federal Reserve System will tighten the money markets, despite the policy of the Central Banks of buying Treasury obligations that are offered them by the deposit banks. . . . Assets that will be tied up by the raising of reserve requirements cannot be used by the member banks. . . . Accordingly the program of restricting the money markets is expected to result in slightly firmer interest rates in the not distant future. . . . How much higher rates will go will depend upon future business conditions, and the trend of loans and commodity prices. . . . If the inflation spiral should be ending, as some believe, then there are very good chances that the worst has probably been seen as far as advancing interest rates are concerned. . . . An upping of the certificate rate to 1⅜% is the highest that is being predicted by most of those money market followers that are forecasting the demise of the inflation bubble. . . .

HARD HIT

The so-called "out of town" member banks are the hardest hit by the increase in reserve requirements, but on the other hand these same institutions own the bulk of the excess reserves. . . . Although the loan trend has been strong in many of the areas served by these institutions, especially real estate loans, there seems to be no doubt that the increase in reserve requirements will tend to curtail the credit that has been going to borrowers in these localities. . . . Positive action by the authorities coupled with psychological forces could have a very marked influence upon both lenders and borrowers. . . .

Short-term securities are being let out by the larger banks in order to meet increased reserve requirements, with Treasury bills the most important issue in adjusting for the new regulations. . . . The "out of town" banks are sellers of the 2s particularly the longer maturities along with the 2¼s and the 2½s since these institutions are light on short-term maturities. . . . Liquidation in the longer eligibles has not been too sizable yet, although further selling is expected as the pressure on higher reserves becomes more pronounced. . . . Funds are also being withdrawn from correspondent banks in the large money centers. . . .

ON THE DEFENSIVE

That the government bond market is definitely on the defensive for the time being is beyond question, since there is only one sizable buyer in the market, namely, "Federal." . . . How many securities the Central Banks will have to absorb is purely guesswork at this time, although opinions are rather widely divided over the $1,500,000,000 figure forecast by the monetary authorities. . . . In some quarters the belief is held that liquidation of Treasury obligations by member banks in order to meet larger reserve requirements, and to supply the credit needs of customers will be well in excess of $2,000,000,000. . . . Others contend that selling of government securities by the deposit banks will fall short of $1,500,000,000 because the "out of town" banks which have the excess reserves will allow them to run down and they will sell only enough securities to meet needed reserves. . . .

Raising of reserve requirements, according to most informed money market followers, means that "pegged" prices of Treasury obligations will not be changed materially because it would be too much of a shock for the money markets to absorb at one time. . . . Chaotic conditions would probably result if "pegs" were lowered, along with the increase in reserve requirements. . . . Also business might be adversely affected by an unstable government market that might result from a simultaneous upping of reserve requirements and the elimination of support prices for Treasury obligations. . . .

TAX PROTECTION

Despite prevailing uncertainty in the government bond market, the partially-exempts, particularly the 2¾% due 1960/65, are still being taken on by the larger commercial banks. . . . Some of the tax-protected bonds appeared in the market following the announcement that reserves would be increased, and quotations moved down, but this did not hinder transactions being made at prices that were better than those prevailing in the market. . . . Curtailed earnings that will result from larger reserves make tax protection more important to many of the deposit banks.

With Dreyfus & Co.

Dreyfus & Co., 50 Broadway, New York City, members of the New York Stock Exchange, announce that Herbert A. Levitan is now associated with the firm in its Hotel Madison office as a Customer's Broker.

With J. W. Gould Co.

John Albert Traub, formerly with First Boston Corp., is now associated in the investment department of J. W. Gould & Co., 120 Broadway, New York City.

New York Stock Exchange Weekly Firm Changes

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

Stanton & Co. dissolved as of Aug. 31.

Howard Hazlett, II, limited partner in Hazlett, Burt & Watson, retired on Aug. 31, on which date the interest of the late D. Allan Burt in the firm ceased. David Allan Burt, Jr., general partner became both a general and limited partner on Sept. 1.

Seasonal Stock Price Trends Discussed

Cleveland Trust Company "Business Bulletin" gives results of analysis of Dow-Jones industrial averages for period of 51 years.

The Sept. 15 issue of the "Business Bulletin," published by the Cleveland Trust Company of Cleveland, O., contains an analysis of seasonal tendencies in stock prices. According to the "Bulletin"—

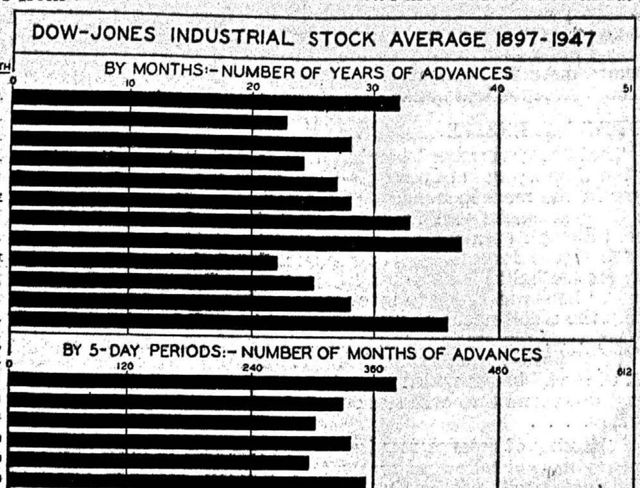
"In 44 of the past 51 years, the Dow-Jones average of industrial stock prices has moved upward during the last six days of December. Such a preponderance supports the tradition of the yearend rally, which is probably the nearest approach to a perfect seasonal movement in the industrial average.

"Seasonal swings have long been of some interest to stock market observers. For example, it is known that over a period of many years the industrial stock average has been more apt to rise than to decline during the summer months. But in general it can hardly be said that the seasonal factor has much practical significance in the stock market. There are too many other things which affect stock price movements, and changes in direction constantly occur for reasons entirely unrelated to any long-time seasonal influence. Again, seasonal trends derived from the average price of a limited number of stocks may not apply at all to many individual stocks.

"Nevertheless, an analysis of the Dow-Jones industrial average does reveal some interesting variations both as between different months and as to five-day periods within months. The diagram presents these two aspects of seasonal tendencies.

"In the upper section the length of the bars represents, for each month, the total number of years in which the industrial average (closing price) was higher at the end of the month than at the beginning. The scale covers the 51 years from 1897 to 1947 inclusive. As shown in this section, the industrial average rose most frequently in August, with a record of 37 years of advances, 13 years of declines, and one year (1914) when the stock market was closed. December, July, and January in that order were the next best months for the rise. September was the poorest month, having only 22 years of advances. The number of years in which the industrial average advanced becomes progressively larger from May through August, and again from October through December.

"In the lower section of the diagram, all months throughout the 51 years have been divided into five-day periods except that the sixth period varies according to the number of days in the month. The scale covers the 612 months from 1897 through 1947. The industrial average rose most frequently during the first five days of the month, with 381 months of advances; and least frequently in the five-day period ended with the 25th of the month, with 297 months of advances. These results are by no means startling. There is a curious persistence, however, in the relatively favorable showing of the first five-day period. If we reduce all 51 years to one composite year, we find that in ten months of that year the first five-day period ranked either first or second as to the number of times the industrial average advanced. In the other two months it ranked third."



Curb Floor Clerks to Hold Outing Sept. 25

Daniel Hannafin, of Joseph McManus & Co., President of the New York Curb Exchange Floor Clerks Association, announced today that the association plans to journey to Overpeck Park, Ridgefield Park, N. J., on Saturday, Sept. 25, 1948, for a clam bake and a day of sports.

Organized in January of this year, the association is composed of telephone order clerks representing Curb Exchange member firms on the trading floor and clerks in member firm offices authorized to relieve clerks on the exchange floor. The group has been sponsoring a program of social and mutual benefits.

Irwin Gale, of Hirsch & Co., Chairman of arrangements, announced that the highlight of the day's sports program would be a scheduled softball game between the clerks, headed by James Clare, of Goodbody & Co., and Curb Exchange brokers, headed by Charles Bocklet, of Bernhard & Bocklet.

H. S. Stewart Forms Own Investment Firm

EL PASO, TEX.—Harold S. Stewart announces the formation of Harold S. Stewart & Company, investment bankers specializing in Texas municipals and corporation securities, with offices in the Bassett Tower. Mr. Stewart was formerly Vice-President and Manager of the municipal department for Dittmar & Company in San Antonio.

Lehmann & Verace to Be N. Y. S. E. Member Firm

Victor Verace, partner of Lehmann & Verace, 1 Wall Street, New York City, will acquire New York Stock Exchange membership of the late Albert Wertheim on Sept. 23. Partners in the firm, which also holds membership on the New York Curb Exchange, will be Mr. Verace, Charles L. Lehmann, and Benjamin Nichols.

William M. Fible Dead

William M. Fible, partner in H. O. Peet & Co., Kansas City, Mo., died on Sept. 7.

Currency Reform in Germany—Can Planners Plan?

(Continued from first page)

were laying down jointly the principles on which a new Germany was to be fabricated. Yet each of them was to apply them separately in a separate zone.

Russia wanted a communist, or at least a semi-communist Germany, whose resources could not be used for anti-Russian purposes. France wanted a weak Germany; she did not care what its social structure was. The two Anglo-Saxon powers wanted an orderly peace-loving German democracy; the British, after the Labor government began to throw its weight about, preferred one with nationalized key industries; and the United States favored one which was ready to tread the American way. Four high ranking generals, one for each power, were the instruments chosen to perform this miracle of social engineering.

The United States had accepted the legend by which France consoled herself for her humiliating defeat, that Germany's gigantic war potential, not French political faults and strategic failures had caused her ignoble collapse. In reality, Germany's war potential, though strong on the processing side, had been extremely brittle where raw materials were concerned; but for the import of iron ores — partly from France — her heavy industries could hardly have kept going for more than four months a year. She had doubled her steel output of about 19 million tons only after she had overrun all her neighbors and had incorporated their plants.

There are only two policies for preventing a new war: Making Germany unwilling to go to war, or making her unable to do so. The French preferred the latter alternatives; its mechanical nature appealed to the United States, who favor mechanical devices, even when they search for spiritual values. President Roosevelt's experimentalism has allowed Mr. Henry Morgenthau, Jr., to foist his "pastoralization plan" on the Allies. At a time when every backward nation was trying hard to industrialize itself and when industrialization was looked upon as the antidote to starvation in every densely populated country, Germany was to go into reverse. A country which had been unable to draw enough food for its dense population from its own soil, notwithstanding a highly developed agriculture, was to turn millions of highly skilled workers into farmers and feed them by farming. It was an industrial revolution in reverse. As the rapid growth of Germany's population had been the result of industrialization, de-industrialization might result in depopulation. So far French hopes in this respect have not been disappointed; in the British zone, the birth-rate has fallen nearly 20% from 19 per mille, 1936, to 15.8 per mille; and the death rate has risen 10% from 11.1 per mille to 12.2 per mille; infant mortality has risen by 50%.

The Anglo-Saxon powers may have really believed that restriction of war potentional was the best guarantee for peace. Planners usually draw faulty conclusions from misinterpreted past facts and, projecting them into the future, call them forecasts. This time they expected the same "overproduction" which has caused the great depression, and to which the first reparation settlement had contributed. They sought to avoid it by hamstringing one of their chief rivals. Instead of drawing reparations by stimulating Germany's output they were going to get them by transferring her means of production. By planning against plenty, they prepared starvation.

The German industrial revolution in reverse was to be consumated by the destruction of plants built exclusively for war production and by the removal of industrial equipment which could be converted to war purposes. It was to be distributed to the Allies by way of reparations, and would enable them to rapidly resume their industrial activities.

An elaborate plan for the destruction of war plants and the removal of German surplus industrial capacity was to be drawn up. Enough non-war productive capacity was to be left to satisfy Germany's peaceful needs and to make her independent of external assistance; her standard of living was to be kept below that of the average of Europe—Soviet Russia and the United Kingdom excepted. The gates to the planners' paradise were swung wide open. Here at last was a chance for making 66 million people follow such occupations as their masters wished them to follow, and to limit them to the appropriate intake of calories. This would make it quite clear to them that they had been wicked. Security, profit, punishment — the plan seemed to secure all these highly desirable objectives. By February, 1948, all was to be over—except a few return payments from Russia. The structure of the new Germany was to be firmly laid.

II

The plan succeeded in one respect: by the middle of 1947, Germany received 1,750 calories the head against 2,430 for the European average. But external assistance by the United States and Great Britain was needed to maintain this starvation standard. Instead of receiving payments, the Anglo-Saxon taxpayers had had to keep their debtors on the dole.

Russian planning being "structural" had been successful. The Soviets are rapidly establishing semi-communist states in their zone. They have cut up the large estates—most large estates were in the Eastern zones—and have settled them with landless people; this has greatly reduced output. They have nationalized 200 plants and have vested 126 of them in the Soviet government; the rest have been returned to "dummy" German governments. The Soviets have used the zone's output for Russian purposes, partly by way of reparation, partly by trade. They have thus greatly aggravated the situation in the Western zones, which have had to import from oversea against dollars, what they no longer could get from their own countrymen for marks.

The same conference which had proclaimed the Postdam plan, had already made its success impossible. Its acceptance of the Oder-Neisse line cut off 30 million acres (25%) of the Reich's territory. It dumped about 6½ million refugees from Eastern Germany and 3½ million deportees from Poland, Czechslovakia and Hungry on it, whose "humane" expulsion had been expressly permitted at Potsdam. By the middle of 1947, Rump Germany had to feed 7 million more people than in 1939. The sudden incorporation of 10 million[1] more or less destitute people within a dense population of 55 million, would have strained the frame of a healthy economy almost to the breaking point. German economy after nearly six years of war was not healthy. The reduction of industry plan would have distorted it violently even if it had been sound. The combination of mass transplantation and de-industrialization resulted in a terrible shock on an already greatly weakened economy. There is no evidence, that the plan drawn up in obedience to the Postdam instructions, realized the magnitude of the destructive forces it was releasing.

The definite detailed plan for the contraction of German industries was ready on March 26th, 1946. It accepted the great migration as an accomplished fact by basing its proposals on a population of 66.5 million people, but it can hardly have taken its full social implications into account. It contained a list of plants to be withdrawn from the German industrial potential, either by physical destruction or by removal. On an average German industrial production was to be reduced by 65% of its 1936 capacity. This objective was easily reached, not to say surpassed; the 1946 output of the Western zones averaged 31 to 35%; in the first half of 1947, the average in the British-American zone was 34%. Famine was stalking the land.

In August, 1947, the plan had to be revised. Output for the western zones was raised to about 75% of the 1936 production. The revision was necessary, not because the fundamental factors had changed, but because they had not been given the weight they demanded.

Yet the planners had not lost faith in their ability of forecasting and controlling the future. At a time when the Marshall plan was being evolved, they continued to impose ceilings instead of targets. They still fought plenty, not scarcity. Their wranglings whether steel ceiling should be 7½ or 11 million tons, or whether it was better to nationalize or not nationalize heavy industries look a little unreal. The actual output of steel at that time was 2½ million tons; the Allies had taken the utmost trouble to break up German industries in as many independent units as possible; they would have to be re-united if nationalization was not to be a mere farce. But the planners were undaunted. The assumption, that Germany's future foreign-trade would balance around 5 milliard marks on both sides (2,500 to 2,800 for Bizonia) showed a knowledge of the future world markets and world prices which is truly enviable.

III

The Nazis had bequeathed one problem to the Allies which needed immediate intervention: Inflation. They had issued about 65 billion mark notes; but they had suppressed their impact on prices by a rigid imposition of ceilings and rationing. The Allies retained their stop-price policy. They added their own military notes to the previous German circulation; the Russians alone are supposed to have printed 12 billion notes on presses given them by the United States, who did not insist on the limitation of issues. The Allies balanced German budgets — by raising taxation and by lopping off such obligations as paying interest on the Reich's debt and military pensions, or taking up matured treasury bills. They managed to keep the price index fairly stable; it only rose slowly to 150 (1936=100). It was all quite unreal. Money not only had lost its value, it had forfeited its function; it only bought goods in conjunction with coupons, provided rationed goods were available. The black market and barter accounted for more than 50% of all transactions.

The one and only industry which was to be developed freely, and on which the success of the plan depended, agriculture, was held back. Restrictions of output of fertilizers and machinery handicapped it badly enough. But inflation was worse. When farmers have to sell against a valueless currency they hold back, and if they are threatened with requisitions, they stop growing beyond what they need.

Within this inflation infested economy the Allies pursued their

1 War losses, not yet returned prisoners of war and persons who avoid registration account for the differences between 7 and 10 million.

destructive planning. They increased the tension, not only by pumping more money into it, but by holding up the supply of goods by dismantling, denazification-detentions and production ceilings. They concentrated large labor forces on unproductive work, such as blowing up and breaking up plants, and consumed directly or indirectly a large share of the social product which was very cheap in Allied currencies. The need for currency reform was recognized very soon. It was held up mainly because joint action with Russia was desired. It was at last undertaken, when conditions were no longer bearable.

IV

The reform sought to speed up production by the restoration of the price mechanism; it looked for relative plenty from competition, not from control.

The newly established *"Bank of the German Lander"* (country's) is providing new notes up to a normal maximum of 10 billions "Deutsche Mark"; they are a hybrid between bank notes and paper money, for they are not signed by the bank. They are being exchanged at the rate of one Deutsche Mark for 10 old Marks. So far 34.5 billions old mark notes and 128.8 billions deposits have been dealt with. Of this total of 163.3 billions, 40 billions (19 billions cash belonging to various bodies and 21 billions belonging to banks) have been cancelled. Every holder of a food card received an advance personal quota of 40 resp.; 60 Deutsche Mark; employers got an advance of 60 Deutsche Mark for each wage earner. The 13.5 billions old notes in the hands of the public have been exchanged for 1.9 billions new notes, and employers received 700 millions. 109.9 billions old bank deposits have been exchanged for about 10 billions new deposits, of which five billions are blocked; four to five billions can be used. New accounts opened for governments and business amounted to 3.1 billions. Thus about 8 (5+3.1) billions bank money and 2.6 billions cash (1.9+0.7) were immediately available. Another 500-900 millions representing the 20 mark personal quota which was held back in June from the 60 Mark claim have now been issued. When the transaction is completed, the volume of new money may be between 15 and 20 billions.

Debts were subject to the same rate of reduction; those of the Reich (at least 400 billion marks at the end of the war), were squashed, no interest had been paid on them. Their cancellation wiped out the banks' main assets. They had to be salvaged. The Allies had dissolved the Reichsbank and had reestablished a central bank in each of the 11 Lander of the western zones; these 11 regional central banks had organized the Bank of the German Lander. This Bank provided each regional central bank with a credit for 30% of its deposits liabilities; each regional central bank in its turn gave a credit to the commercial banks in its region for 15% of their current and 7½% of their time liabilities. Each bank received moreover a "compensation claim" bearing 3% interest, for which the Lander are liable: these claims can be mortgaged and sold within the banking system. In other words, the credit of the Lander covers notes and deposits.

All bonds, whatever their nature and all private annuities were cut by 90%. But wages, salaries, social insurance, rents were not tampered with. Their beneficiaries receive 1 Deutsche Mark for 1 old Reichsmark. The reform confiscates 90% of every creditor's property, though he may get another 10% later on. These 10% are rightly called "the shadow quota." The cut in accumulated purchasing power is to reduce demand, and to force its owners on the labor market. The maintenance of wages is to stimulate and attract workers. The high cost of credit—the Bank is prepared to go to 8%—is to dissolve hoards and to eliminate all unsound enterprises. Price ceilings are being scrapped, and the price mechanism is to start the flow of goods, which the planners have held up.

The experiment being well thought out, did not fail in its early, purely mechanical stages. Its final success will depend on what one might call the "suction power of money." A stable currency sucks goods into the market. It starts on stocks and extends its suction power through the price mechanism to production, to raw materials and to labor. In a completely elastic system suction varies in strength all the time and shifts continually from one field to another. German economy unfortunately has been clogged. Price ceilings continue in essential goods, especially in foodstuffs. Capital equipment is defective. It could be repaired if labor and raw materials could be sucked in freely. Though the high suction power of money is preserved by credit restriction (credit is mainly limited to commercial bills), it cannot suck in raw materials, food and capital goods which are beyond its reach.

The loss of 30 million acres east of the Oder-Neisse line, the partition of Germany, the confiscation of the merchant marine and of foreign assets has made Germany desperately dependent on foreign goods and on the means of paying for them. If she cannot get adequate raw materials for processing under the Marshall Plan, production cannot be speeded up sufficiently and monetary stability will be menaced.

Labor too is inelastic. The first impacts of deflation on it are becoming visible; unprofitable enterprises are folding up; their labor force will have to seek new employment. In the prevailing conditions of scarcity, the switch over ought not to be difficult. But many who could make a living in a puffed up "inflation-and-black-market economy" are not fit for regular employment. The percentage of women and old people among refugees and deportees is very high: In the British zone, the relation of women to men has risen from 103 to 119; the percentage of males between 20-65 has fallen by 6.5%. Money suction cannot draw the physically unfit into the production process; yet they have to be fed. The cost of maintaining them fall on the taxpayer; he must either do with less or produce more.

Prices moreover as a whole have not yet fallen. In many cases—coal and iron for example—the price stop had kept them so low, that they had to rise. As the purchasing power of the working class has been preserved, their demand may prevent an all round decline until supply is really flowing freely. World prices unfortunately are still soaring.

Once more, moreover, planners are interfering. At a moment when all obstacles to increased production should be removed, dismantling has been resumed. In some cases, the effect of the resumption is purely psychological. The plant in question has stopped working for two years and more, and its labor force has been dispersed. But even in such cases—the August Thyssen Hutte is an example—its removal will disappoint those who had hoped that it might once more start partial production; half-finished goods are indispensable for further processing. While everybody wants to go ahead at full speed, dismantling creates bottlenecks.

Dismantling might have been an intelligent economic policy (if one can call it intelligent to wreck a plant in which 110 million marks were invested, and to pull out its equipment valued at 10 million marks, at a cost of 20 million marks) could it have been done immediately. To transport an up-to-date German plant readily to France, to let France start production quickly, would have been not only just but reasonable. To let the stuff lie about idle and rust, as the costs of erecting buildings to receive it are prohibitive, and as no skilled labor is available for running the removed plant, may be a just punishment, but in these days of scarcity it is not intelligent economics. It may be sometimes good business to pull out a particular machine and transport it to one's own plant, thereby handicapping a former rival, but carpetbagging is not reconstruction.

The resumption of dismantling is causing great concern amongst the German working class; it is undoing part of the good which the currency reform as the first effective step towards reconstruction has done. The unrest has already led to the resignation of a South German administration in the French zone. It refused to be associated with a policy of further removals. Distrust is being intensified by the verdict in the Krupp case. There is an impression that proceedings have been less fair than those against the dye stuff concerned. Public opinion is puzzled at the confiscation of this huge enterprise for the benefit of the Control Council, which includes Russia, at a time when the Western Allies hardly desire Russia's participation in the Ruhr. There is an uneasy feeling, that denazification is not merely used for punishing Nazis, but for getting rid of future rivals in a round-about way. These suspicions may be unjustified. It is not easy to combat them. In an atmosphere of tension, in proceedings in which Judge and Plaintiff seem to belong to the same party, a verdict of the Court in favor of the plaintiff will always be criticized. It is particularly unfortunate that this has happened at a time when German industry should feel confident that the period of contraction is over. Evidently justice being proverbially blind, has not seen eye to eye with currency reform.

It should however be recognized by now that there are better ways of preventing future German re-armament than by the throttling of her economic energies. The present so-called German war potential is so dependent on foreign raw materials, and will remain so, that Allied supervision of imports would be quite sufficient to guard against abuses. It would be much more intelligent to take over shares of suspect German concerns, pool them in an Allied holding company, and give it the necessary voting power to control appointments and watch operations.

The last step of the reform must be taken within half a year. An equalization fund is to be created which will compensate creditors for the losses they have suffered and which may have benefitted debtors and owners of real estate. Unfortunately the latter have often been badly hit even when they have got rid of their debts. The sums needed to pay compensation for war damages, for reparations, to refugees and deportees are enormous — the German estimate of property lost by refugees and deportees to Russia, Czechoslovakia and Poland, amounting to $40 billion, is probably exaggerated, but even a quarter of it equals Russia's claim for reparations. The only way to equalize the burden without making it too heavy for the more fortunate, is to speed up German production. If this is not done, the British and American taxpayers will have to write off their "advances" to Germany.

Germany's economic recovery depends on the success of currency reform. Its failure means chaos. One should not endanger it by clinging to a plan which is unworkable. Events since Potsdam have clearly shown, that planners cannot plan — except destruction. Unfortunately they are not yet prepared to acknowledge their limitations.

Soviet Pressure Opposed By Hovde

(Continued from page 13)

party may be active, then my own people can only judge itself terribly threatened. Then all the world will know only war, not peace, in their hearts. Then this conference might just as well never have been held. That is why I say that Mr. Fadeyev spoke most irresponsibly.

The plain truth is that we are far from perfect on either side. Lest I seem ungracious, and even as unrealistic as Mr. Fadeyev, let me list what a great many of my countrymen freely admit as our faults. We have not yet overcome a deeply ingrained prejudice against religious and racial differences, even though such prejudice has disappeared from our national statutes. We still have to establish perfect equality in civil rights as we practice them. We have made good progress in recent years and we shall finish the job, for many of us in all political parties are wholly devoted to it, even though the war-scare has set us back slightly. We have not yet completed the building of a truly adequate social security system, though here too all the world knows that we have gained much ground. Meanwhile, everyone who wants to work can find a job, for we are suffering from the acute labor shortage characteristic of this period of full employment. Hence the pressure for an even better social security system is not strong enough to prevail. Nevertheless, I hold it to be one of our serious mistakes not to take advantage of these good years to provide for the leaner ones that will probably come later. We should certainly be doing ourselves what we are directly or indirectly urging other countries to do, namely to get our inflation under control so that the real purchasing power of the working people, the fixed income workers and the pensioners would stand in better relation to prices. This is coming to be recognized also by our employers, who are often unjustly accused of oppressive desires.

In the field of foreign policy there are many Americans, if not a majority, who feel that some serious mistakes have been made. On the central issue of aid to the countries which have suffered so much from the war there are those who think that our government has been too niggardly, as well as those who think that it has been so generous as to endanger our own economy. Undoubtedly the danger exists that some selfish interests may seek to use this opportunity to feather their own nests and even that some American officials, in their enthusiasm for our own economic system, may seek to attack unacceptable conditions for the help we can give. But this is known among us and I sincerely believe that the American people as a whole will angrily reject any such efforts, which can only array the nations of the world against us. And remember that when Secretary Marshall made his offer more than a year ago it was not limited to the so-called Western states of Europe.

War-Mongering

It is true that a small but loud-mouthed section of the American press may be charged with war-mongering. Americans detest that activity. But I have heard as much war-mongering in this conference as anywhere. I denounce all war-mongering, whether it be American or Communist, in the Chicago "Tribune" or "Pravda," in the private press or the governmentally controlled press.

Quite naturally, we do not in the United States think that everything is perfect in the Soviet Union, either. We would not for one moment tolerate the stultifying control of opinion and of the means of expression that we know to be the basis of political power in the USSR. We want no secret police knocking at our doors. We want no labor camps for political prisoners. We cannot imagine how science and research and art can produce truth and beauty if, as in the Soviet Union, they are compressed within the confines of any one ideology. In a free society the prevailing ideology will naturally affect the sciences, research and the arts, but there will be free rebels also to correct and to improve. We Americans think further that, since temptations to imperialism go historically with wealth and power, the Soviet Union is no more immune than we ourselves. If we want peace rather than war, both our two states must resist that temptation. When it comes to demanding her own way in the world we Americans do not believe the Soviet Union takes a back seat to anybody. Finally, what every thoughtful American regrets bitterly in the Soviet system is its determination to exclude its own people from free contact with the rest of the world. We regret it particularly because it has the effect of impelling us upon the same wrong course.

It would take a paper as long as Mr. Fadeyev's to refute his charges against the United States in detail. So long a discourse I am not permitted. Furthermore, it is not necessary. Let me only state what I feel sure the scientists and artists and writers of my country would fully approve as a constructive program for peace:

(1) That every human being is free to seek the truth and to express the truth as he may understand it.

(2) That every human being has an everlasting right to personal safety for himself and his family, equal to that of every other person.

(3) That individuals have the right to organize with others to promote their common purposes, except by overt actions of violence.

(4) That the right of self-government belongs to every people and that it must be shared by every part or group.

(5) That peoples and their governments have the right to be immune from the efforts of others to undermine or subvert their chosen governmental forms and institutions, whether by propaganda, infiltration, or direct interference.

(6) That, since civilization and the arts of peace are the monopoly of no one culture but the product of all cultures in continuous interrelationship, the plurality of cultures within and between nations must be maintained and protected.

(7) That in the interest of enduring peace every nation, large as well as small, must surrender to a world organization so much of its national sovereignty as may be necessary.

(8) That science, the arts of expression and learning must be free and their products freely exchangeable.

Finally, I want to disavow absolutely the desire imputed to us Americans of wanting to take away from the Red Army and the people it heroically represented or from any other of our allies in the last war one jot or tittle of the credit they rightly deserve for our common victory. We won the war together. We can win the peace, too, if only we stay together.

As We See It

(Continued from first page)

other and far more fundamental policies constantly proclaimed and pursued. Word now comes from Washington, for example, that the budget under preparation for the fiscal year 1950, will list expenditures of not less than $45 billion, and may go appreciably higher even if nothing meanwhile takes place unexpectedly and against all hope to suggest enlargements of outlays not now in contemplation. Of course, the usual statement is made about the very large military costs which, allegedly at any rate, world uncertainties make mandatory, but the fact remains that those outlays which can reasonably be related to our capacity to defend ourselves against attack leave room for substantial saving in the national budget.

Money Wasted

Planned expenditures for defense we pass over at this time with a mere expression of hope that, for whatever dollars we decide to spend for this purpose, we shall get the maximum possible protection. But what of the other outlays now being listed? Thanks to the complexity and lack of clarity in Government accounts it would be difficult to say precisely how much is being laid out at this moment, not to prevent inflation, but to keep prices up for the farmers of the country. Potatoes are again in the headlines, as are eggs occasionally, but these are but examples of what is taking place. Housewives who are obliged to pay fantastic prices for some of these articles would find, if they could trace the matter through, that their Government in Washington is in no small part responsible for their difficulties.

Estimates of the amounts of money which may be expended in the next 12 months or so to "support" the prices of corn and wheat — to say nothing of the other items on the long list of farm products which the Federal Government is more or less pledged to "support"—vary a good deal. Reports are that such outlays are at the moment being limited in some instances by lack of storage space for the commodities to which the Government would take conditional, or in some instances in all probability, ultimately full and unconditional title in the process of protecting these markets. But there can not be the slightest doubt that the national Treasury will be called upon to provide enormous sums to make sure —if such is possible—that the price of these commodities will not fall below some artificially set "support levels," which, of course, would at almost any other time have been regarded as exceptionally high.

The Bond Market

These and some of the others are key commodities, and to prevent them moving to their natural level — which in view of the very large production this year would still supply the farmer with substantial returns — naturally and inevitably limits directly the degree in which the general price level may be "corrected." But, of course, there are other aspects of this situation which are of equal importance in connection with anti-inflationary strategy. Such "support" expenditures swell the national budget, and it is upon a reduction of that budget that any sound program to avoid or remove inflation must depend. Either these additional expenditures will be raised by further borrowings or from heavier taxation. In either case it becomes the more inherently difficult to develop a market in which the obligations of the Federal Government may be sold to bona fide investors for what they are worth.

Essentially the same is true of every other cent of needless outlay. The hope, and the only hope, of a sound Government bond market which stands on its own feet rests upon a renovated budgetary situation. The task of eliminating the conditions which owe their origin to the New Deal and the financial blunders of the war years is in any event a Herculean one. Given reasonable conditions under which to work, we are, however, confident that it could be achieved by able and courageous men. With a persistently weak budgetary condition, the situation becomes quite different.

Self-Evident Truths

It should not be necessary, but apparently is, to keep repeating the self-evident truth that until such a bond market comes into being and is permitted to function naturally, such "anti-inflationary" steps as those which have made the headlines of late have little real meaning. Federal Reserve authorities are quoted in the press, for example, as estimating that member banks would dispose of some $1.5 to $2.0 billion of Government obligations to meet the newly imposed reserve requirements. But who will buy them at present prices? The Reserve authorities, so far as we are aware, have remained silent on the subject, but we venture the guess that it would be difficult to find any competent private observer who is not convinced that the Federal Reserve itself will take up the bulk of the offerings—if indeed it does not buy them all.

When the matter is all "washed up," to drop into the vernacular, what we should find in these circumstances is that large quantities of Treasury obligations will have been moved from the portfolios of the member banks into the vaults of the Federal Reserve banks. The credit "base" of the member banks thereafter would be slightly contracted, but in light of their holdings of Government obligations — which under present policies the Reserve system must "support" — the difference appears without a great deal of significance. So long as the Federal Reserve must, or at any rate believes that it must, "support" the Treasury in whatever it undertakes, and the Treasury remains a constant suppliant in the bond market, there is, to speak plainly, little or nothing that the Federal Reserve authorities can do to alter the basic situation by which we are confronted.

Obvious, but —

All this is obvious enough. It has been said many times in these columns and in many other places. It has, moreover, become plain enough that the present Administration intends indefinitely to continue to ignore these elementary facts and to keep right on deceiving itself — if that is its trouble. What the forward-looking citizen would like to know is what the new regime — if, as is apparently generally taken for granted a new regime is on the way — can be persuaded to do in the premises. For an answer to that question, however, it is more than likely we shall be obliged to await the event.

Labor's Economic Dilemma

(Continued from page 4)

cars too that must be supplied from production at prices which their wages will buy if the industry is to keep producing. The wages in many other industries are low in comparison with the wages in the motor car industry. The wages of the average store clerk are only about one-half that of the average worker in the motor car industry. The wages of farm labor, white collar workers, school teachers and the employees in the service trades are far less than the wages of workers in the motor car industry. But these millions of workers, whose wages and incomes are less, want motor cars if the costs and prices are not more than they can pay. In order, therefore, to keep motor car production going and steady employment in the industry, costs must be kept down to a level where the people who want the products can buy. Too high wages in the motor car industry in comparison with wages in other industries will bring on a depression in this industry, not because the people are supplied with the cars they want, but because they cannot buy the cars they want.

It is a great mistake on the part of labor and labor leaders for workers to try to get all the things they want by increased wages which forces the prices of the products of their work so high that consumers who want these products cannot buy them. The wants of workers in this industry will be met more successfully by increasing efficiency and reducing costs and prices until workers everywhere can buy the products This will make for more lasting employment and production.

An Economic Program Best for Labor

When prices and the cost of living climb upward, labor wants more wages. Would it not be better for labor and labor leaders to seek out the causes of these increased prices and demand a remedy which will bring down the costs of living and increase the buying power of the wage earner's dollars? Among the causes of rising prices are inflation and reduced production. The causes of inflation are well known and the remedy and responsibility lies in the hands of the government. Both inflation, and the scarcity of production in many lines which we have today, came about partly as a result of maladjustments during the war and partly as a result of government policies and regulations. The demand for wages in excess of the ability of corporations to pay will not remedy but aggravate these unsound economic conditions. Both labor and management should seek to educate themselves on the best remedies for these conditions and demand that these remedies be applied as speedily as possible.

The causes of inflation and rising prices are in the management of the national monetary and debt policies. Inflation resulting from excessive expansion of money and bank deposits caused by government extravagance and deficit financing, raises prices and reduces the purchasing power of the working man's wage-dollar. Every working man and every union leader should demand that his government maintain sound monetary policies and keep up the purchasing power of his wage-dollars. Based upon the United States Bureau of Labor, indices of prices and the cost of living the average dollar will buy now just about as much as 50 cents would buy in 1939. There is no remedy for this decrease in the purchasing power of the dollar by increasing wages. A few industries might increase their production and efficiency enough to increase wages this much, but most industries cannot increase their production in this proportion and so must increase their prices to break even. That increase in prices increases your costs of living. This spiral of increased prices and wages has always led to collapse and depression and there is no reason to believe that the results will be any different this time. Any such increase in prices, when the great majority of workers and producers cannot raise their wages and prices, must inevitably lead to economy and a lower standard of living for the great majority of consumers. These conditions create an unbalanced production and consumption whereby goods produced at high costs cannot be sold. In the past such price-wage spirals have been corrected by a collapse of employment and production, and a long period of depression with a slow gradual recovery as costs and prices are adjusted to the ability of consumers to buy. The cause of thes tragic conditions by inflation can only be avoided by avoiding inflation. The correction of the present inflated condition in our economy and the avoidance of further inflation through monetary manipulation is a responsibility of the government. But a political government in a democracy is necessarily influenced by the wants of the people. If labor and management will educate themselves on the protection which sound money and credit conditions holds for their incomes and businesses and demand that the government carry out these responsibilities for the best interests of the whole of society, wages will be increased through the increased purchasing power of the dollar and continued business and employment stability. On the other hand, if pressure groups and selfish uninformed interests merely demand higher wages for themselves instead of a remedy to the causes of inflated prices, we are in for the ordeal of a correction of these maladjustments through the economic forces of supply and demand and depression, with its lessons from the school of experience.

Because of the inflation which has penetrated the entire fabric of our cost-price relations during the past 15 years, it may be best to try to find out what the dollar is actually worth and seek an adjustment of all costs and prices in relation to each other in terms of the value of our present dollar. Money does not create values nor does it create goods. Money is only a tool to measure the exchange relations or the prices of goods in terms of their costs. Goods and services have value because of their costs. These costs include materials, the costs of tools and machinery, the labor of production, transportation and marketing, the time element in waiting for production and delivery, and waste, breakage and loss. These are the costs which make goods valuable. Paying for these costs, the risks of management and the uses of capital must be recaptured in the prices for which the goods are sold, if a business is to be able to keep going. The function of money is to measure these cost and price relations. Your money wages are the costs of your contribution to production. Your real wages are the goods and services you buy with your money wages. If your money wages are increased it is therefore necessary that you contribute more to production or that the prices of the goods you produce must increase and the volume of sales remain the same or the business will lose money and sooner or later must stop production and end your job. With sound and dependable money, stable prices will prevail. Production will increase with increased efficiency and volume. With increased efficiency, prices can be reduced and wages increased. Your wage dollar will then buy more instead of less. The responsibility for maintaining sound money has always been delegated to the government. Labor organizations should understand that responsibility and demand that the government perform its function of protecting the purchasing power of wages with sound monetary policies. To demand that money wages be increased in some industries to meet price increase due to monetary inflation is unsound and will bring a cessation of production with unemployment and depression, unless all wages and prices are increased in proportion. Just how to remove the inflation in our system or to adjust our costs and prices to it is a hazardous undertaking in any event. Sound money and free markets are the best and speediest remedies. With sound money and free markets, prices will quickly adjust themselves to costs and everyone will know what his wages will buy.

The remedies for scarcities and reduced production are free markets and free trade with sound and dependable monies. Let prices and costs adjust to each other in free competitive markets and products which buyers will pay for will flow from every corner of the world to markets where the demands are for the products at a price covering cost. The present scarcities are created by government regulations, tariffs and barriers to production and trade. In the motor car industry we are told that there are many scarce products. Why is there a scarcity of scrap iron when there was plenty of scrap iron before the war? Why is there a scarcity of copper, lead and zinc when there was plenty before the war? It is true that there is some increased demand for these products now. But there is no scarcity. There is more of these products in the world than ever before, but tariffs and trade regulations prevent the importation of these products at present prices, and domestic prices and trade regulations make it unprofitable to produce these products to meet the present demand.

The examples which could be cited to show how the present scarcities have been created and how these scarcities have contributed to the rising prices seem too well known for further comment. It seems enough to point out that all barriers to production should be removed as speedily as possible and production increased until the supply in the free markets satisfies the demands of consumers. This would be a great increase in wages for every worker because with increased production and lower prices the wage-dollar would buy more.

Labor's Demands

Instead of higher wages which are taking us headlong into a wage-price spiral and depression, labor should demand:

(1) Complete freedom for production.

(2) The fullest possible efficient production.

(3) Sound money.

(4) Free competitive markets based upon supply and demand, and the eradication of all monopoly and price fixing.

(5) Free enterprise and opportunity for everyone under the same laws.

(6) Economy and thrift on the part of both the government and private industry, and education and research open to everyone.

Labor's best interests will be served by the sound program which produces and distributes the largest quantities of the things that labor wants at the lowest prices. Unfortunately labor is being misled by slogans, ideologies, and promises which will ultimately destroy labor's freedom and well being. For example there is a demand for a 30-hour week and a five-day week. The hours of labor should be keyed to the maximum efficiency and well being of labor. Any schedule of hours which reduces production and which is not necessary for the health and comfort of labor must reduce the supply of products on the market and raise the cost-price of these products and thereby reduce the purchasing power of wages.

Communistic and socialistic promises of increased income and reduced production with regimented and totalitarian management are the roads to a lower standard of living, poverty and dictatorship. Informed American labor are opposed to these. It is one of the duties of our American educational system to help labor understand these false doctrines and where they lead. Unfortunately in too many of our best known educational institutions converts of these false doctrines and stool pigeons for foreign isms are propagandizing false virtues of these alien doctrines and falsifying the merits and benefits of our American traditions of free enterprise.

It is the duty of labor leaders, industrial management, educators and the press to seek out the economic truths of what is best for our whole society including labor and the consumer with respect to production, wages, money, prices and free markets. Once these are understood and agreed upon, it would not be difficult for labor and management to settle their problems and cooperate for our best interests as a nation. The government can be of great help by keeping open the doors of free exchange of ideas, and free markets. Everyone has a right to his opinion and to his say, but no one has a right to be wrong, if he is wrong in a democracy of free ideas and free markets he will soon learn by paying the price of taking the consequence of his mistakes.

Truman Emphasizes Science Research as Defense Aid

(Continued from first page)

the Eightieth Congress. That report stressed the importance of science to our national welfare, and it contained a number of regulations—of important recommendations.

The most important were these: First, we should double our total public and private allocations of funds to the sciences. We are now devoting, through Federal and private expenditure, little more than $1 billion a year for research and development. That sounds like an immense sum. With a national income of more than $200 billion annually, the board felt that we should devote at least $2 billion to scientific research and development each year. And when you consider that is a very, very small amount when compared to that $200 billion, I think it ought to be done.

Second, greater emphasis should be placed on basic research and on medical research.

Third, a national science foundation should be established. I pleaded with that Congress to give me a national science foundation. They offered a national science bill which eliminated the President from the Government of the United States, and I wouldn't sign it.

Fourth, more aid should be granted to the universities, both for student scholarships and for research facilities.

Fifth, the work of the research agencies of the Federal Government should be better financed and coordinated.

I hope that you have been weighing these recommendations carefully, and that if you agree with me that they are sound, you will consider how they can be made effective national policies. I think it is vitally important.

I know that you are also deeply concerned with the relationship of science to our national defense and security. Three years ago, when the fighting stopped, all of us were eager to return to our peacetime pursuits. The first thought of a great many of us was how to translate our wartime advances in scientific knowledge into better standards of living.

Still Living in Hazardous Times

It is an unfortunate fact, however, that the peace we hoped for has not come quickly. We are still living in hazardous times. We are required to give unremitting thought to the defense of the United States at a period when defense has become incredibly more difficult and more expensive. American scientists must, like all the rest of our citizens, devote a part of their strength and skill to keeping the nation strong.

At a time when we hoped our scientific efforts could be directed almost exclusively to improving the well-being of our people, we must, instead, make unprecedented peacetime efforts to maintain our miliary strength. For we have learned—we have learned the hard and bitter way—that we cannot hope for lasting peace with justice if we do not remain strong in the cause of peace.

I remember at Potsdam, we got to discussing a matter in eastern Poland, and it was remarked by the Prime Minister of Great Britain that the Pope would not be happy over that arrangement of that Catholic end of Poland. And the Generalissimo, the Prime Minister of Russia, leaned on the table, and he pulled his mustache like that, and looked over at Mr. Churchill and said: "Mr. Churchill, Mr. Prime Minister, how many divisions did you say the Pope had?"

If we are to maintain the leadership in science that is essential to national strength, we must vigorously press ahead in research. There is one simple axiom on which this thought is based. The secrets of nature are not our monopoly. Any nation that is willing and able to make the effort can learn the secrets that we have learned. Such a nation may, indeed, discover new facts of nature we have not yet discovered.

Our problem, therefore, is not a static one of preserving what we have. Our problem is to continue to engage in pure—or fundamental—research in all scientific fields. Such research alone leads to striking developments that mean leadership. Yet it is precisely in this area that we, as a nation, have been weakest. We have been strong in applied science and in technology, but in the past we have relied largely on Europe for basic knowledge.

Pure research is arduous, demanding and difficult. It requires unusual intellectual powers. It requires extensive and specialized training. It requires intense concentration, possible only when all the faculties of the scientist are brought to bear on a problem, with no disturbances or distractions.

Government Research

Some of the fundamental research necessary to our national interest is being undertaken by the Federal Government. The government has, I believe, two obligations in connection with this research if we are to obtain the results we hope for. First, it must provide truly adequate funds and facilities. Second, it must provide the working atmosphere in which research progress is possible.

As to the first point, the government is developing impressive programs in many scientific fields. Fundamental research is being carried on for the National Military Establishment in the laboratories of the armed forces, of industry and of our universities.

The Atomic Energy Commission has been pushing its extensive research. The National Advisory Committee for Aeronautics has expanded its many aeronautical developments. The Federal Security Agency has engaged in extensive medical studies, in its own laboratories like the National Institute of Health, and through grants to colleges and universities.

Other Federal agencies, such as the Departments of Commerce, of Agriculture and of the Interior, have pursued vigorous programs. The Inter-Departmental Committee on Scientific Research and Development, appointed by me last March, aids in coordinating the government's many research programs. I sincerely hope that these programs will be further developed and coordinated by the early passage of a National Science Foundation bill.

The second obligation of the Federal Government in connection with basic research is to provide working conditions under which scientists will be encouraged to work for the government. Scientists do not want to work in ivory towers, but they do want to work in an atmosphere free from suspicion, personal insult or politically motivated attacks.

It is highly unfortunate that we have not been able to maintain the proper conditions for best scientific work. This failure has grave implications for our national security and welfare.

Attacks Politicians

There are some politicians, and I could name them, who are under the impression that scientific knowledge belongs only to them. The rumor has come to me that one of them even made the remark as to why we let the scientists know anything about the atomic bomb.

This situation has been of increasing concern to me. It was highlighted by a telegram I received last week from eight distinguished scientists. These men expressed their alarm at the de[illegible] relations between scientists and the government because of the frequent attacks which have been made on scientists in the ostensible name of security.

The telegram points out that the actions of certain groups are "creating an atmosphere that makes men shun government work," and that the Federal Government is losing the services of excellent scientists because they have been looked upon from certain quarters as "men not to be trusted."

The telegram points out that scientists fully appreciate the need for sensible security measures. But scientists very understandably are reluctant to work where they are subject "to the possibility of smears that may ruin them professionally for life."

That telegram was a balanced and sober presentation of a vital problem that concerns every American.

Continuous research by our best scientists is the key to American scientific leadership and true national security. This indispensable work may be made impossible by the creation of an atmosphere in which no man feels safe against the public airing of unfounded rumors, gossip and vilification.

Such an atmosphere is un-American, the most un-American thing we have to contend with today. It is the climate of a totalitarian country in which scientists are expected to change their theories to match changes in the police state's propaganda line.

I hardly need remind this association that it is primarily to scientists that we owe the existence of our atomic energy enterprise.

It was the scientists who first saw the possibility of an atomic bomb. It was the scientists who proved the possibility. It was the scientists who first saw the need of security measures, and who on their own initiative clamped down a tight lid of secrecy on all experiments.

It must not be forgotten for a moment, and certainly it must not be obscured by any smear campaign, that but for the scientists we would have no atomic energy program.

We are only in the beginnings of the atomic age. The knowledge that we now have is but a fraction of the knowledge we must get, whether for peaceful uses or for national defense. We must depend on intensive research to acquire the further knowledge we need. We cannot drive scientists into our laboratories, but, if we tolerate reckless or unfair attacks, we can certainly drive them out.

These are truths that every scientist knows. They are truths that the American people need to understand.

Science has no political affiliation. Concern for our national security is non-partisan. Sober recognition of scientific research as the basis of our future national security should certainly be non-partisan. All Americans have a solemn obligation to avoid those methods and procedures which are impeding scientific research—whether adopted mistakenly with good intent, or advocated in the name of security by men with other axes to grind and red herrings to drag around.

Urges Social Research

My emphasis tonight has been on the physical and biological sciences. These are obviously in the forefront in terms of our industry and technology. But the social sciences and related fields are at least as important in the present stage of human affairs.

The physical sciences offer us tangible goods; the biological sciences tangible cures. The social sciences offer us better ways of organizing our lives. I have high hopes, as our knowledge in these fields increases, that the social sciences will enable us to escape from those habits and thoughts which have resulted in so much strife and tragedy.

I am sincerely hoping that we will develop those social sciences and that we will develop the atomic energy release for the welfare of mankind, so that, as I said a while ago, we will be living in the greatest age the world has ever seen, and I am sure that is what we are going to do before we get through.

Now and in the years ahead, we need more than anything else the honest and uncompromising common-sense of science. Science means a method of thought. That method is characterized by openmindedness, honesty, perseverance, and, above all, by an unflinching passion for knowledge and truth. When more of the peoples of the world have learned the ways of thought of the scientist, we shall have better reason to expect lasting peace and a fuller life for all.

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CINCINNATI, OHIO—Charles A. Skinner has become affiliated with Cartwright & Co., Inc., Union Central Bldg.

A Mid-Year Appraisal of the Rails

(Continued from page 2)

effect, the leverage effect of such developments could be tremendous in the application of earnings protection and results on presently outstanding fixed and income bonds as well as stocks, both preferreds and commons.

There are some that fear the threat of government ownership in the event of war. During World War I, the railroads were taken over by the government and such action is calculated to have cost the American taxpayer approximately $2 billion, after all bills were settled, to say nothing of income taxes not otherwise collected, amounting probably to a similar amount. In World War II, on the other hand, when such action was not taken, the railroads paid to the government the equivalent of an average $3,000,000 Federal taxes per day, while remaining in private hands.

The total of such Federal income and excess profits taxes paid for the four-year period, 1942-1945, inclusive, came to $3,700,000,000, an average of $925,000,000 annually (the latter an amount greater than the total net operating income of $780,000,000 which the roads earned in the entire year, 1947). These taxes were paid while the industry expeditiously moved more than twice the volume transported in the First World War with considerably fewer (32%) freight and passenger locomotives, passenger cars, and a smaller number (28%) of freight cars of all kinds. Except for a national emergency which might be of short duration (such as a move to prevent a strike or straighten out some labor disturbance), it would seem distinctly unlikely that the government would take over the railroads again; concomitantly, there appears to be almost a complete absence of any popular demand for same.

Earnings Outlook Under Peace Conditions—A "Normal Constructive Year"

Ruling out an actual outbreak of hostilities (which should not be relatively harmful, at worst, for the carriers, and might prove somewhat beneficial), and, at the same time, bypassing the possibility of a socialistic seizure of the roads, the outlook in a "peace" setting and beyond the immediate period extending over the balance of 1948, while not free from threatening clouds, still appears decidedly encouraging. In this connection, the effects of military preparedness during "peace," in stimulating economic activity and sustaining rail movement at favorable levels (indeed, offsetting any slack that may arise in other directions), should not be ignored.

One important factor in arriving at such an optimistic appraisal of this industry's prospects, is the indicated eminently satisfactory levels of "earning power" on an annual basis, attributed to the roads, at present rates for transportation services and current operating costs. This concept was clearly conveyed recently by the ICC in its presentation of an operating income account for class I railways, for a "normal constructive year." This calculation (necessitated in their determination of the reasonableness of recent freight rate increases), was contained in the Commission's final decision, dated July 27, 1948 (re Increased Freight Rates, 1947, Ex Parte 166). The final estimated "constructive year" earnings results, as reproduced in the tabulation below, are the revised data (published August 13), of the Commission's Bureau of Transport Economics, allowing for the most recent (July) authorizations for freight rate increases. Comparisons are made with actual performances in the peak earnings years of 1929 and 1942, as well as the years 1946 and 1947.

Broadly, the above Pro Forma Income Account was based upon assumptions of a "normally stable industrial condition," with freight volume placed at 647.3 billions of ton-miles (one ton carried one mile) or "slightly under that actually handled in 1947," and passenger business disclosing an appreciable decrease of around 12.3% from the 1947 performance, revenue passenger-miles (one passenger carried one mile) being estimated at 40.3 billions. All the many rate changes that have taken place since the end of the war pertaining to freight, passenger, mail and express were applied to the assumed volumes in a "constructive normal year."

Computations relating to operating expenses were likewise based on going (August, 1948) levels for wages, and assumed the continuation of prevailing (Nov. 1, 1947) cost levels for fuel, materials and supply, as then evidenced in the record during *Ex Parte* 166 proceedings. However, it should be noted that Net Railway Operating Income as shown above, amounting to $1,217,000,000 would otherwise become $1,119,400,000 (after allowing for income tax influences), if detailed operating expenses were to be increased by an estimated $157,400,000, which would represent the rise in average unit prices for fuel, and materials and supplies, between Nov. 1, 1947 and June, 1948.

Comments on Freight and Passenger Traffic Volumes

Based upon the foregoing tabulation, several interesting observations may be developed. In the first place, it is evident that revenue ton-miles in 1947 (and 1948, as currently indicated), as well as in a "constructive normal" year are at a new high plateau for any non-war period. It is widely recognized that freight volume has receded considerably from war-activated levels (1944 net ton-miles were 737,246,000,000). But little publicity has been accorded to the fact that the 654,691,000,000 net ton-miles in 1947 were 46.4% above the previous peak freight level of the "prosperity" 1929-year. Secondly (not shown above), but minor attention has similarly been paid to the fact that the 1,537,000,000 tons of freight originated by the Class I roads in 1947 were at a new absolute high. Only the longer hauls during the war years (average: 245.3 miles in 1944 versus 226.0 in 1947), served to produce the greater ton-mile volumes. Both these items reflect the greater needs of the nation for higher overall railroad freight volume, attending the growth in population. The 11,744,000, or 8.9%, sharp rise in continental U. S. population between 1940 and 1947, accompanied by increases of around 42% for California and Oregon, 35% for Washington, and 11% for Texas, cannot help but spell more favorable rail movement over a period of time.

	Normal Constructive Year	1947	1946	1942	1929
Revenue ton-miles (billions)	647.3	654.7	592.0	638.0	447.3
Revenue passenger-miles (billions)	40.3	45.9	64.7	53.7	31.1
Total operating revenues	**$10,052.0**	**$8,684.7**	**$7,627.7**	**$7,465.8**	**$6,279.5**
Freight	8,346.3	7,041.0	5,786.6	5,944.3	4,825.6
Passengers	940.5	963.3	1,259.2	1,028.2	873.6
Mail	173.2	170.1	129.0	111.4	151.5
Express	166.0	115.8	92.8	96.9	148.2
All other	426.0	394.4	360.2	285.0	280.7
Total operating expenses	**$7,538.9**	**$6,797.1**	**$6,357.4**	**$4,601.1**	**$4,506.1**
Maintenance of way and structures	1,447.8	1,212.1	1,150.2	796.4	855.4
Maintenance of equipment	1,787.5	1,558.0	1,468.8	1,211.0	1,202.9
Transportation	3,733.0	3,476.3	3,212.3	2,241.8	2,080.0
All other	570.6	550.7	526.1	351.9	367.8
Transportation ratio-percent	37.14%	40.03%	42.12%	30.03%	33.12%
Operating ratio-percent	75.00%	78.26%	83.35%	61.63%	71.76%
Total taxes	**$1,129.4**	**$936.4**	**$498.1**	**$1,198.8**	**$396.7**
Payroll	271.1	353.4	254.4	171.0	----
Federal income	564.0	297.8	(d)15.7	755.1	88.7
All other	294.3	285.2	259.5	272.8	308.0
Equipment & joint facilities net rents	*Dr*166.7	*Dr*170.5	*Dr*152.0	*Dr*181.4	*Dr*12[illegible]
Net railway operating income	**$1,217.0**	**$780.7**	**$620.1**	**$1,484.5**	**$1,251.7**

As to passenger traffic, the fall from the 1944 Class I total of 95,549,000,000 passenger-miles to the 1947 total of 45,935,900,000 was a 51.9% decrease, while the drop would be around 58% if calculated on the ICC estimate for a "constructive normal" year. This sharp falling off of passenger business should not be surprising to anyone familiar with the subject. Furthermore, it needs be pointed out that the aggregate figures of passenger business include statistics pertaining to commuter travel—a very stable business, not subject to fluctuations of appreciable amounts except over extended periods of time. Excluding the commuter data, passenger-miles (coach and first class) decreased from 90,231,100,000 (1944), to 39,925,400,000 (1947), or 55.7%, while a decline to an indicated 34,300,000,000 "normal" level (based on the ICC forecast) would constitute a loss greater than 61%.

Such a decrease, while of seemingly staggering magnitude, obscures some of the other encouraging trends developed from allied passenger data. The total number of passengers carried, other than commuters, totaled 360,941,000 in the postwar 1947 year. This compared favorably with (a 12.3% increase over) the numbers carried in 1929, and constituted a rise of nearly 30% over the 1941 prewar aggregate. Moreover, aggregate volume of 39,925,000,000 passenger-miles (of non-commuters) in 1947 was still 58% above the 1941 total and higher than in any year of the 1920's (when such travel is considered to have still constituted an important segment of railroad revenues). Passenger-miles declined further by 12.5% during the first five months, 1948, from the 1947 figures, or in line with the indicated level in a "constructive normal" year, as projected by the ICC. The latter total of 34,300,000,000 would still exceed the volume in any year, 1921 (when data separating commuter and other than commuter traffic are first available) through 1941, inclusive.

This heavier passenger volume has resulted primarily from the much longer journey (an average of 110.6 miles in 1947), taken by such passengers. Except for the war period (when the average journey rose to as high as 151.5 miles in 1944), the trend with respect to this item has been inexorably upward throughout this century. From 1900 to 1921, the average railroad journey rose from 27 to 37 miles. Since 1922, the average commutation journey has fluctuated only between 14.3 and 17.4 miles.

Travel other than commutation in the same period, however, averaged 54 miles in 1922, between 60 and 70 miles in the interval 1924 through 1927, from 70 to 80 miles in the period 1928 through 1936, and above 90 miles in each year, 1941 to date. This steady rise not only confirms the virtual disappearance of short distance, city-to-city travel on the railroads (excepting repetitive commuter traffic)—in favor of the bus or the private automobile—but also emphasizes and attests to the steady growth of medium to longer distance passenger travel over the railroads, reflecting in large part, the growth in population and increased per capita spendable income. By no means unimportant has been the retrieving of some passenger business (coach, primarily), through the furnishing of better and newer equipment (stream-liners) on main lines by many of the roads. That rail traffic of this nature, in the face of stiff airline competition indicated over the future (as well as in the recent past), should continue at a stable level or should even expand, remains to be seen; the record to date, at least, appears to support a more optimistic attitude toward such future rail passenger business (coach and first class) than is generally conceded by either the general public, including investors, or by many within the rail industry itself.

Current Status of Freight Rates and Passenger Fares

Comments (above) on present and nearby prospective traffic volume would serve but little purpose if the current status of the transportation rate structure were not clarified to some extent. Three interim freight rate boosts, authorized by the ICC, and superimposed upon a previous general rate increase, may not be readily comprehended without amplifying details, especially when two rounds of postwar wage increases were interposed meanwhile, at the same time that rates for mail pay, express charges and passenger fares were contemporaneously rising.

On a cumulative basis, the overall increase in freight rates authorized since June 30, 1946 (when postwar rates were at levels virtually prevailing in the 1938-1939 prewar years), is calculated at 44.2%. Distribution was uneven as between the various districts, as follows:

Eastern District, 47.1%; Southern Region, 44.3%; Pocahontas Region, 39.0%; Western District, 41.4%.

This new level contrasts with but includes the initial rise of only 17.6% granted by the ICC effective Jan. 1, 1947, as a result of its *Ex Parte* 162 decision. In toto freight rates were raised by approximately $2,550,000,000, annually, above the immediate postwar levels. Based on the "constructive normal" year Income Account, presented above, the average freight revenue per ton-mile figures out to 1.2894 cents, which would be the highest shown for Class I railways since creation of the Interstate Commerce Commission in 1887, and compares with average receipts per ton-mile of 1.275 cents in 1921, and with a low figure in the past three decades of 0.932 cents in 1942.

Fears have been expressed that the sharp rise in freight rates would serve to intensify competition and result in further diversion of traffic to other transportation media: truck, waterways, and via air. Stabilization of traffic during recent months at current high levels does not furnish, to date at least, any substantial support for these expressions of alarm. Indeed, despite the fact that the third interim freight rate increment became effective on May 6, total ton-miles for that month (latest data available at this writing) disclosed an 0.5% increase over the like 1947 monthly total. While shippers have threatened, in public statements, to substitute other media for rail movement, it is still worthy of note that freight costs, measured in relation to the wholesale value of the commodity transported were, during the final six months of 1946 (latest data compiled by the ICC), at the lowest ebb over the 18 years surveyed.

The ratio was 5.36% for all commodities compared with 8.43% in 1939, 10.66% in 1933, and 7.90% in 1928. In other words, rail transportation charges in 1946 accounted for a considerably smaller portion of the delivered cost of the article than in former years. Similarly, the ratios for the various individual commodity classifications were at their lows compared with prior periods in their relation to the value of the commodity transported. For example, ratio for products of mines was 22.76% in final six months of 1946, versus 30.44% in 1936, 35.95% in 1933, and 26.74% in 1928. The latest figure of 5.36% for agricultural products compared with the previous low of 9.57% in 1936; latest ratio of 3.79% for manufactures and miscellaneous contrasted with 6.30% in 1933. It would thus appear that, broadly and generally stated, the roads would seem, by and large, to be far from "overpricing their market," as yet, even after allowing for the most recent freight rate increases. Nevertheless, this is not to say that some individual rates, as recently established, will not have to undergo "adjustments" from time to time, in the light of future experience.

As to passenger fares, current levels of line haul coach rates are at 3 cents per mile in Eastern territory, with Pullman (first class) rates at 4 cents per mile. These increases have brought such rate levels back to those prevailing in 1929, while in the South and in the West, respective passenger-mile figures are 2.5 cents in coaches and 3.5 cents in first class travel. On the estimate for a "constructive normal" year, the overall passenger-mile rate is calculated at 2.334 cents, versus an average of 1.946 cents in 1946, a low (since 1900) of 1.753 cents in 1941, and the 1921 peake of 3.086 cents. All told, the total boost in passenger fares, on an annual basis, since mid-1946, is calculated to produce approximately $166,000,000, while it is significant that the Commission has granted virtually all that the roads have requested by way of upward revisions of passenger fares (including commutation).

Express rates were increased twice on an overall basis, of 10% each, besides other increased charges on some of this type of traffic. Mail pay was raised (25%) by about $34,500,000 annually, effective Feb. 1, 1948, with the total retroactive payments taken into 1947 accounts approximating $30,000,000. In June, 1948, the roads supplemented their original petition (for a 45% boost in mail pay) bq requesting an additional 20%, so as to make the aggregate rise equal to 65%. If past precedent is any criterion, a good portion, if not all, of this request should be granted.

Current Status of Operating Costs Including Wages

As against the 44% increase in freight rates and (since 1946) a 22% upping of passenegr fares, cost items of the industry have experienced even steeper percentage rises. From 1939 to August, 1947, the aggregate increase in operating costs has been placed at $2,560,000,000 with the rise in fuel, material and supplies disclosed at more than 80% (a recent 1948 estimate indicates such average rise, to date, at 90%), and the increase in labor costs at more than 55% (wage costs, including payroll taxes, to mid-1948, are calculated to have expanded by 70%). During recent months, average prices for fuel oil have shown a further sharp increase which is likely to affect adversely some of the roads which are still dependent heavily upon oil-burning steam locomotives. Costs of this fuel more than doubled and rose by a greater amount between 1941 and 1947, than for any other type of fuel consumed by the roads.

With respect to wage rates, the

roads' employees have already served notice for and are presently to begin negotiating on the "third round" of postwar wage increases, which would result in putting wage costs at a new and burdensome peak level. The importance of wages in the railroad income account cannot be minimized since such costs consume normally from 43% to 50% of operating revenues and constitute, roughly, 65% of operating expenses. In 1946, the portion of each revenue dollar being absorbed by labor, rose to 52.1 cents (the highest on record excepting the abnormal 1920 year) but receded to below 48 cents of each revenue dollar last year, despite the further increase in wage rates. In contrast and because of exceedingly heavy volume, the labor percentage of gross revenues had held below 42% during the war years 1941-1945, inclusive. There is no question but that the substantial increases in wage scales have resulted in considerably higher unit costs, and, while operating efficiencies on the part of the railroads have offset, in part, the full effect of such rises in labor costs, output per dollar of wage has suffered by reason of the very steepness (the "labor ratio" going from 36.9% in 1943, to 52.1% in 1946) and repetitive succession of such wage rises in 1946, 1947, and now prospective for 1948. Coincident with increased rates of wages, of course, are the greater requirements of payroll tax payments.

There seems to be some basis for the anticipation that, in the parleys between the Brotherhoods and the Managements indicated to start later this month, the current addition to wage scales may center around an 8½% rate based upon wage boosts obtained in other industries. It has been calculated that this would burden the railroads by something like $319,000,000 per annum (the net additional costs, after taxes, would probably be brought down to $240,000,000). It has likewise been calculated that a 5% further general increase in freight rates, if authorized, would just about offset such added expenses.

The following tabulation discloses several indices which indicate the trend of wage costs in relation to gross revenues during the past 12 years and the trend of unit physical output per worker during the same period. Inasmuch as labor costs constitute a major portion of (direct) transportation expenses, the so-called transportation ratio is indeed a valuable guide as to the extent of labor efficiency being disclosed by any individual carrier, or the roads as a whole. This latter ratio is the only one which affords an up-to-date check upon current developments.

The subjoined data would indicate that the high point of efficiency was attained in 1943, and that thereafter relative labor costs rose sharply to a peak in 1946, with some improvement evidenced thereafter during 1947. In view of increased rates for freight and other items, there should be further reflection in 1948 of an improved relationship between labor costs and revenue intake. Although the latter appears to evidence better management "control," the statistics of physical output by labor, while disclosing improvement in 1947, still admittedly leaves a great deal to be desired by way of approaching the efficiencies attained during many years over the past decade.

Because of severe storms and coal strike stoppages early this year, little improvement was then evidenced in the transportation ratio. During June, however, the latter ratio for all Class I railways was 37.57%, a sharp improvement compared with the 39.10% figure for June, 1947. Continuation of this trend is clearly witnessed in the July reports received to date and indicated with respect to the forthcoming August reports.

As intimated above, any further wage rise would undoubtedly force the railroads to petition the ICC for further increases in freight rates. Press dispatches indicate that the carriers believe themselves in need of a further general boost in freight rates of around 7%, or upwards of $600,000,000, in order to narrow some of the indicated lag between advances in revenue items (even after receiving all the increases detailed above), and in the more swiftly-rising cost categories (without allowing for the additions that would result from any third-round wage negotiations). Last week (Aug. 27), the roads filed a petition to raise rates on coal, coke and iron ore, by about 10%, in fulfillment of a part (less than one-third) of their overall needs. The annual expansion in revenues from coal traffic would, it is calculated, amount to $123,700,000; from coke, $5,600,000, and $10,400 000 from iron ore—a total of nearly $140,000,000 (based upon 1947 volumes). Additional petitions of like nature may logically be expected later this year on certain other commodity classifications that can bear rate increases, especially in the event of further concessions to the industry's employees with respect to wages.

Projected Capital Expenditures

The disparity arising from disproportionate increases in wage, fuel and supply costs, on the one hand, and the increased rates on transportation services sought for and attained, on the other hand, have been made up in part, as mentioned above, by increased efficiency on the part of the roads. Better operating and signaling techniques, utilization of larger equipment and heavier power, the straightening of curves and the elimination of grades, and more efficient loading, all have aided in trimming operating costs, or at worst, holding down the adverse effect of such increases to a minimum. In connection with such improved efficiency, it is most encouraging to note not only the large amounts of additions and betterments put into the railway properties during recent years, but also present indications of even larger improvements to come.

It is interesting to note that gross expenditures for additions and betterments to railway property during 1947 rose to $847,000,000 compared with additions and betterments totaling $549,000,000 in 1946, and an annual average of $463,000,000 in the 1939-1945 interval. Gross expenditures on equipment, alone, in 1947, amounted to $561,000,000, constituting two-thirds of the total amount; indeed, it is interesting to note that such improvements to equipment alone exceeded the 1946 gross expenditures for both equipment and roadway and structures. A similar performance is expected in 1948. Estimates submitted by 127 Class I railroads for 1948 capital expenditures indicate an aggregate program of $1 295,000,000. On the basis of their projections that $725,000,000 will have been spent during the first nine months on equipment, alone, it would seem that such amount spent on equipment for the full year will again be greater than last year's aggregate for both equipment and roadway.

The large gross expenditures for equipment reflects, in part, the sharply increased and much-publicized use of diesel power by the industry during recent years, which trend still is currently accelerating. The rate of this growth has been well-nigh spectacular. In 1941, about 80% of freight traffic, as measured in gross ton-miles of cars, contents and cabooses, was handled by coal-burning steam locomotives, whereas, in 1947, the percentage was down to 67%. This latter figure had dropped further to 61% for the five months through May, 1948. In contrast, the diesel proportion of the total rose from less than 1% in 1941, to 12.37% in 1947, and increased above 20% in May, 1948. The year-to-year gain in diesel use for the month was 75%; the year-to-year loss in coal-burning locomotive use was nearly 11%.

Coal-burning steam locomotives propelled about 64% of the total passenger train-car miles in 1941, but in May, 1948, the percentage had dropped to around 35%. On the other hand, the diesel proportion of such passenger traffic rose from about 8% in 1941, to more than 40% in May, 1948. Indeed, April marked the first full month on record in which the diesel-hauled proportion of passenger train-car mileage was greater than in the case of coal-burning steam locomotives. As may be easily surmised, the relative percentage rise in the use of diesel-electrics for yard service, both freight and passenger, has been extraordinarily sharp. In order to offset increased operating costs the roads should continue further their purchases of diesel-electrics for motive power as well as make heavy additions of new freight and passenger car equipment.

Summary

For years, the railroad industry, as viewed by prices for its securities, has reflected a continuing suspicion (if nothing stronger), on the part of the whole gamut of investors, ranging from conservatives to speculators. There have been legions of detractors who have grown even more vocal during recent periods, especially in view of the inflationary background surrounding not only this but all industries. Except for a relatively short-lived interim during the latter phase of the war and through the initial months of 1946, there have been few apologists and perhaps fewer enthusiasts for the industry's bonds and equities. And, but little credit seems to have been accorded to the physical feats performed by this industry during the war and since cessation of hostilities.

From the standpoint of fundamentals, the outlook should make for confidence. Mass transportation is basic to the needs of this country—in war, in peace. The railroads still furnish the cheapest medium of general mass transportation. Dependent as they are upon high general business volumes, their prospects, so far ahead as may be visualized, are reasonably optimistic. The attitude on the part of the regulatory authorities, especially the ICC, appears to be one of wholesome understanding of the industry's needs and a willingness to take prompt and generous action in line with such needs. Even the Congressional and legislative status would appear to be favorable. Increased rates on transportation services, moreover, have served to minimize the gravity of wage increases; the industry, in the past, has always managed through plant improvements and efficiencies in operating techniques to offset in part and eventually to absorb almost wholly any adverse effects resulting from a continuously rising trend in wage scales.

What might not be generally comprehended or readily appreciated, is that the current pro forma earning power of the industry is, at current writing, established at exceedingly favorable levels, providing that the present balance of rates and costs is not too drastically altered over coming periods. The indicated current level of net railway operating income totalling $1,119,000,000 on an annual basis (the lower ICC alternative calculation, discussed above) for a "constructive normal" year compares favorably with the best earnings periods the industry has ever enjoyed. Years in which Class I net railway operating income has exceeded $1,000,000,000 are only nine in number: 1916, the five years, 1925-1929, inclusive (when the annual average was $1,177,000,000), and 1942-1944, inclusive.

Because of the high leverage inherent in the capitalization setups of the individual roads, earnings performances on the various equities often partake of startling dimensions. Currently ruling price levels, on average, cannot fairly be said to discount fully the excellent earnings share results of 1947, and potential for not only 1948, but also 1949. The favorable aspects, on balance, bearing on the industry at this writing, would appear amply to justify a reasonable optimism on not only its equities but also with respect to many of its bonds, particularly those selling at marked discounts from par, and especially the as yet, not-wholly-seasoned income mortgage (contingent interest) bonds.

	*Index Revenue Traffic Per Man-Hour (1939=100)	§Ton-Miles Per Employee	§Ton-Miles Per Dollar of Wages	Index Straight Time Compensation Per Hour (1939=100)	‡Employee Compensation to Operating Revenues	Transportation Ratio All Class I
1936	----	318,005	183.4	----	42.89%	34.68%
1937	----	323,447	181.9	----	44.78	36.25
1938	----	308,944	166.5	----	46.56	38.19
1939	100	354,904	178.6	100.0	44.11	35.49
1940	105.2	362,650	190.0	100.3	43.19	34.93
1941	115.5	416,804	212.4	104.3	41.11	33.20
1942	139.6	501,996	217.6	113.6	37.06	30.03
1943	150.9	536,488	206.5	121.8	36.89	29.66
1944	148.1	521,104	191.1	126.8	38.68	31.51
1945	139.5	479,745	176.3	127.0	41.43	33.88
1946	129.1	435,517	141.9	152.3	52.12	42.12
1947	†135.0	484,253	150.5	160.2	¶47.63	40.03

*U. S. Department of Labor. †Estimated by U. S. Department of Commerce. ‡Charged to operating expenses (excludes payroll chargeable to capital account). ¶Partly estimated. §Data from ICC.

Six Steps to Stability

(Continued from page 8)

tor of the F.B.I., who has said publicly:

"During the past five years American Communists have made their deepest inroads upon our national life."

On this point the F.B.I. is supported fully by the House Committee on Un-American Activities, now a permanent part of the Legislative Branch. That Committee reported to the Eightieth Congress in these words:

"In 1947 we find this totalitarian bridgehead firmly entrenched in the labor movement, the government, political parties, the press, radio and films, the schools and colleges, the churches and social organizations. Its influence is far out of proportion to its membership, due to its discipline, its control of strategic posts in mass organizations, and its ties with the Soviet Government."

Communists despise our American system of free enterprise and ordered liberty under law. They have nothing but contempt for our American way of justice and equal opportunity.

They mock and jeer our aspirations for peace.

Communism can govern only with the tools of tyranny.

Communism is not for America, and the logical place to begin to uproot Communism is in the government agencies in Washington. Not until the subversives are driven from high places in our own government will America truly be on the road to stability.

And when we inaugurate a Republican Administration in Washington next January you will see the greatest housecleaning since St. Patrick drove the snakes out of Ireland. The day of coddling Communists in Washington is at an end.

Reestablish a Sound Currency

All these five steps are preparatory to the sixth step to stability. The sixth step is to reestablish a sound currency. We have tried a floating currency for 15 long years. It has created more problems than it has solved. It can be demonstrated mathematically that a workingman earning $35 a week in 1940 was better off in terms of purchasing power than a man earning $70 a week today. The difference is in Federal taxes and the 60-cent dollar of today as measured in terms of 1940 purchasing power.

But we can not maintain a sound currency until the Federal budget is brought under effective control at a tax level the people can afford. Nor can we restore a sound currency so long as the government departments are honeycombed with subversives whose first allegiance is to the Kremlin. That is why we face six steps to stability instead of one.

But the energy, determination and resources of the American Nation are equal to the task ahead. A new spirit of confidence in tomorrow is abroad in the land. We have regained our strength and sense of direction at least to the point of facing our problems in a realistic manner. The mood of the country has turned from political magic to the surer approaches of work, thrift, and common sense.

We can not accomplish the American Program with invective and name calling. But we can make this the land where hate died. The verdict of all human history is that constructive works can be accomplished only in an atmosphere of good will, cooperation, and national unity. These basic elements are at hand in America today. The era of fear and smear will soon be gone and forgotten. The new Administration in Washington will not promise magic. But it will offer competence, constructive energy, fidelity to American principles, and clear-eyed vision and purpose for a strong and determined nation moving along once more on the road of peace, progress and sustained prosperity.

That is the true destiny of America and I have no doubt that we shall achieve our goal.

Our people have kept most of their liberties; those which they have lost we shall restore to them.

All that is a part of the American heritage we shall protect, defend, and maintain inviolate.

We ask only that the scroll of history shall record of the Dewey-Warren Administration that "they deserve well of the republic."

Marxer & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Marxer & Co., Penobscot Building, members of the Detroit Stock Exchange, have added Robert J. Notes to their staff.

Leo Roseler Adds

(Special to THE FINANCIAL CHRONICLE)

ST. JOSEPH, MO.—J. Richard Jones has joined the staff of The Leo Roseler Co., 110 South Fifth Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market reaction brings all stocks in list within buying area. War talk blamed for present unsettlement.

Last week's column was hardly in print when the market turned around and plummeted to a new low for the past few weeks. Ordinarily such a whip-around would be disconcerting if it hadn't been for the fact that the buying suggestions had presupposed lower prices. Though to be frank, I don't like markets which slip over the cliff so easily. They scare me as well as they do you.

* * *

The fact remains that the reaction of last week brought every stock in the list into the buying zone. It was disquieting, of course, that a few stocks were threatening to break through their critical levels, though at this writing the threat seems to have been removed.

* * *

There are all sorts of reasons around to explain this break. I won't waste your time by telling you I know the reason. I don't. All I know I read in the papers or hear on the radio. I will say this, I don't think the hoopla about a war breaking out is behind this selling. Contrariwise, if it is, then the selling has been taken very nicely, which if anything points to greater underlying strength than is generally believed existed.

* * *

You now have a list of stocks bought at what up to now seem fairly reasonable prices. There is another list of stocks which I think should be watched for leadership. These are: Bethlehem; General Motors; Kennecott; International Paper; Dow Chemical; Inland Steel; Electric Boat; Lockheed, and Phelps Dodge. They have been firmer than the general market and show potentials of becoming the bellwethers in the next move.

* * *

It might be interesting to note that election markets also have their seasonal cycles. Of the past eight election years, the trend has been up in the second half of the year seven times. Signs indicate that this will be another one like it. But before you are convinced that everything is fine, remember that each market must be judged on its own behavior. If the stops break in the stocks you're watching, then the advice to get out is to be followed.

* * *

Here are the stocks you now have, their buying points and their stops: **Alleghany Ludlum Steel**, bought 29-30; stop 27. **American Airlines**, bought 7½-8, stop 6. **Armco**, bought 29-30, stop 27. **Burlington Mills**, bought 21-22, stop 20. **Inspiration Copper**, bought 19½-20½, stop 18. **Loew's**, bought 16-17, stop 15, and **Paramount**, 23-24, stop 21.

* * *

Above list wasn't picked for financial position but market action. So long as stocks don't go below their stops I suggest you hold.

* * *

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.]

Capital Needs and Reduced Dollar Buying Power Cut Real 'Earnings'

(Continued from page 13)

the process of capital formation."

"On the whole, this study reveals that the petroleum industry completed the second year of increasing postwar inflation with considerable competence and continued to make effective use of its mechanism of capital formation so essential to expansion," the authors report.

A financial record, however, is consistent only as long as the purchasing power of the dollar is reasonably stable, the survey contends. "In times of inflation, marked by rapidly rising prices and costs, the accounting figures, being subject to the limitations of standardized procedures, become distorted by the shifting value of the dollar.

"For example, the charges for depreciation, depletion and amortization of fixed assets, as well as the valuation of investments, are calculated on the basis of original costs and therefore are expressed in past dollars; whereas gross and net income, dividends, and most of the other financial items are measured in current dollars which not only have altered in value, but also differ in each of the categories.

"Thus, the dividend dollar is affected by income taxes and the cost of living: the operator's dollar is determined by the cost of doing business, and the capital investment dollar is influenced by construction costs—all different in value. With the dollar yardstick varying both in time and space, it is obvious that something akin to the physical theory of relativity must find application to economics in times of inflation."

In an attempt to arrive at more realistic comparisons, therefore, the survey presents some of the major data in a table and on charts in terms of a "stable" dollar based on the 1935-1939 indices. "The adjusted figures cannot have precise accuracy," the study concedes, "but it is felt that they do reflect in a practical manner a close approach to the actual facts."

Adjusted Comparisons

As an example, the reported net income of the 30 oil companies in 1947 ($1,219 million, an increase of $456 million, or 60% over 1946) expressed in prewar dollars would be $648 million, an increase of $139 million, or 27% over the correspondingly adjusted figure for 1946. Thus the reported net income for 1947 contained a component amounting to $571 million, which represented the extent that the purchasing power of the dollar has declined since the 1935-39 base period, the study points out. Similar adjusted comparisons are made for cash dividends, capital expenditures, return on capital and capital charges.

At the close of 1947, the survey shows, the 30 oil companies employed $10,491 million of capital, 86% representing invested capital and 14% borrowed capital. "Accordingly, about one-seventh of the total capital employed by the petroleum industry is in the form of debt, a low ratio conducive to economic stability."

Conclusions

Analysis of the combined statements of the 30 oil companies provides the basis for the following resume:

(1) The rise in operating and capital costs, characteristic of recent years, accelerated in 1947 and further distorted the reported financial figures which are of necessity measured by a changing dollar yardstick. New highs were reached in practically every aspect of the business, but the 1947 dollar figures are no longer strictly comparable with the prior record and call for special interpretation by means of relativity calculations.

(2) The total dollar income of the group registered a new high in 1947, amounting to $10,483 million, an increase of 39% over 1946 and 70% over the 1941-1945 average. This attainment was the result of higher prices and increased volume and was barely adequate to generate the capital needed for replacement and expansion of facilities.

(3) The reported net income of the group amounted to $1,219 million in 1947, an increase of 60% over 1946 and of 127% over the 1941-1945 average. This result, expressed in dollars of sharply lower purchasing power, is equivalent to earnings of only $648 million based on 1935-1939 purchasing power.

(4) The actual cash dividends paid by the group to its stockholders in 1947 amounted to $425 million, an increase of 28% over 1946 and of 64% over the 1941-1945 average. After adjusting for personal income taxes and for the rise in living costs, the 1947 dividends are equivalent to $235 million prewar.

(5) The capital expenditures of the group in 1947 totaled $2,076 million, an increase of 51% over 1946 and of 119% over the 1941-1945 average. Of these expenditures, $1,236 million or 60% were absorbed by the rise in construction costs from the prewar base of 1935-1939. The funds expended were derived from: capital extinguishments, $867 million; reinvested earnings, $821 million; and outside financing and other sources, $388 million. It is noteworthy that in the presence of enormous capital requirements and inflated construction costs, the industry was able to continue its record of high-degree capital formation.

(6) The group increased its working capital in 1947 to $2,635 million from $2,460 million at the close of 1946. Its ratio of current assets to current liabilities, however, dropped to 2.6 from 3.0 at Dec. 31, 1946. Working capital at the close of 1947 was two times long-term debt and 25% of the total income for 1947.

(7) The borrowed and invested (equity) capital employed by the group at the close of 1947 amounted to $10,491 million, of which $1,437 million or 13.7% were in the form of long-term debt. This represents a rise from the 12.6% prevailing on Dec. 31, 1946, but still remains a favorable debt ratio.

(8) The productivity of the group's capital can no longer be measured satisfactorily by the conventionally calculated rate of return on borrowed and invested

FINANCIAL AND OPERATING SUMMARY OF 30 OIL COMPANIES, YEARS 1947 AND 1946, AND THE AVERAGE FOR 1941-1945

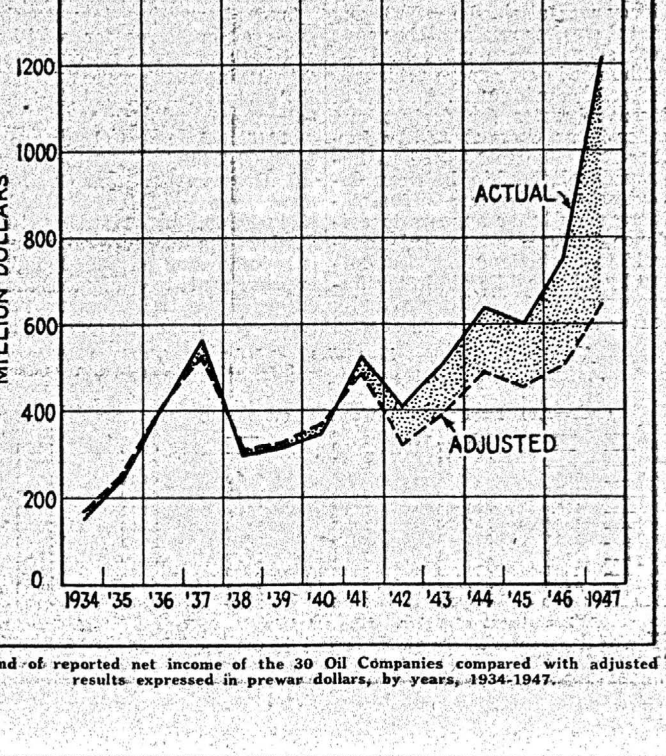
	(In Millions of Dollars) 1947	1946	Average 1941-1945
Total income	10,483	7,549	*6,162
Total costs and other deductions	9,264	6,786	*5,625
Net income carried to surplus	1,219	763	537
Net income in % of total income	11.6%	10.1%	8.7%
Preferred and common dividends paid in cash	425	331	259
Dividends in % of net income	34.9%	43.4%	48.1%
Net assets—United States	7,159	6,378	----
Foreign countries	1,365	1,145	----
Total	8,524	7,523	----
Current assets	4,325	3,687	3,135
Current liabilities	1,690	1,227	1,046
Net working capital	2,635	2,460	2,089
Ratio of C. A. to C. L.	2.6%	3.0%	3.0%
Capital expenditures:			
Production	1,077	812	566
Transportation	297	157	120
Refining	402	201	192
Marketing	277	185	59
Others	23	22	9
Total	2,076	1,377	946
Production in % of total	51.9%	59.0%	59.8%
Net investment in fixed assets:			
Production	3,548	3,136	2,484
Transportation	979	777	706
Refining	1,278	989	1,009
Marketing	1,139	954	893
Others	125	112	114
Total	7.069	5,968	5,206
Production in % of total	46.7%	52.5%	47.7%
Borrowed capital	1,437	1,153	1,064
†Invested capital	9,054	8,002	6,838
Total	10,491	9,155	7,902
Borrowed capital in % of total	13.7%	12.6%	13.5%
‡Average borrowed and invested capital	9,484	8,519	7,502
§Net income	1,252	793	569
Return on borrowed and invested capital	13.2%	9.3%	7.6%
Crude oil production (net):	(Thousand Barrels per Day)		
United States	2,725	2,534	2,118
Foreign countries	700	645	419
Total	3,425	3,179	2,537
Crude runs to stills:			
United States	4.165	3,873	3,319
Foreign countries	604	569	436
Total	4,769	4,442	3,755

*Gross operating income and costs have been adjusted to exclude sales and purchases under government directives.

†Includes minority interests.

‡Excludes minority interests.

§Before deducting interest charges.



Trend of reported net income of the 30 Oil Companies compared with adjusted results expressed in prewar dollars, by years, 1934-1947.

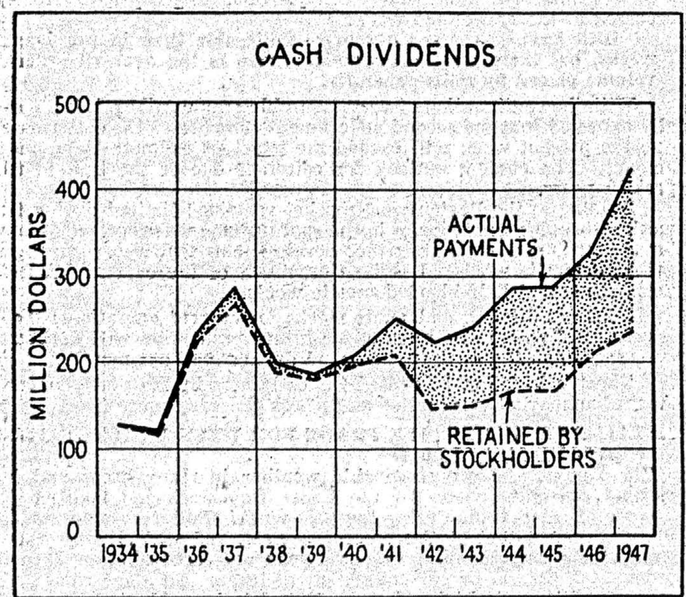
capital, because this ratio is based upon two factors measured in different kinds of dollars. If the actual return for 1947 is adjusted to homogeneous dollars, the ratio is reduced from 13.2% to 7.7%.

(9) The capital extinguishments for the group amounted to $867 million in 1947 compared with $763 million in 1946. These charges were inadequate to finance the necessary replacements at current costs. In 1947, the actual charges for capital extinguishments fell short of indicated requirements by $763 million, almost the counterpart of the $794 million of net income reinvested in the business. Thus, the rise in earnings was absorbed in compensation for the deficiency of capital extinguishments and the percentage of net income paid to stockholders dropped to 35%.

(10) The gross investment of the group in property, plant and equipment at the close of 1947 was $14,776 million, against which reserves of $7,707 million have been set up; leaving an indicated net value of $7,069 million. The latter figure, however, is not realistic as it is stated on the basis of higher dollar purchasing power than that now prevailing. The replacement cost of these facilities is some multiple of the stated carrying value.

(11) The net crude oil production and runs to stills of the group in 1947 increased respectively 8% and 7% over 1946. The ratio of net crude oil production to runs to stills for domestic operations was 65% in 1947, the same as in 1946.

(12) On the whole, this study reveals that the petroleum industry completed the second year of increasing postwar inflation with considerable competence and continued to make effective use of its mechanism of capital formation so essential to expansion. Its financial results, while showing marked upward changes from 1946, are revealed to be temperate in the light of vastly increased capital requirements and with due regard to the reduced purchasing power of the dollar. The industry is supplying additional testimony of its vigorous and dynamic characteristics.



Trend of actual cash dividends of the 30 Oil Companies compared with indicated amount retained by stockholders after deducting personal income taxes and adjusting for cost of living, by years, 1934-1947.

The Housing Situation And Government Policy

(Continued from page 7)

under the light of experience. The Bureau of Census says that normally only 80% of all newly married couples go into homes of their own so that doubling up is to a considerable extent due to desire. You will see from all of the foregoing that we have gone a long way toward liquidating the actual housing shortage. Even assuming a continuation of business at its present high level, this shortage will have been eliminated in a minmum of two to three years and a maximum of three to five.

No Bases for Government Housing Operations

Where then, outside of political ideology, is there justification for further expansion in the government ownership and operation of housing?

You will hear the Republican-controlled 80th Congress denounced for its failure to pass 5,866, the original TEW bill, the single intent of which has been to extend government ownership and operation of housing. Passage of H. R. 6959, now Public Law 901, insures that both rental and owner dwelling construction will continue to increase during the balance of 1948, through 1949, and that in 1950 the political aspects of the housing program will have laregly disappeared. However, had Congress passed the original TEW bill, a self-perpetuating and continuously expanding program of government owned and operated housing would have been superimposed on private enterprise and on government insured loans for private construction. This would have permanently committed the United States to a National policy of socialized housing. It would have made inevitable the addition of billions of dollars to the National debt. It would through almost half a century more of subsidies and ever growing tax abatement have added heavier burdens on all productive classes of citizens. Through competition of materials and labor it would have raised prices. And note this, even the TEW bill advocates conceded that their "public housing" program could not have begun to alleviate the housing shortage for even one favored class before 1951, whereas under Public Law 901 direct results beneficial to all classes are now and will apparent in increased numbers before Christmas of this year.

Public Law 901

Before discussion of some of the Sections in Public Law 901 it would be well to review the situation out of which this legislation grew. Most of you are aware that President Truman's grand gesture in housing, now known as the Wyatt program, collapsed with the close of the 79th Congress. Consequently, one of the first problems which confronted the 80th Congress was to clear away the wreckage of this unsuccessful scheme and to enact stop-gap legislation. The 80th Congress did just this and it was a curious coincidence that of the two major emergency bills thus enacted I was privileged to be the sponsor of one and Senator McCarthy, who was later to become Vice-Chairman of the Joint Housing Committee, was the sponsor of the other.

With the setting up of the Joint Housing Committee and my election as Chairman I set out to get the facts. These facts are contained in the report "Housing in America" which eventually played a considerable part in the discussion of housing leading to the passage of Public Law 901.

Because I was only one of a Committee of 14 I feel that I can without apology state something of what I beleive was accomplished as the result of our investigation. We had the cooperation of labor to the end that productivity of the individual worker would be increased and that a greater stimulus be given to apprentice training. This cooperation has continued. From the latest report which I received from Mr. Richard Gray, President of the Building Trades Department of A.F.L. it is indicated that the number of trained workers is steadily increasing and that by and large organized labor regards housing just as it should be regarded, namely, as a matter of sufficient materials, competent workmen, available capital and complete absence of partisanship. Our Committee helped to overcome critical shortages in certain materials. Through our contacts with the Commerce Department we checked a tendency toward ill-advised exports. Our hearings exposed and destroyed several grey markets. We were directly responsible for hastening the dissolution of manufacturer-contractor-union monopoly. We accelerated some price reductions in lumber and made possible a freer distribution of such products as gypsum.

In the first few pages of "Housing America" there appears a "Summary of Conclusions." The Wolcott housing bill which was passed by the House shortly thereafter was based on recommendations similar to those I made in this report. At about the time the Wolcott bill passed the House and the Senate passed the original TEW bill, the principal objective of which was socialized housing. H. R. 6959, now Public Law 901, represents a compromise on many phases of housing with the exception of the one of Government ownership and operation. On this the Republican Party did not compromise.

Public Law 901 is emergency legislation, designed to cover the transitional period between the adjournment of the 80th Congress and the entrance of the 81st. The lapse of Title VI toward the middle of the Summer undoubtedly had a retarding effect on the rate of construction. There was a heavy back log of loans in process, however, so that no lag is perceptible. Yet it is the opinion of many that this lapse deprived the country of a considerable acceleration, in which case the number of starts in 1948 might be substantially in excess of those now anticipated.

You will understand that Public Law 901 concerns itself very properly with low cost and rental housing. Your organization represents the solid and middle classes who save first before they spend. Such savings represent in most cases years of married life. More rental housing was and is badly needed to care for the newly married, particularly the Veterans. Rental housing will break the back of the housing shortage. Consequently 901 revived the 90% insurance under Title VI. However, under the new 608, mortgages are predicated on the Federal Housing Administration's estimate of replacement costs as of Dec. 31, 1947. Unit cost limitation has been changed and raised from $1,800 a room to $8,100 for the entire unit. Likewise under Title 2 cost limits have been raised. However, mortgages under 207 are held at 80% of FHA's declaration of long-term value.

The authors of H. R. 6959 provided special treatment for cooperatives. Section 207 provides for 90% loans generally (40 year mortgages) and 95% for Veterans' cooperatives. Here again, however, replacement costs are figured as of Dec. 31, 1947, whereas interest rates are limited to 4%.

The much disputed secondary markets for mortgages in the removal of which I had participated is restored and mortgages insured under both 207 and 608 are again eligible for purchase by the Federal National Mortgage Association. The objections to this secondary market still hold but in the opinion of many these objections are nullified by the fact that additional capital is made available for additional housing projects.

Changes in Federal Housing Act

The net result of the changes in the Federal Housing Act intended to stimulate rental building is to assure an immediate and consistent activity in this field of construction, although what happens after this Fall will depend to a considerable degree on whether or not FHA raises the interest rate of 4% to 4½% as it in fact already had authority to do.

Public Law 901 contains an experiment which bears the intriguing title of "Yield Insurance" but which some realists have altered to read "stop loss" insurance. I have an open mind on this experiment and I hope that it works out.

As to the individual home owner, although Section 603 providing 90% insurance was not carried into the new law, a firm commitment on or before April 20, 1948, will still make this insurance possible. Mortgage refinancing under 603 can be insured provided the amount and the term of the old mortgage are not exceeded in the new one.

So far as the individual home owner is concerned Title 2 provides substantially more generous support. Mortgages on 4½% loans may be insured up to 90% of a home's long-term value. The mortgage limit is raised from $6,000 to $7,000. Whereas a builder formerly could obtain $8,600 insurance on a $10,000 house he can now obtain insurance on a $9,500 mortgage for a house appraised at $11,000. This I regard as a substantial aid in a period of higher building costs.

Further assistance is found in the retention of that provision of Section 203 whereby a builder can still obtain 80% loans up to a top of $16,000. Amortization is increased from 20 to 25 years.

I note that Public Law 901 is being attacked as a compromise but those compromises for which it is being attacked are due, in my mind, to the position which the advocates of government ownership and operation took, namely, this or nothing. Public Law 901 is expensive and inflationary, but it is only fractionally as expensive and inflationary as would be the TEW bill "public housing" program. We can take much satisfaction out of the fact that Public Law 901 is providing more housing at once. Furthermore Public Law 901 maintains the historic American principal of individual enterprise and the net effect of its passage is to arrest further extension of Federal Government ownership and operation of housing, of which there are already in existence 900,000 units representing many billions of tax dollars.

It is apparent to all of us that the housing problem is not settled. Indeed I do not think it will be settled even when there is a surplus of vacant dwelling units. It will not be settled for the simple reason that for 16 years the New Deal has disseminated a propaganda fog so that now considerable numbers of people erroneously regard slum clearance as housing and think of the word housing as being synonymous with that public housing which can be provided only through Federal Government ownership and operation.

The framers of the Republican platform at Philadelphia saw this situation clearly. The platform concedes, as do all of us, the desirability of slum clearance or municipal rehabilitation. It discerns the need, as do all of us, for low rent housing in a time of universal high prices. However, the housing plank wisely recommends that Federal aid be given to the States for local slum clearance and low-rent housing programs, "only when there is need that can not be met either by private enterprise or by the States and localities."

The Democrats tell the voters that they are the Party of the poor, but that the Republicans are the Party of the rich. The Democrats justify their claim by presenting government ownership and operation of housing as a benefaction to the "little people."

Who are the real "little people"? They are the 85 millions or more who have a savings account, who buy savings bonds, who carry insurance or who own their homes or an equity in them. They are the workers — white collar and shop, organized and unorganized. They are the farmers, the clerks, the professionals, the sales people, the tradesmen—the men and women who man our industries, our railroads, our banks and great stores. They are the ones that constitute the tremendous thrifty middle class that has made America great. The Republican Party is their Party — it is the Party neither of the selfish rich nor the privileged poor. It is the Party which, under the Governor's leadership, would raise our standard of living and strengthen our defense by economy and sound business methods in the administration of our National affairs.

Business Man's Bookshelf

American Economy, The—Sumner H. Slichter—report on current economic conditions with long and short-range forecasts for the future—Alfred A. Knopf, 501 Madison Avenue, New York 22, N. Y.

Greater City, The—New York, 1898-1948—Allan Nevins and John A. Krout — Columbia University Press, Morningside Heights, New York—cloth—$3.00.

How Tax Laws Make Giving to Charity Easy—J. K. Lasser—Funk & Wagnalls, 153 East 24th Street, New York 10, N. Y.—cloth—$3.00.

Register of Defunct and Other Companies Removed From the Stock Exchange (London) Official Year Book 1948 — Thomas Skinner & Co., Ltd., Gresham House, London, England and 111 Broadway, New York 6, N. Y.—cloth—£1 net.

Report on the Greeks—Twentieth Century Fund, 330 West 42nd Street, New York 18, N. Y.—cloth—$2.50.

Securities of the United States Government, 1948 Edition—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Tobin Hits T-H Law; Urges Increase in Minimum Wage Level

(Continued from page 16)

the usefulness of your Department of Labor.

Taft-Hartley Act

"You also have before you the problems created by a piece of class legislation enacted just a year ago. I refer to the Taft-Hartley Act. This law's evil effects have just begun to become apparent outside of the labor movement. Your leaders and members have been aware of its inequities from the beginning.

"Most of you are familiar with the restrictions on democratic union operation and some of the crippling procedures imposed upon free collective bargaining by the act.

"Just this month, however, a more serious threat to effective union operations developed. This was when the National Labor Relations Board found that, under the act's provisions it had to rule that employees who take part in a so-called 'economic' strike, in which the issue is wages or representation, are not entitled to vote in a board election.

"Even the Washington 'Post,' which had been sympathetic with most of the Taft-Hartley Act's provisions, conceded this was a crippling blow to unions. And it commented, I quote, 'This provision of the act is not only harsh but it may be in certain circumstances altogether inequitable as well.'

"As President Truman predicted in his veto message more than a year ago, the act, 'contains seeds of discord which would break this nation for years to come.'

"Your Brotherhood, probably as much as any other union, understands and feels the difficulties created by the anti-union security clauses of the new law. The needless and useless procedures created for a union like yours, with its decades of peaceful bargaining history, are bad enough. But worse, and more dangerous, is the threat that the rugged individualist employers of the country will be able in depression times to use the act for purposes of union-busting and wage cutting.

"American workers did not obtain the highest living standards in the world by accident. They got them through free collective bargaining and a free labor movement, which have been bulwarks of our democratic free enterprise society.

"The freedom of our unions has been impaired particularly by the provisions of the act permitting an almost indiscriminate use of injunctions and court action against unions. I do not refer here to the special injunctions authorized in instances where the public health and safety are involved, but to the provisions for crippling damage suits, and reckless injunction actions brought by employers or by the uncontrolled and unresponsible General Counsel of the National Labor Relations Board. These provisions for all practical purposes have repealed one of labor's greatest landmarks, the Norris-LaGuardia Act of 1940.

"Your organization, I am told, will go on record for repeal of this ill-advised law. I should like to express my hope that you will couple with this action a proposal to rebuild the Federal laws affecting collective bargaining in a way to establish a just body of rules which will insure free and effective bargaining, determine rights of employees and employers in the light of the public interest, reduce conflict to a minimum and enable unions to keep their membership free from Communist influences."

The State of Trade and Industry

(Continued from page 5)

but not the main part, according to "The Iron Age," national metalworking weekly. Barring strikes next year the increase in steel production due to refinements, such as use of oxygen, coal washing, increased use of sintered ore and other production techniques will be amazing. Output in 1949 may hit 94,000,000 tons without much new basic equipment, states this trade authority.

Steel demand is expected to be strong even by late next year. But by that time it is almost certain that many who are not getting what they want now will no longer be in the gray market or deep in conversion plans. The only hedge is the possibility of war. There is no single piece of evidence today, says the magazine, that the steel industry would fail to meet all the requirements which would be placed on it in event of war.

In addition to plans already under way for steel expansion, firms are continuously having sample or exploratory plans made up. Often these lead to rumors of large-scale expansions that just aren't yet fact—and may not become so for years, if at all. One reason why some steel officials are stymied on the future location of new plants or equipment is the question mark on future ore and coal supplies, the trade paper notes.

New sources of ore have been found, and are being exploited by major steel firms. On the basis of known facts Canada and South America will play an important part in the steel economy of the United States in years to come.

The basing point dislocations alone will cause grief in mapping out where new steel capacity shall be located in the years ahead. But the answer to this will not be too long in coming. Until then, some plans for blast furnaces and openhearths must wait. At the same time, they will force output up to the maximum level possible, which is the same as adding new capacity—only less expensive, "The Iron Age" adds. If the f.o.b. mill system of selling steel remains intact, a large Eastern steel mill is a certainty, but that decision may be a few more years in coming.

Steel users, egged on by the success of some groups in getting voluntary allocation, are almost causing a "run on the bank." If those charged with control of this plan cannot successfully withstand the intense pressure from Congressmen, associations, groups and individual companies, the plan may be doomed, the magazine 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 96.1% of capacity for the week beginning Sept. 13, 1948, an increase of 1.6 points, or 1.7%, from last week. A month ago the indicated rate was 95%.

This week's operating rate is equivalent to 1,732,200 tons of steel ingots and castings as against 1,703,300 tons last week, 1,712,400 tons a month ago, 1,564,400 tons, or 89.4% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

ELECTRIC OUTPUT OFF SHARPLY IN HOLIDAY-WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended Sept. 11, was 5,166,126,000 kwh., according to the Edison Electric Institute. This was a decrease of 303,413,000 kwh. below output in the preceding week, but an increase of 112,826,000 kwh., or 2.2% higher than the figure reported for the week ended Sept. 13, 1947. It was also 644,975,000 kwh. in excess of the output reported for the corresponding period two years ago.

CAR LOADINGS FOR WEEK 10.7% AND 12.7%, RESPECTIVELY, ABOVE LIKE 1947 AND 1946 PERIODS

Loadings of revenue freight for the week ended Sept. 4, 1948, totaled 895,279 cars, according to the Association of American Railroads. This was an increase of 3,784 cars, or 0.4% above the preceding week and 86,340 cars, or 10.7% above the corresponding week in 1947. For the similar week in 1946 it represents an increase of 100,796 cars, or 12.7%.

AUTO OUTPUT REDUCED IN LATEST WEEK BY STRIKES, SHORTAGES AND LABOR DAY

Production of cars and trucks in the United States and Canada declined to 72,214 units from 96,484 (revised) units the previous week, the second lowest point of the year, according to "Ward's Automotive Reports."

Output in the similar period a year ago was 100,552 units.

This week's output consisted of 52,185 cars and 20,029 trucks made in the United States and 2,938 cars and 1,640 trucks made in Canada.

The principal reason for the decline, states Ward's, was the stoppage at Chrysler caused by the strike of 170 plant guards at Briggs Manufacturing Co. General Motors units, held to three days' production for want of steel, also helped the downtrend. And Hudson's assembly line put in only two days because of insufficient numbers of cylinder blocks from Campbell, Wyant & Cannon Foundry.

BUSINESS FAILURES AT LOWEST POINT SINCE APRIL

Commercial and industrial failures in the holiday-shortened week ending Sept. 9, declined to 83 from 94 in the preceding week, Dun & Bradstreet, Inc., reports. This represented the lowest business mortality recorded in any week since the first of April. While casualties remained above the comparable 1947 and 1946 weeks when 75 and 31 occurred, respectively, they were less than one-third the 269 concerns failing in the corresponding 1939 week.

Casualties involving liabilities of $5,000 or more accounted for 70 of the week's 83 failures. Of the larger casualties, seven had liabilities in excess of $100,000, and two had liabilities over $1,000,000 each.

Retailing and manufacturing failures showed a decline, while wholesale casualties constituted the only increase for the week.

New England failures increased to 28, its largest total in any week since 1942, while in nearly all other regions the mortality rate was down in the holiday week.

WHOLESALE FOOD PRICE INDEX EDGES LOWER FOR FOURTH STRAIGHT WEEK

Continuing its downward movement for the fourth successive week, the Dun & Bradstreet wholesale food price index dropped 0.6% to $6.86 on Sept. 7, from $6.90 a week previous. This was the lowest since April 27, when it stood at $6.76. The current figure represents a decline of 2.3% below the $7.02 recorded at this time a year ago, at which time food prices were trending sharply upward.

WHOLESALE COMMODITY PRICE INDEX DECLINES ON WEAKNESS IN FOODSTUFF PRICES

There was a slight decline in the Dun & Bradstreet daily wholesale commodity price index last week, reflecting largely the dips that occurred in the prices of many foodstuffs. The index continued to be close to the high level that has prevailed during the previous weeks. On Sept. 7 the index closed at 277.97 compared with 279.46 a week ago and 280.17 on the corresponding day a year ago.

There was a moderate decline in grain prices at the end of the week with oat prices at the lowest level in recent weeks.

Prices of soybeans and September corn did not decline, but there were slight dips in the prices of wheat, rye and corn. The prospects of a large spring wheat crop and the excellent outlook for a bumper corn crop caused many buyers to be hesitant in placing long-term commitments.

Wheat futures dropped more than two cents a bushel. Many of the Commodity Credit Corporation offices were closed at the end of the week. Buying by this government agency has been of considerable importance during the past month and, with its temporary withdrawal, there was a noticeable drop in the current demand for wheat.

Buyer interest in flour rose appreciably during the latter part of the week from the low level that had existed during previous weeks. A considerable quantity of spring wheat flour was ordered by large bakers for delivery during the last four months of the year. The number of orders placed by small bakers was limited as many of them had previously accepted commitments at price discounts. The demand for hard Winter wheat flour remained low and a decline in the price of rye flour did not result in any appreciable change in the limited demand for it.

Cotton prices continued to move within a narrow range during the week and buying remained steady. Some slight price increases occurred at the end of the week.

Mill buying was slightly more noticeable than in previous weeks, but there was no appreciable rise in the over-all order volume placed by mills generally.

With the continuation of very favorable crop weather, it is generally expected that the second government estimate of the cotton crop due the present week will exceed the previous estimate by a small amount. The current outlook for cotton is one of the best in the past 20 years.

Trading in the Boston wool market remained limited during the week although some increase in the spot demand was reported. Many buyers continued to await further developments with regard to high-priced domestic wools. Despite this, much of the current business was in fine and half-blood domestic wools.

Many mills have adequate stocks for current operations; the volume of wool to be ordered for future production will depend largely upon the consumer demand during the next month.

The participation of United States buyers in the newly opened Australian market was limited and prices generally were firm.

RETAIL AND WHOLESALE TRADE FOR WEEK FRACTIONALLY ABOVE 1947 PERIOD

The advent of more seasonable weather in many areas and increased consumer needs for the Labor Day week-end boosted the volume of retail trade during the past week. Dollar volume moderately exceeded that of the preceding week and was slightly above that of the corresponding week a year ago, according to Dun & Bradstreet, Inc., in its current review of trade. Although some consumer resistance to high prices continued to be evident, fall promotions were generally well attended.

The consumer demand for most apparel items compared favorably with the high demand of the preceding week. Extensive advertising and promotions of fall apparel stimulated a favorable consumer response and back-to-school apparel continued to be in large demand. Interest in women's fall coats and suits remained at a high level, as was true of detachable-hood flare-back coats and zip-in lined coats. The consumer demand for men's suits and topcoats increased slightly. There was also some increased demand for men's and women's shoes.

Food volume rose slightly during the week as a result of housewives in many localities increasing their purchases of fresh produce for home canning. There was a somewhat increased consumer demand for picnic specialties, too, while low-priced meat cuts and meat and butter substitutes continued to be sought. Soft drinks and some dairy products met with a favorable consumer response.

While the consumer demand for furniture varied in different localities, it generally remained almost unchanged from the high level of a week ago.

Household appliance volume dropped slightly, though instalment buying continued to be large. Building supplies and paints showed marked sales activity. Holiday travel stimulated the sale of automobile supplies and accessories.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 4 to 8% above that of a year ago.

Regional estimates exceeded those of a year ago by the following percentages: New England and South 1 to 5, East 6 to 10, Middle West 2 to 6, Northwest 10 to 14, Southwest 4 to 8, and Pacific Coast 1 to 5.

Total wholesale order volume declined slightly last week with dollar volume holding fractionally above that of a year ago. Retailers continued to purchase cautiously while awaiting further price developments. There was considerable buyer interest in quality merchandise at moderate prices. Deliveries generally continued to be prompt.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 4, 1948, increased by 16% from the like period of last year. This compared with a decrease of 8% in the preceding week. For the four weeks ended Sept. 4, 1948, sales increased by 8%, and for the year to date by 8%.

A reduction in the number of selling days along with warm temperatures served to retard expansion of consumer demand for Fall merchandise here in New York the past week. As a result, department store sales volume was estimated at 1% or more under the comparative 1947 period.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Sept. 4, 1948, increased 8% above the same period last year. This compared with a decrease of 16% in the preceding week. For the four weeks ended Sept. 4, 1948, sales increased by 2% and for the year to date by 6%.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 19	96.1	94.5	95.0	89.4
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 19	1,732,200	1,703,300	1,712,400	1,564,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Sept. 4	5,531,450	5,528,850	5,504,550	5,173,050
Crude runs to stills—daily average (bbls.)	Sept. 4	5,506,000	5,682,000	5,584,000	5,288,000
Gasoline output (bbls.)	Sept. 4	17,645,000	17,722,000	17,669,000	16,413,000
Kerosene output (bbls.)	Sept. 4	1,981,000	2,165,000	2,126,000	1,892,000
Gas oil and distillate fuel oil output (bbls.)	Sept. 4	7,182,000	7,491,000	7,044,000	6,476,000
Residual fuel oil output (bbls.)	Sept. 4	8,598,000	8,818,000	8,981,000	8,649,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 4	94,893,000	95,504,000	97,838,000	85,627,000
Kerosene (bbls.) at	Sept. 4	23,721,000	23,281,000	21,055,000	20,963,000
Gas oil and distillate fuel oil (bbls.) at	Sept. 4	68,969,000	*66,425,000	59,869,000	56,101,000
Residual fuel oil (bbls.) at	Sept. 4	72,308,000	70,853,000	66,911,000	57,211,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 4	895,279	891,495	878,901	808,939
Revenue freight rec'd from connections (number of cars)	Sept. 4	698,000	692,459	693,070	634,362
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 9	$106,894,000	$146,801,000	$194,361,000	$146,229,000
Private construction	Sept. 9	33,177,000	65,466,000	68,310,000	82,511,000
Public construction	Sept. 9	73,717,000	81,335,000	126,051,000	63,718,000
State and municipal	Sept. 9	56,434,000	74,557,000	87,554,000	46,743,000
Federal	Sept. 9	17,283,000	6,778,000	38,497,000	16,975,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 4	11,900,000	*12,150,000	12,115,000	10,733,000
Pennsylvania anthracite (tons)	Sept. 4	1,162,000	1,171,000	1,163,000	949,000
Beehive coke (tons)	Sept. 4	122,300	142,300	139,300	124,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Sept. 4	308	*255	261	265
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 11	5,166,126	5,469,539	5,317,724	5,053,300
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Sept. 9	83	94	103	75
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 7	3.75833c	3.75833c	3.75833c	3.18925c
Pig iron (per gross ton)	Sept. 7	$44.66	$44.61	$44.11	$36.93
Scrap steel (per gross ton)	Sept. 7	$43.16	$43.16	$43.16	$37.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 8	23.200c	23.200c	22.250c	21.225c
Export refinery at	Sept. 8	23.425c	23.425c	23.425c	21.425c
Straits tin (New York) at	Sept. 8	103.000c	103.000c	103.000c	80.000c
Lead (New York) at	Sept. 8	19.500c	19.500c	19.500c	15.000c
Lead (St. Louis) at	Sept. 8	19.300c	19.300c	19.300c	14.800c
Zinc (East St. Louis) at	Sept. 8	15.000c	15.000c	15.000c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Sept. 14	100.69	100.72	100.73	103.95
Average corporate	Sept. 14	111.44	111.44	111.44	116.41
Aaa	Sept. 14	116.22	116.22	116.02	121.04
Aa	Sept. 14	114.27	114.46	114.08	119.41
A	Sept. 14	110.52	110.70	110.70	116.22
Baa	Sept. 14	105.00	105.17	105.17	109.24
Railroad Group	Sept. 14	107.27	107.44	107.44	111.81
Public Utilities Group	Sept. 14	111.62	111.81	111.81	117.80
Industrials Group	Sept. 14	115.43	115.43	115.04	119.61
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Sept. 14	2.45	2.45	2.45	2.45
Average corporate	Sept. 14	3.09	3.09	3.09	3.09
Aaa	Sept. 14	2.84	2.84	2.85	2.84
Aa	Sept. 14	2.94	2.93	2.95	2.93
A	Sept. 14	3.13	3.13	3.13	3.13
Baa	Sept. 14	3.45	3.44	3.44	3.44
Railroad Group	Sept. 14	3.32	3.31	3.31	3.31
Public Utilities Group	Sept. 14	3.08	3.07	3.07	3.07
Industrials Group	Sept. 14	2.88	2.88	2.90	2.88
MOODY'S COMMODITY INDEX	Sept. 14	422.0	422.1	428.6	433.1
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Sept. 11	242.7	242.7	246.3	234.0
Fats and oils	Sept. 11	224.4	222.2	218.1	222.2
Farm products	Sept. 11	270.0	267.3	271.3	266.1
Cotton	Sept. 11	294.9	294.2	300.1	302.0
Grains	Sept. 11	224.2	222.9	224.4	292.0
Livestock	Sept. 11	287.2	283.4	289.2	260.5
Fuels	Sept. 11	233.8	233.8	223.8	190.6
Miscellaneous commodities	Sept. 11	168.8	169.0	169.5	167.3
Textiles	Sept. 11	197.2	197.4	197.2	215.5
Metals	Sept. 11	187.5	187.4	186.7	159.1
Building materials	Sept. 11	235.3	235.3	233.3	226.6
Chemicals and drugs	Sept. 11	155.3	155.3	155.3	149.6
Fertilizer materials	Sept. 11	140.9	140.8	138.4	130.9
Fertilizers	Sept. 11	147.5	147.5	147.5	135.5
Farm machinery	Sept. 11	144.5	144.5	143.1	127.1
All groups combined	Sept. 11	225.9	225.3	227.5	213.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 4	234,396	166,039	222,034	196,986
Production (tons)	Sept. 4	182,685	183,835	178,326	139,886
Percentage of activity	Sept. 4	91	93	90	79
Unfilled orders (tons) at	Sept. 4	392,753	344,469	395,406	478,283
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Sept. 10	144.7	144.6	144.5	141.6
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Sept. 4	167.4	168.4	169.2	154.9
Farm products	Sept. 4	187.8	189.3	193.6	182.4
Foods	Sept. 4	184.0	187.8	190.0	174.1
Hides and leather products	Sept. 4	189.2	189.9	188.5	183.2
Textile products	Sept. 4	147.5	147.7	148.1	140.3
Fuel and lighting materials	Sept. 4	137.6	137.4	136.9	114.4
Metal and metal products	Sept. 4	172.0	171.7	169.2	150.4
Building materials	Sept. 4	203.2	202.3	201.6	180.1
Chemicals and allied products	Sept. 4	132.1	132.2	132.0	118.5
Housefurnishings goods	Sept. 4	146.9	146.8	146.4	131.9
Miscellaneous commodities	Sept. 4	118.5	118.4	118.2	117.2
Special groups—					
Raw materials	Sept. 4	180.7	181.7	184.3	168.5
Semi-manufactured articles	Sept. 4	158.7	159.0	158.8	150.2
Manufactured products	Sept. 4	163.0	164.2	164.3	150.1
All comodities other than farm products	Sept. 4	162.8	163.8	163.8	148.9
All commodities other than farm products and foods	Sept. 4	153.3	153.2	152.4	137.9

*Revised figure.

	Latest Month	Previous Month	Year Ago
ALUMINUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of July:			
Total shipments (thousands of pounds)	131,028	141,799	91,403
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of August	7,417,599	*7,068,658	6,991,152
AMERICAN ZINC INSTITUTE, INC.—Month of August—			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	68,180	*69,888	66,852
Shipments (tons of 2,000 lbs.)	68,605	*67,377	89,314
Stocks at end of period (tons)	45,246	*45,671	161,256
Unfilled orders at end of period (tons)	60,357	64,922	40,023
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of August:			
Manufacturing number	109	119	99
Wholesale number	61	62	44
Retail number	194	166	102
Construction number	40	36	19
Commercial service number	35	37	23
Total number	439	420	287
Manufacturing liabilities	$5,580,000	$7,208,000	$10,426,000
Wholesale liabilities	1,931,000	1,945,000	1,978,000
Retail liabilities	3,036,000	2,281,000	1,668,000
Construction liabilities	1,861,000	1,163,000	176,000
Commercial service liabilities	9,034,000	1,279,000	655,000
Tota liabilities	$21,442,000	$13,876,000	$14,903,000
COAL OUTPUT (BUREAU OF MINES)—Month of August—			
Bituminous coal and lignite (net tons)	53,450,000	48,315,000	50,879,000
Pennsylvania anthracite (net tons)	5,116,000	4,365,000	5,011,000
Beehive coke (net tons)	635,600	*435,100	588,700
COKE (BUREAU OF MINES)—Month of July:			
Production (net tons)	6,147,968	*6,132,799	5,840,400
Oven coke (net tons)	5,712,851	5,592,763	5,403,300
Beehive coke (net tons)	435,117	*540,036	437,100
Oven coke stocks at end of month (net tons)	939,677	855,635	772,920
COTTON ACREAGE—U. S. DEPT. OF AGRICULTURE—As of Sept. 1:			
Acreage	23,323,000	23,223,000	21,148,000
Production 500-lb. gross bales	15,219,000	15,169,000	11,857,000
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters) prior to Sept. 1	1,473,245	------	682,109
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE—Estimate as of Sept. 1 (in thousands):			
Corn, all (bushels)	3,528,815	3,506,363	2,400,952
Wheat, all (bushels)	1,284,995	1,284,323	1,364,919
Winter (bushels)	981,415	981,415	1,067,970
All spring (bushels)	303,580	302,908	296,949
Duram (bushels)	45,938	46,151	43,983
Other spring (bushels)	257,642	256,757	252,966
Oats (bushels)	1,493,407	1,470,444	1,215,970
Barley (bushels)	317,229	313,139	279,182
Rye (bushels)	26,664	26,664	25,977
Buckwheat (bushels)	6,174	6,232	7,334
Flaxseed (bushels)	47,309	44,528	39,763
Rice (bushels)	76,993	79,916	79,345
Sorghums for grain (bushels)	132,152	131,279	95,609
Hay, all (tons)	98,494	97,707	102,500
Hay, wild (tons)	12,916	12,862	13,306
Hay, alfalfa (tons)	33,283	33,132	33,475
Hay, clover and timothy (tons)	29,503	29,055	32,569
Hay, lespedeza (tons)	6,829	6,463	6,768
Beans, dry edible (100-lb. bag)	19,411	19,408	17,164
Peas, dry field (100-lb. bag)	3,536	3,703	6,513
Soybeans for beans (bushels)	205,635	205,066	181,362
Peanuts (pounds)	2,302,405	2,340,700	2,187,985
Potatoes (bushels)	408,366	399,127	384,407
Sweetpotatoes (bushels)	52,653	51,739	57,178
Tobacco (pounds)	1,787,723	1,777,783	2,107,763
Sugarcane for sugar and seed (tons)	6,201	6,201	5,437
Sugar beets (tons)	9,998	10,199	12,504
Broomcorn (tons)	28	27	33
Hops (pounds)	52,216	50,836	50,098
Apples, Com'l crop (bushels)	100,478	100,445	†113,041
Peaches (bushels)	69,358	70,358	†82,603
Pears (bushels)	26,372	26,424	†35,312
Grapes (tons)	3,015	3,014	3,072
Cherries (12 States) (tons)	201	201	173
Apricots (3 States) (tons)	250	257	198
Cranberries (5 States) (barrels)	843	---	790
Pecans (pounds)	160,553	152,560	118,639
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—(1935-39 Average=100) Month of August:			
Adjusted for seasonal variation	311	315	284
Without seasonal adjustment	258	241	236
METAL OUTPUT (BUREAU OF MINES)—Month of June:			
Mine production of recoverable metals in the U. S.:			
Copper (in short tons)	75,559	*74,714	70,189
Gold (in fine ounces)	155,057	*155,034	168,252
Lead (in short tons)	34,519	*33,219	32,452
Silver (in fine ounces)	3,167,810	*3,262,076	2,899,673
Zinc (in short tons)	51,334	*50,974	60,879
MONEY IN CIRCULATION—TREASURY DEPT. As of July 31 (000's omitted)	$27,866,073	$27,902,858	$28,148,676
NEW CAPITAL ISSUES IN GREAT BRITAIN—Midland Bank, Ltd.—Month of August	£30,557,000	£6,676,000	£3,306,000
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of July:			
Production (M sq. ft. ⅜-in. equivalent)	122,386	150,187	107,588
Shipments and consumption (M sq. ft., ⅜-in. equivalent)	118,426	149,742	102,042
Stocks (M sq. ft., ⅜-in. equivalent) at end of month	44,397	41,425	36,332
Consumption of logs (M ft., log scale)	54,519	65,287	48,233
Stocks (M ft., log scale) at end of month	188,817	153,859	168,339
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of July: (000's omitted):			
Exports	$1,022,000	$1,013,300	$1,265,000
Imports	558,500	615,600	450,000
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Aug. 31	$253,100,807	$253,428,940	$260,176,196
General fund balance	4,832,229	5,073,518	3,400,395
Net debt	$248,268,578	$248,355,422	$256,775,801
Computed annual interest rate	2.199%	2.197%	2.125%

*Revised figure.

Pitfalls of Seller's Market in Auto Industry

(Continued from first page)

number of businessmen who are convinced that there will be a recession somewhat along the lines of 1920 and 1921. As I see it, this is all for the good, because it is at least a healthy restraint on speculation, and may even help to alleviate the extremes of a boom-and-bust cycle.

My own opinion is that we will experience a sizable business recession at some future date, but, insofar as the automobile business is concerned, I feel confident we will have another year and a half to two years of a strong seller's market for cars—at least in the Ford price field. I am convinced that we will approach a buyer's market much sooner for cars in the upper-price brackets. We have already reached a buyer's market for heavy trucks, and one or two makes of cars in the medium and high-price field are now available in the United States for immediate delivery.

Had steel been available, enabling the car manufacturers in the United States to produce to capacity during the past two years and in 1948 . . . and had we not had another shot in the arm from the ERP program, plus our own military-preparedness activity . . . we would undoubtedly be in a buyer's market for automobiles today—and this is especially true because of the increased prices of cars compared to the prewar figures.

While there is no question that the high prices now being charged for cars have cut deeply into the potential backlog of new car business, still when considered from the standpoint of ability to purchase, the present car prices are lower when compared to national income and cost of living than they were in 1939 in the United States—and I believe the same ratio prevails for Canada.

Let's consider the cars in the Ford price field for example. When the prices of these three cars in the U. S. are averaged, the increase since 1939 is 103%. The per-capita disposable income on the other hand is 141% higher than in 1939. At the same time the cost of living is only 71% higher.

On the average, then, these three low-price cars have increased in price by a comfortably smaller percentage than the per capita spendable income. Meanwhile, the cost of living is still considerably short of reaching the average per cent price increase. This, theoretically, has a favorable effect on ability to purchase.

To get back to our seller's market and its effect on the retail organization as I see it. Even though we should have another year or even two years more of the kind of a market that exists today, it is not long enough, in my opinion, to correct the many weaknesses that exist at present in the front lines of the automobile business—and I refer now to automobile dealerships.

The going has been so easy for the past three years that indifferent, careless and quick-profit management has been substituted in too many cases for fair-profit operations.

I know that I am running the risk of having some dealers resent my indictment of dealership operations. You dealers here in Canada have the reputation for being well disciplined citizens — business men who have gone through and appreciate the hardships imposed by austerity programs. You, especially, may resent this indictment from one who knows so little about your operations. In view of this, I think I will exclude all of you dealers in Canada, and refer only to a small per cent of dealers in the United States. I am far enough away at the present time to make this charge without fear of any immediate repercussions. However, if I pull out a certain-shaped shoe that fits one of you dealers here today, I would suggest you wear it. Frankly, I am not here to pay tribute, when facts that I have before me so clearly and strongly indicate that there are very dangerous pitfalls in dealer operations today.

I think I would be very remiss in my work as a sales director not to point out and call attention to these weaknesses. The farmers in New England had a saying for many years that seems to be apropos of the current situation. "When you have a clear day, repair the leaks in the roof."

We are having a clear day, and I think it will be clear—as I pointed out earlier—for a year and a half to two years, that is just so long as the strong seller's market continues. But the **time is getting late,** and these leaks in the roof (particularly the big holes) **should be repaired now.**

Many of us are so tipsy with today's economic wine we can't even feel the raindrops that filter through the roof top. But make no mistake—we are getting wet, and some of us will get a real ducking unless we first recognize the leaky roof and fix it. Let's take a good look at a few of those big holes now. As I see them, they are:

(1) Bad public relations.
(2) Excessive overhead.
(3) Excessive parts and accessories inventories.
(4) Indifferent or lax collection of accounts.
(5) Nonchalant or "liberal" approval of expenditures.
(6) Inadequate cash reserves.
(7) Inadequate service volume.
(8) inadequate wholesale parts sales.
(9) Inadequate manpower preparedness.
(10) Inadequate used-car organization or set-up.
(11) Insufficient thought and effort devoted to improving employee relations.

There may be other holes in the roof, but the ones I have mentioned are those that I am particularly conscious of at this time. The biggest hole of them all—the one that needs the most shingles —is bad public relations.

Although many of you here today may feel that you didn't have anything to do with the hole in the first place, still we have to work together to restore the kind of public good will the automobile industry enjoyed before the war. Otherwise, in my opinion, we are all due for a good drenching.

The impression that the public has of us today is much the same as the blind man feeling only one portion of the elephant. He grabs the tail and then claims the whole elephant is like a hunk of rope.

So, too, the customer who brushes up against the wrong dealer loudly proclaims the whole industry resembles a cork screw. He gets pretty mad about it, and starts his own storm of protest, and when a customer gets mad, he can do a lot of very effective advertising in reverse. He tells everyone of his gripe. Many customers write letters to the company. These fall into eight distinct categories. As we catalog them, they are:

(1) Selling cars out of rotation.
(2) Demanding trade-ins.
(3) Giving low allowances on trade-ins.
(4) Demanding under - the - counter premiums.
(5) Loading cars with unwanted accessories.
(6) Asking high prices.
(7) Refusing to take orders.
(8) Treating customers discourteously in general.

Some of the letters are very bitter in their condemnation of dealer practices, and, while we may not see eye to eye with them, still the public generally is very sympathetic with their complaints. Dealer practices is a subject that is discussed pretty freely these days wherever people congregate. Even the politicians are grabbing this point of public interest as a gimmick to get into public office. A politician promises that, once elected, he will investigate the causes, eliminate the so-called rackets and continue a vigorous probe until everyone who wants one has a new car with no premium payments, no unwanted accessories and no trade-in.

Radio comedians are having a great time these days, telling about not being able to afford a used car so they will have to be content with a new one. It is always sure to get a laugh from the audience, but the same situation which "has set up the joke for the comedian," has also set up government investigation into tactics employed by dealers.

I am not as familiar with the situation in Canada as I am with the problem in the United States, but from what I understand, the hole in the roof is about equal in size.

One nice thing about the situation is the fact that the shingles to repair the leaks are not hard to get. There may be big material shortages in most building operations, but not for building good public relations.

The Upward Trend of Bank Earnings

(Continued from page 4)

As I understand it, the way the net profits figures are set up they give full effect to securities profits and losses and recoveries and charge-offs and it should be further noted that a reserve created shows up under the heading "Losses and charge-offs" as a loss and decreases net profits of the current period.

The figures given for losses and charge-offs in the first six months of 1948 include approximately $17.4 million of additions to reserves for bad debts, and recoveries include approximately $7 million recovered from over accrued tax reserves. Taking the net of these two figures we discover a clear variation in the Federal Reserve net profit figure of $10.4 million insofar as the current period is concerned. Putting the matter another way, if the Treasury had not made its ruling on Dec. 8, 1948 which permitted the banks to set up bad debt reserves and thereby pay less in taxes, the central reserve New York City banks would have had net profits of $64.6 million instead of $54.2 million computed by the Federal Reserve bank. It is interesting to note that most New York banks create bad debt reserves by charge against tax reserves to the extent that there is a tax savings and the balance is obtained by charge against other reserves. In this way current operations are not varied by the bad debt procedure.

It is my understanding from statements made by Federal Reserve officials that the Federal Reserve system will provide the credit necessary to maintain production and employment at the highest sustainable levels, without expansion in the monetary supply if possible, but with expansion in the monetary supply if necessary. Insofar as possible it intends to be neither an engine of inflation nor a cause of deflation but may quite properly endeavor to protect the economy from rampant movement in either direction.

Mr. Thomas B. McCabe, Chairman of the Board of Governors of the Federal Reserve System, recently said before Congress, "In conclusion, I should like to state emphatically the Board's view that the use of its powers over the supply of reserves under present conditions should be directed toward restraining further credit expansion and **not toward forcing liquidation of the outstanding volume of credit.**" "As I have pointed out, there are possibilities and prospects for a continuation of inflationary pressures which will call forth additional demands for credit. I feel confident that the Federal Reserve Authorities will use their existing powers to the fullest extent possible to restrain these tendencies without depriving the economy of the credit needed **to maintain production and employment at the highest sustainable levels.** We would endeavor to use the additional powers proposed in the same way."

The Rise in Interest Rates

In order to restrain inflationary tendencies the Board of Governors of the Federal Reserve System is permitting if not forcing short-term interest rates higher and has, apparently at last persuaded the Treasury to permit short-term Government securities to pay a return which will make them more attractive "relative to alternative uses of bank funds—interest rates, risks, and liquidity considered." As I see it the outlook is for a steady to increasing volume of bank credit at higher rates.

How all this can add up to anything except higher bank income is beyond my comprehension especially since the ability of the Treasury to influence the volume of bank credit by use of the Treasury surplus is pretty well exhausted with the surplus, and future Treasury surpluses, either cash or budgetary are currently a matter of some debate. Then too it should be remembered that Mr. McCabe has indicated that the increased authority over reserves should be used to absorb reserves, not to force contraction in bank credit. He recently said, "The basic purpose of increasing the authority over reserve requirements would be to enable the System to acquire more—if necessary many more—long-term Government securities to maintain the long-term yield level. New reserves created by such System purchases — or in other ways—could be absorbed through increases in reserve requirements and thus be made unavailable for multiple credit expansion."

Effect of New Increase in Reserves

The increase in reserve requirements announced on Sept. 8, while possibly somewhat premature, was entirely in keeping with this philosophy. The increase in reserve requirements of all member banks by two percentage points against demand deposits and one and one-half percentage points against time deposits will raise required reserves of all member banks approximately $1,900,000,000, which includes an increase of $400,000,000 applying to the central reserve New York City banks. This in effect pays for $1,387,000,000 of long-term bonds purchased by the Federal Reserve System between June 23 and Aug. 27 and provides funds for the future purchase of additional long-term bonds without permitting their purchase to inflate the credit base. As non-bank holders continue to oblige with further sales of long-term Government bonds to the Federal Reserve System any decrease in available reserves and possible reduction in earning assets suffered by the banks because of increased reserve requirements will prove to be temporary while the immediate tightening effect on money rates will tend to be permanent. Then, too, it should be noted that, while there is no near-by limit to the amount of long-term Government bonds which may be offered, the further ability of the Federal Reserve Board to increase reserve requirements under present law is limited to two percentage points on demand deposits in reserve cities and four percentage points on demand deposits in central reserve cities (New York and Chicago).

Interest rates have been increasing since March, 1946 and the fixed pattern of short-term rates, which was first violated in July, 1947 with the release of the bill rate, has since been further ruptured by three upward revisions of the certificate rate; and the prime lending rate, which has been raised from $1\frac{1}{2}$ to 2%, looks definitely higher and as it rises collateral lending rates will go with it. While manufacturers may be meeting consumer resistance and political unpopularity by raising prices, everyone, including the Treasury, seems to want the banks to receive a higher price (interest rate) for their product (loans and investments) and the demand for loans is increasing in spite of the higher rates.

In conclusion I would like to repeat a statement which I made in October, 1947 and which has even greater application today. Short-term interest rates, which are the primary determinant of bank income, are now in an up-trend. With continued improvement in interest rates, increased bank earnings over a period of time are a mathematical certainty.

An Analysis of the Earnings and Expenses of the Central Reserve New York City Banks

(In millions of dollars)

	First Six Months					Second Six Months			Calendar Year		
	1946	1947	% Change	1948	% Change	1946	1947	% Change	1946	1947	% Change
Earnings	228.7	221.9	—3.0	233.2	+5.1	227.3	229.1	+0.8	456	451	—1.1
On U. S. Govt. securities / On other securities	121.9	101.6	—16.7	80.4	—9.2	112.1	100.4	—10.4	210	177	—13.7
				12.3					24	25	
On loans	59.8	68.3	+14.4	82.8	+24.4	65.2	75.7	+16.1	125	144	+15.2
All other	47.0	52.0	+10.6	57.7	+11.0	50.0	53.0	+6.0	97	105	+8.2
Expenses	120.0	135.3	+12.8	138.6	+2.4	130.0	139.7	+7.5	250	275	+10.0
Salaries and wages	66.6	76.8	+15.4	79.0	+2.9	74.4	83.2	+11.8	141	160	+13.5
Interest on deposits	3.3	3.9	+18.9	4.0	+2.7	3.7	4.1	+10.8	7	8	+14.3
All other	50.1	54.6	+8.8	55.6	+2.4	51.9	52.4	+0.1	102	107	+4.9
Net current operating earnings before inc. taxes	108.7	86.6	—20.4	94.6	+9.2	97.3	89.4	—8.1	206	176	—14.6
*Profits and recoveries (net)	24.8	8.9	----	—13.8	----	2.2	—4.9	----	27	4	----
Net income before inc. taxes	133.5	95.5	----	80.8	----	99.5	84.5	----	232	180	----
Taxes on net income	44.1	28.3	—36.0	26.6	—6.4	30.9	18.7	—39.5	75	47	—37.3
Net profits	89.4	67.2	—24.8	54.2	—19.0	68.6	65.8	—4.0	158	133	—15.8

*Net of profits and recoveries and losses and charge-offs.

What Will Happen to Taxes in '49?

(Continued from page 6)

there now are 52 excise taxes which bring in an income of $7½ billion to Uncle Sam. He said he would "be the last one to recommend a repeal of the great mass of these excise taxes" in view of known facts of government fiscal life.

As a matter of fact, the sentiment against heavy Federal excise taxes in certain fields has been growing from the "grass roots" for some time. The various State and local governments, through their fiscal spokesmen, on more than one occasion have voted to urge Uncle Sam to decrease his "take" in the excise field, so as to leave some of the gravy for State, city and county governments.

Increase in Social Security Coverage

(2) Increase in coverage of Old Age and Survivors Insurance, under the Social Security System, and an increase in the employers' share of the regular SS tax payment, to take effect in 1950. The extended coverage will take in professional men, such as writers, doctors and lawyers, and some farmers, and such miscellaneous groups as paid workers for charitable and religious enterprises, heretofore not covered.

Such an increase in Social Security coverage is a pet project of Gov. Thomas E. Dewey, of New York, more than likely to be the next President. It also is the wish of a large number of Democratic and Republican legislators. Dewey came out squarely for such an increase in SS coverage four years ago when he was running for President. He said at that time that "mere administrative details" should not stand between the farmer, the small, self-employed businessman, and professional man, and SS coverage.

The so-called Stettinius advisory committee of the Senate Committee on Finance several months ago officially released a recommendation to the effect that the self-employed and other groups not now covered by SS should be covered under suggested changes in the law. Since Sen. Eugene D. Millikin (R.-Colo.) is Chairman of the Senate Committee on Finance which fathered this council, it is extremely likely that he will see to it that such a recommendation reaches the floor of the Senate in legislative form next year.

A raise in the share of SS taxes paid by employers has been contemplated for many years. But Congress, by passage of a law intermittently, has put off the planned increase. It is generally conceded now that the most recent action of Congress along this line represented the "last" time and the contemplated higher rates will take effect when the extension period ends.

Corporate Tax Inequities

(3) Changes in the corporate structure to iron out present apparent inequities in the under-$50,000 net income brackets.

The so-called "kink" in the corporate tax law which allows some larger corporations earning more than $50,000 a year to pay relatively fewer taxes than small corporations earning from $30,000 up to $50,000, has been a subject of complaint to business groups for some years. So far, Congress has not acted because of various pressures, but 1949 likely will see a different story unfolded. This particular "kink" is going to be ironed out.

The Co-ops

(4) Congressional definition, by law, of exactly what types of co-ops can be exempted from paying income taxes on "patronage dividends" (i.e., "profits"), and legislation equalizing the tax burden on small co-operatives and small, privately-owned and operated businesses of the same general type.

Co-op taxation has been a point at issue for some years. Co-ops do pay some taxes, as every informed student of taxation knows, but most co-ops pay far fewer taxes on earnings (or "patronage dividends") than privately-owned companies of similar size and volume of business. This point has been so well established by both Senate and House investigations it no longer leaves room for arguments.

The question before the Congress now is: What can be done to bring equity in taxation to co-ops and small businesses alike, in line with political realities? If the Congressmen could vote on this issue without fear of reprisals from co-op members and co-op vested interests, it is certain that 80% of them would vote to remove any exemptions co-ops might enjoy. But Congressmen are wary about antagonizing such closely-knit groups in the absence of an aroused public taking a contrary viewpoint.

So Congress will start, probably, by defining co-ops which can enjoy income tax exemption and how much tax exemption the various sizes and types of co-ops will enjoy. Preference will be given to strictly farm co-ops which have not branched out into other major business activities not primarily connected with their original purposes. It is possible that a compromise between private small business pressure on the one hand and co-op pressure on the other hand may result. In such a case, Congress likely may grant all small businesses a per cent. exemption on net income up to a certain amount. This would make for more parity in competition between, say, a small privately-owned cotton gin now enjoying no tax exemptions and a small co-operatively-owned cotton gin which pays virtually no Federal income taxes, regardless of its net earnings.

Double-Taxation of Dividends

(5) Abolition, at long last, of double-taxation of corporate dividends. Abolition of double-taxation on corporate income long has been a source of irritation to hundreds of thousands of Americans, Congress almost did something about this irritation in the 1948 tax bill, but the Republican leadership felt that it wanted to take no chances on losing a few votes to the anti-tax cut proponents. So this reform was held over for later action. No other measure has more ardent bipartisan support in both houses of Congress, but, unfortunately, no other measure in the tax field seems to be able to generate quite the same vicious type of opposition. But it will be passed in '49.

In addition to these reforms—many of which seem to be long overdue to many tax students and legislators in Washington—there is an excellent chance that the so-called Tax Revisions Bill, introduced by Representative Harold Knutson (R.-Minn.) during last spring will be re-introduced and will pass both Houses of Congress in 1949. This bill passed the House of Representatives on June 19, final day of the regular session, but has been resting in a cubbyhole in the Senate Committee on Finance ever since. Barring an extraordinary foreign crisis, Congress will not reconvene this year and this bill will die in committee.

But the bill will be brought up again early in the next session. It would not cost Uncle Sam more than $400,000,000 in annual revenue, and it would do much to iron out many kinks in present tax administration, in the opinion of a majority of tax specialists in Washington. Briefly, here are the provisions of this bill:

Stock-Options and Other Miscellaneous Items

Stock options would be taxed more lightly. The bill would permit employees to pay capital-gains tax, instead of income tax, on profits from cut-rate stock options given by employers.

Family partnerships would be easier to establish under proposed new rules.

The estate tax law would be changed, most favorably for the taxpayers.

Corporation would be allowed to include items not now permissible in determining operating losses for carry-back or carry-forward purposes. The Treasury would be required to prove that an accumulated surplus actually was built up for ulterior purposes before applying penalties under Section 102.

The bill provides that carry-over would extend for five years, instead of two years, while carry-back would be shorted to one year instead of two.

Corporation liquidation would be eased. The legislation would let corporations dispose of their assets before liquidation without providing for any gain or loss for tax purposes, *if* liquidation is planned.

The bill, known as H. R. 6712, also would give some concessions to the man on the farm. Soil conservation costs, now treated as capital improvements, would be listed as expenses and the full amounts spent deducted in any one year.

The so-called Dobson rule, giving the U. S. Tax Court virtually final authority to make findings of face, would be repealed, easing the way for appeals on tax cases.

There never has been a time in American history when the executive and legislative branches of the government were more interested in taxation, its causes and effects, than today. The 80th Congress had no less than seven committees which were studying taxes as a primary or secondary project. Councils galore, in the executive branch and in the legislative branch have been, or are, studying taxes and making recommendations. Entire bureaus have been engaged in tax research for Uncle Sam, through one or the other of his myriad of agencies.

Overwhelming Importance of Taxation

Perhaps most Americans do not know it, or do not understand it, but the fact is that taxation has become a major factor in the life of every citizen. What shapes the tax reforms of 1949 will take will be of intrinsic interest to all Americans, rich and poor, in business or out, on farms or in cities. The very life of representative government as we know it is closely related to the kinds of taxes Congressmen levy. It is truer now—infinitely truer—than it was 80 years ago (when Chief Justice John Marshall said it) that "the power to tax involves the power to destroy." If present trends continue, there is nothing to fear from Congress in the way of destructive taxation, purposefully enacted. The men in control—and almost certain to remain in control for a time—know the bases for this nation's prosperous life and they are going to do nothing, intentionally at least, to change our economic foundations. With the help of business constituents, they can do much to assure us that future legislators will not take the wrong road.

What to Do About Russia

(Continued from page 15)

ful lightning of wars of rival strong men for power and the desperate revolts of the exploited. The dispute between the politburo and Tito illustrates what we would in time expect between antagonists in a Communist world, none of them the friends of liberty or peace.

The opposite extreme from appeasement is or was preventive war. Today, so serious has been Russian conduct in Berlin that, by the usual standards of nations, war would not be preventive, but an answer to deliberate aggression. Men who remember that Hitler might have been stopped by a firm display of force when he militarized the Rhineland cry out for a similar threat of force against Stalin, even should it mean war.

So simple a solution overlooks the great discrepancy between Hitler's power in its early beginning and the power of Stalin, head not only of the second most powerful nation of the world, but an international Communist movement. It overlooks the political confusion in France and the desperate war weariness in Western Europe. In the event of war, I assume that America, with whatever allies she might have, many of them underground resistance groups, would eventually win. But necessarily we would have to win by the use of weapons which would destroy civilization and millions of human beings—although scarcely the human race. We could not afford victory after it was won since it should mean that we would have to rebuild civilization in a ruined world . . . in which the means of our victory would inspire lasting hate.

In this terrible dilemma, there can be no assured victory for peace. Whatever hope there is lies in our progressively winning the support of the peoples of the world against both war and aggression. At the very least we must be more effective and resourceful than yet we have been in putting the responsibility for cold war or hot squarely upon the Kremlin.

I suggest therefore that certain meaures be immediately taken by our government. Since this is an election year, and since unquestionably Stalin counts on its confusion and on the sympathy of Mr. Wallace, I renew a suggestion that I made earlier. Namely, that at least in respect to the Berlin crisis the State Department seek conference with the Presidential candidates or other spokesmen of recognized political parties in order to present a program with a maximum possible degree of American support.

The measures I suggest are these:

(1) Public explanation to all governments and peoples of American aims; a repudiation of any desire for military or imperial aggrandizement; a convincing statement of our desire for world peace, but an assurance that we shall continue to feed and protect the people of Berlin whom we have no right to desert under the pressure of blockades and Communist-inspired riots.

(2) A formal appeal to the Assembly of the United Nations to consider Russian aggression as a threat to world peace. The direct power of the United Nations is notoriously weak, but the right sort of appeal to the Assembly might do a great deal to clarify the thinking of the whole world on the present crisis. The probable Russian position has enough elements of weakness so that a realistic dictatorship would hesitate deliberately to bring on war in the face of the whole non-Communist world.

(3) In addition to the solemn American avowal of responsibility for decency in Germany and an appeal to the United Nations to use its influence for peace, I should urge a further and even more fundamental appeal, something that might lift men's minds out of a fatalistic acceptance of the notion that conflict must mean the mass destruction of atomic war. That appeal should be for universal disarmament under effective international control. By universal disarmament I mean universal abolition of peacetime military conscription: the demilitarization of narrow waterways and island bases; the principles of the Baruch Plan for the international control of atomic energy for peace and not war—not even an international police force should be trusted with atomic bombs; and the reduction of military forces and armaments to something like a police level within each nation, except insofar as might be necessary to provide for a quota system for international security.

Of course, no such program would be safe or practical without certain reforms in the United Nations—at least the abolition of the veto—and the provision of a security force, the mobile parts of which should be recruited from the smaller nations, primarily for use in preserving order—for instance between the nations in the Balkans and the Middle East. Even if the Berlin crisis should be somehow surmounted, a continuance of the present armament race decries any true prosperity to the nations and makes war within a generation, at the most, a virtual certainty.

I do not make this proposal for ending the armament race in the belief that the Kremlin would immediately accept it. The launching of a great idea would. I am convinced, in time be effective even behind the iron curtain. In the meantime, these proposals might create the atmosphere in which a European settlement could be worked out on terms less costly to the nations than the present cold war. Moreover, the response of the nations to the appeal for the end of the armament race would give us the best possible basis for a great security alliance for mutual protection, always leaving the door open for every nation to come in. I think alliances under Article 51 of the Charter of the United Nations would be better formed on the basis of the response to this proposal than some dubious definition of what constitutes democracy.

Along with these specific proposals there must go a resolute concern to set our own democratic house in order, The same radio which brought grave news from Berlin brought an announcement of Herman Talmadge's victory in Georgia. It is not the America of a Herman Talmadge and his racist supporters which can deliver the world from Communism or from war.

Halsey, Stuart & Co. Offers Wheeling Equip.

Halsey, Stuart & Co. Inc. won the award Aug. 8 of $1,600,000 series Q, 2⅛% serial equipment trust certificates, maturing $80,000 each March 15 and Sept. 15, 1949 to 1958, inclusive. The certificates, issued under the Philadelphia plan were immediately re-offered, subject to ICC authorization, at prices to yield from 1.35% to 2.40%, according to maturity.

The certificates will be issued to provide for not more than 80% of the cost, estimated at $2,000,000, of 500 new 50-ton, all steel Gondola cars.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Air Commuting, Inc., White Plains, N. Y.
June 17 (letter of notification) 1,060 shares of capital stock (no par value), of which 600 shares will be sold publicly at $100 per share. **Underwriter** — Burnham & Co. **Proceeds**—To be used to engage in limited helicopter operation over routes which the company is presently certificated to fly or in limited helicopter commercial work. Postponed indefinitely.

• American Mortgage & Investment Co., Washington, D. C.
Aug. 25 (letter of notification) 3,000 shares of preferred stock, 5% cumulative, non-convertible (par $100). Price, par. No underwriting. For working capital.

Arizona Edison Company, Inc., Phoenix, Ariz.
Aug. 25 (letter of notification) 24,000 shares ($5 par) common stock. **Price**—$12.50 per share. Offered for subscription by stockholders of record Sept. 1 on basis of one new share for each five shares held. Rights expire Sept. 15. **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.

• B. & H. Inc., New Orleans, La.
Sept. 13 (letter of notification) 199,900 shares of 6% non-participating and non-cumulative preferred (par $1). To be offered at par, with one share of common (no par) as a bonus with each 20 shares of preferred purchased. No underwriter. To complete organization of the company.

• Black Warrior Mining Co., Spokane, Wash.
Aug. 20 (letter of notification) 100,000 shares capital stock (par 5¢). **Price**—50 cents per share. For development work. Underwriting, certain officers of company.

• Blair Holdings Corp., New York
Sept. 7 (letter of notification) 15,000 shares of common stock (par $1). **Underwriter**—The First California Co., San Francisco. Stock being sold by Dardi & Co. **Price**—$4.25 per share.

• Born (Henry T.), Inc., Hayden Lake, Idaho
Aug. 31 (letter of notification) 10,000 shares of non-assessable common stock. Par $1. Price, par. No underwriter. To establish an advertising agency.

Brockton (Mass.) Edison Co. (10/5)
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.; Equitable Securities Corp. **Proceeds**—To pay $2,625,000 of promissory notes and to finance additional costs and corporate needs. **Bids**—Bids for the purchase of the bonds will be received by company at 49 Federal Street, Boston, up to 11 a.m. (EST) on Oct. 5.

• Carlson-Denn Corp., Wilmington, Del.
Aug. 24 (letter of notification) 3,500 shares (no par) stock. **Price**—$10 per share. No underwriting. For machinery and equipment, publicity and advertising and working capital.

• Castle Mining Co., Helena, Mont.
Aug. 19 (letter of notification) 600,000 shares of common stock. To be sold in units of three shares at $1 per unit. **Underwriters** — Certain officers and directors. To drive a new tunnel, to develop the existing workings in the company's mines, to erect a mill, and to develop the company's properties.

• Central Electric & Gas Co., Lincoln, Neb.
Sept. 9 filed 30,000 shares of $2.50 cumulative convertible preferred stock (stated value $50 per share). **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. **Proceeds**—May be used in making additional investments in common stock equities of its telephone subsidiaries and may be applied in part for its own construction program or for other general corporate purposes.

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 repyament 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 (9/21-24)
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.

• Consolidated Molybdenum, Inc., Seattle, Wash.
Sept. 10 (letter of notification) 1,470,000 shares of common stock (par 10¢). Price, par. No underwriter. For the expenses of mining 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.

• Crosbie Co. of Washington, Inc., Washington, D. C.
Sept. 7 (letter of notification) 50,000 shares of class A common stock ($1 par), 25,000 shares of class B common stock (10¢ par). **Underwriter** — James T. DeWitt Co., New York and Washington. To be offered in units of two shares of class A and one share of class B at $5 per unit. To reduce or pay in full present borrowings from the Manufacturers Credit Corp., to reduce the present current liability position and to provide additional working capital.

• Dentro-Matic Corp., Bronx, N. Y.
Sept. 10 (letter of notification) 580 shares of capital stock. **Price**—$100 per share. **Underwriting**—None. Furnish capital for company's needs.

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. (9/20)
August 26 filed 25,000 shares ($10 par) common stock. **Underwriter**—Carl M. Loeb, Rhoades & Co. **Proceeds**—To selling stockholders.

• Electric Vendors, Inc., Minneapolis, Minn.
Sept. 3 (letter of notification) 1,000 shares of common stock, 1,000 shares of common stock which have been issued to the National Postal Distributing Co. in payment for patents, patent rights, models, tools, dies, blueprints and engineering; and 188 shares of common stock for moneys advanced and services rendered. No underwriter. For business operations.

Family Finance Corp. (9/22)
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.

• Ford Gum & Machine Co., Lockport, N. Y.
Sept. 13 (letter of notification) not to exceed in the aggregate $300,000 notes, to be offered in varying amounts which are not expected to exceed $7,500. **Underwriting**—None. Working capital, etc.

Fuller Brush Co., Hartford, Conn.
July 12 (letter of notification) 3,000 shares of ($100 par) preferred stock. **Price**—par. To raise working capital and retire existing indebtedness. No underwriting.

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 un-

NEW ISSUE CALENDAR

September 16, 1948

Holly Sugar Corp.	Preferred

September 20, 1948

Eastern Corp.	Common
Official Films Inc.	Preferred and Common
Toledo Edison Co., 11:30 a.m. (EDT)	Bonds
Wisconsin Power & Light Co. 11:30 a.m. (CDT)	Bonds

September 21, 1948

Chieftain Products, Inc.	Common
Ohio Edison Co., 11 a.m. (EDT)	Bonds
Pacific Tel. & Tel. Co., 11:30 a.m. (ED)	Debentures

September 22, 1948

Family Finance Corp.	Preference
Southwestern Associated Telephone Co.	Preferred

September 23, 1948

United Utilities & Specialty Corp.	Preferred

September 28, 1948

Chicago Milwaukee St. Paul & Pacific RR. Noon (CST)	Equip. Trust Ctfs.
Metropolitan Edison Co., noon (EST)	Bonds
Southern Pacific Co., noon (EST)	Equip. Tr. Ctfs.
Tennessee Gas Transmission Co.	Common

September 29, 1948

Southern Ry., noon (EST)	Equip. Trust Ctfs.

October 1, 1948

Clarostat Mfg. Co., Inc.	Preferred

October 5, 1948

Brockton Edison Co.	Bonds
Pacific Gas & Electric Co.	Bonds

subscribed shares. **Proceeds**—To be used in part for improvement and expansion of manufacturing facilities. Offering postponed.

Holly Sugar Corp. (9/16-17)
August 19 filed 185,000 shares ($30 par) cumulative preferred stock, convertible into common stock. **Underwriter**—Central Republic Co., Inc. **Proceeds**—To reduce short-term bank loans of $16,900,000 incurred for the purpose of producing and carrying inventories.

Hygenic Service Co., Boulder, Colo.
August 16 (letter of notification) $50,000 first mortgage 5% 20-year (closed) bond issue. **Underwriter**—E. W. Hughes & Co. For new plant construction and improvement of existing plant.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
May 17 filed 100,000 shares of 4% cumulative preferred stock ($100 par) and 500,000 shares ($10 par) common stock. **Underwriter** — Tom G. Taylor & Co., Missoula, Mont. **Price**—$300 per unit, consisting of two shares of preferred and 10 shares of common stock. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

International Asbestos Co., Ltd., Sherbrooke, Quebec
Jan. 30 filed 1,500,000 shares ($1 par) common stock. **Underwriter**—Paul E. Frechette, Hartford, Conn., is the U. S. authorized agent and principal underwriter. **Price**—$1 each. **Proceeds**—To construct milling plant and purchase equipment.

● **International Negro Television Film Association, Inc., New York**
Sept. 14 (letter of notification) 500 shares of $5 cumulative preferred stock (par $100) and 500 class B common shares (par $1). **Underwriting**—None. **Price**—Preferred, par; common, $10 per share. Purchase of photographic equipment, etc.

● **Interstate Power Co., Dubuque, Iowa**
Sept. 10 filed $5,000,000 first mortgage bonds, due 1978. **Underwriters**—Names will be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Smith, Barney & Co. **Proceeds**—Of the proceeds, $2,400,000 is to be applied to prepayment of promissory notes, $1,400,000 will pay in full the $724,446 balance on a lease and purchase agreement and for property additions; and $1,200,000 will deposited with corporate trustee under bond indenture, available for withdrawal against property additions.

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.

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.

● **Kold-Hold Manufacturing Co., Lansing, Mich.**
Sept. 3 (letter of notification) up to 33,667 shares ($1 par) common stock. No underwriter. To pay past bonuses to officers and employees.

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., Birmingham, Ala. For working capital and the payment of bills.

Lithium Corp. of America, Inc., Minneapolis
Aug. 13 filed 100,000 shares of common stock ($1 par). Stock will be sold to present warrant holders for $3 per share. No underwriting. **Proceeds**—For additional working capital.

● **Maguire Industries Inc., New York**
Sept. 9 (letter of notification) 8,000 shares of common stock (par $1). **Price** (approximately) 70¢-75¢ per share. Shares will be sold by Auchincloss, Parker & Redpath. Proceeds to selling stockholder.

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.

● **Manila Mine Development Corporation, Chicago, Ill.**
Sept. 13 (letter of notification) 10,000 shares of capital stock (par $1). Price, par. No underwriter. For further development and extension of the business.

● **Martin-Beadle Co., Beverly Hills, Calif.**
Sept. 3 (letter of notification) 6,100 capital shares (par $10). Price, par. No underwriter. To develop and build additional machinery for prepackaging vegetables.

● **Marting Bros. Co., Portsmouth, Ohio**
Sept. 2, $200,000 of 15-year 5% debentures. No underwriter. For additional working capital, retirement of present outstanding 5% debentures and purchase of employee's capital stock.

Matheson Co., Inc., East Rutherford, N. J.
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.

● **Mathie-Ruder Brewing Co., Wausau, Wis.**
Sept. 8 (letter of notification) $125,000 of convertible 5-year 5% first mortgage bonds, due Aug. 1, 1953. No underwriter. For retirement of debt and for working capital.

Metropolitan Edison Co. (9/28)
August 19 filed $3,500,000 first mortgage bonds, due 1978, and 40,000 shares ($100 par) cumulative preferred stock. **Underwriters**—Names to be determined through competitive bidders. Probable bidders for bonds include The First Boston Corp.; Drexel & Co.; Glore, Forgan & Co.; Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler. Bidders for preferred stock probably will include Drexel & Co.; Glore, Forgan & Co.; Harriman Ripley & Co.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler; Smith, Barney & Co., and Goldman, Sachs & Co. (jointly). **Proceeds**—To the proceeds company will add a $1,500,000 capital contribution from parent, General Public Utilities Corp. and use the money as follows: $3,500,000 will go for construction and improvements; $1,500,000 will be used as a partial payment to subsidiary, Edison Light & Power Co., for purchased power, and $950,000 of this $1,500,000 will be for Edison Light's construction activities; and $3,450,000 will be applied to improvements on the company's facilities. Registration statement effective Sept. 7. **Bids**—Bids for purchase of securities will be received up to noon (EST) Sept. 28 at Room 2601, 61 Broadway, New York.

● **Michigan Racing Association, Inc., Detroit**
Sept. 9 filed 3,065 shares of 5% cumulative preferred stock (par $1,000) and 3,815 shares of common stock (par $100). Price, par for each class. The stock offering is to be made through company officers to about 300 selected persons and none of the proceeds of the offering will be received by the company until the entire $4,750,000 has been paid in cash and until authorization to conduct horse racing has been obtained by the company from the Michigan Racing Commission. **Underwriting**—None. **Proceeds**—To purchase real estate and for construction of the racing plant.

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.

● **Monarch Machine Tool Co., Sidney, O.**
Sept. 13 filed 26,000 shares of common stock (no par). **Underwriters**—F. Eberstadt & Co., Inc. and Prescott, Hawley, Shepard & Co., Inc. **Proceeds**—Stock being sold by certain stockholders.

● **Mutual Finance Co., Tampa, Fla.**
Sept. 8 (letter of notification) 1,000 shares of 6% cumulative preferred stock, ($100 par), 891 shares common stock (no par). To be offered stockholders for exchange and sale, in units of one share of preferred and one share of common (only in amounts totaling 891 of preferred and 891 of the common). The 109 shares of preferred remaining will be offered in exchange for a like number of 5% preferred now outstanding. No underwriter. For general corporate purposes.

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 Hydraulic Products Corp., Reno, Nev.**
Sept. 2 (letter of notification) 50,000 shares ($1 par) common non-assessable stock. **Underwriting**—None. For the construction and marketing of pilot models of hydralic oil pumps.

● **National Trailer Stores, Inc., Los Angeles**
Sept. 7 (letter of notification) $106,572 of subordinated promissory notes. No underwriter. For transfer to the company of all the assets of Coast to Coast Trailer Supply, Inc.

● **North Butte Mining Co., Butte, Mont.**
Sept. 7 (letter of notification) $300,000 3-year 6% cumulative callable protected notes, convertible or with stock purchase privilege, dated Sept. 1, 1948, due on or before Sept. 1, 1951. No underwriter. To pay current indebtedness and to provide funds for corporate expense.

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. **Bids**—Bids for purchase of the bonds will be received at office of Commonwealth & Southern Corp. (N. Y.), 20 Pine Street, New York, up to 11 a.m. (EDT) Sept. 21.

● **Oklahoma Gas & Electric Co.**
Sept. 13 filed 400,000 shares ($20 par) common stock. **Offering**—Standard Gas & Electric Co. which owns 750,000 shares of company's common will receive the proceeds. **Underwriters**—Standard has asked the Commission to exempt the issue from competitive bidding rule and has negotiated with underwriters for the sale of the stock.

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**—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 Finance Corp. of Calif., Los Angeles**
Sept. 8 filed 30,000 shares ($10 par) common stock, issuable upon conversion of 15,000 shares of outstanding preferred stock, 5% series. No underwriting. To be added to the sinking fund for the purchase or redemption of the preferred stock. If no preferred stock is then outstanding, the proceeds will be used for general corporate purposes.

● **Pacific Gas & Electric Co., San Francisco (10/5)**
Sept. 10 filed $75,000,000 first and refunding mortgage bonds, series R, due June 1, 1982. **Underwriters**—Names determined through competitive bidding. Probable bidders; Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; The First Boston Corp. **Proceeds**—To retire $12,000,000 bank loans and pay for part of company's construction program. **Bids**—Bids for purchase of bonds will be received by the company Oct. 5.

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

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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. **Bids**—Bids for purchase of the debentures will be received at Room 2315, 195 Broadway, New York, up to 11:30 a.m. (EDT) Sept. 21.

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. **Underwriting**—The company rejected bids submitted Aug. 4. The SEC on Aug. 23 exempted the proposed sale from the competitive bidding rule so that the sale may 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.

● **Petroleum Engineers Producing Corp., Tulsa, Oklahoma**
Sept. 7 (letter of notification) 3,400 shares ($25 par) preferred stock and 1,700 shares of common stock. **Offering**—To be offered in units of two shares of preferred and one share of common (each unit to have one warrant entitling the holder to buy two additional shares of common at $30 per share). **Underwriter** — Central Royalties Company. To purchase and develop additional oil properties.

● **Power Condenser & Electronics Corp., Boston**
Sept. 3 (letter of notification) $300,000 of 6% sinking fund debentures, due April 15, 1958, and 30,000 shares ($1 par) common stock. To be sold in units of one $1,000 debenture and 100 shares of common stock for $1,000. **Underwriter**—Luckhurst & Co., New York. Mainly for laboratory equipment and working capital.

● **Pruke Hybrid Co., Eastern Division, Inc., Glen Haven, Wis.**
Sept. 13 (letter of notification) 1,500 shares of common stock (par $100). Price, par. No underwriter. For working capital.

● **Public Service Co. of New Hampshire**
Sept. 9 filed $7,000,000 first mortgage bonds, series D, due 1978. **Underwriters** — Names will be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly). **Proceeds**—Of the proceeds, $3,600,000 will be applied to the reduction of outstanding short-term bank borrowings. $3,400,000 will be deposited with the indenture trustee, available for withdrawal against property additions.

● **Realty Co., Denver, Colo.**
Sept. 8 (letter of notification) 1,000 shares of non-assessable capital stock ($1 par). To be sold at $27 per share. **Underwriters**—Ralph S. Young and J. A. Hogle & Co. For working capital.

● **Reynolds (R. J.) Tobacco Co., Winston-Salem, N. C.**
Sept. 15 filed $60,000,000 of indentures, due Oct. 1, 1973, and 260,000 shares of preferred stock (par $100). **Underwriters**—Dillon, Read & Co. Inc. and Reynolds & Co. **Offering**—Holders of the common stock and new class B common stock will be issued transferable subscription warrants entitling them to subscribe to the preferred stock at the rate of one preferred share for each 37.6923 shares held on record date. **Proceeds**—Will be applied to the reduction of short-term notes.

● **Rosecroft Trotting & Pacing Association, Inc., Washington, D. C.**
Sept. 9 (letter of notification) 1,414 shares ($100 par) common stock and 1,414 shares ($100 par) 6% cumulative preferred stock. No underwriter.

● **Skidmaster Chain Inc., Bethlehem, Pa.**
Sept. 8 (letter of notification) 25,000 shares of capital stock (no par). **Price**—$10 per share. Of the stock to be issued 9,690 shares are to be issued to Howard Fritte estate in payment for services and patent rights; 3,325 shares are to be issued to present stockholders; 5,986 shares are to be sold to public and 6,000 shares are to be held in treasury. For promotion, development and sale of product.

● **Smith-Dieterich Corp., New York**
Sept. 8 (letter of notification) 24,000 shares of class B common stock. **Price**—$10 per share. **Underwriting**—None. Manufacturing and selling or licensing use of motion picture and television lenses of special type developed by corporation.

Southwestern Associated Tel. Co. (9/22-24)
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. (9/28-30)
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. **Bids**—Bids for purchase of the bonds will be received at Room 1600, 70 Pine Street, New York, up to 11:30 a.m. (EDT) Sept. 20.

Trenton Chemical Co., Detroit, Mich.
Aug. 23 filed 175,000 shares of 6% cumulative convertible Class B preference stock ($2 par). **Underwriter**—Carr & Co., Detroit. **Offering**—To be offered at $2.25 per share. **Proceeds**—To build and equip a plant and replace working capital.

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.

● **Washington Gas Light Co.**
Sept. 10 filed 102,000 shares (no par) common stock. **Offering**—To be offered common stockholders in ratio of one new share for each five shares held. **Underwriting**—Unsubscribed shares underwritten by The First Boston Corp. and Johnston, Lemon & Co. **Proceeds**—For construction and other purposes, including the repayment of $2,000,000 of bank borrowings.

Wisconsin Power & Light Co. (9/20)
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 common stock is being 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. Employees will be given right to purchase 12,000 shares at $13.50 if unsubscribed by stockholders. Middle West Corp. plans to subscribe for 169,458 shares. **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. **Bids**—Bids for the purchase of the bonds will be received at office of Middle West Service Co., 20 N. Wacker Drive, Chicago, up to 11:30 a.m. (CDT) Sept. 20.

Wood (Alan) Steel Co. (7/22)
Aug. 25 filed $6,300,000 first mortgage sinking fund bonds, due 1963 (with stock purchase warrants). **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. **Warrants**—Each $1,000 bond will have attached a stock purchase warrant for the purchase of 15 common shares at $15 per share.

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

● **Bigelow-Sanford Carpet Co., Inc.**
Sept. 13 company announced its intention to file a registration statement with the SEC in near future covering 30,000 shares convertible second preferred stock. Probable underwriter—F. S. Moseley & Co.

● **California Water Service Co.**
Sept. 4 reported company contemplates the sale of about $3,500,000 in new securities, partly in bonds and partly in preferred stock.

● **Chicago Milwaukee St. Paul & Pacific RR. (9/28)**
Bids for the purchase of $6,600,000 equipment trust certificates, series FF, will be received up to noon (CST) Sept. 28 at Room 744, Union Station Bldg., Chicago. Certificates will be dated Oct. 1, 1948 and will mature $330,000 semi-annually April 1, 1949-Oct. 1, 1958. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harris Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Columbia Gas System, Inc.**
Sept. 13 company asked permission to sell an additional 1,223,000 shares of common stock to common stockholders of record on or about Oct. 5, 1948. Additional shares will be offered for subscription by stockholders at rate of one share of new stock for each 10 shares now outstanding, plus additional shares not purchased by other stockholders. Subscription price and other terms will be filed by amendment. There will be no underwriting, but the company plans to arrange for the payment of fees to members of the NASD for every subscription for new common stock solicited.

● **Consumers Power Co.**
Sept. 10 SEC authorized company to sell 458,158 additional common shares to its common stockholders in ratio of one new share for each nine shares held at $33 per share. The stockholders will also have the right to subscribe to additional common shares not purchased by other stockholders.

● **Cooper-Bessemer Co.**
Sept. 14 stockholders authorized directors to sell up to 90,000 shares of common stock (par $5) for cash without requiring that such shares be first offered for subscription by existing common stockholders. No immediate action is contemplated, however.

● **Northern States Power Co. (Minn.)**
Sept. 10 reported Standard Gas & Electric Co. contemplates sale of Northern States' common stock which Standard will receive under recapitalization plan of Northern States Power Co. (Del.)

● **Peabody Coal Co.**
Oct. 5, stockholders will vote on increasing authorized common stock from 2,500,000 to 4,000,000 shares (par $5) and to permit the directors at their discretion to raise up to $10,000,000 additional capital. Additional funds are needed to complete the company's construction and replacement program, the management states, adding that not more than $5,600,000 will be needed soon of the proposed $10,000,000. The financing may be undertaken by sale of common or debentures, or a combination of these and other methods. Traditional underwriter of bonds: Halsey, Stuart & Co. Inc.

● **Public Service Co. of Colorado**
Oct. 19 stockholders will vote on approving new financing for the company. To raise funds to carry through its large construction program during the next 18 months, the company proposes to sell $10,000,000 of first mortgage bonds and 66,000 shares of preferred stock. Out of the funds thus raised, the company said, it will redeem its $5,500,000 3% convertible debenture issue. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp., Boettcher & Co. and Bosworth, Sullivan & Co. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

● **San Jose Water Works**
Sept. 4 reported company may issue new securities to meet its new capital requirement. Amount and type of securities not indicated.

● **Southern Indiana Gas & Electric Co.**
Sept. 10 SEC exempted from competitive bidding Commonwealth & Southern Corp.'s proposed sale of 400,000 common shares of Southern Indiana. The SEC reserved jurisdiction over the results of the negotiated sale.

● **Southern Pacific Co. (9/28)**
Bids for the purchase of $11,050,000 equipment trust certificates, series Y, will be received at company's office Room 2117, 165 Broadway, New York, up to noon (EST) Sept. 28. Certificates will mature in 10 equal annual instalments. Probable bidders include: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc).

● **Southern Railway (9/29)**
Bids for the purchase of $8,700,000 equipment trust certificates, series OO, dated Oct. 15, 1948 and due semi-annually April 15, 1949-Oct. 15, 1958, will be received by the company, up to noon (EST) Sept. 29. Probable bidders include: 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.

● **White Motor Co.**
Sept. 15 stockholders approved the issuance of 120,000 shares of new convertible preferred stock ($50 par) to be sold publicly. Proceeds will be used to increase the company's working capital. Hornblower & Weeks may be underwriters.

Observations

(Continued from page 5)

ning of the century, which as this column has previously demonstrated, warrants at least some misgivings, let us look at the recent record of the system.

Chasing "Resistance Points"

We will remember that in June, 1938, a bull market was "confirmed" at the 127 level, only to be reversed with a downward bear "signal" at 131 in March, 1939. Thereupon, the following July a bull market was again signaled at 142, to be again reversed the following January at 145. Then, the Dow followers were presumably out of the market, or possibly short, for 4½ years until the 145 resistance point was again reached in June, 1944.

We will remember that the market thereupon rose to 207 in January, 1943; followed by a sharp fall to 186 in February, and then a new rise through the 207-resistance point to 213 in May, 1946. Then there was another decline during that summer which, in September, plunged the market on an accelerated bear signal "break-through" the previous February resistance level of 186. Then the index sank to 163 within a month, which resistance point held through the following May's decline.

Thereupon, a rally followed to 187.7 the following July, 1947; which established a new "all-important" up-side resistance level. After much fanfare and several false starts, last May the industrials (after the rails had achieved their own break-through) finally rose through the 187.7 level, thereby confirming to one and all a new "bull market." Immediately at this signal the market's entrance gates were overwhelmed by the faithful Dow-ists who had been out of the market since they had sold out lower down 18 months previously; by the non-Dow bargain-seeking public in whose ears the 187 resistance point had been unceasingly drummed; and by coverers of short positions who, unsure of themselves, figured that at least the momentum would carry somewhat further. The practitioners said the established primary bull trend was now un-reversible.

P. S.—The Bull "trend," despite all the fanfare, developed momentum sufficient only to carry the index from 188 to 193, whereafter it has—most perversely—drifted down to its present 180 level. And equally disconcerting is the resulting obfuscation of the supposedly important definition of the market—as "Bull," "Bear," or perhaps "Sideway."

Bewilderment of the Faithful

Such definition-difficulties by even the experts resulting from the market's obtuse behavior seems well illustrated by the following interpretation by *The Dow Analyst* in the current (Sept. 13) issue of *Barron's:*

"August Bottoms Being Tested"

"Last week in this space it was stated that if on a decline from the highs which had then just been reached the August lows in the Dow-Jones industrial and railroad averages should both be broken, the whole movement would have to be labeled a bear market under the Dow method of analyzing market patterns. It would perhaps have been better to say that the movement could be regarded as a bear market, although its total size is perhaps insufficient to put it in so important a classification.

"The total decline in the industrial average from June to the August low was only 13 points, and in the rails it was only six points. Such proportions are those of secondary rather than primary movements. Nevertheless, in every other respect a joint break-through would qualify for the label of bear market under the tenets of the Dow system. When that method runs into a borderline case of this sort the only thing to do is to admit that the interpretation can correctly be whichever the student wishes to choose (sic).

"If one or both averages now hold above the August lows and then both rise above the highs of last Tuesday (185.36 and 63.12), the movement since the August lows will be regarded as a secondary uptrend. If the averages both top the summer highs, the bull market will have been reconfirmed."—"The Dow Analyst."

The significance of such indefiniteness by an expert is consistent with the habit of practically all the voluble Dow Theory defenders, of excusing its shortcomings by accusing all other observers of not understanding the theory. In other words, it appears as a kind of cult which is comprehensible only to a small minority of the inner sanctum membership.

In reality, the Theory is perfectly simple and comprehensible (as stated hereinabove); but not so the exceptions, emendations, and violations, inserted haphazardly by individual practitioners when the market has gone off the track. For example, one of the exponents recently made the startling pronunciamento that "a good Dow theorist doesn't wait on signals," and went on to "correct the impression that 'competent' (sic) Dow theorists buy and sell on penetration." Such a contradictory pronouncement conveniently whitewashes their usual practice of excusing palpable errors of their system by such assertions as that the real cognoscenti omnisciently did not follow the Theory then and avoided losses by either buying before the signal appeared or else not at all.

So we are given the impression that here is a system that is legitimized ex post facto according to how it works at particular times; and that in their market practice successful "Dow Theorists" actually are only smart and experienced speculators whose operations really follow their own subjective intuition, under the false guise of an ordered scientific system.

Moore and Simmons V.-Ps. of Welsh, Davis

CHICAGO, ILL.—Welsh, Davis and Company, 135 South La Salle Street, announce that James A. Moore and Allen L. Simmons have become associated with them as Vice-Presidents. Mr. Moore was previously with Braun, Bosworth & Co., Inc.; Mr. Simmons was with Mason, Moran & Co.

John F. Partridge has been appointed Executive Vice-President and Miss Anne C. Hetterick, Secretary, as of Sept. 15.

Tax Institute to Hold Symposium in December

The next symposium of the Tax Institute will be held on Dec. 15-17 in New York at the Hotel Pennsylvania. The subject will be "The Significance of Income Tax Administration in Achieving Equity." There will be three or more sessions on Federal income tax administration, one on State income tax administration, one on local income tax administration and one or two sessions of a general nature.

Nat'l City Opens Branch At N. Y. Int'l Airport

The National City Bank of New York has opened a new branch at the New York International Airport to enable the bank to care for the banking needs of air travelers arriving from and departing for all parts of the world, as well as others requiring banking services. George B. Humphrey, Jr. is manager.

The total of National City's domestic branches is now 66.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—With the reluctant consent of former President Herbert Hoover, the vastly significant activities of the Hoover Commission belatedly have been exposed to a little—too little—public attention. This commission offers the largest prospect that government may some day be cut down a little in size that has appeared since the New Deal.

During the 1947 session of Congress there passed a resolution setting up a bi-partisan commission to study the organization of the government. The commission was directed to report its recommendations 10 days after the Congress meets in 1949. This procedure was selected purposefully to take the entire question out of the great 1948 political battleground.

Hence it was not, as it looked superficially, like an odd case of a New Year's resolution made on Dec. 31, 1947, to be lived up to commencing New Year's day 1949.

* * *

What is significant about the Hoover commission study is that it is not directed only at that dull thing called "reorganization." There is nothing more dreary than conventional bureaucratic reorganizations. They have been going on for years. Somebody decides, to use an example from history, that all housing agencies should "be under one tent," to cop the current jargon of the town. So all agencies relating to housing are put under the Housing and Home Finance Agency. In the process a few appointive board members of formerly independent agencies lose $10,000 and $12,000-a-year jobs. Then at the very minimum 10 times and probably usually 100 times that "savings" is spent on setting up overlapping super-housing research agencies, super-housing divisions of lawyers, duplicating superplanning agencies for housing (to plan ways to get more appropriations), and super-publicity divisions.

Then, to use an example which is so far hypothetical, somebody decides that FHA is a lending agency, that VA loan guaranteeing is a lending function, that Home Loan Bank Board is a lending supervisory function. So some bright new reorganization plan sets up a super-duper government loan agency.

What follows is first that jobs are liquidated but not payrolls. The fellow who was chief of the planning agency for the XYZ agency becomes assistant chief of planning for the new agency, and the former assistant planning chief for the old agency becomes chief of the new.

In the process, office desks and files move at government expense from one downtown government building to another. There follows a lot of work shifting telephone connections and executive buzzers. In the process the government-hired painters and decorators get a fresh spate of business. Finally, the carpenters get something, too, for partitions in government buildings are always getting knocked down and put up again.

It is no facile wisecrack to report that nobody much has ever offered convincing evidence that any recent reorganization, except in the rarest instance, has saved money. There is little evidence, either, that it has promoted efficiency. There might be a theoretical advantage to certain groupings of agencies. This theoretical advantage is offset, however, by the inefficiency occasioned by the months and years it takes new groups of officials to get used to working with one another, to find out what business they can't get away with stealing from one another, and to generally get settled into that state of ordered decay which is the inevitable accompaniment, not of the impossibly efficient government, but of tolerably smooth government.

If any body disbelieves this he should spend a few weeks around the Pentagon. The Army and the Navy and the Marines and the Air Forces are being put under the magnificently big tent of the Pentagon and the "National Military Establishment." But they are tenting tonight on the same battleground of bureaucratic rivalry.

* * *

Affirmatively, what is significant about the Hoover Commission is that if it wants it can put the evil eye theoretically on any of the many surplus and luxurious government functions. It is directed to study functions, not just administrative organization. Thus, to use a possible example, it can ask why it is necessary to have two parallel government agencies within one department making loans to farmers for purposes which look distinct only to bureaucrats singing for their supper before the pressure groups.

If money is to be saved it is not going to be saved by reorganization alone. If it is to be saved, it must be secured by cutting down on the bureaucratic establishment. The bureaucratic establishment cannot be cut down unless the "services to the people" are cut down. So long as Mr. Hoover is chairman of the commission, it may be expected that the commission won't be scared of that one.

The bureaucratic woods are full of agencies set up to answer somebody's election problem in 1894 or 1911 or several a month from 1933 on. They have managed to root themselves into the pressure groups whom they serve assiduously so as to get backing for continued appropriations. One may think that of these Mr. Hoover's commission will make a little list. And many of them never will be missed — except by the pressure groups.

* * *

Two other factors in the background of the Hoover commission arouse excitement. The commission is directed to look at functions from the viewpoint of whether the government can afford them. Affording them does not mean being able to borrow to keep them going in normal times, and in normal times the U. S. Treasury is not going to be able to pay for a $40 billion government out of current revenues.

The Commission is also studying what is a proper state function and what is a proper Federal function. Since the Roosevelt Administration, the states have all but lost their rights. They still have the power to incorporate business, but their regulation is strictly limited by over-riding Federal statues. One clear state power is the general police power, but proposed "civil rights" legislation would invade this. Another clear state function is education, but in this sector, too, the Federal officials are working up an appetite to devour it.

* * *

Too much, of course, can be made of the Hoover commission study. The commission can only recommend. It cannot, by itself, effect any curtailment or reshuffling of the vast Federal bureaucratic establishment. Its recommendations, to be achieved, must be ordered by Congress. And since a President's veto power is equivalent to a third of both the House and Senate, the President of next year must "buy" too if the thing is to get anywhere.

Obviously anything in the way of restrictions of the size of government will arouse terrific opposition. The government is made up of dozens of agencies, obscure to the vast majority of people, whose reason for continued existence is that they cater to vast groups which will exert effort on their behalf with Congress.

It is possible to imagine a combination of pressure groups standing to be hurt if the Hoover Commission recommendations were carried out, combining in one big movement which would utterly swamp the prospective Hoover commission recommendations. It is possible, perhaps even probable, to see them ridiculed into oblivion.

On the other hand, a government half way sincere about fighting the rising cost and encroachment of government might take a notion to support the thing on the basis that it was a bi-partisan proposal, that it was offered by the best administrative and economic brains of the country, and that it represented the hard but inevitable way out of the cancer of high cost government and bureaucracy.

* * *

In this respect probably the chief handicap to achievement is the fact that the Hoover Commission must seemingly operate in the closest secrecy. The commission must not let its findings "leak" to become an issue in the present political campaign. More important, it must not let any bureau suspect that in some way that bureau's business or administrative independence might be impaired, for the furies of hell are nothing as to the wrath of a threatened bureaucracy.

Yet without publicity, without the public being informed what the commission is proposing and why, and in detail, there is every prospect that what the commission recommends and why may become a "one-shot" story around the middle of January. One small part of it will get in the papers for a day or so, with nothing more except the condemnations from the vested interests of bureaucracy.

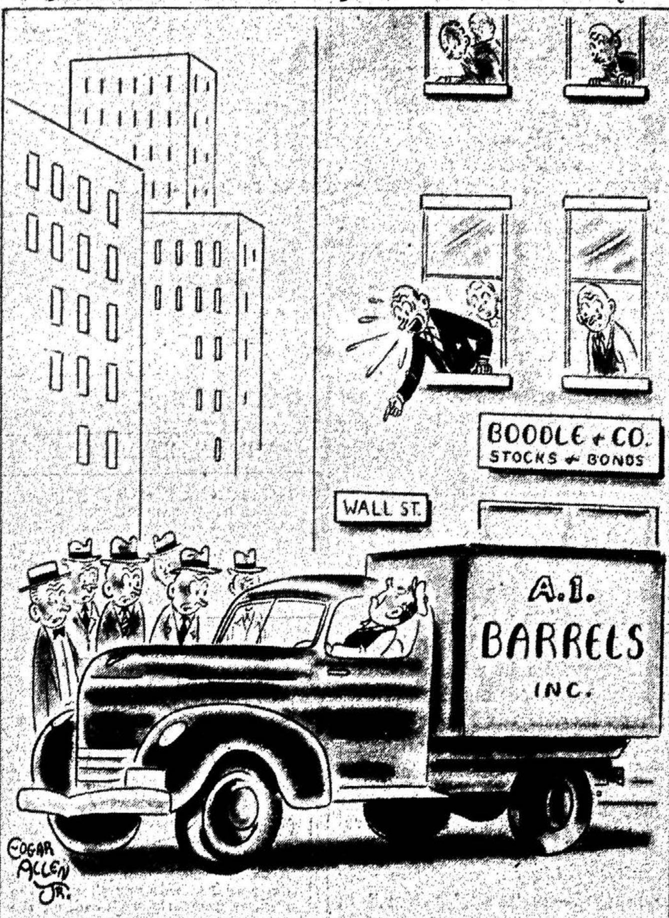
Against the dilemma of inadequate public understanding and getting mixed up in all sorts of fights, Mr. Hoover took the former. He probably could not do otherwise. Only with reluctance was he persuaded last week to make a date to talk before the Press Club in the capital city even to discuss some of the above background.

Incidentally, many of the "leaks" purporting to say what the commission will recommend come from the 22 "task groups" studying the 22 separate broad phases of government reorganization. These 22 separate groups independently are proposing what they think best. Their findings have not yet been coordinated. The commission is coordinating them, so that what comes up will be a unified, whole program.

In the process many of these supposed "tips" will not pan out. Probably nobody will know authoritatively what the commission really will recommend until January.

It is perhaps wise not to take too seriously now the supposed "inside dope" as to what the commission is purported to be favoring.

BUSINESS BUZZ



"For Pete's sake, Mister, move on! Do you want to start a panic!"

Three With Herrick, Waddell & Reed, Inc.

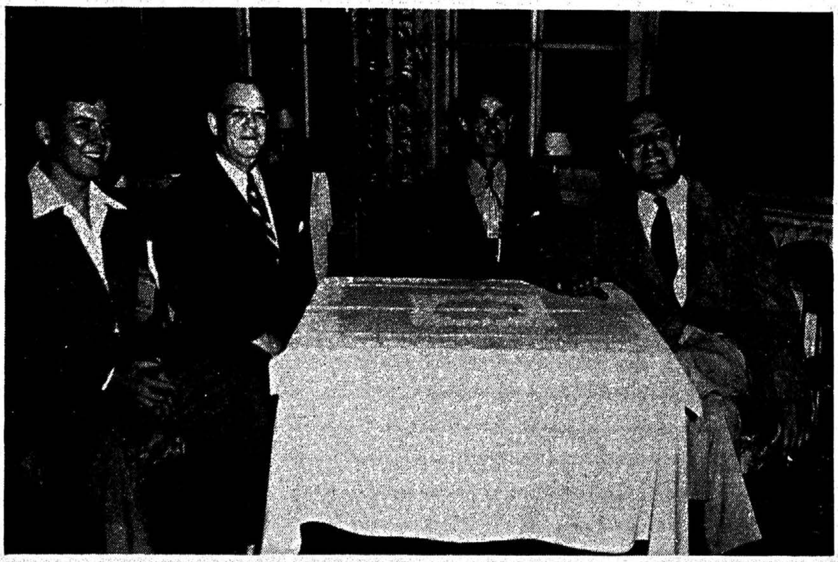
(Special to THE FINANCIAL CHRONICLE)

LINCOLN, NEB.—John Bixby of Geneva, Shirley Norton of York, and Herbert Swedburg of Clay Center are now connected with Herrick, Waddell & Reed, Inc. of New York City.

W. R. Galbraith Opens

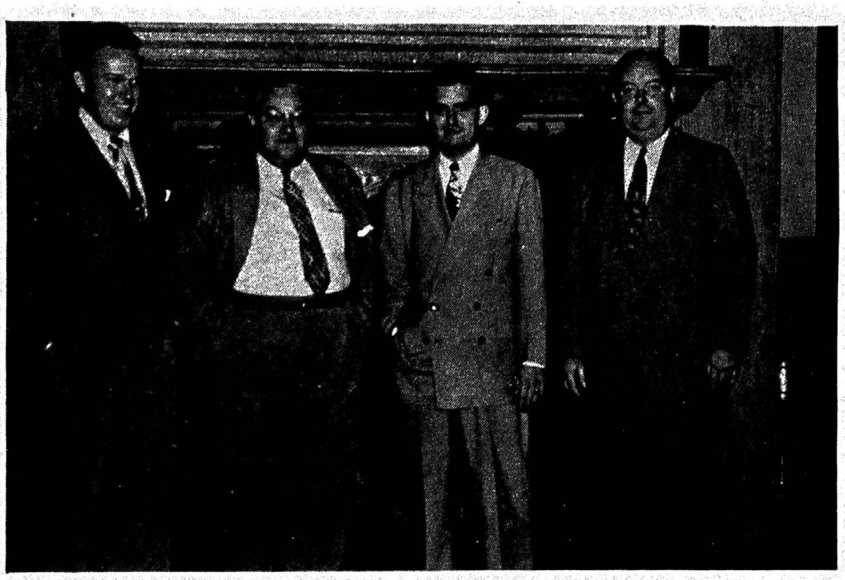
PHILADELPHIA, PA. — Winifred R. Galbraith is engaging in a securities business from offices at The Barclay, 18th & Rittenhouse Square.

Security Traders Association of New York

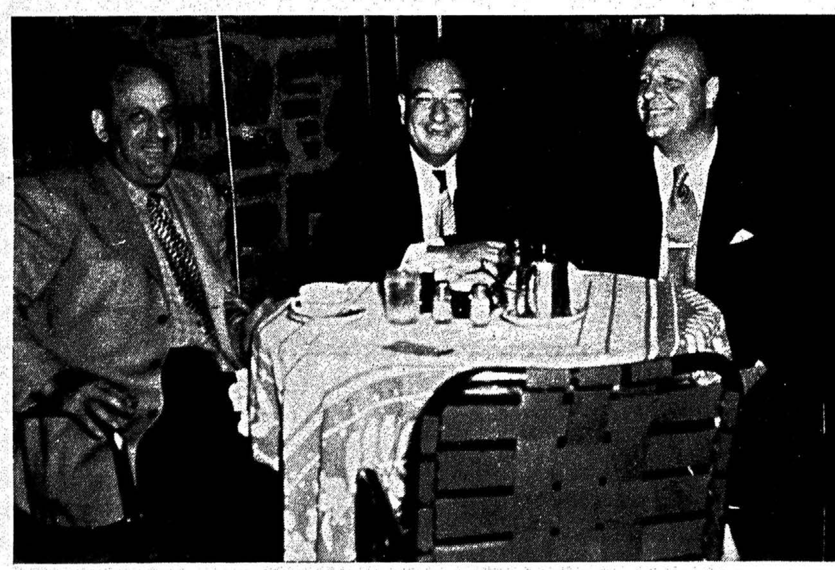


Desmond McCarthy, *Merrill Lynch, Pierce, Fenner & Beane;* John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.*, President of the Security Traders Association of New York; Robert A. Torpie, *Merrill Lynch, Pierce, Fenner & Beane;* Harry D. Miller, *Nugent & Igoe*, East Orange, N. J.

John M. Mayer, *Merrill Lynch, Pierce, Fenner & Beane*, and Ben Van Keegan, *Frank C. Masterson & Co.* (at piano)—a hot combination that helped to chase away the blues on a very rainy day

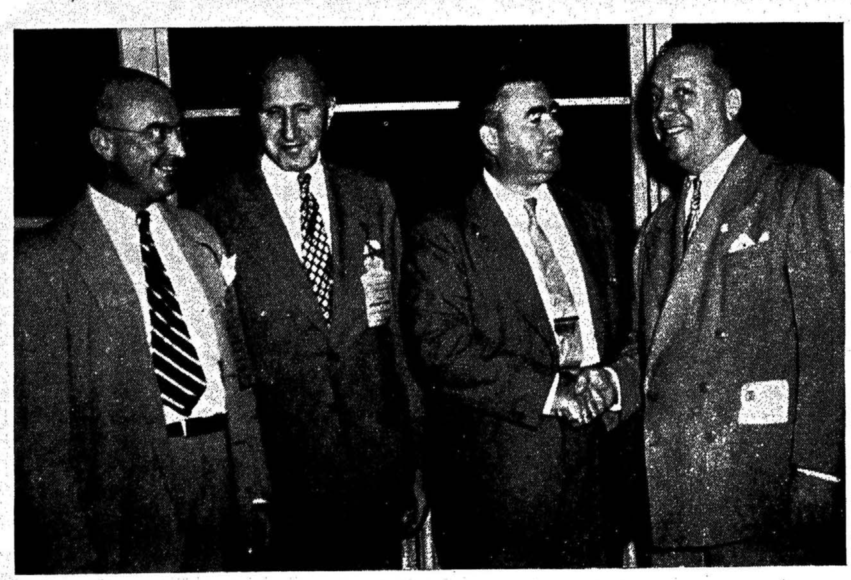


Edmund A. Whiting, *Kaiser & Co.;* Harold B. Smith, *Collin, Norton & Co.;* J. W. Cantlie, *Campbell & Co.*, Newark, N. J.; J. W. Roos, *McBride, Miller & Co.*, Newark, N. J.



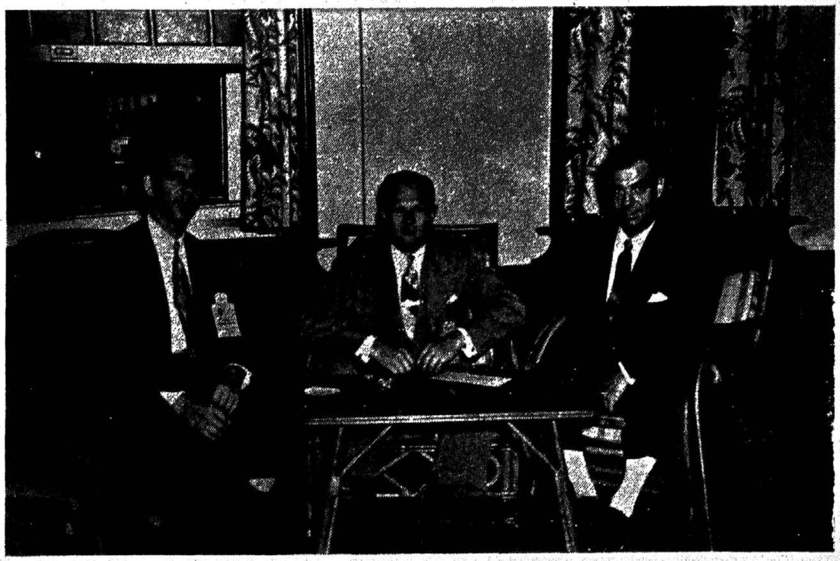
Harry Frank, *Weinberg, Frank & Co.;* Arthur E. Schwartz, *Bache & Co.;* Edwin L. Beck, *Commercial & Financial Chronicle*

Henry Oetjen, *McGinnis, Bampton & Sellger;* Barney Nieman, *Carl Marks & Co.;* Hugh Kilmer, *Hardy & Co.*



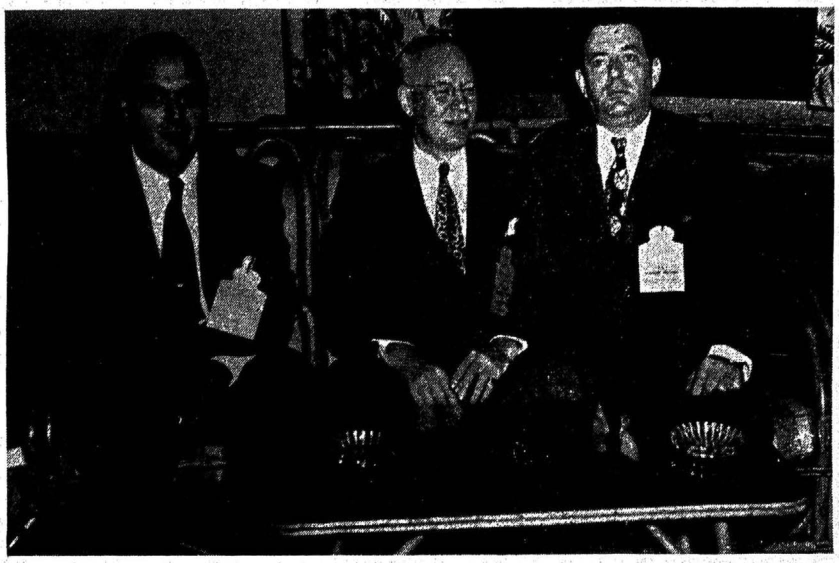
Jeff Horsfield, *Wm. J. Mericka & Co.;* Stan Roggenburg, *Roggenburg & Co.;* Mike Heaney, *Joseph McManus & Co.;* Frank A. Pavis, *Chas. E. Quincey & Co.*

Hold 1948 Summer Outing September 10th



Charlie Bruggeman, *Dean Witter & Co.;* Everett R. Rubien, *Dean Witter & Co.;* John Laver, *E. A. Purcell & Co.*

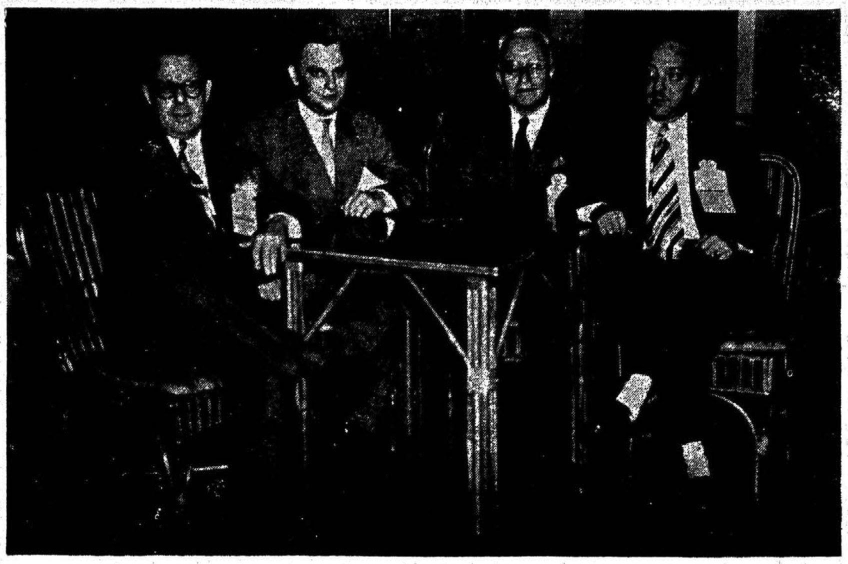
Arthur Hamill, *Lee Higginson Corp.;* Max Barysh, *Ernst & Co.;* Frank Williams, *Wm. Rosenwald Enterprises;* Burton A. Barysh, *P. F. Fox & Co.*



Walter Bachman, *Burton, Cluett & Dana;* Reid Rankin, *R. H. Johnson & Co.;* Walter F. Saunders, *Dominion Securities Corporation*

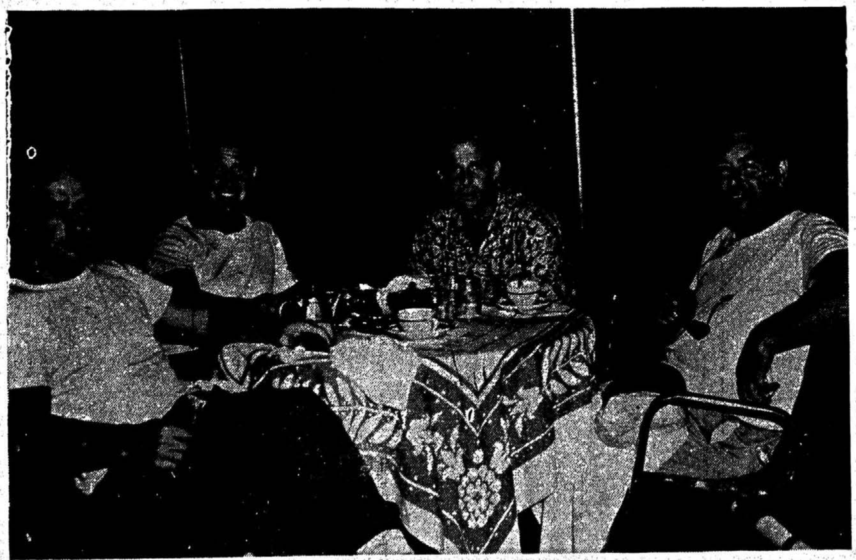
Dr. H. R. Berglind, guest; A. P. Morris, *Estabrook & Co.;* H. R. Schmitt, *Pulis, Dowling & Co.*

Lou Walker, *National Quotation Bureau;* Tom Love, *George E. Snyder & Co.,* Philadelphia



Elmer E. Myers, *George B. Wallace & Co.;* August G. Fuchs, *George B. Wallace & Co.;* Edward E. Trost, guest; Julius D. Brown, *Hirsch & Co.*

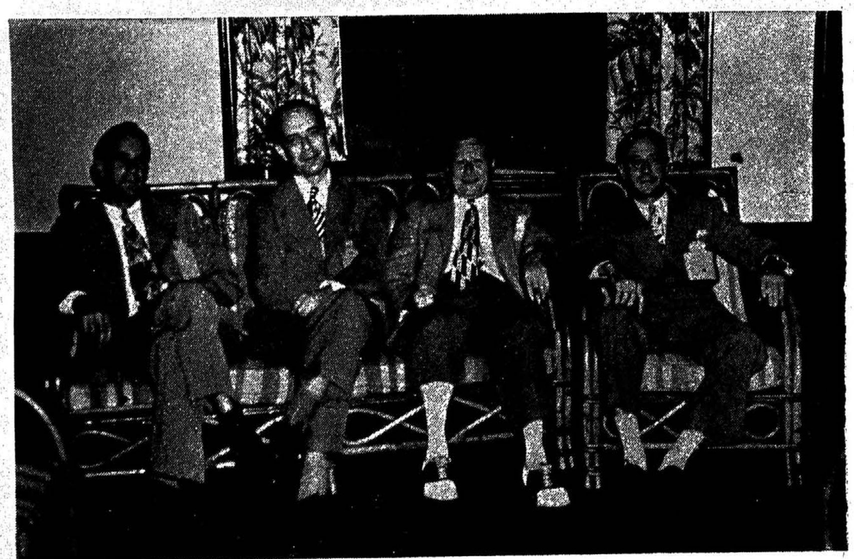
At Travers Island Club



Roger F. P. McMahon, *Jacquin, Bliss & Stanley;* H. B. Perkins, guest; Jerome H. P. Boucher, *Fahnestock & Co.;* Chet de Willers, *C. E. de Willers & Co.*

Arnold J. Wechsler, *Ogden, Wechsler & Co.;* John M. Hudson, *Thayer, Baker & Co.*, Philadelphia; Harry MacCollum, Jr., *Peabody, Tyner & Co.*, Mt. Vernon, N. Y.; Charles M. Zingraf, *Laurence M. Marks & Co.*

John French, *A. C. Allyn & Co.;* Gus Levy, *Goldman, Sachs & Co.;* T. M. Wakeley, *A. C. Allyn & Co.*, Chicago; Milton Steinbach, *Wertheim & Co.*

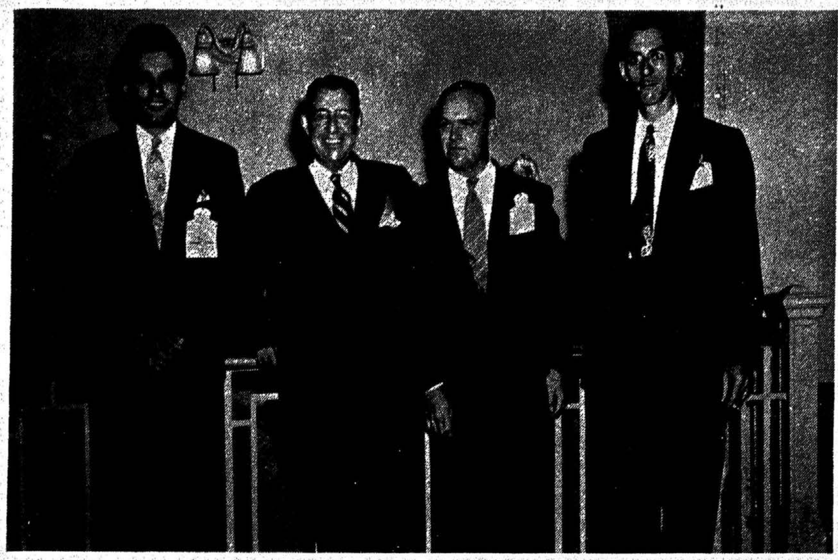


Leon Sunstein, Jr., *Gerstley, Sunstein & Co.*, Philadelphia; Bernard H. Tobias, *Gerstley, Sunstein & Co.*, Philadelphia; Ted Wechsler, *Hay, Fales & Co.;* Albert Posener, *Hawkes & Co.*

W. B. Smith, *Stuyvesant F. Morris, Jr. & Co.;* Richard C. Roberts, *Stuyvesant F. Morris, Jr. & Co.;* Connie Sheridan, *Mitchell & Co.;* Everett F. Wendler, *Mitchell & Co.*

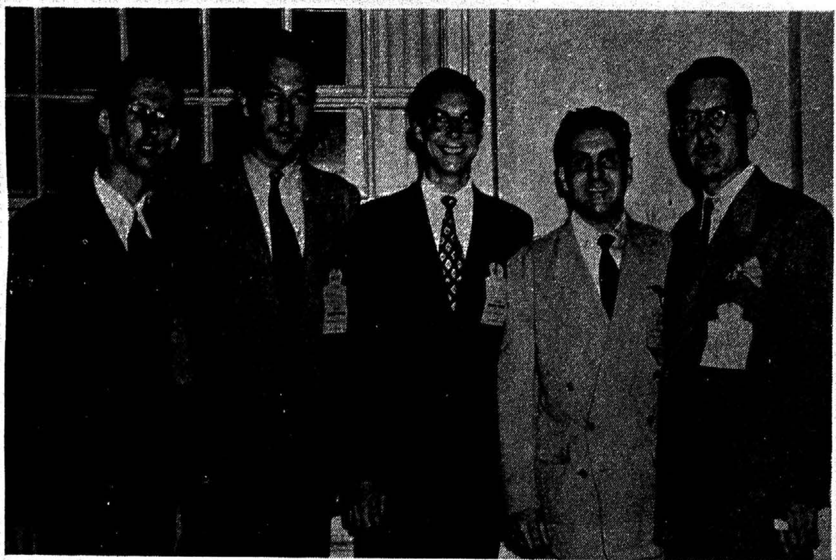
Duke Hunter, *Hunter & Co.;* Frank San Filippo, *Gersten & Frenkel;* Bernie Weissman, *Siegel & Co.;* Harry D. Casper, *John J. O'Kane, Jr. & Co.*

Four Hundred Members and Guests Attending

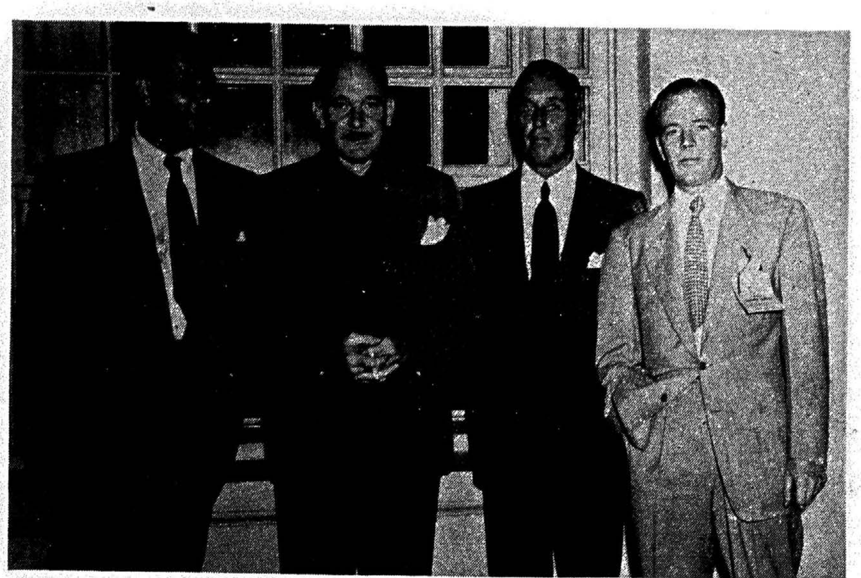


John McCormack, *McGinnis, Bampton & Sellger;* Edward W. Russell, *Seligman, Lubetkin & Co.;* John G. Preller, *McGinnis, Bampton & Sellger;* Fred Eisele, *Freeman & Co.*

Larry Lyons, *Allen & Co.;* David Saltzman. *Torpie & Saltzman;* Allen Lopato, *Allen & Co.;* James F. Fitzgerald, *W. L. Canady & Co.*, First V.-P. of Security Traders Association of New York; Otto H. Steindecker, *New York Hanseatic Corp.*



Alex Miller, *Newburger, Loeb & Co.;* Fred Hartman, *Swiss Bank Corp.;* Jules Orsinger, *Swiss Bank Corp.;* Joseph La Barbera, *Newburger, Loeb & Co.* Soren D. Nielsen, *Newburger, Loeb & Co.*



Harry L. Arnold, *Paine, Webber, Jackson & Curtis;* Jack R. Hunt, *Stroud & Co.*, Philadelphia; Frank C. Masterson, *Frank C. Masterson & Co.;* P. J. McDermott, *Peter P. McDermott & Co.*

Ted Plumridge, *J. Arthur Warner & Co.;* Gerald F. X. Kane, *Peter P. McDermott & Co.;* Walter F. Tellier, *Tellier & Co.;* Larry Wrenn, *Allen & Co.*

Mortimer Gartman, *Josephthal & Co.;* Joe Goldenberg, *Ira Haupt & Co.;* Ben Grody, *Grody & Co.*

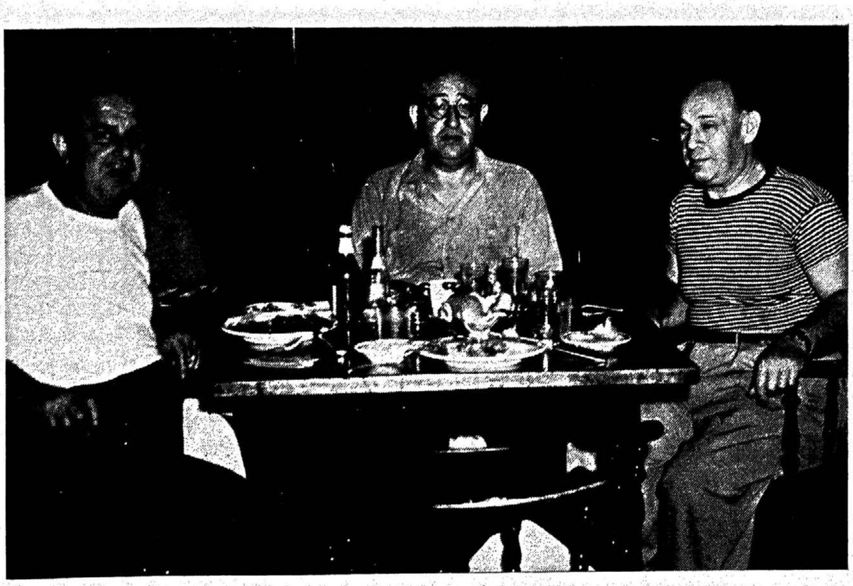
Pronounced Gathering Huge Success

Gene Brady, *Herbert E. Stern & Co.;* George Collins, *Geyer & Co., Inc.;* Samuel E. Magid, *Hill, Thompson & Co.;* Wilbur Krisam, *Geyer & Co., Inc.;* John Butler, *Geyer & Co., Inc.*

John F. McLaughlin, *McLaughlin, Reuss & Co.;* Frank H. Koller, *Schafer, Miller & Co.;* Frank J. Murray (seated), *Day, Stoddard & Williams,* New Haven; King Ghegan, *Schafer, Miller & Co.;* Donald MacKinnon, *Donald MacKinnon & Co.*

Bartus Trew, *G. C. Haas & Co.;* Frank J. McCall, *Greene and Company;* Gambol J. Dunn, guest

Carl Stolle, *G. A. Saxton & Co.;* John McLaughlin, *White, Weld & Co.;* Graham Walker, *National Quotation Bureau*



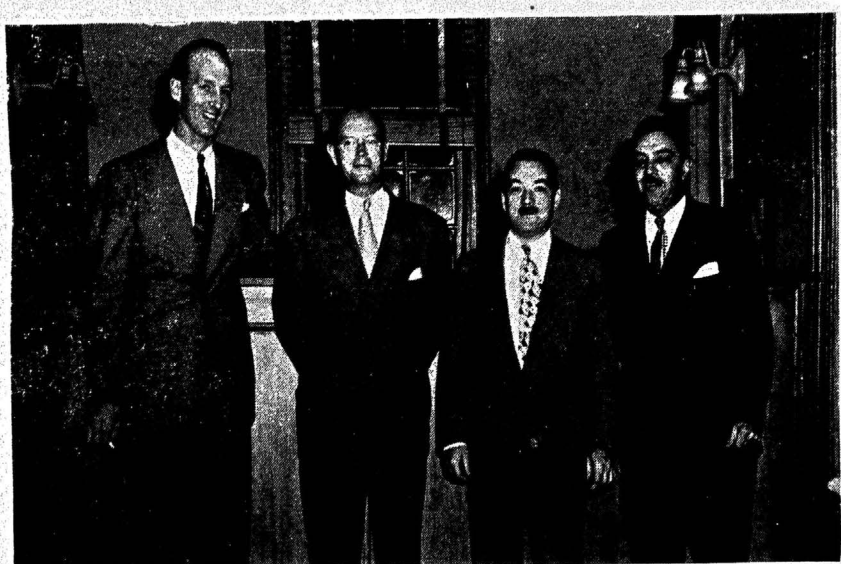
Harry A. Michels, *Allen & Co.;* Sam King, *King & King Securities Corp.;* Jack Bloom, *Public National Bank & Trust Co.*

Nat Krumholz, *Siegel & Co.;* Ted Young, *Young, Aal & Golkin;* Bill Frankel, *Shaskan & Co.;* John Stein, *Frank Ginberg & Co.;* Murray Barysh, *Ernst & Co.*

In Spite of Best Efforts of Jupiter Pluvius

Richard H. Goodman, *Cohu & Co.;* Sal Rappa, *F. S. Moseley & Co.;* Tom Greenberg, *C. E. Unterberg & Co.;* Joe Eagan, *Frank C. Masterson & Co.;* Wm. C. McKinney, *F. S. Moseley & Co.*

Tom B. Krug, *Bioren & Co.*, Philadelphia; Ned Phillips *Samuel K. Phillips & Co.*, Philadelphia; Harry Fahrig, *Reynolds & Co.*, Philadelphia; Bill Wittich, *Maxwell, Marshall & Co.*



Ken Howard, *J. A. Hogle & Co.;* Joe Monahan, *J. A. Hogle & Co.;* John Hines, *Dean Witter & Co.;* Stan Waldron, *Wertheim & Co.*

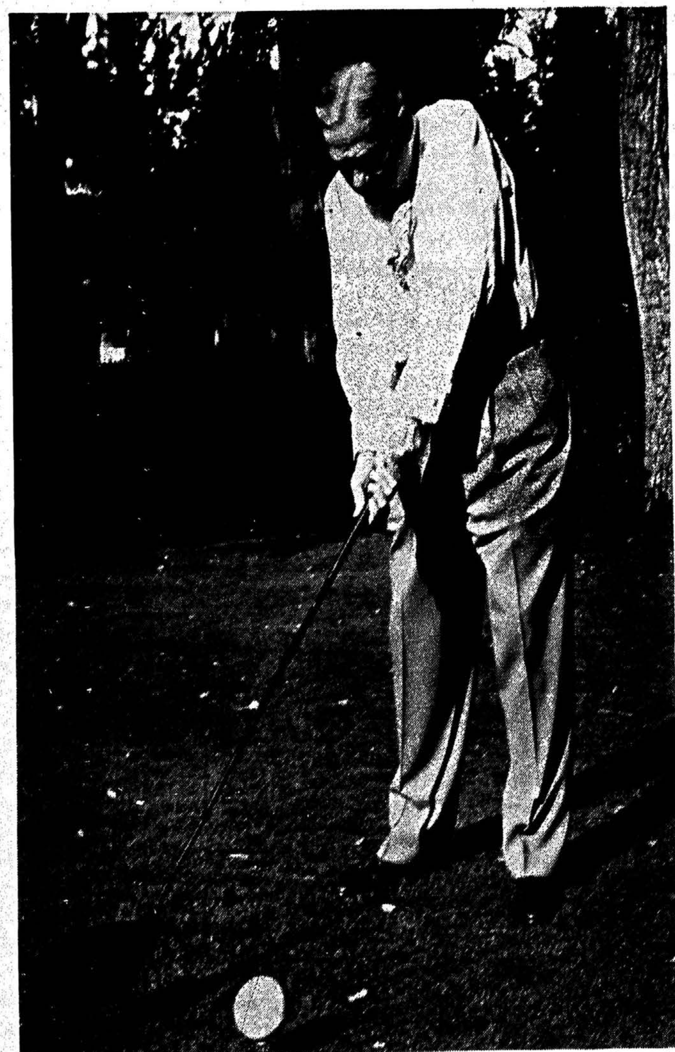
Sol Raschkind, *Goldman, Sachs & Co.;* Lou Adler, *Goldman, Sachs & Co.;* Eugene Stark, *Merrill Lynch, Pierce, Fenner & Beane*

Gus Grindel, *Francis I. du Pont & Co.;* Tom J. Hickey, *J. W. Sparks & Co.;* Bill Doerr, *Reynolds & Co.*, Philadelphia; Stanley Graff, *Foster & Adams*

Joseph Flanagan, *John J. O'Kane, Jr. & Co.;* "Hoy" Meyer, *Stern & Co.;* Milton Meyer, *Shufro, Rose & Co.;* Henry B. Gersten, *Hettleman & Co.*

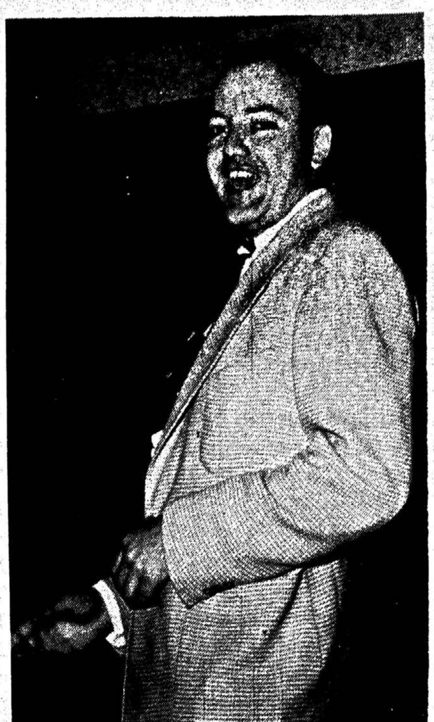
Denver Bond Club--Rocky Mt. I.B.A. Annual Frolic

Don Brown, *Boettcher & Company*, President of the Bond Club of Denver: They all had a good time



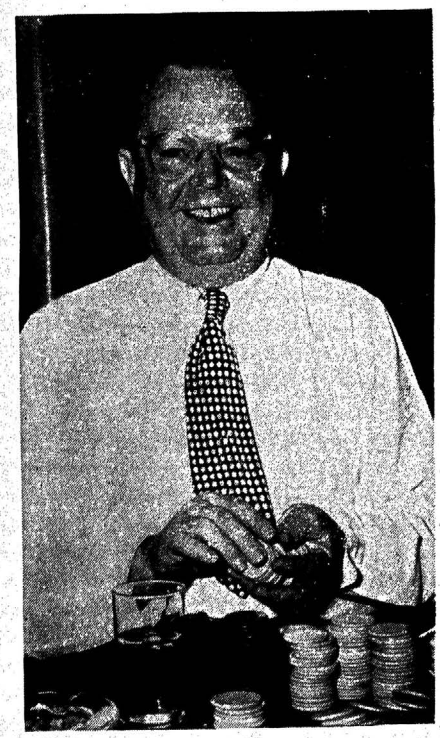
Arthur Bosworth, *Bosworth, Sullivan & Co.*: Boys, I'm still going strong—it just takes a little larger club and ball

Malcolm Roberts, *Sidlo, Simons, Roberts & Co.*: I won everything the boys had to offer



Robert L. Mitton, *Robert L. Mitton Investments*, Chairman Entertainment Committee

Raymond E. Sargeant, *J. A. Hogle & Co.*; Emmet V. Dwyer *Denver National Bank*; Russell E. Seifert, *Stern Brothers*, Kansas City, Mo.



J. Marvin Moreland, *Rotan, Mosle and Moreland*, Galveston, Tex.—Texas boys made it a little tough on the local dealers

J. C. Hecht, Jr., *Dempsey-Tegeler & Co.*, Los Angeles; William B. Healy, *Comstock & Co.*, Chicago; Jerome F. Tegeler, *Dempsey-Tegeler & Co.*, St. Louis

Julian Meyers, *Salomon Bros. & Hutzler*, Chicago; John Latshaw. *Harris, Upham & Co.*, Kansas City, Mo.; E. Jansen Hunt, *White, Weld & Co.*, New York City

Municipal Bonds in the Bank Portfolio

(Continued from page 6)

payment of legally issued obligations will be overcome.

The Management Factor

A municipality being managed by individuals is subject to the same errors of judgment and mismanagement as an individual or corporate business. Consequently, it is not surprising that a large number of municipalities launched extensive improvement programs in the late '20s based on the artificial prosperity which existed at that time. Many municipal budgets were unbalanced during subsequent years due to lower tax collections, high debt service and operating costs.

Most of the direct obligation municipal defaults which took place in the early '30s were of short duration, and due largely to funds being tied up in closed banks. Only in a small percentage of direct obligation municipal bond defaults were the holders forced to take a reduction of principal or interest.

The fact that a municipality defaulted during the last depression does not necessarily mean that it would have the same experience in the next depression; in many of such cases, steps were taken to correct the cause of the default. On the other hand, the fact that a municipality did not default during the last depression is no guarantee that it will not default in the next depression. A changed financial status such as a substantial increase in debt might make it more vulnerable.

Banks should insist on being furnished full information on municipal bond offerings. Quite often only the most favorable features are presented, and the unfavorable features either left out or soft-pedaled. A circular should include the following information in addition to financial statement:

(1) Purpose of Issue.
(2) Type of Tax pledged.
(3) Whether bonds are voted.
(4) Name of approving attorneys.
(5) Default record.

Watching Required

Muncipal bonds, like any other type of security, require watching and checking. However, it is astounding to note the amount of dishonest administration a large municipality can endure without having its credit impaired. Kansas City, Missouri, is a good illustration in this connection. This city was under the control and domination of Prendergast for years, during which time he and his henchmen, through devious methods, obtained for their personal use large amounts of municipal funds. As you know, Prendergast was convicted, and the city now enjoys good management. In spite of the Prendergast rule, Kansas City bonds have for a number of years been selling in line with bonds of other large cities. I think it is very doubtful that any corporation could have survived such management.

I do not believe that ratings should be too heavily relied upon in the purchase of municipal or other bonds by banks. It is my opinion that the rating agencies fail to give sufficient recognition in rating municipal bonds to the "security of principal" factor. The use of the same symbols for municipal bonds which are used for corporate securities results in comparisons which confuse the public and reflect unfairly on municipal bonds.

There are a number of differences in the credit factor of municipal and corporate bonds. However, by using the same symbols there is an implication that a corporate bond rated "A" is as well secured as a municipal bond carrying the same rating. It is estimated that less than 15% of the municipalities with bonded debts are rated. Until more uniform and adequate accounting and reporting methods are adopted by state and municipal governments, or until some plan is adopted which will provide for a large field force in every state to gather information, I do not believe sufficient progress will be made to justify any great confidence in the present type of ratings.

Municipalities have been enjoying good tax collections for a number of years. In many instances bonds have been refunded at a lower rate of interest, decreasing the interest requirements. The debt of most municipalities has shown a decline, due to maturing bonds having paid off and very few new issues being sold for improvements and new projects. As a result of these factors most investors are now giving very little consideration to the credit status of municipal bonds, and in my opinion there is not a large enough spread in the yield on high grade and second grade municipal bonds. For this reason there are opportunities at present to grade up an account at very little cost. There is evidence that investors are becoming more discriminating.

The following factors should be considered in appraising the future outlook for municipal credits:

(1) The cost of municipal administration has shown a considerable increase recently, and this trend will probably continue for some time.

(2) Municipal debts will undoubtedly increase as materials and labor are available to carry out improvement programs which have been authorized, and which will be authorized over the next few years.

(3) If a depression should occur tax collections will show a decline.

(4) Bonus Bonds have increased the over-all debt to be paid by taxation in a number of states.

The average man does not consult a doctor unless he is sick. However, a periodic check-up often prevents a serious illness. I believe that the same is true of a great many banks; they do not worry about the security of their holdings until something goes wrong. There is one thing I would like to particularly impress upon you—do not permit yourself to be lulled to sleep by the excellent record of payment of obligations by practically all municipalities in recent years. Insist upon good credits, and be satisfied with the prevailing yield. Sell bonds of municipalities which may not meet the test of another depression. We may not have a major depression for a number of years, but the time to repair your roof is while the weather is fair.

The marketability for municipal bonds, during recent years, has broadened materially. Banks desiring to dispose of better grade municipal bonds, find a ready market for them. There are a large number of banks with bond departments, and investment houses, located in all of the principal financial centers in the United States, which make bids for the better grade municipal bonds. The fact that municipal bonds are not traded on any exchange is not, in my opinion, a serious drawback to their eligibility for bank investment. The spread between bid and asked prices on high grade municipal bonds is fairly comparable to the spread on corporate bonds which are listed on the New York Stock Exchange.

Banks should not, in my opinion, operate their municipal bond portfolio as a trading account. While there may be some exceptions to this rule, I would recommend that sales be made only for the purpose of eliminating holdings which do not appear to qualify as a conservative investment, or to raise cash.

It is impossible to establish any definite percentage of a bank's bond account which should be invested in municipal bonds, as the factors which should be taken into consideration are not the same in any two banks. I believe that municipal bonds should be purchased for bank investment when they will provide a reasonable increase in yield over comparable maturity government bonds, after allowing for the tax factor.

Small Price Fluctuations

Municipal bonds have shown a smaller price fluctuation over a period of years than any type of bonds other than United States Governments. Dow-Jones forty corporate bonds showed a yield range for the period from Jan. 1, 1928 to Jan. 1, 1948, from a high of 10.17% in 1932 to a low of 2.89% in 1946, or a difference in yield of 7.28%. The Bond Buyer's Index of twenty large cities showed a yield range for the same period from a high of 5.69% in 1933 to a low of 1.29% in 1946, or a difference in yield of 4.40%.

Banks should confine the purchase of bonds of small municipalities to local situations, or those with which they are thoroughly familiar. It is not a conservative policy for a bank to invest a large percentage of its funds in bonds of the municipality in which it is located, as quite often circumstances which cause a drain on a bank's deposits will affect the market on the bonds of the municipality in which it is located. This is particularly true of a bank located in a small municipality, the bonds of which do not enjoy a wide market.

Banks which do not have a bond department or a well organized statistical department, when buying municipal bonds, outside of their immediate territory, should have a working arrangement with one of their correspondent banks which has these facilities, or an investment house specializing in municipal bonds. By concentrating their municipal purchases and sales with one organization they can demand more service and consideration than by scattering their business among a number of organizations. In any event they should not rely completely on the recommendations received, but should insist on sufficient information being provided to make an intelligent decision after considering the credit factors which I have previously mentioned.

The officer in charge of the bank's investment account should keep on his desk a taxable chart showing the equivalent yield of taxable and tax exempt bonds, for reference when considering municipal bond offerings. Municipal bonds may be an attractive purchase for one bank and not for another.

In most instances high coupon municipal bonds carrying a high premium provide a higher yield to the investor than the low or medium coupon bonds. Paying $11,000 for $10,000 par value of bonds means that you are investing $11,000 at the same yield. Actually the average maturity of your purchase is shortened, as the $1,000 premium is amortized semi-annually through the return of excess interest. In purchasing high premium bonds, caution should be exercised in view of the experiences of some municipal bond investors in recent years. I refer particularly to the Maricopa County, Arizona, case, which the United States Supreme Court declined to review following the decision of the Circuit Court of Appeals holding the highway bonds of the county as callable. There was no reference to a call feature in either the text of the bond or the legal opinion. A similar decision was rendered in connection with certain purpose county bonds in Texas. It would increase the confidence of investors, and be helpful to the credit of municipalities, if the states would enact legislation requiring that the bonds issued by the State and its political units be not subject to call or redemption prior to their fixed maturity, unless the right to exercise such call or redemption is expressly stated on the face of the bond. It is unfortunate that some municipalities have taken advantage of a legal technicality to force surrender of their outstanding bonds prior to maturity, despite the fact that the bonds were not sold as callable and that the municipalities received prices on that basis in the sale of their bonds.

In recent years a number of municipalities have resorted to levying various types of taxes, in addition to the tax on real estate, in order to meet mounting costs of municipal operations. The city of Philadelphia has had in operation for about eight years a tax on individual incomes. New York City has a sales tax, hotel room rentals tax, and pari-mutuel betting tax. Several cities in California have a general sales tax. Chicago has a license fee on juke boxes of $50 a year, and a tax of $1 per foot of rail that is left in streets where there has been a changeover to buses. Miami Springs, Florida, has a golf course greens fee tax of 10%; Milwaukee, an annual mileage fee on trolley bus operation. Sedalia, Missouri, a 5% tax on gross receipts of moving picture theaters. St. Louis has an individual and corporation income tax of ½ of 1%.

Municipal bonds purchased for bank investment should be of short or medium maturity, with approximately even amounts maturing each year.

Maturity Range

I recommend that a maturity range be adopted, and that new purchases be made in the last year of this range; for example, if the range is one to five years, that purchases be made in the fifth year. The maturity range should vary from time to time, depending on current interest rates, and the outlook for interest rates. Several years ago, when municipal yields were lower, I would have recommended, in the average case, a range of one to three years. I would recommend at this time a range of three to five years. In a period of more attractive municipal prices a range to ten years or longer may be justified, provided the bank is not relying too heavily on its municipal bonds as a secondary reserve, and that it has a reasonable amount of savings deposits.

Volume of Financing

Long-term state and municipal financing in 1947 amounted to $2,350,000,000. A large portion of this amount was represented by Soldier Bonus Bonds issued by a number of states. During the current year the State of New York has sold Bonus Bonds amounting to $300,000,000 and the State of Ohio to $200,000,000. There are no large state bonus bond sales pending at this time which will probably result in a smaller volume of municipal financing for the second half than the first half of this year. The total state and municipal financing for the first six months of this year exceeded the total for any full year since 1939, with the exception of 1947.

Trend of the Market

The decline in the municipal market which started last year continued into 1948. In March of this year the market reached the highest yield level since 1942, at which time the "Bond Buyer" average on twenty-year municipals was 2.47%. The yield at present is 2.39%.

The decline in the municipal market was due principally to the following factors:

(1) Decline in the government bond market.

(2) Large supply of new issues.

(3) Decline in the Federal Income Tax rates.

I believe that municipal bonds as a group well deserve the reputation they have established as being the safest medium of investment outside of United States Government securities.

Horwath & Horwath Analyze 1947 Hotel Results

Higher prices bring no gain in earnings

The annual report of the country's 1947 hotel operations issued Sept. 9 by Horwath & Horwath, hotel accountants, shows that last year's increases in room rates and restaurant prices resulted only in keeping the industry's earnings at their 1946 level, bringing no additional profit since costs rose faster than sales. The industry's fair return on the value of its property moved but fractionally from 7.38% in 1946 to 7.70% in 1947 after Federal income taxes and from 10.03% to 10.11% before their deduction.

Even with the relatively good profits of the past few years, the annual net earnings of hotels after taxes average only 4.53% for the years since and including 1936, the first post-depression year to show return on capital.

With 1947's results measured according to the number of times the average room rate was earned (exclusive of store rentals), hotels did less well than in 1946. The number of times in 1947 was 149 against 164 the preceding year.

Taxes were earned (with the income from store rentals included) 7.29 times in 1947, practically the same as in 1946.

Although total restaurant sales increased 1% over 1946, restaurant departmental profits slumped 18%. Their ratio to restaurant sales was 17.2% against 21.2% in 1946.

Restaurant payrolls for the transient hotels of over 500 rooms advanced to 31.2 cents per dollar of sale from 28.9 cents in 1946; in the smaller transients, to 29.4 cents from 29; and in the residentials, to 33.2 cents from 31. The food costs per dollar of sale for the three groups respectively rose 1.5 cents, to 38.3 cents; 0.7 of a cent, to 43.8 cents; and 0.9 of a cent, to 42.5 cents. Some of the minor expenses were also up.

In the rooms departments of the residential hotels and the largest transients, a higher ratio of payroll cost to sales was the principal reason for a drop in the ratio of rooms profit to sales. In the residentials, this ratio moved down from 72.7% in 1946 to 71.5%, in the transients, from 67.1% to 65.6%.

Showing the accuracy of the claim made by hotelmen that the relatively good profits of the war and postwar years were needed for rehabilitating hotel properties, the cost of replacements, improvements and additions in 1947 almost doubled the cost in 1946, with rehabilitation expenditures reaching the highest level ever recorded. The largest transients showed the sharpest rise in capital expenditures, to $155 per available room from $85 in 1946. The smaller transients increased their cost to $137 per available room from $76; the residentials to $55 from $31.

The year 1947 marked the beginning of a determined liquidation of hotel's inflated postwar inventories. Food inventories in the largest transient hotels were decreased 31%; in the smaller transients 16%; and in the residentials, 20%. Beverage stocks were reduced 13% by the largest transients and 11% by the smaller. The residential hotels show only a negligible change.