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Continued Prosperity: Sloan

General Motors executive says, despite what may be faced from long-term viewpoint, for next year or two, at least we are assured of business at high level.

In the course of an address delivered at a luncheon of the National Highway Users Conference in New York City on Nov. 30, Alfred P. Sloan, Jr., Chairman of the Board of General Motors Corporation, assured his audience that they could with confidence shape their plans on basis of a two to three year continuation of present business conditions.

Alfred P. Sloan, Jr.

"Looking forward to the next two or three years in your plans," Mr. Sloan stated, "I think you can go ahead quite courageously so far as the general economic conditions are concerned. I have not, for the last two or three years, happened to feel that a depression was right around the corner. Quite the contrary. I feel that whatever we may face from a long-term position, for the next year or two, we are assured of business at a very high level, perhaps not as high as we are enjoying now, but anyway at a high level. When I try to find out what is likely to happen to the economy in the next two or three years, I always look at the capital goods industries. I think I have told you men that before, when we discussed these problems. Of course, we know that the capital goods industry has been running at a very high level. It has been flattening off a little, but I am quite convinced that there is a tremendous volume of money still going into expansion, to bring existing plants up-to-date. As long as that continues—and I believe it accounts for about 20% of our national income—I am sure that the impact on consumer goods and durable goods and so forth will give us a high level of national income."

Concerning the effect of heavy armament outlays, Mr. Sloan remarked:

"Then, of course, we have superimposed upon all this, the probability, or perhaps I had better say the certainty, of a continuing expansion of the government in rearmament to assure the security of the country. So I think that all in all, we need not fear what the outlook will be for the short-term position.

"Of course, there is a great deal of synthetic influence on the present level of the economy. I think it would be very wise for us to recognize that uncertainty and the fact that many of the things that are sustaining our present high level are not recurring, considering these tremendous capital investments, I think we have got to look forward to the time when those taper off or are reduced. I don't thin industry can continue to expand at the present high level.

"I think we should realize that that means prudence and intelligence, and I only suggest, in the analysis of our problems, that we do everything possible, while we are running at this high level, to build a better and stronger economic foundation for industry to operate on in the future."

The Decline in Corporate Earning Power

By LELAND REX ROBINSON

Adjunct Professor of Political Economy, New York University; Vice-President, Economists' National Committee on Monetary Policy; Chairman, Bishop's Service, Inc.

Dr. Robinson makes 30-year detailed study of corporate income, based on conviction that ratios of net profit calculated as return on all capital employed, rather than share capital only, is a truly realistic gauge of business performance. From his data he concludes that (1) profit margins have been modest and secularly declining; (2) group performance is varied with greatest stability in "trade," "food, beverages and tobacco," with volatility in "mining," "petroleum," "chemical" and other industries; (3) larger, as well as smaller companies, are feeling the squeeze of tighter earnings margins, despite temporary and artificial "padding" of earnings by inflationary forces; (4) advancing break-even points are lessening net ratios, making them more volatile on the down side; and have constituted decisive offset to inflationary factors.

There has been no time in the thirty years since the first World War when net income reported by American corporations needed closer scrutiny than today. This circumstance is due to several factors, notable among which are the current importance of inventory profits the failure of depreciation and similar charges against income to keep step with replacement costs, and the advancing "break-even" points which for some years have characterized many industries.

Leland Rex Robinson

A growing realization of these grayish undertones, on the part of both public and management, is having its influence in the laudable conservatism of dividend distribution. On the other hand, it is helping cast an evil spell over the market demand for equities, now close to an all-time low if judged against the back-

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EDITORIAL

As We See It

The Wrong Approach Throughout

Even Woodrow Wilson with his "advanced" ideas about the "New Freedom" and the like would, without question, gasp and stare were he able to return to this mundane sphere long enough to observe the public policies and preachments of this day. He would be able to find in Washington only remnants of the American doctrines and traditions about which he, as academician, wrote so persuasively. At the moment one of the aspects of public affairs which would strike him as fundamentally strange is the stream of outgivings, intimations and suggestions issuing from Washington concerning the prospective policies and programs of the new Truman Administration.

Some of these doubtless are more or less apocryphal, but enough of them appear to have real substance to leave no doubt of the trend of thinking. What is equally important, if not more so, is the evident fact that the new Administration is much inclined in certain instances to "throw its weight around" in an effort to get "obedience" from this, that and the other element in the population. It is saying in effect—or spokesmen who appear

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Economic Outlook for Agriculture

By L. J. NORTON*
Professor of Agricultural Economics, University of Illinois

Holding net farm earnings have passed peak and acute grain shortage no longer exists, Prof. Norton looks for lower trend of livestock prices but, holds if business continues good, some other farm products will be favorably affected. For longer term period, says, baring war or inflation caused by rearmament, the general trend of prices of farm products will likely be downward, but level much above prewar average.

This topic can be restated: What will happen to prices of farm products and farming costs? If prices of their products decline, farmers will have lower incomes. Since prices of agricultural products always rise and fall more rapidly than farm costs, declining prices will lower net earnings more than gross earnings.

L. J. Norton

It is generally agreed, I think, that net farm earnings have passed their peak. Farm prices are receding from the peak reached early this year and, except for feeds, costs are still rising. These lower prices will, in part, be offset by very large marketings resulting from our heavy grain and soybean crops. These large crops will affect cash sales for a considerable period of time as in large part they must be converted into livestock products. This will require considerable time as increases in breeding stock are required.

Price declines have been largely in grains and reflect primarily an easier supply position rather than a basic decline in the level of demand. If to the easier supply situation, a collapse in demand should be added, then farmers are in for economic difficulty.

A year ago we were in a very bullish grain situation. Western Europe had in 1947 a very poor harvest both of bread grains and potatoes. They had to import heavily in order to maintain even a low level of consumption. The United States had a poor corn crop: one-fifth less than a normal crop which is now approximately three billion bushels. This made feed scarce here and forced us out of the export market. Argentina was holding back supplies for high prices. Added to these two difficult situations, short bread crops in Europe and short feed crops here were two other factors: (1) World shipments of edible fats and oils were far below prewar, due to a combination of circumstances. Mr. J. C. Faure of Unilever, perhaps the best posted man in the world on this great group of commodities, estimated 1947 shipments at 1.8 million long tons below 1938, roughly 40%, and 1948 shipments at only 150,000 tons over 1947.[1] Incidentally, he estimates a shortage of 20% under 1938 as far ahead as 1951. This is an important point in Illinois agriculture as we are now one of the great edible fat and oil producing areas of the world. (2) World shipments of rice, the greatest food cereal in the world, were also about 50% of the prewar. The Orient tried to maintain its limited diet by buying cereals from the West. Thus, a year ago the world was forced by short supplies of European bread grains and potatoes, of United States feed grains, of edible fats and oils, and of rice. From a supply standpoint, one could not here put together a stronger combination of bullish factors. Buying power for our exports, which were mainly wheat and fats and oils, was created by the generosity of the American taxpayers, and we poured all of our surplus of wheat and perhaps more than our true surplus of fats and oils into the world market.

[1] Address at the International Association of Feed Crushers Congress, Brussels, Belgium, June 17, 1948.

*An address by Prof. Norton at Conference of Illinois Bankers Association, University of Illinois, Urbana, Ill., Nov. 19, 1948.

Easing in Grain Situation

Early in 1947 it became evident that the supply situation was easing. The European wheat crop was coming through the winter without damages, the United States had a large acreage of wheat planted, Eastern European countries, notably Russia and Rumania, began to find small quantities of grain to ship west, and the Australians harvested a big wheat crop. Prices began to break here as you will remember. In 1948, both Europe and the United States harvested large wheat crops, the United States raised a corn crop 50% larger than in 1948, and in the United States we raised larger crops of oilseeds, cotton, soybeans, peanuts and flax. On the best information I can gather, international supplies of rice and fats and oils remain short. But these are only two rather than four bad supply positions. It is worth noting that it has again been dry in our major wheat areas. Severe drought has not cut wheat crops for over ten years—a very long period of adequate moisture for our major wheat areas.

Grain prices have, as you know, come down. Wheat is now at about the price support level; soybeans are slightly above; corn is below. We will likely work off most of the 1948 wheat crop as there are so many empty places in the world to fill. Whether we can again work off another big crop in 1949 is more doubtful. It depends on crops in so many places. We will likely dispose of most of our soybean products from the 1948 crop. Exports will step-up as far as our system of allocations permit. Europe wants vegetable oils and protein feeds.

How about corn? Our consumption at home will be large. But even with some expansion in livestock feeding and exports of say 150 million bushels, we will probably carry over around 600 million bushels of corn a year from now. Europe wants corn to rebuild their livestock industries which are as much a part of the productive economy as are mines and machine shops in spite of much ill-informed American opinions to the contrary.

It would look as though the acute period of grain shortage is past and that Illinois farmers' markets would reflect abundant grain supplies rather than shortages. So far as corn prices in the near future are concerned, they may work back toward the loan level once the overrun which cannot be cribbed is marketed. How the price of corn can go much above the loan level, unless we have a short crop in 1949, is difficult for me to see.

Prospects of Livestock Prices

When a short crop is followed by a large crop livestock prices have, in the past, after appropriate time lags, declined sharply. Weakness has already been shown in cattle, hogs and butter prices. The trend of livestock prices over the next year will likely be downward as total supplies are increased. However, because of the cyclical position of the cattle industry big increases in total beef supply are not likely and the full effect of increased output of hogs cannot be felt until the fourth quarter of 1949. Livestock feeding ratios are likely to be favorable on a current basis, but there may be inventory losses in breeding stock and possibly in feeder cattle bought at too high prices. In a period of surplus grain the livestock feeder is likely to have the price advantage, even though livestock prices decline. The big problem is to hold inventory losses to a minimium.

All the above is in terms of supplies. What about demand? Except for military considerations, foreign demand could be expected to decline except for basic products which are urgently needed. Of our products, exports of feedstuffs, both corn and protein meal, fats and oils, and wheat may hold up in the order listed better than some other products.

What Will Happen to General Level of Income

About the domestic market, which absorbs the bulk of our products, the question is what will happen to the general level of income? If business turns sour; it will be reflected in lower farm prices; if it continues on the present high level, demands for farm products will continue good; if it

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Economic Implications Of Military Preparedness

By EDWIN G. NOURSE*
Chairman, Council of Economic Advisers, Executive Office of the President

President's economic expert reviews problems arising out of heavy military costs and their effects on price relationships and income patterns. Warns there is point in military expenditures beyond which inflation and economic dislocations can result and sees both higher prices and higher taxes, accompanied by more controls if military costs are stepped up. Concludes rising military expenditures, though not indicating economic disaster, will make attainment of future government objectives more prolonged and difficult. Says controls present two-pronged danger of destroying free bargaining and of lowering public morals.

The members of this group have been given an extraordinary opportunity to prepare themselves as leaders of citizen thinking in this country. Secretary Forrestal has arranged to bring you a very broad and authoritative view of the complicated situation which may determine the fate of your country and mine for many years to come. I have myself attended as many of these presentations as possible in order to gain down-to-the minute and intimate information on these important matters. Now I hope that what I have to say will add to the completeness of your view. A full perspective on our problem of national and international security requires that it be seen from the point of view of its impact upon the civilian economy.


Edwin G. Nourse

To recapitulate very briefly, this orientation program began at the diplomatic level with the State Department statement of the nature and imminence of the threat to our security. Mr. Kennan's analysis of the Russian situation made it clear why, as matters have developed since VE-Day, diplomacy needs to be backed up by impressive military power and that, even with diplomacy thus buttressed, we have to face the possibility of a need for military action on short notice. Against this background, numerous spokesmen of the Defense Establishment have explained the organization and functioning of the unified defense establishment in safeguarding the country against the stated danger—or even against any larger threat that might conceivably arise. From the Munitions Board there came an outline of the organization for planning the program of military procurement and logistics needed to carry out such air, naval, and land action as might be found necessary. The National Security Resources Board elaborated that story into a rather full account of how the Nation's productive resources would have to be organized and directed to provide a continuous flow of men and materials to sustain successfully such an effort of industrialized warfare. This afternoon, Mr. Webb brings us down to brass tacks by interpreting the whole matter in terms of the national budget or the dollar cost in 1949 and 1950 and thereafter of maintaining the indicated scale of military preparedness—short of war.

Effects of Military Expenditure

It now becomes my responsibility to carry the analysis through the logical next step and direct your thinking to the question: What effects will military preparedness in present or proposed physical and dollar terms have on the economy? In other words, how would one or another level of expenditure change the production and income system which constitutes the foundation upon which both the military and the social or cultural life of our people is erected?

Until recently at least, the economist who strayed into a preparedness conference of the military defense establishment was likely to find himself about as popular as the well known skunk at the bishop's garden party. Quite properly, members of the military profession are technicians in the science of defense. Their major premise is that the economy and the social structure, hardly less than the political state, are lost if the system of military security should fail. Like the engineer, they feel the need to include a substantial margin for safety in their calculations but unlike the engineer, they have no means of knowing in advance the loads or strains that will have to be dealt with. Hence the plan they offer must be one that provides every technically available safeguard against any and all foreseeable threats. In a word, they think of the total resources of the country as potentially available for implementing the security effort.

The economist's thinking is definitely cast in a different mold. His basic problem is: how can scarce resources be most efficiently administered toward the attaining of specified objectives? These objectives are steps toward attaining higher standards of consumption and a freer and richer cultural life for the whole population. Ideally his field of work would concern the efficient ad-

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*An address by Dr. Nourse before the National Military Establishment Joint Orientation Conference, Washington, D. C., Nov. 10, 1948.

The Seeds of Enterprise

By EARL O. SHREVE*

President, Chamber of Commerce of the United States

Asserting the "enterpriser," though inextricably a part of American economy from which he cannot be removed, is a dynamo that receives driving power from initiative, ambitions and incentives. Says American free enterprise economy has become Atlas of world and must be preserved against communistic and other attacks. Urges revision of tax laws so seeds of enterprise may grow and bear fruit. Contends country is "under-invested," and lack of risk capital is hampering new enterprises. Lists advocated tax changes.

The American businessman is made of durable stuff. He has to be durable to stand the wear of time and the poundings of his enemies. He is the butt of vote-seekers, power-grabbers, Communist conspirators, leftist slogan-makers and star-gazers. He is called names by the business-baiters—monopolist, labor exploiter, imperialist.

Earl O. Shreve

Yet here he is, busier than ever, piling the records for achievement higher and higher, carrying the heaviest burdens of a war-damaged world and working overtime for the tax collector.

The achievements of American enterprise are the best answers to the slurs of the business-baiters. Never did these achievements stand out so brilliantly as they do now.

Sumner H. Slichter of Harvard, in his book, "The American Economy," poses the question: "How good is the American economy?"

He answers, and I quote: "The American economy is a far better economy than most people realize."

The enemies of America understand this. They know that the substance of United States power is the strength of enterprise. Also what enterprise yields the American people in the manifold products of the farm, factory and mine.

That is why the enemies of America center their attack on business and attempt to single out the businessman as someone apart from the American people.

The Enterpriser

The enterpriser is the dynamo of the American economy. But he is not easily described. He is inextricably a part of the American people. You cannot remove him from the interwoven texture of the American economy and the American State without destroying the texture.

Nor is a business a wholly masculine affair. There are nearly a million women in business in the United States. And, like the men, the women run through a wide range of sizes, characteristics and businesses.

The women run real estate offices, restaurants, retail stores, factories, transport enterprises, beauty shops. They are in finance, office administration, insurance.

Like the men, these business women express the freedom, the enormous diversity of the American enterprise system. Counting the farmers, there are some 10 million of these enterprise units in the United States.

Here are the root sources of American strength.

The enterprise system gets its driving power from the initiative, the ambitions, the incentives to work and invest and take risks of those 10 million units of enterprise.

Study these 10 million units in detail and you will see the absurdity of trying to hang a catchy label on American business.

Business-baiters indulge in labels for motives of their own. The enemies of America strike at the businessman because they know that the root strength of America is the dynamic progress of enterprise and its widely diffused sources of initiative, invention and control.

The American people are wise to the business-baiter now. They know that the survival of America, and the freedom of western civilization, depend upon the strength of the enterprise system.

The fruits of American enterprise can be judged today in contrast with the meagre harvest of other systems. Who in his senses would trade this for the paper promises of Communism and Socialism?

You can read the current figures on the productivity of American enterprise in the news, the record-breaking figures on crops, electric power use, factory goods, steel, national income, employment, retail trade.

Principles Behind System

I am concerned here mainly with the principles behind the enterprise system. I am here to talk about the seeds of the enterprise system rather than the fruits.

My conviction is that we must pay more attention to the seeds so that the fruits will come in time in ever-increasing quantity and quality.

The harvest of the enterprise system now is the result of seeds sown long ago. Many of the producing units of American business have taken generations to grow and mature. They are the result of countless risks and courageous efforts of thousands of men and women.

These men and women planted the seeds of enterprise, took the risks and poured out their energies and talents, because they hoped some day to reap a reward for their risks.

I talk in this elementary vein by way of preparing the ground for a somewhat technical subject, the subject of taxes and the effect of taxes and government policy upon enterprise.

I turn to this issue now because I believe it is of paramount importance to the American people and to the world in a critical juncture in world affairs.

The future of the world—certainly of the western democracies—depends upon the progress of the American enterprise system.

The American economy has become a mighty Atlas sustaining a larger portion of the world economy than any one nation ever sustained before. The American Atlas must stand up under heavy postwar burdens and continue to develop and grow. That is the imperative need that faces us today.

There is only one great source of strength that can protect the West against Moscow's hunger for conquest. That source is America and the towering productivity of American enterprise.

Moscow knows this, and the Moscow-directed Communist conspiracy works in devious ways to cripple American strength at its source. The Moscow puppets—visible and invisible—are busy trying to smear American business and finance, bore into labor unions, kill incentives to enterprise and to worm into government so that they can pull the strings to choke enterprise at its source.

The Reds have been at this conspiracy for years and many of them have been exposed to the cleansing light of publicity.

Now the cleaning process should go further.

Tax Laws Need Revision

To make America strong for her task—for the good of the American people—for the safety of the West—the country needs a thorough study and overhaul of its tax laws.

In part, these tax laws are the hangover of the New Deal years of punitive action against business. Those were the years when business-baiting was practiced in high places in Washington and enterprise-crippling laws were put on the books in the fervent zeal of a reform era.

During the early New Deal years Washington was dominated by the philosophy that the country's ills were caused by over-production and under-consumption. You recall, perhaps, the theories about over-production

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*Address by Mr. Shreve before Albany Chamber of Commerce, Nov. 24, 1948.

British Industry in Changing World

By PERCY RIPLEY

Mr. Ripley states British industry is working within highly complex situation nullifying efforts at forecasting along orthodox lines. Argues average Briton's philosophic attitude and good humor, notwithstanding many barriers, is enabling nation to show marked progress. Contends tendency toward unemployment being checked by ERP.

KENT, ENGLAND—It has never been possible over the last 150 years to study the evolution of industry by confining one's attention to the industrial field alone, by occupying oneself, that is, solely with man's increasing command over and exploitation of material resources. Other factors have always converged and intruded upon the industrial scene, notably those which have their origin in economics, finance, politics and what it is fashionable to call psychology, but for which mentality is a simpler and better description. But in the early days of machine industry these influences were subsidiary and, upon the whole, production and distribution could be carried on as though they existed in their own unassailable right. Since 1914, however, industry in the Western world has tended to become increasingly the servant of the State and, in the opinion of the writer, less the servant of the community, although many hold that no distinction should be drawn between the one conception and the other. This latter point of view is supported by the declaration that the State itself is the servant of all. But when, as in Britain today, the State receives more payment than do those it exists to serve, who, then, if they perceive the fact, would wish to receive such ministrations?

Percy Ripley

Elevating the Subsidiary

The increasing control or direction of industry by the State has meant that the factors which were formerly subsidiary in character have been elevated to positions of unprecedented importance. Thus, the industrialist is ever being gently reminded by the tax collector of the condition of the national finances—to whose rescue he is expected to come with winged feet and overflowing pocket; he is informed that what he does, and what he thinks, must be consonant with the broad economic policy of the government. Nor is his psychological well-being neglected; for his mind is kept always under the impact of the written and spoken word, designed to make him not only respectful, but also gratefully conscious of the widsom that prevails in high places.

A Change of Air

This, then, is the atmosphere in which the British industrialist works today; and it is the haze through which he looks into the future he cannot see. It is a vapor which, so we are informed by those who specialize in odious comparisons, is suffused with an etherealism and an altruism, entirely absent from the individualistic fog which once poisoned the land. None would deny that the social air of Britain's great industrial cities has now a salubriety that was lacking in the Victorian era, when layers of soot so swiftly descended on dividend warrants made out for excessive sums. Nevertheless, humbly admissive although the present writer is in this respect, he can but recognize that the State today is standing on the broad shoulders of individualistic achievement at its latest and best—a very nice point of vantage from which to moralize. It is much as though one were to look upon the not undesirable property of somebody's grandson and decide to do a little reaping on one's own account. The justification to be offered for what seems to be predatory action is that the grandfather was unscrupulous and inefficient.

Will British industry expand or contract in the State hygienized and yet more complicated air: and will it increase or decrease in competitive power?

Replies Curved and Straight

There are only two ways of answering a question, if you wish to preserve your reputation; the first is by evasion, as is the time-honored practice of diplomats and the second is by putting another poser to the questioner, which is the method of the philosopher. The writer, having no reputation to lose, is under no compulsion to take either of these excellent courses. But he is going to hedge a little with something akin to a lawyer's preamble.

A Note of Unreality

The difficulty in giving a forthright reply to the inquiry which has been postulated lies in the fact that there is something unreal in the present British situation. This element is not peculiar to matters of industry: the complaint that life is divorced from reality is heard on every hand. The platelayer, doing his best to keep the railway track sound in the hope that travellers will safely reach their physical destination is one in his puzzledom with the prelate who is striving to keep intact the invisible lines of communication with another world. And all in between these extremes, the various grades of society, confess themselves, to be, so to speak "at sea."

No doubt, some of this feeling arises from the habit which persists among the middle-aged and elderly of still trying to take their cue and their standard from the little ordered universe they once knew—an order which has ceased to exist. But perplexity is writ not only on the countenance of the elderly; the young also avow that the foundations are sapped. And it need hardly be said, on the edge of the milder uncertainties, is the shadow of the atomic bomb, penumbra at present, but slowing moving (or is it not?) toward the center of civilization.

Survival Value

The British industrialist is human and he is not immune from these common vacuities and forebodings. Nevertheless, it can truly be said of him that he will strive to the utmost for the survival both of himself and of the nation. This attitude on his part is to some degree instinctive, exhibiting a behavior no different from that of other and less advanced peoples when under stress of circumstance.

But there is more in it than that: it is still true that despite all modifications, underminings, expediencies, compromises and disillusionments which, willy-nilly, the Briton has had to undergo of late, he yet believes in the virtues of a British way of life. There is no essential difference between that way, save in local expression, and the ideals and con-

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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

The picture of total industrial production was somewhat mixed the past week with fractional increases obtaining in some industries and being offset on the other hand by slight decreases in others. The net result was that overall industrial output remained almost unchanged from the high level of the week preceding.

From the standpoint of the nation's workers, it was found that the number of layoffs and strikes turned upward in some sections of the country, but notwithstanding these two factors, total output did not reflect any noticeable decline, since employment and payrolls for the most part continued at a very high level. Continued claims for unemployment insurance dropped about 3% with a decline noted in initial claims of close to 2% for the week ended Nov. 6.

Nonfarm employment, according to "American Machinist," a trade paper, broke all records in September when it hit 45,864,000 with expectations that it will go higher before the year ends. The magazine added, factory employment of 16,638,000 was almost half a million above last September and "employment in the machinery industry, including electrical, "showed a seasonal rise to 2,290,000 but this was slightly below total of a year ago."

* * *

On Monday of the current week the 18-day dock strike along the Atlantic seaboard came to an end as members of the International Longshoremen's Association, AFL, returned to the piers. With shipping and trucking activities taking on a more normal appearance here in New York, the Pennsylvania Railroad took the necessary steps to remove the embargo on less-than-carload freight deliveries it imposed the past week because of the teamsters' strike. On the West Coast, it was reported, much remained to be done before the 89-day-old maritime tie-up could be ended, notwithstanding the fact that CIO longshoremen in the four major Pacific Coast ports approved a new contract over the week-end.

The strike on the East Coast was the costliest in maritime history and is estimated to have delayed Marshall Plan cargoes valued at $36,000,000 and not less than 300,000 bags of mail. The cost to shipping companies was placed at $30,000,000 a day, or approximately $540,000,000 over the strike period.

* * *

Living costs experienced their first decline since last March in the month ended Oct. 15, the Bureau of Labor Statistics reported. Its index of prices paid by consumers dropped to 173.6% of the 1935-39 average, from the record high of 174.5% set on Aug. 15 and duplicated on Sept. 15. The decrease was ascribed by the BLS to substantial declines in retail food prices. This factor "more than offset increases in all other major groups" of consumer cost items, the bureau said. The Oct. 15 index figure is just below the July 15 level of 173.7%. As a result, no change will be required in the pay rates of General Motors Corp. under its cost-of-living wage formula. This provides for a one cent an hour quarterly adjustment for each 1.14 point fluctuation in the index.

* * *

Philip Murray, head of the Congress of Industrial Organizations, in his annual report to the CIO national convention on Nov. 20, called on the 81st Congress to roll back prices and curb excess profits as part of an economic program designed to eliminate the "seed germ of the next depression," adding, that these steps are necessary to establish a "healthy domestic economy" for the day when armament expenditures and European aid will no longer serve as props to our economy.

Further demands on Congress made by Mr. Murray were that the government allocate, ration and control inventories so that essential materials get to the "proper people at the proper time." Included among them were an undistributed profits tax, a minimum wage of at least $1 an hour, Federal support of farm prices, an "all-out attack" on monopolistic practices, a broad program of plant expansion and low-cost public housing. Murray also urged that 25,000,000 individuals be removed from the income tax rolls and that all excise taxes be removed except those of a regulatory character.

These demands are a sizable order for the new Congress and lack consistency and vision on Mr. Murray's part.

* * *

Encouraged by seasonal promotions and early holiday displays, shoppers increased their purchases slightly during the past week. Although retailers in some areas reported the start of Christmas shopping, generally the season was not expected to begin until after Thanksgiving.

Although total wholesale order volume in the period ended on Wednesday of last week declined fractionally, it was sustained near previous high levels by the pre-holiday demand for foods and gift items. Good quality merchandise at moderate prices was in large demand, while order volume for apparel and textiles fell very slightly.

STEEL OUTPUT SCHEDULED TO SET HISTORICAL RECORD LEVEL THIS WEEK

Higher steel output in the past several weeks means that the industry will turn out about 88,500,000 tons of steel ingots this year. This is only a million tons less than the war year record made in 1944. Had it not been for the coal strike this year the industry would have surpassed 90 million tons of ingots—a goal which would have appeared fantastic 10 years ago, according to "The Iron Age," national metalworking weekly.

More important are new estimates for finished steel shipments this year. They will break all records in steel history. "The Iron Age" estimates that more than 65,700,000 tons of finished steel will be shipped to steel users this year. This is 88% more than the prewar year of 1939. And it is 4% more than was shipped in 1944 when much more steel ingots were made.

The new record is being made in finished steel shipments even though total steel ingot output is slightly lower than it was a few years ago. More of the ingot is being processed than ever before.

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New Outlook

By AUGUSTUS SLATER

Manager, Research Dept., William R. Staats Co., Los Angeles, Calif.

Public misconception of relative size and functions of corporate profits, fostered by partisans, poses public relations job for management. Wages have led price parade since prewar. Chart showing inflation impact upon industrial earnings, dividends and stock prices for two postwar periods reveals wide disparity in low equity level.

With preliminary expressions from industry and business revealing little of the fear which recently engulfed the highly sensitive security markets, apparently a wait-and-see attitude has been adopted momentarily at least by investors seeking to penetrate the politico-economic haze. Taxes, wages, labor legislation, scarcities, cost-of-living and price controls are once again to the fore, though employment, profits and production are running at levels higher than ever previously attained. Physical needs accumulated from long depression and all-out war, combined with continued dynamic growth at home and devastation abroad will take years to fill. There have been no speculative excesses similar to 1919-20, and the banks are bulging with cash. But the financial skepticism and doubt which have dogged stock prices for two years have been renewed, with the question in the public mind now whether delusions inspired during the heat of a political campaign will become basis for renewal of unsound governmental controls.

Augustus Slater

Highlights of the current situation reveal that:

—corporate profits, although at record levels, are smaller in relation to national income than in 1929;

—total employee compensation is nearly 17 times the aggregate dividends received by stockholders this year;

—there is no logical basis for a general excess profits tax;

—wage rates have run ahead of living costs and commodity prices since prewar;

—the basic price level, as after World War I, has undergone a permanent upward shift which at that time was reflected in industrial earnings, dividends, and stock prices;

—the backlog of industrial expansion and consumer needs is greatest in history;

—while discretion is fully warranted by political uncertainties, stock averages are at a level already discounting severe decline in earnings, dividends.

Corporate Profits

During recent years the "profit motive" has been maligned as a by-product of the give-and-take under our imperfectly developed labor relations machinery, bulwarked by the partisan interest of politicians. Whereas the impression has been created that wage-earner and consumer alike are constantly pitted against the unscrupulous profiteer, few realize that half of all U. S. corporations suffered deficits in such years as 1936, 1937 and 1941; or that the "unconscionable" profits of 1,200 leading manufacturing companies, last year and this, represents a margin of only 7½-8 cents per dollar of sales compared with approximately the same figure prewar.

The U. S. Department of Commerce estimates that total corporate profits this year will amount to $20 billion, after taxes, compared with $18 billion in 1947, and $8.4 billion in 1929. But the significance of these figures is lost without a comparison with the total of all national income and its division among various economic groups.

From this comparison it will be noted that (a) national income is at the highest dollar level in history, due both to peak production and an approximately 100% increase in commodity prices since prewar; (b) the corporate income share, after taxes, is somewhat lower than in 1929; (c) due to capital requirements, dividends paid to stockholders have declined in relation to national income, and currently average less than half the available earnings; (d) employee compensation is 6½ times the aggregate net corporate profits and nearly 17 times total dividends at present rates; (e) despite the ballyhoo over gains made by workers during recent years, their collective share of distributable income has increased only slightly above the 1920's. **In fact over a long period of years, from the beginning of this century, the division of the income dollar between "capital" and labor has, barring temporary dislocations, remained remarkably stable. These related facts suggest the inexorability of forces which make our economic system tick.**

In view of the above comparison it would be difficult to make out an honest case for an "excess" profits tax. Even an increase in the so-called normal rate from the present 38% to, say 50%, could prove of greater harm in discouraging investment in the additional facilities which government economists recognize are needed to handle the nation's increased productive requirements, than of value as a revenue measure. Profits constitute the incentive to savings and the investment thereof in business pursuits. Whereas the average investment per worker engaged in industry prewar amounted to about $6,000, the amount today is nearer $15,000.

Just as personal living expenses have increased, so also has the "corporate cost-of-living" shown a similar advance since the late '30's. Profits reinvested in business have less than half the purchasing power of the prewar dol-

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"OBSERVATIONS"

This week's article by A. Wilfred May, entitled "Exchange vs. Counter Investment Practice," appears on page 9 of today's Second Section.

U. S. NATIONAL INCOME AND ITS DIVISION

	1929 Billions	1929 Percent	*1948 Billions	*1948 Percent
Compensation of employees	$50.8	58.1%	$133.9	60.4%
Farm income	5.7	6.5	18.5	8.4
Corporate profits before taxes	9.8	11.2	33.4	15.1
Corporate taxes	1.4	1.6	13.0	5.9
Profits after taxes	8.4	9.6	20.4	9.2
Dividends	5.8	6.6	8.0	3.6
Other income groups	21.1	24.2	35.6	16.1
Total national income	$87.4	100.0%	$221.4	100.0%

*Based on second quarter rates.

Your Bulwark for Democracy

By PAUL G. HOFFMAN*

Administrator, Economic Cooperation Administration

In describing purposes and accomplishments of European Recovery Program, Mr. Hoffman stresses both material and intangible gains to this nation and to world. Points out program has saved France and Italy from communism and has stimulated and maintained economic and political cooperation of Western European nations and thus preserved democracy. Warns success of plan should be measured by degree of recovery Europe attains and not in dollars paid back. Says World War III can be avoided, if, as free people, we plan, work and stick together.

On April 9 of this year when I was catapulted into my present position as ECA Administrator, I received a telephone call from Walter Chamblin, Washington representative of NAM, offering full cooperation of the National Association of Manufacturers in the task which I was undertaking. Mr. Chamblin advised me that he felt free to make the offer because NAM, after extended consideration, had given complete endorsement to the Foreign Assistance Act.

Paul G. Hoffman

I want to express my appreciation for this cooperation which has not only been helpful to me personally, but has also been of great service to our nation.

We feel that we can continue to expect your full support if you understand what we are doing and why we are doing it. The only question is whether I can make such a complex and unique operation as ECA clear in a one-half hour talk.

With the passage of the Foreign Assistance Act of 1948, a wholly new type of American foreign economic policy came into being. That Act, for the first time, gave formal recognition to the interdependence of the U. S. economy and the economy of Western Europe. More importantly, while recognizing this interdependence and proposing substantial further grants and loans to the nations of Western Europe, the Act specifically directed that our dollars be so employed that the nations would become self-sustaining prior to the termination of the aid program on June 30, 1952. That is the really startlingly new element in this program of foreign assistance.

Between World War I and World War II, we sent billions of dollars out of America in the form of gifts and loans to foreign nations. Since the end of the World War II, more than $20 billion have left our shores. Mind you, I am not saying that these loans, gifts and grants should not have been made, but they have not been part of a comprehensive, carefully conceived program aimed at helping to put our debtors on a solvent basis so they could pay their own way. Rather, our gifts and loans have been made on a spot basis to meet recurring emergencies. This time our dollars are going out under a planned program so as to help the Europeans to help themselves that they will not need our further assistance.

A second unique feature of ECA's operation is its completely unpolitical nature. We do the extraordinary thing of taking money from our taxpayers and spending it on people who are not voters in our own democracy. It took courage for any administration to propose this, and for any Congress to vote it. The benefits we get out of it are, of course, tremendous; but they are deferred, long range benefits.

Dollars Doing Double Duty

Perhaps the most novel and striking feature of our aid to Europe under ECA is the way in which are dollars are made to do double duty. It is highly important that this be understood, for it is at the very heart of the ECA operation.

I think it would be helpful to an understanding of the way our dollars work if you recall the situation which prevailed in most of the European nations when the Marshall Plan was first proposed. Prospective buyers, even though they had an ample supply of local currencies, were unable to purchase the food, raw materials, and machinery needed for rehabilitation because these essentials could be obtained only in the Western Hemisphere and only for dollars and dollar exchange was not available. Governments faced another kind of dilemma. They were unable to carry on desperately needed recovery projects because they did not have either the dollars or the local currency to pay for them. They could not obtain even the needed local currency except by imposing taxes so onerous that reviving industry would be crushed by them.

Under the wise provisions of the Foreign Assistance Act, our dollars are able to meet both of these needs at the same time—that of the prospective buyer, needing dollars, and that of the government, needing local currency.

The goods that are shipped and paid for by ECA are bought at normal prices and through normal business channels by those who receive or use them, whether they be consumers, manufacturers, or government agencies. But payments are in foreign currency, and this currency is held by the government concerned in what is called a "counterpart fund," meaning a national fund holding the equivalent—the counterpart—in foreign currency of the dollars paid to American producers for the goods shipped under the ERP. These counterpart funds are available to the governments for projects which they and the Administrator of ECA agree are useful and desirable contributions toward recovery. For each dollar, then, that the U. S. Government pays out, mostly to Americans, for commodities needed for European recovery, foreigners pay an equivalent amount of their own currency into a government fund that is used exclusively to speed their national recovery.

Thus while U. S. dollars have been used to finance shipments of cotton, grain, petroleum and machinery to Italy, for example, those Italian citizens buying these products have paid Italian lira into a government fund that has been used by agreement with ECA to rebuild railroads, to drain marshes, to build bridges, to refit ocean liners, and so on. Liikewise, French franc counterpart funds have been released in agreement with ECA for the construction of power plants and electric lines, and for modernizing coal mines.

The counterpart fund, in addition to making our dollars do double duty in the work of recovery, has other important advantages.

One advantage is that by keeping the counterpart fund out of circulation, or by using it to retire public debt, a direct attack can be made on inflation in any country. Another advantage is that people who have to pay out their own hard-earned cash for things only buy what they really need. If gifts were being passed around, 10-ton tractors might find their way to five-acre farms. Thus, to the sincere desire of each nation to use its Marshall Plan dollars most intelligently there is added the healthy frugality of the average European businessman in handling his own money.

Bilateral Agreements on Use of Aid

Another feature of ECA's operation which should be explained is the series of formal bilateral agreements that govern the use of U. S. aid in the Marshall Plan countries.

In these agreements, the European countries that receive our aid under the Marshall Plan have pledged themselves both in general and specific terms to do all that is possible, first, to help themselves, and second, to help each other back to recovery. They have pledged themselves to increase production, to stabilize currency and maintain stable rates of exchange, to balance budgets, to maintain internal financial stability, and to work with other countries toward breaking down the public and private barriers to trade, and toward increasing the interchange of goods and services among them.

These bilateral agreements are a new phenomenon in the field of international economic aid. We could not get along without them. They have given us the legal right to follow our dollars, to see how they are working, without raising the question of invading national sovereignty.

I want to make it clear that these agreements do not give us the right to dictate to nations as to their form of economic organization. As long as they remain free nations, with a free ballot, the kind of economic organization under which they operate is their business. Conversely, what we do with our dollars is our business. Our only concern is whether the use to which our dollars is put produces maximum results in terms of recovery. I happen to believe that our economic system, on the basis of its record, is the best system on earth; but that does not give me the right to attempt to force it on any other nation.

We conceive of ourselves as investment bankers, but our success will be measured not by the number of dollars we are paid back but by the degree of recovery that Europe attains. It is our task to invest your dollars so wisely that recovery will become an accomplished fact by the target date of June 30, 1952.

The bilateral agreements under which we are operating have enabled us quickly to shift from relief to recovery because they have enabled us to insist that the Marshall Plan countries think their problems through and reduce their thinking to written plans. We now have complete annual programs from all the participating countries and we will soon have complete four-year recovery programs.

You can understand the importance of these plans if you realize that while we are insisting upon overall recovery programs, we are financing only segments of those programs. If we have not studied the overall recovery program of a nation and do not know what it is going to do with its own money as well as with its ECA dollars, we in ECA cannot be sure that we are spending your dollars wisely. Conversely, if we have studied and approved a carefully prepared overall program, it actually doesn't make too much difference which segment of that program we finance with ECA dollars.

If Country "A" wants to finance its necessary machinery imports in fulfilling a total program and arranges for us to finance its imports of food, that is quite all right with us; or we would be just as happy to have it the other way about. The important thing is whether the total program adds up to recovery and whether their efforts are maximum and our contribution the minimum.

Meeting Our Responsibility

Now I would like to discuss briefly how we are going about meeting our responsibility (1) to assist each of the participating nations in developing and carrying out its individual recovery program and (2) to make a realty of the pledges European nations have given us to work together and help each other to the greatest possible extent.

To aid us in the task of helping individual countries, we have country missions in each of the participating countries except Switzerland. Each mission is well staffed and advises as to how the dollars available to each country can be used to bring about the greatest contribution to recovery. We are proud of the men who head our missions, most of whom are well known to you. We are gratified but not surprised—because we know their caliber—at the speed with which they have acquired a comprehensive knowledge of the economies of the various countries.

In addition to the country missions, we maintain the headquarters in Paris, headed by U. S. Special Representative W. Averill Harriman, with William C. Foster as Deputy. The United States could no more have fought the war in Europe exclusively from Washington than could ECA operate without a headquarters command on the fighting front in Europe. And at the head of ECA's command in Europe we have men no less able than those who commanded in the European theater during the war.

Our Paris office works closely with the Organization for European Economic Cooperation, known by its initials, the OEEC. The OEEC carries the responsibility of coordinating the mutual aid aspects of the program and ironing out conflicts. OEEC is composed of representatives of cooperating governments, aided by a substantial staff.

While we of necessity work through governments in Europe, because that is the only effective way to work, our real concern is not with governments but with the people of Europe. We are thinking of recovery in terms of the income of the people and, although it may be oversimplification, we nevertheless propose to measure progress by the increase in the per capita income.

In 1947, the average per capita income in Europe was only $347 as compared with more than four times that in the United States. If after four years the average income of the European can be increased to $500, we will have achieved the kind of recovery we are thinking about, namely, the difference between living at or below subsistence level and living decently.

How is the program getting along? We have recently received an official report from the OEEC which estimates probable production of certain vital materials in the Marshall Plan countries for the fiscal year 1948-49, and compares production during that period with production during the calendar year 1947. OEEC estimates that during the fiscal year ending 1949 the Marshall Plan countries will produce 420 million tons of coal, an increase of 14% over 1947. In metallurgical coke, which is essential to the production of steel, OEEC believes that there will be a total production of 43 million tons, or an increase of 32%. In the field of electric power, the indicated increase is 8% in kilowatt hours. Crude steel should be 50% higher. As for nitrogenous fertilizer, which is so important to the recovery of European agriculture, an increase of 27% is indicated, and I might add that this would represent a 50%

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*An address by Mr. Hoffman at 53rd Annual Congress of American Industry, New York City, Dec. 1, 1948.

From Washington Ahead of the News

By CARLISLE BARGERON

This correspondent doubts seriously that the fears being expressed in many business circles over the reelection of Mr. Truman are justified. Very likely there are going to be higher taxes but there is every indication they would have come under a Republican Administration.


Carlisle Bargeron

On this score, parenthetically, business influences with whom I have talked, have in mind directing their fire against increased corporation taxes, and after a skirmish or so against restoration of an excess profits levy, giving away and accepting it in the view it would be easier to get rid of subsequently. There is, on the other hand, considerable opposition in Congress to the excess profits tax on the ground that it works a hardship on new businesses. Senator Walter F. George, who will again be the powerful Chairman of the Senate Finance Committee, holds to this view, but he may be prevailed upon to listen to wiser counsels.

There is the fact that excess profits taxes have an appeal to those who don't have to pay them, because management seems inclined to be freer in salaries, bonuses, expense accounts toward new business ventures, anyway to get rid of the money without giving it to the government. An excess profits tax can, in fact, prove quite a boon to the unorganized white collar class.

However, I am not advocating it or any other form of taxes. But this is the way the wind is blowing.

On the overall aspects of Mr. Truman's reelection, I have my serious doubts that business will not be better off than it would have been with Dewey's election.

You've got to look back to Mr. Truman's first four or five months in office to see what we are likely to get now. I, for one, think the country owes him a debt of gratitude for trying to return the government of this country back to the people. He didn't get any support from the Conservatives on this, and instead, came to be despised in the radical left-wing group that was dominating the Democratic Party. He took an awful political licking for keeping such men as Snyder around him. You have only to recall his break with Bob Hannegan. It was because he was turning his back on the Leftists. He got rid of Ickes and of Wallace. You'll be amazed at the number of subordinate Leftists he got out of the government.

He never got any support, in return, from the Conservatives. They gave no evidence of their appreciation, if any, for what he was doing. And, of course, the fact is that in trying to do as little work as possible in the Presidency, he was floundering around in a sea of conflicting advice and conflicting decisions. The Conservatives roundly denounced him for saying industry could raise wages without increasing prices. At the time, his most conservative advisers were deathly afraid of a depression.

There came the time when he became determined to win the Presidency in his own right, mainly because so many people belittled him and said he couldn't do it. In his desperation—or in retrospect it may have been the calm calculation of a small machine politician which is his background—he began to advocate any and every proposal that would insure votes. He resorted to the small politician's practice of accusing the opposition of everything and embarrassing it at every turn with impossible demands and promises. He stooped pretty low in catering to the racial minority votes but the Republicans stooped just as low. The indications are that the Negroes, sympathizing with the predicament he got into in the South because of his Civil Rights Program, supported him overwhelmingly.

The thing to do now is to seek to appraise the real Truman.

He is a man of average ability and he knows it. He has had long experience in the political game, plain down to earth politics, and he has gotten to be pretty good at that. He showed it in the campaign.

But he is deep-rooted in his Americanism—Middle Western Americanism. In his Civil Rights appeal his only sincerity was in connection with the Negroes and not the racially conscious, radical ones. The Global-Minders, a lot of whom come from our best families, are probably in for the greatest shock of their lives. Likely they are going to find a tapering off in the nonsense of throwing away billions to save the world and additional billions to support the brass hats. The fact is that Truman is much closer to Bob Taft in his thinking on this stuff than he is to Vandenberg, and to the crowd that prevailed with Dewey.

Summarizing, I believe we will get more realistic thinking in the international racket under a continuation of Truman than we would have from Dewey.

On the home front, the reform in the Taft-Hartley Labor Act is not likely to be any more than the Republicans were prepared to give, or any less than the political-minded labor leaders, after asserting themselves and impressing themselves upon their constituents, really expect to get. Their whole attack upon the Act has been a sham and they know it. The "reform" will erase the Taft-Hartley label and they can say: "See, what powerful men we are." The ban against the closed shop will be removed in instances when both employer and employee want it. This will be the major change. Truman has no illusions about labor leaders and their bellicosity. He has worked with them for a long time and knows their racket and their ways far better than Dewey. I doubt seriously that they can move in on him and toss him around at will.

But on domestic spending, it is another matter. Here we have to think of Truman as the product of a Kansas City political machine. It did favors for people, such as paying their rent and giving them food and fuel, in return for votes. So you will find him pressing for these favors to the people on a National basis and in the form of increased and broader social security, flood control and reclamation projects, of health, housing benefits and the like, aid to the farmers, aid to this and that.

We may just as well also accept the fact that our people have come definitely to expect and demand these favors.

Don't Make Business the Whipping Boy!

By HON. JOSEPH W. MARTIN, JR.*
Speaker of House of Representatives

Speaker Martin decries policy of making business the whipping boy for all our economic stresses and strains and points out America's great economic power is due to its delicate and complex economic mechanism which moves goods swiftly from production to consumption. Defends aid to Europe in combating communism and foresees higher taxes if national budget is increased. Says good times or disastrous depression will depend on type of new taxes.

It is the distinguishing mark of the American business man that he is always thinking about tomorrow. Business must look forward at all times, because it is the decisions of today which make the substance of tomorrow. However much we may think of Washington as the center of our national economic life, the fact remains that it is the day-to-day operations of the hundreds of thousands of smaller enterprises throughout the country which determine the energy, tone and quality of our business structure. American business is too vast, too widespread, too complex to be guided and controlled by any central bureau of thinkers or planners in far away Washington.


Hon. J. W. Martin, Jr.

The opposition party in this country today is stronger numerically than at any time in the last 16 years. In several important States, the decision in the electoral college was by a majority of less than ½ of 1% of the total vote.

In several States the final victory for the Administration was determined by a number of votes considerably smaller than the total of the Federal employees **within that State.**

Finally, the elements of constructive, forward-looking statesmanship in the House and Senate are strengthened by new energy, vision and determination throughout the entire South.

Fundamentally, the aspirations of American life are much the same in every section of the country, especially if we gauge those aspirations by the sentiment of the business community. Wherever you find a group of business people gathered together on this fortunate Continent, there you find men and women banded together in wise and tested cooperation for peace and constructive progress.

We must not forget that modern science has narrowed this little world in which we live. Florida is but a few hours by plane from New York. Radio contributed materially to the unifying of our Nation. There is an increasing exchange of goods and services between all our people. It is becoming more and more evident that no section can progress without that progress having a stimulating effect in every part of our country. Conversely no section can be adversely affected without all of us sharing in that adversity. We are one people united in a common purpose to work out here in this hemisphere a political and economic order where there shall be liberty, happiness and prosperity for all our people, regardless of what position they may occupy in life.

The longer I live in Washington, the more convinced I become that the true path of progress and sustained prosperity is through voluntary cooperation among men of good will.

Business and Government

The really practical measures which advance human welfare, in the broadest sense of the word, are seldom the inventions or inspirations of government. It is, rather, the men who keep production and commerce flowing, who are the real authors of our material progress, and of the peace which can flower ultimately only under conditions of reasonable economic abundance.

I have little patience with men who undertake to make business the whipping boy for all our economic stresses and strains. We accomplish little for the national advancement by lashing out politically at this group or that as the author of all adversity. It is true that many people do not realize fully how much they owe to the business community—how much they owe for the regular flow of food and supplies to our great cities—how much they owe for the conveniences and labor-saving devices which they may buy at the nearest store—how much they owe businessmen for the assistance they give in community projects such as the Community Chest, welfare work, assistance to education, to charity, to public welfare and local enterprises of every sort. Close down our business enterprises—if you can imagine such a step—and most of this country would be without

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*An address by Speaker Martin before the Southern Association of Ice Cream Manufacturers, Miami Beach, Fla., Nov. 23, 1948.

"Surveying Business Conditions"

By DR. MAURICE I. HART*
Chairman, Department of Banking and Finance, School of Business, Fordham University

Dr. Hart reviews recent economic and financial developments and weighs forces aligned with or against continuation of present level of business activity. Concludes there is evidence downward movement has begun or will shortly begin and will become marked in first half of 1949. However, looks for no deep recession.

It would be rather easy for me to attract and, for a period at least, to hold your attention by stating categorically that we are about to slip into a deep and prolonged depression. That I have no intention of doing, for though I have learned quite recently of several well educated and informed gentlemen who hold such a pessimistic view, I do not. My subject permits of the widest possible treatment and I shall proceed to examine our present situation by reviewing what may be said to be sustaining influences or factors, then considering the undermining or contracting determinants.


Maurice I. Hart

Currently business conditions are characterized by considerable obscurity and confusion in contrast to the outlook in the past several years. One of the most encouraging signs is the high personal income record, presently holding at a level of $215 billion. Here however, a change has occurred, with the wage and salary components increasing, but farm income turning modestly downward.

Inventories should be an early indicator of change, but September found a new peak of over $53 billion worth held by American business. There have been sharp reductions in many fields which have experienced consumer resistance but the overall figure is imposing evidence of the underlying confidence of businessmen in general.

Turning to the field of finance we find that bank loans are continuing their upward movement, more sharply in September than in any corresponding period in the past year, reaching a total of over $47 billion. Again, this may be reasonably interpreted as a sign of the bankers' unshaken belief in the solidity of existing conditions. When the ever increasing volume of insurance company loans is added, the sustaining element is impressive.

Further reasons for optimism are to be found in the major fields of industrial activity such as steel, automotive and construction. The backlog in these industries is so well known as to require no comment and the year end extra dividends of Republic and Bethlehem disclose no evidence of pessimism on the part of their directors.

Importance of the Budget

It is important now, that I call your attention to an all pervading influence that has for some years past, and will undoubtedly in the immediate future, make itself felt in all segments of our economy. Governmental plans, actions and potential actions loom large in countless decisions that must be made in the business world. The budget now in preparation will call for expenditures of approximately $45 billion. This sum is more likely to be increased than decreased, and when we compare it with the current flow of revenues, an unbalanced budget is practically a certainty. This means a further injection of a stimulating element, the supporting justification for which is to be found in the decision to increase armaments and stockpiling as the cold war continues. Not only is there contemplated an expansion of American armaments, but also military lend-lease or gifts of equipment to outfit the new forces of Western Europe.

That the Marshall Plan will continue with its accompanying effects is beyond question. What is more important, is whether it will be held to its original purpose of aid of a character suited to the needs of those nations fighting for a restored and healthy economy, or will the Economic Cooperation Administration be translated into an agency for price support and surplus disposal, as the English and other European peoples cynically viewed it originally. The Secretary of Agriculture has already shown signs of worry lest vested interests seek to exert pressure in this direction, though there is nothing in the President's record which would indicate strong opposition to joining two portions of his present program together. Even the anticipation of such an action will go far to sustain the high level farm income and with it, the high level demand for goods.

The weight of governmental action, however, is to be felt in other areas as well. The attitude of the Administration with respect to labor and the Taft-Hartley Act is well known. With the election results for encouragement, labor in moving for fourth round increases and shorter hours will have the benefit of official support, while management, with one eye cocked on Congressional revision will likely not resist too vigorously any settlement within reason. Since this will contribute to demand, it joins with the other forces moving in an upward direction.

Federal Reserve Bond Purchases

Federal Reserve Bank purchases of government obligations, in an amount approaching $10 billion in the past year, has been one of the most potent inflationary influences and by far the most important of the multi-legged straddle policy of this important institution. While it is within the realm of possibility that such a policy might be altered in the near future, such a contingency becomes even less in the light of renewed borrowing by the Treasury probably necessitated by the unbalanced budget.

The normal corrective action of declining price, following the attainment of an oversupply condition in farm products, has been substantially mitigated by the farm price support program of the government. Farm purchasing power will be sustained and this in turn will assist in maintaining the total effective demand which constitutes one of the more important keys to our immediate future course of business.

Reflecting on these factors, one can hardly be blamed if a feeling of roseate optimism is the result. But, as I intimated in the opening part of my address, there are determinants of a different character, which cast shadows of varying intensity upon the bright picture so far portrayed.

The export decline from the 1947 peak has been steady and substantial, amounting to almost 40%, while at the same time imports have risen, though by a somewhat smaller percentage. This increase in imports, at least for the short run period, spells increased competition and narrowing profit margins in many fields. Great reliance has been placed, officially and otherwise, upon the stimulating effect of the Economic Cooperation Administration. Several things must, however, be kept in mind. The recovery in Western European countries has been so marked as to cause Mr. Hoffman to declare that aid next year could be smaller. Furthermore, it must be borne in mind that 43% has been spent outside of the United States to date. Finally, while other countries are quite receptive to grants-in-aid, the response to the rule, "those that do not borrow cannot obtain grants," showed so great reluctance on the part of the borrowers, that some of them at least, may balk at incurring such obligations next year.

Neutralizing Credit Expansion

Earlier I spoke of the expansion of credit by way of bank and insurance company loans. But there are indications of contracting developments which tend to neutralize such loans. The sharp post election reverse in the stock market, undoubtedly occasioned by fear, certainly will cause the market for new capital issues to be unfavorable for some time to come. Greater caution in bank loans is discernible and the poorer risks are being denied or induced to reduce their obligations where possible. Renewed buying of U. S. Government bonds may be only a temporary condition, but if prolonged, will indicate an expected contraction of commercial loans and a desire on the part of the banks to keep their surplus funds employed. The pressure to keep funds producing has been, of course, vastly increased by the action of the Federal Reserve Board in raising member bank reserve requirements, thereby immobilizing $2 billion worth of earning funds.

Several members of the Federal Reserve Board have indicated their view that insurance companies should be included in the forthcoming legislative credit control program and that some action will be taken seems to be confirmed by the consultations between Treasury and insurance company officials. Again, instalment credit controls are noticeably and adversely affecting distribution in the consumers' durable goods area, many parts of which had already become unstable due to full production and less persistent demand. I need hardly mention to you the results of the latest survey of mercantile credit by the New York Credit men. Let it suffice that we list its findings among the other evidences of contraction.

Steel, representative of the metals industry, is cited perhaps more frequently than any other as the basis for believing that a downward trend is not possible in the near future. I believe that the steel industry is one of the main keys to the future, but I also believe that here, upon closer examination, will be found signs that escape the casual observer. An oversupply situation already exists

(Continued on page 15)

*An address by Dr. Hart at forum of New York Chapter of National Institute of Credit, New York City, Nov. 23, 1948.

Dealer-Broker Investment Recommendations and Literature

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

Current Developments—Leaflet—Hannaford & Talbot, 519 California Street, San Francisco 4, Calif.

"Frank Ginberg Says"—Market comment—Frank Ginberg & Co., 30 Broad Street, New York 4, N. Y.

High Cost of Living—Chart showing relative purchasing power of dollars and dividends—First California Company, 300 Montgomery Street, San Francisco 20, Calif.

Implications of the United States Election on Oils and Metals—Milner, Ross & Co., 330 Bay Street, Toronto 1, Ont., Canada.

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

Oil Shares—Memorandum on position—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Also available is a special review of **Anglo-Canadian Oil Company Ltd.**

Outlook for Fire Insurance Stocks—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

What's Ahead for Commodities—Special study—Bache & Co., 36 Wall Street, New York 5, N. Y.

* * *

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

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

Commonwealth & Southern—Leaflet—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Coral Gables Tax Participation Notes—Memo—Buckley Securities Corp., 1420 Walnut Street, Philadelphia 2, Pa.

Imperial Oil Ltd.—Circular—Charles King & Co., 61 Broadway, New York 6, N. Y.

Maine Central Railroad—Special report—A. G. Woglom & Co., 53 State Street, Boston 9, Mass.

Missouri Pacific—Speculative possibilities—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is a study of current developments in **Wabash Railroad.**

Missouri Pacific Railroad Co.—Memorandum—Sutro Bros. & Co. 120 Broadway, New York 5, N. Y.

North American Refractories Company—Analysis—Marx & Co., 44 Wall Street, New York 5, N. Y.

Northern States Power Company, Minn.—Special write-up—A. C. Allyn and Company, Inc., 100 W. Monroe Street, Chicago 3, Illinois.

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

Schenley Distillers—Analysis—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is a study of **Railroad Income Bonds**, leaflets of **Switch** recommendations, and leaflets on **Oils, American Light & Traction, St. Louis, San Francisco**, and **Super Heater.**

Standard Stoker Co.—Card memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Also available is a card memorandum on **Central Arizona Light & Power Co.**

Strawbridge & Clothier—Memorandum—H. M. Byllesby & Co., Stock Exchange Building, Philadelphia 2, Pa.

Also available are memoranda on **John B. Stetson** and **Warner Company.**

Time, Incorporated—Analysis—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

Utah Power & Light—Write for data attention of R. H. Burton—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah.

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

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

Woodall Industries Inc.—Analysis—Straus & Blosser, 135 South La Salle Street, Chicago 3, Ill.

COMING EVENTS

In Investment Field

Dec. 2, 1948 (Boston, Mass.)
Boston Securities Traders Association annual meeting and dinner in the Hawthorne Room of the Parker House.

Dec. 2, 1948 (Detroit, Mich.)
Securities Traders Association of Detroit and Michigan annual Fall Dinner Party at the Prince Edward Hotel, Windsor, Ont.

Dec. 3, 1948 (New York City)
Security Traders Association of New York annual meeting and election of officers.

Dec. 5-10, 1948 (Hollywood, Fla.)
Investment Bankers Association 1948 convention at the Hollywood Beach Hotel.

Dec. 10, 1948 (New York, N. Y.)
New York Security Dealers Association Annual Dinner at the Waldorf-Astoria.

Dec. 10, 1948 (Seattle, Wash.)
Bond Traders Club of Seattle Annual Christmas Party in the Junior Ballroom of the Olympic Hotel.

Dec. 14, 1948 (New York, N. Y.)
Investment Association of New York Annual Meeting at the Lunch Club, 63 Wall Street, beginning 3:45 p.m.

Oct. 5-9, 1949 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at The Broadmoor Hotel.

Sen. O'Mahoney to Address NY Dealers

Senator Joseph C. O'Mahoney will be the guest speaker at the 23rd annual dinner of the New York Security Dealers Association to be held in the grand ballroom at The Waldorf-Astoria on Friday, Dec. 10, it was announced by George A. Searight, Aetna Securities Corporation, Chairman of the dinner committee.

The dinner will be attended by some 1,000 of the Association's members and guests, including members of the Securities and Exchange Commission and representatives of the banking and securities business.

Focus on World Finance

By ROBERT L. GARNER*

Vice-President, International Bank for Reconstruction and Development

Pointing out because of preponderance of U. S. resources, our economic and financial policies affect whole world, World Bank executive sees urgent need for balancing our trade with rest of world. Says, however, task is difficult, and looks for no equilibrium in U. S. foreign trade in foreseeable future.

To find a focus point in world finance one naturally gravitates to the strongest financial power—the United States. Because of its preponderance of resources—financial and economic—the effects of its policies and actions radiate throughout the world and influence events everywhere. The United States wage and price level, the tug between inflationary and deflationary forces, taxation and the Federal budget, the rates of capital expansion — all of these and a multitude of other factors have a decisive impact both at home and abroad.

Robert L. Garner

However, in order to bring a focus to bear, I shall today deal with the effect on world finance of the one question which in my judgment is of over-riding importance—the relationship between what America buys and what it sells abroad.

*Address by Mr. Garner before the 53rd Annual Congress of American Industry, Waldorf-Astoria Hotel, New York City, Dec. 1, 1948.

The course of American foreign trade is part and parcel of the developments in domestic economy and in foreign policy; it will have a vital influence on recovery in Europe and on the rate of economic development in Latin America and the East; it ties into national security. Let us take a look at it, using round figures for the sake of simplicity.

In 1947, a world short of all manner of things bought $19½ billion of American goods and services, whereas the rest of the world sold to this country only $8½ billion. This $11 billion gap represented the "dollar shortage" which has become a byword in every tongue.

You can't balance 8 against 19, yet we all know that the total of assets and liabilities must somehow balance. In 1947 the balance was arrived at by other countries turning over to the United States $4½ billion of their gold and dollar assets and receiving grants and loans from the United States in the amount of $6½ billion.

In 1948, it is indicated that United States exports will be reduced to the neighborhood of $17 billion and imports will increase to about $10 billion. The gap is narrowing, but still 10 does not balance against 17. The deficit is being covered primarily by ERP and other foreign aid, and by the liquidation of further gold and dollar holdings of the other countries.

How long can this go on? Foreign owned gold and dollar investments are near the bottom of the barrel, and it seems unlikely that the U. S. Government will or should continue over a protracted period to provide extraordinary assistance to the rest of the world of the kind and in the amounts now being furnished.

There are only three ways that in the long run a balance between what America buys and sells can be struck, and in practice the balance will probably result from a combination of all three. The first is by an increase in American imports, both goods and services, from the rest of the world. The second is by a decrease in American exports. The third is by the flow of United States funds abroad. Let us consider each of these.

Will Imports Increase?

First as to American imports. This country is now at its highest level of prosperity. Because of lower American tariffs, greater supplies of foreign goods and the increased spending of tourists, the value of American imports will, as I have indicated, probably be in the neighborhood of $10 billion this year. But this figure of 10 is still a long way from the 17 of exports. It seems clear that unless there are further changes in the tariff level and in the traditional American attitude towards imports, the balance of trade in the future is more apt to be reached by a drastic reduction in the $17 billion of exports than by an increase in the $10 billion of imports. Yet approaching a balance at a high figure rather than a low figure would appear to be in the interest both of the United States and the rest of the world.

Let's take a look now at American exports, the second factor in the trade balance. We all say that Europe should increase its production. No disagreement on that. Also, we agree that Europe must increase its exports. Do we realize, however, that at least for the near-term, such an increase in production will reduce the amount of American exports to Europe? Likewise, do we realize that increased European exports to other countries will replace certain goods now being supplied from the United States? Currently, when the domestic demand for steel, agricultural implements and certain other equipment is in excess of the supply, it may be to American advantage to keep these things at home, but this country is now beginning to produce a surplus of certain types of goods

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Economic Planning Under ERP

By PAUL EINZIG

LONDON, ENG.—Paradoxical as it may sound, Britain's progress on the road to economic planning has become accentuated and accelerated beyond expectation as a result of American influence. Ever since the negotiation of the dollar loan of 1945, it was stated by American statesmen and newspapers on innumerable occasions that the United States were prepared to help Britain and Western Europe, but in return they were expected to approach more closely the American way of life — by which it was meant that countries on this side of the Atlantic were expected to discard control and planning in favor of unfettered free enterprise stimulated by profit motive. Later we were told that, after all, the United States had no wish to interfere with our domestic policies, and that countries which adhere to democratic political systems would receive assistance. And now it appears that the adoption of higher degrees of planning has actually been made the condition of assistance under the Marshall Plan.

Dr. Paul Einzig

Even though nothing is said to that effect either in the Act passed by Congress or in the bilateral pacts concluded between the United States and the Western European countries, the whole trend of the policy of the United States inexorably forces the beneficiary countries toward planned economy. In the case of Britain this is in accordance with the wishes of the Government. Ever since the Socialist victory at the general election in 1945, it has been the official policy to progress toward planning. The reason why in spite of this British economy is still largely unplanned lies in the inadequate efficiency of the government in pursuing its aim. In the case of other Western European countries there is a certain degree of reluctance to adopt planned economies. Switzerland and Belgium, for instance, are fully as keen on unfettered free enterprise as the United States. Nevertheless, under the Marshall Plan, they too have to adopt a high degree of planning.

It is the need for the integration of Western European economies that forces the countries concerned to adopt planning, willingly or otherwise. All governments are required to elaborate Four Year Plans. This alone should go a long way toward compelling them to intervene in ecnomic life, for it is impossible to make any forecasts that are of any use if full freedom of production and trade is maintained. The only way in which a government can honestly state that its production and export of certain goods will amount to so and so many millions of dollars is if it makes an effort to ensure that actual production and export does not fall short of the targets. If private business interests are allowed free hand it is purely a matter of chance whether the actual figures come any where near the target figures.

Nor is this all. The elaboration of national Four Year Plans is only the first step. It has to be followed by the integration of the national plans into a Western European Four Year Plan. To that end it will be necessary for each government to agree to increase the production in some lines and to reduce in others. It will be necessary for them to divert exports from some countries to other countries, to import from some countries in preference to others. It is inconceivable that this result could possibly be attained otherwise than through a very advanced degree of economic planning and the application of drastic control. Free private enterprise produces whatever appears the most profitable to produce; it imports from the cheapest markets and exports to the most profitable markets. Business firms cannot be expected to reduce the output of certain goods merely on the ground that such goods, though marketable in Latin America, are not wanted in Western Europe. Nor can they be expected to transfer their purchases, of their own free will, to Western European countries, merely in order to assist these countries in balancing their trade. Nor, indeed, can they be expected, in the absence of government intervention, to export their goods to Western Europe even if shipments to more distant markets offer larger profits.

If in the old days an attempt had been made to achieve Western European integration, the adjustment of customs tariffs would have been the principal weapon. That weapon will undoubtedly be resorted to also in existing circumstances. But it will not be the only means to the desired end, nor even the most important means in the near future. Much more effective methods have to be employed in order to achieve immediate results. The removal of customs duties in France, for instance, would not necessarily result in an adequate increase of exports of British electrical equipments, for quite possibly British firms would find it more profitable to sell their output to South America; or quite possibly French importers would find the prices quoted by American or Swiss or Belgian firms more to their advantage, in spite of the absence of duties on British goods.

What is needed in order to enable the British Government to carry out its undertaking to increase the export of certain British goods to certain countries is to obtain an increase of the output, through the increase of the allocation of raw materials, fuels and labor, on the understanding that the surplus output would be exported to the countries concerned. This can only be done by means of drastic controls over production as well as foreign trade. In itself the control of the destination of exports would not be sufficient, for if the producers find it inconvenient to export to the prescribed destination they would be at liberty, in the absence of production controls, to sell their output in the domestic market.

Even if the present Socialist Government in Britain were to be replaced by a Conservative Government pledged to free enterprise, under the compelling forces of Western European economic integration it would have to maintain a high degree of control. It is true, the ultimate end is to put an end to the difficulties of European countries, and place them in a position in which they can afford to resort to free economies. But the road to that end is fated to lead in the direction of increased planning.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

As the end of 1948 approaches it is probably a good idea to review some of the factors which are fundamental in the current outlook for insurance stocks.

Of considerable importance in this connection because of its relationship to premium volume, capital requirements and underwriting results is the matter of fire losses. While only about 50% of the net premiums written by most fire insurance companies is straight fire insurance, it remains the most important single item of business.

Fire losses have been increasing steadily since 1942. There have been a number of factors responsible for this but probably of most importance has been the inflationary trend. As the value of goods and property has increased, the insurance companies have generally had a greater liability when losses have occurred. This same factor has also resulted in an expanding volume of premiums, but because losses have risen more sharply, underwriting operations have been unprofitable on a statutory basis for the past several years.

In recent months, however, there has been a considerable slowing down in the rate of increase in fire losses. For October the National Board of Fire Underwriters estimated that losses totaled $51,845,000, 5.64% below October of last year. Year to year comparisons are of more significance. For the first 10 months of the current year losses are only 2.76% higher than last year, whereas for the first 10 months of 1947 fire losses were 24.9% higher than in the same period of 1946. If the present trends continue through the rest of the year fire losses for 1948 should be only slightly higher than for last year.

When these facts are considered along with the adjustments which have been taking place in the relationship of property values and premiums and the recent increases in insurance rates, the reason for the improvement in the loss ratio for the first six months of 1948 compared with the similar period of last year becomes apparent. These same general trends are still present and as a result favorable underwriting operations are indicated for the current year.

Whether or not the trends existing within the fire insurance industry at the present time will continue through 1949, is difficult to predict. The forces of inflation and deflation which have been so important to operations for the past six years at the present time appear to counterbalance each other. Additional time is required for these forces to work themselves out.

Nevertheless, currently it appears that some decline in the present very high level of business is likely for the months immediately ahead. In addition, prices on some products have declined from recent highs and others may soon follow.

While another general increase in prices could be harmful to underwriting operations, some readjustment in business, particularly in prices, would be beneficial. Inasmuch as replacements and repairs could be made at lower costs than are now possible, a considerable further improvement in underwriting operations could result. Also, some decline in business activity would tend to result in premium volume leveling off and this in turn would remove the pressure on capital funds.

Another important factor in appraising the current outlook is the possibility that Congress in the next session will increase taxes on the income of corporations. Whether this will take the form of an excess profits tax or a higher normal rate is not clear at this time. In either event, however, the position of fire insurance companies is believed to be relatively favorable.

Of course if an excess profits tax is enacted a great deal of its effect will be determined by the base which is adopted as normal. The wartime revenue measure used the average earnings base of 1936-1939 during which period earnings were favorable. At the same time the return on the large capital funds of some companies was relatively low. As a result few fire insurance companies had any liability under the wartime excess profits tax.

In the event the normal tax rate is raised, certain other considerations should mitigate its effect. First of all a considerable portion of the investment income of most major companies is tax exempt. Only 15% of the dividends received on preferred and common stocks is subject to income taxes and in addition a number of companies also have considerable holdings of government, state and municipal bonds which are tax exempt.

This fact should enable fire insurance companies to maintain their investment income near the favorable level of the past few years. For 1948 some further improvement in investment income for most companies is assured. With an increased amount of investment funds due to a larger volume of premiums written, higher yields on most bonds, and a generally larger amount of dividends, investment income may be 10%-15% higher than in 1947.

At the same time dividend payments have continued at conservative levels with few increases being made in the past few years. While there is still some pressure on capital funds, should fire losses level off or decline, a more liberal distribution of earnings to stockholders could result.

Joins Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Wilbur E. Figueira is with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Henry Swift Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Charles N. James is now with Henry F. Swift & Co., 490 California Street.

Teamwork—For a Better Tomorrow

By EARL BUNTING*

Managing Director, National Association of Manufacturers

Calling on capital and labor and other segments of nation to work together with teamwork and understanding, Mr. Bunting stresses our economy requires incentives to all groups. Points out American progress has been due to investment and enterprise as well as inventions and improved techniques and finds flaws in our economy requiring correction are: (1) inflation; (2) insecurity; and (3) inadequate thrift for industrial expansion.

This is an impressive and deeply human occasion. We hold it true that for mankind to reap the harvest of human progress the people of the world must learn to live together. Our Congress of American Industry is dedicated to this ideal. It is dedicated to the belief that the common ground upon which all men stand is immensely greater than any differences — any conflicts.

Earl Bunting

We call upon all groups and all opposing forces to put teamwork first — with the public interest as the one, paramount measure of all that we are, or do, or ever hope to be.

At this Congress of American Industry we shall concentrate on four great areas for heartfelt cooperation. These are:

Teamwork between nations;

Between industry and government;

Between management and labor; and

Between industry and the great American public whom we serve.

Soon, I shall have the great privilege of introducing to you the four keynote speakers in these crucial areas. And a full morning or afternoon session of this Congress will develop the great new ground for united effort into which this morning's speakers will blaze the way.

Teamwork comes with understanding.

This understanding is becoming increasingly difficult to achieve in the face of opposing ideologies —which have torn the world asunder and have created confusion even in our land.

Many of the conflicts which divide mankind, where understanding and teamwork are most desperately needed today, serve no one's interest. They stem from the confusion wrought in human minds by mass migrations from economic reality.

Yet economic reality is as deeprooted in human affairs as human nature itself. It is often concealed and disguised and momentarily evaded. It is never escaped.

Many, perhaps most, people throughout the rest of the world today are pathetically striving for a way of life which will fairly and creatively divide the product of their toil.

"Fairly and creatively." These terms are no mystery to the American people. By fair and creative distribution Americans mean strong, positive incentives for productive work, ability, thrift and courage.

The millennium has not arrived. Inequities and imperfections require valiant efforts to correct. But—by whatever yardstick success may be measured—where in the world today — or any day—has labor, ingenuity, integrity, or the exploring mind, found an environment so conducive to success.

The overwhelming majority of those who came to America started poor, with many strikes against them. But they started free!

There are strong, personal, compelling rewards that operate in our land—for all of the individuals who contribute to expanding the total product of Americans' goods and services.

Regardless of the kind of government, work must be performed, ability must be exercised, capital must be saved and ventured. Opposing "isms" have not altered these economic verities by one iota.

Capital and Labor a Unit

Capital and labor would be lost without each other. Capital is a primary factor in increasing the volume and value of the workers' output. Only where there is strong incentive for each essential factor in production can the total product available for rewards be increased. And America is the one country in which proper incentives have resulted in the constant expansion which has made continually greater individual shares possible.

The evidence is all around us. The 31 million American passenger cars represent more than three-fourths of all the cars in use throughout the world. The 35 million telephones which the American people use almost as freely as water, represent 57½% of the world's total. More than half of all the radios in the world are in American homes, and are now being supplemented with the widening use of television. Many other electrical appliances have become almost as much a part of Americans' household equipment as doors and windows.

The process which achieved this is complex and apparently it is completely baffling to those who do not participate in it. Our forefathers needed no words to understand the process. They lived it. They participated as workers, management, investors, consumers and citizens. They understood what they were doing, and the America that we know today is the superb result of the teamwork born of that understanding.

No one is as critical of labor as those who have never worked.

No one is as critical of management as those who do not even shoulder their own responsibilities.

No one is as supercilious toward thrift as those who have yet to learn how hard it is to save money and to invest it wisely.

I don't know why it is, but only those who actively participate get the full impact of what happens and **how** it happens.

Metamorphosis in Management Processes

A terrific metamorphosis has come about in management's thought processes.

Remember the boiled-shirt reserve of the old style annual report, which few stockholders and even fewer employees could understand. And contrast it with the efforts made by the conscientious corporation executive to supply both his investors and employees with a clear account of the operations of their part of the enterprise system.

A start toward understanding has been made. The way is open. But to achieve united purpose and effective teamwork there is still a long, straight road for management to travel.

The same holds true for full participation by every part of management in every community in which we function. Outstanding examples are already available of the benefits to the business, to the community, and to the workers where the highest degree of autonomy has been established by local managers to participate in local affairs.

Where business is most human, the most successful, all top-flight management—definitely including those in charge of operations in any area—are not only permitted, but actively encouraged, to take part in the affairs of their communities.

Let me touch on one even broader phase of effective understanding and teamwork through direct participation.

Three Flaws in Economy

Three flaws that the whole American people want corrected are: (1) inflation, (2) insecurity, and (3) the fact that today's thrift is inadequate for the tremendously expanded needs of the American people in the renewal and expansion of productive equipment. And to start whole new industries.

Saving, for future occasions, and future opportunities, can be a substantial means of checking inflationary pressures on prices. This is especially true at a time when goods are in short supply, and when full employment is constantly pumping purchasing power into the stream of demand—thus increasing pressures on prices.

Treasury Department efforts to extend individual ownership of government securities are effective and deserve the full cooperation of all business enterprises in

(Continued on page 32)

*An address by Mr. Bunting at Opening Session of the 53rd Congress of American Industry, New York City, Dec. 1, 1948.

Pennsylvania Brevities

Philadelphia Port Expansion Urged

PHILADELPHIA—According to press reports, a $91,000,000 plan for modernization and improvement of the Philadelphia-Camden port area has been submitted to the Delaware River Joint Commission. The report, ordered by the Commission last April, was prepared by the New York firm of Knappen, Tippets, Abett Engineering Co.

Among the larger projects recommended are the construction of a new major six-lane suspension bridge between Packer Avenue, South Philadelphia, and Gloucester, N. J., estimated to cost $43,000,000; the lease and modernization of Philadelphia's municipal piers and the Camden Marine Terminal; establishment of a motor truck terminal with a daily capacity of 1,000 tons, and the unification and operation of waterfront facilities now operated by the Philadelphia Belt-Line Railroad.

Also recommended in the report, but not likely of accomplishment, is the acquisition of the Tacony-Palmyra and Burlington-Bristol bridges at an estimated cost of about $5,000,000. Both spans were sold last October for $12,400,00 to a newly-created Burlington County Bridge Commission in a hasty deal which the State of New Jersey is endeavoring to have nullified.

The plan recommends that legislation be submitted to Pennsylvania and New Jersey next spring which would establish a Delaware River Port District of which the Joint Commission would become the central administrative body. The proposed District would comprise Philadelphia, Bucks, Montgomery, Delaware and Chester counties in Pensnylvania and Mercer, Burlington, Camden, Gloucester, Salem, Cumberland and Cape May counties in New Jersey.

* * *

Exchange Merger Discussed

A merger of the business of the Philadelphia Stock Exchange and that of the Baltimore Stock Exchange is under active discussion.

A joint statement issued by William K. Barclay, Jr., President of the Philadelphia Exhange, and J. Dorsey Brown, President of the Baltimore group, states: "A substantial area of agreement has been reached. Studies of the past few months are being continued by committees of both exchanges."

Should the merger be effected, physical arrangements would probably include the installation of a direct private telephone connecting the two trading floors and the printing of quotations and sales on a combined ticker. The Philadelphia Stock Clearing Corp. would expand its facilities by opening a Baltimore office to handle the clearance and transfer of securities.

At present the Philadelphia exchange has 200 members and deals in 75 fully listed and 381 "unlisted" issues. The Baltimore exchange, with a membership of 35, trades in 41 listed and a substantial number of "unlisted" securities.

* * *

Pittsburgh Railways' Trustee

PITTSBURGH — C. Randolph Myers, referee in bankruptcy, has set Tuesday, Dec. 7, as the date for a public hearing on petitions and answers in the matter of the removal of W. D. George as Trustee of Pittsburgh Railways Company and Pittsburgh Motor Coach Company.

The petition for removal was filed by the Securities & Exchange Commission on June 17 and answers thereto were filed by Citizens Traction Co., Penn Street Railway Co., the City of Pittsburgh, W. D. George and Jules Guggenheim, et al. A later supporting petition filed by Jules Guggenheim, et al. was answered by W. D. George.

Fare Increase Asked—The City of Pittsburgh has instructed its solicitor, Miss Anne X. Alpern, to oppose the schedule of fare increases filed by Pittsburgh Railways Co. with the Pennsylvania Public Utility Commission. The effective date of the increased fares will be Dec. 20 unless the P.U.C. defers the date pending public hearings.

The Railways Company received a schedule of fare increases last January, which, the City claimed, was "jammed" through without sufficient public consideration. The P.U.C. does not have the power to deny applications for fare or rate increases if it can establish that the subject utility is unable to earn a fair return on its capital investment. On this basis, it is believed that the present application will be approved although probably not before testimony is publicly submitted and considered.

* * *

Telephone Rates Deferred

HARRISBURG — The Pennsylvania Public Utility Commission, by unanimous decision, has suspended for six months the effective date of a schedule of higher telephone rates filed by the Bell Telephone Co. of Penna. This postpones until at least July 21, 1949, the application of new rates which the company asked be made effective Jan. 21. Under the law, the P.U.C. can delay effectiveness an additional three months if its investigations have not been completed during the first deferred period.

In asking for higher rates, which would average about 16% and add an estimated $14,500,000 to annual income after taxes, F. J. Chesterman, company president, stated that total operating costs are today "nearly two and a half times as great as they were in 1940."

He said the company's rate of earnings began to decline two years ago and that return on its plant investment is now at its lowest ebb since 1920.

In order to meet requirements of telephone users, it was pointed out that $150,000,000 in new plant equipment must be provided in the next few years. New capital must be provided, the major portion of which "must come from investors, not from telephone subscribers' bills." It is held that the new rates are necessary to maintain the company's sound financial basis.

Following announcement of the Public Utility Commission's action, Mr. Chesterman said: "The telephone company is confident it will be able to prove the need for the new rates when they are investigated by the Commission. The P.U.C. stated that the case would be set down for hearing 'as early as possible.'"

* * *

Taylor-Wharton Iron & Steel Co.

G. R. Hanks, President of Taylor-Wharton Iron & Steel Co., has advised stockholders against acceptance of an offer made by Fred Weiland and Joseph H. Hoodin to purchase a majority of the company's outstanding stock at $34.25 per share. Mr. Hanks together with other members of the board own about 20% of the stock. The President's letter stated that the price offered was slightly less than the stock's net quick asset value as of Oct. 1, 1948, and very substantially less than its indicated book value of $60.33 on the same date.

* * *

Warner Company

PHILADELPHIA — Warner Company's declaration of a year-end dividend of 35 cents on its common stock, payable Dec. 15, was accompanied by the declaration of a quarterly dividend of 25 cents payable Jan. 15. The stock, which has declared irregular dividends in the past, may now be considered to be on a $1.00 annual basis, plus such year-end "extras" as earnings may warrant. Earnings for the current year are estimated at over $4.00 per share.

* * *

Lukens Steel Co.

The stockholders of Lukens Steel Co., Coatesville, Pa., have authorized the management to borrow $4,000,000 from Penn Mutual Life Insurance Co. at not over 3⅞%. Proceeds will pay off $3,500,000 in bank loans and the remainder added to working capital.

* * *

Philadelphia Electric Co.

Anticipating a steady increase in the demand for electricity in the years ahead, H. B. Bryans, President of Philadelphia Electric Co., recently told a meeting of the New York Society of Security Analysts that the company is raising its sights in respect to necessary expansion. He said the program would have to be extended to 1953 at an added expenditure of $87,000,000, bringing the total of a 7-year program started in 1947 to approximately $322,000,000.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

At the close of the 1948 Annual Convention of the National Security Traders Association (completely covered in a special supplement to this issue), it was announced that the 1949 Convention would be held Oct. 5-9 in Colorado Springs at the Broadmoor Hotel.

SECURITIES TRADERS ASSOCIATION OF DETROIT, MICH.

Approximately 200 investment security dealers are expected to participate in the annual Fall Dinner Party of the Securities Traders' Association of Detroit and Michigan, scheduled to be held in the Prince Edward Hotel, Windsor, Ontario, Thursday, Dec. 2, 1948.

Festivities are scheduled to start at 5 p.m. with dinner at 7:15 p.m. Minton M. Clute, of Straus & Blosser, is Chairman of the Program Committee and will be assisted by Gregory Bader, Jr., Chas. A. Parcells & Co.; Harry Buckel, Carr & Co.; Roy Delaney, Smith, Hague & Co.; and Ray Kupfer, Smith, Hague & Co.

The Securities Traders' Association is an affiliate of the National Security Traders' Association and is a trade organization of long standing in Griswold Street financial circles. H. Terry Snowday, of E. H. Rollins & Sons, is President of the local organization. Other officers are: Vice-President, Charles C. Bechtel, Watling, Lerchen & Co.; Secretary, George J. Elder, Geo. A. McDowell & Co.; and Treasurer, Ed J. Miller, Andrew Reid & Co. A guest fee of $5 is being charged. Guest tickets may be obtained from Minton Clute, 1546 Penobscot Building, phone WOodward 2-7866.

BOND TRADERS CLUB OF SEATTLE

The annual Christmas party of the Bond Traders' Club of Seattle, to be held in the Junior Ballroom of the Olympic Hotel on Friday evening, Dec. 10, 1948. Cocktails will be served in Parlor "A" from 6 to 7:15, with dinner and entertainment to follow.

The tariff this year will be $10 per plate. It is requested that those planning to attend make reservations with, or forward check, if convenient, to Ken Easter, 1221 Fourth Avenue, Seattle, Wash.

With Paul A. Davis & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—William S. B. Comstock is with Paul A. Davis & Co., Ingraham Building. He was formerly associated with Clark Davis Company.

With Prescott, Wright Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Robert V. Creek is now connected with Prescott, Wright, Snider Co., 916 Baltimore Avenue.

Our Most Prosperous Year Is Ending

Record-breaking demand from nearly all sources keeps business high. Many indicators at the postwar peak, others lower. Powerful sustaining factors help keep activity high. Changes in general business conditions likely to be slow and moderate.

[Reprinted from the December issue of the "Business Bulletin," issued by the LaSalle Extension University (A Correspondence Institution), Chicago, Illinois.]

Continued high demand for goods is still one of the most significant aspects of the current situation as business enters the last month of the year in high gear. During the holiday buying season, retail sales are expected to establish a new peak in dollar volume and may come very close to doing so in the physical quantities of goods sold. The demand for goods is strong, not only from consumers whose incomes are higher than ever before, but also from business which is spending large sums for new plants and equipment. Although demand from abroad has fallen off somewhat, it is still large and the reduction has been more than offset by increased governmental expenditures for military purposes. As long as demand remains high in all these fields, production and trade will be maintained not far from current high levels. According to present indications, most trends will remain favorable throughout the remainder of this year and probably well into the new year.

1948—A Year of Great Achievements

Accomplishments during the last 12 months have been outstanding and have surpassed all previous records. Business has produced goods and services amounting to well over $240,000,000,000 as compared with less than $100,000,000,000 in the best prewar years. Industrial production has fluctuated between 87 and 95% above the prewar average and about 5% higher than in the preceding year. In very few periods have the fluctuations in the general average been less than they have during the last 12 months. This stability has not been due to normal settled conditions but to the fact that evidently operations have been maintained at very close to capacity, both in terms of plants equipped to produce and the number of available workers.

While business and industry have been maintaining high operating levels, little has been accomplished in remedying the unbalanced conditions and the uncertainties as to future policies either in the domestic or the international fields. In many respects those difficulties have been becoming more disturbing and appear likely to remain so indefinitely. Governmental policies with regard to such significant matters as price control, business regulation, taxes, and labor will not be clearly established until the new year. Until they are known, businessmen will have more-than-usual difficulty in planning their operations. These uncertainties are not new, of course, and business activity has already made enormous strides in spite of them. That fact well demonstrates the strength and vitality of the economic system. It is one of the strong reasons for expecting future trends to be favorable.

Indications of Caution

Upward trends in most lines and in the general average have been favorable even though the prevailing attitude throughout the postwar period has been one of caution. The feeling has been quite general that such extremely high levels—far above normal—would not be continued indefinitely but that they were due primarily to temporary factors and that sooner or later a readjustment would be made to more nearly normal levels. On the whole this attitude of caution has been one of the most constructive aspects of the business situation. It has helped prevent some of the speculative excesses which have characterized most previous booms, especially those induced by such powerful forces as the enormous supply of money which was built up during the war financing.

As a result, business is in many respects better prepared for changing conditions than it usually is at the high point of the cycle. Debts and inventories are large but not so high in comparison with current sales as they have been at many times in the past. High costs may prove extremely difficult whenever the situation becomes such that they cannot be passed on to the consumers in the form of sales prices. Many signs indicate that situation is coming nearer in many lines. The war-created shortages in them have been largely eliminated and production as well as sales is being geared to the demand for current needs only. The result is that conditions are gradually changing from a seller's to a buyer's market which means increased competition with greater resistance to high prices. Some of the more important fields in which this slowing down has taken place are textiles, leather products, some lines of clothing, shoes, rubber products, furniture, many household appliances, radios, and a number of luxury trades. These soft spots in which supplies are tending to run ahead of demand have so far been more than offset by continued strong demand in other lines. As long as these shifts are limited in number and can be made gradually, they are likely to have little effect on the general average of all production and trade. Any business recession will be quite limited and not of long duration.

Caution is further indicated by the conservative purchasing policies which are being followed in many industries. For many weeks the National Association of Purchasing Agents has been reporting that their members are buying ahead for short periods more so than they were last year. Forward commitments of department stores, according to figures compiled by the Federal Reserve Board, are 13% below a year ago. If retail sales this month are as large as they are expected to be, the present retail inventories will be reduced to a still better relation to current trade volume.

Another indication of widespread caution is the extremely low level of security prices in comparison with the current, very high corporation earnings. The sharp reaction in prices after the election is a reflection of this uncertainty which is not likely to be relieved even if prices should rise to the levels that prevailed a few months ago. The market valuation of stocks as considered in relation to profits or earnings per share is currently the lowest in 30 years and possibly the lowest in history. Industrial securities are selling at less than eight times the amount which on the average they will earn this year. The next lowest ratio was 8.3 which was reached in 1920. In 1929 it was 16. Many individual securities are selling at from two to four times the earnings. This situation indicates that investors are generally doubtful that the present high profit level is going to be continued. To restore the normal relationship between earnings per share and price per share, either earnings must be greatly reduced or prices must be raised much higher than they have been at any time in the postwar period. So far the prevailing opinion has been that the balance will be achieved by having much lower earnings. Profits may be reduced in many ways even while volume remains high. They may be curtailed by high labor costs, by lower sales prices, or by higher taxes. Business may face a combination of all three during the next year. If the squeeze should become too severe, the result will be decidedly unfavorable in the long run.

Profits are needed in order to raise the capital required to maintain and expand plant capacity, machinery, and equipment. Replacement costs in all these fields have soared during the last three years. For most corporations, they are far in excess of the amounts provided by the depreciation allowances on the present capital assets. Unless industry is kept well equipped, with adequate low-cost plants and equipment, a high level of production cannot be maintained and business activity will be curtailed. The widely prevalent attitude of hostility toward corporation profits is one of the major adverse factors in the current economic situation, although the effects of it may be deferred for a long time.

The immediate prospect for business, however, is quite favorable. The total demand for goods is holding up well and it is certain to remain strong for the durable goods even if it should slacken in other lines. Expenditures for durable goods which include the amounts spent by business for new equipment, the volume of construction, and spending for these types of goods by consumers are being made at the annual rate of over $57,000,000,000. In 1939, these items amounted to around $15,000,000,000. Even though production has greatly increased, it has not caught up with demand, and the unfilled orders are not only large enough to keep operations at high levels for some time but are also becoming still larger in many lines. They will go far in making up any slowing down in other fields due to excessive supplies, high prices or consumer resistance. They help assure that should a recession in business activity start it will be kept from becoming serious. Also important will be increased government spending for armament and for shipment abroad.

Peaks Passed in Many Lines

While elements of strength are significant and are likely to predominate during at least the early months of the year, other considerations must also be taken into account as they will affect trends during the future. Never before has our economic system kept up a high rate of output for so many years, without any serious, major interruption. The long-term, average, annual rate of growth has been about 3% a year. That average covers both prosperity and depression with an expansion of around 10% a year in periods of expanding business and reductions of that amount in periods of declining business activity. If that experience is a reliable guide as to what future trends may be, it indicates that considerable readjustment will probably be made later. Production has been expanding for many years at a rate considerably greater than the long-term growth, although the expansion this year has been about the same as average. Usually some extensive declines have taken place within a very few years after major wars and as soon as the war-created shortages have been made up.

Price trends constitute one excellent barometer for they register the relative strength of the supply and demand factors in the current situation. These factors will be most significant in determining future trends because they are basic and widespread. In the long run they are likely to be even more powerful than policies of government, business, and labor which receive so much publicity, and which often distract attention from the major controlling forces in the economic system.

One of the strongest indicators which points toward the probability that the inflationary period is about over is the trend in commodity prices. All the price indexes reached their highest points some time ago. Both the Bureau of Labor Statistics index of 28 basic commodities which are most sensitive to changing conditions, and the Dun & Bradstreet index of similar commodities in the wholesale markets reached their peaks last January. Since that time, they have declined 13% and are 11% lower than they were a year ago. Food prices in wholesale markets reached their peak in July and in retail markets shortly aftrward. The decline in wholesale markets since then has been 14% and the prices there are lower than last year. In the retail markets, the decline in prices has been small and foods there are still higher than they were a year ago.

Even the broader and more slowly moving index of wholesale prices prepared by the Bureau of Labor Statistics, which includes industrial prices as well as raw materials, farm products, and foods, reached its highest point in September. It was then about 1% above the previous peak in May, 1920. It has since declined 4%, although it is also above last year. These recessions in prices have continued longer than any of the prevoius set-backs which took place during the long upward trend which has continued for many years. They indicate the strong probability that a fundamental shift has already taken place. If they do not extend too far they will be constructive as they will help to bring prices of various commodities into better balance. Those prices which rose most have also declined most.

While prices have passed their peak, other indicators show similar trends. A weekly index of business activity prepared by the New York "Times" and including such items as carloadings, steel production, electric power production, paperboard production, and lumber production reached its highest point last January. The falling off has been small and it has not taken place in all these lines but it has been definite. Other similar general indexes show the same trend, and should be considered in connection with the evidence that total production, total sales, and output in many individual lines have been steadily moving upward to higher levels.

Are Pipelines Being Filled?

Inventory building has been a business stimulant throughout the postwar period, although the amount involved has been only a small percentage of total production. Those inventories have now reached a new peak of $53,300,000,000 which represents an increase of $7,000,000,000, or 15% during the last year. During the last three years, the rise has been close to 85%. The recent increase as well as those throughout the period have been greatest in the retail field. Some of the increase has been due to higher prices but a substantial part of it is the result of greater physical quantities. It has been fairly evenly divided among raw materials, goods-in-process, and finished goods, with the trend rather definitely shifting toward larger amounts of finished goods.

Although stocks held by manufacturers, wholesalers, and retailers are the largest ever held and are steadily increasing, they are not yet out of line with the normal relationship to total current sales. In many fields they are still low in comparison with current demand. As long as high sales volume is maintained, even larger inventories can be handled without difficulties, but if sales should decline substantially, the large amounts of goods on hand would soon become burdensome surpluses. Therefore, the trends in sales will be watched with special interest during the next few weeks, and especially after the holiday buying is over.

Debts Are Increasing

Expanding debt is another characteristic of a boom period which has been predominant during recent years. It is a trend which cannot be continued indefinitely and deserves careful consideration in any appraisal of the current business situation. One aspect of it which will require readjustment later is the fact that not all of current production is being paid for either by consumers or by industrial buyers. Consumer credit of all kinds has been rising steadily at a rate never before equaled and has reached a new peak of well over $14,000,000,000, or close to three times the amount of three years ago. The restrictions placed on instalment buying a few months ago has apparently had but little effect on the total amount outstanding.

The amount of consumer credit is large but neither current credit

(Continued on page 16)

Mutual Funds

By HENRY HUNT

It Pays to Advertise

The following paragraphs are quoted from a letter written by Millis F. Fordham to the Philadelphia office of **Calvin Bullock:**

"It is my considered judgment that a far greater acceptance of investment funds would result if the industry, through its association, adopted an all-out educational campaign to reach the smaller and medium-sized investor. The larger individual and institutional investor is in a position to discover the greater benefits to be had from owning shares of investment companies. They are buying the shares in ever increasing numbers. This class of investor has access to financial publications, the metropolitan newspapers and such, and is regularly solicited by securities salesmen.

"In contrast, the smaller investor, as a general thing, knows very little, if anything, about the new way of investing. He represents a vast potential of business that the industry should and could, I believe, have now. These people, I find, are quite susceptible to the idea of mutual investing. In large part they are retired farmers, professional and small business men, as well as widows with a few thousands of dollars.

"Some of them own a few individual stocks and bonds, in many cases not suited to their requirements. But, the large majority depend in large part on bank savings account interest for their livelihood. Not a few have been forced to use a part of their principal during these past few years. In the past, such income was adequate for their needs. Now, with a return from bank savings of no more than 1½% to 2% these folk are hard driven to get by. The banks take the best of the real estate mortgages which altogether leave this segment of the investing public victims of the present monetary order.

"This group, as a rule, does not read the metropolitan newspapers nor does it have the same means of learning about investments—a surprising number know nothing at all about investment funds. Now and then a salesman discovers them, but the chances are he is more interested in selling individual securities for the continuing business he sees. Not all securities salesmen are, in my opinion, adapted by experience or temperament to present properly the investment fund way.

"Very few of them practice the idea of selling a complete program, as I believe they should. A great many salesmen do not have an appetite for investment funds, due in large degree to a lack of knowledge of what they represent. Very often the employer is at fault. I think the retail distributors should give more attention to organizing their staff of salesmen along the line of the insurance companies and get away from the hit and miss or dog eat dog methods. 'Know Investment Funds' should be placarded and put on every salesman's desk.

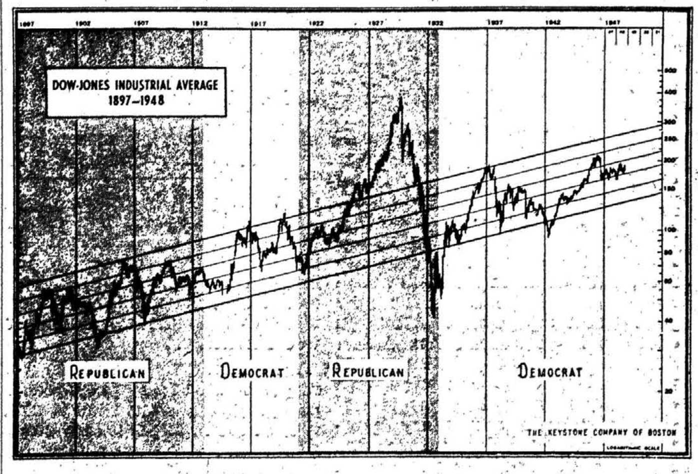
"What I would like to see would be an all out campaign of education started on investment companies and the services they offer. It seems to me that it should be done by the industry at large. Such a program should include national advertising, particularly would I include the smaller cities and towns. After all, it is agreed that the market for mutual fund shares is away from the large centers, for the present anyway.

"Trained field men should be sent into the less-populated areas to build good-will and spread the gospel of mutual group investing. A very great many of these middle class investors go to their local banker for guidance in investment matters. I know from personal experience that the average small-town banker knows very little about investment companies. However, once they become acquainted with this new method of investing, they enthusiastically render real assistance in convincing the prospects that the mutual fund is a safe and simple way of investing in American industry."

Democratic Administrations vs. Republican

"Investors who awoke with a headache for more reasons than one following the surprise election on Nov. 2 which kept the Democrats in office for another four years, may find solace in a study made public recently by **Keystone Custodian Funds.**

"Based on the 50-year record of the Dow-Jones Industrial Av-



erage, the investment company study shows that since 1897 the Republicans and Democrats have been in office about the same number of years and that the stock market has behaved in almost the same fashion under both Administrations.

"With areas marked off to show the years each Administration has been in office projected over a 50-year chart of the Dow-Jones Industrial Average, the study offers a graphic picture of what investors have experienced in the way of stock market rises and declines under the two Administrations during the entire life of the Dow Averages—and thus what they may reasonably expect in the future.

"With the Republicans in office from 1897 through 1912, the Democrats from 1913 through 1920, the Republicans again from 1921 through 1932 and the Democrats since that time, the two Republican 'in' periods totaled 28 years, the Democrat periods 24 years. The Republican Party was in office for a total of 338 months. In 188 of these months, or 55.6% of the time, the Dow-Jones Industrial Average showed a net monthly gain. The Democratic Party was in office 280 months. In 162 months, or 57.8% of the time, the Average showed a net monthly gain. During all four periods there was an amazingly consistent pattern of market ups and downs—a cyclical succession of 'bear' markets and 'bull' markets. Neither Administration can take credit for having influenced a greater number of market highs, nor need either find excuses for being in office while there were more market lows."

Attracting Funds of Trustees

"The trend of state legislation and court decisions is facilitating the purchase of the mutual company shares by trust funds. In the absence of specific authority, trustees are governed in the investment of trust funds by the laws of their state. The statutes of most states have in the past severely restricted the number and type of securities which trustees were permitted to buy, but in the last 10 years a number of commonwealths have recognized the inadequacy of these restrictive laws and have taken a more liberal attitude.

"Altogether, 17 states now permit trustees to operate under the Prudent Man Rule, long in force in Massachusetts, which allows them much greater freedom in the selection of investments.

"Court action has imparted flexibility to investments by trustees. Where trustees were not prevented by law from purchasing the shares of mutual companies, there has for years existed considerable reluctance to buy such shares on the grounds that it might be deemed an improper delegation of the trustee's authority. It was felt that trustees might be subject to criticism on the grounds that in buying the shares of the mutual companies they would be turning their trust funds over to someone else for investment, rather than investing the funds themselves.

"This question was passed on by courts during 1947 in three different states—Ohio, New York and Massachusetts—and in each instance the court upheld the propriety of purchasing investment trust shares by trustees. As expressed in the Ohio decision, the court could find no distinction between the purchase of investment trust shares by a trustee and the purchase of the stocks of banks, insurance companies or of industrial companies that have investment portfolios.

"Another important factor which is stimulating the purchase of mutual fund shares by professional investors is the current inflation. The expenditures by the government during the war enormously in-

Lewis J. Whitney Jr. With Dempsey-Tegeler

LOS ANGELES, CAL.—Lewis J. Whitney, Jr., has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Whitney was formerly associated with National Series Distributors and prior thereto was an officer of Butler-Huff & Co. of California.

R. J. Steichen Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Robert F. Mack has been added to the staff of R. J. Steichen & Co., Roanoke Building.

creased the money supply of the country and this has been reflected in a substantial rise in prices. At the same time, the control of interest rates by the government has kept the return on high grade bonds and preferred stocks at low levels. The result has been that in the case of portfolios of fixed-income securities, not only has the total income declined as compared with prewar levels, but the purchasing power per dollar of income has dropped even more. In consequence, anyone dependent on income from high grade securities has experienced a substantial decline in his standard of living.

"One of the means of offsetting these adverse investment influences has been found in the purchase of investment company shares. With the exception of those Mutual Funds that specialize in bonds or perferred stocks, all have a certain portion of their funds invested in equities. Experience has shown that a diversified list of common stocks of good quality provides as satisfactory protection against inflation as can be found."—Written by John L. Hopkins for an article in the November issue of "Exchange," published by the New York Stock Exchange.

The Business Outlook

"The election of a Democratic Administration does not alter the outlook for a continuing large volume of business. On the other hand, it has clearly been a shock to investment sentiment, which may be expected to have repercussions in financial markets, and perhaps in the willingness of business to go forward on capital expenditures. The latter factor seems likely to be largely offset by increased government spending with respect to the armament program and European aid. In respect to the election, it should be recalled that the Democratic Administration has tended to be inflationary rather than deflationary since 1932."—Quoted from **The Broad Street Sales Corporation's** "Letter."

Quits Underwritings For Mutual Funds

Reichart believes pendulum again swinging away from "Big Money" and in the direction of "Little Money."

Joseph A. Reichart, President of Reichart & Company, Inc., 135 Broadway, New York, underwriters since 1934, announces that his firm is discontinuing entirely its activity in that field and centering its whole attention on the distribution of Investment Company shares.

"I think the time has come," said Mr. Reichart, "for us to recognize that the pendulum has swung back again to where it was when I first entered this business back in 1920. Looking back, I realize I didn't know very much about the securities business then. Perhaps that was all to the good. I had spent most of my business years learning how to merchandise things, cash registers, motor cars, etc. The times were ripe for applying merchandising principles to the investment business. World War I was over. The Dow-Jones Industrial Averages were on their way down from 120 to 65 a year later. 'Big money' was scary; the so-called investor kept his tightly locked up. So here's what we did.

"The investment house with which I was associated at that time (and which I subsequently headed) simply took a leaf out of the experience of our government during World War I. We copied the Liberty Bond idea — small amounts from many thousands of small investors. Concentrating our activities on the sale of 'baby' bonds ($100 pieces), we left the 'big money' of those days severely alone. If it wanted to stay in hiding, that was all right with us. Didn't we have millions — and over a period of time we actually got millions — in 'little money,' $100, $500, $1,000, available? The nationwide chain of personal finance companies we started in that way are now, I believe, the largest of its kind; listed on the Big Board. It got its start—its first $50 million—just the way I am describing.

"Now, it seems to me, we are back again to the same kind of conditions we faced—and solved—in the 20s. Now World War II is over. 'Big money' again is scary. So why not tap the great reservoir of 'little money' that's all around us? It has been estimated by Life Insurance sources that accumulated savings in this country total around $160 billion. This compares with about $45 billion at the end of 1929. Think of it!

"Of course, don't expect 'little money' to walk into your customers' room. You've got to go out and call on it. And this time, in addition to safety of principal and a good return, you've got to give it real marketability — not the kind that is tied to the vagaries and uncertainties of stabilizing and supporting operations. That's where Investment Company shares come in as the ideal thing to handle today. And, to me, three of the big advantages of selling to 'little money' are: first, they stick to you and your firm once they become sold on you; second, they buy over and over again; third, they become your 'big money' customers of tomorrow.

"One more thing," concluded Mr. Reichart, "in building a 'little money' clientele we have to forget about 90% of our Wall Street parlance. It just scares they away. Just talk the language of our customer. And above all, don't be superior or up-stage. Take a lesson out of the campaigns of the two principal candidates in the recent elections. Just be 'folks.' You'll get much further that way."

Offers Long Range Management Program For Investors

Clayton Securities Corporation of Boston, in providing complete investment service, has added program planning, investment research, investment advisory service and custody, to brokerage business.

Clayton Securities Corporation of Boston has announced development of a new investment management service combining the function of bank broker and investment advisor and specializing in administration of small accounts. This program is designed to relieve the investor of the details of account management and helping him achieve the maximum return compatible with adequate protection of principal.

The services are equipped to develop a diversified portfolio, provide safekeeping custody of all securities and maintain complete tax and accounting records. The service includes quarterly analyses and appraisals of an account at its current market value, assistance in preliminary estate planning and personal consultation privileges at any time.

Daniel F. Rice Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—William F. Snowden has been added to the staff of Daniel F. Rice and Co., Roney Plaza Hotel.

Walston, Hoffman Co. Opens New York Office; E. Tabell Res. Partner

Walston, Hoffman & Goodwin, members of the New York Stock Exchange and one of the largest investment firms on the Pacific Coast, announce the opening of an office in New York at 35 Wall Street. Edmund W. Tabell has been admitted to the firm as a general partner and will be in charge of the newly established office here.

Edmund W. Tabell

Mr. Tabell formerly was associated with Shields & Co. He has been in Wall Street for 16 years and has gained considerable recognition as an investment analyst and writer.

The principal offices of Walston, Hoffman & Goodwin are in New York, San Francisco and Los Angeles. Offices are maintained in 12 other cities in California. The firm conducts a general investment business including security underwriting.

First Boston Group Offers Georgia Pwr. Bds.

Georgia Power Co. Nov. 30 awarded a banking group headed by The First Boston Corp., an issue of $12,000,000 first mortgage bonds, 3⅜% series due 1978, on its bid of 101.45%. The bonds are reoffered today (Dec. 2) at 102.38 to yield 3.25% to maturity.

Proceeds from the sale will be used by the company to reimburse its treasury in part for expenditures made for improvements, extensions and additions to its utility plant.

The company supplies electric service to a large number of communities in Georgia and furnishes transportation and heating services in Atlanta and transportation in a number of other communities in Georgia.

With Mercantile Commerce

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Holland F. Chalfant, Jr. has joined the staff of the Mercantile Commerce Bank & Trust Co., Locust-Eight-St. Charles.

"Surveying Business Conditions"

(Continued from page 8)

among many industrial consumers of steel; producers of such items as stoves, refrigerators, electric irons, machine tools and much farm machinery. Even industrial machine production and sales show signs of weakening and some manufacturers like Worthington Pump and Machinery are either laying off men or shortening the work week.

Among the big users of steel, the railroads loom large and they have been experiencing a relative degree of prosperity which has led to an expenditure of a billion dollars on new equipment in 1948, far exceeding the investment of the previous year. Freight car loadings, however, have been declining, albeit not seriously as yet. The cost squeeze on many producers have forced a search for economies which in many cases can be achieved by a shift from railroads to trucks. Should freight car loadings continue to decline, wage and other costs continue to rise, and the ICC refuse further rate increases, a much restricted expansion and replacement program would follow, which releasing substantial quantities of steel to the automotive industry, could bring about rather quickly an equivalence of supply and demand in that most unbalanced of industries.

In the construction industry there has been a steady decline through the past few months contrary to the trend in the same period of last year. This is true not only in the housing field but also in that of industrial construction where huge quantities of steel have been in constant demand.

Question of Taxes

To business executives everywhere taxes are of the utmost importance. In the face of a definitely unbalanced budget excise taxes will be retained very largely as they are and many industries that have been anticipating a possible new lease of life from that quarter, will probably sink a little lower and narrow the base of operations. The directors of U. S. Steel may have read the election returns and concluding that the present depreciation rules were not going to be changed by the present administration, decided to increase their taxable reserve for depreciation rather than declare an extra dividend.

If President Truman has indicated an orthodoxy about one thing more than another, it is with respect to a balanced budget. He is committeed to such expenditures that to offset these, either an excess profits tax or an increase in corporate and individual income taxes is inevitable. Though personally strongly inclined to the former, his advisers may succeed in convincing him that there is more to be gained from increasing the corporate rates and I believe such increase can be expected, with its accompanying effects on corporate expansion and replacement programs.

As we search here and there to uncover other unfavorable signs. The Secretary of Agriculture has shown his concern lest the price support program get out of hand as surpluses mount. His action in setting the support level for potatoes next year one-third below that of 1948 may signify a willingness to permit farm income to be less dependent upon government subsidy.

The textile industry continues to be one of the weakest components and I believe this to be due, in no small measure, to the wage increases of almost 60% in the past three years, approximately 50% higher than the general factory rise. Consumers have been overexploited and an export contraction of three-quarters of a billion yards has helped to precipitate the long overdue downward readjustment. This export contraction is due to continue as governmental influence is exerted to increase Japanese production and so ease the burden of occupation costs.

Weighing carefully then the forces aligned on either side and with due respect for the evaluations of others, it appears to me that a downward movement either has begun or will shortly begin and will become marked in the first half of 1949. An indication that this may be so is the department store sales volume decline in the first two weeks of November. It will not, I believe, be a sharp or deep recession but rather a relatively reasonable readjustment at more realistic levels than the fabulous and fantastic heights to which we have been carried in the past three years.

With Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA. — Frederic C. Beil, Jr. has been added to the staff of Thomson & McKinnon, 340 Central Avenue.

Securities Salesman's Corner

By JOHN DUTTON

Keep it simple. One of the axioms of successful security salesmanship is to reduce complicated technical data into terms that the lay mind can grasp. Last week we mentioned that we would bring before you an effective and proven method of placing in your prospect's mind a clear picture of what he should be accomplishing with his investments.

Assume for instance that you are discussing the possibility for bringing a list of holdings into your own statistical department for the purpose of analysis. The only way that you are going to obtain this list of holdings is to impress your prospect with the necessity for doing this. In order to bring home the importance of the annual review you have to show why certain securities have depreciated in value. You have to show your prospect the sore spots. Not only do you have to show him these sore spots but you must also show him "why" this trouble arose in the first place.

You take the list in your hand after you have obtained it from your prospect and you look it over and then you say, "You know, Mr. Smith, you have some securities here that are in the A class, and some that are in the B class, and unfortunately there are some that are in the C class. Now when you bought these securities it is quite likely that they were all in the A or the B class and only later on did some of them fall down into the C group. Our statistical department has discovered after many years experience that no security goes bad all of a sudden. Of course, the first hint that you had that something was wrong was probably when you stopped getting your interest or your dividends. But in reality those securities that are now in the C class began to have trouble several years ago, and it took quite a while for the real underlying situation to develop.

"Now please believe me, I am not criticizing you; or even the man who sold you these securities. Probably at the time you bought them you both thought they were excellent. It is our job to watch over these securities and spot trouble before it happens whenever that is possible. What I am going to do now is to take this entire list back to my statistical department. Over a period of time we are going to try and make some suggestions to you. We may not be able to do much with some of these C stocks at least for a while, but it is possible that we can suggest some changes where you can put some of the B stocks back into the A group where they belong, and eventually we may be able to move the C stocks into others that can move up into the B group. After my statistical department makes their study I will come back and place it before you. I am sure that we can help you the same as we have many other customers of our firm."

By all means do not discuss any proposed changes or individual securities during this first interview, regardless of your prospect's desire to do so. Wait until you come back with a definite plan and program. This type of presentation completely eliminates all complicated discussions but it gives your prospect a clear picture of what he can accomplish toward putting his list in better shape.

Letter to the Editor:

Comments on Market Predictions

Max Winkler compliments A. Wilfred May on his analysis of fallacies of stock market barometric devices.

Editor, The Commercial and Financial Chronicle:

May I compliment A. Wilfred May for presenting, and the "Chronicle" for publishing, his penetrating and illuminating analyses of the fallacies incident upon "predictions of things to come" in the securities markets—predictions which are based largely upon a variety of barometric devices concocted in statistical laboratories and workshops?

Dr. Max Winkler

Those who presume to be able to forecast price movements largely or solely by means of mechanical implements, may be right occasionally, which in turn, may account for a large following who do not seem to appreciate the dictum that "Even a stopped clock is right twice a day." However, soothsayers and fortune tellers are here to stay, because, to borrow a phrase employed, I believe, by Horace, "*Mundus vult decipi; ergo decipiatur*—The masses want to be fooled; therefore, let them be fooled."

MAX WINKLER
Bernard, Winkler & Co.
New York, N. Y.

Nov. 12, 1948

NASD District 13 Elects to Office

No additional candidates having been proposed, District No. 13 of the National Association of Securities Dealers, Inc., announces the following have been elected to take office on Jan. 14, 1949:

Board of Governors: James J. Lee, Lee Higginson Corp.

District Committee: Raymond D. Stitzer, Equitable Securities Corp.; Allen C. Du Bois, Wertheim & Co.; D. Frederick Barton, Eastman, Dillon & Co.; Stanton M. Weissenborn, Parker & Weissenborn, Inc.

Joins R. H. Johnson Staff

(Special to THE FINANCIAL CHRONICLE)

NEWPORT, MAINE—Julian K. Croxford is with R. H. Johnson & Co. of New York City.

Our Most Prosperous Year Is Ending

(Continued from page 13)

sales nor unpaid balances constitute as large a percentage to total retail sales as they have in previous periods. Credit sales are now about 26% of the total as compared with 36% in 1941. Amounts outstanding could increase another $5,000,000,000 before they would represent as much of retail trade as they did in the prewar years. Although the comparison is favorable so far, the trend is significant and sooner or later must be taken into account. Expansion of credit stimulates business while it is taking place, but when the peak has been reached demand will fall off as a larger portion of current incomes will be required to meet past obligations and to liquidate the debt. Less purchasing power will be available to provide a market for current production. One effect of credit is to intensify both the upswings and the downswings, but when it is properly handled it can be a very constructive factor in the operation of the economic system.

The expansion of debt owed by business and industrial buyers is indicated by the commercial, industrial and agricultural loans of the member banks of the Federal Reserve System. These loans made by the reporting member banks in leading cities have been rising steadily although at a somewhat slower rate than earlier this year. The increase over last year is about 10% and has become less even while the total amount has been rising. These figures are probably fairly typical of what is taking place throughout all parts of the country. A considerable portion of these loans represents money needed to finance larger inventories and the need to meet the requirements for more working capital than is needed to operate business under higher price levels.

Other forms of debt have also risen. Both city real estate mortgages and farm mortgages are higher than they were a year ago, although only the mortgages of city real estate have reached a new peak. Farm mortgages are relatively low but they are increasing more rapidly than at any time in the postwar period. The expansion of long-term debts might be continued for a long time without harmful consequences, but the general trend toward increased debt is one indication of a possible tendency toward over-expansion at a rate which cannot be permanently maintained. At the current rate of national income, total private debt, even at the peak, is much smaller in comparison with the amounts people have available to pay their debts than it has been at previous high points in business activity.

Trends in Some Leading Industries

The steel industry continues to operate at well above 95% of capacity and total output this year will establish a new peacetime record of about 88,000,000 tons. That amount will be about 5% higher than it was last year, but slightly below the wartime peak in 1944. Output of the steel mills in October was close to 8,000,000 and was the largest ever produced in a single month either in war or peace. Prospects are for still higher production next year. Even though the output is large, it is not enough to meet the enormous demand and shortages of many types of steel are holding down production in several lines.

Construction, especially of residential buildings, has been holding up well although the number of new dwelling units started each month has dropped below the high point reached in May. The total number put up this year is expected to amount to well over 800,000 and will come very close to establishing a new record. Other forms of construction have also gained and in most lines will surpass last year by 25% or more. The total will be well over $18,000,000,000.

The petroleum industry has been one of the leaders in pushing its output higher. Average daily production of crude petroleum is now running at the peak of over 5,600,000 barrels daily, an increase of more than 7% above that of a year ago. In 1941, the average daily production was slightly over 3,000,000 barrels.

Similar growth to new peaks has been made by the public utility industry. Weekly production of electricity has risen to 5,600,000,000 kilowatt hours, an increase of well over 10%, an increase of 11% during the last year. In 1941 weekly output averaged slightly under 3,000,000,000 kilowatt hours. The increase in demand has been much greater than the increase in the capacity of the industry, and reserves for peak loads are very low in many parts of the country. The industry is now working on a very large expansion program which will involve the expenditure of several billion dollars within a relatively short time. This spending will be a powerful, sustaining force in the field of construction and will help maintain general business activity. Much of this expansion is being financed by new security issues and about 40% of the new corporate securities issued this year have been by public utilities.

An evidence of the increasing difficulties facing business is seen in the number of failures and the amounts of liabilities involved. Throughout the postwar period these failures have risen steadily and the increase in numbers has been greatest in the last year although the percentage increase has declined. Monthly failures are almost ten times what they were in 1945 when the figure was extremely low. Although the trend is upward the total number is not yet nearly so large as it was in the prewar years. The amount of liabilities in each failure is, however, considerably higher. Failures can be expected to increase as competition becomes keener when more goods are available. The current trend can continue for many months before the failures will be as large as prewar either in comparison with the larger number of concerns now in business or with the previous number of businesses failing.

The automobile industry continues to be handicapped by shortages of materials, especially sheet steel, and irregular work stoppages at key points which interrupt assembly schedules. Output has been increasing in spite of these difficulties, however, and the industry is moving steadily toward the goal of turning out the second largest number of passenger cars and trucks in its history. The peak year was 1929 when 5,358,420 cars and trucks were produced in the United States and Canada. This year the total is expected to be slightly above 5,000,000. A larger percentage than usual of this total will consist of trucks just as it has during the last three years. Indications are that this percentage will be reduced considerably during the next year. About 8% of total production has been sold for export abroad. The number is slightly less than last year.

Trends in incomes of different groups have varied considerably and many of the variations are becoming more pronounced. Total national income, which represents the incomes received by all individuals, has amounted to about 10% more this year than it did during the corresponding period a year ago. The rate of increase has been gradually slowing down in recent weeks, however, and is now estimated to be but little over 5% greater. Farm income has likewise been declining due to lower prices which have been only partly offset by the increased marketings from this year's larger crops. Income from livestock and livestock products has been 10% higher than last year, while that from grains has declined 4%. Total income for farmers will probably not equal last year's record total of over $30,000,000,000. Dividend payments are higher but they have constituted a much smaller percentage of corporation profits and also of national income than in previous years. Lower dividends and smaller returns on invested capital tend to make more difficult the raising of money to finance business expansion.

Holds Election Results Will Reinforce Farm Price Supports

Bache & Co. looks for extension of inflationary political and monetary policies to shift trend of commodity prices.

In a special study entitled "What's Ahead for Commodities," Bache & Co., one of the nation's largest investment and commodity brokerage firms, said today that continuation of the present administration and election of a Democratic Congress indicates extension of inflationary political and monetary policies, and has brought a "rather definite shift" in sentiment in the commodity futures markets.

In the study the firm states that while in the pre-election period there were expectations of lower price support levels and reduced government spending for export operations, this belief has been reversed since Nov. 2 and "most commodity markets have turned higher."

"It is also expected that election results favor continuations and probable reinforcement of agricultural price support programs and possible expansion of government sponsored export activities."

The Bache survey noted that the upward trend in prices has not been particularly pronounced, however, because "of the bearish supply situations which prevail for many domestic agricultural products."

"Some markets, in fact, such as hogs, lard and butter have continued a tendency to work lower which was evident before the election and which, in some cases, was seasonal in character," the study added.

From a supply point of view, the study said, the 1948-49 picture for most domestic agricultural commodities is greatly improved over the past year. From a demand point of view, it added, continued high industrial activity, a possible fourth round of wage increases and government sponsored export programs should be offsetting factors to the large supplies.

A. J. Bright Elected Dir. of Blair & Co.

Blair & Co., Inc., 44 Wall Street, New York City, has announced the election of Albert J. Bright as a director, and also his appointment as vice-president in charge of the United States Government bond department.

Reveals Truman's Housing Proposals

Raymond M. Foley, Administrator of the Federal Housing and Home Finance Agency, says recommendations made to 80th Congress will be renewed, and nationwide concerted effort made to enlist cooperation of builders, lenders, labor and other interested groups in getting maximum results.

The following statement, announcing the plans thus far formulated for legislative and other action to stimulate a large volume of housing at lower prices and rents, was issued on Nov. 24 by Raymond M. Foley, Administrator of Housing and Home Finance Agency:

Raymond M. Foley

After consultation with President Truman, the Housing and Home Finance Agency is moving forward immediately on two fronts, to accomplish the Administration's long-sought objective of a comprehensive housing program which would establish a sound basis for steady progress in meeting the challenge of the nation's housing need. These are

(1) Preparation of legislative proposals for submission to the Congress after it convenes in January.

The first proposals will be based primarily on major recommendations of the President for housing legislation which the 80th Congress failed to enact. They include a declaration of national housing policy, Federal aid for low-rent public housing, slum clearance, and farm housing, and the balance of the housing research program. Since these proposals have already been the subject of extensive committee hearings in both the Senate and the House of Representatives, early action on this legislation will be sought in Congress. Further proposals will result from studies underway.

(2) A nation-wide concerted effort throughout the coming year to enlist cooperation of builders, lenders, labor and other interested groups in getting maximum results from the parts of the President's program already enacted.

This includes concentrating on lower-cost private production of both sales and rental housing. It involves using fully the provisions for aid to cooperative housing projects, yield insurance, the 95% 30-year insured loan on low-priced houses, aids to prefabrication, and other existing incentives to lower price or rent.

Leadership in this effort will be taken by the Housing and Home Finance Agency and field activities largely will center in the Federal Housing Administration. Appropriate assistance will be sought from other agencies represented in the National Housing Council. The FHA will intensify especially an affirmative campaign of assisting cooperative housing groups with technical advice and assistance.

These two approaches are consistent with the President's repeated calls for enactment of comprehensive legislation and with the Housing Agency's record of working closely with private industry. It is a further step in the Agency's effort to secure greater production of houses in a lower price range.

With the approval of President Truman, the first legislative proposals we are preparing will be based primarily on recommendations in his housing message to Congress on Feb. 23, 1948 which were not enacted by the 80th Congress. The recommendations in that Message were substantially supported in the final report of the Joint Congressional Committee on Housing in March, were incorporated in housing legislation which passed the Senate in April and approved by a majority of the House Banking and Currency Committee in June, although failing to reach a vote on the floor of the House. Some of his recommendations, providing further credit aids for private housing, were contained in legislation the President obtained from the recent Special Session.

Principal Recommendations

The principal recommendations to be submitted are:

(1) Declaration of a national housing policy.

(2) Authorization for renewal of Federal financial aid to communities for low-rent housing projects, initiated by local agencies, for occupancy by low-income families, with preference to low-income veterans of World War II.

(3) Authorization of Federal loans and capital grants to assist communities carrying out slum clearance projects, initiated by local agencies, so that the land when cleared, may be sold or leased at sound re-use values for private or public redevelopment in accordance with local plans, and with the locality sharing the net cost of clearance.

(4) Authorization of financial assistance by the Secretary of Agriculture to farmers for construction of adequate farm dwellings where the farmer does not have the resources or credit to finance independently. Under certain circumstances, provision also would be made for minimum repairs of presently substandard farm housing.

(5) Authorization for Federal sponsorship and coordination of a long-range program of housing research. Aimed at reduction of housing costs, it would deal with study of development of more efficient homebuilding techniques, methods, and new materials, and development of adequate economic and statistical data on needs and markets. This program would be operated in cooperation with private industry and use existing private and public research and testing facilities. (The research program authorized by the Housing Act of 1948 was limited to standardized building codes and materials.)

In addition to preparing legislative proposals in these principal categories, the Housing and Home Finance Agency is studying possible need for further legislation to assist increased production of low-cost private sales and rental housing, and to complete the transition already under way toward permanent peacetime credit aids for housing.

Legislation must be coupled with participation of the housing industry, in the broadest sense. It is the position of the Administration that the great bulk of the housing job can be done by private enterprise, with such Federal assistance as is necessary and desirable. Consequently, we have recently conducted a series of meetings with all phases of the housing industry in all sections of the country to acquaint them with the new aids contained in the Housing Act of 1948, and enlist their participation. In Washington, we have held similar conference with representatives of the national veterans' organizations and others of the consumer interest groups.

We now propose a frontal attack through cooperative efforts of industry and government on the number one problem confronting the housing industry today—high production cost and prices. Despite the substantial expansion in volume of housing construction during the past three years, a large proportion of middle and lower-middle income families have been increasingly priced out of the market by the persistent rise in housing costs and prices. This trend not only must be reversed if the industry is to serve this great segment of the nation's housing need; it must be reversed if the industry is to continue long to produce at the high rate required to meet even the lower estimates of need. This is emphasized by the trend of the past few months toward lower total housing starts. Large reductions in housing costs to the public can probably be made only gradually. We are nonetheless convinced that sizable results can be achieved within a year if lenders, industry, labor and government are willing to go to work on a real program of lower-priced housing. Such a program cannot be built on miracles but only on a multitude of minor savings achieved through closer figuring, better planning and increased productivity. A lot can be accomplished simply by concentrating to a greater degree on the mass low-cost market. Much can be accomplished by using fully the additional credit aids now available, which were recommended by the President as incentives for production of low-cost housing.

We therefore plan to request meetings of all elements of the housing industry to seek their voluntary cooperation in devising and carrying out a practical program of producing lower-priced housing. To succeed, this must be a voluntary nation-wide program, in cooperation with the national and local governments, by the men who plan, build and finance houses. Noting some recent developments in the industry, we are confident, that such local programs can secure the indispensable voluntary support of industry and labor.

We also plan to lay before lending institutions, builders and other sponsors the practical problem of securing more moderate rental housing. Specifically, we propose an affirmative effort to secure broad participation in the new programs of insurance of mortgages on cooperative housing projects, and of direct investments in rental housing. We propose also to step up our efforts to help the homebuilding industry produce more housing for Negro and other minority groups.

From present indications, housing production this year will be around the record high level of 937,000 dwellings produced in 1925. This is a creditable showing, but it is time to stop judging the adequacy of our performance in housing by mere numbers alone, or by past performance. Our goals should be set on the basis of the needs of today and the years ahead. We have a shortage now. Our population grows. Not enough of our housing production is priced for the mass market. Much old housing is so bad it should be demolished. For this task we need even more than legislation to provide necessary aids in the problem areas in housing. We must have a concerted effort on the part of industry, labor and government to cut housing costs and to broaden the effective market.

Fred J. Bolton With H. V. Sattley & Co.

DETROIT, MICH.—H. V. Sattley & Co., Inc., Hammond Building, announce the election as Vice-President of Frederick J. Bolton.

Mr. Bolton has a B.S. degree in Finance from the University of Detroit and did post-graduate work in the same field at Wayne University. He entered the securities investment business in 1934, and has been associated in the past with Crouse & Co., McDonald, Moore & Co. and Ryan, Sutherland & Co. of Toledo.

Mr. Bolton enlisted in the Navy in December, 1941, and went on inactive duty December, 1945, as Lieutenant U.S.N.R. He is a member of the Bond Club of Detroit as well as the Securities Traders Association of Detroit and Michigan, Inc.

Cecil J. Downs Joins Marache, Sims & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Cecil J. Downs has become associated with Marache, Sims & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Downs formerly was manager of the trading department for Bartling & Co. and for the Los Angeles office of Carter H. Corbrey & Co.

Jas. Morrison Joins Townsend, Dabney Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — James A. Morrison has become associated

James A. Morrison

with Townsend, Dabney & Tyson, Inc., 30 State Street, members of the New York and Boston Stock Exchanges. Mr. Morrison was previously Treasurer of Ballou, Adams & Co.

John Gertler Joins Barr Bros. & Co.

Barr Brothers & Co., 40 Wall Street, New York City, announce

John H. Gertler

that John H. Gertler is now associated with the firm in its municipal bond department. Mr. Gertler was formerly a partner in Gertler, Stearns & Co.

With Spencer, Swain Co.

BOSTON, MASS.—Francis E. Booth has joined the staff of Spencer, Swain & Co., Inc., 10 Post Office Square.

Canadian Securities

By WILLIAM J. McKAY

During the next decade spectacular expansion of the Canadian West is likely to mark a notable era in North American history. In the past for geographic, political, and economic reasons Western development in Canada lagged in comparison with progress in this direction south of the border. There are now however compelling causes which should operate to bring about a rapid transformation of the Canadian western scene.

Many of the motivating forces are of natural origin. There is now increasing awareness of the enormous virgin natural resources of Alberta, the Northwest Territories, and the Northern districts of British Columbia, Manitoba and Saskatchewan. Hardly a month passes without additional evidence of the almost incredible mineral wealth of the fabulous Pre-Cambrian Shield as prospectors penetrate its previously unexplored northerly areas. Formerly ignored rich base-metal deposits which were disregarded in favor of the more glamorous gold are now in course of rapid exploitation. Critical world-shortages and urgent stockpile requirements of this country spur on the efforts to bring into production these now precious metals. In the actual precious metal category there have also been new recent discoveries notably of uranium which give further zest to prospecting activity. The greatest stimulus to accelerated economic progress of the Canadian West however, is currently provided by the important repeated oil discoveries in the Province of Alberta. The establishment of the Leduc field placed Canada in the world oil-map. Drilling results in the Redwater area gave confirmation of Canada's emergence as a major oil-producer. U. S. and Canadian interests are now pressing further north with confident anticipation of making equally significant discoveries.

Although these economic considerations are playing a notable role in the development of Canada's Northwestern Empire perhaps the greatest stimulus to western and northern expansion will be provided by the implementation of U. S.-Canadian strategic plans for Northern hemisphere defense. A railroad connecting this country with militarily isolated Alaska is long overdue. Early constructive developments in this direction therefore can be confidently anticipated. The establishment of this rail link to the northwest would have the same dramatic influence on Canadian economic progress as the epic event of the linking of the Atlantic and Pacific coasts by the Canadian Pacific Railway. New mining, agricultural and industrial centres would rapidly take shape along its route. The opening up to civilization of Canada's great Northern Empire will have worldwide repercussions surpassing by far in economic importance the Californian and Yukon gold rushes of the last century. Then perhaps the challenging statement of that great French-Canadian statesman, Sir Wilfred Laurier that "the twentieth century belongs to Canada" will be considered as not merely idle rhetoric.

During the week there was a continued state of inertia in the external and internal sections of the bond market and price changes were negligible. Free funds were steady and offerings in connection with the November bond redemptions were readily absorbed as fresh U. S. oil and mineral investment funds continued to flow northwards. The Canadian stock markets with the exceptions of the Western oil and base-metal issues were generally dull and inactive. Western oils have now clearly established market leadership and have replaced the golds as the popular speculative investment medium. Despite the generally lower market several new highs were established by oil shares including Anglo-Canadian, Atlantic Oil, British Dominion, Coastal Oil, Davies Petroleum, Home Oil and Pacific Petroleum.

William H. Boggs Now With Schafer, Miller Co.

Schafer, Miller & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announce that William H. Boggs has become associated with the firm as manager of dealer relations. Before the war, Mr. Boggs was manager of the trading department of F. B. Cahn & Co., Baltimore, and prior to that was with Alex. Brown & Sons. He served during the war as commanding officer of the Service Squadron attached to the 3rd Marine Air Wing at Okinawa.

Wm. H. Boggs

Correction

In the "Financial Chronicle" of Nov. 25 it was reported that Blair F. Claybaugh & Co. had opened a branch in New Haven, Conn., under the management of Chancey W. Hulse. This was in error; Mr. Hulse is a sales representative for the firm, working out of New Haven, but no actual branch is maintained in that city.

Standard Securities Instals

SPOKANE, WASH. — Standard Securities Corp., Peyton Building, members of the Spokane Stock Exchange, have installed Dow-Jones ticker service in their Kellogg, Idaho and Yakima, Wash., branches. The firm acts as dealers in mining stocks and listed and unlisted securities.

Henry J. Mader Heads Adams & Peck Dept.

Adams & Peck, 63 Wall Street, New York City, announce that

Henry J. Mader

Henry J. Mader, formerly with Tucker, Anthony & Co., has become associated with the firm in charge of its public utility bond department.

NASD District No. 8 Elects Governors

CHICAGO, ILL. — An election has been held in District No. 8 of the National Association of Securities Dealers, Inc., comprising the States of Illinois, Indiana, Iowa, Michigan, Nebraska and Wisconsin. Members have been elected to the Board of Governors and District Committee No. 8 to succeed members retiring upon completion of their terms.

Howard E. Buhse, resident partner at Chicago of Hornblower & Weeks, and Sampson Rogers, Jr., partner of McMaster Hutchinson & Co., Chicago, have been named to the Board of Governors to succeed L. Raymond Billett, Kebbon, McCormick & Co. and Walter E. Kistner, A. C. Allyn and Company, Inc., Chicago. Mr. Rogers is a former Chairman of District Committee No. 8, having served in 1945 and 1946. Mr. Buhse is completing three years as a member of the District Committee and he is serving as Chairman in 1948.

Those elected to membership on the District Committee are: William D. Kerr, partner, Bacon, Whipple & Co., Chicago; Gilbert S. Currie, partner, Crouse & Co., Detroit; Nelson R. Gilbert, Vice-President, Donovan, Gilbert & Co., Lansing, Mich.; and Paul E. Conrads, Proprietor, Conrads & Co., Rockford, Ill. They will succeed Howard E. Buhse, Hornblower & Weeks, Chicago; Milton A. Manley, M. A. Manley & Co., Detroit; Elwood H. Schneider, E. H. Schneider & Co., Kalamazoo; and Herbert B. White, Peoria. Mr. Manley is serving as Vice-Chairman this year.

Each office is to be held three years and the terms will commence on Jan. 15, 1949. At the January 1949 meeting of District Committee No. 8, officers for the year will be selected after the new Committee members have been installed.

Edwin Tatro Company Opens in New York

Edwin L. Tatro, who has been associated with Hoit, Rose & Company for the past 20 years, announces formation of the firm of Edwin L. Tatro Company to transact a general business in investment securities. The new firm will maintain offices at 50 Broadway, New York.

John A. Doyle has become associated with the Tatro organization in its trading department.

Formation of Edwin L. Tatro Company was previously reported in the "Financial Chronicle" of Nov. 18.

Reports Savings Deposits' Gain Reduced

William L. Maude, President, National Association of Mutual Savings Banks, says deposits increased $524 million or 2.95% in first 10 months of 1948, representing only three-fifths of rate of increase in previous years.

Deposits of the 532 mutual savings banks of the nation increased $11,000,000 during October to a total of $18,283,000,000, according to a report issued by William L. Maude, President, National Association of Mutual Savings Banks, and President of The Howard Savings Institution, Newark, New Jersey. The increase represents a gain of $15,000,000 in Christmas Club and similar special purpose accounts which more than offset a drop of $4,000,000 in regular deposits. The decline in regular deposits reflects the fact that amounts deposited in such accounts failed to show the usual seasonal upturn, whereas withdrawals did.

William L. Maude

During the first 10 months of 1948, mutual savings bank deposits increased $524,000,000, or 2.95% of their balances at the opening of the year. For the same period of 1947, the gain was $834,000,000, or 4.96% of the year's opening balances. The increase in total deposits during the first 10 months of 1948 has been at a rate of about three-fifths that of a year ago. As a result, the gap between amounts deposited and amounts withdrawn is considerably narrower in 1948 than in 1947. During the first 10 months of 1948, deposits in regular accounts were down .15% as compared with the same period of 1947, whereas withdrawals were up 8.2%.

In commenting on the report, Mr. Maude said, "The trend of savings bank deposits reflects the economic situation that the nation has faced in recent months, especially since the midyear. Despite the maintenance of national income at record levels, people are finding it harder and harder to make both ends meet. The figures cited show that they are saving less and drawing upon their savings accounts more frequently. Concretely, in the first 10 months of 1947, the net new money received from depositors above their withdrawals, as distinct from the dividends credited on their past accumulations, accounted for three-fourths the growth in the regular deposits of the savings banks, whereas this year new money only accounts for one-half the gain."

During October the savings banks increased their holdings of mortgage loans by $102,000,000. This is the greatest gain recorded for any single month since the opening of 1947. Investments in corporate and municipal securities increased by $11,000,000, also to a new high. Holdings of U. S. Governments declined $96,000,000 and of cash $41,000,000. Since the close of 1947, the savings banks have added $567,000,000 to their mortgage portfolios and $400,000,000 to their investments in corporate and municipal securities, while they have reduced holdings of U. S. Governments by $317,000,000.

Capital Distributors

CHICAGO, ILL.—Capital Distributors Corporation is engaging in a securities business from offices at 135 South La Salle Street. Officers are Kenneth Curtis, President and Treasurer; J. G. Alther, Vice-President; F. B. Hanson, Secretary, and A. Lucille White, Assistant Secretary.

John A. Dawson Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Louis D. Blocksom has been added to the staff of John A. Dawson & Co., 1 North La Salle Street.

Corporate Debt Holdings by Insurance Cos.

Life Insurance Companies report at end of third quarter of 1948, 18.5% of holdings in corporate securities against 17.6% in U. S. government securities.

For the first time since 1942, life insurance investments in the securities of business and industry represent the largest block of policyholder funds at work, the Institute of Life Insurance reports. This is shown in the third quarter report on 1948 investments of all U. S. life companies.

The life company holdings of securities of this type were $18,538,000,000 on Sept. 30, up $2,794,000,000 since the first of the year and 80% larger than similar investments prior to the war.

Prior to 1942, corporate stocks and bonds had always exceeded U. S. government securities in the life company holdings; since 1935 they have exceeded mortgage holdings.

Third quarter purchases of the business and industrial securities were $934,000,000. In the first nine months of the year such purchases were $3,327,000,000. These purchases average $44 per policyholder, an indirect extension of capital funds to the national economy by those owning life insurance.

Life company holdings of U. S. Government securities, largest investment unit of these companies since 1942, were in second place in the third quarter; they still total $17,642,000,000 and represent 32% of total assets. The third quarter purchases of $513,000,000 of the U. S. Government securities were more than offset by maturities and replacements, net holdings of this type decreasing $1,016,000,000 in the quarter.

The investment report follows:

(000,000 Omitted)

	Acquired				Holdings	
	Sept. 1948	Sept. 1947	9 Mos. 1948	9 Mos. 1947	Sept. 30 1948	Sept. 30 1947
U. S. Government Securities	$256	$123	$1,449	$935	$17,642	$20,532
Railroad Bonds (U. S.)	13	8	188	162	2,906	2,798
Public Utility Bonds (U. S.)	156	181	1,286	1,340	7,932	6,283
Industrial and Misc. Bonds (U. S.)	103	120	1,691	1,212	6,248	4,197
Stocks (U. S.)	5	34	162	257	1,452	1,359
State, County, Munic. Bonds (U. S.)	24	5	234	42	792	624
All Foreign Securities	2	4	240	187	1,899	1,730
World Bank Bonds	3	—	9	39	53	37
Farm Mortgages	20	13	226	180	961	824
F.H.A. Mortgages	104	40	802	265	2,050	1,283
Vet. Administration Mortgages	22	66	327	423	1,156	658
Other Mortgages	113	115	1,112	1,022	6,074	5,300
Total Securities and Mortgages	$821	$709	$7,726	$6,064	$49,165	$45,625
Farm Real Estate	—	—	1	—	63	85
Other Real Estate	21	14	204	132	952	710
Policy Loans	33	29	302	249	2,023	1,908

Defends Private Placements With Insurance Cos.

Leroy A. Lincoln, President of Metropolitan Life Insurance Co., in memorandum to New York Joint Legislative Committee opposes limiting privately purchased securities to an amount or percent of total. Denies insurance companies are engaged in banking.

In an elaborate memorandum submitted on Nov. 22 by Leroy A. Lincoln, President of the Metropolitan Life Insurance Company, to the Joint Committee of the New York Legislature on Insurance Rates and Regulations, he took exception to proposals to limit the growth and economic power of the larger insurance companies and defended private loans or placements with insurance companies as economical and sound methods used in investment of their funds. In answer to the query "Should Private Loans or Placements Be Limited as to Amount or Percent?" he stated:

Leroy A. Lincoln

There is no fundamental differences between investments acquired by an insurance company through private placements and these acquired through public purchase. Private placements have become an accepted, simple form of financing, advantageous to both the borrower and the lender and do not affect adversely the public interest. The making of private placements is not limited to insurance companies, but is open to other institutions and funds with money to invest. If restrictions are placed upon life insurance companies the result is that they will be placed in a strait-jacket when seeking these investments while their competitors will be free to act as they may deem advisable. Furthermore, there is no more reason for attempting to force borrowers to raise their funds publicly through the investment banking fraternity than there is to require borrowers desiring bank credit to negotiate the loan through an intermediary who would then choose the bank which would extend the credit. Private placements represent one means by which investments may be acquired, just as purchase of a public offering is another means. The inherent character and quality of the investment should not be confused with the method of acquisition.

Normally limitations as to amount or percentage in the investment statutes are for the purpose of diversification and to prevent undue concentration in one type of security, witness, among other limitations on the amount of life insurance assets which may be invested in mortgages, housing and income producing real estate. Were such limitations to be applied to corporate securities, they might be applicable to the percentage of assets to be invested in the oil industry, the public utility industry or some other industry, but in this event they should be applicable to the total investment in the classification concerned, irrespective of the method of acquisition. Is there any reason why there should be any different limitation on the amount of any particular security in which a life insurance company may desire to invest when it is acquired directly versus acquisitions through an investment banker? A limitation upon the method of acquisition would be entirely novel as well as unsound. This is not intended to be an advocacy of limitations on the percentage of assets invested in particular industries. Our feeling is that decision as to diversification of this character, which is now left to the judgment of the appropriate officials and directors of the insurance companies, should continue to rest there. Attempts to control matter of this sort by legislation should not be made. Management should be free to diversify in the manner it feels most desirable. History indicates very clearly that the credit standing of a particular industry may change radically over the years. For example, at the turn of the century, loans to interurban trolley lines were considered sound investments. We all know the change in their credit standing which took place with the introduction of private automobiles, buses and hard surface roads.

For some fifteen years now, private placements have served a useful purpose in the national economy, as well as being beneficial to the life insurance business. It is felt that a brief review of their advantages from the points of view of the borrower, lender and public interest, would serve to demonstrate the soundness of the conclusions just stated in regard to possible limitations. It might also be helpful to review some of the questions which have been raised regarding private placements by one of the examiners of the New York Insurance Department.

Private placements are currently taken to refer to investments made by one or more financial institutions in corporate securities through the medium of direct negotiation with the issuer. While there have been a few instances where purchases of preferred stocks have been made in this manner, in practically all cases the investments are in the form of debt obligations. In a sizable percentage of the cases, investment bankers act as agents or financial advisors to the borrowing corporation and are in such cases normally paid for their services by the borrower. Such transactions are in many ways analogous to real estate mortgage loans, which are made by direct negotiation with the owner, or in some instances, through the intermediary services of a real estate mortgage broker.

Private placements are no different in character or security from publicly offered issues, but the carrying out of the transaction in this manner has certain definite advantages to both the borrower and the lender.

The advantages to borrowers might be said to consist particularly of the following:

(1) The ease with which direct negotiations between borrower and lender can be carried out.

(2) The speed with which binding commitments can be entered into. Particularly in periods of fluctuating markets this has considerable appeal to borrowers.

(3) Flexibility—terms are negotiated on a tailormade basis to fit the particular requirements of the situation at the time of issue. Furthermore, should conditions change at a subsequent date, appropriate adjustments may be made in the indenture terms by negotiation. It goes without saying that the representatives of the insurance company would be quite as diligent in protecting the insurance company's interests in any change in the indenture as they had been in negotiating the terms of the original investment. Over a period of years, situations often develop under which a change in terms is beneficial both to the lender and the borrower. Practically speaking, no such adjustments can be made in an issue which has been publicly distributed, the only available procedure being one of calling the original issue and refunding it with one containing the new terms. We believe it can be well demonstrated that almost all changes in indenture provisions of private placements made subsequent to the time of the original issue (and there have been many of them) have been for purposes which were beneficial both to the borrower and the investor. We agree, however, with the view of the examiner referred to, to the extent that it would be desirable to devise some method of advising the supervisory authority, that is, the Insurance Department, when indenture changes are made. We believe, however, that this should be the subject of departmental regulation and that legislation on this subject is unnecessary.

(4) Savings in expense which includes both registration and issue costs, as well as underwriting and distribution costs. Such savings might normally be expected to be split between the borrower and the lender.

From the standpoint of the lender, the advantages include the following:

(1) Lenders feel that, generally speaking, they can obtain better, that is to say, more effective protective provisions in such issues.

(2) As indicated above, generally speaking, a better yield is obtained because of the savings in expense involved.

(3) In periods such as we have been going through, when sound investments have been difficult to obtain, private placements have provided a sound and attractive channel for investment.

From the standpoint of the public interest, the following may be noted:—

(1) The insurance companies invest the savings of many millions of policyholders, most of whom are people of modest income. These people are not trained in investment matters but are accumulating savings through personal sacrifice. Surely, if any group in the country is entitled to have their money invested with maximum security and the best possible interest rate consonant with safety, it is this group of life insurance company policyholders who have endeavored through thrift to make provision for their families and their own old age.

(2) Industry has demonstrated its desire for this simple and effective means of obtaining its long-term capital requirements. It should continue to have available to it the alternative routes of handling its financing. There are times when industry may well prefer a public issue, and other times when it will prefer the private placement method. In a free economy, management should have the right to make its choice.

As a matter of fact, our Company does not go out to solicit such loans, but it is well known that we are prepared to make them. We look on our borrowers much as a bank looks on its depositors and its borrowers. We endeavor to view their financial problems constructively and in this manner there is the mutual advantage of being of assistance to them as well as making sound investments for our policyholders. A sound investment depends more on character and ability of those charged with handling the affairs of a company than any other factor. The negotiations leading up to private placement give the insurance company's investment officers an opportunity to study the management and its detailed operations in a manner seldom offered through the public issue route. The investment officers of the life insurance companies have the major responsibility as to the security of the investments made. They should continue to make use of this method of personal investigation. These savings of the people are not static—they must be invested and reinvested in the safest, most expeditious manner possible to afford the greatest return consonant with security. Private placements provide the simplest and most direct route.

The following questions have been raised regarding private placements:

(1) Do they not provide the means by which domination or control is exercised? The answer is "no" as to New York Companies. Since private placements in practically all cases are in the form of debt and carry no voting rights, the question of domination or control does not rise. Were life insurance companies permitted to buy common stocks such questions might be raised, but the New York Law very properly has not countenanced common stock investment. I know of no evils in the way of domination or control which could be cited with regard to private placements.

(2) Might control be exercised through resort to the security of a private placement?

No insurance company ever makes a loan that it expects to foreclose. If, through changed economic conditions or other circumstances, it does become necessary to foreclose to protect its interest, it is true that the insurance company might through reorganization become temporarily the owner of some equity interest. This, however, is equally true whether the security originally purchased is a public issue or a private one. Under the New York Law, the insurance company is compelled to dispose of its common stock holdings as soon as it prudently can. It may not hold such issues as permanent investments.

(3) Should not all security issues be registered with the SEC?

This question was considered at the time of passage of the act. The purpose of the act was to protect the inexperienced investor by public disclosure of all pertinent facts, and no attempt was made to channel the flow of all private credit through a Federal Government bureau. Since insurance company investment officers are experienced in investment matters and capable of ascertaining all pertinent facts for themselves, specific exemption from the registration requirements was very properly made for private placements.

(4) Are insurance companies doing a banking business in investing in private placements? It has not been clearly stated as to whether "banking business" means commercial banking or investment banking, but in either event, the answer is "no," except insofar as the personal relationship referred to above is concerned.

From the nature of their business, commercial banks must be highly liquid to meet withdrawals on short notice. As a consequence, their assets are customarily used to finance the short-term needs, such as seasonal or temporary loans, of business. The life insurance companies obligations are long-term commitments with little need for liquidity, and their investments are customarily long-term in character. Commercial banks are banks of deposit where individuals or corporations may deposit funds subject to withdrawal the bulk of such deposits being withdrawable on demand, the lesser portion on some limited notice. Life insurance companies perform no such function.

Commercial banks also can create money in the form of deposits by making loans and crediting the proceeds to the borrower's deposit account, a function not possessed by the life insurance companies. Both institutions do lend funds, one customarily on a short-term basis, the other customarily for long terms, but here the analogy ends.

If the reference is to investment banking, no close analogy is present either. Their business is to underwrite and sell the loans they make as promptly as possible, whereas life insurance companies are long-term investors and rarely dispose of either the corporate securities purchased of the real estate mortgage loans made.

(5) Are not private placements less liquid than public issues?

The broad answer is "no." Many private placements provide for exchange into thousand-dollar bonds, which could be sold as readily as any public issue of similar character. Even where this is not the case, if the character of a security remains top notch, the chances are there would be little difficulty in disposing of the obligations to one or more sizable purchasers. This has, on occasion, been done in the past. If the credit standing of the issuer deteriorates, there would be the same difficulty of disposing of a block of bonds that is experienced with a public issue. When the credit standing of a company is substantially lowered, the market for its obligations dries up very quickly and that is true whether the obligation has been publicy issued or placed privately.

As a matter of fact, there is little marketability for sizable blocks of bonds in periods of stress anyway, because, generally speaking, so many try to sell at the time when few buyers are available.

The really important point involved in this question is that the insurance business is not one which requires liquidity of assets anyway. It would seem reasonable to expect that such United State Government bonds as Life Insurance Companies may hold as permanent investments would provide all the liquidity necessary.

(6) Would it not be desirable to require private placements to be amortized at some specific rate during the life of the loan?

As a matter of fact, the bulk of private placements are made with substantial sinking funds. This is true particularly of the industrial loans. Incidentallly, these amortization payments do provide an added source of liquid funds. To try to legislate on such a matter, however, would be a great mistake and interfere with the proper responsibilities of those determining the indenture provisions. It is extremely important that such matters be discretionary so that indenture provisions best suited to the particular case may be provided.

In purchasing private placements of life insurance companies are performing the same function as they do when purchasing bonds underwritten by investment bankers and sold publicly. That is to say, they are merely making long-term investments. In either event they must appraise the security and judge for themselves whether the interest return obtainable appropriately measures the credit risk.

In conclusion, we submit that no weaknesses have developed in the private placement procedure, but, on the other hand, there are strong advantages to all concerned. Under these circumstances, we do not deem it desirable to place limitations either as to amount or percentage on this form of investment.

Grafton Wiggins Rejoins Paine, Webber

Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange, announced that Grafton Wiggins will join the firm's New York office as a registered representative handling investment trusts accounts, effective Dec. 6.

Mr. Wiggins previously was associated with the firm from 1931 to 1941. He leaves Albert Frank-Guenther Law, Inc., which he joined early in 1947 following his release from the Army. Mr. Wiggins served as a Lieutenant Colonel in the Army Air Forces from 1941 to 1946.

Truman Promises

By ROGER W. BABSON

Mr. Babson, commenting on President Truman's promises of higher wages, support for farm prices, and lower consumer costs, holds only way they can be kept is by subsidizing key employers and making taxpayers meet the bill. Calls on President to make some statement to revive business confidence.

Leading businessmen are now trying to analyze Mr. Truman's promises. They were so sure that Mr. Dewey would win that they didn't bother to read Truman's speeches during the campaign. Now the New York "Times" and other newspapers are being beseiged by requests for back copies in order to read about Mr. Truman's promises. Believing Mr. Truman is honest, they take more stock in his promises than in those of his distinguished predecessor.

Roger Babson

The outstanding promise that Mr. Truman made was that the Taft-Hartley Act will be repealed. Only a coalition of Republicans and Southern Democrats could prevent this, and I am sure that even they could not prevent radical amendments or possibly a return to the Wagner Act. Although the revised Act will give employers the same rights to talk to their wage-workers that labor leaders now have, yet most of the changes will be much to the advantage of labor in getting their fourth round of wage increases. Talks with some labor leaders indicate they are willing to agree to the Communist test provided it applies also to employers.

Mr. Truman also promised the farmers that he would work for continued price supports and all other benefits which farmers now have. So far, so good. But Mr. Truman went a step further. In addition to promising higher wages and supported farm prices, he further promised lower retail prices to consumers. Of course, this is much like promising to make 2 and 2 add up to 5. As Mr. Truman has time to think this over, he will realize that it will be very difficult to keep all three promises—to labor, farmers and consumers. His New Deal brain-trusters may tell him that this can be done by reducing the profits of corporations, but of course this would tend to reduce production. It would be like "sinking the ship to clear it of rats."

Only One Way Out

The only way that these three prmises can be kept is by subsidizing key employers. This was a policy used in many industries during the war. It is "beating the devil around the bush," but in many cases it reduced the price to consumers considerably more in dollars than the subsidy amounted to. On the other hand, as in the case of potatoes, there were instances where it was a terrible farce. It really means that in addition to throwing favors to labor, farmers and consumers, he will throw one more gift to certain manufacturers so that production will not be curtailed.

Of course, this means higher taxes. All subsidies must ultimately be paid by the taxpayers. I, therefore, would expect to see an increase in corporation taxes, and possibly in personal income taxes to take care of these subsidies which would be in addition to our tremendous expenditures for armament at home and "peace" abroad. There would be a tremendous yell against such increased taxes but otherwise the deficit budget would require the issuance of more bonds. This would surely mean further inflation.

What About Business Confidence?

I have been unable to find a businessman — Republican or Democrat — who is going ahead with new plans not already arranged for before election. Of course, there are great backlogs in industrial building, new homes, improvements to machinery, material stockpiles, etc. This backlog should keep gross business fairly good during 1949. Net earnings and dividends, however, are sure to fall off. Businessmen who were all pepped up to go ahead with expansion programs under Dewey are now crestfallen and discouraged. President Truman certainly should make some statement to revive the confidence of businessmen or else the present decline may run into a riot.

Now as to the New York attitude regarding the stock market: "Eliminating the possibility of more inflation, it may be wise to take profits at the present time. A few safe common stocks, however, are a good hedge against inflation along with sound education for your children, producing real estate, good furniture, rare diamonds, and solid gold necklaces, even although the quotations for all of these things may decline during the next two or three years."

Jackson Co. Incorporates

BOSTON, MASS. — Jackson & Co., 31 Milk Street, is now doing business as a corporation. Officers are P. J. Munn, President and Treasurer; Edna K. Jackson, First Vice-President; Florence T. Nosworthy, Second Vice-President, and G. R. Griffin, Comptroller.

Join Miller, Kenower

DETROIT, MICH. — Following the death of George Marxer, the firm of Marxer, Jones & Co. is discontinuing business. Harry H. Jones, has become associated with Miller, Kenower & Co. and will operate a branch in Saginaw for that firm. William P. Breen and Ross McAllister of the Detroit office of Marxer, Jones & Co., and Norman D. Lamar of the Bay City office, will also join the staff of Miller, Kenower & Co.

Waller & Co. to Admit

Waller & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will admit Rudolf E. Knepper to partnership on Dec. 15.

Twin Bill

Jack E. Jones, President of Hartley Rogers & Co., 1411 Fourth Avenue Building, Seattle, Wash., was the busiest man in town on Nov. 20 when his twins celebrated their fourth birthday. He was showing pictures of the twins, who are adorable children. Jack also has one older child. He sure does raise luscious strawberries, too. Ask him for his formula!

Now Woolfolk & Shober

NEW ORLEANS, LA. — The firm name of Woolfolk, Huggins & Shober, 839 Gravier Street, members of the New Orleans Stock Exchange, has been changed to Woolfolk & Shober. There is no other change.

Servants of the Kremlin

"The history of the last decade records in convincing detail the prompt and faithful adherence of the Communist party to the aims and policies of a foreign power. As the recent report of the Canadian Royal Commission bears witness, the party and 'fellow travelers' in sympathetic affiliation are ever ready to prove their faith by deeds where opportunity affords, notably in the unauthorized disclosure of restricted data on atomic energy to agents of a foreign power, even at the risk of severe criminal penalties.

* * *

"Past experience, notably in the strike in the Milwaukee plant of the Allis Chalmers Company in the interlude between the Russo-German pact of 1939 and the German attack on Russia in June, 1941, teaches that labor unions under Communist leadership, however innocent the rank and file membership, may be used to halt production in the interest of a foreign power.

* * *

"Thus a union officer or one who was not loyal to the interests of the United States could precipitate a strike actually in the interests of a foreign power, but avowedly for legitimate trade union purposes and accepted as such by the union members.

"At the present juncture of world affairs such a risk is too dangerous to be run in our atomic energy program."—Government brief in CIO United Electrical Workers Union suit.

This suit discloses but one small corner of a "mess" which sooner or later will have to be cleaned up thoroughly.

The communists in this country for the most part are not merely advocates of injurious economic nonsense; they are servants of a ruthless foreign dictator.

Says Controls Would Stimulate Inflation

Guaranty Trust Company of New York, in its monthly "Survey," holds despite changes in inflationary situation, President's program of controls will receive serious consideration, despite fact that suggested proposals would merely worsen situation.

"The victors in the national election apparently regard the vote of the people as a mandate in favor of the broad political, social and economic ideas that have guided Federal policy for the last 16 years. Whether this interpretation is correct or not, it is clear that the current aspects of that policy, as set forth by the President and other officials, have taken on a new significance to those who conduct business affairs," states the Guaranty Trust Company of New York in the current issue of "The Guaranty Survey," its monthly review of business and financial conditions, published today.

Anti-Inflationary Measures

"Among the questions of most immediate concern is that of measures to combat inflation. Events seem to have proved that the country is not prepared to face the rigors and perils of a vigorous and thoroughgoing anti-inflationary program. If this is the case, it would be better to face it squarely than to continue toying with superficial remedies of a supposedly painless but really destructive character. Fortunately, recent trends suggest that inflationary pressure may be relaxing of its own accord and, unless given new force by unforeseeable emergencies or by unsound policies, may already have done its worst damage.

"How many of the recommendations proposed by the President last summer will be repeated at the next session is an open question. The situation has changed in two important respects. First, at the time the proposals were made, the wholesale price level had risen almost steadily for about five months, whereas now the trend has been as steadily downward since late September and the level is the lowest since early May. Second, the recommendations, if repeated at the next session, will have a much better chance of acceptance than they had last summer. It was widely doubted at that time whether all the proposals would have been made if there had been any serious prospect of their enactment. The question seems even more pertinent toady.

The President's Program

"Despite changes in the situation, there is ample reason to fear that at least some of these measures, most of which have no basic relation to the inflationary problem and all of which contain dangerous possibilities, will receive serious consideration. It would be difficult to think of a worse anti-inflationary device than an excess profits tax, with its tendency to reduce production and its almost infinitesimal potential effect on the price level through the pricing policies of corporations. Direct price control broke down disastrously in the early postwar period because it restricted output and created black markets and there is every reason to believe that it would be even more unsuccessful now, especially in the absence of wage regulation, which has not been seriously proposed. Much the same is true of rationing; it is most unlikely that the people could be induced to submit to it in peacetime, even if they were convinced that it would really be an effective anti-inflationary measure. Compulsory allocation, inventory control, and regulation of commodity exchanges would involve dangerous interference with free market mechanisms and managerial discretion; and regulation of commodity exchanges is without even theoretical merit as an anti-inflationary weapon.

Labor and Farm Policy

"The implications of the election with respect to labor-management relations are less clear. The President has consistently stood for repeal of the Taft-Hartley Act, and it is reported that a new bill is being drafted, based on the President's proposals to Congress in January, 1947.

"The question of primary importance is not whether the Taft-Hartley Act is repealed, but what sort of law emerges as a substitute. It is certain that a return to the Wagner Act, without major amendment, would be a serious mistake. This, however, is apparently not contemplated. In the framing of possible substitute legislation, three requirements stand out: safeguards against the more extreme forms of labor monopoly, application of collective-bargaining obligations to labor and management alike, and protection of the public interest in disputes that threaten health and safety. Unless these minimum needs are met, it is to be feared that labor-management relations will become again the serious drag on enterprise that they unquestionably were under the Wagner Act.

"Agricultural policy was not a clear-cut issue in the pre-election campaign. Both major Presidential candidates favored continuation of the practice of supporting farm prices and there seems to be no reason to suppose that Federal policy in this respect will be substantially different from what it would have been if a change of administration had occurred. Some reports since the election have suggested that a flat support price at 90% of parity may be urged in place of the sliding scale provided for in the present law. There seems to have been no official confirmation of these reports and it is to be hoped that no such change will be made. The greatest virtue of the existing law, as compared with its many predecessors, is that it is based on a clearer recognition of the necessity for price flexibility as a reflection of the supply-and-demand situation. Whether adequate flexibility is permitted even by the sliding scale of the present law is questionable, but a flat 90% guarantee would be completely unrealistic and would leave little prospect that the system could be maintained over a long period.

The Fiscal Outlook

"With respect to fiscal policy, the outstanding fact is that the Administration now being returned to office has never shown a real determination to reduce the cost of government or an adequate appreciation of the gravity of the existing tax burden. Here, again, the extent to which the outlook might have been changed by a different election outcome is uncertain. All that can be said with confidence is that there is no clear prospect of reduction in nonessential Federal expenditures or of official recognition of the need for encouraging the flow of venture capital into industry.

"With expenditures for national defense and foreign aid almost certain to continue at high levels for several years at least, the necessity for economy in other divisions of the Federal budget is a matter of great urgency. Unless substantial budgetary surpluses can be achieved at present levels of national income without further increases in the already crushing load of taxation, there would seem to be little likelihood that further inflationary increases in the national debt can be avoided over the long term."

Joins Hollev, Dayton & Gernon

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Frank A. Warner is with Holley, Dayton & Gernon, Rand Tower.

Drift Toward Collectivism

First National Bank of Boston, in current "New England Letter," says for nearly two decades government has been operating pincers on industry so that corporate income has fallen short of meeting fresh capital requirements. Sees similarity of current governmental philsopohy and fiscal policy to those employed by totalitarian powers.

"There must be a change in our concepts of money and wealth, and we must adopt sound policies in keeping with our economic capacity, or we shall continue our drift down the road to collectivism," says The First National Bank of Boston in its current New England "Letter." Continuing the bank says, "This is the price that is to be paid if the American people permit themselves to be bamboozled by siren voices into selling their 'birthright for a mess of pottage.'

"Generous promises of benefits were made to nearly all major groups during the recent Presidential campaign. These items included Federal housing, slum clearance, aids to shools, liberalized social security, health insurance, expansion of public works projects, government support of farm prices, higher wages for teachers, Federal employees, and factory workers, and the like. On the other hand, practically no mention was made of our staggering outstanding obligations, how the new commitments would be financed or the need for increased productivity which is the only primary source that can provide these betterments. It would seem that it was only a matter of common sense to give some thought to our outstanding commitments and our capacity to carry a larger load.

"For nearly two decades the government has been operating a pincers on industry by promoting and abetting measures that have artificially greatly increased costs—particularly wages and taxes—while on the other hand, attempts have been made to place a ceiling on industrial prices. As a result of this process over this period, corporate income, despite its current high level, has fallen far short of meeting the fresh capital requirements for plant expansion, new equipment, and the development of new processes. The funds used for this purpose are known as 'seed money' since the proceeds are used for increased productivity to take care of the growth requirements of the country and ever-higher living standards of our people. To use money siphoned off by taxes and distributed through governmental channels, which is urgently needed for the development of our productive facilities, is equivalent to eating the seed corn.

"It is true that corporate income is currently running at record high levels. But as we have previously pointed out in our 'Letters,' this is an abnormal period and the profits of many industries may prove to be illusory. Any sharp decline in prices would convert black figures into red. Furthermore, the rise in costs, wages, material, and taxes has been so sharp that many firms must operate at a level twice as high as before the war in order to break even, so just a moderate decline in operations would slash profits. Finally, replacement costs are about double the prewar period whereas the deductible depreciation allowance for Federal tax purposes is based on original costs. In consequence, the reserves that can be set aside, for obsolescence and repair, without penalty under rulings of the Treasury are wholly inadequate to cover the cost of replacement. On the other hand, during the past decade and a half obsolescence and physical deterioration have created the greatest deficiency in capital facilities ever known. In his annual message to Congress last January, President Truman stated: 'We are today far short of the industrial capacity we need for a growing future. At least $50 billion should be invested by industry to improve and expand our productive facilities over the next few years. But this is only the beginning. The industrial application of atomic energy and other scientific advances will constantly open up further opportunities for expansion.' So we are presented with a dilemma of trying to eat our cake and have it, too.

"Such a disregard of the true nature of profits as characterizes the current suggestions to 'soak the rich' and penalize successful business enterprise is a shortsighted policy. It is like firing a shotgun into the crowd. In the long run such a policy jeopardizes all interests, rich and poor. As a matter of fact, it is the worker who is the most severely penalized since lack of seed money means 'killing the goose that is laying the golden eggs,' with the consequence that potential jobs are destroyed.

"But the master planners will say that the government can furnish the necessary funds. Socialized credit and other government subsidies, however, are narcotics that dull personal initiative and stifly enterprise. What appears like 'manna from heaven' would in reality be a drug like opium that would make the people prostrate and helpless. While the people were lulled by the 'benefits' of the vast outpourings of their own money from taxation and borrowings, relentless forces would be carrying the country down the road to dictatorship. We have already gone a long way in that direction. The current governmental philosophy and fiscal policies in this country bear a striking similarity to those employed by the totalitarian powers past and present."

Fred J. Armentrout With Prugh, Combest

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Fred J. Armentrout has become associated

Fred J. Armentrout

with Prugh, Combest & Land, Inc., 1016 Baltimore Avenue. Mr. Armentrout was formerly with McDonald & Co. In the past he was an officer of John J. Seerley & Co.

R. A. Wernecke Joins Paul H. Davis Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Richard A. Wernecke has become associated with Paul H. Davis & Co., 10 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Wernecke was formerly in the trading department of the First Securities Company of Chicago and prior thereto with Brailsford & Co.

Danger of Bounteous Paternalism

Clinton T. Revere of Laird, Bissell & Meeds, says recent national election should not be construed as surrender to Socialism, but rather the pernicious effect of mounting bureaucracy and driving power of self-seeking groups, who, instead of seeking own welfare, desire bounteous paternalism.

Clinton T. Revere, partner of Laird, Bissell & Meeds, members of the New York Stock Exchange and other securities and commodity exchanges, in a recent circular, entitled "Cotton and Other Problems," published by the firm, finds in the national election outcome not so much a matter of inflation or deflation, or even a trend toward Socialism and Communism, but an example of the driving force of mounting bureaucracy and self seeking groups. Says Mr. Revere:

Clinton T. Revere

"Now, with the last election a memory instead of a political anticipation, we might consider some of the reactions by which the results have been interpreted. By way of parenthesis, we might state that this is no time for prediction of "boom or bust," or prosperity or depression as an outcome of what happened at the polls on November 2. The question before us transcends the mere materialism of prospective inflation or deflation. It rises far higher than one of food, housing, "security," etc., etc. All these things may be essential, but they can come as a permanency only if we know the answer to one Mighty Interrogatory — Where stands America? Where does America go from here?

"We need not pause at this time to ponder the question of whether this is a Democracy or a Republic. Other terminologies, alien in spirit, have crowded upon us for consideration. As we look upon some of the legislation and executive directives, with their inevitable consequences of mounting debt and menace to national solvency, new and ugly spectres have intruded upon our uplifting dreams of a destiny hitherto decked out with a divinely inspired freedom.

"What are these strange shapes that crowd upon our vision of national well-being and world guidance? They probably can be given many names, but here they are in simples—Socialism and Communism—and our recent election, by far too many, is presumed to carry these imports.

"No conclusion could be more absurd and shallow. The implication was not of a trend toward Socialism or Communism, although perhaps no less shameful. In that early November plebiscite, what we witnessed was the pernicious effect of mounting bureaucracy and the driving power of self-seeking pressure groups. Promises there were, *ad nauseam*, by the two leading parties, but practically identical in the appeal they offered. Also deeply distressing was the contempt in which our national character seemed to be held. The nation's suffrage almost might be said to have been put on the auction block for the highest bidder. Although farm prices literally were at record heights, the bait of still higher levels was held forth as a lure for the rural voter. Further wage increases were dangled before the eyes of the workers, and now, as an evidence of their arrogant assumption of power, some of our labor leaders propose the "purging" of lawmakers who dare vote contrary to their demands. Hitherto, *only one man* had ventured to exercise the "purge" against those who opposed his will.

"Disheartening as this spectacle of decadence may appear, it should not be construed— at least not yet —as a definite surrender to Socialism or Communism. What we have witnessed, in reality, is the sordid shame of catering to what Polybius called 'an appetite for gifts' to come from a paternalistic government. This phenomenon differs from Socialism or Communism in that it has none of the top-lofty pretensions of idealism that characterize these two fantasies. These odious twins possess a certain amount of vitality that derives from a quasi-religions appeal. But they finally pass into the shadows of time as their fallacies are exploded.

"If we inquire for a key to the solution of our problem, we will find it in the overriding element of national character. It means a return to, or at least a revival of, the 'American way.' The fundament is freedom, backed up by courage, honesty and the honoring of contractual obligations. These are the tools of progress, not merely material progress, but that Spartan quality of the spirit where the soul, instead of the belly, exerts its supremacy over the character of a nation. Self-seeking pressure groups have no place in such a scheme. They are not of America. They stem from alien weaknesses, leaning for centuries on the grudging grants wrung from totalitarian arrogance. A free people has no need of a paternalism that degrades the spirit of its beneficiaries and takes far more than it gives. Our history, and what undoubtedly is our appointed destiny, holds before us the urgency of safeguarding our America with its lessons and its aspirations, instead of yielding to the appeals of historically demonstrated failures."

Railroad Securities

The railroad bond market had a severe test last week and came through successfully. The largest offering of new bonds to reach the market in well over a year attracted bids from two investment banking groups. Considering the experience with the $30 million of Louisville & Nashville mortgage bonds at the mid-year, there had been considerable difference of opinion as to the probable public reception of $40 million of Chesapeake & Ohio Refunding & Improvement bonds. When the bonds were offered, however, they were quickly sold out. In comparison with other rail issues of comparable caliber, and with other series of the same mortgage, the 25-year maturity was very attractively priced to afford a maturity yield of 3.83%.

Despite the success of the financing the company's stock continued under considerable pressure. It was unique among the major rail equities in selling down to a new 1948 low last week. The low of 32½ was the lowest price at which the stock had sold since 1942 and compared with a high of 45¼ earlier this year. At the recent low level the stock affords an income return of 9.2% on the basis of the regular $3 dividend rate. This regular annual rate has been maintained since 1940, with extras in most years. Recent action of the stock, long regarded as one of the prime investments in the rail field, suggests apprehension in some quarters as to continuation of the $3 dividend rate. Most rail analysts are of the opinion that this concern is unwarranted.

Measured by general standards within the industry the long-range dividend policies have been far from conservative. For the 10 years 1938-1947 cash dividend distributions averaged approximately 80% of reported earnings. In addition, common stock holders received as extra dividends the company's stock holdings in the highly profitable Pittston Company and New York, Chicago & St. Louis. The latter was not an income producer for Chesapeake & Ohio because of large preferred dividend arrears. The merger of this property into Chesapeake & Ohio, as had been contemplated, would, however, have improved the parent company's earnings picture materially.

The large cash dividend distributions, and distribution of stock holdings that might much better have been retained, or which might at least have been sold for cash, obviously did not leave much over for capital expenditures. This condition was aggravated by the use of cash to acquire New York Central common stock (so far not an income producer) and to reacquire and rehabilitate the Greenbrier Hotel. Property and equipment needs, including a large number of passenger cars, were heavy. The net result of these various forces was that the company's cash and equivalent had dropped below $33 million and current liabilities exceeded current assets by more than $9 million. There was no alternative but to resort to public financing to replenish the treasury.

One of the reasons for bearishness toward the Chesapeake & Ohio stock has apparently been a feeling that a substantial part of the money spent in recent years has not been justified. In particular, the purchase of New York Central stock and the Greenbrier have been cited. There has been some question as to the advisability of heavy expenditures for passenger equipment, and many innovations in the passenger business, by a road that is not a large passenger carrier. In this connection the particularly high passenger operating ratio of Chesapeake & Ohio has also come in for considerable adverse comment. What has not been stressed to any great extent is that such questionable expenditures have represented only a fraction of the whole and that major outlays for line extensions into new coal fields, improvement of yard facilities, etc. carry potentialities for a vast improvement in the company's earning power.

Regardless of the adverse psychological results of publicity given to certain aspects of the Chesapeake & Ohio picture there can be no denial of the fact that fundamentally it is still a sound operating property. It is still able to maintain a transportation ratio considerably below that of the industry as a whole. Its earnings this year will cover the regular $3 dividend requirement by a considerable margin. New line extensions should result in the development of important new traffic sources. Improvements at yards and terminals should result in substantial operating economies. All in all, it appears that the pessimism toward Chesapeake & Ohio has been carried to ridiculous extremes. This is a normal characteristic of any broad change in sentiment, whether the change is warranted or not. On fundamentals the stock at current levels appears to have been oversold.

Public Utility Securities

Possible Effects of Higher Taxes on Utility Earnings

One of the principal factors in the stock market decline following the election was the apprehension over a possible increase in Federal income taxes imposed on corporations. Such an increase would, it was assumed, prove necessary to keep the budget in balance and provide for increased military expenditures plus continued heavy expenditures by other departments. There was considerable conjecture in the press that the excess profits tax might be revived, and it was pointed out that Representative Dingell of Michigan had already (within the past year) introduced three bills for such a revival, and now plans to try again.

It is extremely difficult to forecast the possible results of any new excess profits tax law on the earnings of utility companies, even though the provision should be modeled closely after the 1945 statute. Reasons are: (1) possible choice of two bases for an exemption under the old law—average (adjusted) 1936-1939 earnings, or the capital base; (2) the innumerable exceptions, qualifications, and special Treasury rulings, which make it almost impossible for the laymen to understand the workings of the law; and (3) the fact that few of the basic working figures were made public.

In 1945 many utilities were able to reduce their taxes considerably by special charge-offs due to refunding operations—but this refunding program is no longer available, hence the burden would be much heavier than in 1945 for these companies, under the same law. Moreover, reimposition of EPT would lead to highly irregular earnings trends, depending upon the benefits which individual companies could obtain through their bookkeeping records on file with the Treasury Department—which records may differ radically from those reported to stockholders or to regulatory commissions.

An increase in the regular corporation rate (now 38% normal plus surtax) would seem much the simpler and fairer way to increase taxes if this really proves necessary. The accompanying table attempts to estimate the effects which a 45% or a 50% tax rate might have on the earnings of a few representative utility companies. Such computations are fairly simple, involving only the following steps: (1) compiling the latest amount of the Federal income tax payment, plus any amounts charged "in lieu of income taxes," (2) multiplying the totals by 18.4% and 31.7%, reflecting an increase in the tax rate from 38% to 45% and 50%, respectively; (3) dividing the latter results by the number of common shares; and (4) deducting the figures from the recent share earnings.

In general, many companies which have shown the largest increase in earnings in recent years would seem the most vulnerable to higher taxes if EPT is revived. If the regular tax rate is increased, the effect is more largely influenced by capital leverage. This would mean that some holding companies with relatively low common stock equities would be hurt the worst. Companies of the New England type with a relatively large common stock equity would probably suffer least, since the proportion of taxes to common stock earnings would be smaller.

POSSIBLE EFFECTS OF HIGHER FEDERAL INCOME TAX RATES ON SHARE EARNINGS OF SELECTED UTILITY COMPANIES

	Recent Share Earn'gs Amount	Share Earnings Adjusted to Higher Tax Rates 45%	50%	Div. Rate	Recent Price	Approx. Yield
Operating Companies:						
Commonwealth Edison	$1.73	$1.51	$1.35	$1.50	26	5.77%
Consolidated Edison	2.29	1.98	1.76	1.60	22¾	7.03
Consolidated Gas (Balt.)	4.21	3.67	3.29	3.60	59	6.10
Cleveland Electric	2.98	2.65	2.41	2.20	38½	5.71
Detroit Edison	1.41	1.28	1.19	1.20	20¼	5.92
Northern States Power	0.89	0.77	0.69	*	8¼	---
Pacific Gas & Electric	†2.36	2.03	1.80	2.00	31½	6.34
Penn. Power & Light	1.98	1.64	1.44	1.20	17¾	6.75
Virginia Electric	‡1.37	‡1.21	‡1.10	1.20	14⅝	8.20
Holding Companies:						
American Gas & Electric	4.27	3.61	3.28	§2.40	38	6.32
Central & South West	¶1.33	1.15	1.02	0.80	10⅝	7.53
General Public Utilities	1.91	1.69	1.53	0.80	11½	6.96
New England Elec. Sys.	**1.35	1.22	1.13	1.00	8⅜	11.94
New England Gas & Elec.	††1.33	1.19	1.09	0.80	10½	7.62
North American Co.	**1.85	1.64	1.49	1.00	15¼	6.56
West Penn Electric	3.50	2.89	2.44	1.00	15⅛	6.61

*Rate not yet initiated, may be 60-70 cents. †On shares now outstanding (on average number of shares, $2.47). ‡Before dilution due to stock offering. §Includes $1 cash and 9/100 shares of Atlantic City Electric. ¶Pro forma after stock offering. **Pro forma consolidated. ††Before sinking fund requirements equivalent to about 18 cents a share.

$51,450,000 New York State Bonds Marketed

Issue accorded heavy demand from investment sources.

The offering on Tuesday of a new issue of $51,450,000 State of New York 4%, 2½%, 2¼%, 1¼% housing bonds by a group headed by The Chase National Bank met with a very heavy demand, according to the bankers, with the result that all of the bonds were sold out of the group account on the same day. The 1950 to 1982 maturities are priced to yield from .70% to 2.20%; the 1983-84 maturities are offered at a dollar price of 100; and the 1985 to 1998 maturities are priced to yield from 2.30% to 2.50%.

The bonds are redeemable, at the option of the State, at par and accrued interest, on Dec. 1, 1988, or on any interest payment date thereafter, in the inverse order of their maturity. They are interest exempt from present Federal and New York State income taxes, and are legal investment for savings banks and trust funds in New York and certain other states and for savings banks in Connecticut and Massachusetts.

It is understood that New York State will sell no more bonds for at least six months and probably not for a year.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

August Ihlefeld, President of **Savings Banks Trust Company, of New York,** announces that at a regular meeting of the Board of Directors held on Nov. 19, George J. Ficken was appointed a Vice-President, and Frank C. Schell was appointed an Assistant Secretary. Mr. Ficken came to Savings Banks Trust Company in 1942 as Assistant Treasurer with a background of 27 years' experience in foreign and domestic banking. Mr. Schell, who also joined the the staff of the Trust Company in 1942, was previously engaged in both banking and general accounting work for 23 years.

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Guaranty Trust Company of New York announces the appointment of R. T. Tupper Barrett, formerly Manager of the Company's Paris Office, as Vice-President in charge of the European Offices, and the appointment of Maurice G. St. Germain as Manager of the Paris Office, succeeding Mr. Barrett. Mr. St. Germain was formerly an Assistant Manager of the Paris Office. Mr. Barrett was graduated from the University of Virginia in 1919. Associated successively with Portalis & Co., Ltd., the Royal Bank of Canada (New York Office), and the National City Bank of New York, he joined the National Bank of Commerce in 1922 as a member of the Foreign Department. At the time of the merger of the Bank of Commerce with the Guaranty in 1929, Mr. Barrett was representing the former abroad. In 1937, Mr. Barrett was appointed Joint Manager of the Paris Office. He returned to the United States in 1941, becoming associated with the Banking Department of the Main Office as a Second Vice-President. He returned to Paris to resume charge of Paris Office at the end of 1945. In 1942, Mr. Barrett was commissioned a Lieutenant Colonel in the army and assigned to overseas duty, later being promoted to Colonel. Mr. St. Germain, a native of the United States began his banking career, with the Canal Commercial Trust and Savings Bank of New Orleans. In 1921 he joined Guaranty Trust Company and in 1922 was appointed Assistant Secretary at La Havre Office. Two years later he was transferred to the Paris Office as Assistant Secretary. In 1928 he returned to La Havre Office as Manager, and was made Assistant Manager of the Paris Office in 1930.

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Cable advices received by the **New York Agency of Barclays Bank** Dominion, Colonial and Overseas), state that directors of the bank have recommended final dividends of 4% actual on the A stock and on the B shares less income tax in each case at the standard rate of 9/- in the pound. These dividends are payable on Dec. 31, 1948, and are for the period April 1, 1948 to Sept. 30, 1948, making 8% for the year. Barclays Bank (Dominion, Colonial and Overseas), which is affiliated to **Barclays Bank Limited, London,** maintains branches overseas in South Africa, East Africa, West Africa, Egypt and the Sudan, Mediterranean, Palestine, British West Indies, Eritrea, Libya and Somalia.

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The **New York Agency** at 67 Wall Street, of the **Standard Bank of South Africa Ltd.** announced on Nov. 26 the receipt of advices from the bank's head office in London to the effect that the directors of the bank "have resolved to pay the shareholders an interim dividend payable in British currency of seven shillings per share subject to income tax at the United Kingdom standard rate of nine shillings to the pound." Warrants for the dividend, it is added, "will be posted on the 28th January, next. At the 30th September, last, the bank's investments stood in the books at less than the market value on that date and all usual and necessary provisions have been made."

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F. J. Andre, President of Sheffield Farms Co., Inc., has been elected to the board of trustees of the **Excelsior Savings Bank of New York,** it was announced on Nov. 25 by Reginald Roome, President of the bank. Mr. Andre also is a director of National Dairy Products Corp., Milk Dealers Association of Metropolitan New York, and Commerce and Industry Association of New York, Inc.

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Philip Livingston, Vice-President of the **Security Trust Co. of Miami, Fla.,** died in Jackson Memorial Hospital, Miami, on Nov. 24. Mr. Livingston, who was 37 years of age, was born in New York City and located in Florida a year or more ago. He had formerly been Assistant Treasurer of the Central Hanover Bank & Trust Co. of New York. He was a member of the family for which Livingston Street in Brooklyn and Livingston Manor in Sullivan County, N. Y., was named. Mr. Livingston was a descendant of Philip Livingston, a signer of the Declaration of Independence.

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The new Madison Avenue Branch of the **Chase National Bank of New York**—28th Chase office in New York City—opened for business on Dec. 1 at Madison Avenue and 57th Street. Arthur Kunzinger, Second-Vice-President, is in charge of the branch. S. Allen Pippitt, Second Vice-President, Robert L. Herd and Thomas C. Moore, Assistant Managers, and John E. Buckley, Manager of the Chase Safe Deposit Company's branch vault, complete the official staff.

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Charles Pratt, President of Pratt Institute, was elected a trustee of the **Brooklyn Savings Bank of Brooklyn, N. Y.,** at the most recent meeting of the board of trustees, it is announced by Gilbert C. Barrett, the bank's President. Mr. Pratt is a trustee of the New York Public Library, Brooklyn Public Library, Brooklyn Institute of Arts & Sciences, and Brooklyn Trust Co.

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Herbert T. C. Wilson, President of the **Melrose Savings Bank of Melrose, Mass.,** and a former Vice-President of the First Boston Corp., died on Nov. 26, according to the Boston "Herald," which also said:

"A native of Malden, he was associated for many years with the Old Colony Trust Co. of Boston. When that bank merged with the First National Bank of Boston he became an officer of the First Boston Corp."

Mr. Wilson was 54 years of age.

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Geoffrey S. Smith has been elected the seventh President of the 112-year-old **Girard Trust Co. of Philadelphia,** succeeding James E. Gowen who becomes Chairman of the board. Mr. Smith, 47-year-old attorney, is a member of the law firm of Barnes, Dechert, Price, Smith & Clark. He was graduated from Harvard in 1922 and received his law degree at the University of Pennsylvania. Mr. Smith is a director of the Bell Telephone Co. of Pennsylvania and of the Philadelphia Savings Fund Society.

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Following the acquisition of the **Citizens National Bank of Washington, Pa.,** by the **Mellon National Bank and Trust Co. of Pittsburgh,** the Washington office of the Citizens and its branches at Burgettstown and Claysville have become branches of the Mellon bank. The acquisition was approved by the stockholders of the Citizens Bank on Nov. 19, it was indicated in the Pittsburgh "Post Gazette" of Nov. 22, from which the following is also quoted:

"Ernest M. Furbee, formerly Vice-President of the Washington bank, has been appointed Vice-President, and manager of the Washington and Clayville offices of the Mellon National, John M. Scott, who also was a Vice-President of the Citizens National, has been named manager of the Burgettstown office.

"Frank R. Denton, Vice-Chairman of the Mellon National, said Albert J. Allison, formerly President of the Washington bank, will serve on the Advisory Committee for the Washington office, and Advisory Committees also have been named for the other new offices. Formerly a member of the Mellon Bank Corp., the Citizens National Bank had total resources of more than $32,000,000."

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William J. Copeland has been appointed Assistant Trust Officer of **Peoples First National Bank and Trust Co. of Pittsburgh, Pa.** The Pittsburgh "Post Gazette" reports that Mr. Copeland became associated with the bank in November, 1947.

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James D. Harrison, President of the **First National Bank of Baltimore,** has been re-elected by banks in Group 1 to serve as a class A director of the **Federal Reserve Bank of Richmond,** it is learned from the Baltimore "Sun" of Nov. 20, which added:

"Charles C. Reed, President of Williams & Reed, Richmond, has been re-elected by banks in the same group to serve as a class B director of the **Reserve Bank.** Each director was chosen for a term of three years to begin January 1, 1949."

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The directors of the **Peoples Bank of Cumberland** and the **Liberty Trust Co. of Cumberland, Md.,** have approved plans for the merger of the two institutions under the name and charter of the Liberty Trust. This is learned from a Cumberland newspaper which states that the stockholders are to act on the proposals in December—those of the Peoples Bank on Dec. 10—while the Liberty Trust stockholders will act on Dec. 13. The paper from which we quote also said in part:

"The total capital stock, under the proposed merger, would amount to $600,000 represented by 60,000 shares of stock of the par value of $10 per share. At the present time the Liberty Trust Co. has capital stock of $400,000, represented by 20,000 shares of a par value of $20 per share, and the Peoples Bank has present capital stock of $200,000, represented by 8,000 shares of a par value of $25 per share. The combined present capital stocks of the two banks thus amount to $600,000, which is the same amount of capital stock proposed for the merged institution.

"The surplus account of the merged institution will amount to $600,000, which is an increase of $75,000 over the combined present surplus of the two banks. The undivided profits account will amount to approximately $175,000. The total capital, surplus and undivided profits accounts in the merged institution will approximate $1,375,000. Under the plan, shareholders of each bank will receive 2.1428 shares of the stock of the par value of $10 per share of the merged institution and for each share now owned by them in The Liberty Trust Co. and the Peoples Bank."

It is further stated that the combined assets of the two banks, based on figures as of Oct. 31, exceed $21,000,000. Charles A. Piper, President of the Liberty Trust Co., will continue as President. It is added that the present members of the boards of both banks will constitute the board of the merged institution, and it is expected that all officers and employees of the separate banks will also serve with the merged institution.

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La Salle Street Women will gather at the Cordon Club, Chicago, for their annual Yuletide Party on Dec. 8, at 6:15 p.m. The after dinner program will include singing of Christmas carols by members.

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As of Nov. 17, the consolidation was effected of the **Merchants National Bank of Indianapolis** and the **Fountain Square State Bank** of that city under the charter and corporate title of "The Merchants National Bank of Indianapolis," with common capital stock of $2,025,000, divided into 202,500 shares of the par value of $10 each, and a surplus of $2,100,000. The Merchants National before the consolidation had a capital of $1,250,000 while the capital of the Fountain Square State Bank was $100,000.

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Plans for the opening of the **City Bank of Detroit, Mich.**, in January are in progress, according to the Detroit "Free Press" of Nov. 21. The same advices state that Leonard N. Simons, partner in Simons-Michelson Co., Detroit advertising firm, has joined the group of organizers of the bank, Joseph F. Verhelle announced on Nov. 20.

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The election of Joseph J. Boos of the **City National Bank & Trust Co. of Kansas City, Mo.**, as President of the Missouri Safe Deposit Association, at its recent meeting in Jefferson City, was made known in the Kansas City "Star" of Nov. 23.

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J. R. Parten, Chairman of the Board of the **Federal Reserve Bank of Dallas**, announced on Nov. 23 that, as a result of the recent election, P. P. Butler, President of the **First National Bank in Houston, Texas**, has been elected a class A director and J. R. Milam, President of the Cooper Co., Inc., Waco, Texas, has been re-elected a class B director of the bank, each for a three-year term beginning Jan. 1, 1949. Mr. Butler has been active in the banking field for the past 20 years. From 1928 to 1944 he served successively as Executive Vice-President and President of the American National Bank of Beaumont, Texas. Since May 1, 1944, he has been active in the management of the institution of which he is now President. Mr. Milam was engaged in the banking business during the early years of his career, but for the past 40 years he has been serving in an official capacity with the Cooper Co., Inc., a large wholesale grocery concern, and has been its President for 10 years.

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The Los Angeles "Times" of Nov. 19 reported that the directors of the **Security-First National Bank of Los Angeles** have named as new Vice-Presidents: Ray M. Bartee, formerly head office Assistant Trust Offices; James O Bishop, Manager of the Burbank branch; Edwin S. Crawford, Manager Vernon branch, and Frank L. Humphrey, formerly head office Assistant Vice-President.

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In a letter to stockholders Nov. 15, directors of **California Bank of Los Angeles, Cal.**, asked consent of stockholders to amend the articles of incorporation to increase the authorized capital stock from the present 260,000 to 400,000 shares. It is the present intention of the board to give consideration to an initial offering to stockholders of rights to subscribe to 40,000 shares. "However," the letter says, "in view of the time that must necessarily elapse before the amendment will become effective, plans for the offering must be indefinite because of possible changes in market and other conditions." If the amendment is adopted by stockholders, the letter points out, the additional shares will be available to be issued from time to time without delay incident to further amendment of the articles.

Looks for Reduction in Back Orders

Robert C. Swanton, reporting for Business Survey Committee of National Association of Purchasing Agents, says, though election had little effect on November industrial business, production is likely to fall off in next two months, with large declines in back orders.

Reporting the composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, Chairman Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Corporation, reports the election had very little effect on November industrial business. The trends established in September and October continued and reports show production high, with back orders declining. The consensus of purchasing executives is that production will fall off during December and, possibly, January, and back orders will decline further. A combination of factors is reported responsible. Many industries that are normally subject to seasonal variations in activity, but which have continued twelve-month capacity operations since the war, are now finding the return of seasonal fluctuations influencing sales and production schedules. The uncertainty of government policies is a limiting factor on programs, for management must be in a position to make quick revisions, if necessary. Luxury lines, wearing apparel, and capital equipment seem most affected at this time. Long-range plans involving construction, capital equipment expenditures and sales promotional campaigns appear to be hesitant, awaiting clarification of the rules under which industry is to operate.

Robert C. Swanton

Commodity Prices

Except for the movement in nonferrous metals, both open and "outside" market, the price situation shows a continuing leveling off, with a stronger trend to decline. It is pointed out that many commodities are selling below their postwar highs. Fabricated items are developing keen competion. Overstocked shelf goods are being offered at reductions. While current markets are spotty pricewise, there is a strong tendency toward softening.

Inventories

The policy to reduce inventories to lowest workable limits continues in force. In line with hesitancy about the future, shortened buying range, and falling backlogs, some liquidation of inventories is in evidence. In many organizations, substantial reserves are being set up to cover anticipated inventory losses. Extreme conservatism is the order of the day.

Buying Policy

Ninety-eight per cent are now within the "hand-to-mouth to 90-day" commitment range. Compared with 88% in this bracket a few months ago, the reflected views on future market conditions are most pronounced. It might be expected that forward commitment policies would broaden to meet the threats of government controls and a fourth wave of wage increases. The reverse, however, appears to be true. The bottleneck created by scarce commodities holds back commitments in the easier-to-get materials.

Specific Commodity Changes

Lead and zinc were the important commodities registering price advances this month. "Outside market" sales of copper at over current market quotations are reported. Conversion deals in lead, copper, aluminum and steel, resulting in higher than published market prices for end products, have been more in evidence this month. Other than these, commodity prices remain static with a tendency to lower.

Reported Up: Diamond powder, dies castings, dyes, engines, felts, gasoline, machinery, China wood oil, paint, rosin.

On down side: Alcohol, used cars, botanical drugs, coal, cornstarch, cotton, cotton twine, food, formaldehyde, friction tape, gummed tape, lumber, lard oil, paper, wastepaper, pitch, radios, rubber, silver, soap, many textiles.

The **hard-to-get list** remains the same. Aluminum, lead, copper, zinc, nickel, steel, cadmium, cement, coke, nails, tin.

In **easier supply:** Alcohol, coal, fuel oil, lumber, lard oil, lubricating oil, soda ash.

Employment

In general, high employment is being maintained throughout the country, but there are soft spots developing. An increasing number report small to substantial layoffs and shorter working time. Reduction of backlogs shows up first in a curtailment of initial manufacturing operations, and work-in-process moves rapidly into finished goods. Reluctance of many manufacturers to stock pile the finished products is reported to be influencing employment and work schedules.

Canada

Production and back orders are holding about the same as last month—high. Prices static, but some indications of softness. Inventories down. Employment good. Some seasonal layoffs. Buying policy the same as in the States.

Thiele With Goodbody Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Sherwin C. Thiele is now connected with Goodbody & Co., 105 West Adams Street. Mr. Thiele was previously with Riter & Co.

With Baldwin, White & Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—John J. Mahoney has joined the staff of Baldwin, White & Co., 30 Federal Street, members of the Boston Stock Exchange. He was previously with J. H. Goddard & Co.

L. W. Phillips Forming Own Investment Co.

BOSTON, MASS.—L. W. Phillips has formed L. W. Phillips and Company with offices at 201 Devonshire Street to engage in the securities business. He was previously an officer of Carver & Co., Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A better tone coupled with somewhat expanded volume has improved prices of Treasury obligations especially the bank issues. . . . Although the market is still tinged with professionalism investors have been nibbling away at the higher income eligibles, because earnings are still very important to these institutions. . . . A constructive attitude is held by many dealers and investors toward the longest bank 2½s and the 2¼s due 1956/59, despite the apparent willingness of Federal to hit bids. . . . It is being pointed out that considerable funds will be available for investment this month and a goodly amount of the called bonds will find their way into the higher coupon eligibles. . . . The partially-exempts, particularly the 2¾% due 1960/65 continue to be under accumulation. . . .

Although the government bond market is not expected to move too far on the up side, because the monetary authorities will be sellers on strength, the extreme fear of a few weeks ago seems to have abated somewhat. . . . A fair trading market with selective purchasing appears to be in the making, without too pronounced moves in either direction, until some of the uncertainties are cleared up, probably after the turn of the year. . . .

REFUNDING POLICY

The December-January refunding of the Treasury, which increases the floating debt of the government, has many in the money markets wondering whether this policy of adding to the short-term debt will be continued during the coming year, when fairly sizable amounts of bonds, both taxables and partially-exempts, become callable. . . . To be sure, the redemption of higher coupon obligations, through the sale of short-term low interest-bearing issues, will cut the debt burden. . . . However, in the past such programs have turned out to be unsound, and have caused some very embarrassing periods for those governments that have allowed the floating debt of a nation to assume too large proportions. . . . History, strange as it may seem, has that habit of repeating itself at the most inopportune times. . . .

The monetary authorities in building up the floating debt in the current refunding seem to have no doubts about their ability to refund maturities, when due at whatever rates they may set. . . . If greater controls should be needed to carry out these operations, there seems to be very little doubt about their being obtained from the Congress. . . . Nevertheless, it is believed in some quarters that this drive for economy in refundings can be carried too far, and the idea that what is cheap (low in cost) is sound, should not be the major factor in working out future refundings of the Treasury. . . . During the coming year, exclusive of bills and certificates, there will be callable $4,404,000,000 of taxable bonds, the "three little sisters," the 2s due 1949/51, and $2,277,000,000 of partially-exempt obligations, the 3⅛s due Dec. 15, 1949/52 and the 2½s due Dec. 15, 1949/53. . . .

LOWER BANK EARNINGS

The Treasury could save considerable in interest charges by refunding these obligations with one-year maturities carrying 1¼% or 1⅜%, but again more than $6,600,000,000 would be added to an already sizable floating debt. . . . The bulk of the callable bonds is owned by commercial banks, Federal and other investors, and no doubt the institutional holders would take the short-term lower coupon issues offered in exchange for the larger income obligations they currently own. . . . However, a further decrease in earnings of the commercial banks would result, which would force these institutions into either long-term higher coupon bonds or loans in order to maintain income. . . . The squeeze on revenues of the deposit banks would be tightened by a continuation of low income refundings since the upping of cash reserve requirements has already immobilized large amounts of funds that the banks could be using to help keep earnings in pace with increased operating costs. . . .

It is believed that the future refundings of the Treasury should give the deposit banks an opportunity to replace at least a part of their higher income issues with obligations that bear somewhat near the same coupon rate as those being called. . . . For instance a 2% bond, offered in exchange for part of the 2s along with 1½s should work out well, and at the same time there would be an extension of maturities. . . . There would be a saving in interest charges while an already large floating debt would not be increased. . . . If the partially-exempts were to be replaced with bonds that would be suitable for non-bank investors, there could be a further moving out of maturities with some saving in debt cost. . . .

RESERVES

The question of increased powers for the monetary authorities over reserves of member banks, is bringing up the point as to how they should be applied, when, as and if obtained by the money managers. . . . Special reserves, such as suggested by Marriner Eccles of the Federal Reserve Board seem to be coming in for greater consideration as well as some form of "Special Deposits" that would give the member banks income on funds tied up as required reserves. . . . Some feel cash reserves should be lowered and special reserves increased, so that the power to restrict lending would not restrict the earnings of member institutions.

With Herrick, Waddell

(Special to The Financial Chronicle)

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

With B. C. Ziegler Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN.—T. O. Heggen has become associated with B. C. Ziegler & Co. of West Bend, Wis.

With State Bond & Mtg.

(Special to The Financial Chronicle)

NEW ULM, MINN.—Elmer M. Anderson is with State Bond & Mortgage Co., 26½ North Minnesota Street.

Kalman & Co. Adds

(Special to The Financial Chronicle)

ST. PAUL, MINN.—Joseph W. Elsinger is with Kalman & Co., Endicott Building.

New Outlook

(Continued from page 5)

lar, while dividends distributed should bear the same relation to the price level if the stockholder is to be fairly compensated for his own rise in living costs. If new venture capital is to be made available to industry cognizance must be given to these factors.

Furthermore, the current level of corporate profits is overstated by the fact that plant depreciation charges, based upon original cost under U. S. tax rules, are totally inadequate to replace worn out obsolete equipment at today's prices; and inflation has produced in many cases illusory inventory profits.

Wage Spiral

Agitation for higher wages since the close of the war has repeatedly been based upon the rise in living costs since that date. This is a statistical fallacy since hourly wages in 1945 had already been hiked 69% above pre-war, whereas commodity prices were, and rents still are, under OPA control. In the following comparison it will be seen that wage rates which, conditioned by labor productivity per hour, determine the cost of "making things" have led the price parade.

	Industrial Wage Rates Per Hour	Cost of Living Index 1935-39=100	*Wholesale Commodity Prices
1940	111	100	98
1941	121	105	108
1942	140	117	122
1943	158	124	128
1944	168	123	129
1945	169	128	131
1946	178	139	150
1947	201	159	189
1948	221	175	210

Source: U. S. Bureau of Labor Statistics
*Includes farm products.

For the second time in this century a permanent upward shift in the basic price level has occurred. As a result of wage gains during War I prices were increased an average of about 50%. Affecting not only manufactured articles, food, and similar elements in the cost of living, basic changes in the price level are inevitably reflected at any point where the dollar is the yardstick of current income, expense or property value. In short, the "50 cent dollar" permeates the entire economy and does not simply stop at the wage level. It is a delusion to believe that wage rates can remain flexible, on the upside, with prices and profits nailed down and full production maintained.

In the accompanying chart the effect of inflation upon commodities, industrial earnings, dividends, and stock prices for the two war periods is shown. During post War I earnings, dividends and stock prices were affected in the same degree as were commodity prices by the upping of wage rates under the influence of labor shortages, union activity, and political sponsorship. In fact, the average level of each of these elements from 1919-25 (eliminating yearly variations) experienced approximately the same rise of some 50-60%. This phenomenon is happening to an even greater degree—except that stock prices have failed by a wide margin to reflect the current gain in both dividend disbursements and earnings. Data shown on the chart for the War II period are as follows:

	Commodity Prices	Stock Prices	Industrial— Earnings	Per Share Dividends
1935-1939 Average	100	100	100	100
1941	108	80	110	130
1945	131	123	124	126
1947	189	128	212	168
1948	210	125	256	214

Source: U. S. Bureau of Labor Statistics: Standard and Poor's—earnings and stock prices; Moody's dividend rates on 125 industrial stocks.

Where Now?

Whether or not stock prices are correctly discounting a drastic decline in the earning power of American industry as measured in terms of the 1948 dollar, only the future will tell. Certainly there is no gainsaying the fact that political tampering and an atmosphere unfavorable to business psychology were responsible for a state of continuous depression prior to War II.

But consider this. That depression, characterized by subnormal production of durable goods, was the longest and severest in the nation's history and was succeeded by four years of complete stoppage of all but necessitous civilian goods. Meanwhile the population both continued to grow and migrated en masse to the West and South (according to U. S. census data, 25 million persons moved from one County or State to another, 1940-47). Many major industries as a result have backlogs of expansion to accomplish and consumer needs to fill which practically assure high level production for the next four to five years. In our Pacific Coast Letter of March, 1948, analysis of housing requirements revealed that a market will exist for 1¼-1½ million new homes per year for the next five years; of all autos now in use 55% are 8 years old or over; and at present rates of production we are barely keeping pace with the obsolescence factor; the electric power industry is in the midst of a four-year $6 billion expansion program; the petroleum industry is investing a total of $4 billion in additional facilities during the next two years; steel has had to be earmarked for urgently needed freight cars, and railroads are in process of "dieselizing" throughout; natural gas transmission line construction will be limited only by the availability of pipe during the next few years; agricultural machinery demand is largest in history. All these needs converge on the steel industry, which in turn is further expanding its facilities. The rearmament program and aid to Europe impose additional burdens on our productive capacity. Furthermore, new technologies and war-acquired know-how have advanced the use of plastics, synthetics of many types in the rubber and petro-chemical industries, aluminum, plywood, television and electronics. All these developments involve both industrial expansion and increased activity in supplying newly created markets.

Despite this record breaking total of work ahead, the nation, at its full limit of manpower, plant, and materials, this year has been able to devote no greater share of its total productive energies to it (the balance going into non-durables such as food, clothing, services, etc.) than in the latter 1920's when backlogs had dwindled to a point of insignificance as compared with the physical needs of today.

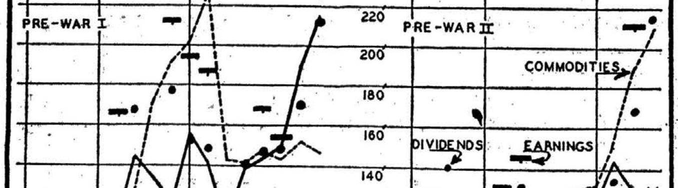
DIVISION OF GROSS NATIONAL PRODUCTION

	1929	1937	1948
Consumer durable goods (autos, etc.)	9.1%	7.8%	9.0%
New construction	7.5	4.1	5.8
Producers' durable goods (machinery, etc.)	6.2	6.0	8.3
Nondurable goods and services	77.2	82.1	76.9
Total	100.0%	100.0%	100.0%

In view of these considerations, the prospect is for continued high level employment provided (a) any further wage hikes do not result in "pricing goods out of the market"; (b) profit margins are not so squeezed, through absorption of wage or tax increases, as to cause drastic curtailment of expansion plans; and (c) the political approach to intricate problems which exist in the national scene will give full cognizance to the fact that this country's prosperity is its main defense in the cold war.

Obviously, uncertainties exist which will be dispelled only by the unfolding of political events during the next few months. While security markets may remain on a touch-and-go basis, it is significant to note in the chart that (a) industrial stock prices have been discounting unfavorable developments of a severe character; and (b) during the short but severe depression of 1921, stock prices remained above the pre-War I highs, reflecting the effect of inflation on stock prices even in a period of contraction.

During the past two years industry and trade have been undergoing piecemeal readjustments to buyer's markets and re-establishment of normal competitive conditions. This process will continue, although some types of businesses are more vulnerable than others due to labor costs, break-even points, price relationships, and basic demand factors. Generally speaking, common stock selections at this time should be confined to essential industries in which labor costs are low or where backlogs will sustain operations for a considerable period ahead.



Predicts Record 1949 New Construction

Joint estimate of Departments of Commerce and Labor fix dollar-volume of building at $18¾ billion, compared with $17.8 billion for 1948. New public projects estimated at $1 billion.

New construction in 1949 is expected to reach a value of $18.75 billion, setting a new dollar-volume record for building activity, the Department of Commerce announced on Nov. 29.

The expected total of $18.75 billion, a joint estimate of the Departments of Commerce and Labor, represents an increase of more than 5% over the $17.8 billion figure now in prospect for 1948.

Physical volume of construction in 1949, however, apparently will be about the same as in 1948, and thus will remain appreciably below previous physical volume records set in the 1920's and in 1942.

For new private construction, the 1949 outlook is for a dollar value total of $13¾ billion, approximately the same as the total which it now appears will be reached in the present year. New public construction in 1949 is estimated at $5 billion, an increase of almost $1 billion—or 24%—over the total for 1948.

Private non-farm residential construction will continue to be the largest single component of new construction and, at $6.5 billion, is expected to constitute about 35% of the total. This estimate, however, represents a decline of more than 8%, in comparison with the figure of $7.1 billion for 1948.

Aside from residential building, most of the principal components of new private construction are expected to increase. Private nonresidential building in 1949 as a whole is estimated at just over $4 billion, an increase of 12% over the probable total for 1948. This increase in total private non-residential building results from an estimated 15% increase in commercial construction and 35% increase in "all other" private nonresidential building. The latter classification includes private educational buildings, churches, hospitals and social and recreational buildings. These expected gains are only partially offset by an expected 6% decrease in industrial construction. Privately owned public utility construction is expected to reach $2.75 billion, a rise of 8% over the total for 1948.

Almost half of the increase in public construction is due to an anticipated 42% increase in public non-residential building, to a total of $1,375 million—an increase due largely to substantial advances in hospital and institutional buildings and in educational construction. Other important increases in public construction are expected to appear in conservation and development, up 25% to $750 million in 1949; highway construction, up 10% to $1,700 million; and sewer and water construction, up 22% to a total of $550 million.

This outlook for new construction in 1949, presented in detail in the accompanying table, is derived from considerations of the present level of the various types of construction, their recent trends and known forces which currently are operating to affect their future.

In the case of residential construction, the figures for value of work to be put in place next year are based on an estimate that construction will be started in 1949 on about 875,000 new permanent dwelling units. Practically all of this total will be privately-owned, with the number of publicly-owned units to be started in 1949 estimated at only about 30,000, largely in purely State and municipal programs and in military installations. It now appears that the 1948 volume will be about 925,000 units, of which not more than 15,000 will be publicly owned. In the estimate for 1949, of course, no allowance could be made for any further residential construction that might result from possible future housing legislation.

In addition, certain specific assumptions have necessarily been made. The more important of these are as follows:

(1) It is assumed that no general business recession will occur in 1949.

(2) It is assumed that expenditures for national defense and for foreign aid will not expand substantially above present levels, and that there will not be sufficient increase in demand from these sources to affect seriously the volume of materials available for domestic construction.

(3) It is assumed that construction costs during 1949 will average about 5% above the average for the entire year 1948. Since costs in September, as measured by the Department of Commerce Composite Index, were already some 4% above the average for the first 9 months of 1948, the assumption for next year implies little change from current levels.

*ESTIMATED NEW CONSTRUCTION ACTIVITY IN 1948 AND 1949
(Millions of dollars)

Type of Construction—	†1948	1949
Total new construction	$17,775	$18,750
Total private construction	13,735	13,750
‡Residential building	7,100	6,500
Nonresidential building	3,600	4,050
Industrial	1,380	1,300
Warehouses, office and loft buildings	350	450
Stores, restaurants and garages	910	1,000
Other nonresidential building	960	1,300
Religious	230	325
Educational	245	325
Hospital and institutional	115	175
Social and recreational	215	275
Hotels and miscellaneous	155	200
Farm construction	500	450
Public utility	2,535	2,750
Railroad	350	350
Telephone and telegraph	675	725
Other public utility	1,510	1,675
Total public construction	4,040	5,000
Residential building	65	150
Nonresdential building	970	1,375
Educational	525	700
Hospital and institutional	200	375
Other nonresidential building	245	300
Military and naval construction	150	175
Highway construction	1,550	1,700
Sewer and water construction	450	550
Miscellaneous public service enterprises	105	125
Conservation and development	600	750
All other public construction	150	175

*Joint estimates of the Department of Commerce and the Department of Labor. †First 10 months actual; last 2 estimated. ‡Excluding farm.

The Seeds of Enterprise

(Continued from page 4)

and under-consumption . . . and the New Deal efforts to stress consumption at the expense of production.

Out of that period came the celebrated formula for political success; spend and spend, tax and tax, elect and elect—and a lot of other lend-spend-borrow phrases.

Those were the years enterprise—work and save—was penalized on the theory, propounded in Washington, that the American economy had became so productive the country no longer could consume the products of industry and agriculture.

The theory went like this—with machinery, American industry is so productive it outruns the capacity of consumers to buy. Therefore government should undertake to balance mass production with mass consumption and use its credit and taxing powers to increase consumption.

This theory was put into action in various ways. One of these ways was the elaborate tinkering with the tax structure in the prewar years. The tax tinkering hit the enterprise system in a vital spot, at the sources of venture capital.

Any business is a risk. Especially risky is a new business. In some ventures, great sums of capital must be risked before any hope of a return on the investment can be realized. "Long time, no see" is a cryptic phrase of investment which applies particularly to modern business. Research, the development of new industries and new products, require the courage to risk large amounts of money.

The dollars that go into these risky ventures are the seeds of enterprise—seeds that may grow and bear fruit in the shape of higher living standards, jobs, taxes, and, perhaps, some reward for those who took the risks and planted the seeds. Among the first to benefit from these investments are those who get jobs in new enterprises and draw wages and salaries long before the investors have any chance of a return.

Anybody who has tried to start a new business, and to bring into it risk capital, knows how hard it is to raise this type of capital. It is still more difficult now to raise venture capital with the kind of taxes imposed on the risk-takers.

Back in the New Deal years, some of the theorists thought the country should strip the fruit-bearing trees in the business orchard and neglect the seeds and the replanting.

Taxes on upper brackets of income were raised so high that the incentive to save and invest was drastically reduced or killed. Moreover, these confiscatory taxes dried up a chief source of venture capital.

The capital gains tax was judged so that it became a "heads-I-win-tails-you-lose" tax. The only winner in this tax juggling was the tax collector—that is, temporarily a winner. For, after the tree has been stripped of fruit, and the tree dies, the harvest ends unless there are new trees coming along to replace the old.

The present tax structure, I submit, takes too much fruit from the growers and doesn't encourage enough replanting. One indication of this is the inflationary trend in prices.

Who will argue now that we have over-production and under-consumption?

Country Is Under-Invested

The country is under-invested. Federal fiscal policies have resulted in over-production of money and under-investment of capital. Tens of billions of dollars in new investment are needed in manufacturing industry, public utilities, oil and gas pipelines, transportation, construction and services of various kinds.

It is time to plant more seeds of enterprise so that there will be a harvest of jobs and goods for the nation's rapidly growing population, so that America can fulfill its role as the stronghold of western freedom.

Whatever value it has had as a vote-catcher, the borrow-spend-tax formula was never a formula for raising living standards of the American people as a whole. On the contrary, it was a formula for living off abundance accumulated in previous generations of work and saving.

More of the accumulated wealth was consumed in World War II. For every dollar spent in World War II, the Treasury collected in taxes less than 50 cents. The difference was added to the national debt.

The $250 billion national debt largely represents wealth that was shot away on the battlefields—consumed in the wholesale destruction of war. In monetary terms, the price we pay for this wastage is inflation—inflation plus the heavy taxes that have been piled on top of the prodigal tax structure of the prewar years.

These years of high-level business activity we have had since 1940 mainly have been years of war spending and postwar replenishment of depleted stocks of consumer goods.

Many billions of dollars also have been spent on capital goods, for the improvement and expansion of productive facilities. But what is being spent for capital purposes, for new enterprise, is NOT enough. The scale of capital investment, large as it is, is inadequate for a country of nearly 150 million people arming for defense against the Russian threat and committed to help western Europe against this threat.

The housing shortage is only one symptom of the lag in investment during the last 15 years of depression, war and postwar crisis. It is the same with commercial and industrial building, schools, highways, electric power plants, railroads, oil and gas pipe lines, refineries and manufacturing plants.

Above all, the country, in order to develop and grow, must have a steady flow of risk capital into new enterprises—the kind of new enterprises that grow up like the motor industry, or radio, or electrical equipment.

These and other great industries got their start, and developed, because the risk-takers were willing to plant the seeds, in hope of reward, and because the managers of these enterprises could go to the market place for equity capital, or could plow back profits in hope of larger reward in the long run.

Now there is a serious shortage of equity capital. In order to get capital for urgent replacement or expansion needs, many enterprises must go into debt and take on a capital load top-heavy with bonds and loans.

On one hand, the Federal Government imposes taxes which force business concerns to finance through debt rather than the equity capital of risk-taking stock. On the other hand, some spokesman for government criticize business for increasing its debt load.

It is a case of the right hand not knowing—or caring—what the left hand does.

Business spending for plant and equipment, for replacements and expansion, the last few years has been financed largely out of cash reserves, reinvestment of earnings and depreciation, together with borrowings. Only a small percentage has been financed by the sale of stock.

For the long-range development of the country, the most serious effects of the penalties on enterprise are on new enterprises. Here is where the tax squeeze really hurts.

Risks of New Business

The risks of new business ventures are high. New enterprises must build up reserves and attract capital to develop. Usually their credit ratings are not as high as proven, established concerns. So they have to look to the risk-takers—to stockholders.

Study the development of the motor industry, the electrical industry, the mining industry, or any other great industry and you will see how essential is equity capital to enterprise in the earlier growth and development stages. When a business approaches maturity, or has established a high credit rating, it may get along out of its own resources or by borrowing.

It is the new, the young, the growing enterprises that are hurt most by taxes which rule out equity financing. The present tax structure discourages risk-taking through equity financing for several reasons. These reasons include the following:

First, steeply graduated individual income taxes reduce or kill incentive to take risks on the part of investors who in the past provided new enterprise with much of the venture capital that goes into equities.

Secondly, the present tax structure taxes earnings twice: first, through the corporate income tax, and then through the individual income tax on dividends.

Thirdly, the capital gains tax takes part of the winnings, but does not permit proportionate write-off of capital losses.

Fourthly, depreciation allowances are too low in relation to present plant replacement costs forcing business to draw upon reserves and to reinvest an over-large part of current earnings. As a result, dividend payments lag and equities suffer.

Moreover, credit regulations discriminate against the market for equity financing.

These may be technical points Yet they are highly important for enterprise and for the development of the country.

Put yourself in the position of an investor considering the risks of a new enterprise. If you lose your capital, you can write off for tax purposes only a small part of the loss against capital gains, if any.

If the enterprise happens to be successful, the chances are it will be some years before it can pay dividends. The company will have to build up reserves and reinvest earnings for expansion, especially under present conditions. The corporate income tax takes 38% of the profit.

Then, if the company pays dividends and you are in the upper income brackets, you may have to pay 80 or 90% of every dividend dollar in taxes.

After studying these risks and penalties, you may end up by putting your capital in something safe, say government bonds Meanwhile, there is a famine of equity capital for enterprise.

In plain words, this is eating the fruit of enterprise and neglecting to replenish the orchard and to plant seeds for expansion.

The boom in consumer goods buying is leveling off. Supply has overtaken demand in many lines.

Business has reached a stage where capital investment in new forms of enterprise should be encouraged. Enterprise needs greater access to equity financing and must rely on changes in the tax structure to help revive equity financing.

Tax Changes Advocated

A few changes in the tax structure would help greatly to stimulate the flow of equity capital into enterprise. For example:

End the double tax on dividends.

Limit income taxes to a maximum of 50% of income.

Revise the capital gains tax which operates as a capital levy during an inflationary period.

What these proposals amount to is a recognition of time-proven fundamentals. The urge to adventure and take chances is a primary driving force of business as it is of life generally. Give the risk-taker at least a fifty-fifty chance of reward and he may go along with you. Take most of his winnings and he'll balk.

Many of the erstwhile risk-takers have been taxed out of the market. Others are playing safe. No wonder there is a dearth of risk capital for new enterprises.

After two decades of depression and war, the country is ready for a great era of development. Population growth alone requires an increased rate of capital investment and new enterprise.

And, indeed, all signs of the times point to the fact that we have already entered that new era—an era of productive adventure.

We are even now nearing the end of a year which is to set a record as the most productive peacetime year in our history—a year whose production indices have been almost double that of any prewar period. And our total labor force has fluctuated only slightly above and below that 60 million millenium to which the New Dealers were once won't to look to as a Utopian goal.

Now, if given the freedom to go ahead—to expand with normal risk—without threat of governmental hindrances—we know that this is but the beginning of an adventure in which all of the people will participate and all will find good.

Some say that we are entering an electronics age. Others speak of today as the beginning of a plastic age. Perhaps both opinions are correct. Certainly, both electronics and plastics are already influential factors in any prophecy of things to come. Both are industrial infants. Yet both give promise of becoming industrial giants.

To television alone, which is but one of many new fields being opened up by electronics, goes plaudits for expanding production in a new field.

The plastic industry, by its conservation of wood and metal, may well provide the answer to stockpile demands upon our metals and to conservation needs in our forests.

Our new era—whatever it may be called—will move toward ever-extending frontiers—frontiers of scientific research—of scientific adventure.

Out of its vast laboratories will come new products to enrich our lives—new ways and new modes of living. The roll call of the materials which will serve us is already endless. Atomic energy alone, may well change our whole daily routine—if it is mastered by man before it masters man.

Radar, sonar, radiant heat, newspaper facsimile, jet propulsion, man-made weather—mechanized farms, mechanized factories, mechanized homes—productivity, good living, leisure—that is the new era we are to enter—if industry can be free to move forward—free to produce and provide for the American people.

There are no natural boundaries to this new era. Yet it is to be expected that industry might hesitate—driven by a feeling of insecurity—by the fear that unnatural boundaries might be placed short of the horizon—placed by government and by the misunderstanding of the people themselves.

Industrial Development Is Our Goal

I can only hope that we will not hesitate—and that we will find no cause for such fears. For the future *can* be very clear. Industrial development is our goal. Europe needs it. And the countries to the south of us can use our know-how. We can bring things to them that they have not, even as they can bring things to us that we need. And here at home, the area for expansion is broad. There is no limit to the things that our people not only need, but want. Production means jobs. And jobs mean money to buy the things we all produce.

And we need that production, and those jobs, in order to stabilize our economy equally as much as we need them to raise our standards of living. For all, of our current prosperity, this country has a heavy debt incurred during the war years—when material, as well as men, were expendable. Too, regrettable though it is, we need more money to spend for more expendables—more materials of war—that we may rebuild our defenses against new threats from the outside.

It is evident, then, that to carry our heavy debt and our defense burdens as well as to develop our economy, the country needs new sources of revenue—new sources of jobs and income. The best way to get these new sources of income is by encouraging capital investment and new enterprise—money and productivity are synonymous.

What the tax collected might lose temporarily through revision in the tax structure would come back to the Treasury several-fold in the long run. The seed will repay itself many times in the fruit of the harvest.

This is an elemental truth of nature. It applies just as much to industrial enterprise as to farming.

The Great Depression—the decade of business-baiting with its tax and money tinkering—are gone. The world is changed. America has risen to a role of world leadership and American enterprise holds new meaning for western civilization.

Let us plant and nourish the seeds of enterprise now. Then we can look forward to a harvest of continued prosperity, security and freedom.

With Geo. R. Miller Co.

(Special to The Financial Chronicle)

PASADENA, CAL.—Robert B. Sheahan has become associated with Geo. R. Miller & Co., Inc., 81 South Euclid Avenue. Mr. Sheahan was previously with John B. Dunbar & Co. and R. F. Ruth & Co.

L. J. Reese Opens

(Special to The Financial Chronicle)

SACRAMENTO, CAL.—Llewellyn J. Reese is engaging in a securities business from offices at 1812 J Street. He was previously with Capital Securities Co.

With Cumberland Secs.

NASHVILLE, TENN. — A. L. Johnson, formerly with Nashville Securities Co. is now with the sales department of the Cumberland Securities Corporation, 206 Fourth Avenue, North.

Merrill Lynch Adds

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—James E. Rice has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Economic Outlook for Agriculture

(Continued from page 2)

works higher, some farm products will be favorably affected. If you want a farmer's view on the matter, our high level of business activity rests on our construction boom and our high level of governmental expenditures. Gradually various soft goods lines are turning sour—shoes, cotton goods, woolen goods, etc. But the adverse effects of those are overridden by the huge level of construction and demands for new houses and automobiles and by the high level of government expenditures. How long the present construction boom will last, I do not know. All such booms have come to an end in the past; so will this one. It is probable that it will continue in 1949 although it will begin to thin out around the edges. Heavy government expenditures will continue and if we expand our military expenses, as appears likely, they will increase. I do not see the long looked for crack-up in our high level of business activity in the near future. But some of the supporting factors are getting thinner as time passes.

Longer-Time Outlook

We have been considering a rather short-term situation for the next 12 months. Farming is a long-time business. Perhaps one's point of view on this can best be illustrated by an experience I had last summer. A man asked me whether the Museum of Science and Industry in Chicago was the Argonne Laboratory. I hesitated slightly. He said: "You know or you don't know. You don't know. Thank you." I figured that he was a college professor. Perhaps my safest course in commenting on the longer-term outlook is to hesitate. Then you can conclude that I don't know and think about something else for the next few minutes. But farmers, and sometimes their bankers, have to make long-time decisions even if the future is murky.

The general trend of prices of farm products will likely be downward over the next few years. The supply situation is easing. The export markets will be at a lower level. Overall agricultural production is nearly one-third higher than in 1935-39, while our population is up somewhat less than half as much. A substantial part of this increase in output based on better technical methods—better varieties, more fertilizer, more adequate mechanization in some areas, better feeding — will prove to be permanent. Finally, it is not likely that our entire economy can run at as high gear as it has since the end of the war. So I look for a somewhat lower level of prices for farm products. War or droughts could change this estimate.

One may register two reservations on this. First we may get into war. The first impact of war may be to lower prices because of difficulties in connection with foreign supply lines. In the past, wars have raised prices. But the next war will involve a degree of controls—price and otherwise—and a tax level which will tend to hold prices down. The other reservation on the matter of lower prices is on the effects of our developing a rearmament economy. Since this will not be war and controls are unlikely in such a period because the public will have a peactime psychology, it will be inflationary. There is important economic opinion in this country which holds that our basic underlying trend is for more inflation. This might be translated into an active policy of heavy stock piling of agricultural products. If such reserves were definitely segregated from ordinary commercial supplies and held as a reserve, would the effects pricewise be different than in the past when large stocks held as a part of commercial reserves have tended to depress prices? I doubt it. Very likely some of the heavy government buying of wheat in the current season has been influenced by the desire to build up stocks abroad.

Farm price supports will tend to check downward movement in prices. Professor Case will discuss these. Two comments: prices may be below the support level when market conditions will not hold prices up to this level; witness corn prices at this time. Beginning in 1950, the price supports will be lowered on the basis of our present law. So price supports will not present a lower level of farm prices.

While the trend of prices may be downward, I think the level will be high when compared to prewar years. We have too many differences in costs and in the overall demand level to allow prices to go back to prewar levels. Certainly, anything like the situation in the early 1930's when agriculture was bankrupt is a long way down the economic road.

Question of Lower Farm Incomes

Even if prices of farm products are lower, costs may not decline much. A defense boom will tend to keep labor scarce and high in price. Prices of manufactured goods will be supported by defense activity. Basically, there is not much difference between a tractor and a tank. Prices of manufactured goods always lag on a downward price trend. The trend of property taxes is always upward following a period of inflation.

So with a trend toward lower prices and steady-to-rising costs, net farm income will decline. This will be felt first by marginal (less productive areas). Bankers should watch their farm loans. Some of you may be surprised to find out who some of your marginal operators really are.

In one respect farmers are in a better situation to stand lower income than after World War I. Debts have been drastically cut although they have turned up again in the last two years. There are individual cases of heavy debt, but the industry as a whole has used its wartime income to reduce debt rather than to increase it as during World War I. This reflects a recognition of the inherent risks of capital investments in agriculture, a recognition which did not exist in 1920 because 1920 had been preceded by 25 years of rising prices and land values. But in another respect, agriculture is much more vulnerable to lower incomes. This is the higher level of fixed cash costs. Farms were operated in 1920 to a large extent with home-grown horses which were fed on home-grown feed. These did not represent cash costs. If grain was cheap, so was horse feed. Now farms are operated with purchased power machinery and purchased fuel. Likewise purchases of fertilizers and supplemental feeds are at higher levels; physical standards of living are also at higher levels with better roads, schools, with automobiles in place of horse and buggies, electric power in place of kerosene lamps. All these increase cash expenses and make the "break-even" point higher. So even a modest change in farm prices in relation to costs will cause difficulties for some farmers. In the case of many farmers this will be cushioned by large cash reserves.

Whether it is this higher level of more or less fixed cash costs or the background of two decades from 1920-1940 of unfavorable prices, farmers now insist that a part of the price risks in agriculture be socialized, i.e., borne by the public through the government by some system of support prices. Both political parties are agreed on the desirability of these. The only issues are in connection with the details. This is not solely a U. S. A. trend. It exists all over the world. My only comment: Don't expect too much from it, if demand sharply declines.

Regardless of the level of prices it pays to farm so as to preserve the soil and to get good yields of crops and livestock. Your morning program was devoted to this general theme and at the insistence of your own people. In many parts of Illinois, to accomplish these objectives much capital must be involved in improvements to land and buildings and in added livestock. What is the banker's role in this job? Banks are sources of capital. Every banker in rural communities should have an active and not a passive program in this connection. It is not enough to sit back and let your customers come in and ask for funds to aid in this process. What you call your good customers probably have the funds to do these jobs. But in every farm community there are some able young men who are short of capital who 20 years from now will be your top farmers. You ought to have a program to go out and find these men and help them with their capital problem. Loans for improvement of land or for building up a livestock system may provide features which you do not consider orthodox. Yet they are the kind of loans which built this country. Any capitalistic process requires a period of waiting. It takes time to get increased income out of the added capital in farming as well as elsewhere. So, on loans for these purposes repayment schedules must be comparatively light at first and heavy later on. The opportunities are large and the smart banker will find out how to aid sound landowners and operators in doing the job.

Good farming will pay better than poor farming even though price levels are lower.

Focus on World Finance

(Continued from page 9)

and any reduction in foreign demand will not be welcomed by those who have such goods to sell. In fact, we are already seeing evidences of attempts to use ERP funds to absorb these surpluses, both agricultural and industrial, whether or not they are what Europe needs most from the United States to speed its recovery. ERP was set up with taxpayers' dollars to give Europe a change to get back on its own feet. It makes no sense to use these dollars except for those things most essential to this purpose.

Bases for Discrimination

To American ears the word discrimination has an ugly sound. Theoretically at least, opinion favors nondiscrimination in trade. But let's be realistic. Most of us have to discriminate or, to put it another way, be selective in our personal trading habits. Grocery bills and repairs to the house must sometimes take precedence over a new car or a mink coat. So the wife as well as the furrier may claim that they are being discriminated against. Similar necessity faces the countries which today have many needs and desires and relatively few dollars. If they are to move towards balancing their trade, particularly in the dollar area, they must selectively control, that is discriminate, as to what they buy and where they buy it.

It is true that the relative balance of international trade and finance in the last century was achieved with a minimum of controls. This was largely because Great Britain, the dominant trading nation of the world, found it to her interest to promote imports as well as exports and to send a tremendous and steady flow of capital abroad. The international financial and economic machine ran with sufficient smoothness to enable a practical balance to be obtained through the market place. Unfortunately, today no such natural balance appears in the offing. The damage and dislocations from the war and from the lack of a real postwar peace have been so great that under existing circumstances it seems necessary for countries which are short of dollars arbitrarily to limit their dollar purchases to essential goods they cannot buy elsewhere and in amounts for which they have dollars to pay. Call this discrimination if you will, but it is no greater than that which would accompany a customs union or preferential tariff area within Western Europe, which seems to be ardently supported by American opinion.

Some of the criticisms of discrimination are contradictory. I recently read an article which began by complaining bitterly that certain European countries are discriminating against some American goods. A bit later on the author complained that these same countries are spending dollars furnished by America for luxuries instead of for food and equipment. We can't have it both ways.

No Balance in Foreseeable Future

However, even assuming the most prudent foreign buying in American markets, it seems hardly in the cards to expect an absolute balance of American foreign trade in the foreseeable future. Economically, America has so much and produces so much compared to any other country or area that for some time American exports will tend to exceed American imports. At the best, any substantial increase in the present high volume of American imports will probably be gradual. To force a balance by drastic cuts in American exports would probably have a substantial effect on the economy and be resisted by many people in industry, agriculture and labor. A complete closing of the gap in trade in a short period may prove to be both economically undesirable and politically unfeasible for the United States.

Now to consider the third method by which foreign trade is balanced. So long as a gap continues, it must be covered either by extraordinary assistance from the U. S. Government or through the export of private American capital. In the past, wealthy nations have exported capital and in general they have received substantial benefits.

We in the International Bank see many projects, particularly in the underdeveloped areas, which would be attractive to private investment if the general political and economic climate should improve, and one of our principal purposes is to stimulate such investment. Our own resources provide only a small part of what is needed. The Bank can, however, act as a trail-blazer for private capital and, through helping its member countries, put their economic and financial affairs on a more stable basis promote a climate in which such investment may prosper. However, I must say that the amount of private American capital which can be expected to flow abroad during the next decade will not cover a gap in the balance of trade of the present size. Unless public funds in large amounts continue to pay for exports, the volume of American exports and imports must come closer together.

Sending Funds Abroad

The American willingness to help less fortunate peoples abroad, as evidenced particularly by the European Recovery Program, springs from generosity typical of this country. But generosity alone can wear itself out. The question whether the foreign aid policies are justified on the grounds of American security involves political and military matters on which I should not speak as an officer of the International Bank.

I shall merely say that in my opinion ERP is a measure of intelligent self-interest and that no one should expect this country to continue to bear the heavy burdens involved in foreign aid except as the people believe that it protects and promotes their own well-being — their economic and financial interests and their security.

However, I do wish to emphasize the practical necessity of working out a solution to the balancing of foreign trade and finance along lines which are in accord with and not contrary to the basic objectives of U. S. foreign policy. How it is done will greatly affect conditions in this country and the course of events overseas.

How to summarize. The United States is selling abroad a tremendous volume of goods, due to the preponderance of its own production and to abnormal postwar demands. It is buying from abroad much less than it sells. The difference is being paid for by funds largely supplied by the government out of the pockets of the taxpayers.

If the United States is not to continue to give away great amounts of the products of its fields and factories, it must approach a closer balance of its foreign trade. It can either buy much more or sell much less or do some of both.

Increased imports will compete with some of the products which you make, and at least in the short run may adversely affect the business of some of you. On the other hand, every dollar of additional goods purchased in this country from foreigners means that they have another dollar to spend for American goods. So as a group you will probably benefit.

American industry believes generally in high volume and competition. Probably the greatest good for the greatest number lies in approaching a balance of trade, not at a low but at a high level. If this is achieved, it may not only help to maintain our prosperity here, but it will assist the rest of the world to regain financial and economic stability. This is my justification for treating the trade balance of America as a focus of world finance.

With Herrick, Waddell

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Bruce D. McDonald is with Herrick, Waddell & Reed, Inc., 1012 Baltimore Avenue.

Swarts With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Frederick B. Swarts has become associated with Merrill Lynch, Pierce, Fenner & Beane, 511 Locust Street. In the past Mr. Swarts was with Francis, Bro. & Co. and Festus J. Wade, Jr. & Co.

Walston, Hoffman Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—James V. Priest has been added to the staff of Walston, Hoffman & Goodwin, 550 South Spring Street.

Business Man's Bookshelf

Can Farmers Afford to Live Better?—Lowry Nelson—National Planning Association, 800 Twenty-first Street, N. W., Washington 6, D. C.—paper—50¢.

Company-Wide Understanding of Industrial Relations Policies—A Study in Communications—Helen Baker—Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper—$2.00.

Economics of the Money Supply, The—Report of the Committee on Economic Policy—Chamber of Commerce of the United States, Washington 6, D. C.—paper.

Swedish Iron and Steel — A Historical Survey—Gunnar Lowegren — Svenska Handelsbanken, Stockholm, Sweden — paper — 4 Swedish Kroner.

FIC Banks Place Debs.

A successful offering of two issues of debentures of the Federal Intermediate Credit Banks was made Nov. 17 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $23,630,000 1½% consolidated debentures dated Dec. 1, 1948, due May 2, 1949 and $32,040,000 1.60% consolidated debentures dated Dec. 1, 1948, due Sept. 1, 1949. Both issues were placed at par. The proceeds together with $21,410,000 cash in treasury were used to retire $77,080,000 debentures maturing Dec. 1. As of the close of business Dec. 1, 1948, the total amount of debentures outstanding was $480,135,000.

Tollner & Co. in NYC

Tollner & Co. has been formed with offices at 50 Broadway, New York City, to engage in a securities business. Partners are Nat Tollner and Edythe B. Tollner.

With J. M. Dain & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN. — John R. Bambenek is with J. M. Dain & Co., Rand Tower, members of the Minneapolis-St. Paul and Chicago Stock Exchanges.

Joins Merrill Lynch Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Robert J. Rugen is now with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

Lowe With Otis Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COL. — Harvey R. Lowe is with Otis & Co., First National Bank Bldg.

Edenfield With P. A. Davis

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—Frank L. Edenfield has become affiliated with Paul A. Davis & Co., Ingraham Bldg. He was previously with Cohu & Co. and Clark Davis & Co.

Joins Merrill Lynch Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—Charles Cohan has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Lincoln Bldg.

The State of Trade and Industry

(Continued from page 5)

That is why more finished steel is being made per ton of ingots produced.

Barring a steel labor strike or a long coal wage impasse, steel to be turned out next year may reach more than 92 million tons. Output this week, the magazine states, is on an annual basis of 94 million tons. It is hardly likely that such a rate could be held indefinitely. But more capacity is being brought in. Coal quality is better. Scrap is more plentiful—temporarily at least. And workers' efficiency appears to be slightly better.

No break in tight steel supply conditions appears in sight, according to "Steel" Magazine. Demand continues as strong as ever despite reported easing in manufacturing operations in some lighter durable goods. However, whatever slack appears is quickly taken up so that no noticeable softening in pressure on the mills has developed. In fact, lack of steel is restricting manufacturing operations, last week for instance, Briggs Mfg. Co. and Chrysler Corp. being forced to operate on curtailed schedules because of a shortage of sheets. So pressing are trade requirements, demand for conversion ingots is on the increase, an area of the market where a slowing in demand will first develop.

Whatever faint hope existed in consuming circles for a larger supply of "free" steel early next year, it vanished last week with extension of five current voluntary allocation programs for a period of six months beyond the Feb. 28 expiration date of Public Law 395 under which voluntary allocations are set up. These extensions are in addition to those previously approved for three national defense programs.

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 100.1% of capacity for the week beginning Nov. 29, 1948, an increase of 0.9 point, or 0.9% above the preceding week. A month ago the indicated rate was 98.9%.

The scheduled rate of output this week will set an all-time record which will be 12,600 tons larger than the previous peak reported in the week beginning Nov. 29, 1948.

This week's operating rate is equivalent to 1,804,300 tons of steel ingots and castings against 1,788,100 tons a week ago, 1,782,600 tons a month ago, and 1,710,000 tons, or 97.7% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

ELECTRIC OUTPUT SHOWS DECLINE FROM HISTORICAL RECORD IN WEEK ENDED NOV. 27

The amount of electrical energy distributed by the electric light and power industry for the week ended Nov. 27, was 5,373,597,000 kwh., according to the Edison Electric Institute. This was a decrease of 253,303,000 kwh. below output in the preceding week, but an increase of 390,158,000 kwh., or 7.8% higher than the figure reported for the week ended Nov. 29, 1947. It was also 925,404,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS DROP 1.6% IN LATEST WEEK

Loadings of revenue freight for the week ended Nov. 20, 1948, totaled 857,492 cars, according to the Association of American Railroads. This was a decrease of 14,185 cars, or 1.6% below the preceding week this year. It also represented a decrease of 45,170 cars, or 5%, under the corresponding week in 1947, but an increase of 50,899 cars, or 6.3% above the similar period in 1946.

AUTO OUTPUT ADVERSELY AFFECTED BY THANKSGIVING HOLIDAY AND PLYMOUTH SHUTDOWN

Production of cars and trucks in the United States and Canada declined to 90,039 units from 120,718 (revised) units the previous week, according to "Ward's Automotive Reports."

This week's drop in production was attributed to the Thanksgiving Holiday plus a week-long Plymouth shutdown.

Output in the similar period a year ago was 80,201 units.

This week's output consisted of 63,573 cars and 20,306 trucks made in the United States and 6,160 units made in Canada.

This is the first drop below the 100,000 mark since September, Ward's added.

BUSINESS FAILURES FALL IN HOLIDAY WEEK

Commercial and industrial failures fell to 101 in the holiday-shortened week ended Nov. 25 from the preceding week's high of 126, reported Dun & Bradstreet, Inc. More casualties occurred than in the comparable weeks of 1947 and 1946, when there were 72 and 24, respectively, but they were less than the 264 in the same week of 1939.

Retail failures declined sharply to 45 from 58 in the preceding week, but were over twice as numerous as a year ago when 20 occurred.

The Middle Atlantic and Pacific States reported less failures than in the previous week, but in both these regions' casualties were almost twice as numerous as last year, while in other areas there was little change.

FOOD PRICE INDEX SHOWS SLIGHT UPTURN IN WEEK

Food prices in wholesale markets continued their irregular movements last week and the Dun & Bradstreet wholesale food price index for Nov. 23 rose slightly to $6.38, from $6.37 a week earlier. The current figure represents a drop of 9.6% from the $7.03 recorded a year ago at this time.

Commodities that advanced during the week were wheat, corn, oats, hams, bellies, coffee, potatoes, hogs and lambs. Declines occurred in rye, barley, beef, butter, cheese, cottonseed oil, cocoa, eggs, currants, prunes and steers.

COMMODITY PRICE INDEX CONTINUED IRREGULAR IN LATEST WEEK

Commodity price fluctuations in the past week continued to be irregular. The Dun & Bradstreet daily wholesale commodity price index moved in a narrow range and closed slightly higher at 272.79 on Nov. 23, as against 271.10 a week earlier. On the corresponding date a year ago it stood at 297.49.

Grain prices in both the futures and cash markets showed additional strength last week. Cash wheat advanced about six cents per bushel over a week ago and corn and oats rose about 3½ cents per bushel. While government purchases of cash wheat were affected by the steady upturn in prices and by strikes in both the Pacific and Atlantic ports, demand for the cereal was stimulated by a sharp increase in flour bookings as mills protected buyers against two advances aggregating 20% per hundredweight.

Heavy snows over a large part of the winter wheat belt last week hindered the movement of wheat from farms to markets but they were very beneficial to the new crop.

Volume of trading in grain futures on the Chicago Board of Trade increased sharply last week to 226,392 bushels, from 173,941 in the previous holiday week.

Livestock receipts were sharply curtailed toward the latter part of the week due largely to heavy snowfalls over a wide area.

Hog prices turned upward following an extended period of successive declines in which values sagged to the lowest level since May.

Cattle prices were steadier for most classes and grades although dressed beef in the New York market showed a further drop of $1 per hundredweight. Lambs and sheep finished moderately higher than a week ago. Lard prices were irregular and trended slightly lower during the week.

Cotton prices were irregular and continued to hold in a narrow range last week. Prices again edged slightly higher in moderately active trading.

Mill demand, chiefly for forward shipments, and foreign price-fixing were the principal supporting factors.

A further influence was the continuing heavy movement into the government loan stock, indicating a tightening of the free supply of the staple as the season progresses. Spot market activity increased with reported sales in the 10 spot markets totaling 286,700 bales, as against 169,000 in the previous holiday week and 369,500 in the corresponding week a year ago. Loan entries during the week ended Nov. 11 amounted to 324,400 bales, against 315,200 a week earlier. Entries during October averaged about 280,000 bales per week. Consumption of cotton in October, according to the Bureau of the Census, totaled 690,000 bales, or a daily rate of 34,200 bales, as compared with a daily average of 34,400 in September and 36,400 in October a year ago.

Business in the Boston raw wool market was fairly active last week. Recent brisk demand for woolen type noils and scoured wools was well maintained. Australian wool markets were firmer, while keen competition was reported at the London sales with prices stronger.

RETAIL AND WHOLESALE TRADE SHOWS LITTLE CHANGE FROM WEEK AGO

As shoppers responded to holiday promotions, retail dollar volume increased fractionally during the period ended on Wednesday of last week. Dollar volume was slightly less than in the similar week last year with decreases in unit volume reported in many sections, Dun & Bradstreet, Inc., reports in its current summary of trade. Many consumers remained selective concerning quality, price and brand.

Consumer buying of fall and winter apparel declined slightly last week.

Sharper decreases were noted in the retail volume of women's suits and dresses than in that of coats. There were fractional increases in the demand for skirts, blouses and sweaters. While the retail volume of men's apparel fell, a slight seasonal expansion in the demand for raincoats, overshoes and heavy underwear was reported in some areas. More men's furnishings were purchased than in the previous week.

Stimulated by the approach of Thanksgiving Day, retail food volume rose moderately in the week.

The retail price of turkeys was generally higher than a year ago, but despite the increased cost, housewives purchased a considerable volume. Other poultry also sold well and consumer interest in meat declined slightly. Shoppers bought more fresh fruit and vegetables, baked goods, confections and table delicacies than in the previous week.

The seasonal demand for heating equipment continued. The retail volume of furniture and housewares was fractionally lower than in recent weeks. There was a slight dip in the consumer interest in hardware. Electrical appliances were purchased in larger numbers than in the previous week. While the purchases of small model radios dropped slightly, television sets and console model radios were sought in an increased volume. The demand for toys and holiday novelties rose slightly.

Retail volume was estimated to be from 3% below to 1% above a year ago.

Regional estimates varied from the corresponding 1947 levels by the following percentages: New England and Northwest, 0 to up 4; East, down 3 to up 1; South, 0 to up 3; Southwest, down 3 to 0; Midwest and Pacific Coast regions, down 4 to 0.

Total wholesale order volume in the period ended on Wednesday of last week was fractionally below that of the preceding week, but remained very near the level of the corresponding pre-holiday week a year ago. Re-orders for gift and other seasonal items continued in substantial quantity. The number of buyers attending wholesale markets was estimated to be about 10% below that of the comparable 1947 week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 20, 1948, decreased by 6% from the like period of last year. This compared with a decrease of 9% recorded in the preceding week. For the four weeks ended Nov. 20, 1948, sales decreased by 5% and for the year to date increased by 6%.

Here in New York retail trade continued the decline experienced for several weeks with sales volume the past week falling below that of the corresponding week a year ago by a sizable margin. Unseasonable weather and price resistance were given as important factors in the decline.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Nov. 20, 1948, declined by 8% from the same period last year. In the preceding week a decrease of 12% was registered over the similar week of 1947. For the four weeks ended Nov. 20, 1948, a drop of 5% was recorded over that of last year and for the year to date volume increased by 4%.

The Decline in Corporate Earning Power

(Continued from first page)

ground of earnings and of actual distributions. Despite vast outlays from reserves and earnings in reconverting, modernizing and extending plant and equipment since the "V" days, the near standstill in public demand for new stock issues (coupled of course with very low interest rates and availability of loan funds) has greatly pushed up corporate borrowing. In fact, the dividing lines between shorter and longer-term maturities are becoming somewhat dimmed by the competition of banks with other (mainly institutional) lenders.

From the standpoint of the investor, the business man, and the banker the crucial question in connection with any undertaking is its capacity to convert gross income into net profit on capital employed. This capital includes both borrowed capital and share capital, and gross income comprises interest and dividends received and profit and loss turnover on securities owned, as well as revenues from selling goods and services. "Net profit" as used in Table I and the charts, differs from "net income" in the ordinary sense of earnings on share capital. "Net profit" as here employed is built up by adding to "net income" (after deduction of all taxes) all interest paid by the corporation on funded or unfunded debt.

The More Realistic Ratio of Net Profit to Gross Income

It is evident that ratios of net profit to gross income (where net profit is taken as earnings, after taxes, on all capital employed, both borrowed and share, over the indicated period) are a more realistic gauge of business performance than are ratios of net income (taken as earnings on share capital only). With the former, drastic changes in interest rate levels, or in capital structure, such as alterations in proportions of borrowed and share capital, do not directly affect the ratios of earnings to gross income. With the latter these extraneous factors do have a direct and sometimes important effect upon such ratios from year to year. In other words, ratios of net profit to gross income would appear the better measure of business efficiency.

From another angle it seems wise not to omit such earnings as accrue to borrowed funds in computing the percentage of gross revenues coming through in the form of net. Only by taking earnings on all capital employed can the long-run capacity of enterprise to attract and wisely utilize savings be tested. To the extent that capitalization assumes the form of debt, net income on share capital alone must reflect the upward and downward leverage effects of prior lien fixed cost capital, thus distorting and magnifying any true picture of the ability of business to increase earnings during good times and its tendency to drop them during bad times.

Capitalization, moreover, is sometimes as much a reflection of established or prospective earning power as it is of funds actually at work in the business. In view of the devices of modern accounting and the confusion of legal with economic principles in write-ups, write-downs, surplus items, par and stated values and depreciation policies. There is a degree of arbitrariness and non-comparability in statements of capital and in changes therein which does not appear in most figures of gross income, despite limitations in the accuracy of the latter.

Income Overstated As Inflation Result

Of late years, especially, earnings expressed in percentages of net worth have proved more erratic than earnings expressed in percentages of gross income, or of sales. Figures made up of book values on outstanding stock plus surplus, or other capital account, have not kept pace with the inflationary rise in prices and the greater volume of sales. Hence income computed on net worth tends to be overstated. This is the obverse of the income picture, dilated by inadequate depreciation or other write-offs based on cost. Not only are net earnings overstated, but the capital account tends to be understated in the light of existing replacement costs.

For these reasons, we gain the better perspective on industry's earning power — at least during these times of soaring costs and prices—by setting net profits (as defined above) against gross income (made up largely of sales volume multiplied by prices received). The results are sobering, but not lacking in assurance for the long run. *Of one thing we may be certain: that "inflationary" pressures create for business far more problems than can be solved by any easy reliance upon hypothetically increased earnings.*

For instance, with a glance at Table I, or at the charts visualizing its figures, we come upon the startling fact that no industrial group represented appears to have succeeded during or since the war in restoring its capacity of the '20's to convert gross income into net profit. Only one or two groups seem to have recovered their capacity of the '30's or at least of the better years among the '30's.

The Secular Decline in Actual Earning Power

Thus "all corporations" in the aggregate grouping averaged slightly more than 4½¢ of net profit for every $1 of gross income in the ten-year stretch from 1919 to 1928. In the ten years from 1929 to 1938 the average was about 2⅓¢, including the deficit years of 1931 and 1932; it was 3⅓¢, excluding them. The comparable figure for the five war years (1941 to 1945) was less than 4 cents, and the trickle of net shrank consistently from year to year throughout that period.

This modest net earning power during active hostilities reflects in part the pressure of the excess profits tax, in effect for the war years. However, it does not appear that later removal of the excess profits tax boosted the ratio for 1946 and 1947, above or even to, its earlier heights.

The principal source of figures on American corporate income is of course the annual volume on Statistics of Income published by the United States Bureau of Internal Revenue. While these statistics are by far the most complete and accurate available, they are, nevertheless two to three years late in publication. Therefore, in addition to using the Federal Statistics of Income it has been necessary to develop series of comparable corporate statistics based upon analyses of the returns of individual corporations.

The number of individual representative corporations whose published reports may be utilized for this purpose is limited by reason of the fact that the great majority of American corporations have not been in the habit of publishing figures of gross income. However, it has been possible to pick out a substantial number of leading and representative corporations which do give the necessary data in their current reports, and to group these corporations into the same categories as those which are presented in the Federal figures. In this way it is feasible to compare the fluctuations in ratios of net profit to gross income in the two series. The results of this study are spread out in Table I. The average number of representative companies in each group, and the average percentage which their gross income bears to the gross income for all corporations in each corresponding category, as set forth in the Statistics of Income, are shown in Table II.

The data in Table I are presented in graphic form in the following charts. In all the charts there will be noted a substantial degree of conformity in the movements of the ratios of both series in the period from 1918 to 1945, the latest year for which complete Federal statistics have been made available. In certain of these groups the conformity is so close that the ratios of net profit to gross income for all corporations may be forecast with a reasonable degree of assurance by bringing up to date the ratios for individual representative corporations in the same categories.

Over-All Picture

It should be borne in mind that these percentages of net to gross, built up from aggregate figures of the corporations in each group, include deficits incurred by many companies. Thus in 1938 returns filed by nearly 500,000 active corporations revealed that almost two-thirds of them incurred deficits. What we have here, therefore, is an over-all performance of certain corporate groups as reported to the Bureau of Internal Revenue. The representative corporations, being generally among the leaders in each category, make a better showing.

Other limitations in our material should not be overlooked. In computing earnings of "representative corporations" for 1940-1945 incompleteness and non-comparability in such figures as "provision for wartime contingency" and "reserve for renegotiation" have caused them to be by-passed in favor of net profits as reported. In utilizing categories of corporations given in Statistics of Income, there have been discarded "agriculture and related industries" (as corporate activity is not typical of agriculture); "finance" (because of wide diversity of non-comparable activities, such as banking, insurance, real estate, stockbroking, and holding company, included therein); "transportation and other public utilities"; "construction"; "forest products"; and "service-professional, amusements, hotels, etc." The figure for "all corporations"—both for representative companies and corporate activity as a whole, as reflected in Statistics of Income—is made up, therefore, of all the categories except those omitted as above mentioned. And, finally, "gross income" is itself a less than perfect guide, as gross reported by many corporations is made up partly of net items.

Conclusions

The following further observations now suggest themselves from an examination of the charts and tables.

In the *first* place, profit margins over the past 30 years appear on the whole to be modest, and to represent fairly consistent trends, group by group. Abrupt breaks appear in 1921 in most groups; and even more precipitate declines are registered, with some exceptions, in 1932, when business as a whole, and in most groups, was conducted at a loss. Rapid recoveries occurred after both of these years, business quickly recapturing its ability to operate on something approaching the former margins. Nineteen thirty-eight generally marks another, milder break, also followed promptly by a proportionately mild recovery.

The number of cents emerging as net profit on each dollar of gross income naturally varies greatly from group to group. This gives us in itself no valid basis for comparing actual earnings on net worth, because capital employed bears no fixed or generally typical relationship to volume of business or to rate of turnover. However, three bases of comparison are valid: (1) degree of regularity from year to year within each group; (2) relative regularity from group to group; and (3) trends for representative corporations in each group against the background of performance for all corporations in the same categories.

So, in the *second* place, we conclude that margins in "trade" and in "food products, beverages, and tobacco," form a more regular, albeit modest, pattern than in other groups; that "mining and

(Continued on page 29)

TABLE II

Average Number of Corporations for Which Individual Returns Were Analyzed and Average Gross Income as a Percentage of the Gross Income of All Corporations in the Group Represented

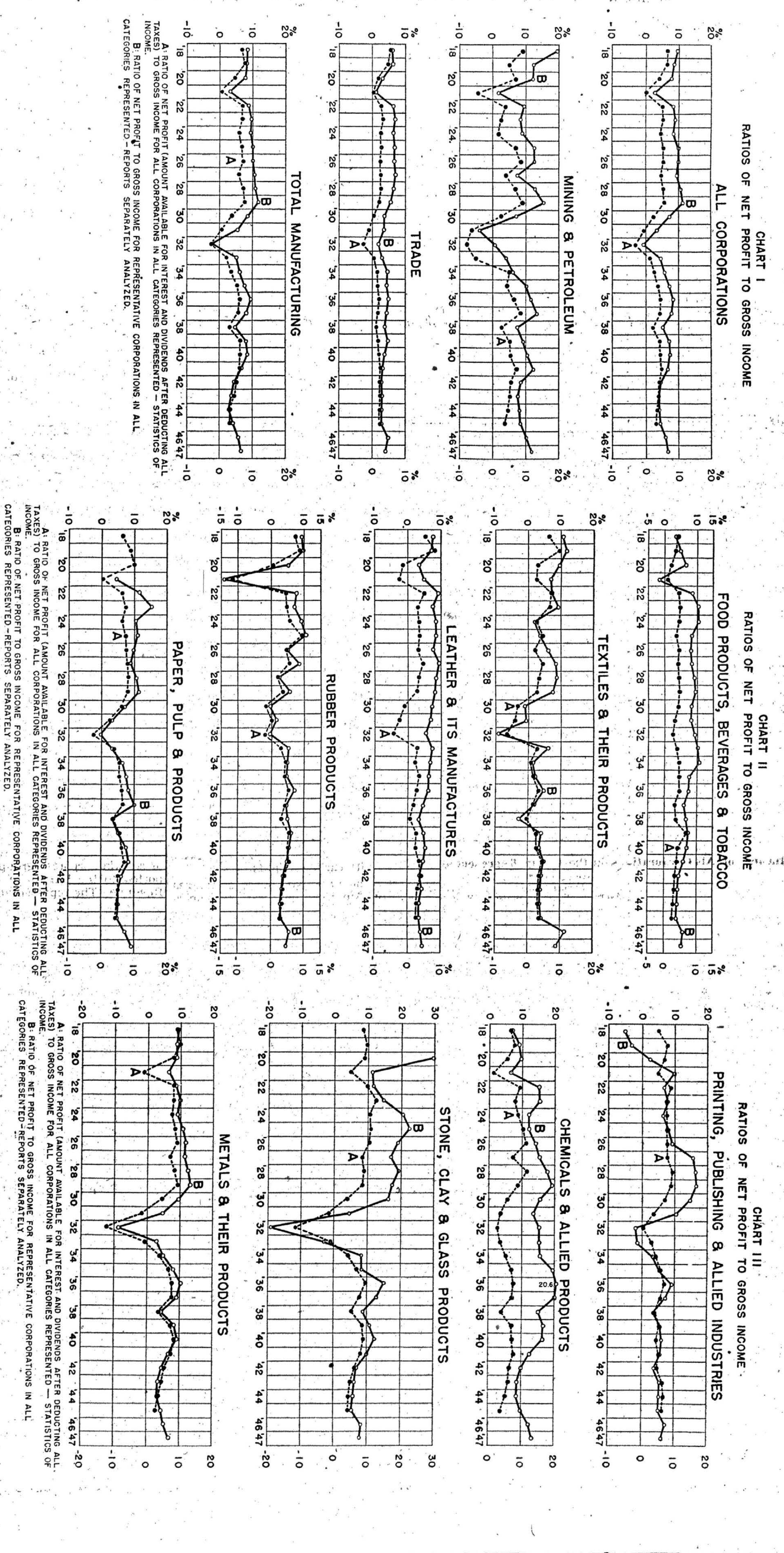
Industry Group—	Average Number 1918-1945	Aver. Percentage Gross Income to Gross for All Corporations of Group 1918-1945	Number of Representative —Corporations— 1946	1947
Total	187	12.0	179	175
Mining and petroleum	38	53.3	30	30
Total manufacturing	120	13.1	118	115
Food products, beverages and tobacco	26	8.9	26	25
Textiles and their products	13	2.7	12	12
Leather and its manufactures	5	15.4	6	6
Rubber products	8	63.6	7	7
Paper, pulp and products	7	4.2	9	9
Printing, publishing and allied industries	6	4.5	9	8
Chemicals and allied products	10	2.0	9	9
Stone, clay and glass products	4	6.1	5	5
Metals and their products	41	24.8	35	34
Trade	29	7.3	31	30

TABLE I—Ratios (Per Cent) of Net Profit to Gross Income

	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932
Total—															
All corporations	6.5	6.5	4.0	0.1	5.1	5.3	4.5	5.3	5.3	4.6	5.3	5.6	2.5	—0.3	—2.8
Representative corporations	9.5	8.5	7.9	2.6	8.4	9.0	8.7	10.0	10.0	9.5	10.5	11.1	7.2	3.6	—0.7
Mining and petroleum—															
All corporations	9.3	5.5	7.3	—4.0	4.1	2.8	2.0	7.5	8.8	4.3	7.1	9.1	2.8	—6.0	—7.5
Representative corporations	19.5	12.3	12.2	1.6	9.5	8.6	9.1	12.8	12.8	7.8	13.0	15.6	7.2	—3.7	0.7
Total manufacturing—															
All corporations	6.7	7.5	4.9	0.5	6.9	6.9	6.0	6.9	7.0	6.0	7.0	7.6	3.8	0.7	—2.7
Representative corporations	8.5	8.3	7.7	3.3	8.6	9.6	9.2	10.0	10.0	10.7	10.9	11.7	8.5	5.4	—2.5
Food products, beverages and tobacco—															
All corporations	4.2	3.6	2.3	1.1	4.4	4.7	4.5	4.0	4.6	4.2	4.6	4.8	4.2	3.2	2.5
Representative corporations	3.7	5.0	6.6	—1.5	8.6	10.3	10.3	8.6	8.3	8.5	9.2	9.5	8.5	8.4	9.2
Textiles and their products—															
All corporations	6.4	9.6	3.1	2.5	7.1	6.7	2.7	4.5	2.3	4.3	3.2	3.6	—3.1	—4.0	—6.4
Representative corporations	10.7	12.0	9.7	7.0	7.2	9.1	2.3	3.8	6.4	8.4	8.7	7.5	—1.1	—0.7	—9.0
Leather and its manufactures—															
All corporations	5.4	8.4	—1.5	—2.5	5.0	3.0	3.3	3.5	3.2	4.6	3.4	2.7	—1.2	—2.6	—4.5
Representative corporations	7.9	7.3	3.3	5.0	9.1	7.7	8.7	8.6	7.7	9.7	8.7	8.4	7.3	7.1	5.6
Rubber products—															
All corporations	7.4	8.8	0.3	—11.6	4.4	4.7	5.8	9.5	4.6	5.5	2.0	3.4	—1.5	0.0	—1.9
Representative corporations	9.2	9.9	5.2	—13.9	7.9	7.1	9.4	10.7	5.0	8.9	2.3	5.8	—0.2	1.4	—0.3
Paper, pulp and products—															
All corporations	6.7	9.0	10.0	0.4	6.3	7.4	6.4	7.5	7.8	8.1	8.3	8.2	6.1	2.4	—2.4
Representative corporations	--	--	--	4.7	11.4	15.3	10.5	11.0	9.9	9.0	10.5	11.4	7.3	3.3	—0.2
Printing, publishing and allied industries—															
All corporations	4.9	7.6	6.8	4.9	8.8	7.4	7.6	7.5	7.9	7.7	9.1	8.8	7.0	3.4	0.1
Representative corporations	—5.3	—3.2	2.2	9.6	6.9	7.8	6.4	7.8	9.3	15.5	16.3	16.5	14.6	10.1	—1.7
Chemicals and allied products—															
All corporations	6.5	7.8	5.5	1.3	9.3	7.7	8.6	10.2	11.3	7.2	11.5	8.8	6.0	3.7	2.8
Representative corporations	7.0	8.8	9.8	6.4	15.4	15.5	12.1	12.4	14.3	15.6	17.9	19.2	15.7	13.5	15.5
Stone, clay and glass products—															
All corporations	8.4	9.6	8.9	4.6	9.9	12.4	10.5	10.6	10.3	8.3	8.9	8.4	3.9	—1.6	—11.6
Representative corporations	--	--	29.7	11.3	11.8	14.4	20.2	22.4	18.8	16.8	19.0	17.2	16.1	4.2	—19.3
Metals and their products—															
All corporations	8.8	9.9	7.6	—1.4	7.6	7.9	7.4	8.3	8.9	7.0	8.2	9.1	4.6	—1.6	—12.2
Representative corporations	9.0	8.6	8.6	6.3	8.5	9.7	9.0	10.4	11.3	11.2	12.1	12.8	9.5	4.5	—8.8
Trade—															
All corporations	5.7	5.0	2.0	0.3	2.9	3.3	2.7	2.9	2.5	2.6	2.8	2.2	0.5	—1.1	—2.7
Representative corporations	6.1	6.5	3.2	1.0	6.8	7.0	6.7	6.9	6.6	7.0	6.7	5.6	3.9	3.5	1.7

	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947
Total—															
All corporations	1.3	2.7	3.6	4.4	4.1	2.2	4.3	4.4	4.8	4.1	3.9	3.4	3.0	--	--
Representative corporations	4.3	5.7	7.1	8.6	8.0	5.0	7.3	7.5	6.5	4.6	3.9	3.9	4.4	5.9	6.5
Mining and petroleum—															
All corporations	—4.6	5.2	4.6	6.7	8.6	2.9	5.3	5.9	7.3	5.8	5.4	4.8	3.8	--	--
Representative corporations	4.2	6.4	10.1	11.5	13.3	7.7	9.1	10.3	12.3	8.5	7.8	8.0	8.3	10.0	11.9
Total manufacturing—															
All corporations	2.3	3.6	5.3	6.1	5.6	3.1	6.1	6.2	6.3	5.0	4.4	3.8	3.2	--	--
Representative corporations	5.1	6.1	7.7	9.5	8.2	4.9	8.0	8.4	6.6	4.5	3.6	3.5	4.1	5.6	6.3
Food products, beverages and tobacco—															
All corporations	3.9	4.5	4.5	4.7	3.3	3.4	6.4	4.1	4.0	3.4	3.3	2.9	2.8	--	--
Representative corporations	10.1	10.6	7.7	7.3	6.1	6.7	7.3	7.0	6.1	4.5	4.2	4.0	3.8	5.6	5.2
Textiles and their products—															
All corporations	2.7	0.8	1.6	3.1	1.7	—0.2	2.8	2.9	4.5	3.9	3.4	3.4	3.5	--	--
Representative corporations	6.0	1.4	1.7	4.6	1.9	—2.9	4.0	3.4	4.8	4.1	3.9	3.6	4.0	11.5	8.6
Leather and its manufactures—															
All corporations	2.7	2.0	3.3	2.6	1.6	0.6	2.6	2.5	3.5	4.1	3.0	2.9	2.8	--	--
Representative corporations	7.4	6.6	6.3	6.2	4.6	3.4	4.9	5.3	4.8	3.9	4.3	3.7	3.7	4.0	4.4
Rubber products—															
All corporations	2.8	4.4	4.2	5.4	4.2	3.2	5.7	5.3	5.5	4.0	3.9	3.2	2.5	--	--
Representative corporations	5.1	4.6	4.5	7.3	4.6	5.0	6.1	5.5	4.8	3.9	3.3	2.9	2.9	5.7	4.6
Paper, pulp and products—															
All corporations	4.0	5.6	5.6	6.3	6.7	3.8	5.9	6.3	7.1	5.7	5.1	4.8	4.4	--	--
Representative corporations	3.4	6.4	7.7	8.2	10.0	3.5	5.4	7.8	8.4	6.1	5.1	5.1	5.0	7.3	9.3
Printing, publishing and allied industries—															
All corporations	2.9	4.1	6.0	6.8	5.7	3.7	5.3	4.5	5.3	4.9	6.5	6.8	6.4	--	--
Representative corporations	—1.4	3.0	5.4	9.3	7.1	3.6	5.7	6.1	5.8	3.8	5.4	5.3	5.2	7.1	6.0
Chemicals and allied products—															
All corporations	3.8	5.4	7.0	7.4	7.1	4.1	6.9	7.0	7.6	6.3	6.1	5.2	3.9	--	--
Representative corporations	15.4	15.6	19.5	20.6	20.0	15.2	16.7	16.5	12.5	9.9	8.7	8.6	9.9	12.4	13.2
Stone, clay and glass products—															
All corporations	—1.0	4.3	6.8	9.6	7.9	5.0	3.6	9.0	8.2	6.3	4.9	4.3	4.2	--	--
Representative corporations	—3.3	8.2	8.2	15.0	12.9	8.7	10.9	12.1	9.8	6.6	6.0	5.9	5.2	8.3	7.7
Metals and their products—															
All corporations	—0.9	3.8	6.6	7.7	7.7	3.4	7.1	8.2	7.4	5.4	4.5	3.7	2.9	--	--
Representative corporations	2.7	4.8	8.1	10.2	9.0	4.2	8.4	9.1	6.7	4.4	3.3	3.3	4.2	5.0	6.6
Trade—															
All corporations	0.4	1.4	1.6	2.1	1.3	1.1	1.8	2.0	2.4	2.3	2.4	2.3	2.4	--	--
Representative corporations	3.1	4.6	4.4	4.9	4.3	3.8	4.6	3.9	3.2	2.7	2.8	2.7	2.8	4.6	4.0

The Decline in Corporate Earning Power



(Continued from page 28)

petroleum," and "chemicals and allied products," "metals," and "stone, clay and glass," are among those showing greatest irregularity, and a corresponding capacity to make the most of "good times"; and that, as a rule, the larger companies (which make up the "representative corporations") fluctuate more than the total (in *ratios* of net to gross) but provide a more liberal profit on turnover.

Thirdly, a tendency appears for the spread to narrow in earnings margins between representative companies and the inclusive groups of which they are a part. Here Table II is useful in explaining discrepancies in the two series, as closer approximation is to be expected when, as in "rubber products" and "mining and petroleum," the representative companies account for half or more of gross income for their respective industries. It is of course possible that the charts also reflect a rising concentration in giant companies, with drawing together of marginal earnings lines merely visualizing the growing extent to which "representative" companies may reflect the fortunes of their entire industries.

Be this as it may, the general leveling of the lines in recent years, as compared with the 20s and the 30s, points up the increasing difficulty of converting rising gross income into profits. While ascending rates of normal corporate income taxation through the years seem to be shifted to the consumer, this was of course not true of excess profits taxation.

Finally, evidence accumulates that advancing "break-even" points in industrial costs make more difficult than in earlier "peacetime" years the translation of mounting gross income into progressively higher rates of net profit. This ability has accelerated the upward sweep of earnings in prewar years of prosperity, and, of course, produced the opposite effect in periods of economic doldrums. The impact of higher costs, both fixed and current, is exacting its added toll upon the dollar's journey from gross to net. Although the ratios of net profit to gross income have generally risen in 1946 and 1947, this rise might have been eliminated entirely—it would most certainly have been substantially reduced — if removal of the excess profits tax had not for a time greatly improved the earnings picture. It is probable that ratios of net to gross will be little higher, if indeed as high, in this year of record earnings. This probability becomes almost a certainty on the assumption that adequate depreciation and depletion charges will some time have to be made, and that proper adjustments are provided for inventory profits, which will ultimately be balanced by inventory losses.

In brief, cumulative forces enhancing costs, raising "break-even" points and temporarily "padding" earnings, which accompany what is popularly known as "inflation," do not carry their own automatic remedies for business in terms of consistently greater percentages of earnings on larger and larger gross. On the contrary, these disturbing forces may be likened to the enlargement of his bicycle wheels (and not in even ratio!) while the rider is pedaling. Let us hope that he will redouble his pedaling, for his higher center of equilibrium may require even greater speed if he is to hold his balance!

Acknowledgement

(Note: The author has had the assistance of Florence Clark Beal of Washington, D. C., in the statistical compilations, and gratefully acklowledges her prompt and painstaking cooperation which has made possible going to press so soon after release of the 1945 Federal statistics of income.)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Two-pronged lows causing speculation of a new turning point. Action, however, too obvious.

The stopping of the second decline at about the levels where the first break took them has started tongues wagging that this is the level to buy them again. For all I know this majority opinion may be right. I'd like very much to come right out and even say so. But if I don't, put it down to the fact, a comparatively unimportant one, that I don't know.

* * *

Markets occasionally make their lows while everybody is looking, nodding their head approvingly and whispering gleefully, "I told you so." These occasions, however, are so rare that having stuck my head out only recently and having it handed to me, I refuse to do it again.

* * *

Before me rests an imposing array of statistics to prove that various companies with tremendous backlogs and unassailable financial positions cannot help but be worth a lot more than their current market appraisals. Their earnings charts are done in pretty two color tones; the companies' products are enthusiastically described. In fact there is every reason to rush right out and buy a zillion shares. But despite all flowery predictions I still think that nothing outstanding will happen between now and the end of the year, though I may change my mind.

* * *

Summing it all up in a few words, I suggest that buying be postponed for the time being. This doesn't mean that stocks will go lower. It does mean that stocks will be safer if you wait awhile, even if you have to pay more in the immediate future.

Having completely confused you, a condition that comes naturally to me, I'll go on to answer some of my correspondence.

* * *

To cite one instance, a reader takes me to task because "every one of the recent stops were taken." I'm sorry, Mr. Anonymous, but that's why stops are there. If they weren't the losses might be greater. Incidentally I'm flattered no end to think that this column "is a device to collect brokers' commissions." Now if the brokers could see it that way, this paper would get a lot more ads and I'd get a lot more money. Oh yes, Mr. Anonymous, I get paid. I don't write this for nothing.

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.]

Economic Implications Of Military Preparedness

(Continued from page 3)

ministration of economic resources in peacetime, with security assumed or, at least, with military insecurity adequately guarded against by a relatively minor allocation of men and materials.

There is, however, a common ground on which the military man and the businessman or economist can and must meet. This common ground is likewise the field of decision on which the President, the Congress, and the thoughtful citizen must take their stand during the next few months and over the ensuing years. The common problem in whose solution both points of view and both types of professional competence are required is that of the needed balance between the military striking force and the civilian reservoir of men, morale, and machinery upon which the actual fighting force must depend in this day of industrialized war. The old adage that "an army travels on its belly" has to be enlarged to the form, "travels on the economic machine that maintains the physical and psychological well-being of the soldier and keeps him supplied with efficient weapons." In providing the means of modern war the whole structure of economic society is involved.

I appreciate the opportunity afforded me by Secretary Forrestal to consider with you how the economic factors may be brought into proper working relationship with the military factors in the security equation. In the well-worn phrase of economics, it is the question of economic **supply** and military **demand**. This issue can be considered at two levels, first as it was posed by the President's Message to the Congress on March 17, 1948 and, second, as it will confront the country when the 81st Congress convenes. It is to the latter that I will primarily address my remarks.

Defense Preparations

What the President said last March was that "the critical situation in Europe" required that we not merely arrest the process of disarmament but promptly enlarge defense preparations. A few days later, this general recommendation was given definite dimension by a proposal that the military budget be enlarged by about $3 billion.

The economic implications of that development in national affairs were briefly but quite definitely appraised by the Council of Economic Advisers in the closing paragraphs of their quarterly memorandum to the President on April 9. We there said:

"At this early stage of the defense plan, two points should be clearly recognized and made plain to the public:

"(1) We are in a peace economy, not a war economy. The maintenance of an armed force is as much a part of the peacetime system as is the maintenance of a police force by states, counties, and cities, or the employment of railroad detectives and factory guards. The last two years have given us a fuller measure of the productivity of our resources when aggressively used. We were not staggering under the load of $11 billion for our protective forces, and the rise in this item to $14 or $15 billion will not swamp our economy nor require us to pass from free enterprise to regimentation. Some rather systematic and vigorous discipline, however, must be exercised to redirect our economic effort so as to meet the new goal in an orderly and economical manner.

"(2) Every citizen must recognize that further diversions of productive effort to military uses inevitably involves some sacrifice of civilian types of consumption. It is our particular application of the old alternative of 'guns or butter.'

"Our people had—and we believe quite properly—looked forward to a postwar period in which larger numbers of people would achieve higher standards of living than had ever been realized before. These hopes are not nullified by the defense program. But they must in some measure be postponed or for the present revised downward. During this period if any group insists that its income shall be advanced in proportion to every advance in prices or that it shall be in a position to pay up to whatever level is needed to bid its accustomed amount of goods away from other users, it is in effect demanding that it be exempted from sharing in the common burden of protecting our country. These economic facts of life should be proclaimed along with every step in working out the practical details of the defense program."

Personally, I still believe that that statement correctly defined the major economic implications of the limited defense program to which the President has thus far held the line. In amplification of that statement, however, I should like to review quite briefly the situation of the economy at the time when mounting international tension caused this preparedness program to be launched. This involves considering not merely the situation of the economy at a certain point in time but also something of where we had been coming from and where we thought we were going. What had our people been demanding or expecting of the postwar economy?

How War Affected Our Economy

The war period had been preceded by a severe depression in which the use of the Nation's productive resources dropped to less than half their capacity. Millions of men and women able, willing, and seeking to work had not been provided with work opportunities, and the national standard of living suffered. From this depression we had made so disappointing a recovery that concern began to be felt lest we grandchildren of the pioneers might allow ourselves to accept a condition of chronic economic stagnation.

War changed all that and ushered in a period of intense and brilliant national effort. The beginnings of this effort moved much more easily and swiftly by reason of the fact that our resources were not already being fully utilized. There were large numbers of unemployed persons and underutilized facilities. The defense effort therefore got under way with a minimum of disturbance to the civilian economy. In the end, however, attainment of military success required the subordination of ordinary consumer interests to the requirements of military production, though we were never compelled really to earn the meaning of the word "austerity." While individual deprivations and family losses were grievous, it could be said of the Nation as a whole that we lost some blood, shed a few tears, and got up a healthy sweat.

When President Truman presented his defense message to the Congress last March, we had had two years and a half of vigorous postwar reconversion. During this period we were still feeling the tremendous economic momentum of the war influence, with its creation of superabundant monetary purchasing power and its accumulation of enormous unsatisfied wants, public and private, from highways, dams, generating plants, factory equipment, and operating inventories to houses, passenger cars, electric toasters, and bed linen. What we were witnessing in the market was an inability of end products to satisfy simultaneous demands of the market for capital goods, current consumption goods, and exports on the level that unprecedented savings, high current earnings, and foreign demand made possible. Hence we were being swept along in the grip of a strongly inflationary current, inadequately stemmed either by government policies or by private self-restraint.

At this point, I may perhaps be permitted a modest reference to the Employment Act of 1946 and the dual implementation which it provided through the Council of Economic Advisers and the Joint Committee in the Congress. The declaration of national policy made in this act was for such wise use of free competitive enterprise and such prudent discharge of public functions by government as would prevent a return to the baffled waste of productive resources of the 30s and, on the other hand, transmute the momentum of the war and reconversion period into a long-sustained period of high-level peacetime production and the broadly rising standards of living that would go with vigorous and efficient use of our rich resources.

This was a large order, but I for one have never felt that it is beyond the powers of a people possessed of as much ingenuity as ours, with such highly developed institutions of public information and discussion, and with the degree of economic literacy that we have attained. Perhaps the most important requisite for success would be that we also be animated by good will and a spirit of practical cooperation. Individuals and groups must accept the necessities of practical working adjustments between themselves and other parts of a complex productive mechanism. Otherwise, they slow down the machine in the stubborn effort to gain immediate personal or group advantage.

If the nations of the world had been willing to disarm and devote themselves to restoring and subsequently expanding domestic production and enlarging the flow of mutually profitable trade, the years 1947 and 1948 would have at least gone far toward completing the process of physical reconversion and catching up with activities and rates of growth interrupted by the war and the preceding depression. As was stated in several successive Economic Reports to the President to the Congress, the practical problem to be met in successfully completing the catching up process would have been to adjust the several relationships of prices, wages, savings, taxes, and investment one to another so that the great flood of products resulting from high employment with efficient equipment and direction would move promptly into use.

The New Price Relationships

This would have to be worked out through the competition of the market, the policy decisions of executives, the rulings of regulatory bodies, and the process of collective wage bargaining, together with the financial operation of bankers and the Federal Reserve and the economic program of the government. All together these economic adjustment processes would have to work out a new and internally consistent set of money relationships which would realistically reflect major changes in industrial techniques and plant capacities, in tastes and habits of consumption, and in government commitments, all this in the face of tenacious patterns of economic behavior. To quote from two sentences in the Economic Report of July, 1947: "At present we are in the process of seeking to find a workable pattern of income and price relationships on a new price level but with continuing high production and employment. It is generally conceded that this new price level will be higher than prewar." Probably this should have read "substantially higher."

If prospects for peace had improved, or even not grown worse, throughout 1947 and 1948, our ability to adjust our economy to the requirements of sustained peacetime prosperity would progressively have been put to the test in one industry after another as each passed from a condition of scarcity to one of abundance, from a sellers' market to a buyers' market—or true competitive enterprise. If the practitioners of communism had not thrust us back into the danger of war, we would soon have been thrust forward into the difficulties of peace.

These difficulties are of various sorts. There is the danger that, taking fright from weakening markets, business would sharply curtail its investment plans and bankers unduly tighten credit. There is the danger that business managements would attempt to hold up prices and profits at the cost of restricted production. There is the danger that labor would make excessive wage demands, contributing to unemployment and loss of production. There is the danger that consumers, hoping for lower prices, would limit their purchases unduly or, on the other hand, that they might spend so lavishly that savings would not provide adequately for capital needs. And there is danger that government, faced with some or all of these threats to continued prosperity, would not use its powers with sufficient vigor to offset or correct the elements of instability by which our type of free economic system is beset.

The level of defense expenditures for which the President and the Congress made provision last spring tended to avoid or defer these dangers. They are still further limited by the very widespread expectation in business circles that that level will be raised. If the scale of military expenditures does in fact increase substantially, they may be postponed indefintely, and the country confronted by quite another kind of problem.

Prospective Enlargement of Military Expenditure

This brings me to the second part of the question of economic **supply** and military **demand** which I raised earlier in my remarks, that of prospective enlargement of military expenditures. How will this question look to the President and to the 81st Congress in discharging their responsibility for providing an adequate defense program? Both the Congress and the public will need to understand the economic implications of a defense budget $2 or $5 or possibly even $10 billion above the level presently provided.

Superficially it may seem plausible to say that a $2 or $5 billion item cannot seriously disturb an economy in which total production amounts to $250 billion annually. But it is equally important to remember that to the economist, no less than to the physicist, the chemist, and the physician, there are "critical points" where relatively small changes of actual magnitude have decisive influence. Hence we must look not merely at aggregate sums but at strategic spots in the delicate process of economic life which would be affected by the monetary disbursements and the monetary withdrawals.

You are well aware that the country's productive resources are now being used at peak levels. You realize too that already a substantial portion of our productive resources are being used for military and foreign aid purposes—approaching 10% of national product. These uses do not give rise to the production of domestic consumer goods or capital goods. Inflationary forces, though checked at various points, have by no means disappeared.

Even if the defense program were limited to $15 billions, the expenditure of that amount would exceed by at least $3 billions the present annual rate of cash outlays for national defense. If to this are added further increases, to a level of $18 to $20 billions, there are bound to be important repercussions on the operation of the economy.

The specific effects on our business world that can reasonably be foreseen in 1949 and 1950-plus can conveniently be discussed under four heads: inflation, labor diversion, materials shortage, and controls. Within the short time available, I must state my conclusions on these points quite dogmatically without much supporting data or analysis.

Inflation

There appears to have been increasing agreement during the last few months among professional economists and experienced business leaders that, in the absence of the foreign aid and enlarged defense programs, deflationary influences would by this time have become clearly evident. As current expenditures have developed under these programs, and as expectations for the future have become more clear, inflationary forces have tended to outrun deflationary developments, and the trend of both wholesale and consumer prices is still rather steadily upward. If against this background we project a substantially larger scale of military expenditures for rearming ourselves and perhaps Western Europe and some other countries, it is clear that new forces of inflation would be unleashed. They would operate through monetary mechanisms, technological situations, market processes, and psychologic reactions. To some extent, the inflationary impact would be moderate or strong according to the amount of outlay. But to some extent also, they might prove erratic or disproportionate to the financial sums actually involved. We must face the possibility that of the trend toward inflation became generally discernible at the present juncture, it might develop a strongly marked cumulative or spiralling force unless strong anti-inflationary policies were promptly declared by the government. There would also be needed a strong will on the part of influential business leaders and economic groups to resist inflationary temptations.

A major physical problem of the increased defense program is to get production resources transferred from civilian to military uses. The related economic problem lies in devising financial methods by which this transfer can be effected and still avoid the potential inflation.

To some extent higher prices and higher wages would increase the government's tax revenues, but they would also raise military procurement costs, probably necessitate further advance in military pay and allowances and a compensating reclassification of the Civil Service. It seems doubtful that, as a practical matter, offsetting economies in government expenditures could be worked out in the face of the demand for additional civilian services ancillary to the war effort. We must remember that public works, at least in such areas as transportation and electric power, would have to be materially enlarged.

At present tax levels, government revenues would be insufficient to finance any large increased cost. Resort to deficit financing through bank borrowing would at once enlarge the stream of money demand and start an upward movement of prices. Rising prices would not only push up the cost of living, giving rise to demands for higher wages. It would also create a speculative interest in markets which would be well designed to force prices upwards.

An inflationary spiral initiated and reenforced in this manner is by no means unavoidable. To prevent it, however, the program must be financed by drawing the cost out of the pockets of the people. It must, in other words, be financed out of higher taxes and larger savings, voluntary or involuntary. And, even so, it may call for other types of control to meet the physical problems to be noted.

Shortages of Men and Materials

Passing from the monetary to the physical implications of an enlarging military program, we need to distinguish between overall demands and particular points of impact. The military efforts that we are talking about are estimated to divert somewhere from 1 million to 2 or 2½ million workers from the civilian labor force. Out of a total of some 62½ million workers, this is not a crippling drain. We anticipate a rather abnormally large increase in the labor force of a million or even a million and a quarter next year as against an annual gain of some 700,000 in recent years. The point, however, is that the withdrawals for military service would be persons of more than average physical and mental capacity. Even with the most skillful procedure in granting exemptions, they would withdraw appreciable numbers from areas where scarcities (particularly of skilled workers) already exist. At the same time, the character of the equipment and materials required in the military effort would increase the pressure of demand on areas of manufacturing and mining, where even now there is real shortage of skilled personnel.

Much the same can be said as to the demand which an expanded military effort will make upon our supply of materials and equipment for producing finished goods. Unlike the expansion of our military program at the beginning of World War II, we must now start our effort from a level of very high utilization of our productive resources. Today there are bottlenecks in steel and non-ferrous metals, in coking coal and petroleum, ore-carrying boats and pipeline capacity, and at numerous other minor spots. The progress of military stockpiling of strategic and essential materials is being slowed down by such shortages. While there is some present easing in various food, clothing, and non-durable goods industries, the chief impact of a rearmament program would be at the very points where we are still far from being caught up. In general, military demands could not be met by the stimulated use of reserve resources but would have to be at the expense of withdrawals from other claimants whose wants have not yet been satisfied.

These points of present shortage and of special military demand for skilled labor, materials, and facilities would be the first focal points for the inflation referred to earlier. Even if general measures were taken to stem the inflation, there is no assurance that the physical transfer of resources from civilian to military production could be made with sufficient promptness and completeness to meet the need without the introduction of more direct methods of controlling the flow of resources. And if this promptness and completeness were not achieved, we would have breakdowns in the physical process by which adequate military production could be maintained. Since our money and banking system is now so elastic as to permit such market forces to be readily reflected in the price level, we can expect the specific impacts of an enlarged military budget to produce an accelerated inflation unless strong offsetting measures are taken. If the sources of monetary inflation were not severely curbed, direct controls would be needed so much the more to prevent the progressive and senseless bidding up of prices and to assure the scheduled level of military production.

Controls

A program of military expenditures at any level much above the present would, in my judgment, force us out of the free market procedures of a peacetime economy and drive us to the acceptance of a number of direct controls. Otherwise, the strength of the inflationary pressures, the confusion and delay in the defense effort, and the friction and hardship in the civilian economy would create demoralizing conditions both in market processes and in the public mind.

The central and certainly the first feature of a system of controls to facilitate military production would be the allocation of key materials, re-enforced by limitation and conservation orders and inventory controls. Even at the present time, some need for allocation controls is recognized. So far, only voluntary methods are available, and even in the limited field where they have been tried, they have not been conspicuously successful. It is easy to see that a mounting program of defense would soon call for more authoritative methods of broader scope.

Second, there would undoubtedly be early need of considerable placement control for scarce types of skilled labor and a more extensive employment service. Finally, to prevent the spiralling of living costs, wages, and production costs, price control of a quite extensive scope might well be necessary, unless severe fiscal measures were invoked to curtail civilian demand.

Over against this view as to the need of controls in an increasingly inflationary situation, it is clear that businessmen, workers, and farmers have a basic aversion to limitations on a free enterprise system in the areas where they are respectively affected. Mr. Grether yesterday indicated to you that at M-Day, the full panoply of wartime controls far beyond those of World War II would have to be invoked. How far lesser or partial controls would be accepted in the twilight zone between the present state of preparedness and actual mobilization is anybody's guess, but certainly an issue which will be fought out in the next few months and must be considered in parallel with discussion of and decision on scale of military expenditures in the immediately coming months. It is not clear that a control program could be introduced piecemeal, but it is possible that even business leaders who would have to bear the brunt of responsibility for delivering the goods specified in a military expenditures program only a few billion dollars above the present level would find at least materials controls necessary to keep their operational program from bogging down.

The issues of economic controls cannot be divorced from other policies of the Government. A very severe fiscal policy of taxation, and possibly forced saving, would minimize the need for price control. It would also to a degree lessen the problem of allocation by driving civilian demand out of the market. The extent of the need for direct controls is therefore in part directly related to the extent to which the Government permits inflationary pressures to develop.

No Onset of Economic Disaster

So much for my suggested answers to the question of the specific effects that a continued and rising scale of military expenditures would have on our economic life in the near term. It is clear that this would not mean the onset of economic disaster. For the next few years it would guarantee maximum employment in some sort of activity and maximum production of some sort of goods and services. But it certainly would not provide the maximum standard of living that our men, money and management are capable of producing. It would indefinitely postpone the time when we can organize our economic life for the production of maximum real purchasing power for our people—and that was the purpose for which the Employment Act of 1946 was designed and which we had thought we could really get down to business on in these postwar years.

This clear economic implication of rising military expenditures raises a much more fundamental question. Would such a development simply defer the attainment of peacetime economic objectives, or will it make them more difficult of attainment over an indefinitely long future period? There are several respects in which the latter appears definitely to be the case. I shall touch briefly on only four.

This diversion of national resources to war goods rather than peace goods would bring a new threat to the educational interests of this country. Few people appear to realize how great was the accumulation of deferred maintenance in our total school system during the war and the further deterioration both plant and personnel have suffered during postwar inflation. Much the same can be said as to streets and highways and other types of public facilities. This type of problem is further aggravated by the fact that the accelerated rate of family formation in the war and early postwar years has brought more than normally increased demand on community facilities and is just beginning to bring larger numbers of infants to the schoolhouse door.

A second type of persistent harm to the economy is that a military effort results in building expensive kinds of equipment—and to some extent plant—highly specialized to the uses of war engineering which have no use in civilian production or which are in excess of peacetime needs. This sort of economic distortion is aggravated to the extent that the mlitary effort results in accelerated drain on natural resources which are already scarce and for which no equally good or equally cheap substitutes are available.

The third danger of economic scar after the period of actual military effort could be the further distortion of price and income relationships that would result from a further and perhaps more extreme phase of inflation. The impacts of this process are very unevenly distributed. The strong, the favorably situated, and the ruthless or unscrupulous can often protect themselves against adverse effects or even reap positive benefits from extreme price and income disturbances. The weak or unfortunate not merely suffer deprivation but even create maladjustments which make the problem of ultimate stabilization still more difficult.

Two Pronged Danger of Controls

Finally, the return to controls and their continuance for some years would present a two-pronged danger. As a free people, we are always fearful that economic controls may prove habit-forming and develop a spirit of acceptance of authority over larger and larger areas of life and weaken the reliance of the people on free bargaining. If that danger is avoided, there is the opposite danger that in avoiding it, we develop evasion or defiance of constituted authority, black markets, and a lowering of the moral fiber of our people. In any event, by giving legal sanction to certain structures, procedures, and property rights for a period of years, controls build up greater or less vested interests on the part of beneficiaries of these arrangements to have them perpetuated and vested claims of those who have been hurt by them to secure some offsetting benefit. Either way it complicates the return to smooth operation of the economy.

What I have been saying involves no judgment as to what is the scale of military expenditures the country could wisely and safely undertake at this time. It is simply an attempt to look frankly at the actual costs, present and future, of a military effort of stated magnitude.

If any moral is to be drawn from the objective analysis of this problem, it would go to these points: (1) that those who are entrusted with our foreign relations must be wise as serpents and harmless as doves so that the need for military effort shall be held or reduced to the lowest possible point; (2) that those who are entrusted with the military effort display the prescience and the abnegation that will direct every dollar to the point of greatest effectiveness, and forego every outlay based on traditional practice, corps prides, or dispensable ceremony; (3) that the government stand ready to introduce those measures of finance and control which will minimize the disturbing effects upon the economy; and (4) that the people at large face the necessities of the situation, make the sacrifices, and accept the disciplines which are entailed.

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(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Lloyd B. Ingraham has joined the staff of Swan, Stickley & Co., of Boston.

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(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Joseph S. Lewis is with Robert C. Buell & Co., 36 Pearl Street.

British Industry in Changing World

(Continued from page 4)

duct which the late President Roosevelt enjoined as desirable for all men. However, here as elsewhere, thinking makes it so; just as the Briton will always hold that the rose in his own garden is more beautiful and distinctive than the iris which flourishes beside the Sultan's gate.

A Paradoxical Progress

It is this mingling of the larger philosophy with what is perhaps the narrower patriotism that enables the Briton to clear hurdles which, to foreign observers look, as though they must bring him down. Designed although it was to produce a depressing effect, the White Paper on Britain's Economic Position has failed to do so. Rather like the immortal colored man, the Briton does not know where he is going but he is quite sure he will reach his destination. Paradoxically, his uncertainties do not destroy his sense of confidence. It is this underlying assurance, much more than all the Government urges to reach "targets" and "to work or want," which is responsible for Britain increasing her production by 17% during the past two years. The well-to-do rebuke miners for neglecting their work in order to attend football and cricket matches, and the like; the miners reply with a few well chosen words concerning the idle rich who spend their lives at race meetings. Hours of labor have been lost on both sides, but the social temper has been restored by a brief exchange of compliments and the major cataclysms of class warfare and prolonged dislocation of industry averted.

Forms and Gratuities

Form-filling which at the beginning of the Socialist regime took up so much of the Briton's time has been countered by the development of a new technique; it has been learned that it is possible to answer official inquisitions shortly and yet not rudely—at least not in an indictable sense. Nationalization has been discovered to have its humorous side, and this fact is not only a corrective of irritation but seems likely also to assign greater limits than had been hoped to future schemes for State control of industry. Thus, to give a typical example of much that is occurring, the officials of an electricity supply company — all of whom supported the taking over of their company by the State—have been informed that they can no longer expect a gratuity at Christmas now that they are State servants, and neither can they expect in future to obtain their own electricity and electrical appliances at reduced prices. To be a State servant without a Christmas box, in a land where sentiment is still Dickensian at the core, is to take away much of the erstwhile charm of nationalization.

Something on Account

The Government continues to appoint "Working Parties" to make recommendations for this, that and the other industry. Some of these Parties sit for a few months and some for a few years, according to whether the chairs are comfortable or uncomfortable. But the result is nearly always the same. Familiar statistics are produced and well-known arguments forthcoming. Industries must become more efficient, they must group into larger units; they must obtain fresh equipment and machinery. So, with monotonous reiteration, the platitudes roll forth. The industrialist, sensible man, answers this in effect by saying, "I will do all this, or some of it, according to my discretion, if the Government will provide some of the money necessary and also if it will guarantee me markets for the increased production which should ensue." To the request for money, the Government intimates that nothing could please it more than to oblige, and it takes another dip into the taxpayers' pockets. But markets? These are subject to political topsy - turveydoms outside the Government's sway. However, the soothing consolation is offered that all should be well if closer attention than formerly be paid to potential consumers' needs.

Research as a Means of Advance

It is probable that Britain will, over the next five years, achieve more economic production than is the case at present. The explanation is not at the moment to be found so much in increasing resort to heavy machinery, (although that must come), as in the greater attention that is being paid to research. The semi-public or cooperative industrial research organizations in Britain have now a record membership, growth during the past decade being most marked. Further, individual research departments are becoming common among firms of any magnitude. This movement is bound to find practical outcome in numerous directions, among them the shortening of processes used for existing manufactures, the employment of fresh raw materials or re-combination of old ones, or entry into new productive fields, and in the better use of labor as the result of time and motion and similar studies.

Moreover, it is the case in some of the most important industries, that members of the older generation who have professed indifference to investigations other than those of a most palpable kinds, are handing over the management to younger men who are strongly research-minded. It remains to be seen whether Labor will allow the recommendations of research departments to find, via the technicians, full expression in factories; but with a Socialist Government so keen upon the utmost use being made of progressive aids, no opposition from Labor is likely to meet with more than a temporary success.

Although it is true that a considerable part of Britain's industrial machinery is out of date and that the financial problems of replacement, despite Government assistance, are not easy to solve, it can still be said that a refinement of method and of objectives has been so widely initiated that it should lead to an industrial renaissance. It must be borne in mind, also, that British industry is benefiting from inventive skill provided from outside the normal channels. An outstanding instance of this is in electronics, where the powerful Rank cinema organization has entered the industrial field.

Information to Hand

Another advantage which British industry has in comparison with the past is in greater access, despite the paper shortage, to information of all kinds. It is the case that a good deal of the literature for which the Socialist Government has been responsible is redundant or worse; but a recognition of the presence of *cacoethes scribendi* among the bureaucrats should not be allowed to obscure the fact that the standard of Government publications is higher and much more comprehensive than it was before the war. The inquirer who makes his way to His Majesty's in order to obtain light on a spe- Stationery Office, whether it is cific problem of industry or with some broader objective in view, is not likely to do so in vain.

Unemployment as a Possibility

Are the facts that the Briton is gaining steadily in research and that he has the opportunity of being well informed on industrial and allied matters sufficient to prevent the recurrence of unemployment? Many industries at present, and notably the textile, still report labor shortages; but the Government has thought fit to give warning that some amount of unemployment "not comparable with that which existed before the war" may be expected. Even a superficial study of employment statistics reveals that some readjustment in the labor situation can hardly be avoided. Thus, the number of workers at present employed on orders for the export market is nearly two million against less than one million before the war. This increase reflects both Britain's acute need to force the export pace and also the abnormal shortage of goods which have existed in many countries.

Can this pace be maintained or increased indefinitely? Or is it now the position that countries are less in need to import, at any rate at prices which have hitherto been asked and paid? Is Britain to be faced with the necessity, in order to avoid large scale unemployment, of turning over a million or so workers to providing for Home requirements? And if she could do this, how could she at the same time, be still in a position to import sufficient foodstuffs and raw material for her needs? Some believe that the dilemma cannot be solved and that a palliative will have to be found in emigration on a large scale. The attempt to forestall possible eventualities by becoming more self-contained makes but little headway, whether tested by the total acreage devoted to agriculture or the opening up of new sources of raw materials within Britain herself.

The Capital Position

Others hope that a solution will be found through a substantial rise in the purchasing power of the world as an outcome of a general revivification, for which, so far as Europe is concerned thanks will have to be paid to the Marshall Plan. The writer can do no more than to return to where he began and affirm that although the Briton feels very keenly the uncertainties of the times for himself and for all men, he faces the future with as much philosophy and good humor as he has ever had and with considerably more ingenuity, industrial and otherwise. These attributes are likely to have a capital value which will compare favorably with the assets of most other countries: and this whatever readjustments may have to be made before the attainment of financial, economic and trading equilibrium is generally achieved.

Joins A. G. Edwards & Sons

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — George J. Marshall has become associated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and St. Louis Stock Exchanges. Mr. Marshall was previously with the Mississippi Valley Trust Company.

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KANSAS CITY, MO. — Myron A. McIntosh has been added to the staff of McDonald & Company, 1009 Baltimore Avenue.

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(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Harry M. Lewis is with King Merritt & Co., 408 Olive Street.

Teamwork—For A Better Tomorrow

(Continued from page 11)

promoting payroll savings plans in their own organizations.

Widespread savings by individuals will (1) relieve inflationary pressures on prices, (2) provide the individual's own security, as well as (3) help to restore the historic pattern of capital formation out of which America's greatness grew.

Here is a concrete example of how united, determined, purposeful effort—by business, by government, by labor, and by our big boss, the whole American public—can correct what is wrong and improve one of the many topflight jobs which the American people want done, and it will get done through united and wholehearted teamwork.

As a professor who became a friend on one of my college tours put it, our high standard of living has come about "not only because many men thought hard, invented, innovated, and worked together well, but also because men have been willing to risk millions of dollars of their savings for investment in machines and in horsepower. They have all had their reward. But it isn't they alone who have benefited—it is everyone. Many men have played their roles well in the great American venture. They were induced to think hard and take risks because the rewards of success are great. These rewards—and may I say that we must preserve them—are like magnets drawing out the uncommon talents of all of us. They influence every one of the our 3,881,500 businesses and everyone of our 143 million people. The avalanche of invention, innovation, and risktaking that has been drawn out by our system of rich rewards and mild penalties has made our system the most productive in the world's history." Let's have much more such professors.

To achieve better tomorrows we must merit them—through man-by-man participation in the jobs ahead. Better tomorrows cannot dawn for any nation which short-circuits the incentive to excel. Americans are not and do not intend to be a mediocre people.

Previous generations of Americans have the incentive, the vision and the desire to face the future courageously, to build the brave new world which came out of such determination. They sought responsibility, they craved activity. They knew little and cared less about frustration and futilty. Because they spent more hours at work than at home or at play, they found in their jobs their greatest opportunities, the greatest fulfillment of their ambitions.

They invaded unknown frontiers with courage and vigor, in the conviction that opportunity produced its own security. They were aware that paternalism in any form would bring an end to their rights to live their lives as they chose—the traditional rights of independent Americans.

They understood what they were doing. They knew what they wanted and how to get it. Not just for some of them, but for all of them and by all of them.

We in this generation are their descendants. Their great legacy to us is the ingrained knowledge of something unique under the sun—what America is. What it means to every individual in our land. What it takes to preserve, perfect and practice all that the American way of life is and will ever be.

Ideologies that put men in chains, or merely replace one set of chains with another, are meaningless in the advance of mankind. They are backward moving.

Public opinion still dominates American action. It is the sum of all our wills and habits. It is forward moving. The American people do not want to go back.

We have the dynamics and the vitality to aggressively pursue the objectives of our proven way of progress.

Every step that we can take together, toward understanding of America and by America—becomes much more important, if we think of it not as a limited step, but as an unlimited start. It is out business here to find the many positive advances which all groups and every individual can make together. Confidently—with complete determination, understanding and good will, for a better tomorrow.

Rosenfeld Co. Offers Video Corp. Common

A stock issue of 300,000 shares of Video Corp. of America common stock, at $1 per share, is announced today (Dec. 2) by Henry P. Rosenfeld Co., of 37 Wall St., New York.

Michael M. Platzman, President of Video, states that completed plans call for the manufacture of a line of television receivers including 7 inch, 10 inch and 12 inch table models and a 12 inch Consolette. In addition, a 12 inch Console AM and FM with automatic record changer plus a club line for commercial use and a high grade artisitc custom line made specially to suit and fit into furniture designed by interior decorators. The television industry is growing at a startling rate. It is reported by RCA industry Service Laboratory that there are presently 750,000 television sets in operation, that there will be over 1,000,000 receivers in use by 1948. Production of the television industry during the third quarter of 1948 was 50% greater than the first half of 1948. Estimated production of the industry in September is 70,000; October 85,000; November 90,000 and December 100,000.

At the present time, there are 83 construction permits already outstanding in stations presently under construction. There are, in addition, 303 applications outstanding in television stations.

"With new territories opening for sales on television receiving sets, the potential market would appear tremendous," says Mr. Platzman.

Warren York Missing On Air Trip

The search for Warren W. York, President of Warren W. York & Co., of Allentown, Pa., whose private plane carrying himself, his wife and personal pilot, has been missing since Nov. 18, has been unavailing, although planes have been searching over the central and eastern portions of Texas for several days.

Following attendance at the annual convention of the National Security Traders Association at Dallas, Mr. & Mrs. York met the plane and its pilot by appointment at Mineral Wells, Texas, about 50 miles from Dallas, where, it was reported, the plane had landed en route from Allentown. The party then took off for New Orleans to attend a reception given the returning convention delegates by the New Orleans Security Traders Association. Nothing has been heard of the plane since the pilot asked for and received weather information shortly after taking the air.

Mr. York founded his firm, with principal offices at 530 Hamilton Street, Allentown, in 1927. A branch office is maintained at 39 Broadway, New York City.

Indications of Business Current 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):

AMERICAN IRON AND STEEL INSTITUTE:		Latest Week	Previous Week	Month Ago	Year Ago
Indicated steel operations (percent of capacity)	Dec. 5	100.1	99.2	98.9	97.7
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 5	1,804,300	1,788,100	1,782,600	1,710,000

AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Nov. 20	5,658,550	5,626,400	5,595,950	5,275,300
Crude runs to stills—daily average (bbls.)	Nov. 20	‡5,676,000	5,712,000	5,556,000	5,229,000
Gasoline output (bbls.)	Nov. 20	17,802,000	17,811,000	17,238,000	16,138,000
Kerosene output (bbls.)	Nov. 20	2,472,000	2,665,000	2,077,000	2,192,000
Gas oil and distillate fuel oil output (bbls.)	Nov. 20	7,577,000	7,669,000	7,331,000	6,574,000
Residual fuel oil output (bbls.)	Nov. 20	9,119,000	8,964,000	9,227,000	8,447,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 20	91,244,000	91,795,000	91,074,000	84,777,000
Kerosene (bbls.) at	Nov. 20	26,908,000	26,528,000	27,329,000	21,218,000
Gas oil and distillate fuel oil (bbls.) at	Nov. 20	84,392,000	83,979,000	80,291,000	62,646,000
Residual fuel oil (bbls.) at	Nov. 20	84,577,000	83,659,000	80,751,000	56,774,000

ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 20	857,492	871,677	927,532	902,662
Revenue freight rec'd from connections (number of cars)	Nov. 20	694,406	702,860	726,864	731,410

CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 25	$80,802,000	$123,240,000	$179,052,000	$116,802,000
Private construction	Nov. 25	32,606,000	59,946,000	103,421,000	49,693,000
Public construction	Nov. 25	48,196,000	63,294,000	75,631,000	67,109,000
State and municipal	Nov. 25	43,086,000	49,093,000	50,554,000	55,680,000
Federal	Nov. 25	5,110,000	14,201,000	25,077,000	11,429,000

COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 20	12,270,000	*12,065,000	12,040,000	13,383,000
Pennsylvania anthracite (tons)	Nov. 20	1,205,000	1,151,000	1,185,000	1,217,000
Beehive coke (tons)	Nov. 20	153,800	*144,900	145,900	144,300

DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Nov. 20	371	345	344	395

EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 27	5,373,597	5,626,900	5,555,254	4,983,439

FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Nov. 25	101	126	104	72

IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 23	3.75628c	3.75628c	3.75628c	3.19541c
Pig iron (per gross ton)	Nov. 23	$46.82	$46.82	$46.82	$37.06
Scrap steel (per gross ton)	Nov. 23	$43.00	$43.00	$43.16	$40.58

METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 24	23.200c	23.200c	23.200c	21.200c
Export refinery at	Nov. 24	23.425c	23.425c	23.425c	21.500c
Straits tin (New York) at	Nov. 24	103.000c	103.000c	103.000c	80.000c
Lead (New York) at	Nov. 24	21.500c	21.500c	19.500c	15.000c
Lead (St. Louis) at	Nov. 24	21.300c	21.300c	19.300c	14.800c
Zinc (East St. Louis) at	Nov. 24	17.500c	17.500c	15.500c	10.500c

MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Nov. 30	100.80	100.75	100.69	101.86
Average corporate	Nov. 30	111.25	111.25	110.52	111.81
Aaa	Nov. 30	116.80	116.80	115.63	116.61
Aa	Nov. 30	115.24	115.24	113.89	114.85
A	Nov. 30	109.97	109.97	109.79	112.00
Baa	Nov. 30	103.64	103.64	103.64	104.48
Railroad Group	Nov. 30	106.39	106.56	106.39	106.74
Public Utilities Group	Nov. 30	111.62	111.62	111.07	113.70
Industrials Group	Nov. 30	115.82	115.63	114.66	115.24

MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Nov. 30	2.44	2.45	2.45	2.44
Average corporate	Nov. 30	3.10	3.10	3.14	3.10
Aaa	Nov. 30	2.81	2.81	2.87	2.81
Aa	Nov. 30	2.89	2.89	2.96	2.89
A	Nov. 30	3.17	3.17	3.18	3.17
Baa	Nov. 30	3.53	3.53	3.53	3.53
Railroad Group	Nov. 30	3.37	3.36	3.37	3.37
Public Utilities Group	Nov. 30	3.08	3.08	3.11	3.08
Industrials Group	Nov. 30	2.86	2.87	2.92	2.86

MOODY'S COMMODITY INDEX	Nov. 30	402.0	402.6	409.7	459.9

NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Nov. 27	231.8	231.9	236.3	235.3
Fats and oils	Nov. 27	212.2	210.9	213.8	287.6
Farm products	Nov. 27	252.1	249.1	257.4	268.6
Cotton	Nov. 27	300.7	299.9	294.6	336.6
Grains	Nov. 27	210.6	210.0	205.9	311.8
Livestock	Nov. 27	261.1	256.7	272.2	252.1
Fuels	Nov. 27	242.3	242.3	244.1	198.2
Miscellaneous commodities	Nov. 27	173.7	172.1	171.2	179.4
Textiles	Nov. 27	194.3	194.4	192.9	223.1
Metals	Nov. 27	190.7	190.5	188.3	159.4
Building materials	Nov. 27	229.0	229.0	230.5	236.4
Chemicals and drugs	Nov. 27	151.0	151.4	156.5	157.1
Fertilizer materials	Nov. 27	142.6	142.5	142.4	134.9
Fertilizers	Nov. 27	150.1	150.1	150.1	140.6
Farm machinery	Nov. 27	153.7	151.3	151.3	129.3
All groups combined	Nov. 27	220.2	219.3	222.4	218.1

NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 20	174,440	167,198	161,905	165,882
Production (tons)	Nov. 20	195,552	190,406	189,737	182,964
Percentage of activity	Nov. 20	97	96	95	102
Unfilled orders (tons) at	Nov. 20	373,804	394,769	359,739	418,582

OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Nov. 26	144.6	144.4	143.0	151.0

WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Nov. 23	164.9	164.3	164.7	159.8
Farm products	Nov. 23	177.6	175.2	177.5	188.4
Foods	Nov. 23	177.1	177.5	177.8	177.1
All commodities other than farm and foods	Nov. 23	153.5	153.2	153.1	142.5
Textile products	Nov. 23	147.1	147.0	146.3	145.8
Fuel & lighting materials	Nov. 23	136.8	136.8	136.7	118.6
Metals & metal products	Nov. 23	173.8	173.1	172.6	150.9
Building materials	Nov. 23	203.3	202.4	203.6	187.8
All other	Nov. 23	134.7	134.5	134.4	136.6
Special indexes—					
Grains	Nov. 23	174.2	172.7	168.6	253.2
Livestock	Nov. 23	230.1	225.4	245.3	223.4
Meats	Nov. 23	238.1	239.1	251.5	221.6
Hides and skins	Nov. 23	206.7	206.2	203.7	262.5

*Revised figure. ‡Includes 373,000 barrels of foreign crude runs.

BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. —U. S. DEPT. OF LABOR — Month of September (three 000's omitted):	Latest Month	Previous Month	Year Ago
All building construction	$586,375	*$648,261	$562,908
New residential	285,827	*360,540	310,503
New nonresidential	215,545	*193,667	162,597
Additions, alterations, etc.	85,003	*94,054	89,808

BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR — Month of October (in millions):			
Total new construction	$1,704	*$1,783	$1,497
Private construction	1,265	*1,336	1,129
Residential building (nonfarm)	660	685	590
Nonresidential building (nonfarm)	328	*334	275
Industrial	114	*113	137
Commercial	114	*123	82
Warehouses, office and loft buildings	35	*35	14
Stores, restaurants and garages	79	*88	68
Other nonresidential building	100	*98	56
Religious	25	*25	13
Educational	25	25	17
Hospital and institutional	11	10	8
Remaining types	39	*38	18
Farm construction	39	63	50
Public utilities	238	254	214
Railroad	34	36	32
Telephone and telegraph	55	65	59
Other public utilities	149	153	123
Public construction	439	*447	368
Residential building	4	5	9
Nonresidential building (other than military or naval facilities)	106	*102	53
Industrial	2	2	1
Educational	58	*56	27
Hospital and institutional	24	*23	9
All other nonresidential	22	21	16
Military and naval facilities	13	13	23
Highways	180	*190	178
Sewer and water	47	*44	35
Miscellaneous public service enterprises	9	10	11
Conservation and development	64	*66	45
All other public	16	*17	14

BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of October:			
New England	$15,838,786	$22,878,345	$19,405,887
Middle Atlantic	58,617,709	109,672,769	67,119,632
South Atlantic	31,486,494	31,608,333	35,249,962
East Central	63,589,863	73,555,475	73,536,100
South Central	39,162,019	48,206,677	40,700,752
West Central	27,889,827	20,640,496	20,833,432
Mountain	8,337,781	7,603,837	4,964,165
Pacific	59,260,969	55,394,396	64,072,237
Total United States	$304,183,448	$369,560,328	$325,882,167
New York City	35,674,139	80,586,824	36,213,495
Outside of New York City	268,509,309	288,973,504	289,668,672

BUSINESS INVENTORIES, DEPT. OF COMMERCE—Month of Sept. (millions of $):			
Manufacturing	$30,460	*$30,401	$27,055
Wholesale	8,245	8,112	7,233
Retail	14,595	13,991	12,155
Total	$53,300	*$52,504	$46,443

COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters) prior to Nov. 14	11,663,229	-------	9,265,460

COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES—			
Lint—Consumed month of October	695,887	739,139	828,576
In consuming establishment as of Oct. 31	1,468,500	1,262,404	1,476,112
In public storage as of Oct. 31	7,325,729	4,140,319	5,098,757
Linters—Consumed month of October	115,116	108,997	103,559
In consuming establishments as of Oct. 31	209,187	144,129	142,192
In public storage as of Oct. 31	57,118	65,628	65,541
Cotton spindles active as of Oct. 31	21,157,000	21,302,000	21,550,000

COTTON SPINNING (DEPT. OF COMMERCE)			
Spinning spindles in place on October 31	23,811,000	23,832,000	23,889,000
Spinning spindles active on October 31	21,157,000	21,302,000	21,563,000
Active spindle hours (000's omitted), Oct.	9,521,000	9,414,000	10,802,000
Active spindle hours per spindle in place, October	400	420	452

DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-39 AVERAGE=100—Month of October:			
Sales (average monthly), unadjusted	286	252	267
Sales (average daily), unadjusted	260	257	*252
Sales (average daily), seasonally adjusted	250	252	225
Stocks, unadjusted as of Oct. 31	267	256	253
Stocks seasonally adjusted as of Oct. 31	236	243	224

EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—Month of September:			
All manufacturing	13,478,000	*13,245,000	13,125,000
Durable goods	6,793,000	*6,709,000	6,630,000
Nondurable goods	6,685,000	*6,536,000	6,495,000
Employment indexes—			
All manufacturing	164.5	*161.7	160.2
Durable goods	188.1	*185.8	183.6
Nondurable goods	145.9	*142.7	141.8
Payroll indexes—			
All manufacturing	381.7	*374.8	345.3
Durable goods	422.6	*418.9	382.2
Nondurable goods	341.7	*331.6	309.2
Estimated number of employees in manufacturing industries—			
All manufacturing	16,704,000	*16,443,000	16,175,000
Durable goods	8,292,000	*8,187,000	8,070,000
Nondurable goods	8,412,000	*8,256,000	8,105,000

NEW CAPITAL ISSUES IN GREAT BRITAIN—Midland Bank, Ltd.—Month of October	£105,012,000	£5,196,000	£3,942,000

SELECTED INCOME TERMS OF U. S. CLASS I RYS. (Interstate Commerce Commission) (Month of August):			
Net railway operating income	$115,709,718	$105,256,808	$81,145,528
Other income	14,589,923	16,138,416	14,252,802
Total income	130,299,641	121,395,224	95,398,330
Miscellaneous deductions from income	4,749,457	5,056,191	3,447,157
Income available for fixed charges	125,550,184	116,339,033	91,951,173
Income after fixed charges	88,950,897	79,753,626	55,511,760
Other deductions	3,441,064	3,279,417	2,867,705
Net income	85,509,833	76,474,209	52,644,055
Depreciation (way & structures & equip.)	31,547,870	31,221,196	29,586,632
Amortization of defense projects	1,380,987	1,373,752	1,354,569
Federal income taxes	50,913,666	48,854,376	30,738,444
Dividend appropriations:			
On common stock	21,621,964	4,911,593	17,280,446
On preferred stock	4,318,935	1,088,075	4,318,989
Ratio of income to fixed charges	3.43	3.18	2.52

TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of October:			
Net sales	-------	-------	$14,128,500
Net purchases	$120,000	$7,174,000	-------

*Revised figure.

As We See It

(Continued from first page)

to have been appointed for the purpose are saying, that the particular form and content of legislation to be sought—and presumably obtained—will depend upon how those against whom these enactments would be directed behave meanwhile. It is even intimated that some legislation could be avoided altogether if the business community "takes a hint" from the White House.

Un-American

Now we submit that this mode of procedure is not only likely to be quite futile in the long run, but that it is in its very essence un-American. In effect it sets the Administration up as a sort of court of ultimate wisdom in all these matters, and holds a club—not law, but a threat of a law—over the heads of business men and others in an attempt to force them into "voluntary" obedience. It is at bottom the very antithesis of free enterprise and individual initiative. It is almost certain to be futile in the long run, so far as business is concerned, precisely because American industry, in the last analysis, rests upon the foundation of a large number of independent and competing units who by and large insist (and rightly so) upon running their own affairs as they think wise. It is likely to be about equally futile as applied, for example, to the labor unions because they have attained, or think they have attained, a position of monopoly in every day affairs and of power in political affairs which renders them quite capable of defying Washington.

But let us look a little more closely at these current developments. It is being said in unofficial, official quarters that the President is ready to "give business another chance." It is being intimated that if business men will reduce their prices and "voluntarily surrender" some of their profits, it may not "be necessary," for example, to reenact any excess profits law to take away the profits to which the President in his wisdom does not believe enterprise is entitled. And, conceivably at least, should the cost of living cease to rise further and particularly if it should appear to be in a declining phase, it might not be regarded as necessary that even "standby control" legislation be enacted. Although, so far as we recall, the Administration's anti-trust campaign has not been specifically mentioned in all this, it is not inconceivable that "an humble and a contrite heart" might save business men days in court and much time and expense.

Not by Law

Now it is evident to us that this is an attempt to govern, not by law or even by an administrative body which has been given wide discretion by virtue of some statute, but by the conceits, or at the very best the judgment of one man without even the benefit of an enabling statute! It seems to us to be going one step further even than the New Deal mode of government by men rather than by law. If we assume its effectiveness then the practical business man would be obliged to keep constantly informed as to what the President thinks or is likely to think in order to conform his actions day-by-day not to conditions as he sees them, but to the judgment of one man or a small coterie of men sitting cloistered in the nation's capital far distant from the hurley-burley of business. It would be difficult to imagine a system under which the economy would be surer of lack of success.

American business is still by and large competitive. In can not for very long take undue profits. So long as it remains competitive, it can not raise and keep prices higher than conditions warrant. There are numerous factors over which it has no control, and which inevitably have their effect upon prices. One of them is the monetary and credit situation. We have financed a war on inflation—as we financed a much less expensive war in 1917 and 1918. One net result is a staggering increase in the supply of money, and in the amount of such "purchasing power" in the hands of the rank and file of the people. So far as they are disposed to spend it, they are able to demand goods in excess of current production. It is the rank and file of the consumers, not the seller, who are directly causing price increases, and their insistence upon having what they want is beyond effective control even of government.

They Will Disappear

The innumerable cases of violation of the various price and other regulations still in effect are eloquent witnesses of these truths. A somewhat unusual—unusual, that is, only in form and detail—of this type of situation is the state of affairs which is well known to exist in the retail market for new automobiles. A good deal of publicity has been given recently to the situation in the District of Columbia—in light of which there were, as always, suggestions of "regulation." Of course, to all realistic observers this state of affairs is one which grows out of abnormal conditions of a temporary nature and, more important, is one which will in the nature of it cure itself most quickly if left to its own devices. What has happened is at bottom what always happens when any effort is made to keep the price of any scarce or semi-scarce article below that which many hungry consumers are willing to pay. So far as we are aware, this is the only case on record where the manufacturer of an article has consistently and steadfastly refused to ask what the market would obviously bear. Dealers have not always been as far-sighted—or whatever the quality is—with the result that a new sort of "black market" has developed in response to the demand of the public. It is a sort of morbid growth on the body economic, but one which will inevitably disappear with the conditions which created it, and leave far less damage behind it than any foolish attempts of public authority to regulate the industry.

The President in his desperate political campaign recently brought to a successful conclusion, has placed himself in several unenviable situations, but the way out is not to be found in trying to hold a semi-imaginary mandate over the heads of business or any other element in the population.

Don't Make Business The Whipping Boy!

(Continued from page 7)

the barest necessities of life within two weeks. In many of our industries there is hardly a week between the factory and direct consumption of the product in the American home.

How complex and delicate is the economic mechanism which moves this tremendous volume of goods so swiftly from production to consumption! We stand in awe before the mighty picture of America's economic power for good. And we do well to remind ourselves often that we have a great responsibility in protecting and defending the system of free, competitive enterprise which is the source of our strength and well-being.

This great American destiny must be worked out in harmony with the precious American heritage — guaranteed through the Constitution. As long as we are loyal to the ideals of America, we need not fear the future. It will be as glorious and as resplendent as the past.

We are in troubled times. There is chaos and confusion abroad, a natural condition following a deadly world war which severed ancient moorings and wiped out the stability, the hopes and the fortunes of millions of people.

America Rebuilding War-Torn World

It is to rebuild this war-torn world that America is pouring forth billions of dollars of the peoples' money. We do this because we realize there can be no peace in the world without stability. We must have a stabilized and peaceful world if we are to work out completely our own great destiny.

Our need to pour out great sums of money to Europe and Asia became increasingly necessary when we found another ideology reaching out to engulf Europe and Asia and eventually all the world.

There is a cruel, cold war being waged between Communism and the free way of life as best exemplified here in America. We must win this cold war if we are to keep Communism from supplanting Americanism.

There is one solid ground upon which I am sure all of us can unite. *We are determined to keep Communism out of America!*

For some years some of us have vigorously fought to get the Communists off the government payroll and turn the white light of publicity upon those who had infiltrated into powerful places of influence in business, labor circles, education and even in the churches.

This must be a never ending struggle. Liberty can be only for those worthy of it. Liberty can only be for those who are willing to fight to preserve it. And let me tell you, folks, there is no liberty in Communism. There is no freedom of the church; there is no freedom of speech; no freedom of press or radio; no opportunity either for the worker or the employer. All come under the domination of a powerful bureaucracy that tells what can and what shall be done.

This liberty we all like to talk about will never disappear from our country through a defeat in arms. When it goes it will be because we were lured away by false promises of security. With our own money we will be given temporary security, and at the cost of liberty.

That is why we must be on guard against the steady onward march of the Federal bureaucracy. Already enormously large, and growing steadily, it threatens to dominate every phase of our life. They give you aid and temporary security, but eventually they will get the money back through higher taxes, and still retain all the powers they have secured.

Perhaps we have reached that stage in our national life when we are ready to wear the chains of Federal bondage. But I do not think so. I hope not. I love to think of our people as a people ready to go forward with the American spirit of adventure, courage and determination.

This is the spirit that conquered a wilderness and built here the mightiest nation ever conceived by man. It is the spirit that won two world wars; it is the spirit that will carry us even to higher levels if we have only the faith in our institutions and the courage to maintain them. It is a great challenge to the people of America. May God give us the courage to meet this challenge.

Must Build Strong and Solvent America

If we are to do our full share in saving the world we must build a strong and a solvent America. This is our first great task today and it is only through unity and cooperation that we can achieve our desires.

We must create in America a greater unselfishness. We must all be ready to give something to America instead of seeking to get something *out* of America.

Employee and employer must work together. They have a common interest. Each is dependent upon the other. Both shall succeed or both shall fail. Intelligent and far-seeing leadership in labor and management is a vital necessity if we are to have industrial peace and prosperity. Failure to achieve this cooperation could and will bring a business depression that would be disastrous.

A national debt of $250,000,000,000 is too large. It must be gradually and steadily reduced if we are to make secure our bonds, our savings deposits, our social security funds, the pensions of our veterans and civil workers and our life insurance policies. All the savings of a thrifty people can be lost if we do not maintain a solvent nation.

Must Balance Budget

That is why we must balance our budget even at the sacrifice of some worth-while spending. It is the price we must pay for stability.

We have much to be thankful for in this favored land. These United States comprise only about 6% of the world's total surface; and we have only about 7% of the world's population. Yet this relatively small segment of the globe—under the inspirations of freedom and law—and honest enterprise—produces, year in and year out, about 55% of all the wealth of the world.

We produce 65% of the world's corn; 60% of all the petroleum; 60% of the wheat; 50% of the copper; and 45% of the world's total meat supply. Our daily life is served by 92% of all the bath tubs in the world; 85% of all the automobiles; 60% of all the telephones in the world; 48% of all the radios; 95% of all the television; and 35% of all the railroads.

Measured in terms of purchasing power for the necessities and conveniences of life the wages of the American worker today are by far the highest in the world. Nowhere in all human history has any nation achieved so much as the American people under the stimulations of freedom during our 300 years of continuous development of this continent, where freedom and liberty to the individual are possessions far above every other possession.

We must guard well the heritage which gave us this high position in the world. We must make sure that the aid and assistance we send abroad are devoted to the building up of the machinery of freedom and liberty in the stricken and war-torn lands of Europe and Asia. As I have said, we are but 7% of the population of the earth—but our record of achievements for human well-being is the beacon light and the brightest hope of the remaining 93% of the world's population today. We dare not treat lightly this great heritage.

The secret of this fabulous American achievement is the spirit of our people. Other lands have equal stores of coal, oil, gold, timber and fertile acres. Other lands in history have achieved power and greatness only to wither and pass from the scene. In the shadows of ancient ruins in other lands, people are living today amid resources which match our own—yet they struggle desperately for a bare existence—living in huts, wearing rags—helpless and hopeless — because the sacred flame of freedom has not touched the land to spark the spirit of the people.

Our American spirit is a living web of moral responsibility spun from the basic wisdom of the ages—from the Holy Scriptures, from Magna Charta, the Declaration of Independence the Bill of Rights. What political party, in a moment of intoxicated triumph, would dare turn its back upon this illustrious tradition of freedom? And I am sure if it did, it would meet with disaster.

Not Partison Issues

In this larger sense, the issues and problems before us today are far above the concerns of narrow partisanship. I am not speaking to you in terms of Republican and Democratic, or States Rights, or Progressive. I speak in the terms of fundamental *Americanism*. We have a precious heritage to guard and defend in a troubled world. That defense is not the particular job or the particular responsibility of any one party. It is the challenge confronting every American in every relationship of his daily life.

That is why we shall find the *two-party system* the best approach to stable national government. France and Italy are living examples today of the impotence which comes ultimately from too many parties. Our problems can be resolved, and our steady progress best assured, through the vigorous operation of the two-party system. And that system, to be really effective, must be a part of the government of every State in the Union. The sound thinking people of the country must unite under one banner, whatever we may call the party which embraces us all. America is greater than any party!

Business is naturally interested vitally in the budget outlook in the new Congress, to assemble in January. President Truman already has indicated that we face enlarged demands upon the Treasury for European relief and assistance. There is much talk of direct military aid to Europe and China. There are plans for a larger national defense expenditure. There are demands for bigger appropriations for housing for roads, for irrigation and reclamation. There is talk in some quarters of new taxes, particularly to finance the Truman National Health Program, with its proposal for compulsory health insurance, and a beginning in Socialized Medicine, such as England launched this year.

We know that the advocates of these larger spending programs are in command in several sub-Cabinet positions in Washington. They have indicated clearly since the election that they regard the results as a green light to the development of their enlarged spending programs. If these measures are presented to Congress by the Administration, we shall at once face the decision whether we are to revert to deficit spending, or to increased taxation all along the line.

The 1949 Budget

Our budget this fiscal year—the year which ends June 30, 1949—calls for total expenditures of $43 billion.

If we add as much as $1½ billion to that figure for the fiscal year 1950, the problem of additional revenues arises at once. And upon the type of new taxes imposed will depend whether we have good times or a disastrous depression.

The spending tendency of the present Administration is pretty clearly demonstrated in the record of the current calendar year, 1948. A recent report from the Byrd Committee on Non-Essential Federal Expenditures shows that during the first eight months of 1948 the Truman Administration added to the Federal payroll a total of 125,178 persons. This increase in civilian personnel takes no account, of course, of the expansion of our military forces under the peacetime draft. The figures shows that the increase in the civil roll was 513 persons every *day*, including Sundays and holidays. That means we have enlarged the Federal establishment by 3,591 people every week!

It requires no occult powers to divine what is ahead in the way of new taxes if this rate of payroll expansion shall be continued under the new Administration.

The Federal payroll today carries a few more than 2,100,000 names in the civil departments, exclusive of the military personnel. The political power of 2-million payrollers and their families recently has been demonstrated with rather startling effect. The question well may be asked whether the Federal payroll, of itself, has not grown to such dimensions that it is now a self-perpetuating political organism—which holds the power to keep itself in office independently by sheer number of votes?

These are reflections which must command the attention of our business people if we are determined to maintain constitutional government on an even keel in these United States.

I am convinced from long experience in Congress that the principal difficulty encountered in government programs is that they too often start out on an overly ambitious—and excessively costly scale. Businessmen are trained to approach their problems in a more practical way. They often patch up the bad holes in the road, and thus get traffic moving. Government programs, on the other hand, too often abandon the old road entirely, and plough it under — and the people are left with no thoroughfare whatever while the new road is being debated and designed. We must guard against costly dreams by bureaucratic visionaries.

Government programs too often cost more than the preliminary estimates. There is an element of bureaucratic brokerage in almost every government project. We do not know exactly why this is so. But the universal experience has been that government agencies seldom make ends meet on a business basis.

Record of Private Enterprise

As opposed to these vast government enterprises, we have the record of private enterprise through the ages. The verdict of history, as I read it, is that human progress marches step by step with the perfection of freedom and effective self-discipline among the people.

In all our practical problems today we find, upon reflection, that all issues fall on one side or the other of the very clear line—a line of spirit, perhaps. To one side of that line we find faith and confidence in free institutions and honest representative government. On the other side we find mistrust of men, a suspicion of distant peoples, a want of faith in the wisdom of the people, a lack of respect and confidence for the opinion of others.

I have had occasion to study the temper and spirit of these United States for many years. I am convinced that an overwhelming majority of our people are aligned on the side of confidence and trust in the institutions and aspirations of freedom under law.

Yet we may not deny that there is a school of thought abroad in our fair land today which teaches that the people are not to be trusted with their own decisions—that government must plan everything, must organize every program, finance every advance, dictate and guide every step of progress.

That school finds its spiritual roots in the terrible agonies of a European Continent all but prostrated and crushed by the wreckage of war and revolution.

This is the challenge of Communism on the domestic front. We know that Communism wants to see mighty America laid low. She hopes to accomplish that by pushing us steadily toward the consuming fires of inflation.

The aspirations of international revolutionary Communism are at war with everything that America holds dear. Communism thrives and can prevail only to the extent that it may cripple or hinder the great productive forces of America. That is why we find the cancerous cells of Communism today in every great industry, in our educational system, in every forum of public opinion, even in government itself in Washington. Unable to make a dent in the hard rock of American character and purpose, the Communists have now been driven to the methods of secret infiltration. The next six months will tell us whether these wrecking forces are to be cleared out of our national government in Washington. We know the Reds and Wobblies are there—in many high offices in the government departments and agencies. What the new Administration will do about them is a matter for the future to clarify.

I shall not burden you with further details of the new picture confronting us. History is clear that once men forsake the disciplines and responsibilities of orderly self-government, they start down those tortuous paths which lead ultimately to the black tyranny of the Police State.

As a member of the minority party in the new Congress, it would ill become me to predict or forecast those developments which surely will engulf us if the new Administration wavers in its devotion to our deepest American ideals and traditions. It is our sacred duty to give the new government a fair chance to present its program, to outline its objectives, to develop its methods and approaches to the pressing problems of the hour. To fail in that duty would be to foresake America at the outset. That we shall never do.

But we must keep our political powder dry! We must be on guard against the ever-advancing tide of State Socialism. We must stand firm against new encroachments of the government upon the daily lives of the people.

On these great fundamentals a host of solid and time-tested Democratic Senators and Representatives stand firmly on the side of the American tradition.

I for one am on the side of hope and reasonable confidence. I have never doubted for a moment that the old faith still lives in the hearts of an overwhelming majority of our people. There can be no real doubt, as yet, that we shall eventually win through to the great American Dream of ordered liberty under law.

With that program, with that vision, with that high purpose we shall yet light the lamps of freedom again all over the world.

And in the battle, businessmen of every kind will be marching steadily in the progressive ranks of free men and free women.

Business is the servant of peace and progress.

Let us turn to our work with a will which can know no defeat.

Emil O. Schwanz With Slayton & Company

(Special to THE FINANCIAL CHRONICLE)

AURORA, ILL.—Emil O. Schwanz has become associated with Slayton & Company, Inc. of St. Louis. Mr. Schwanz was formerly local mnaager for Carter H. Corbrey & Co. and prior thereto was with William H. Flentye & Co.

Joins Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—Robert W. Goggin has become affiliated with Thomson & McKinnon, Shoreland Arcade Building.

Your Bulwark for Democracy

(Continued from page 6)

increase over the average annual production during the prewar years of 1935-1938.

There are other figures that I could give you that are of interest: it is estimated that potash production will be 29% higher during the fiscal year ending June 30, 1949 than in 1947; it is estimated that sulphur will be 15% greater, and wood pulp 23% greater.

These I think are sufficient to indicate that the Marshall Plan countries are making substantial progress towards increasing production.

Breaking Down Economic Barriers

Even more important in its ultimate consequences than the production increases in individual countries of Europe is the real start that has been made towards greater economic cooperation among the nations of Europe—cooperation in breaking down the barriers that divide Europe into separate uneconomic segments.

There have already been a few solid achievements. On Nov. 1, a new Intra-European Currency Clearance Program went into effect. Under this program, the creditor nations in Europe have agreed to (1) fund or freeze the debts which have been contracted with the debtor nations of Europe since the war, and (2) extend new credits on their own responsibility to the greatest extent possible. ECA has agreed to give the creditor nations conditional grants to enable them to extend additional credits to debtor nations beyond those offered on their own responsibility.

As further evidence of progress, the Benelux countries—Belgium, the Netherlands, and Luxembourg—recently announced that their economies would merge and operate as one economy after 1950. France and Italy are negotiating a customs union. As for Great Britain, she is offering credits to European nations to the extent of over $300 million.

We have asked the OEEC for a tabulation of the trade barriers which divide the countries of Europe. From there we shall go on to see what more can be done about reducing them.

These steps are, of course, only a beginning. The goal is a much freer movement of goods and people throughout Europe. We expect that further efforts to break down the national barriers to increased trade in Europe will multiply in scope and effectiveness and we intend to encourage them with all of the force and all of the pressure we can muster. The important thing to note now, however, is that the centuries-old trend towards increased compartmentization in Europe has been reversed, that new and hopeful concepts are stirring Europe's imagination and that new institutions are in the making.

Communists' Efforts At Sabotage

Perhaps more persuasive than the evidence I have given that the Marshall Plan is working, is the extreme effort at sabotage that the Communist agents of the Soviet Union are making against it. The recent coal strike in France is a good example of the lengths to which the Soviet Union is pushing its agents in foreign countries to block European recovery. Wrecking the Marshall Plan is the number one objective of Communism in Europe. I think this unintended tribute to the success of the program proves that we are on the right track and moving at a satisfactory rate of speed.

As a final word, I would like to say that even more important than the tangible results of the Marshall Plan are its intangible gains. It was the announcement of the Marshall concept which rebuilt enough hope to halt the march of Communism in Italy and France in 1947. What would have happened to western Europe if Italy and France had gone Communistic is too grim to think about. It is the fact of Marshall Plan aid which is giving to the free peoples of Europe a continuing determination to resist totalitarianism and remain free. It is the new spirit of cooperation that has come to Europe as a direct result of the Marshall Plan that offers us our best hope for peace. The last world war occurred because the free nations failed to unite in their common interest. No aggressor will dare march against the free nations if they regain their strength and remain united. After all, with the people of free nations of western Europe and the North American continent lie all the advantages. There are more of us—approximately 500 million against their 250 million. We have 75% of the world's steel, 85% of the world's shipping and most of the world's petroleum. Most of all, we have the advantage of the ingenuity and resourcefulness that come only to free men. All that is needed to avoid World War III is that we, the free people, plan together, work together and stick together.

Thomas H. McKittrick Honored by Belgium

Thomas H. McKittrick, Vice-President of The Chase National Bank, recently was decorated with the Order of the Crown of Belgium at a formal ceremony in Brussels. Mr. McKittrick, who has been on leave of absence for several months while serving as Chief of the Trade and Payments Branch of the Economic Cooperation Administration in Europe, is expected to return to New York at the end of the year and will resume his banking duties with the Chase.

T. H. McKittrick

The honor conferred upon Mr. McKittrick by the Belgium Government was in recognition of his friendly attitude to Belgium and his services as President of the Bank for International Settlements during World War II.

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

Alabama Power Co. (12/7)
Nov. 5 filed $12,000,000 first mortgage bonds, due 1978. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Harriman Ripley & Co.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Morgan Stanley & Co.; Drexel & Co. **Proceeds**—For construction. **Bids**—Bids for purchase of bonds will be received at office of Commonwealth & Southern Corp. (N. Y.), 20 Pine St., New York, up to 11 a.m. (EST) Dec. 7.

● **All States Life Insurance Co., Montgomery, Alabama**
Nov. 24 filed 30,000 shares of capital stock. No underwriting. **Offering**—To be offered to stockholders at $10 per share. **Proceeds**—To complete company's purchase of Eureka-Maryland Assurance Corp. of Baltimore, and to keep surplus intact.

American Bemberg Corp. (12/13)
Oct. 19 filed (by Attorney General of the United States) 6,175 shares of class B 4½% cumulative preferred (par $100), 91,851 shares of class C common (no par) and 34,033 shares of class D common (no par). **Underwriters**—Stock will be sold at competitive bidding. Probable bidders: Kuhn, Loeb & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane. Pullman, Inc., may also bid. **Bids**—Bids for the purchase of the stock will be received at the Department of Justice, Office of Alien Property, 120 Broadway, New York, up to 3:30 p.m. (EST) Dec. 13.

American Investment Co. of Illinois
Nov. 18 filed 168,425.5 shares of $1.25 convertible preference stock, series A (par $25) and 68,175.6 shares of 4½% preference stock (par $25). **Offering**—The $1.25 preference stock is to be issued in exchange for Ohio Finance Co. 5% preference stock (par $100) on a four-for-one basis and Ohio common in ratio of ⅘ preference for each common share. The 4½% preference stock would be exchanged for Ohio Finance 4½% preferred (par $100) on a four-for-one basis. **Underwriter**—McDonald & Co. will act as dealer-manager.

American Metal Finishing Co., Grand Rapids, Michigan
Nov. 3 (letter of notification) 40,000 shares of common stock (par, $1). Price, par. **Underwriter** — DeYoung-Tornga Co., Grand Rapids, Mich. To enlarge manufacturing facilities and for additional working capital.

American Steel & Pump Corp.
Sept. 21 filed 200,000 shares ($2 par) convertible class A stock. **Underwriters**—Herrick, Waddell & Reed, Inc. and Sills, Minton & Co., Inc. **Price**—$8 per share. **Proceeds**—To retire indebtedness and for working capital. Indefinite.

American Telephone & Telegraph Co. (12/7)
Nov. 10 filed $150,000,000 25-year debentures, due Dec. 1, 1973. **Underwriters**—Names will be determined by competitive bidding. Probable bidders: Morgan Stanley & Co., Halsey, Stuart & Co. and The First Boston Corp. (jointly). **Proceeds**—For advances to subsidiary and associated companies; for the purchase of stock offered for subscription by such companies; for extensions, additions and improvements to its own telephone plant; and for corporate purposes. **Bids**—Bids for purchase of debentures will be received at Room 2315, 195 Broadway, New York, up to 11:30 a.m. (EST) Dec. 7.

Arcata (Calif.) Timber Products Co.
Nov. 15 filed 100,000 shares 6% cumulative preferred stock (par $10) and 300 shares of common stock (par $5,000). **Offering**—To be offered in exchange for outstanding common (par $10), or as an outright sale. **Underwriter** — None. **Proceeds** — To retire outstanding common and pay notes; balance to erect plywood mill.

Argus, Inc., Ann Arbor, Mich.
Nov. 1 filed 115,315 shares ($10 par) 5½% cumulative convertible preferred stock. **Offering** — To be offered initially for sale to stockholders at the rate of one preferred stock and purchase warrant for each 3½ shares of common stock held. With each share of preferred purchased company will issue a purchase warrant entitling the holder to buy 80/100 of a share of the company's ($1 par) common stock on or before Dec. 31, 1950. **Underwriters**—Leason & Co., Inc., and First Securities Co., Chicago. **Proceeds**—For working capital.

● **Augusta National, Augusta, Ga.**
Nov. 24 (letter of notification) $200,000 30-year 3½% sinking fund mortgage bonds. No underwriting. To pay current obligations, erect building improvements and add to working capital.

Bradshaw Mining Co., Tonopah, Nev.
Oct. 8 (letter of notification) 1,500,000 shares (5c par) common stock. **Price**—20 cents per share. **Underwriter**—Batkin & Co., New York. To repair and renovate mine of company and to exercise option to purchase processing mill and move and erect such mill on the company's property and for working capital.

● **Buckeye Paper & Specialties Co., Toledo, O.**
Nov. 18 (letter of notification) 13,000 shares ($10 par) common, 1,500 shares of preferred (par $100). Price, par for each class. No underwriter. For capital funds and to liquidate notes.

Carolina Power & Light Co.
Oct. 14 filed 350,000 shares of common stock (no par) plus not more than 17,500 additional shares which may be purchased in stabilizing the stock. **Underwriters**—Electric Bond & Share Co. (parent) is disposing of the shares and has asked SEC permission for sale of stock by means of a negotiated sale to Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane, who have signed a contract to purchase the stock at $30 per share. Contract calls for a gross underwriting commission of $1.65 per share with a selling commission set at $1 per share.

Central Maine Power Co.
Nov. 1 filed 303,330 shares ($10 par) common stock. **Underwriter**—Coffin & Burr, Inc. **Offering**—To be offered initially to existing stockholders both preferred and common. **Proceeds** — To reduce outstanding short-term bank notes payable to The First National Bank of Boston.

Central Power & Light Co.
Nov. 21, 1947, 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.

Chicago Dr. Pepper Bottling Co.
Oct. 29 (letter of notification) 57,950 shares of Class "A" common stock ($5 par) and 2,050 shares of Class "B" common ($5 par). **Underwriter**—Rodger, Kipp & Co., Chicago. For additional working capital.

Clarostat Mfg. Co., Inc., Brooklyn, N. Y.
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.

Columbia Pictures Corp., New York
Nov. 24 filed 1,414 shares of common stock (no par) to be sold publicly at market by Harry Cohn, Jack Cohn and members of their family. **Underwriting** — None. These shares were received as stock dividends.

● **Crater Mining Co., Spokane, Wash.**
Nov. 20 (letter of notification) 1,000,000 shares of capital stock (par 10¢). Price, par. No underwriting. For exploration, development, mining and purchase of equipment.

● **Elkhorn Mining Co., Boulder, Mont.**
Nov. 22 (letter of notification) 50,000 shares of common, non-assessable stock. **Price**—50 cents per share. No underwriting. For purchase of equipment and operating expenses.

Ex-Cell-O Corp., Detroit, Mich.
Oct. 15 filed 27,000 shares of common stock (par $3). The corporation plans to exchange the 27,000 shares for 1,500 shares of $10 par common stock of the Robbins Engineering Co. Ex-Cell-O plans to operate the Robbins Engineering Co. as a wholly-owned, consolidated subsidiary.

Family Finance Corp.
Sept. 2 filed 25,000 shares 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. Temporarily postponed.

Ferro Enamel Corp., Cleveland, Ohio
Sept. 17 filed 79,080 common shares ($1 par). **Offering**—To be offered for subscription by stockholders in ratio of one additional shares for each four shares held. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—Company and subsidiaries will use the funds for general corporate purposes. Offering postponed.

First Discount Corp., South Bend, Ind.
Nov. 9 (letter of notification) 985 shares of $50 cumulative 5% preferred stock and 3,015 shares of $50 cumulative 5% preferred stock being substituted for the outstanding no par common stock of the corporation. **Underwriter**—Albert McGann Securities Co., Inc., South Bend, Ind. To purchase instalment contracts, make loans to dealers and individuals and to partially retire outstanding loans.

Fuller Brush Co., Hartford, Conn.
Nov. 8 filed 11,606 shares of 4½% cumulative nonvoting first preferred stock ($100 par). **Underwriting**—None. Price, par. **Proceeds**—To increase working capital.

● **General Waterworks Corp., Philadelphia (12/2)**
Nov. 24 (letter of notification) 3,000 shares 5.10% cumulative preferred stock (par $100). **Underwriters**—Butcher & Sherrerd, Philadelphia; Singer, Deane & Scribner, Pittsburgh; Buckley Securities Corp., Philadelphia; Hill, Crawford & Lanford Inc.; Southern Securities Corp., Little Rock, Ark. Price, par and dividend. **Proceeds**—Reduction of bank loans.

Goldsmith Bros. Smelting & Refining Co.
Sept. 27 filed 100,000 shares ($3.50 par) common stock, of which 54,000 shares will be sold by the company and 46,000 by selling stockholders. **Underwriter**—A. C. Allyn & Co., Inc. Price by amendment. **Proceeds**—Company's proceeds for working capital. Indefinite.

Gulf Insurance Co., Dallas, Texas
Nov. 15 (letter of notification) 10,000 shares of common stock (par $10). To be offered for subscription by stockholders in ratio of one new share for each 12 shares held. **Price**—$27.50 per share to stockholders. On rights not exercised stock will be sold to public at $30 per share. No underwriting. To increase capital and surplus funds.

Hajoca Corp., Philadelphia
Nov. 5 (letter of notification) 5,756 shares of common stock (par $1) for sale to existing stockholders and 1,000 shares for sale to employees. **Price**—$35 to stockholders; $40 to employees. Stockholders of record Nov. 15 were given the right to subscribe in ratio of one new share for each 20 shares held. Rights expire Dec. 15. **Underwriting**—None. Working capital.

Harwill, Inc., St. Charles, Mich.
Oct. 27 (letter of notification) 125,000 shares of common stock (par $1). Price, par. **Underwriter** — Charles E. Bailey & Co., Detroit. To pay current liabilities, purchase property, building and equipment and for working capital.

Heidelberg Sports Enterprises, Inc., Pittsburgh, Pa.
June 25 filed 5,000 shares of class B common stock (par $100). **Price**—$100 per share. **Underwriter**—None. **Proceeds**—$600,000 to be used for spectator grandstand and balance for related purposes.

Heyden Chemical Corp., New York, N. Y.
June 29 filed 59,579 shares of cumulative convertible preferred stock (no par) to be offered common stockholders in the ratio of one share of preferred for each 20 shares of common stock held. **Price**—By amendment. **Underwriter**—A. G. Becker & Co. will acquire the unsubscribed shares. **Proceeds**—To be used in part for improvement and expansion of manufacturing facilities. Offering postponed.

Hotelevision, Inc., Long Island City, N. Y.
Nov. 3 filed 160,000 shares ($1 par) class A stock. **Underwriter** — Cantor, Fitzgerald & Co., Inc., New York. **Price**—$3 per share. **Proceeds**—To develop, exploit and distribute a television innovation.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
Nov. 23 (by amendment) 258,675 shares ($10 par) common stock. **Underwriter** — Tom G. Taylor & Co., Missoula, Mont. **Price**—$10 per share. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

Inter-Mountain Telephone Co., Bristol, Tenn.
Oct. 20 filed 95,000 shares of common stock (par $10). **Underwriters**—Courts & Co.; Equitable Securities Corp.; Scott, Horner & Mason; Mason-Hagan, Inc.; Clement A. Evans & Co. **Offering**—Two principal stockholders will acquire 42,776 shares of the proposed offering. The remaining shares will be offered for subscription by

NEW ISSUE CALENDAR

December 6, 1948

Indiana Gas & Water Co., Inc.
11:30 a.m. (EST)........................**Stocks**
Oklahoma Gas & Electric Co.
10:30 a.m. (CST)........................**Bonds**
Potomac Edison Co., noon (EST)...**Bonds and Pref.**
Public Service Co. of Indiana Inc.
11:30 a.m. (EST)........................**Stocks**
Rochester Gas & Electric Corp.
11 a.m. (EST)........................**Debentures**
Seaboard Air Line RR.
Noon (EST)........................**Equip. Trust Ctfs.**
Southwestern Investment Co.........................**Common**
Television & Film Productions Inc.........................**Common**
Wisconsin Power & Light Co.
11:30 a.m. (EST)........................**Stock**

December 7, 1948

Alabama Power Co., 11 a.m. (EST)........................**Bonds**
American Telephone & Telegraph Co.
11:30 a.m. (EST)........................**Debentures**

December 8, 1948

Erie RR........................**Equip. Trust Ctfs.**

December 9, 1948

New York Central RR.
Noon (EST)........................**Equip. Trust Ctfs.**

December 13, 1948

American Bemberg Corp.
3:30 p.m. (EST)........................**Stocks**
New Bedford Gas & Edison Light Co.........................**Notes**
North American Rayon Corp.
3:30 p.m. (EST)........................**Stocks**

December 14, 1948

Long Island RR., noon (EST)....**Equip. Trust Ctfs.**

December 15, 1948

Comas Cigarette Machine Co.........................**Common**
Detroit Edison Co.........................**Capital Stock**
Southern Pacific Co., noon (EST)...**Eqp. Trust Ctfs.**

December 16, 1948

Western Light & Telephone Co. Inc.........................**Common**

stockholders of record Nov. 8 on a share-for-share basis. Price, by amendment. **Proceeds**—For expansion.

Johnson Bronze Co., New Castle, Pa.
Oct. 27 filed 125,000 shares (50¢ par) common on behalf of executors of the estate of P. J. Flaherty. **Underwriter**—McDonald & Co., Cleveland. Indefinitely postponed.

Kingsburg (Calif.) Cotton Oil Co.
Nov. 17 (letter of notification) 76,302 shares of common stock. **Offering** — Warrants will be issued to common shareholders entitling them to purchase one share of common for each five shares held of record on Nov. 30, at $2.50 per share. Underwriting, none. To reimburse the treasury for amount spent for capital improvements.

● **Lakeside Laboratories, Inc., Milwaukee, Wisc.**
Nov. 19 (letter of notification) 1,000 shares of common stock. **Price**—$6.50 per share. **Underwriter**—Loewi & Co. To increase working capital.

Langendorf United Bakeries, Inc., San Fran.
Nov. 17 (letter of notification) 500 shares of $1.80 cumulative preferred stock and 2,000 shares of common stock. **Price**—Preferred, $23.75 per share; common $12.75 per share. **Underwriter**—Walston, Hoffman & Goodwin, San Francisco, Calif.

Livingston Mines, Inc., Seattle, Wash.
Oct. 21 (letter of notification) 90,000 shares (5¢ par) common stock and $30,000 6% 2-year interest bearing promissory notes. **Underwriter** — Lobe, Inc., Seattle, Wash. For operating and general corporate expenses.

Lockheed Aircraft Corp., Burbank, Cal.
Nov. 2 filed 34,750 shares ($1 par) capital stock, to be offered officers and employees. **Underwriting** — None. **Proceeds**—For general corporate purposes.

Masonite Corp., Chicago, Ill.
Nov. 5 filed 81,250 shares (no par) common stock. **Proceeds**—To be exchanged for Marsh Wall Products, Inc., stock (par $1) with holders of Marsh common to be allowed to exchange their holdings on the basis of eight shares for one share of Masonite stock.

Michigan Bakeries, Inc., Grand Rapids, Mich.
Oct. 18 filed 67,500 shares 5½% cumulative convertible preferred stock ($20 par) and 67,000 shares ($1 par) common. **Underwriters** — S. R. Livingstone & Co. and First of Michigan Corp., Detroit, Mich. **Proceeds** — To redeem stock and complete a plant.

● **Mineral Investment Corp., Midland, Texas**
Nov. 26 (letter of notification) 698 shares of common (no par) stock. **Price**—$100 per share. No underwriting. For operation expenses.

● **Mississippi Power & Light Co.**
Nov. 30 filed $7,500,000 first mortgage bonds, due 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Equitable Securities Corp. and Shields & Co. (jointly). **Proceeds**—To finance in part company's construction program and other corporate purposes.

Monarch Machine Tool Co.
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. Offering indefinitely postponed.

Mt. Vernon (Ohio) Telephone Corp.
Oct. 25 (letter of notification) 3,000 shares of 4¼% cumulative preferred stock (par $100). Price, par. No underwriter. To reimburse the treasury for capital expenditures.

● **Nashua (N. H.) Textile Co., Inc.**
Nov. 19 (letter of notification) 1,000 shares of $6 cumulative shares (no par) common. **Price**—Preferred, $100 per share; common, $2 per share. No underwriter. For working capital.

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.

New Bedford Gas & Edison Light Co. (12/13)
Nov. 9 filed $5,000,000 25-year notes, series A, due 1973. **Underwriters** — Names to be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. **Proceeds**—For payment of notes held by First National Bank of Boston and to repay company's plant replacement fund from which funds were borrowed for construction. Expected Dec. 13.

North American Rayon Corp. (12/13)
Oct. 19 filed (by Attorney General of United States) 177,398 shares of common stock (no par) class C, and 88,853 shares of common stock (no par) class D. **Underwriters**—Stocks will be sold at competitive bidding: Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; Blyth & Co. and Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Bids for the purchase of the stock will be received at the Department of Justice, Office of Alien Property, 120 Broadway, New York, up to 3:30 p.m. (EST), Dec. 13.

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.

Oklahoma Gas & Electric Co. (12/6)
Nov. 4 filed $7,500,000 first mortgage bonds, due 1978. **Underwriters**—Names to be determined through competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Harriman Ripley & Co. **Proceeds**—To repay notes and finance construction. **Bids**—Bids for purchase of bonds will be received by company at Room 1100, 231 So. LaSalle St., Chicago, up to 10:30 a.m. (EST) Dec. 6.

Orangeburg (N. Y.) Manufacturing Co., Inc.
Oct. 29 (letter of notification) 2,000 shares of common stock (par $10). **Price**—$16 per share. **Underwriter**—Kebbon, McCormick & Co., Chicago. Proceeds to selling stockholders.

Pervel Corp., New York
Nov. 16 (letter of notification) 24,079 shares of capital stock. **Price**—$2.50 per share. To be offered for subscription by stockholders of record Nov. 24 in ratio of one new share for each three shares held. Rights expire Dec. 15. **Underwriting**—None. Expansion of manufacturing facilities, working capital.

Potomac Edison Co. (12/6)
Nov. 9 filed $5,500,000 first mortgage and collateral trust bonds, due 1977 and 30,000 shares ($100 par) cumulative preferred stock, series B. **Underwriters** — Names will be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); W. C. Langley & Co., and the First Boston Corp. (jointly); Harriman Ripley & Co., Blyth & Co., Inc., and Union Securities Corp. (jointly on stock); Shields & Co.; Equitable Securities Corp.; Lehman Brothers; Kidder, Peabody & Co. and Alex. Brown & Son (jointly). **Proceeds**—For property additions and improvements by company and its subsidiaries. **Bids**—Bids for purchase of securities will be received at Room 901, 50 Broad St., New York, up to noon (EST) Dec. 6.

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. Sale on agency basis being discussed.

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.

Renaissance Films Distribution, Inc., Montreal, Que.
Oct. 29 filed 40,000 shares (par $25) 5% cumulative convertible class B preferred stock and 10,000 shares of C stock (no par). **Underwriting**—None. **Offering**—Class B preferred will be offered at $25 per share with one share of class C given as a bonus with each 4 shares of class B purchased. **Proceeds**—To pay balance of current liabilities and working capital.

● **Rheem Manufacturing Co., San Francisco, Calif.**
Nov. 19 (letter of notification) 3,300 shares ($1 par) common. Price, market. No underwriter.

● **River Valley Finance Co., Davenport, Ia.**
Nov. 22 (letter of notification) 1,000 shares of 6% preferred stock (par $100). Price, par. **Underwriter**—Quail & Co., Danvenport, Ia. To increase working capital.

Robinson Plywood & Timber Co., Everett, Washington
Nov. 17 filed 271,025 shares ($1 par) common stock, of which 105,000 shares are to be offered by company, and 166,025 shares by 15 selling stockholders. **Underwriter**—Blyth & Co., Inc. **Proceeds**—To company from the sale of the 105,000 shares will be added to working capital, except about $275,000 may be advanced to a new subsidiary to be used by it in making part payment of the option purchase price of one-half of the stock of Conifer Timber Co., Fortson, Wash.

Rochester (N. Y.) Telephone Corp. (12/6)
Nov. 3 filed $8,500,000 sinking fund debentures, due 1963. **Underwriters**—Names to be determined through competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Shields & Co.; Union Securities Corp. and Kidder, Peabody & Co. (jointly). **Proceeds**—To pay bank borrowings of $4,000,000, to pay $1,700,000 of borrowings from the trustee of the company's employees' pension fund to pay $1,200,000 of indebtedness to New York Telephone Co., and provide funds to pay indebtedness to Federal Telephone & Radio Corp. **Bids**—Bids for purchase of debentures will be received at Room 1922, 15 Broad St., New York, up to 11 a.m. (EST) Dec. 6.

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.

Schrader (H. J.) & Co., South Bend, Ind.
Oct. 5 (letter of notification) 1,000 shares of 6% cumulative preferred stock (par $100) and 37,500 shares of class B (no par) common. **Underwriter**—Harrison & Austin, Inc., South Bend, Ind. **Price**—Preferred par; common 25c per share. For working capital and to carry conditional sales contracts.

● **Sightseeing Inc., Washington, D. C.**
Nov. 22 (letter of notification) 10,000 shares of 6% cumulative preferred stock (par $10). Price, par. No underwriter. To provide working capital and to reduce existing equipment obligations.

Silver Crescent, Inc., Kellogg, Idaho
Oct. 30 (letter of notification) 550,000 shares of assessable stock. **Price**—18¢ per share. **Underwriters**—R. L. Emacio & Co., Inc., and Hachez & Brown, Inc., Spokane, Wash. For mining operations.

Silver Diner Corp., New York
Nov. 17 (letter of notification) 299,000 shares of common stock (par $1). Price, par. **Underwriter**—Willis E. Burnside & Co., Inc., New York. Working capital.

Silver Ridge Mining Co., Ltd., Nelson, B. C.
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.

● **Smith (C. D.) Co., Grand Junction, Colo.**
Nov. 22 (letter of notification) 1,500 shares ($50 par) 5½% cumulative preferred stock. **Price**—$51 per share. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo. For additional working capital and to reduce amount of short-term bank loans.

Southern Indiana Gas & Electric Co.
Oct. 20 filed 600,000 shares (no par) common stock owned by the Commonwealth & Southern Corp. and 75,000 additional shares of stock for the benefit of the company. **Underwriter** — Smith, Barney & Co. Price, by amendment. **Proceeds**—Commonwealth will use its proceeds to reduce indebtedness and Southern Indiana will use its proceeds for property additions and betterments. Offering deferred.

Southern Oil Corp., Jackson, Miss.
Oct. 8 filed 1,500,000 shares of common stock (par 1c) of which 1,350,000 shares will be sold by company and 150,000 shares by W. G. Nelson Exploration Co. **Price**—$1 per share. **Underwriter**—J. J. Le Done Co., Petroleum Equities Corp., New York. **Proceeds**—For working capital and general corporate purposes.

Southwestern Associated Telephone Co.
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. Indefinite.

Southwestern Investment Co. (12/6)
Nov. 12 filed 33,880 shares (no par) common stock. **Underwriters**—Schneider, Bernet & Hickman; G. H. Walker & Co.; Dewar, Robertson & Pancoast; Underwood, Neuhaus & Co. **Proceeds** — To increase working capital. **Price**—$16.75 per share.

Surety Oil Co., Ltd.
Nov. 18 filed 999.993 shares of common stock (par $1). **Underwriter**—Willis E. Burnside & Co., Inc., New York. **Proceeds**—For payment of moneys which was used in connection with company's organization and acquisition of certain properties; corporate purposes.

Taylor Food Co., Raleigh, N. C.
Nov. 5 (letter of notification) 23,000 shares of common stock (par $1). **Price**—$1.75 per share. **Underwriter**—Griffin & Vaden, Inc., Raleigh, N. C. For purchase of additional machinery, to defray the costs of sales promotion and for working capital.

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Tele-Video Corp., Upper Darby, Pa.
Oct. 20 (letter of notification) 115,480 common shares (par 5¢) and 57,740 preferred shares (par $5). **Price**—$5.10 per unit, consisting of two common shares and one preferred share. **Underwriter**—Gearhart & Co., Inc., New York. Additional working capital.

Television & Film Productions Inc. (12/6-10)
Nov. 22 (letter of notification) 198,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—Koellner & Gunther, Inc., Newark, N. J. Production of television feature motion picture, production of short screen plays, working capital, etc.

● **Time Finance Corp., Brockton, Mass.**
Nov. 24 (letter of notification) 1,150 shares of 6% cumulative, non-participating preferred stock (par $100). Price, par. No underwriting. To provide funds for business of instalment financing.

Times Square Stores Corp., Brooklyn, N. Y.
Oct. 28 (letter of notification) 10,000 units, each unit consisting of 1 share of preferred stock (par $25) and 1 share of common stock (par $1). **Price**—$25 per unit. **Underwriting**—None. Securities to be issued through directors and officers to finance expansion, etc.

● **Mrs. Tucker's Foods, Inc., Sherman, Texas**
Nov. 26 filed 200,000 shares of common stock (par $2.50) of which 80,000 will be sold by the company and 120,000 shares by certain stockholders. **Underwriter**—Rauscher, Pierce & Co., Inc. **Proceeds**—For general corporate purposes.

Unexcelled Chemical Corp., New York
Nov. 8 (letter of notification) 52,095 shares of capital stock (par $5). Price, par. **Underwriting**—None. Offered existing stockholders of record Nov. 16 in ratio of one new share for each five shares held. Rights expire Dec. 16. Additional working capital.

United States Life Insurance Co. in the City of New York
Nov. 18 (letter of notification) 62,000 shares of capital stock (par $4), exclusive of 63,000 shares to be issued to C. V. Starr at $4 per share for investment. American International Co., Inc., will acquire and hold for investment 46,640 shares and will assign 6,000 shares (of the 62,000 shares) to six individuals at $4 per share. The balance (9,360 shares) is being offered to other stockholders of record Nov. 24 at $4 per share on a share for share basis. Rights expire Dec. 15. C. V. Starr has offered to purchase any shares not taken by stockholders. Proceeds will be used to increase capital to be used in company's insurance business.

United Utilities & Specialty Corp.
Oct. 15 (by amendment) 125,000 shares of common stock (par $1) and 33,000 stock purchase warrants (to be sold to underwriter at 10 cents each). **Underwriters**—George R. Cooley & Co., Inc., Albany, N. Y., and others to be named by amendment. Price, market. **Proceeds**—To repay bank loans, working capital, etc.

Upper Peninsular Power Co.
Sept. 28 filed 200,000 shares of common stock (par $9). **Underwriters** — Names to be determined through competitive bidding. Probable bidders include Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis (jointly). **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively; Copper Range Co., 34,000 shares and several individual owners 11,200 shares.

● **Utah Ice & Storage Co., Colorado Springs, Colorado**
Nov. 15 (letter of notification) $100,000 first mortgage 5% bonds, due 1954. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo. For acquisition of plant and business of Montana Service Corp.

● **Western Chem. & Refining Co., Salt Lake City**
Nov. 22 (letter of notification) 300,000 shares class A common stock (par $1). Price, par. No underwriter. For research, development of markets, purchase of plant site, purchase of equipment and for general working capital.

Western Light & Telephone Co., Inc. (12/16)
Nov. 10 filed 47,206 shares ($25 par) common stock. **Offering**—Offered to stockholders of record Dec. 1 in ratio of one new share for each five shares held. Rights expire Dec. 15. **Price**—$20 per share. **Underwriters**—Harris, Hall & Co. (Inc.) and The First Trust Co. of Lincoln, Neb. [Company has sold privately to insurance companies $2,500,000 30-year first mortgage bonds, series C.] **Proceeds**—To pay a current bank loan and to finance part of construction costs.

● **Western States Chemicals Corp., Denver, Colo.**
Nov. 24 (letter of notification) 59,999 shares (no par) common stock. **Price**—$5 per share. No underwriting. For plant and equipment costs plus operating capital.

Wiegand (Edwin L.) Co., Pittsburgh
Sept. 28 filed 200,000 shares (no par) common stock. **Underwriter**—Hemphill, Noyes & Co., New York. Price, by amendment. **Proceeds**—Will go to selling stockholders. Offering postponed.

Wireway Sales Corp., New York
Nov. 17 (letter of notification) 299,000 shares of common stock (par 10c). **Price**—$1 per share. **Underwriter**—Mercer Hicks & Co., New York. Corporate purposes.

Younker Brothers, Inc.
Oct. 18 filed 34,000 shares of 5% sinking fund cumulative preferred stock ($50 par) and 70,000 shares (no par) common stock. **Underwriter**—A. G. Becker & Co., Inc. **Proceeds**—To retire unsecured bank loans and for general corporate purposes.

Prospective Offerings

Comas Cigarette Machine Co., Inc. (12/15)
The Attorney General of the United States invites bids for the purchase of all or any part of 250 shares of the common stock (par $50) (said shares constituting 5% of the total issued and outstanding capital stock) of the company. All bids must be presented at the Office of Alien Property, Department of Justice, 120 Broadway, New York 5, N. Y., on or before noon Dec. 15 (EST).

● **Detroit Edison Co. (12/15)**
The United Light & Railways Co. has asked the SEC for permission to sell at competitive bidding 78,270 shares of Detroit Edison Co. common stock (par $20). United wants to open bids on the stock on or about Dec. 15. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; Coffin & Burr, Inc., and Spencer Trask & Co. (jointly); Otis & Co.

Erie RR. (12/8)
The company will receive bids up to Dec. 8 for the purchase of $4,850,000 of equipment trust certificates to be dated Dec. 15, 1948, and to mature in 10 equal annual instalments. No bid for less than 99% will be considered. The proceeds will be used to finance about 80% of the cost of new equipment. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler, Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Indiana Gas & Water Co., Inc. (12/6)**
Middle West Corp. (owner) will receive bids for the purchase of 43,853 shares of common stock (par $10) of this company at the Prosser Room, Bankers Trust Co., 16 Wall St., New York, up to 11:30 a.m. (EST) Dec. 6. Probable bidders: Lehman Brothers and Bear, Stearns & Co. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc.; Harriman Ripley & Co. and Central Republic Co. (jointly).

● **Kentucky Utilities Co.**
Nov. 27 reported company plans sale early in 1949 of $10,000,000 new bonds. Proceeds for construction. Probable bidders include: Halsey, Stuart & Co. Inc.; The First Boston Corp.

● **Long Island RR. (12/14)**
Company will receive bids at Room 1811, Broad Street Station Bldg., Philadelphia, up to noon (EST) Dec. 14 for the purchase of $5,445,000 equipment trust certificates series K. The certificates, dated May 1, 1948, will mature in 15 equal annual instalments of $363,000 May 1, 1949-1963. Probable bidders: Harriman Ripley & Co. and Lehman Brothers (jointly); Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.)

● **Missouri-Kansas-Texas RR.**
Nov. 20 company asked the ICC for authority to issue $1,800,000 of equipment trust certificates to be used in connection with a purchase of seven Diesel locomotives costing $2,426,694. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Freeman & Co.; Shields & Co.

New York Central RR. (12/9)
The company will receive bids up to noon (EST) Dec. 9 for the purchase of $9,720,000 equipment trust certificates, to be dated Jan. 1, 1949. Bidders are asked to name either 10-year or 15-year serial maturities. Proceeds will finance up to 75% of the cost of equipment estimated at $13,338,000. Probable bidders: Harriman Ripley & Co. and Lehman Brothers (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler.

● **Public Service Co. of Indiana, Inc. (12/6)**
Middle West Corp. (owner) will receive bids for the purchase of 8,198 shares common stock (no par) of the Indiana company, at the Prosser Room, Bankers Trust Co., 16 Wall St., New York, up to 11:30 a.m. (EST) Dec. 6.

Seaboard Air Line RR. (12/6)
Bids will be received up to noon (EST) Dec. 6 at office of Wilkie Owen Farr Gallagher & Walton, 15 Broad Street, New York, for the purchase of $3 255,000 equipment trust certificates, series E, dated Jan. 1, 1949, due in 15 equal annual instalments. Probable bidders: Salomon Bros. & Hutzler; Halsey, Stuart & Co. Inc.; Harris Hall & Co. (Inc.).

● **Southern Pacific Co. (12/15)**
Company will receive bids up to noon (EST) Dec. 15 at its office Room 2117, 165 Broadway, New York, for the purchase of $15,740,000 equipment trust certificates, series Z, to mature in 10 equal annual instalments, and to be secured by new railroad equipment costing not less than $23,610,000. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Wisconsin Power & Light Co. (12/6)**
Middle West Corp. (owner) will receive bids for the purchase of 20,467 shares (par $10) common stock of the Wisconsin company at the Prosser Room, Bankers Trust Co., 16 Wall St., New York, up to 11:30 a.m. (EST) Dec. 6. Probable bidders: Glore, Forgan & Co.; Smith, Barney & Co.

Our Reporter's Report

Those who will make up New York's sizable contingent at the forthcoming Investment Bankers Association convention are busy putting the finishing touches to their affairs and clearing their desks for the getaway on Saturday.

But it's a safe bet that their immediate interest upon arriving in Hollywood, Fla., will be directed back home, where on Tuesday, American Telephone & Telegraph Co. will open bids for its $150,000,000 of new debentures, one of the biggest undertakings in postwar financing.

Two huge syndicates will be facing the barrier for this one lead by underwriting firms which have been traditional rivals for Bell System business since the advent of competitive bidding for utility securities.

The boss company in the Bell System appears to have taken a page out of the book of Northwestern Bell Telephone, one of its subsidiaries which revised the maturity of its recent issues down to 31 years from 45 years as originally planned, before its recent offering.

American Telephone has been holding rigidly to a 35 to 40 years maturity schedule on its several issues since the war, but in this instance it will substitute a 25-year tenure, presumably recognizing that such a term will hold greater appeal for institutional buyers who must be the major outlet for the loan.

Outstanding A. T. & T. Issues

The approach of the time for marketing of the latest big issues of American Telephone has been reflected in an easing tendency in the company's outstanding obligations.

Within about the last fortnight there has been a levelling off of prices which has made for an average rise of about 10 basis points in the yield on such issues.

The issue which would be most comparable to the forthcoming loan in point of maturity, namely the $2\frac{3}{4}$s of 1975, have moved down from a 3.10 to about a 3.20% yield.

Meanwhile the $2\frac{3}{4}$s of 1980 are currently yielding about 3 25% against 3.15 around mid-month while the $2\frac{3}{4}$s of 1982 now yield 3.23% against 3.10; the $2\frac{5}{8}$s of 1986 return 3.28 against 3.17% and the $2\frac{7}{8}$s of 1987, a yield of 3.20 against 3.14%.

New Issues Moving Out.

This week's principal new issues were reported encountering generally satisfactory reception. For example of the $12,000,000 of George Power Co. $3\frac{3}{8}$s, reports indicated that only about a million remained at the end of the first offering day.

Meanwhile, it was reported that the entire $8,500,000 of Florida Power Corp.'s new $3\frac{1}{4}$% first mortgage bonds had been spoken for, and only a small balance of Northern Natural Gas Co.'s $3\frac{1}{8}$% debentures remains to be placed.

Dayton Power & Light Co.'s flotation of $15 000,000 of new first mortgage bonds, brought out as 3s, were said to be working out well to investors with the issue better than 60% sold.

Ready to Open Bids

Three more utility companies have issued calls for bids for new securities to be opened next week and since all three are of so-called "street" size, bidding likely will be quite aggressive.

Rochester Telephone Corp. will look over tenders for $8,500,000 of new 15-year debentures on Monday and on the same day the Oklahoma Gas & Electric Co. will open bids for its $7,500,000 of new first mortgage bonds, due Dec. 1, 1979.

The following day, Alabama Power Co. will pick the winner from among bidders for its $12,000.000 of new first mortgage bonds.

Meanwhile Carolina Power & Light Co. has amended its registration covering 350,000 shares of common fixing a proposed offering price of $30 a share and stipulating the underwriting spread and selling concession. Formal offering awaits SEC consideration of the deal under the Holding Company Act and the Truth in Securities Act.

White, Weld-Stone & Webster Securities Group Offers Transcontinental Gas Pipe Line Corp. Securities on Unit Basis

A nationwide investment banking group headed by White, Weld & Co. and Stone & Webster Securities Corp. is offering to the public today (Dec. 2) on a unit basis $26.500,000 Transcontinental Gas Pipe Line Corp. 6% notes and 530,000 shares of common stock. Each unit consists of a 6% note of $50 principal amount, due May 1, 1951, and one share of common stock. The offering price per unit is $52.50.

The notes will be payable at maturity by delivery of cumulative preferred stock $3 series at the rate of one share for each $50 principal amount of notes. Until Oct. 1, 1949, securities in the units will be transferable only as units and not separately. The form of the offering represents some revision of the company's tentative plan of financing announced last month.

Concurrently with this financing, the company which was organized to build a natural gas pipe line from Texas to New York City, is offering to its present stockholders rights to subscribe for 2,250.000 shares of common stock at $10 per share. The combined proceeds of the units and the offering to stockholders, plus the proceeds from $143 000.000 of $3\frac{5}{8}$% first mortgage bonds to be sold to insurance companies, will be used for the construction of the company's pipe line system, the cost of which is estimated at approximately $190,000,000.

It is expected that the pipe line will be completed in late 1950 or early in 1951. It will connect New York and sections of New Jersey and eastern Pennsylvania with natural gas fields in Texas and Louisiana and will for the first time give New York City access to supplies of natural gas. The main transmission line of the system will be 1,840 miles long and have an estimated initial delivery capacity of 340,000,000 cubic feet of natural gas per day with provision for a substantial increase in capacity.

The company has entered into contracts calling for delivery of natural gas to a number of utility companies in the New York metropolitan area and Philadelphia. They include Consolidated Edison Co. of New York, Inc., Public Service Electric & Gas Co. of New Jersey, Brooklyn Union Gas Co., Philadelphia Electric Co., Long Island Lighting Co., Elizabethtown Consolidated Gas Co., Kings County Lighting Co., Brooklyn Borough Gas Co. and New York & Richmond Gas Co. Under the contracts maximum initial deliveries will range from 100,000,000 cubic feet per day to Consolidated Edison to 2,500,000 cubic feet daily to New York and Richmond Gas Co. The utilities will use the natural gas as a substitute for oil in the manufacture of gas.

Transcontinental Gas Pipe Line Corp. has long-term contracts for the purchase of its gas requirements from fields located in Texas and Louisiana.

After completion of the present financing program the company will have outstanding the $143,000,000 of bonds and $26,500,000 of notes and 3,265,000 shares of common stock.

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DIVIDEND NOTICES

ANACONDA COPPER MINING CO.
25 Broadway
New York 4, N. Y., November 24, 1948
DIVIDEND NO. 162

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of One Dollar and Twenty-five Cents ($1.25) per share on its capital stock of the par value of $50 per share, payable December 23, 1948, to holders of such shares of record at the close of business at 3 o'clock P.M. on December 6, 1948.

C. EARLE MORAN, Secretary & Treasurer

Allied Chemical & Dye Corporation
61 Broadway, New York
November 30, 1948

Allied Chemical & Dye Corporation has declared quarterly dividend No. 111 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable December 20, 1948, to common stockholders of record at the close of business December 10, 1948.

W. C. KING, Secretary

AMERICAN MACHINE AND METALS, INC.

A dividend of 25c per share will be paid on December 30, 1948, to stockholders of record at close of business December 10, 1948. To obtain dividend, holders of Voting Trust Certificates should exchange same for Capital Stock promptly.

H. T. McMeekin, *Treasurer.*

AMERICAN LOCOMOTIVE COMPANY
30 Church Street Alco New York 8, N. Y.
PREFERRED DIVIDEND No. 162
COMMON DIVIDEND No. 94

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of thirty five cents (35¢) per share on the Common Stock of this Company have been declared payable January 1, 1949 to holders of record at the close of business on December 9, 1948. Transfer books will not be closed.

CARL A. SUNDBERG
November 29, 1948 *Secretary*

Allegheny Ludlum Steel Corporation
Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, November 18, a dividend of eighty cents (80c) per share was declared on the Common Stock of the Corporation, payable December 22, 1948 to Common stockholders of record at the close of business December 1, 1948.

The Board also declared a dividend of one dollar twelve and one-half cents ($1.12½) per share on the $4.50 Cumulative Preferred Stock of the Corporation, payable December 15, 1948 to stockholders of record at the close of business on December 1, 1948.

S. A. McCASKEY, JR., Secretary.

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 171
Common Dividend No. 159
Common Dividend No. 160

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending December 31, 1948 payable January 3, 1949, a year-end dividend of 60¢ per share on the Common Stock payable December 28, 1948 and a dividend of 40¢ per share on the Common Stock payable January 3, 1949 have been declared, to respective holders of record December 6, 1948. The stock transfer books will remain open.

W. F. COLCLOUGH, JR.
November 24, 1948 Secretary

GUARANTY TRUST COMPANY OF NEW YORK
New York, December 1, 1948.

The Board of Directors has this day declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending December 31, 1948 payable on January 3, 1949 to stockholders of record at the close of business December 13, 1948.

MATTHEW T. MURRAY, Secretary.

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND No. 870

The Board of Directors has declared dividend No. 870 of fifty cents ($.50) per share o. $12.50 par value Capital Stock, payable December 17, 1948 to stockholders of record 3:00 o'clock P. M., December 7, 1948.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*
November 16, 1948

DIVIDEND NOTICE
THE MINNEAPOLIS & ST. LOUIS RAILWAY COMPANY

The Board of Directors of this Company on November 11, 1948, authorized the payment of a dividend of Fifty (50¢) Cents per share on all shares of common stock outstanding as of the close of business December 6, 1948, such dividend to be payable December 20, 1948, to the holders of record of shares of said stock at the close of business on December 6, 1948.

By Order of the Board of Directors.

JOHN J. O'BRIEN, Secretary

Borden's
BORDEN'S 1857
DIVIDEND No. 155

The final dividend for the year 1948 of seventy-five cents (75¢) per share has been declared on the capital stock of *The Borden Company,* payable December 21, 1948, to stockholders of record at the close of business December 6, 1948.

E. L. NOETZEL
November 30, 1948 *Treasurer*

C.I.T. FINANCIAL CORPORATION
Dividend on Common Stock

A quarterly dividend of 75 cents per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable January 1, 1949, to stockholders of record at the close of business December 10, 1948. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, *Treasurer*
November 24, 1948.

ELECTRIC POWER & LIGHT CORPORATION
DIVIDEND NOTICE

The Board of Directors has this day declared a dividend of $1.50 per share on the $6 Preferred Stock and a dividend of $1.75 per share on the $7 Preferred Stock of this Corporation, payable January 3, 1949, to stockholders of record at the close of business December 10, 1948.

H. F. SANDERS,
November 30, 1948 *Treasurer.*

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION
590 Madison Ave., New York 22

The 135th Consecutive Quarterly Dividend

The Board of Directors of this Company has this day declared a quarterly dividend of $1.00 per share, payable December 10, 1948, to stockholders of record at the close of business on November 23, 1948. Transfer books will not be closed. Checks prepared on IBM Electric Punched Card Accounting Machines will be mailed.

A. L. WILLIAMS, Treasurer
October 26, 1948

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION
590 Madison Ave., New York 22

The Board of Directors of this Company has this day declared a stock dividend at the rate of five shares for each 100 shares held, to be issued January 28, 1949, or as soon thereafter as practicable, to stockholders of record at the close of business on January 7, 1949. Transfer books will not be closed.

A. L. WILLIAMS, Treasurer
October 26, 1948

DIVIDEND NOTICES

THE SUPERHEATER COMPANY
Dividend No. 177

A quarterly dividend of fifty cents (50c) per share on all the outstanding stock of the Company has been declared payable December 24, 1948 to stockholders of record at the close of business December 2nd, 1948.

M. SCHILLER, Treasurer.

THE SUPERHEATER COMPANY
Dividend No. 178

An extra dividend of thirty-five cents (35c) per share on all the outstanding stock of the Company has been declared payable December 24, 1948 to stockholders of record at the close of business December 2nd, 1948.

M. SCHILLER, Treasurer.

WICHITA RIVER OIL CORPORATION
Dividend No. 11

A dividend of Twenty-five cents (25¢) per share will be paid January 15, 1949 on the Common Stock of the Corporation, to stockholders of record at the close of business December 31, 1948.

JOSEPH L. MARTIN, *Treasurer*
December 1, 1948.

OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND No. 200

A quarterly dividend of $1.50 per share on the Preferred Stock has been declared payable December 20, 1948, to stockholders of record at the close of business on December 6, 1948.

Checks will be mailed.

BRUCE H. WALLACE, *Treasurer*
New York, November 24, 1948.

ROBERTSHAW-FULTON CONTROLS COMPANY
Greensburg, Pa.
COMMON STOCK
PREFERRED STOCK

An extra dividend of 20¢ per share and the regular quarterly dividend of 20¢ per share on the Common Stock and the regular quarterly dividend of 29-11/16¢ per share on the 4¾% Cumulative Convertible Preferred Stock have been declared, all payable January 1, 1949, to stockholders of record at the close of business December 20, 1948.

The transfer books will not be closed.

WALTER H. STEFFLER
November 30, 1948 *Secretary & Treasurer*

International MINERALS & CHEMICAL CORPORATION
General Offices
20 North Wacker Drive, Chicago

Dividends were declared by the Board of Directors on November 18, 1948, as follows:

4% Cumulative Preferred Stock
27th Consecutive Regular Quarterly Dividend of One Dollar ($1.00) per share

$5.00 Par Value Common Stock
Regular Quarterly Dividend of Fifty Cents (50c) per share

Both dividends are payable December 30, 1948, to stockholders of record at the close of business December 10, 1948.

Checks will be mailed by the Bankers Trust Company of New York

Robert P. Resch
Vice President and Treasurer

Mining and Manufacturing
Phosphate • Potash • Fertilizer • Chemicals

DIVIDEND NOTICES

UNITED GAS CORPORATION
SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of twenty-five cents (25¢) per share on the Common Stock of the Corporation, payable January 3, 1949, to stockholders of record at the close of business on December 10, 1948.

J. H. MIRACLE,
November 30, 1948 *Secretary*

Safeway Stores, Incorporated
Preferred and Common Stock Dividends

The Board of Directors of Safeway Stores, Incorporated, on November 19, 1948 declared quarterly dividends on the Company's $5 Par Value Common and 5% Preferred Stocks.

The dividend on the Common Stock is at the rate of 25c per share and is payable December 20, 1948 to stockholders of record at the close of business December 10, 1948.

The dividend on the 5% Preferred Stock is at the rate of $1.25 per share and is payable January 1, 1949 to stockholders of record at the close of business December 10, 1948.

MILTON L. SELBY, *Secretary.*
November 19, 1948.

ROYAL TYPEWRITER COMPANY, INC.

A dividend of 1¾%, amounting to $1.75 per share, on account of the current quarterly dividend period ending January 31, 1949, has been declared payable January 15, 1949 on the outstanding preferred stock of the Company to holders of preferred stock of record at the close of business on January 3, 1949.

A dividend of 50¢ per share has been declared payable January 15, 1949, on the outstanding common stock of the Company, of the par value of $1.00 per share, to holders of common stock of record at the close of business on January 3, 1949.

November 24, 1948 H. A. WAY *Secretary*
ROYAL

THE West Penn *Electric Company*
(INCORPORATED)

PREFERRED DIVIDENDS

The Board of Directors of The West Penn Electric Company has declared regular quarterly dividends on the preferred stocks of the Company as follows:

$1.75 per share (1¾%) on the 7% Cumulative Preferred Stock and $1.50 per share (1½%) on the 6% Cumulative Preferred Stock, for the quarter ending February 15, 1949, payable on February 15, 1949, to stockholders of record at the close of business on January 19, 1949.

$1.75 per share on the Class A Stock for the quarter ending December 30, 1948, payable on December 30, 1948, to stockholders of record at the close of business on December 17, 1948.

COMMON DIVIDEND

The Board of Directors of The West Penn Electric Company has also declared a dividend on the Common Stock of the Company in the amount of twenty-five cents (25¢) per share, payable on December 27, 1948, to stockholders of record at the close of business on December 10, 1948.

H. D. McDOWELL, *Secretary*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—When all the Administration-sponsored programs for advancement of social security in Congress next year are added up, they encompass a breath-taking extension of government activity. One figure will give a clue as to the vastness of the legislative program. The eventua[l] disbursements in the form of direct payments in pensions and benefits to individuals alone would be equivalent in cost to not less than 14% of payrolls.

There are also proposals for additional and indirect benefits in the form of subsidies for local public health, rehabilitation, and so on, which cannot be measured so conveniently. The total of the latter is suggested by the indirect aids under a national health program. By 1960 this program would involve an outlay of $4 billion alone, of which roughly 60% would come from the Federal Treasury.

* * *

To summarize the main proposals:

As to old age security, the President has indorsed and may be expected to re-endorse his 1948 proposal to increase the rate of pensions under the contributory Old Age and Survivors Insurance program by 50%. He also favors covering presently-exempted occupations into the contributory system, such as the self-employed, domestics, farmers, and state and local employees on a voluntary basis.

As to unemployment insurance, the President favors increasing benefits. He feels that all states should have a maximum jobless benefit period of at least 26 weeks. The benefits, the President feels, are too low. They should be increased, particularly for heads of families.

While the Social Security Administration would like to nationalize unemployment insurance, it may be doubted that the President will endorse this project warmly, if at all. The state unemployment insurance agencies have built up rather a successful lobby and to go too strong for this project would jeopardize other advancements in social security desired by the Administration. The Administration would also cover Federal employees under jobless insurance.

Disability and sickness benefits in the form of compensation for time lost, is foremost on the list of the social insurance objectives of the Truman Administration. The disability program is divided into two parts. On the one hand the states would be offered "strong financial inducements" to set up a system of insurance for "temporary" disability or sickness. "Temporary" disability would be defined as that of six months or less duration. On the other hand, the Federal government would provide for all other than "temporary" disability and sickness—or in general, permanent total disability—by giving benefits as part of the old age and survivors insurance program. In other words, a person ill for protracted periods or permanently disabled would qualify the same way, more or less, he would qualify for benefits at age 65 upon retirement, somewhat in the manner of disability clauses of certain kinds of private insurance contracts.

Finally, there are health insurance and health aid programs. The most controversial is the proposal for a Federal system of prepaid medical insurance. The President has endorsed compulsory health insurance. In addition to health insurance, however, the President has endorsed the long-range national health program of the Federal Security Administrator, Oscar Ewing. The sum total of these programs involves an estimated cost by 1960, if enacted soon by Congress, of $4,107 million, of which $2,312 million would be paid by the Federal Government.

* * *

The parts of the national health program include the following programs, most of them involving Federal and state cooperation, with the states putting up specified sums, the Federal Government definite contributions:

Medical care for the needy, community health services and departments, rehabilitation of the injured, construction of hospitals, maintenance of institutions for tubercular and other patients with chronic illnesses, maintenance of general hospitals, maintenance of Federal establishments for veterans, training of manpower in public health, and medical research.

Of the above programs, the government particularly already contributes to cost of construction of local hospitals, and provides medical care for veterans.

* * *

The cost of the direct benefits will reach an eventual rate equivalent to not less than 14% of industry's payrolls.

When the Social Security's old age pensions were first enacted, it was estimated that the cost of the pensions on a self-financing basis would aggregate 6% of payrolls over a long period of years. Hence the 1935 Act set payroll taxes to reach a rate by stages of 6%—3% each on the employer and employee.

Congress, however, has so far kept the rate down to 1% on each, although under present law, if it is not again amended, the rate will go to a total of 3% on payrolls in 1950 and to 4% in 1952. Congress was motivated to hold down the automatic boost in payroll taxes under the 1935 Act in part from a simple desire to avoid the higher taxes, in part because the huge trust fund planned under the original social security act had its significant drawbacks.

Despite the failure of the payroll tax to rise, the true cost of old age and survivors insurance probably will amount over the long run to 6%, although some authorities dispute this.

Increasing the benefits by 50% to old age pensioners and survivors of the latter probably will not boost the cost of the direct benefits to 9% of payrolls—if Congress broadens the base to include exempted classes into the system. Nevertheless, boosting the pension payments by 50% will increase the eventual cost of this phase of social security by some figure above 6%.

It is estimated that the cost of compensating persons for wages lost due to "temporary" sickness or disability would be equivalent to 1½% of the payrolls of the covered groups. The President has not specified what he means by "strong financial inducements" to the states to set up systems for the compensation of the ill and disabled. The Federal Government might match state grants, as it does for the indigent aged and certain other recipients of Federal-state matching charity. The Federal Government might enact a payroll tax, as it does for unemployment compensation, remitting the payroll tax liability upon the employer if the state sets up a system for aid and levies a payroll tax for that purpose. Presumably the government might also pay the states for the costs of administering the sickness-disability aid program, as it now pays the states for administration of jobless pay. The funds come from the 0.3% Federal payroll tax on employers remaining even after the exemption where states levy payroll taxes for unemployment compensation systems.

Cost of making benefits available for the permanently disabled or chronically ill, as an addition to the old age and survivors insurance program, are estimated at ¼ of 1% additional of payrolls.

Already unemployment compensation costs employers in the covered industries 1.8% of the payrolls, on the average. Of this, 1.5% of payrolls is collected by the states and 0.3% by the Federal Government to provide money to pay state costs of administration. Theoretically, employers are subject to a state tax of 2.7%, but this has been reduced to an average rate of 1.5% because of rating systems which reduce the tax liability for employers with a relatively steadily employment record.

Hence, any system of disability and sickness insurance would about double the cost of payroll taxes, upon whomever they might fall, now paid for unemployment compensation.

It doesn't follow that the final proposal will involve payroll taxes, but the cost, without diminishing, might be shifted to other objects of taxation.

Finally, one of the big costly items in the social security expansion favored by Mr. Truman is compulsory prepaid medical insurance. This is estimated at a cost equivalent to 4% of payrolls for the covered employees.

Social security represents one of those New Deal promises about which a great deal is likely to be done in Congress, either in 1949 or in 1950.

There is pretty general agreement among both Republicans and Democrats that the coverage for the old age and survivors' insurance program should be expanded. Increasing pension payments by 50% also is likely to be favored. Just how widely coverage for old age pensions will be extended, remains to be seen.

While there will be a great deal of agitation for compulsory Federal health insurance, it is not favored to pass this year, and perhaps not next. Not even the Administration, it is now believed, expects this proposition to go through in 1949. The opposition of doctors and conservatives is too intense. Next year, and perhaps 1950, must be devoted to softening up the opposition with a propaganda bombardment, and the hearings on this subject next year will be scheduled for that purpose.

Some of the fringe national health proposals, such as Federal grants to boost the quality of municipal health services, may, however, pass either this year or next.

Chances of promoting any centralization or federalization of unemployment insurance are dim.

Probably disability and sickness insurance will not be enacted in 1949, although this prospect is seen as far from certain at this stage.

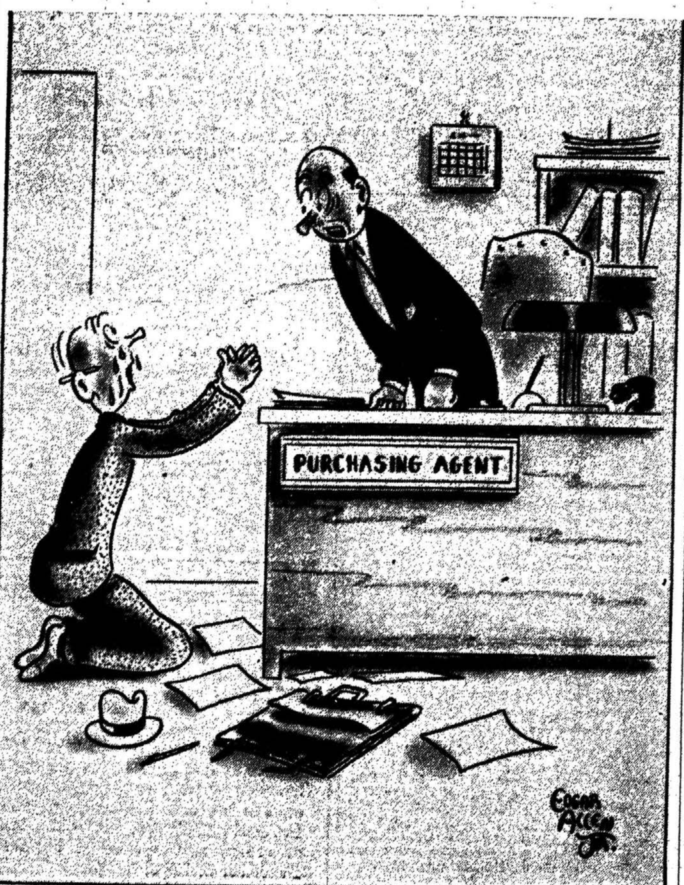
* * *

With old age pensions, the outlook is not primarily one for avoiding a long-run increase in number of beneficiaries and the cost of the program. The principal question is whether the extension of the government commitment is mitigated by a partial contribution of the future beneficiary, or whether the burden shall be borne almost entirely by the general taxpayer.

As pointed out by John V. Corson, formerly Director of the Federal Bureau of Old Age and Survivors Insurance, the public assistance part of the social security program has been expanded and the contributory part of the law neglected. Originally the public assistance, or straight grant proposition, was enacted with the thought that it would carry those initially too old to qualify for benefits under the contributory plan, and be replaced gradually by the latter.

Although the contributory plan has been in operation 14 years, the number receiving assistance under it is only half now of those getting benefits under the non-contributory plan as Congress has proved itself "unable to resist the political siren songs which demand larger appropriations for the needy aged." Mr. Corson appeared in "American Economic Security," a publication of the Chamber of Commerce of the U. S.

BUSINESS BUZZ



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