ESTABLISHED 1839

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The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 170 Number 4822 | New York, N. Y., Thursday, July 21, 1949 | Price 30 Cents a Copy

Truman Says "Selfish Interests" Hope for A Depression

President, in radio address, says measures are in course of enactment which will maintain production and employment. Defends budget expenditures and lays deficit to tax reduction passed by 80th Congress. Calls for cooperation in promoting and expanding economy.

President Harry S. Truman, backing up his Economic Report to Congress, delivered over a nation-wide hook-up, on July 13, a half hour radio address, in which he accused "selfish interests" as seeking a depression for business reasons and defends a program of government expenditures and deficit financing as a means of bolstering the declining economy.

President Truman

The text of the President's radio address follows:

My fellow citizens:

I want to talk to you tonight about our country, about its future, and about its importance to the hopes and aspirations of mankind.

It is a good thing to stop and think about where we are, where

(Continued on page 26)

Fiscal Control of the Business Cycle—In Practice

By JAMES F. HUGHES

Auchincloss, Parker & Redpath

Market economist, analyzing Federal Reserve's recent change in open market policy, predicts on basis of 20-year record, result will be commercial banks' increased holdings of government securities in lieu of hoped-for private borrowing. Asserts "New Era" bull market in bonds may entail serious injurious results on industry. Terms as dogma current reassurances that there have been no financial excesses, maintaining they have been governmentally rather than privately created, and contraction will be accompanied by major business decline and stock market fall to low 150's this year.

Recent developments suggest the possibility that the United States Treasury, consciously or unconsciously, is preparing for another period of direct fiscal aid to the business cycle. Federal Reserve officials on the night of Tuesday, June 28, 1949, announced a change in policy governing their open market operations. The Federal Reserve Open Market Committee, after consultation with the Treasury, indicated that it would allow prices of U. S. Treasury securities to rise more freely. At least, this was the way the announcement was interpreted by most newspaper and financial commentators.

James F. Hughes

As pointed out by the "Wall

(Continued on page 28)

The Muddled European Situation

By MELCHIOR PALYI

Dr. Palyi sees, as result of recent Foreign Ministers' Conference, a negative agreement that "Germany be kept down." Cites factors and policies to keep Germany economically weak, and asserts Western Zones of Germany are in a crisis. Contends Britain's aim is to keep Germany down so as to eliminate threat to her badly shaken commercial position and says basic problem in Europe's economic situation arises from high production costs. Calls Marshall Plan a "stillborn project."

I.

Not long ago, an outstanding German politician, visiting a friend in London, was introduced to the Labor Party's leading Parliamentarian expert on Germany. "What chance is there for my country?" the German asked. "None, so long as Bevin is in power," was the answer. The outcome of the Foreign Ministers' Conference in Paris fully confirms this. After the smoke of official propaganda has settled—with all sides claiming victory, and none being able to produce a single step forward—is the time to appraise the true results of that conference. Three things stand out.

Dr. Melchior Palyi

First, East and West did not agree on any of the relevent issues, such as German peace treaty and unification, Berlin currency and trade, and Austrian treaty.

Secondly, in spite of all disagreement and emphatic talk, there was none of the mutual

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EDITORIAL

As We See It

Reaping What Was Sown Last Autumn

The behavior of the stock market after the election last fall, and, for that matter, the tendency of business ever since that major "surprise," afford ample evidence that the investor and the managers of American enterprises felt and still feel a good deal of uneasiness about the ultimate effect of the campaign upon which President Truman succeeded in returning to the White House for a term of four years "on his own," as it were. We do not see how the events of the past two or three weeks could have done other than to increase the feeling of uncertainty on this score.

It is now common to hear it said that the so-called economic message of the President to Congress last week was reassuringly moderate in tone and content, even though, according to many, its reasoning was shot through from beginning to end with fallacies common to the day. It is even being said in "politically informed" circles that the message must be regarded chiefly as an effort to make use of the altered situation and outlook

(Continued on page 31)

The Coming Stock Market Rise

By ANTHONY GAUBIS*
Investment Counselor

Depicting as "nonsense" current talk of a three-year stock decline, Mr. Gaubis forecasts rise through 1947-48 highs to 190-210 level. His economic reasons therefor include: (1) at least temporary business reversal with inventory-replenishment; (2) Congressional unwillingnes to enact Mr. Truman's more radical proposals; (3) low price-earnings ratios; (4) great bond-stock yield spread; (5) Federal Reserve removal of certain pressures; and (6) postponement of British devaluation threat. Discounts bearish deductions from socialization and war threats.

I will try to do the best I can in discussing the market outlook at a time when the outlook past the next 60 to 90 days is somewhat clouded by the possible repercussions of the current showdown between politics and sound economics. I refer, of course, to the fight for the fourth round of wage increases, which may well prove to be the most significant market development since Nov. 2, 1948.

Anthony Gaubis

As you know, there are two basic methods or approaches which the market student can use in trying to appraise the market outlook. These are generally classified as being economic or fundamental on the one hand and technical on the other. I have found that both types of studies can be helpful provided that we do not park our common sense and let any single approach dominate our thinking. I believe also that it is important that we do not let any approach influence our judgment unless it is both logical and has been tested out *in actual practice* for a long period of time.

Rise to 190-210

On the basis of the studies which I have found to have the highest batting average over the past ten years or longer, the probabilities favor a rise in the Dow-Jones Industrial Average to somewhere between 190 and 210, or 5% either side of the 200 level, by early Fall. In making this prediction, it might be only fair to warn you that my judgment may be influenced by the fact that I have been maintaining, ever since October, 1946, that the 160-170 level in the Dow-Jones Industrial Average was not likely to be broken at any time in 1947 or 1948, or during the first eight or nine months of 1949, and that we should not see a real bull market peak until either the Spring or Fall of this year. So far, the expectation of real support at or above the 160 level has proven correct, in spite of the extreme bearishness throughout financial circles in May, 1947, in February and March of last year, and again in June of this year. The actual low of the Dow-Jones Industrial Average so far this year has been 160.62, as compared with a low of 160.49 in October, 1946. All of the talk about a "three-year decline" in this particular Average is just nonsense, and certainly academic. We would have to ignore stock dividends and the fact that a majority of the stocks in the Dow-Jones Industrial Average made their lows in 1943 or 1947 to take the "three-year bear market" school of thought very seriously.

*A talk by Mr. Gaubis before the Analysts Club of Detroit, July 19, 1949.

Elections Lowered Sights

I had been expecting a bull market high of 10 points either side of the 250 level, by sometime this year, but this objective was based partly on the assumption that the Republicans would follow up their Congressional victories of November, 1946, in the elections of last November. The unfortunate outcome of this election has forced me to lower my sights by 20%, which is the allowance I have found must be made for the illusive factor of "confidence." With this 20% adjustment, we arrive at an objective of 5% either side of the 200 level in the Dow-Jones Industrial Average, which happens to coincide with a number of long-term technical objectives which I have discussed with several members of this group from time to time during the past two years.

Bullish Economic Reasons

My fundamental or economic reasons for expecting industrial stocks, as a group, to rise during the next few months to about or above the highs of 1947 and 1948 include:

(1) The prospect of at least a temporary reversal in general business activity during the third quarter of this year. I base this expectation partly on the fact that I have found many large companies have been limiting their purchases of raw material during recent months to only a small fraction of their current requirements. As a result, inventories of many products have been reduced to a point where these companies will have to increase their rate of buying during the months immediately ahead. While there has been an inverse rather than a direct correlation between business activity and stock prices ever since V-J Day, we do need at least a temporary recovery in business activity to cancel out the effects of the propaganda which has had such a pronounced effect on psychology in the past few months.

(2) Even the pessimists are beginning to admit that there is no danger that the President can force through Congress the type of legislation which he demanded of the special session which he called last summer. The President's mid-year economic message also eliminates any prospect of adherence to the campaign promises of 1948, which called for economy in Federal spending and a balanced budget, to prevent any further inflation.

(3) Stocks are selling at a lower ratio to prospective earnings for the current year than has been true at around the year's lows at any time between 1926 and 1946. Specifically, our estimates indicate that the earnings for the Dow-Jones group of stocks this year will exceed $18 a share. At the recent low of just above 160, this group of stocks was selling for only about nine times our minimum estimate of earnings. In no year between 1926 and 1946 did stocks sell at below nine times earnings, and in 19 of these 21 years, they sold at highs of at least 14 times earnings at some time during the year. From this particular approach, there is much more room on the upside than there is on the downside, even without expecting price-earnings ratios to reach prewar levels. (Incidentally, it cannot be said that this year's earnings are meaningless, "because they include inventory profits," as was true in 1947 and in 1948.)

(4) The spread between the yields on stocks as compared with high-grade bonds is now about as wide as it has been at such major buying points as the summer of 1932, the spring of 1938, and the spring of 1942. To be sure, many corporations will probably reduce their rate of payments during the six to twelve months immediately ahead, but this is beside the point: such a development was witnessed in the last half of 1932 and in the last half of 1938, and it is obvious that this was not a valid reason for being bearish on stocks in June, 1932, or in the spring of 1938.

(5) Over the past few months we have witnessed a complete reversal of Federal Reserve policy. This does not mean, of course, that business and stock prices will immediately advance, but it does remove certain pressures which have had a definite adverse effect

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*Not available this week.

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

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

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

Thursday, July 21, 1949

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

Other Offices: 135 S La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

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

Other Publications

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

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

The Robert Nathan Wage Reports —Errors and Fallacies

By ELISHA M. FRIEDMAN
Consulting Economist,
Chairman, Econometric Institute

Mr. Friedman charges Mr. Nathan with special pleading that advocates increased wages as the remedy for both inflation and deflation. Asserts this would place burden on consumers and price steel workers out of labor market. As alternative, suggests sliding scale of wages adjusted to profits, cost of living or percentage-of-capacity operations.

Introduction

In releasing the Robert Nathan reports on the fourth round of wage increases, the CIO officials call him a private consultant and present his report as a scientific analysis of an impartial expert. However, Mr. Nathan speaks as a special pleader or a retained counsel. He rationalizes the fantastic demands of the union by irrational economics. Therefore, his report attracts attention. So would any man walking down Fifth Avenue on his hands, instead of his feet.

Elisha M. Friedman

The report attracts attention in Washington because the unions have organized labor as a political pressure group. But because stockholders are not so organized, their cause is not heard. For the ten million stockholders in the United States, the owners or employers, there should be an analogous report.

What Are the Facts?

In his first report, Mr. Nathan **states that most businesses could grant substantial wage increases without increasing selling prices.** In his second report, he states specifically that the steel industry could increase wages substantially and still earn record profits at much less than capacity production. He states, for example, that the U. S. Steel Corporation, operating at 90% of capacity, could increase wages 20c per hour, cut prices 5% and earn the equivalent of 1948 profits, assuming current costs remain stable. **He urges that wage rates should rise when profits increase, but he does not urge that wage rates should decline where profits have sharply decreased.**

What Would Be the Effects of a Fourth Round of Wage Increases?

Wage rates in the steel and automobile industry have increased substantially more than the cost of living if one takes the year 1939 as a base. This means that unorganized labor, the white collar workers, the employees of the Federal, State and city governments, widows, pensioners and beneficiaries of insurance annuities, and those whose wages have increased less than the cost of living are subsidizing union labor, already best paid.

A rise in union wage rates requires a rise in selling prices, paid by the rest of the community. The rise cannot come out of dividends, because in the national income account compiled by the U. S. Department of Commerce, dividends over a period of 20 years constitutes between 3% and 4% of the national income and wages constitute about 70% of the national income. A relatively small rise in wages without increasing selling prices would, therefore, wipe out dividends. No system, whether private enterprise or State enterprise, can operate under such conditions.

The danger is that wage rates always become a permanent rigid charge, a fixed and inflexible cost based on transitory profits for some particular quarter-year. **But these profits are not permanent. The stock market since 1946 has refused to rise,** on the clear assumption that these high earnings will not last. Further, as Europe recovers, **American steel prices will be out of line with world prices** and American workers will lose their jobs when steel exports wane. But even in domestic business, the same sequence applies. Increasing wage rates causes rising costs, rising selling prices, rising cost of living, then consumer resistance and finally, declining volume and less employment. **The worker ultimately, prices himself out of the labor market.**

Mr. Nathan makes a point that it is better to raise wages than to lower selling prices. Better for whom? Ask the broad masses of the consuming public. Lowering selling prices in recessions is the law of a free, competitive market and applies democratically to all consumers. **Raising wages for a minority is the result of monopoly power exercised by union oligarchy.** Only recently has one courageous Congressman asked that the Sherman Anti-Trust Act be invoked against such monopoly power.

Mr. Nathan urges that these temporary profits be paid out in the form of permanent increases of wage rates. But this raises another question. Is it not better for corporations to use the extra profits as a reserve for future expansion and as reserve cash to pay wages during depressions? Or is it better to use up these reserves and leave the corporation stripped and naked and unable to defend itself? Then the inevitable result is that the Government launches a public works program a PWA. That New Deal approach was tried from 1933 to 1939 with

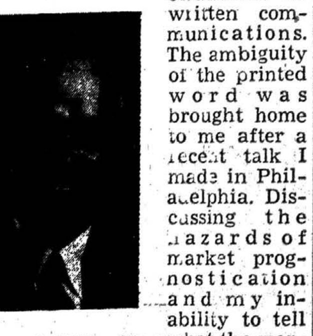
(Continued on page 33)

Small Capital Issues and the Public Interest

By HARRY A. McDONALD*
Commissioner, Securities and Exchange Commission

Commissioner McDonald intimates raising SEC registration exemption on new issues from $100,000 to $300,000 in many cases has led to sacrifice of investor protection. Says it is now main responsibility of state regulatory commissions to protect investors in small issues against fraud. Advocates greater underwriter participation in distribution of sound small business securities, and outlines sales information which should be furnished public in new securities distribution.

I am happy of this chance to meet with those who are in the business of regulation and to personalize the effective cooperation which has developed through the years between the State Commissions and the SEC. We ought not restrict that cooperation to the formal channels of written communications. The ambiguity of the printed word was brought home to me after a recent talk I made in Philadelphia. Discussing the hazards of market prognostication and my inability to tell what the market was going to do next, I remarked facetiously that the SEC has 1,137 registered investment advisers, and that I was not one of them. This talk was publicized. Within a few days I received a letter from a Congressman on behalf of one of his indignant constituents wanting to know what the Securities and Exchange Commission needed with all those investment advisers!



Harry A. McDonald

A meeting of this sort helps to clarify the problems we confront together.

It seems to me that ours is a dual task. We must stop fraud in the sale of securities. We must also facilitate the flow of capital to legitimate business enterprise. Sometimes it is like being a circus performer riding two horses threatening to take off in separate directions. But as we gather experience in the changes is its of each steed, we shall in time find the balance which best suits the public interest.

One subject we can discuss to advantage is regulating the sale of securities under the Securities Act of 1933 to raise small amounts of capital. Both you and I know—this is a perennial. Nevertheless, we are acquiring a good deal of experience in this field of seemingly contradictory objectives. While we cannot hope to solve all of the problems tonight, perhaps we can make some progress.

How can we balance the different, and at times conflicting, interests of the issuer, the investor, and the general public? Where does the public interest lie?

The phrase "in the public interest and for the protection of investors" appears repeatedly in the Federal securities acts. It is found in many of the State blue sky laws. Basically, "the public interest" in the ultimate touchstone of all we do in the regulatory field. Of course it has meaning only through application. Different men will employ it differently, each according to his nature, his experience, and his personal outlook.

Advances in Securities Regulation

Securities regulation has come a long way in the last two decades. The State blue sky laws and the Federal securities acts, combined with the mail fraud statute, have substantially lessened the possibility that the investor will be defrauded. The stock swindler's field of activity has been drastically circumscribed by this pattern of regulation. But he has not been completely eliminated. It is generally recognized that today small issues are a favorite vehicle for fraudulent activity. Investors also stand to lose in small businesses that sell stock to the public although their financial condition may be poor, or before their market or their product is adequately tested.

One doesn't have to look far for the reason. Small issues are not regulated as carefully or as completely as the larger ones.

This has always been a country of small beginnings, of individuals starting in a new endeavor, building and working to better things. Our national philosophy favors individual enterprise, particularly what has come to be called "small business." The Congress has expressed this favor historically in the form of special benefits to small business such as tax exemptions, contract preferences and special loan facilities. They expressed the same philosophy in the Securities Act of 1933 by giving the SEC authority to exempt securities from registration where the small amount involved or the limited character of the public offering makes registration not necessary—and here the phrase reappears—"in the public interest and for the protection of investors." Initially, the limit of this exemption was $100,000. In 1945 the Congress raised the amount to $300,000.

The SEC has proceeded cautiously in opening this exemption. Every relaxation is at the price of investor protection. Undoubtedly, many going businesses, needing a small amount of additional capital, have been able to use to advantage the exemption for small issues known as Regulation A. Generally speaking, issuers of this type have dealt fairly with investors and have provided sufficient information to them. But there are some which have not dealt fairly. Consequently, there are those who feel that the protective standards have been relaxed too far, and that more information than the present Regulation A provides should be required. There is some merit in this contention, as we shall see.

Regulation A

Regulation A has an interesting history. Early versions required the use of a simplified prospectus in certain situations. In 1940 the regulations were completely revised. In place of the attempt at required, though limited, disclosure, emphasis was shifted to supervision and policing.

I am not going to enter into a technical discussion of the terms and conditions of Regulation A. Basically, it provides that, with certain exceptions, issues up to $300,000 in any one year are exempt from the registration requirements of the Securities Act if the issuer files what is called a Letter of Notification with the local regional office of the SEC. There is no charge for this as you know. It must also file copies of any selling literature it proposes to use.

The letter of notification is extremely simple. It identifies the issuer. It names the officers and directors. It names the underwriters. It names those on whose behalf the offering is to be made. There is a brief description of the securities to be offered, and the amount, together with underwriting discounts and commissions. If the sale is on behalf of the issuer, the proposed use of the proceeds is given. It also lists the states in which it is proposed to offer the securities.

Although the letter of notification is a public record, it need not be given to investors and, in fact, rarely is. Even if it were, the information is too scanty to be of much use. It does not require balance sheets or operating statements; the capital structure is not given; the terms of other outstanding securities are not described; the business of the issuer is not described; selling literature need not be used; and there are missing other items of information an investor would need for an informed appraisal of the security.

The purpose of the letter of notification, as it name indicates, is to notify the SEC that securities of the type described are about to be offered for sale.

What do we do with this information? The regional office reviews the filing for completeness, and determines on the basis of the information presented, whether the exemption is available. The selling literature is also looked over. The issuer is notified of any apparent misrepresentations or omissions which may be found. Generally correction is made before the offering begins.

Meanwhile a copy of the filing has been sent to the main office in Washington. A check is made to see whether the $300,000 limit for the year is being exceeded and on the basis of available information, whether the other conditions for exemption are satisfied. The names of the principals are compared with the master securities violations file we maintain. Regulation A, as you know, is not available if the issuer or a promoter connected with it, or any person in a control capacity has been convicted within five years of a crime involving the sale of securities or is subject to an injunction. The selling literature is reviewed, and the expert staff of the Commission consulted on technical problems. The Washington office also prepares a weekly report of all letters filed, and extracts information which is distributed to our regional offices and to the State Commissions. This informs them of issues likely to be offered in their territories. Most of you are familiar with this report.

Investment Protection Sacrificed

As you can see, these procedures are aimed at protecting the investor by assisting the law enforcement agencies to be on the lookout for fraud. They do not give the investor the type of information which the Securities Act makes available for registered issues. To this extent, investor protection is being sacrificed in the process of facilitating the financing of small issues.

I know from my own experience of the danger inherent in such a situation. As a young man working my way through the university, one of the first things I did was to sell stock in a tire and rubber company which was at that time being organized. It was strictly a promotion, but I was too inexperienced to realize it. The company never attained a competitive position, although it may have produced a few tires. The

(Continued on page 27)

*An address by Commissioner McDonald before the 32nd Annual Convention of the National Association of Securities Administrators, Richmond, Va., July 11, 1949.

The Gold Crisis in Britain

By PAUL EINZIG

Commenting on decline of £65 millions in British gold reserve, Dr. Einzig ascribes it mainly to fall in prices and in quantities of raw materials exported from Sterling Area to U. S. Says gap cannot be filled by exports of British manufacturers, and British workers must realize only solution is greater productivity or wage cuts.

LONDON, ENGLAND.—The announcement that during the second quarter of this year the British gold reserve declined by £65 million in spite of the assistance received through Marshall aid acted as a danger signal indicating the presence or imminence of a crisis. In prewar conditions such a crisis would have assumed a much more spectacular character. There would have been a steady outflow of funds, both British and foreign-owned and the bank rate would have been raised to check the movement. This, together with the tightening of money market resources, would have caused an all-round rise of interest rates. The outflow of gold itself would have been publicized as and when it occurred. Under the prevailing system of controls the prewar barometers have been put out of action. It is only the sales of gold that indicates which way the wind blows. And from this point of view it is unfortunate that even this barometer is only allowed to register the changes once in every three months. While under Mr Dalton the Treasury published monthly gold figures, Sir Stafford Cripps decided early in 1948 to publish quarterly figures only. This means that for the greater part of each quarter the public is left in the dark about the extent of gold losses.

Dr. Paul Einzig

In the present instance the absence of more frequent figures led to a crop of rumors during the weeks that preceding the announcement of the quarterly figure. It was alleged by some that losses would amount to £70,000,000, by others that they would attain £80,000,000. Even £100,000,000 was mentioned. As a result, when the actual loss of £65,000,000 was announced most people's reaction was one of relief. It was not, after all, as bad as they thought. This is a pity, for nothing short of the full realization of the gravity of the situation could induce the public to make the necessary effort and accept the necessary sacrifices.

To a large extent the gold losses were the result of circumstances over which the British Government and the British people had no control. The fall in the prices and quantities of raw materials exported by the Sterling Area to the United States could not have been prevented by any British Government action or by any exertion by the British people. Nor could the fall in the American demand for British manufactures wholly be attributed to unduly high prices; it was largely due to the American business recession. Nevertheless, it would be deplorable if, owing to this, the loss of gold came to be regarded as an act of God in face of which the British people and its government must stand helpless. There is a great deal which could be done on British initiative, by increasing the output and making prices more competitive.

At the same time, since the major part of the loss of dollar earnings was due to the decline of the proceeds of Sterling Area raw material exports, it would be too much to expect Britain to fill the gap by a corresponding increase of manufacture exports to the Dollar Area. The American market is not prepared to absorb at present any such increase. So it is suggested that the United States Government should increase its stock-piling purchases of raw materials from the Sterling Area. Unfortunately, this remedy is essentially temporary, for American Government-owned stocks of raw materials cannot be piled sky-high.

Where, then, lies the remedy? Not in any ingenious financial conjurers' trick. Nor in any single policy such as large-scale budgetary cuts for instance. The reduction of government expenditure would of course be helpful, since it would enable the government to lower taxation, and this would result in a reduction of costs. Taxation figures in the cost of any products more than once, since it is added to the wages and salaries, to the manufacturers' costs and to the wholesalers' and retailers' prices. Even so, a reduction of taxation by, say, 25% is not likely to result in a reduction of prices by more than a fraction of that percentage. In itself it would not be sufficient to restore Britain's competitive capacity.

A reduction of wages is at present out of the question. Indeed, the government would be very pleased if it were able to prevent any further increases. But an increase of the output would obviate the need for wage cuts. Accordingly the government is concentrating much effort on a campaign to induce the workers to increase their output.

The worst of it is that the workers are not adequately impressed by the gravity of the situation. For a long time £500 million was declared to be the safety limit of the gold reserve. Now it is down at a little over £400 million, and yet there are no visible effects of this fall on the living conditions of the workers. Perhaps when it becomes necessary to cut rations that may go a long way towards bringing home the realities of the situation.

Patton Pres. of Frederic H. Hatch Co.

Henry H. Patton has been elected President of Frederic H. Hatch & Co., Inc., 63 Wall Street, New York City, succeeding Clarence J. Dauphinot who has retired. Clarence J. Dauphinot, Jr., has been elected vice-president of the firm and will be its representative in Rio de Janeiro, Brazil, Charles W. B. Wardell, Jr., is secretary and treasurer.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — George D. Hansen and Charles J. Bassett are now associated with King Merritt & Co., Inc., Chamber of Commerce Building. Mr. Hansen was previously with C. E. Abbett & Co., and Slayton & Co., Inc.

Joins R. G. Lewis Staff

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, ILL.—Henry B. Doerr has been added to the staff of Robert G. Lewis, Rockford Trust Building.

Corporate Working Capital at New High

Securities and Exchange Commission estimates at end of first quarter of 1949, amount reached record level of $65.8 billion, a 3 months' increase of $1 billion.

The net working capital of U. S. corporations increased during the first quarter of 1949, reaching a new record level of $65.8 billion as of March 31, 1949, according to the quarterly analysis made public on July 19 by the Securities and Exchange Commission. During the three months, January through March 1949, working capital increased $1.0 billion, resulting from a decline in current liabilities of $2.7 billion, only partly offset by a decline of $1.7 billion in current assets. During the preceding quarter net working capital declined somewhat, about $600 million.

In addition to the $1.0 billion increase in working capital, it is estimated that corporations invested $3.9 billion in plant and equipment during the first quarter of 1949. To finance this expansion, corporations secured $1.2 billion from external sources—$1.0 billion from long-term borrowings and $200 million from the sale of new stock issues. Internal sources — depreciation accruals and undistributed profits — provided the remaining $3.7 billion required by corporations for capital expansion.

As for the components of working capital, most items of current assets and liabilities declined during the first quarter of 1949 from the levels of Dec. 31, 1948. Cash declined $600 million to a level of $23.4 billion, but U. S. Government securities increased slightly to $14.0 billion so that the proportion of current assets represented by these two liquid items remained about the same as at the year-end.

Notes and accounts payable declined by $2.6 billion during the first quarter of the year to a level of $34.6 billion, almost all of the decline being in trade notes and accounts payable. Notes and accounts receivable decreased also, but only by $1.2 billion, to a level of $37.5 billion. The decline in corporate payables net of receivables more than accounted for the increase in net working capital.

Inventories remained at about the same level as at the year-end, $48.5 billion, and there was little change in other current assets. Federal income tax liabilities decreased by about $400 million, while other current liabilities increased about $300 million.

Joins Sessler Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Howard Ellingsen is with John G. Sessler & Co., 10 Post Office Square.

The State of Trade and Industry

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

The past week's most important happening in the business world was the announced postponement of the threatened steel strike that was set for Friday midnight, July 15, when Philip Murray, President of the CIO United Workers Union, finally ordered its members to stay on the job. Then after several telegraphic communications with the White House, the U. S. Steel Corporation, the Bethlehem Steel Co. and the Republic Steel Co. reluctantly yielded to President Truman's 60-day truce proposal. Irrespective of the law of the land, the Taft-Hartley Labor Act, President Truman by-passed the procedure which the occasion demanded and instead imposed a three-man fact-finding board to investigate the contentions and report the recommendations within 45 days. The gentlemen selected for this search and recommendation assignment include Carroll R. Daugherty, Professor of Business Economics at Northwestern University, as Chairman; Samuel I. Rosenman, lawyer of N. Y. City, and David Cole, lawyer of Paterson, N. J.

From the outset, Benjamin F. Fairless, President of the United States Steel Corporation, informed President Truman that his company distrusted the method and doubted the result and would not obligate itself to accept as binding the results of a three-man political board.

Only time will show whether this steel fact-finding board, like its predecessors, will or will not be a political auxiliary to the Administration. The board will hold public hearings in New York beginning July 28.

The understanding is that the Board's recommendations are not to be binding on either the steel companies or the union.

Ernest T. Weir, the honest old bell-wether steel man, Chairman of the National Steel Corporation, the fifth largest steel producer, doesn't mince words when he summarizes conditions in the country's key industry. Mr. Weir is reported to have expressed it as his opinion that steel output may hit 65% of capacity before the end of 1949 and the industry will have trouble "breaking even" if it does. This drop in production would mean a 12-to-13-point decline from present levels.

As typical of the whole industry, Mr. Weir says that earnings in his company will be on a declining rate over the remaining six months of 1949 with the third quarter earnings lower than the second quarter. Mr. Weir believes that the steel companies have made a "terrible mistake" in letting the wage dispute go to a Presidential fact-finding board that has power to make recommendations for a settlement, as he contends that a fourth wage increase is not justified "at this time" and that industry cannot now afford to do anything that would increase costs.

Mr. Weir does not agree at all with the reported statement by Robert R. Nathan that the "break-even" point in the industry is at one-third of capacity. Mr. Nathan is a former New Deal economist the CIO recently engaged to brief their side of the controversy.

Mr. Weir, who has been in the steel industry for "only 60 years" and should know a little about it, stoutly says he "doesn't know where the break-even point is" and that "nobody knows until he gets there" and "but when we get to 65% we will have a lot of trouble breaking even."

Our good friend and contemporary, Louis Guenther, editor of the "Financial World," in his July 20 editorial article, frankly accuses Mr. Nathan of flouting realities and providing "incomplete and distorted statistics to bolster fallacious reasoning leading to a foregone conclusion."

* * *

On the favorable side of the picture this week, we should mention that the flotation of corporation securities, both stocks and bonds, in the United States during the month of June, which totaled $1,242,007,042, was the largest monthly total since December, 1947, when $1,015,705,814 was recorded. To quote from our analysis in last Monday's (July 18) issue of the "Chronicle" (page 3):

"The remarkable showing for June was achieved despite the prevailing dull market for new issues. The large total for the month can be attributed in no small part to the $385,325,000 American Telephone & Telegraph Co. 3⅛% convertible debenture issue which was offered for subscription by stockholders. This issue alone accounted for over 31% of the total. Another factor contributing to the month's financing was the great number of private issues, in all aggregating $342,011,000, or 27% of the total.

"Of the monthly emissions $1,211,487,818, or 97.6% was for new money purposes and $30,519,224, or 2.4% for refunding. Thus the trend of financing held to the same pattern for the 35th consecutive month showing new money greater than refunding operations with the exception of May, 1947.

"For the month of June public utility issues accounted for $921,539,752, or 74% of the total, other industrial and manufacturing, $181,547,700, or 15%; railroads, $59,985,000, or 4%, and all other categories, $78,934,590, or 7%.

This noteworthy $1,242,007,042 record of corporate issues for June

(Continued on page 34)

Observations . . . .

By A. WILFRED MAY

More on Raising Stockholder Confidence

The mailing of interim reports to stockholders by Hart, Schaffner & Marx is laudable not only as a routine constructive contribution to stockholder enlightenment, but also and more especially because of the acceleration of reporting and frank disclosure by this company have been initiated in the midst of a recessionary period and declining earnings. Accompanying a 6-months consolidated statement of profit and loss which shows a 39% earnings drop from last year, is the following statement from President Kestnbaum:

A. Wilfred May

TO STOCKHOLDERS:

"In view of the changes that are taking place in the business situation, we believe that our stockholders would like to receive interim reports of the Company's progress. The results of operations for the first six months of the current fiscal year are shown below.

"For the six months ending May 31, consolidated net profits are $1,005,447 as compared with $1,623,180 for the corresponding period of last year. Narrower margins, both at wholesale and at retail have had the effect of reducing profits appreciably. We must expect that this trend will continue for the rest of the year. Our industry faces a period of readjustment and it is evident that we shall experience cautious buying until the price situation has been clarified."

* * *

Vagueness With Dividend Omission

Conversely, the withholding of interim information as cause of bad-will—particularly at a time of dividend reduction—is indicated in the following letter just received from a correspondent. We have been apprised that stockholders' repeated vigorous attempts to secure definitive interim income and asset information, in lieu of the comparatively vague text from the chairman, have been refused. Stockholders contend that the publication of favorable quarterly sales figures, as required by the SEC, in conjunction with the dividend omission, makes earnings information particularly necessary.

Dear Mr. May:

In view of the recent discussions in your column on Management Stockholders' Relationships, I am writing this letter to call your attention and that of your readers to an unusual situation.

On June 23rd, Mr. ———, chairman of the ——— company, wrote a letter to stockholders, a copy of which I am enclosing, explaining the necessity for the discontinuance of common stock dividends.

This stock is now selling at $6 a share. In the six years—1943 through 1948— ——— Co. reported earnings, after cash dividends paid on preferred and common stocks, aggregating $18,702,000, or $12.60 a share. During this period the company increased its working capital by $5 a share, decreased its senior securities by $4 a share and increased net plant account by $2 per share.

It appears to me that the low market appraisal of the value of these shares may to some extent be due to the failure of the management to discuss more frankly with its stockholders the problems which face the company. I know that the industry has always maintained that quarterly statements, due to the seasonal nature of the business, might, if published, give a false impression of the condition of the business. **I do think, however, that in view of the share record**

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President Sees No War Ahead

In address at Chicago, he declared world is tired of lies, propaganda and hysteria created by dictatorships, and will return to democratic principles. Urges strong armed force to keep peace.

In an address at the Shriners Convention in Chicago on July 19, President Harry S. Truman expressed the conviction no war was imminent and he predicted that totalitarian regimes such as Soviet Union will be destroyed by internal means or will abandon their policy of aggression. *Text of the address follows:*

President Truman

I am happy to be present at this Imperial Council of the Shrine of North America, and to participate in your diamond jubilee celebration.

Among the many activities of the Shrine that have contributed to progress I have always been especially interested in their program to aid crippled children. It seems to me that this program illustrates one of the best features of our way of life—concern for the unfortunate without discrimination as to race, color or creed.

The people of the United States have never limited this attitude of concern for their fellow men to the boundaries of our own country. As the activities of the Shrine in Mexico and Canada demonstrate, we join with the people of other countries in the relief of human suffering. Especially since the end of the war, Americans, through their churches and other organizations and as individuals, have extended the hand of help and friendship to the unfortunate of many lands.

We do this because we think of the people of other countries as human beings, not as pawns in the game of power politics.

During the war, we established warm ties of comradeship and common purpose between ourselves and other peoples in the struggle against tyranny. We hoped that an enduring peace could be built on these ties of friendship. In part, these high hopes have not been realized. Leaders of some nations have cut off communications and built barriers of suspicion between their people and the outside world.

But, in spite of this, there persists in this country a sincere feeling of friendship and sympathy for those peoples who have been cut off from us by force or political intrigue. We are convinced that if they were permitted to know the facts they would return our friendship.

We shall therefore continue in our efforts to help them learn the facts. We believe that the people of the world should have the facts, not only about ourselves, but about all the things that concern them most deeply. Only if men know the truth are they in a position to work for a stable and peaceful world.

In this country, where the facts are readily available, we have a special obligation to inform ourselves concerning world affairs and important international issues.

This is vitally important if our country is to carry out the responsibilities of world leadership that it has today. For, in this nation, foreign policy is not made by the decisions of a few. It is the result of the democratic process and represents the collective judgment of the people. Our foreign policy is founded upon an enlightened public opinion.

Public Opinion Not Always Understood

The importance of public opinion in the United States is not always understood or properly evaluated. Public opinion in a country such as ours cannot be ignored or manipulated to suit the occasion. It cannot be stampeded. Its formation is necessarily a slow process, because the people must be given ample opportunity to discuss the issues and reach a reasoned conclusion. But once a democratic decision is made, it represents the collective will of the nation and can be depended upon to endure.

Those who rule by arbitrary power in other nations do not understand these things. For this reason, they do not realize the strength behind our foreign policy.

The major decisions in our foreign policy since the war have been made on the basis of an informed public opinion and overwhelming public support.

For example, in 1945, the people of our country were almost unanimously in favor of our participation in the United Nations. The Senate reflected that public sentiment when it approved the charter by a vote of 87 to 2.

In 1948, after almost a year of discussion and debate, it was clear that a substantial majority of the people of this nation approved our participation in the European recovery program. The Congress translated that approval into legislative action by a vote of approximately four to one.

We Will Continue Support of United Nations

Our people continue to support the United Nations as fully as they did four years ago, in spite of the fact that some nations have obstructed its work through the missuse of the veto. We want to improve the United Nations. This desire was expressed in Senate Resolution 239, which called for the strengthening of the United Nations and the development of regional and other arrangements for the mutual defense of the free nations. This resolution was approved by the Senate last year by a vote of 64 to 4.

As a means of carrying out these desires of the people for stronger support of the principles of the United Nations, the North Atlantic Treaty has been negotiated and is before the Senate. The Senate is now engaged in discussing the treaty with the deliberation and close attention that is part of the democratic process. All points of view have been made known. Public opinion among our people is overwhelmingly in favor of ratification of the treaty, and I am sure that the Senate will give its approval.

These momentous decisions are the decisions not of the government alone, but of the people of the United States. For this reason, it is clear that this country will steadfastly continue, together with other nations of like purpose, along the path we have chosen toward peace and freedom for the world.

The formation of foreign policy on the part of the democratic nations may be a slow and painful process, but the results endure.

It is only in the totalitarian states, where all decisions are made by a few men at the top, that foreign policies can be reversed or radically altered in secrecy, or changed abruptly without warning. Between totalitarian states, disagreements can suddenly become open conflicts, and allies can change into enemies over night. The democratic nations, by contrast, because they rely on the collective judgment of their people, are dependable and stable in their foreign relations.

World Wants Order and Peace

Today, the great quest of mankind is for a world order capable of maintaining world peace.

Just as the democratic nations formulate their foreign policies after due consideration for the opinions of their citizens, so they formulate their plans for international order with due regard for the independence and the sovereignty of other nations.

The kind of world organization for which this nation and the other democratic nations are striving is a world organization based on the voluntary agreement of independent states.

We are familiar, in our own history, with this kind of organization. Our country began as a federation—an association of local democratic sovereignties within a larger whole. The existing states, whether large or small, were brought together on the basis of voluntary agreement.

This principle of mutual respect and voluntary agreement is essential to the creation of a strong world organization for maintaining a just peace. In this respect, associations of nations are like associations of individuals—they will not survive and prosper unless the rights and the integrity of the members are respected.

This is the principle on which the United Nations is based. The United Nations is designed to give every nation a share in forming decisions on world issues. Such an organization will have its difficulties. We all know, from our experience in business, in unions, co-operatives, or fraternal groups, how much hard work and honest give and take is required to make this kind of organization successful. But we also know that in the long run an organization based on voluntary agreement among its members will command greater loyalty, speak with greater authority, and have a greater chance for success than any other kind. We must therefore continue to support and continue to improve, the United Nations, as the way to lasting peace.

In contrast to the United Nations is the concept of a world order based on the rule of force. In the past, attempts to organize the world by force have always failed. The most recent failure was the attempt of Nazi Germany to establish European unity through the rule of force. This attempt to create an empire by conquest lasted only a few years.

Some Nations Still Rely on Force

In spite of the record of history, the leaders of some nations today appear still to be relying on force as a method of world organization. Their doctrine calls for the destruction of free government through the use of force and the effort to create class warfare. To achieve their aims, they make a false appeal to men's sense of justice; they play upon the common desire of men to improve their condition of life.

But, in practice, this system of world organization is no better than the old tyrannies that have failed. It is incapable of satisfying the needs and desires of men for a better life. In its inner structure, it manifests the fatal weaknesses of all dictatorships. Within the circle of its control today, tensions and conflicts appear to be increasing. It may have temporary triumphs, but in the

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Truman Program Dangerous!

By HON. ROBERT A. TAFT*
U. S. Senator from Ohio

Senior Senator from Ohio and Republican Party leader attacks President's program of increased Federal activities and asserts Mr. Truman has no comprehension of the pernicious effects of present tax burden on people. Refutes "purchasing power" theory in government expenditure and asserts budget can and should be cut. Denies 81st is a "negative Congress."

As I listened to President Truman Thursday evening I got the impression that he had only one solution for every economic difficulty of the nation—more spending by the Federal Government. He insisted that Congress should not cut a cent off the budget of a 1,000 Federal activities and he insisted that the necessity of Government spending was enough to justify every project.

Robert A. Taft

Last January he wanted more tax money. Now while blaming the 80th Congress for reducing taxes by $5 billion, he prefers a deficit to the restoration of those taxes. He opposes all cuts on the ground that we must spend ourselves into prosperity, and accepts the philosophy of those who believe that under present conditions the more the Government spends the better. Huge Government spending has from the beginning been one of the essential features of Mr. Truman's program to follow the labor socialized Government of England into a totalitarian State, directing the lives and activities of its citizens.

What the President Demanded of Congress

When we returned to Washington at the beginning of this year he presented a complete program to achieve that result. He demanded the right to fix prices, to fix wages, to ration commodities. He insisted that the Government undertake to go into a business whenever its left-wing economists thought that private industry was not expanding at a sufficiently rapid rate. He has since supported the Brannan Plan which would necessarily result in a control of agriculture which would tell every farmer what he could raise and what he could not raise; pay the farmer the price he would like to have and sell the goods to the consumer at the price at which he would like to buy. The Brannan Plan has that complete disregard for the taxpayer which was so evident in Mr. Truman's speech last night, for such subsidies would amount to about $6 billion a year if they were on the same scale which is now in force in England in the socialized Government. Furthermore, the farmers and the consumers who supposedly would be benefited by this plan are the very taxpayers who would have to pay the taxes. The third item of President Truman's program was his plan to socialize and nationalize medical care and the medical profession. This is called compulsory health insurance. Actually it is a plan to increase the payroll and other taxes about $6 billion and give this money to a Federal bureau to pay all the doctors and hospitals in the United States to give free medical care to all the people of the United States including those who can afford to pay for it themselves. Fourth, Mr. Truman proposed the repeal of the Taft-Hartley law to restore all the special privileges given to the labor union officials by the previous laws. Those laws were completely one-sided and while they regulated employers they made labor unions and their officials exempt from any liability either to the employers, their own union members or to public. The Taft-Hartley law, based on free collective bargaining, attempted to give complete equality in that bargaining. It has brought fewer strikes because when men no longer have arbitrary power they are less likely to make arbitrary and impossible demands.

Fifth, Mr. Truman proposed a system of universal military training to cost ultimately $4 billion a year. But finally the key to his whole program was a budget proposing that the Government spend $42 billion in the next 12 months, $8 billion more than Mr. Truman himself spent in 1947 under a Republican Congress. If we had followed his other recommendations the Federal budget would have been close to $60 billion annually in the course of the next five years. Already, if we include the taxes collected by the States and local governments, the tax burden is $60 billion, or about 28% of the national income. We all work, on an average, more than one day in four for the Government. Such a burden kills the incentive of individuals and it particularly discourages those who want to start new businesses and create new jobs.

Truman Indignant at 81st Congress

Mr. Truman is indignant at the 81st Congress as he was at the 80th Congress for only one reason—because it will not approve his idea of a government which undertakes to do spending for all its citizens and direct all the details of the billions of transactions which occur each week in the United States.

Mr. Truman denounces Congress because it believes in a system assuring liberty to our people; because it believes that we have become the greatest nation in the world only because of that liberty; because the high production, high national income and high standard of living of which he boasts has been reached under a free system which Congress at any rate does not propose to abandon. Mr. Truman has no comprehension of the effect of the tax burden of $60 billion on the American people. These taxes affect the price of everything that you buy. Besides the direct taxes deducted from your payroll, many taxes are passed on in the price of every product bought by consumers. Take the case of leather shoes. The producer of livestock adds in his tax to the price of his beef; the packer adds in his tax, and so does the purchaser of the hides, the tanner and the shoe manufacturer so that when you buy a pair of shoes at least 20% of the price represents taxes paid along the line to the Government. Payroll taxes become part of the cost of production and prices must be based on that cost. There are direct taxes on cigarettes, freight, transportation, passenger fares, leather, furs, jewelry, cosmetics, handbags and many other products which of course directly increase the price. Taxes are almost as much of a burden on those who

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*A broadcast by Senator Taft over the Mutual Broadcasting System, July 15, 1949.

Unemployment

By ROGER W. BABSON

Asserting present unemployment scare has no justification and until five million are reported unemployed "we have nothing to worry about," Mr. Babson lays some of present idleness to unemployment benefits. Sees much production still needed to meet consumer and capital demands, and says new jobs can be created by individuals for themselves.

Of course, someday this country will suffer from a bad dose of unemployment; but this time has not come yet and it will not come during 1949. The present unemployment scare which certain labor union officials are starting has no justification. Let us assume that the official figures issued last week of 3,788,000 unemployed are correct, although I think these are too large. Well, when I was Assistant Secretary of Labor in 1917-1919, **normal** unemployment was then officially stated at 2,500,000. This included the sick and those even temporarily laid off. Yet, in those years the total business of the country was less than half what it is today.

Roger W. Babson

The above facts show that until 5,000,000 are reported as "unemployed," we have nothing to worry about. Remember that since 1917 the total number of employed has jumped from 25,000,000 to 60,000,000 people. Remember that five times as many women are employed today as before World War I. Remember how much less work a carpenter, painter or bricklayer does today than he did 30 years ago. It is a miracle that some of them are now employed at all!

Unemployment Insurance

Is unemployment insurance for good or evil? I don't know; but I believe that many are now leaving their jobs for vacations this summer and are taking their $25 per week "unemployment" insurance. I am sure that such insurance encourages unemployment and increases the unemployment figures. Once each month your State publishes what it paid out the previous month to the so-called "unemployed." Much of this money is being taken unfairly, but the people say: "Everyone else is getting it, so why shouldn't I?" Over half of the unemployment money which is being distributed every week in your community comes out of the rest of us. It is one of the chief causes for present high taxes. It is teaching people to be dishonest; and it is leading to great abuse and corruption the same as did Prohibition.

I recently heard of a city where over 100 clerks are busy every day just writing unemployment checks! It is not just the money paid out to the unemployed; but the huge cost of looking up the evidence and keeping the books. I am told that it costs over 20¢ for clerk-hire in order to pay out $1. Someday there will be a big political scandal relative to unemployment insurance. Such insurance has a legitimate use in a real business depression, but no such depression exists today when people drive in shiny new automobiles to collect their insurance on their way to the beach.

Unemployment Outlook

The question is often asked me as to how bad unemployment will become and when it will be at its worst. I have not yet collected sufficient data to give an opinion now. But Dr. Joseph L. Snider, one of the country's greatest authorities on Business Economics has some ideas on this question.

He is reported to have estimated that the Industrial Index of the Federal Reserve Board will go off about 25% below the peak of 1948 and that about 8 to 10% of this decline has already taken place leaving only about 15% or more to go. Let us hope he is correct as other authorities believe this Industrial Index will go off 50% which means we may have 40% more to decline.

How to Look

Let us look forward instead of backward; upward instead of downward; outward instead of inward. Think of the great unfilled orders today for more automobiles, more roads, more houses, more bathrooms and especially more household electrical appliances. This latter demand is especially evident from the budgets which the public utility systems have for the next few years. The electric power companies alone tell me that, unless some catastrophe like war should happen, their output will double during the next 10 years. This of itself will require new great power units as well as new wire, poles and millions of new motors and appliances of all kinds. Certainly, this is no time for those of good character and education to worry about unemployment. Such persons can, if necessary, create new jobs for themselves.

Pittsburgh Bond Club Outing July 27

PITTSBURGH, PA.—Most organizations of investment men hold one or more golf outings in the course of the year, but the Bond Club of Pittsburgh, in addition to holding outings in the Spring and in the Fall which feature golf tournaments, also holds a mid-Summer picnic.

This is an old-fashioned picnic with lunch served in the open air and plenty of liquid refreshments. The feature of this picnic is a baseball game in which intense rivalry of the opposing teams has existed for years. This year the picnic will be held on Wednesday, July 27, in Mill Grove, North Park (Allegheny County Park).

Ball teams have been reorganized with new captains and this year's contest will be between Teresi's Terrors, captained by Sam Teresi of Thompson & Taylor, and Foley's Phonies, under the able leadership of Bill Foley of Reed, Lear & Co. For the less rugged, there will be horseshoe pitching, quoits and other sports. The luncheon will consist of Southern fried chicken and Yankee ham, with all the trimmings.

The Chairman of the Picnic Committee is John R. Klima, of Arthurs, Lestrange & Klima, assisted by Edward C. Kost, of A. E. Masten & Co.; Charles D. Kalback, of Reed, Lear & Co.; S. W. Steinecke, of S. K. Cunningham & Co., and Samuel H. Teresi, of Thompson & Taylor Co.

The Bond Club of Pittsburgh extends a cordial invitation to its friends, particularly visiting securities men from other cities, to take part in this interesting event.

The Club also announces that the Fall outing originally scheduled for Sept. 9 has been postponed to Friday, Sept. 23.

Canadian Risk Capital—Not a One-Way Street

By A. L. A. RICHARDSON*

President of the Toronto Stock Exchange

Executive of leading Canadian securities exchange depicts growing importance of Canadian risk capital and urges participation of U. S. in its expansion. Defends listing of speculative shares of mining and oil companies on Toronto Exchange and praises work of securities commissioners in Canada. Points out profitableness of U. S. investments in Canada, and predicts Canada's oil production will exceed that of West Texas. Scores official red tape and restrictions against registration of Canadian securities in U. S. and advocates sympathetic understanding of problems in development of Canadian resources.

In view of the fact that I propose to address certain remarks to you on "What the Stock Exchange expects from the Security Commissioners," I submit that here is the spot where Mr. King should have supplied his boasted Mint Juleps to avoid the charge of discrimination against the President of the Toronto Stock Exchange.

A. L. A. Richardson

However, 2,500 years ago (and history is said to repeat itself) Daniel stood in the lions' den, and the lions waited for him to make one false move, but then you will discover, if you read on, that "As innocency was found in Daniel, and as he had done no hurt, they took him up out of the den."

Now, the possibility of history repeating itself today for me in this lovely city of Richmond, where we have received such a gracious welcome, the possibility of my receiving similar vindication today following my remarks and my leaving this room intact, naturally makes a strong appeal to me.

My justification for referring to Daniel at a Convention of Security Commissioners is that he had an apparent familiarity with stock market terminology, because I read on and again I quote:

"Daniel had a dream, and four great beasts came up from the sea. The first was like a lion (undoubtedly a Security Commissioner); and behold another beast like a bear raised itself up (obviously the Stock Market Bear); and lo another, and it had 10 horns (undeniably the Market Bull) and, now a disappointment, because the fourth beast was a leopard, and as the leopard cannot change his spots to become the proverbial lamb or sheep of the market place, my analogy is not quite complete.

However, before any of the Commissioners here present rush out to clap a "Cease and Desist" order on my interpretations, I hasten to state that these interpretations have not been approved or disapproved by any Security Commission, but they were obtained from a source I believe reliable, and upon which I acted in preparing these few remarks.

It is a rare privilege, and I thank you for the courtesy of your invitation, when the President of a Stock Exchange located in a country of 13 million people is invited to address, and to take part in the deliberations of the Security Administrators of an adjoining country of 148 million people. Therefore, it would be quite understandable if my listeners today in appraising our relative populations, the relative size of our institutions, the relative development of our natural resources, were to ask "What good can come out of Nazareth"? As Security Commissioners we know what we want, so what else need be discussed?

Canadian and American Differences

Therefore, to assist in such a discussion may I direct your attention to certain essential differences and developments in the institutions of our two countries.

Because in spite of our common language, common traditions and ideals in spite of the flow of investment and risk capital to our country, and the establishment of large American branch plants and subsidiaries; in spite of the impact on our lives from your newspapers and magazines and of Dick Tracy, the Gumps and the Nebbs; in spite of the daily impact in our homes from your movie stars and radio artists with their symphonies, their breakfast clubs and Crosby and Hope and Rita Hayworth (or is she now a British subject), in spite of the 100 and 1 other influences that are inevitable because of the proximity of our two countries, we still remain a race of people who have developed certain institutions and certain systems that are serving their purpose well in our economy, and which are as distinctively Canadian as hockey and lacrosse or our insistence on pronouncing the last letter of the alphabet "zed" rather than "zee" and an impartial observer would admit that there are points of merit to both systems. Neither country has a monopoly on truth or success.

For example in the field of finance, consider our banking systems. Examine the record of the Canadian system of branch banking, how it stood the stress of the 'thirties without a single failure, without the loss of a single depositor's dollar, without the closing of a single bank door. It, too, must have great merit even though admittedly it is on a smaller total scale than your own.

Similarly when we examine the development and status of the Exchange which I have the honor to represent—the oldest and largest in Canada, and which in 1952 will celebrate its 100th anniversary, (and I hope many of you will be there) we find it also has certain distinctive and outstanding features.

Role of Toronto Stock Exchange

Any institution that has withstood the vicissitudes of wars, of depressions and of economic change during that period and has reached and maintained a turnover in shares second only to your New York Exchange; and in point of total dollar value of shares only exceeded by the two New York Exchanges, then that institution must be filling an important need in the economic and financial life of its country.

You will gain some idea of the volume of our transactions when I refer to one day's trading in August, 1947, when the volume of trading for the 800 issues listed on our Exchange reached 6,350,000 shares for the day. Naturally, to handle that volume our trading facilities must be of the finest—and in point of fact are the most modern on this continent or elsewhere.

Now what are some of its distinctive features? Your leading Exchange in the United States provides a secondary market only for the securities of established companies—and naturally such securities may be of an investment or a speculative type. Our Exchange lists the same type of Canadian securities, many of which are interlisted in New York, such as International Nickel, Canadian Pacific, Ford of Canada, Brazilian, Dome, Walkers, etc., and many of which in record of earnings and dividends, compare more than favorably with your premier American investments.

Mining and Oil Companies

But in addition, there are listed on our Exchange the securities of many mining and oil companies that are still in the development stage. You must bear in mind that we are still economically a young country. And although in the 15 minutes you have so kindly allotted me, I can only touch a few highlights, may I mention that mining and the more recent oil developments have and are transforming our economic and social life to an ever greater extent that your developments did

(Continued on page 30)

*An address by Mr. Richardson before the National Association of Securities Administrators, Richmond, Va., July 12, 1949.

An Economic Policy for Today's World

By WINTHROP G. BROWN*

Director, Office of International Trade Policy, Department of State

Asserting International Trade Organization offers chance to rebuild world trade, State Department official reviews present world trade problems and points out economic changes and upheavals of last decade requires concerted action for fair conduct of trading. Holds Charter of ITO gives maximum scope to competition in international trade and urges its ratification.

First of all, let me say, as a representative of your government who feels acutely the need for greater and more frequent contact with business opinion, under the pressure of merely keeping one's head above water in the attempt to do the job assigned to one, this meeting is a highly rewarding experience. I would like to say that I think your Association is to be congratulated upon the fact that about 100 busy men should take the trouble to come from all over the country to sit down and spend a whole day discussing a complicated and difficult issue of national policy. I wish that many other groups and industries would take their cue from you—would follow your lead and do likewise. Whatever may be the conclusions you reach as a result of this day's deliberations, certainly this meeting is one of which you may all justly be proud. It is something which we in Government would like to see more widely and more extensively carried out.

Winthrop G. Brown

I want to talk to you particularly on two points. First, I want to say a few words about the setting in which this document should be placed. Then I will allow myself the pleasure of trying to answer, if only partially, the question as to how the ITO helps to expand foreign trade.

I do not need to stress before an audience such as this the extreme difficulty and vast complexity of the economic problems we all faced immediately after the war, and still face. But I do want to point out that those problems are so difficult, so widespread in their effects and so deepseated in their causes, that it is impossible to find a solution to them by proceeding along one line alone, or by the use of one instrument alone—nor can a solution be found by one country alone. The problems attendant upon the economic disruption faced by a large portion of the world are to a great extent common problems, and they are problems we feel had to be approached on a broad front and a multilateral basis.

You must, I think, all recognize that the ITO Charter deals primarily with the movement of goods in international trade. It does not attempt to solve problems of currency or international financing, or the problems of readjustment in the internal political structure of member nations. Those are matters which are dealt with in other ways and by other instruments.

After World War II we took the course of working with other countries by means of international organizations, in contrast to the course we took after World War I. Having chosen that line—which I personally think is the right one—we should give it the fullest possible trial. We participated with other nations in the establishment of the United Nations, of the Bank and the Fund, in the Food and Agriculture Organization, and other international agencies. This has all been done to provide mechanisms for the discussion of our problems and in an attempt to find a solution to them in concert with other countries.

Design of ITO Charter

The Charter is designed to establish an international organization and a mechanism in the field of trade to complement those which have been established in other fields.

We made the affirmative decision that these economic problems could not be effectively attacked by simple bilateral negotiations with a few countries of like mind. In the first place, however, alike the minds of those few countries might be, they have the same kind of fundamental economic problems, exchange shortages, production shortages, that most of the other countries of the world have. It is necessary to deal with these problems over a broad front. That is why we set out to reach an agreement to be participated in by as many countries as possible, rather than trying to get a few agreements with a few countries.

Moreover, agreement on a few general principles is not very useful. It has been pointed out in this discussion how difficult it is to interpret general statements, and it is intensely difficult to translate general statements into specific actions. That has been tried in the past in international economic conferences, and it has not succeeded. Therefore, in this Charter we endeavored to secure an agreement on rules of trade which were sufficiently specific to be implemented by action and sufficiently specific so that, if not so implemented, the country responsible for such failure could be effectively questioned and called to account.

The Charter is not complex. It is the situations with which it deals that are complex. Every one of us lives today under documents whose provisions are as complicated, if not more so, as the provisions of the proposed Charter. To prove that, just read your insurance policy, your corporate mortgage, or even your income tax regulations, under which we all live every day! Then you will get an idea of what I mean. The argument of complexity, therefore, is not, it seems to me, effective as an objection.

In the course of endeavoring to reach an agreement on trade policy which would be applicable over a wide front, there were, obviously, many different needs to be met and many different points of view to be reckoned with. The fact that so many countries did reach an agreement is in itself a remarkable and heartening fact.

To one who has participated in these negotiations the fact that this Charter is specific and has exceptions demonstrates that there was a meeting of minds, not that there was no such meeting. The meeting of minds is shown by the care with which the details of this document are spelled out in the text. The sincerity of the various representatives, their insistence upon clarity, are shown by that care.

In the drawing of the Charter, as in the setting up of other international agencies and their development the United States has been the leader. In all this the United States has been the one nation wholly able to stand for the principle of unrestricted international trade.

Regarded as Representing Viewpoint of U. S.

This Charter is regarded throughout the world as representing the viewpoint of the United States, fundamentally, and if the United States rejects it there will be no trade organization, and the result will be a search for another country to assume leadership in an area which we have abandoned. I need not, I am sure, urge upon you the difficulty of finding another nation to take our place.

Now, how does this document help to free and expand international trade? In the first place, the Charter represents agreement upon a number of basic principles—the principle of consultation before action, rather than the principle of retaliation after action; the principle of negotiation for the reduction of different kinds of specific barriers to trade; the principle that the quota as a protective device should be proscribed; the principle that subsidies should not be used to the detriment of another country's trade; the principle that the vastly important invisible tariff of customs regulations and administration should be simplified, made less arbitrary, and made clear to the public, so that everyone will know what we are up against; the principle that in all instances there should be an independent tribunal to which appeal could be taken from the arbitrary action of the customs officer.

The Charter recognizes the principle that the restrictive practices of private business groups can in many cases be just as bad as the actions of government, in terms of their effect on trade, and that international remedies should be provided to deal with the barriers thus erected; the principle that the commodity agreements should be entered into only under certain conditions and then with certain safeguards.

The fact that these things have been agreed to as principles and as objectives is of vital significance. It affects every decision that members of this organization will make in deciding upon their business policies.

Many of these things can be put into effect immediately, and will be when the organization actually comes into being.

All the important articles with reference to customs procedure, for instance, can be given immediate effect, regardless of balance-of-payment or other difficulties of the countries involved. The mechanism for dealing with international cartels—the first such mechanism in history—can likewise be activated immediately. The rules governing commodity agreements can be applied at once. The principles and mechanisms providing for consultation and negotiation looking toward the reduction of tariffs, and conferences on the use of subsidies, can all become operative at once, and will, when the Charter goes into effect. Each of them represents a reduction in the obstacles to the movement of goods in international trade.

Certain of these commitments cannot be put into effect immediately by all countries. As you all know, most of the countries of the world are today suffering from

(Continued on page 29)

*An address by Mr. Brown before the Rubber Manufacturers Association, New York City, June 28, 1949.

NSTA Notes

NSTA CONVENTION

With the Rocky Mountains towering toward the skies in majestic splendor in the West, the prairie extending far to the East, and fertile farmlands in the North and South—Colorado may well be known by the often-heard slogan "'COLORFUL COLORADO' The PLAYGROUND OF THE NORTH AMERICAN CONTINENT."

Earl M. Scanlan

Robert L. Mitton

R. E. Sargeant, Jr.

"We have had many conventions in the East, Far West, and in the South, but," says Earl M. Scanlan, Earl M. Scanlan & Co., co-Chairman of the Publicity Committee of the NSTA, "we believe we have more to offer and more for you to see in one hour here than you could see in many moons elsewhere.

"The Broadmoor Hotel, located at the foot of a gigantic mountain with Pike's Peak as a magnificent background, is where the NSTA Convention will be held at Colorado Springs. It is one of the most outstanding hotels in the world and, if you avail yourself of all that the Broadmoor has to offer, surely you will say, as many others have, 'This is the garden spot of the world. This is America's most complete resort!'

"The hotel was built by Spencer Penrose with the vast fortune he made from gold in the Cripple Creek District, and this hotel—a bit of Paradise in itself—offers every recreation you could possibly desire.

"Eighteen-hole golf course; badminton, handball and squash courts; bowling alleys; fishing; hunting; horseback riding—over picturesque mountain trails; ice skating—year-round at the famous Ice Palace, where many National tournaments have been held; skeet shooting; swimming—year-round, indoors or out, in heated, filtered healthful mountain water; tennis—beautiful, green, cork turf, all-weather courts available to guests for year-round play; dancing—summer roof garden Hawaiian Village Nite Club with famous orchestras and entertainers; polo—Western polo was first started at Broadmoor early in the century and continues as a major attraction with trophy tournaments throughout July and August each year.

"Any form of entertainment you could possibly desire is yours for the asking, and the charges are very nominal.

Ed Welch and your entertainment committee in Denver are planning the greatest time you ever had. A trip up Pike's Peak where the snow remains the year around! A trip to the Cripple Creek District where the wealth of gold of the United States came from! The Sow Belly luncheon at Cripple Creek—returning over the Corley Highway—one of the scenic wonders of the world! The marvelous 'Garden of the Gods!' The famous 'Will Rogers Shrine of the Sun!' The Chuck Wagon dinner at Sleepy Hollow! And, much more entertainment for you.

"We know we have something to show you out here in Colorado that you will never forget. Your wife will also enjoy all of it—so bring her out 'Where the West Begins.'

"You will forget your stock market worries and get a new grip on life. And here's just a friendly little message from a state that's hard to beat:

"Where the sunbeams kiss the snow-caps on each and every peak,

(Continued on page 10)

Dealer-Broker Investment Recommendations and Literature

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

Automobiles — Analytical brochure containing notes on 24 companies— Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Canada — Monthly commercial letter — The Canadian Bank of Commerce, Toronto, Ont., Canada.

Colombia-Bolivia — New study of economic and political developments—Zippin & Company, 208 South La Salle Street, Chicago 4, Ill.

Local Housing Authority Bonds and Notes—Supplement to booklet issued last April analyzing change with respect to security of bonds of Federally assisted local housing authorities—C. J. Devine & Co., Inc., 48 Wall Street, New York 5, N. Y.

New York Bank Earnings—Comparative tabulation for first half of 1949—New York Hanseatic Corporation 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Table of comparative values—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Newsprint Price Outlook — Some Canadian Industry opinions

—Brochure—Cochran, Murray & Co., Ltd., Dominion Bank Building, Toronto 1, Ont., Canada.

Over-the-Counter Industrial Stock Index—Booklet recording 10-year performance of 35 industrial stocks—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Railroad Income Mortgage Bonds—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Utilities—Bulletin on current developments—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

* * *

Addressograph Multigraph Corp.—Circular—Fahnestock & Co., 65 Broadway, New York 6, N. Y.

Also available are circulars on **Boeing Airplane Co.**, and **Imperial Oil Ltd.**

Allied Stores Corporation—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Buffalo Bolt Co.—Circular—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Also available are circulars on **Dean Phipps Inc.** and **Foremost Dairies.**

Cleveland Cliffs—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is a memorandum on **Railroad Equities.**

Commonwealth & Southern Corp.—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Commonwealth & Southern—Memorandum—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Continental Air Lines—New factual report—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Also available are special reports on **Standard Railway Equipment Manufacturing Co.** and **Western Natural Gas Company.**

Eastern Air Lines, Inc.—Special review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Illinois Power Company—Analysis—The First Boston Corp., 100 Broadway, New York 5, N. Y.

International Resistance Co.—Memorandum—Harrison & Co., 123 South Broad Street, Philadelphia 9, Pa.

International Utilities Corporation—Analysis—James Richardson & Sons, 367 Main Street, Winnipeg, Man., Canada, and 80 King Street, West, Toronto, Ont., Canada.

Missouri Pacific—Memorandum—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available are memoranda on **Commonwealth & Southern** and **Allen Industries.**

New Orleans Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 8, N. Y.

Oregon Portland Cement—Late data—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Pabst Brewing Company—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Seattle Gas Co.—Circular—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Southern Company—Analysis and background—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

Also available is a descriptive memorandum on **Central Illinois Light.**

Southern Company—Analysis—First Boston Corp., 100 Broadway, New York City; Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.; and Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Southern Corporation—Detailed memorandum—Stein Bros. & Boyce, Starks Building Arcade, Louisville 2, Ky.

United States Fidelity and Guaranty Company—Survey—Stein Bros. & Boyce, 6 South Calvert Street, Baltimore 2, Md.

Wheeling Steel Corp.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Connecticut Brevities

Directors of the **Phoenix State Bank & Trust Company** and the **Capitol National Bank & Trust Company**, both of Hartford, have approved an agreement of merger. The plan provides that prior to the merger Phoenix will change the par value of its stock from $100 to $25, thereby effecting a four fo one split and will declare a 25% stock dividend. The present 16,000 shares of $100 par will thus become 80,000 shares of $25 par. Following this Phoenix stockholders would exchange their stock on a share for share basis in a new company of the same name. Capitol National stockholders will be entitled to two and one-half shares of stock of the new corporation for each of the presently outstanding 12,000 shares. The new bank would have a consolidated capital of 2,750,000 represented by 110,000 shares. Capitol National will continue to be operated as a branch bank.

* * *

Fafnir Bearing Company announced on July 1st that it was lowering prices on inner ring ball bearings and housed units by 10 to 15%. The company also stated that it had purchased property in Dallas, Texas, to be used as an office and warehouse headquarters.

* * *

Stockholders of **Hartford Fire Insurance Company** will meet September 22nd to vote on a proposed stock dividend of 33⅓%. If approved, the present capitalization of 1,200,000 shares of $10 par stock will be increased to 1,600,000 shares. Tentative plans call for issuance of the additional stock on November 1, 1949, to stockholders of record October 3rd. It is indicated that the company expects to maintain the present dividend rate of $2.50. The board of directors of Hartford Accident & Indemnity, wholly owned subsidiary of Hartford Fire, voted to double its present capital of 500,000 shares of $10 par stock through sale of 500,000 shares at $20 par to the parent. Of the $10,000,000 proceeds, $5,000,000 would be added to surplus and a similar amount to capital.

* * *

Stockholders of **Segal Lock & Hardware Co.** will vote on August 3rd on a proposal to borrow $1,750,000 from the R. F. C. The company plans to use the money to increase production at its new fastener plant at Sumter, S. C., to complete the expansion program at its hardware plant at Norwalk, to repay short-term bank loans, to redeem 6% debentures and to increase working capital.

* * *

Hartford Gas Company has sold $1,500,000 first mortgage 3% bonds, series B due Feb. 1, 1974, at a price of 101¼ to institutional investors.

* * *

Veeder-Root's new plant in Hartford will be in full operation by the first of August and the company will have completed the transfer of all operations from its Bristol plant to Hartford by that time. The company's earnings report for the first 20 weeks of 1949 showed a profit of $1.21 per share of common.

* * *

Cheney Brothers has decided to discontinue production of finished neckties and will concentrate on selling of fabrics to the neckwear manufacturing trade. The company believes that its modernized fabric mill presents opportunities for growth in that field.

* * *

The Hamilton Standard Propellers division of **United Aircraft Corporation** has announced the development, under the auspices of the U. S. Navy, of an aircraft propeller carrying its own oil supply for use with gas turbine engines. The new propeller, which is to be called the Turbo-Hydramatic, can be used with high power engines and will have a more accurate and rapid response to the sensitivity of gas turbine engines.

* * *

Of the 36,000 shares of the common stock of **Bridgeport Hydraulic Company** recently offered through rights, 34,340 shares were subscribed for. The remaining 1,660 shares were sold through underwriters.

* * *

Manning, Maxwell & Moore has announced a new price guarantee policy for its distributors. For the remainder of this year the company offers protection to its 300 industrial supply distributors against inventory loss on direct shipments for a period of 60 days after new items are ordered for inventory.

* * *

Southern New England Telephone Company's recent stock financing, which is estimated to net about $9,970,000, will be used to pay a debt of $4,500,000 to American Telephone & Telegraph and to provide $5,470,000 for the current construction program. Company officials have estimated that more than $20,000,000 of additional funds will be necessary to complete this construction program.

E. R. Trafford Opens Own Inv. Firm

EXETER, N. H.—Edwin R. Trafford is engaging in a securities business from offices on Epping Road. Mr. Trafford was formerly Vice-President of E. A. Straw, Inc.

Investment Bankers Association Nominates Albert T. Armitage for Presidency in 1950

CHICAGO, ILL.—Albert T. Armitage, President of Coffin & Burr, Incorporated, Boston investment banking house, has been nominated as the next President of the Investment Bankers Association of

Albert T. Armitage

Hazen S. Arnold

Mark C. Elworthy

John F. Fennelly

Joseph T. Johnson

Laurence M. Marks

America, it was announced by Hal H. Dewar, of Dewar, Robertson & Pancoast, San Antonio, President of the Association. Named with Mr. Armitage are the following nominees for Vice-President:

Hazen S. Arnold	Braun, Bosworth & Co.	Toledo
Mark C. Elworthy	Elworthy & Co.	San Francisco
John F. Fennelly	Glore, Forgan & Co.	Chicago
Joseph T. Johnson	The Milwaukee Company	Milwaukee
Laurence M. Marks	Laurence M. Marks & Co.	New York

Nominations, made by the Board of Governors of the Association, are considered tantamount to election in the IBA, which will act on the ticket at its annual convention scheduled for Dec. 4 to 9 at Hollywood Beach Hotel, Hollywood, Fla.

Mr. Armitage started in the investment banking business in 1912 with the old firm of Blodget & Co. in Boston. He became associated with Coffin & Burr, Incorporated, in 1919 as manager of the trading and sales department, later became Director, Treasurer, Vice-President, and in 1941 was elected President.

He is a Director of Bates Manufacturing Co.; Director and member of the Executive Committee of Keyes Fibre Company; and Vice-President, Trustee, and member of the Investment Committee of the Danvers Savings Bank. During the Second World War Mr. Armitage was a member of the Executive Committee of the U. S. Victory Fund of the First Federal Reserve District and co-Chairman for Massachusetts.

His activity in the Investment Bankers Association began in 1937. He was a Vice-President from 1942 to 1944, a Governor from 1945 to 1948, and was again elected Vice-President in 1948. He has served on numerous committees, including Trading, Over-the-Counter Markets, Unlisted Trading, Federal Legislation, Group Chairmen's, Public Service Securities, of which he was Chairman from 1941 to 1943 and from 1944 to 1945, and was Chairman of the Administrative Review Committee from 1944 to 1945. Mr. Armitage was Chairman of the New England Group of the Association from 1943 to 1945 and has served on various committees of the Group.

NSTA Notes

(Continued from page 8)

Where the rivers flow like magic and the water is crystal clear. If you like pure air and sunshine, then—for 'Goodness sake'—Come here!"

* * *

"Full Convention plans are being formulated and the prospectus on the trip will soon be in your hands, but we do wish to sort of whet your appetite with this little teaser," the Committee reports.

"The above, of course, is for the regular Convention, but don't forget that you are also all invited for 30 hours of pleasure in Denver, 'the Mile High City' which extends to you a most cordial invitation for Oct. 4 and 5. Just because you are not on the special train from Chicago to Denver, don't let it deter you from including Denver in your itinerary. Anyone coming to Denver first would take the special from Denver to Colorado Springs and be with the whole gang 36 hours sooner.

"A full and complete program is being arranged jointly by the Denver Bond Club and the Investment Bankers Association by Bob Mitton, Robert L. Mitton Investments, President of the Bond Club and Raymond E. Sargeant, J. A. Hogle & Co., President of the IBA Rocky Mountain Group.

"A trip is planned to Buffalo Bill's grave; Park of the Red Rocks and Lookout Mountain and, of course, for the ladies, all of whom we hope will be here, there will be a luncheon at the 'Top of the Park.' A cocktail party and banquet will also be held on the night of Oct. 4 at the nationally-known 'Brown Palace Hotel.' We have even arranged to have the Presidential suite as a powder room for the ladies.

"Markets may be up or markets may be down but we will look for a visit from all of you during our Indian Summer in October!"

COMING EVENTS

In Investment Field

July 27, 1949 (Pittsburgh, Pa.)
Bond Club of Pittsburgh Mid-Summer Picnic at Mill Grove, North Park.

Sept. 9-11, 1949 (Oregon)
Pacific Northwest Group of the Investment Bankers Association 1949 meeting at the Gearhart Hotel, Gearhart, Oregon.

Sept. 23, 1949 (Pittsburgh, Pa.)
Bond Club of Pittsburgh Fall Outing at Chartiers Country Club.

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

Dec. 4-9, 1949 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Dec. 9, 1949 (New York City)
New York Security Dealers Association 24th Annual Dinner at the Hotel Pierre Grand Ballroom.

Halsey, Stuart Offers St. Joseph Power Bonds

Public offering of $4,750,000 St. Joseph Light & Power Co. first mortgage bonds, 3% series due 1979 is being made today by Halsey, Stuart & Co. Inc. at 102¼% and accrued interest. Award of the bonds was won at competitive sale on the firm's bid of 101.729.

Proceeds from the sale of the bonds will be applied to the construction and acquisition of additional property which, during the three years ending Dec. 31, 1951, will require the expenditure of approximately $8,300,000. As a part of its present financing the company is selling additional common stock to its parent for $2,000,000 cash.

For the 12 months ended April 30, 1949, St. Joseph Light & Power Co. reported total operating revenues of $5,754,072, and after maintenance, depreciation and all taxes, there remained gross income of $896,648; annual interest on long-term debt now outstanding including this issue will require $265,969.

Beginning in 1951 a sinking fund will operate to retire 1% of the bonds annually. For this purpose bonds may be redeemed at prices ranging from 102.30% to 100%. For other purposes the bonds may be redeemed at prices ranging from 105.25% to 100%.

St. Joseph Light & Power Co. provides electricity, passenger transportation or steam for heating and industrial purposes to an estimated population of 150,000, principally in the City of St. Joseph and its environs. It also supplies one community with gas.

Turner & Poindexter Join Wagenseller Co.

LOS ANGELES, CALIF.—Announcement is made that the business currently conducted under the name of Turner-Poindexter & Co. will be continued by Stephen C. Turner and Clifford E. Poindexter in association with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange.

Bache Co. Adds Two

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — George W. Grimsman and Bernard I. Miller have been added to the staff of Bache & Co., 135 South La Salle Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

At this time with the operating records of the major banks in New York City now available, it seems advisable to review the results for the first six months of the current period along with the prospects for the remainder of the year.

The banks that reported operating earnings for the first six months showed only minor changes from the similar period of 1948.

An analysis of the important factors accounting for this indicates that although loan volume was declining at a rapid rate for a considerable portion of the period, the immediate effect of the loss of earnings was offset to some extent by the increased yields on loans and investments, the larger holdings of securities, and the reduction of reserve requirements.

While there has been a tendency in the last six to eight months for interest rates to stop rising and soften somewhat, they are generally higher today than they were for the corresponding period of 1948. As a result the yield on loans and investments has been greater so far in 1949 than a year ago.

The reduction in reserve requirements in the record quarter provided the central reserve city banks with additional earning assets. Although present reserve requirements are still larger than last year at this time, this move by the monetary authorities enabled the banks to expand their holdings of government securities and to offset, in part, some of the loss of earnings resulting from the decline in loan volume.

While operating earnings were relatively stable profits from securities were in most cases lower. A number of the institutions which because of special circumstances reported losses on such transactions last year, reported minor profits. Of the banks reviewed none indicated a loss on securities for the first six months.

The following table presents the earnings record of the major banks for the first half of the current year.

EARNINGS FIRST SIX MONTHS

	Indicated Earnings		Operating Earnings		Security Profits		Total Earnings	
	1949	1948	1949	1948	1949	1948	1949	1948
*Bank of Manhattan	$1.00	$0.86	$1.00	$1.10	---	$0.04	$1.00	$1.14
Bankers Trust	1.24	1.63	1.52	1.63	$0.09	†0.17	1.61	1.46
Central Hanover	3.00	3.00	—	—	Not Reported		—	—
Chase National	1.23	1.06	1.15	1.27	0.08	†0.21	1.23	1.06
Chemical Bank	1.47	1.48	1.42	1.48	0.05	0.01	1.47	1.49
Commercial National	1.64	1.71	1.64	1.71	---	---	---	---
Corn Exchange	2.48	2.45	—	—	Not Reported		—	—
First National	37.38	42.11	35.68	39.13	1.01	2.99	36.69	42.12
Guaranty Trust	9.41	9.18	8.74	8.32	0.06	1.28	8.80	9.60
Irving Trust	0.59	0.60	0.67	0.65	0.04	---	0.71	0.65
*Manufacturers Trust	2.33	2.38	2.33	2.38	---	---	---	---
‡National City	1.37	1.55	1.62	1.57	0.01	0.10	1.63	1.67
New York Trust	3.09	3.14	3.09	3.14	0.02	†1.47	3.11	1.67
Public National	2.23	2.32	—	—	Not Reported		—	—
U. S. Trust	20.89	18.86	—	—	Not Reported		—	—

*Based upon capitalization as of June 30, 1949. †Deficit. ‡Includes City Bank Farmers Trust.

What about the outlook for the remainder of the year? I believe the prospects are for continued stability of earnings.

Factors which indicate lower earnings are the decline in loans and the softening of interest rates. Offsetting factors are prospects of a seasonal rise in loan volume and a further reduction in reserve requirements which along with deficit financing will increase earning assets.

Although much emphasis has been placed on the sharp and continued decline in loan volume, the total loans and discounts outstanding at the principal New York City banks as of June 30, 1949 were 2.5% above a year ago. Also some seasonal borrowing is to be expected in the second half of the year. Most of the loan payments in the past few months have reflected inventory liquidation and the general conservatism of business in reducing debt. Mid-year balance sheets of retailers indicate they are carrying only minimum stocks.

As we approach the fall and Christmas buying season the need for additional inventories by wholesalers and retailers should result in some increase in loans. They will, however, be less than last year as lower prices and sales will reduce the need for borrowing.

In regard to the downward trend of interest rates, the change so far has been relatively minor and present rates for loans and government securities are still above a year ago. It was in the third and fourth quarters of last year when the rates on loans and securities were increased significantly. Recent changes in the rate structure should not materially influence this year's earnings.

Concerning earning assets, they could be increased by a further reduction in reserve requirements. During 1948 the Federal Reserve raised reserve requirments at central reserve cities on three different occasions by two percentage points each time. This action was taken at a time when bank credit was expanding, prices were rising and inflation was the concern of the monetary authorities. In order to meet the problem additional authority over bank credit was requested and granted by Congress for a temporary period.

With the downturn in business starting around the first of the year and the reduction of prices in many lines, the Administration now looks upon deflation as the chief problem confronting the economy. In view of the actions of last year and considering the recent statements of the authorities it would seem logical to expect a further cut in reserve requirements. About the only question is when it will come. Considering the past action of the Board it could come at the most unexpected time.

Outlook for Brewing Industry

By S. LOGAN STIRLING

Manager, Investment Research Department, Eastman, Dillon & Co., Members of New York Stock Exchange

Investment analyst foresees new period of prosperity in brewing industry due in large part to lower raw materials and container costs. Points out brewery industry is not affected by changes in business conditions, and that in Great Britain and on European continent, brewery company shares are regarded as high-grade, stable investments.

Growing competition for the consumer dollar and the end of price inflation, which are adversely affecting earnings in many industries, have helped bring a new period of prosperity to the larger brewery companies. Earnings of four large beer producers, whose securities are listed on the New York Stock Exchange, have shown gains from 62% to 138% in the first quarter of 1949 over the corresponding period of last year and further increases in sales and earnings are indicated.

S. Logan Stirling

While demand for beer is stable by contrast with that for most goods, consumption during the peak Summer months is nearly twice that of the Winter months. Beer sales move broadly with the level of consumer income. Reflecting wartime stimulus, beer withdrawals trended upward to a 1945 peak of about 81,300,000 barrels, or 18.11 gallons per capita. The decline in 1946 to 79,381,000 barrels reflected government curbs on production, because of grain shortages. Relaxation of curbs and continued high consumer buying power lifted withdrawals to a net high of 87,172,000 barrels in 1947. The decline to 85,036,000 barrels sold in 1948 reflected adverse weather conditions in some sections and local production interruptions from strikes.

A relatively high level of national income is expected to be maintained for some time to come and, should prices ease in line with lower material costs or excise taxes be reduced, per capita consumption may exceed the post prohibition high of 18.76 gallons in 1947. Stimulated by the greater supplies of cans, sales of the more profitable packaged beer are expected to make further inroads on draft beer which dropped to 31% of the total market in 1948 from about 75% in 1933. While beer consumption in 1948 declined 2.6%, packaged sales were off only 0.6% compared to a decline of 6.8% for draft beer. Total beer sales in the first quarter of 1949 declined 0.2% from the preceding year but volume for the full year is expected to surpass the quantity sold in 1948.

The largest single item in the price of beer is taxes which account for over 50% of the total in some cases. Labor costs represent only a small proportion of total production expenses. Among the raw materials used in brewing, malt is the principal item, accounting for about 70% of total raw material costs, and its price follows that of barley, the principal ingredient. In good quality beers, which range from 3.4% to 3.8% in alcoholic content, about one bushel of malt is used for each 31 gallon barrel of beer. From 1934 to 1945, the price range of malt was from 81c to $1.64 per bushel, with the average price approximating $1.20 per bushel. With the lifting of price controls, the price of malt advanced steadily into the first half of 1948 when the price reached $2.79. Prices have since reacted and for the first four months of this year prices ranged between $1.99 and $1.76 per bushel. Leading brewing companies do not anticipate any important inventory losses, even if raw material prices continue to decline, inasmuch as most companies are buying supplies on a weekly basis and carry only about one week's inventory. The aging process for beer takes only from four to six weeks.

The competitive position of the bigger companies is being improved due to the decline in the number of breweries operating in this country. At the present time there are about 460 breweries in the U. S., mostly small companies privately owned, as compared with around 712 companies in 1934. In 1948 the five largest companies controlled about 22% of the total beer business of the country, a marked increase over 1947. The ratio is expected to be further enlarged in the future.

Beer is commonly called the poor man's drink, thus it is a product for the mass markets. Greater leisure among the working classes tends to increase beer consumption. The five-day, forty-hour week has been a factor in increasing beer sales and in certain areas, notably Detroit, sales of draft and case beer have increased during lay-offs and strikes in important industries. As in the distilling industry, a large degree of the success of a brewery depends upon the extent and effectiveness of its advertising. Since the large companies have the funds to finance such programs and the plant capacity to meet shipping demands, they are in the best positions to develop increased volume and earnings this year.

Leading brewing stocks have a number of characteristics which are not so uniformly present with stocks in many other industries. Most of the companies in this field have demonstrated their ability to earn satisfactory profits both in good years and bad while they have also consistently followed a substained and fairly liberal dividend policy. In this connection, dividend payments have been more liberal than with the distillers since their capital needs for inventories are not particularly heavy. In most cases, dividends were increased in each year from 1946 to 1949, inclusive. Most beer stocks are now selling at relatively low price-earnings ratios, offer good yields and have ready marketability. However, the marked improvement in earnings for most companies which is now under way and which seems likely to be well maintained, should help to encourage wider interest in these shares. It is of interest to note that in Great Britain and on the Continent, the brewing industry has always been recognized as a stable and basic business, and over the years the shares of most of the companies abroad have been considered high-grade investments.

We have studied the position and prospects of five brewing companies whose issues are listed on the New York Stock Exchange and believe the stocks of the three large Mid-Western companies—Pfeiffer, Falstaff and Goebel—are the most attractive, believing they offer interesting speculative possibilities at this time since they combine both yield and good appreciation prospects.

To the Stockholders:

April 30, 1949 marked the close of your Company's fiftieth fiscal year. The result of operations for that year and the condition of your Company and its subsidiaries at its close are as shown by the annexed statements — Consolidated Balance Sheet, Income Account and Statement of Consolidated Earned Surplus, all (as usual) prepared and certified by independent auditors.

As shown, the Net Earnings for the year amount to Four Million, Nine Hundred and Thirty-two Thousand, One Hundred and Fourteen Dollars and Fourteen Cents, this after all charges, including depreciation and taxes, Federal, State and local.

To quote from a prior report:

"The Preferred shares of the Company are non-cumulative. Under the provisions of the Company's charter, as such provisions have been construed by the Courts of New Jersey, under the laws of which state the Company is incorporated, the holders of Preferred shares are entitled each year, out of that year's earnings calculated on a non-consolidated basis, to such amount, by way of dividends, as are warranted by the year's earnings, up to seven per cent of the par amount of such shares, before there may be paid on Common shares any dividend out of the earnings of such year."

As of the beginning of your Company's fiftieth fiscal year, it had fully discharged its dividend obligations to the holders of its preferred stock for all years prior to that recently (April 30, 1949) closed—and out of the earnings of that year there already have been declared three (quarterly) dividends, each of one and three-quarters per cent on the preferred stock outstanding. As the earnings for the year warrant the payment therefrom of the full seven per cent dividend for the year on such shares, it is expected that there shortly will be declared a fourth (quarterly) dividend of like amount on our preferred shares—thus fully discharging our dividend obligations as to that class of stock down to the beginning of our fiscal year now current—and that coincident with the declaration of such dividend on our preferred shares there will be declared a dividend on our common shares then outstanding.

At the beginning of the fiscal year recently closed, your Company and its subsidiaries had on their books, as a "carry-over" from the preceding year, business amounting in dollar value to somewhat more than Two Hundred and Eighty Millions—this on the basis of the prices at which the business had been booked and irrespective of the increases to which we might become entitled for completed work through the operation of the "escalation" provisions forming part of practically all contracts as originally made—such providing for an increase of price to be paid to cover, in whole or in part, an increase in our cost of production due to a possible increase in material and labor costs becoming effective intervening the making of the contract and its completion. At the close of the year, after allowing for deliveries made and additional orders taken during the period, the dollar value of unfilled orders on our books amounted to approximately One Hundred and Thirty Millions—this again without regard to "escalation."

Naturally, to care for this great amount of work requires not only the accumulation of an inventory commensurate with its volume—inventory items (as noted in prior reports) being payable by us upon receipt of the material while we must wait for our payment until the completion of the particular work for which the inventory items are needed—but requires also the use of your Company's credit, by way of loans from its banks, to meet its obligations as they accrue in the course of its operations pending receipt of payment for work completed.

Your Company does not manufacture "for stock"—practically its entire inventory (as noted in prior report) being allocated to the needs of the particular contracts actually booked. As a result, our inventories are self-liquidating—as work progresses they are converted into completed product, delivered and paid for, with consequent lessening of the amount of our bank borrowings. Because of completed products delivered since the beginning of our year now current, both the size of our inventory and the amount of our borrowings are, at this writing, very substantially less than as shown on the financial statements herewith presented.

During the year your Company's plants were well maintained and efficiently operated, reaching a high degree of productive activity. Many improvements have been made, and more are in contemplation—all with the view to economy of operation and the maintenance of the high standard of excellence of output which has always been a characteristic of your Company's product. The morale prevailing throughout your organization is of the best. Our financial structure is sound, with resources ample for the operation of our business. At this writing, as noted above, both our inventories and our bank loans are substantially less than they were at the close of the year, and both will gradually be liquidated as work on hand is completed. The operations of our subsidiary companies have been entirely satisfactory, both as to earnings and otherwise—and there is no reason to fear any material change in that regard. We have been singularly fortunate in our labor relations, having had, during the year, but one strike that seriously interfered with production, and that at but one of our plants. The differences with our men which led up to that strike were adjusted to the satisfaction of both sides and with material benefit to both your Company and its workmen.

An outstanding achievement of your Company during the year was the completion of the (so-called) "ACF-Talgo" train, possibly the most revolutionary vehicle on rails for passenger service since the invention of the swivel truck and the sleeping car. In the development and engineering of this new concept in rail transportation, your Company has been working since 1945 in close association with the Spanish firm, Patentes Talgo. The perfecting of the design and the construction of this train presented many problems, all of which were successfully solved by our engineering department, with the result that we have produced a train having many advantages over the now-standard type of passenger car—among those advantages being greater stability for sustained high speed with resultant ride improvement, less derailing tendencies due to the wheel and coupler arrangement, reduced operating charges, and, importantly, a much reduced initial cost. The train as completed has attracted a great deal of favorable attention, both professional and otherwise, has been inspected by many officials of various of our railroads, and undoubtedly will prove to be a factor of importance in the search for improvements in methods and means of passenger transportation. Two of these trains will shortly be shipped to Spain and will there be put in regular revenue service between the Spanish capital and the French frontier—the third to remain in this country for purposes of demonstration and continued research.

At this writing, world conditions verge upon the chaotic. The reasons advanced to account for this are many and varied—so many and so varied as to be impossible of reconciliation. Be the real reason what it may, it cannot be doubted that the prevailing mental attitude, both here and abroad, is one of timidity and uncertainty—industrial, economic, financial and political. Justification for this attitude may be found in the apparent slowness of the progress made in bringing about the readjustments inevitably consequent upon the termination of the titanic struggle in which practically the entire world was so recently involved. Your Management does not share in this attitude of defeatism. On the contrary, it feels that progress, slow though it be, toward such readjustments is being made and that such satisfactory results will ultimately be attained, and that there is no valid reason for viewing the future, immediate or remote, in a spirit of despondency.

So far as concerns the field of manufacturing activity in which your Company is principally engaged, the year has been one of mixed trends, of considerable buying activity during a portion of the time and practically a dearth of such (still continuing) toward the close of the period.

The reluctance of the roads to place orders for additional equipment at this time is understandable. The burdens under which they labor are grievous—constantly increasing cost of operation, comparatively untaxed competition by truck, bus and airplane in the carriage of both passengers and freight, and a disinclination to grant them the right to make a charge for the service they render commensurate with its cost to them and the worth to their patrons of the service given. Notwithstanding the inequities under which the roads suffer, their continued and effective operation is essential to the well-being of our country—and it has truly been said that in the event of war they constitute our first line of defense. It is therefore of necessity that they must have equipment, rolling stock and motive power, adequate to meet the demands, actual or prospective, that may be made upon them properly to discharge their functions not only as carriers of the products of the country's industry and commerce but also as our "first line of defense" in any possible (even though at the moment unlikely) attempted aggression against our safety and well-being. That the roads with their present rolling stock are in condition to meet such demands as may be made upon them is at least doubtful—and your Management feels justified in the belief that in the near future there will be a resumption of activity in the buying of such equipment in sufficient volume to keep your Company's plants in at least fairly active operation.

During the fifty years of its corporate existence, your Company has occupied, and still holds, a commanding position in its particular field of operations. As a manufacturer of railroad equipment, its business is highly cyclical in nature, dependent upon and moving sympathetically with the welfare of our great railroad systems. The correction of this situation calls for a diversification of activities with a view to lessening our dependence for earnings upon the railroads as such—always with care, however, that such diversification shall only be within the competency of our experience and facilities. Your Management is keenly aware of this need and already much has been accomplished along the indicated line of correction. Our two best-known subsidiaries, Carter Carburetor Corporation and Shippers' Car Line Corporation, are today very substantial contributors to our total earnings, and your Company is developing other lines—valves, steel tanks, sundry welded and factory products—for the profitable employment of our manufacturing facilities. Active research along all these lines is being, and will continue to be, unremittingly prosecuted.

(Continued on following page)

AMERICAN CAR AND FOUNDRY COMPANY

FIFTIETH ANNUAL REPORT—YEAR ENDED APRIL 30, 1949

CONSOLIDATED BALANCE SHEET APRIL 30, 1949

ASSETS

CURRENT ASSETS:			
Cash in banks and on hand		$12,545,984.25	
Marketable Securities (less reserve) at Market Value		1,205,020.00	
Notes and Accounts Receivable, less reserve		30,735,804.86	
Accrued Unbilled Escalation Charges		2,932,063.72	
Inventories at cost or less, and not in excess of present market prices		59,430,070.02	$106,848,942.85
PREPAID AND DEFERRED ITEMS			827,997.62
NOTES RECEIVABLE—MATURING SUBSEQUENT TO ONE YEAR, LESS RESERVE			363,291.72
MISCELLANEOUS SECURITIES, LESS RESERVE			101,719.36
DEPOSITS OF CASH AND SECURITIES FOR COMPENSATION, INSURANCE, ETC.			289,352.97
PLANT AND PROPERTY ACCOUNT (See Note 1):			
Land and Improvements		$ 6,804,886.37	
Buildings, Machinery and Equipment	$109,635,291.67		
Less: Amortization and Reserve for Depreciation	53,806,388.01	55,828,903.66	
Intangibles		18,865,076.39	81,498,866.42
			$189,930,170.94

Note 1: Plant and Property of Parent Company included in above valuations were inventoried and valued by Coverdale & Colpitts, Consulting Engineers, as of April 30, 1939, on the basis of values at March 1, 1913, with subsequent additions at cost. Plant and Property of Subsidiary Companies are included at cost.

LIABILITIES

CURRENT LIABILITIES:			
Notes payable to Banks		$35,000,000.00	
Accounts Payable and Accrued Expenses		19,136,646.04	
Accrued Federal, State and Local Taxes	$4,792,571.32		
Less: U. S. Tax Saving Notes	600,000.00	4,192,571.32	
Advance payments received on sales contracts		1,154,551.25	
Sinking Fund requirements due within one year under indentures securing debenture issues of Shippers' Car Line Corporation		685,000.00	$ 60,168,768.61
SINKING FUND DEBENTURES OF SHIPPERS' CAR LINE CORPORATION, A CONSOLIDATED SUBSIDIARY:			
3% DUE APRIL 1, 1961		$ 4,150,000.00	
3% DUE JULY 1, 1962		3,100,000.00	
3¼% DUE APRIL 1, 1963		2,180,000.00	9,430,000.00
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY			8,542.77
RESERVE ACCOUNTS:			
For Employees' Welfare Plan (See Note 2)		$ 4,547,308.95	
For Contingencies		8,258,210.97	
For Dividends on Common Capital Stock, to be paid when and as declared by Board of Directors		735,744.74	13,541,264.66
CAPITAL STOCK:			
Preferred:			
Authorized and issued 300,000 shares—par value $100.00 per share		$30,000,000.00	
Less: 10,550 shares of Treasury Stock		1,055,000.00	28,945,000.00
Common:			
Authorized and issued 600,000 shares—no par value		$30,000,000.00	
Less: 600 shares of Treasury Stock		30,000.00	29,970,000.00
CAPITAL SURPLUS:			
Excess of acquired equities over cost of investment in consolidated subsidiary		$ 2,397,790.63	
Excess of par (or stated) value of Treasury Stock over cost of acquisition		551,600.25	2,949,390.88
EARNED SURPLUS ACCOUNT, See Statement			44,917,204.02
			$189,930,170.94

Note 2: The Reserve for Employees' Welfare Plan has, during the year, been charged with the net amount (after tax benefits) of $152,728.86 on account of employees' retirement cost applicable to past services.

STATEMENT OF CONSOLIDATED INCOME ACCOUNT

Gross Sales and Car Rentals, less discounts and allowances		$219,648,483.40
Cost of Operations, including Administrative, Selling and General Expense, but before Depreciation		206,213,643.55
		$ 13,434,839.85
Depreciation		3,750,865.51
Earnings from Operations		$ 9,683,974.34
Other Income:		
Dividends	$ 114,604.28	
Interest	263,385.39	
Royalties	65,420.73	
Cash Discounts	437,440.82	
Miscellaneous	82,392.80	963,244.02
		$ 10,647,218.36
Other Charges:		
Interest	$ 1,562,946.89	
Royalties	388,820.93	
Loss on Property Retirements	149,606.81	
Miscellaneous	127,967.80	2,229,342.43
Net Earnings before Provision for Federal Income Taxes		$ 8,417,875.93
Deduct—Provision for Federal Income Taxes (See Note)		3,485,761.79
Net Earnings Carried to Surplus		$ 4,932,114.14

ERNEST W. BELL AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
25 Beaver Street, New York

TO THE STOCKHOLDERS OF
AMERICAN CAR AND FOUNDRY COMPANY,
30 CHURCH STREET, NEW YORK CITY

We have examined the Consolidated Balance Sheet of the American Car and Foundry Company and its subsidiaries as of April 30, 1949 and the related Consolidated Statements of Income and Surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and related Statements of Income and Surplus present fairly the consolidated financial position of the American Car and Foundry Company and its subsidiaries at April 30, 1949, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNEST W. BELL AND COMPANY
New York, June 30, 1949

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Balance, May 1, 1948		$ 42,226,315.77
Add: Net Earnings for year	$ 4,932,114.14	
Adjustment of accrual for prior years' Federal Income Taxes	1,583,124.11	6,515,238.25
		$ 48,741,554.02
Deduct: Dividends paid during the year on capital stock publicly held, viz.:		
On Preferred, $3.50 per share from earnings for year ended April 30, 1948 and $3.50 per share from earnings for year ended April 30, 1949	$ 2,026,150.00	
On Common, $3.00 per share	1,798,200.00	3,824,350.00
Balance, April 30, 1949		$ 44,917,204.02

Note: Federal taxes are shown before tax benefit of $94,053.69 as a result of charges made to the Reserve for Employees' Welfare Plan. This saving has been applied as a reduction in the charge to said reserve.

(Continued from preceding page)

The five decades of your Company's life have been possibly among the most momentous in the history of our country and indeed of the entire world. On the whole, though with occasional setbacks, they have been years of progress, industrial, economic and social—and in such progress your Company, in its particular field, has both shared and contributed. It has passed through three major depressions, national in character, and through two great wars, in both of which it was a factor of importance in their winning. It has met and successfully solved many seemingly insoluble problems both in the field of manufacture and in that of corporate management. It has come through all these experiences not without difficulty but with colors flying—thus demonstrating a vitality that fully warrants confidence in our ability to meet and successfully overcome whatever may be the problems of the future.

The passing of the years has naturally taken its toll among the members of our official family, many of whom have served your Company since its organization and many of whom are still in its service. The replacement of those who have been, or in the course of time will be, taken from us by death or retirement, thus depriving us of the benefit of their years of experience, is not always an easy task. Your Management is very much alive to this situation and is sparing no effort to meet its difficulties.

Since the close of the year, Mr. Lester A. Blackford, who has served your Company faithfully and well for forty-four years and has been its Treasurer for the eighteen years last past, has found that the condition of his health will not permit him to continue in the active handling of the affairs of his Department—and he has therefore resigned, effective July 1, as your Company's Treasurer although still remaining in your Company's employ. Mr. James F. Clark will take Mr. Blackford's place as Treasurer on the effective date of the latter's resignation.

Other changes made in our organization during the year and since its close include the election as Vice-President of Mr. Henry V. Bootes, who will continue as a member of your Company's Sales Department.

Once again your Management is glad to make of record its thanks for and appreciation of the devoted, loyal and efficient service given to your Company and its stockholders throughout the years by the various members of your organization.

For the Board of Directors:

Respectfully submitted,

CHARLES J. HARDY,
Chairman

June 30, 1949

With Gross, Rogers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Francis C. Lipscomb, Jr., has become affiliated with Gross, Rogers & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange.

Republic Inv. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — A. Martin Randall has been added to the staff of Republic Investment Co., Inc., 231 South La Salle Street.

With R. H. Johnson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Ben McC. Goldsmith is now with R. H. Johnson & Co., 30 State Street.

H. L. Dersch, Jr.

PEORIA, ILL. — H. L. Dersch, Jr., is engaging in the securities business from offices at 312 West Arcadia Avenue.

The Human Relations Task in Industry

By WILLIAM M. RAND*

President, Monsanto Chemical Company

Asserting job of cooperation and teamwork between labor and management in industry is not being done, prominent business executive holds there will be a critical point in our economy unless this task is accomplished. Scores propaganda against free enterprise in business, and says we will undergo same experience as British in undermining profit system. Calls for better understanding of business both by labor and government.

The subject your program committee has assigned me is one about which I feel very strongly. I would like to tell you what I consider "today's task in human relations in industry," keeping in mind the background of where this country and the world stand today.

William M. Rand

This country's responsibilities are industry's responsibilities. They are management's responsibilities and labor's responsibilities. They are the farmer's responsibilities, the teacher's, the lawyer's, the merchant's, and the responsibility of every citizen of this country. We in industry have, in my opinion, one of the major responsibilities, one of the biggest jobs, and we should be grateful for it. If we fall out among ourselves; if we don't produce the arms and materiel so necessary to our economy and that of the rest of the world; if by poor production, *lack of cooperation*, poor management, we fail in our task; then our whole worldwide economic and political program will come crashing down around our ears. If we so fail, then the Russians can walk in.

All of you, I know, have been attending meetings over the past few years, luncheons and conventions, where you have been reminded again and again by speakers, many of them eminent authorities in their fields, that what industry needs is teamwork, cooperation, a recognition of the individual, good communications, both to and from your employees, a constructive progressive attitude toward your employees, your unions, good wages, pensions and other welfare items. I am sure most of us have long been at the point where we are convinced that all of these things are desirable.

We have read studies made by competent researchers outlining how we can go about achieving these ends. We have set up staff specialists. We employ consultants, send our people to universities, and spend a substantial amount of time, money and effort to accomplish these objectives And we spend a lot of time getting together and telling ourselves how well we are doing.

Teamwork Job Not Being Done

Despite all these efforts, all this right thinking, as I look around me I am impressed with the fact that we are not getting the job done.

Every newspaper, every trade journal, every magazine, carries stories proclaiming this fact. Government officials are quoted condemning this or that group in business. A number of the labor papers are continually pointing the finger of accusation—sometimes amounting almost to vilification—at business and its leaders. So-called "educational" films produced by some of the more left-wing groups, present the leaders of American business as planners of "The Great Swindle," and the radio brings daily into the home, news of industrial unrest and name-calling.

Recently there appeared in many papers throughout the United States the accusation of some leaders of American labor that the present recession has been planned by management to break the unions and cut wages. The unfortunate part is that many people believe such stories.

Now I am not going to stand before you as an apologist for American business or the American businessman. I don't think he needs one. Nor am I going to say that every businessman is a saint or a misunderstood genius, and that all his critics are of a sinister or questionable character.

I am going to stand before you, however, and declare as strongly and honestly and as bluntly as I can that with the awful responsibility facing this nation, there is no time left for pettiness, bickering, accusations, recriminations and selfish aggrandizement.

There is an old saying with which you are familiar: "It's later than you think." With China overrun by the communists, with all Asia in an economic and political upheaval, with the fight for the minds of men going on unabated in Western Europe, with our production indices off, with our costs of producing the sinews of peace and war almost prohibitive in many instances, with the whole communist program geared to—and depending on—our economic collapse, it is *desperately* late.

At Crucial Point

We are at the critical point of resolution. We are face to face with "Today's Task in Human Relations in Industry." That task is a re-awakening of the old spirit of individual enterprise, the desire to work, to work hard, to achieve, to progress, to win out by our own efforts, *to stand on our own feet.*

Our forefathers had that spirit when they landed here, when they pushed the frontier across these western mountains, when they refused to rest content with what they had, but continually dreamed and planned and worked toward making this life a better life and making this country a better place in which to live. Out of this combination of brains, work and sweat came the electric light, the steamboat, the tractor, the airplane, the locomotive, the automobile, radio, talking pictures, electric refrigeration, central heating, inside plumbing, mass production, super markets, the five-day week, new medical discoveries, four-lane highways, and the five-cent soft drink. Out of this combination came our beefsteak economy as contrasted with the potato soup economy of so much of the rest of the world.

As a result of this spirit of enterprise, Americans can buy more things cheaper than any other nation in the world. Americans have better homes, better health, better hospitals and better food. Americans generally have more time to enjoy their homes and families more time for education, better opportunities for personal economic advancement.

These things have been accomplished *by men in a hurry.* They have been accomplished many times, where the ultimate reward was less monetary than the *satisfaction* of a job well done.

A Disastrous Mental Attitude

I am afraid that we, as Americans, have slipped into a bad mental attitude. It could be a disastrous attitude. It is partly the result of the 1930s, but more the result of a philosophy of economics and government that has been propounded for a number of years by certain groups in and out of government. These groups—and you know who they are—are constantly proclaiming that without government control we are heading into an economic collapse. They want higher taxes, higher wages, lower profits, lower prices, shorter hours, more company-paid employee benefits such as pensions, hospitalization and insurance, socialized medicine and expanded social security.

They are the same groups that a year ago were demanding the government build and operate steel-producing plants. What a fallacy that was in view of later developments!

The fact that you simply can't have a healthy economy, a higher standard of living, and greater benefits for all Americans by producing less at higher costs doesn't bother them a bit.

They have propounded this principle and proclaimed their theories by every means of communication available to them—radio, newspapers, labor papers, the halls of Congress, political action committees and many other mediums. Millions of people believe them. Business has been almost inarticulate in reply.

Despite the great lessons in American productivity that came out of the last war, these groups would have us believe that the competitive private enterprise system can't do the job, that it's outmoded, creaky, about to fall apart.

Lessons of Socialism

They would substitute government intervention and control, the socialization (though they don't call it that) of American industry despite the glaring comparison of American plenty on the one hand the scarcity and struggle of state-controlled systems on the other. Even the British planned economy "experiment" should be a lesson to us.

They have succeeded in convincing a lot of Americans that you can get as much or more by working less.

All those things that have contributed so much to our comfort to our higher standard of living to our very lives in time of war were not produced by voluntarily holding back production, by accusations of speed-ups, by claims of exploitation, by feather-bedding, by resistance to new ways and new methods, by men worrying if they are working too hard.

They were not produced by making fewer articles at higher pay and higher costs.

Today in this country, generally, we work in clean, safe plants well-lighted and ventilated; we work at good wages, at premium pay for overtime; we work 40 hours a week in most of our industry; many of us benefit by group insurance and pensions; and we can stand up and be heard without fear of reprisal.

If we are to keep what we have, if we are to move forward to a better living for more people, if we are to produce economically for our allies, if we are to prove that this system that has already achieved these things can continue to survive, if, above all, we are to stand solidly and successfully in the path of spreading communism, then we are going to have to forget our concern about working too hard, or our fear that somebody is trying to make a sucker of us.

Disaster in Undermining Profit System

No purpose, except disunity and disaster, can be served by the continued efforts of these groups to undermine our profit system, by creating suspicion as to who benefits from it, by continually referring to profits as something discreditable. Without profits, there can be no competitive free enterprise, no standard of living as we know it, no American economy.

It's profit that supports labor, and through them the community in which they live. It's profit that supports the government, for no government has money of its own. It's profit that endows our hospitals, makes possible our mass education system and finances the great charitable institutions that cater to the less fortunate.

The expectation of a profit as a possible reward for the risk of one's savings is the very essence

(Continued on page 38)

*An address by Mr. Rand at the Fourth Estes Park Conference on Human Relations in Industry, Estes Park, Colo., July 14, 1949.

Missouri Brevities

The common stockholders of Missouri Utilities Co. of record June 23, 1949, were recently given the right to subscribe on or before July 14 for 51,184 additional shares of common stock (par $1) at $12.50 on the basis of one additional share for each four shares held. The net proceeds were added to the general funds of the company and will be used for construction of additions and improvements to its properties. The company for the three months ended March 31, 1949, earned 48 cents per common share, and for the full calendar year $1.98 per common share.

* * *

Included in the group of 124 bankers who on July 7 publicly offered 550,000 shares of Kansas Gas & Electric Co. common stock (no par value) at $26⅝ per share were the following Missouri investment houses: Barret, Fitch & Co., Inc.; George K. Baum & Co.; A. G. Edwards & Sons; McCourtney-Breckenridge & Co.; Newhard, Cook & Co.; H. O. Peet & Co.; Prescott, Wright, Snider Co.; Reinholdt & Gardner; I. M. Simon & Co.; Smith, Moore & Co.; Stern Brothers & Co.; Stifel, Nicolaus & Co., Inc.; and Stix & Co. Of this offering, 450,000 shares were for the account of American Power & Light Co. and 100,000 for Kansas Gas & Electric Co. The net proceeds to the latter will be used to finance in part its construction program and to repay short-term loans.

* * *

Mid-Continent Airlines, Inc., Kansas City, on July 13 filed an application with the Civil Aeronautics Board in Washington, D. C., requesting extensive feeder air routes in nine Midwestern States, the proposed system to be operated as a separate division of the company. J. W. Miller, president of Mid-Continent, explained that the airline asks for consideration of its new feeder application only in the event CAB disapproves his company's proposal to acquire the 4,000-route mile structure of Parks Air Lines, Inc., East St. Louis, Ill., which is now awaiting decision by the Board.

* * *

The Missouri bankers who participated in the underwriting and offering of a total of 446,000 shares of Central Illinois Public Service Co. common stock ($10 par value) were Edward D. Jones & Co.; F. S. Yantis & Co., Inc.; Scherck, Richter & Co.; and Stifel, Nicolaus & Co., Inc. The portion unsubscribed for by the utility firm's common stockholders (211,149 shares, which does not include 65,074 shares previously sold) was offered to the public on June 27 at $14.50 per share. The subscription price to Central Illinois common stockholders was $14.12½ per share.

* * *

Elder Manufacturing Co., St. Louis, reports a net income, after charges and Federal income taxes, of $469,000, or $2.36 per common share, for the year ended April 30, 1949, which compares with a net of $894,855, or $4.50 per common share, for the previous fiscal year. Current assets totaled $5,117,308 and current liabilities were $1,207,059.

* * *

On July 13, an issue of $150,000,000 Standard Oil Co. (New Jersey) 25-year 2¾% debentures due July 15, 1974, was offered and sold to the public at 100½% and accrued interest. Participating in this offering were the following Missouri investment firms: Barret, Fitch & Co., Inc.; Dempsey-Tegeler & Co.; Newhard, Cook & Co.; Reinholdt & Gardner; I. M. Simon & Co.; Smith, Moore & Co.; Stern Brothers & Co.; Stifel, Nicolaus & Co., Inc.; and Stix & Co.

* * *

Definitive 4½% 15-year convertible sinking fund debentures of The Laclede Gas Light Co. are now available and temporary debentures may be exchanged at either Mercantile-Commerce Bank & Trust Co., St. Louis, or Bankers Trust Co., New York, N. Y.

* * *

Barret, Fitch & Co., Inc., George K. Baum & Co., Reinholdt & Gardner, Smith, Moore & Co. and Stern Brothers & Co. were included in the nationwide group of investment bankers who on June 29 publicly offered an issue of $80,000,000 Pacific Gas & Electric Co. first and refunding mortgage bonds, series S, 3%, due June 1, 1983, at 100.659% and accrued interest.

* * *

Western Auto Supply Co. reports combined retail and wholesale sales for the month of June, 1949, of $10,371,000, a decrease of 5.5% from the $10,976,000 reported for the same month last year. For the first six months in 1949 sales were $52,769,000, a decrease of 4.6% from the $55,299,000 reported during the corresponding period of 1948.

* * *

Reinholdt & Gardner and Smith, Moore & Co. were included in the nationwide list of 80 underwriters who on June 29 publicly offered $50,000,000 25-year 3% debentures of Joseph E. Seagram & Sons, Inc., at 99⅛% and accrued interest.

* * *

Seven-Up Bottling Co., St. Louis, for the year ended Dec. 31, 1948, reported a net profit of $114,233, after Federal income taxes. This was equal to $1 per common stock, after preferred dividend requirements. For the year 1947, net totaled $98,414, or 89 cents per common share.

Effective June 29, 1949, the conversion price initially fixed at $13.33⅓ per share at which the common stock, par value $1 per share, is deliverable in exchange for shares of 5% convertible cumulative preferred stock, series A and series B, has been reduced to $10 per share, according to W. A. Yantis, president of the Chase Candy Co., St. Louis.

* * *

The annual report of Arkansas-Missouri Power Co. for the calendar year 1948 shows that net income, after charges and Federal income taxes, amounted to $392,519, equal to $1.77 per common share, compared with a net of $395,066, or $1.78 per share for the previous year.

* * *

Newhard, Cook & Co. and Scherck, Richter & Co. on June 21 participated in the public offering of 251,033 shares of Portland General Electric Co. common stock (no par value) at $22 per share, the net proceeds to pay for new construction. Newhard, Cook & Co. also on June 15 participated in the public offering of 80,000 shares of Central Arizona Light & Power Co. $2.50 cumulative preferred stock at par ($50 per share), plus accrued dividends from June 1, 1949. In addition Newhard, Cook & Co. is also included in the group of 102 underwriters who have underwritten the offering of 972,624 shares of Philadelphia Electric Co. common stock (without par value) to the common stockholders of record July 11, 1949, of the utility firm at $20 per share. Rights will expire at 3 p.m. (EDST) on Aug. 1. Scherck, Richter Co. of St. Louis was also included in the group of investment firms who on July 14 publicly offered 440,000 shares of Gas Industries Fund, Inc., common stock (par $1) at prices ranging from $15.82 to $16.25 per share.

* * *

Illinois Terminal RR. Co., St. Louis, for the five months ended May 31, 1949, reported a net income, after fixed charges and taxes, of $276,668, equal to 55 cents per share, compared with a net of $491,090, or 98 cents per share for the corresponding period of last year.

* * *

On June 17, Stix & Co., together with 36 other underwriters, publicly offered 40,000 shares of Staten Island Edison Corp. 4.90% series cumulative preferred stock (par $100) at $103.25 per share, plus accrued dividends. The same bankers on June 22 participated in the public offering on June 22 of $10,000,000 Pacific Western Oil Corp. 15-year 3½% sinking fund debentures due June 1, 1964, at 100% and accrued interest.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—John H. Ayers, C. E. Bieder, William J. Blum, Charles A. Byrne, Willis G. Chandler, Don N. George, Frederick D. Hatch, Walter J. Irwin, Richard D. Kidney, Caleb S. Pickard and Richard Wicheff have been added to the staff of Bache & Co., National City East Sixth Building.

St. Louis Exchange Accepts Merger

Despite serious opposition of four member firms, Governing Committee signs agreement to enter new Mid-West organization in Chicago.

It was announced in Chicago on July 14, that the Governing Committee of the St. Louis Stock Exchange had signed the agreement to become a part of the new Mid-West Stock Exchange to be located in Chicago and to comprise, in addition to St. Louis, the local exchanges in Chicago and Cleveland. Members of the Minneapolis, Cincinnati and New Orleans Stock Exchanges are to vote upon the proposition of entering the merger within the next two weeks.

John A. Isaacs, Jr.

The proposal for a merger of the leading stock exchanges in the Mid-West area was made last Summer by James E. Day, President of the Chicago Stock Exchange, and was considered locally by the several organizations that were invited to participate. The St. Louis Stock Exchange referred the matter to its membership, who approved it by a substantial majority. However, as noted in last week's issue of the "Chronicle," four leading St. Louis stock brokerage firms notified the St. Louis Stock Exchange authorities they were opposed to a merger and would refuse to go along with it.

John A. Isaacs, Jr., President of the St. Louis Stock Exchange announced that already 12 companies with listings on the St. Louis Exchange have applied for listing on the new merged exchange. Applications from others are awaiting the governing board's action. Among those whose applications have been received are International Shoe Company and Clinton Industries, Inc.

Mr. Isaacs also announced that at no time have more than the four member firms of the St. Louis organization opposed the merger plan. He added that the new organization will "promote and preserve free and open stock exchange markets for St. Louis stocks."

According to a statement in the New York "Times" the merger received additional approval when Roland C. Behrens, Vice-President of the St. Louis Union Trust Company, said the bank has withdrawn all objections. Other banks in the city had given earlier approval to the plan. "In order to clarify any misunderstanding which may have arisen, the undersigned states that it no longer has any objection to the formation of a new Mid-West stock exchange nor to the liquidation in connection therewith of the St. Louis Stock Exchange," said Mr. Behrens in a formal statement. "This was a matter for the membership of the St. Louis Exchange to decide."

W. A. M. Burden Co. Formed in New York

The formation of William A. M. Burden & Co., a limited partnership which has been organized to engage in the business of investing its own capital, was announced

R. McLean Stewart Wm. A. M. Burden

by William A. M. Burden. Associated with Mr. Burden as general partners in the new firm are his brother, Shirley C. Burden, and R. McLean Stewart.

William A. M. Burden was Assistant Secretary of Commerce for Air during the war years. He is President of the Institute of the Aeronautical Sciences Inc., a trustee of the Central Hanover Bank & Trust Co., and a director of The American Metal Co., Ltd., Cerro de Pasco Copper Corp., Union Sulphur Co. Inc. and various other companies. He also acts as aviation consultant to Smith, Barney & Co.

R. McLean Stewart is President of South American Mines Co. Inc., South American Development Co. Inc., Kelowna Exploration Co. Ltd. and other mining enterprises. He was for several years engaged in the investment banking business as a Vice-President and director of Harriman Ripley & Co., Inc., and served as a Governor and as Chairman of various committees of the Investment Bankers Association of America. He became associated with Mr. Burden during the war when he served as Executive Director of the Pilot Training Programs which were conducted by the CAA for the United States Navy and the Army Air Forces.

Shirley C. Burden has been active in the motion picture industry since 1928. In 1930 he went to Los Angeles as a producer-director for RKO. In 1935 he organized Trade Films Incorporated, a commercial motion picture company, of which he was President. During the war period he produced a series of training films for the United States Office of Education, Army and Navy.

Initially the offices of William A. M. Burden & Co. will be situated at 75 West Street, New York.

The new firm will have as its principal purpose the investment of venture capital in the development and promotion of enterprises serving a useful and constructive purpose in the economy of the country.

A. E. Sterling Joins Schwanz & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

AURORA, ILL.—A. E. Sterling has become associated with Schwanz & Co., Inc., Merchants National Bank Building. Mr. Sterling was formerly associated with Carter H. Corbrey & Co. and prior to serving in the armed forces was an officer of Joseph F. Dixon & Co.

Ardman With Fewel & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Thomas F. Ardman has become associated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with Paul R. Flynn Co.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Delos H. Smith has been added to the staff of First California Co., 647 South Spring Street.

Big Business Rather Than Big Government

By WALTER S. HALLANAN*
Chairman, National Petroleum Council

Asserting nation has little to fear from business giants as compared with imminent peril of all powerful government, Mr. Hallanan cites development of oil industry as example of value of integrated private organizations in using resources, talent and skill for building up nation's economy. Says bigness is no evil and points out small concerns and individuals are still important in oil industry. Lauds oil industry's contribution to war's accomplishments.

There is abroad in the world today that which may appropriately be called a lust for governing. This lust is the product of a philosophy that is a throw-back to the dark ages. It is a part and parcel of the strange isms, born in the lamp-lit cellars of Europe, that have been washed up on our shores in the flotsam and jetsam of world dislocation. It has taken root in America and we find it planted in the two extremes of cunning and superficial minds. The cunning have seized upon those isms, which all add up to the subjugation of the individual to the power of the state, as a means of gaining power over their fellow men. Those of superficial intellect have accepted this doctrine of paternalism because it has been sugar-coated with the glittering though empty promise of security from the cradle to the grave.

W. S. Hallanan

None of us would seriously claim that our system is perfect and cannot be improved. There are imperfections in all things. The finest automobile is occasionally stalled by a blow-out or motor trouble, but its owner does not toss it on the scrap heap and go back to the horse and buggy. There are a few hypocrites in the church, but this does not cause us to surrender our Christian concepts and embrace paganism. And yet there are those in this country who would throw our system completely overboard because of its few imperfections and substitute a way of life that has stagnated human progress, and kept the vast majority of the people underfed, underclothed, embroiled in wars and surrounded by famine and pestilence.

If our philosophy of freedom had failed, there might be reason or justification for trying out some other system. But even if our philosophy had failed to produce, we should not consider going back to an ideology which has been tried time and again for 6,000 years and which, without a single exception, has always produced wreck, ruin and chaos. Let us always remember that there is no shortcut to the millenium through substitution of governmental control and centralized authority for self-reliance and individual responsibility.

The American philosophy, based upon freedom of the individual and reward for his labor and genius, has produced an abundance such as the world never knew. With 6% of the world's area and 7% of the world's population, we have 46% of its electric power, 48% of its radios, 54% of its telephones, 59% of its steel capacity, 60% of its life insurance policies, 85% of its automobiles, and 92% of its modern bathtubs.

In the face of the record, it is hard to understand how any American can doubt the soundness of our free institutions. We do not have to look back to ancient times to see the effects of the socialistic philosophy when it is put into practical operation. Across the sea at this hour the socialist-managed economy of Great Britain, once the mightiest power on earth, is tottering on the brink of total collapse despite the billions of dollars furnished to that nation by the American people. Russia, with its enormous manpower and with natural resources as great or greater than ours, keeps the "iron curtain" down because it does not want the world to know of its failure to produce and of the misery of its people. Why have these and all other socialist nations failed? Simply because they have restricted, or destroyed man's freedom and taken away his incentive for individual achievement.

*Part of an address by Mr. Hallanan at the dedication of the Basin and Ozark Pipe Line Systems, Cushing, Okla., July 12, 1949.

With all of its faults, we have the greatest country on earth. The highest living standards anywhere else in the world are lower than the lowest we have anywhere in America. These good things of life have come to the American people within the comparatively short life of the oil industry, largely within our generation. Many of us can remember when the demands of the consuming public could be supplied by the corner grocer, the local machine shop, the livery stable proprietor and a horde of other individuals and small business enterprises, each functioning as a separate entity.

Oil Industries Role in Economic Development

The birth of the oil industry in 1859 was the spark that started us on the way to higher standards of living and took us from the candle light into the kerosene age. Some decades later, the internal combustion engine came along to give mobility to America through automobiles and to accelerate the expansion of its economy at a pace that had never been dreamed of. This development imposed gigantic and ever increasing demands upon the oil industry. Our vast system of highways is choked today with passenger cars, trucks and buses; the sky is filled with airplanes, all a part of our modern system of transportation which brings 140 million people close together in their daily lives and pursuits. This could not have been realized if the oil industry had failed to develop the oil reserves of the nation so necessary to meet the demands of a new era and a higher civilization.

You and I know that these enormous demands could not have been supplied by individual effort. If we had clung to the methods of the kerosene age, America would have been stalled on dead center. As our economy expanded and the demands of this new era reached astronomical proportions, it became necessary for individuals to integrate their capital and their effort. In short, the needs of the people became so enormous in our dynamic economy that only giants could do the job of meeting those needs.

These so-called giants of achievement are called corporations. While some political demagogues point the finger of scorn at these manifestations of collective effort, they conveniently overlook that these corporations are nothing more nor less than collections of individuals. More important, these political axe-grinders choose to ignore the fact that only through the effort of such large business organization could the demands of the American people be satisfied.

Mass production has made it possible for the American people to enjoy the luxuries of life which no other people know. It has made possible the closest approach to the abolition of poverty. It has reduced the cost of many modern essentials of life to bring them within the reach of every home.

Bigness No Evil

There are many persons in and out of public life who contend that bigness constitutes evil in itself. This has become a fertile field for the political demagogues. They level indiscriminate attacks upon all big business, irrespective of its necessity and of its service. These men pose as "liberals" although they are the real reactionaries, whose doctrine would put the brakes on the progress and development of our country. They would take us back to the economic Middle Ages. But America is not going backward. It is going forward to conquer new frontiers and scale new heights of achievement.

American corporations have grown big because there were big jobs to be done. Sometimes these tasks are so enormous in their demands upon capital, labor and technological skill that even a single giant cannot manage them. Occasionally it is necessary, in the public interest, for two or more giants to pool their resources and the labor and genius of their personnel. That is what happened in the construction of these Basin and Ozark Pipe Line Systems. When it is considered that such industrial giants as the Texas, Shell, Sinclair and Empire oil organizations found it advisable to combine their resources and facilities in the construction and operation of this great crude oil transportation system, we are given some idea of its magnitude. After all, who are these industrial giants? Out of convenience and necessity, we demonimate them as Shell and Sinclair and Texas and Empire, but actually they are composed of tens of thousands of ordinary Americans who are the stockholders in these enterprises.

If this multitude of persons, each of limited resources, had not integrated their assets and talents, we would not be here today dedicating this new marker on the road of progress. Likewise, these petroleum giants could not have considered the construction of this pipe line system unless it could be made a part of their normal everyday operations. Certainly they would not have invested such an enormous sum in building a transportation system in a vacuum. Even if the system had been constructed under such conditions, it would not have been geared to the other necessary facilities, such as production, processing and distribution of oil and, consequently, it would be an uneconomical venture.

Just as it became necessary for individuals and small business operations to integrate their resources and facilities in order to keep pace with the demands of a surging and seething economy, it

(Continued on page 25)

Michigan Brevities

Michigan Associated Telephone Co. early in July placed privately with a group of six insurance firms $2,500,000 of 3¼% first mortgage bonds due 1979. The proceeds will be used to reduce bank loans obtained in connection with the utility company's construction program. At the same time, Michigan Associated delivered to General Telephone Corp., its parent, 10,000 shares of cumulative preferred stock and 10,000 shares of common stock in exchange for $2,000,000 of notes representing loans from General Telephone for temporary financing of its construction program.

* * *

Included among the underwriters who on June 29 publicly offered $25,000,000 of Michigan Consolidated Gas Co. 3⅜% sinking fund debentures due July 1, 1967, at 101⅝% and accrued interest, were Watling, Lerchen & Co. and Crouse & Co., both of Detroit. The net proceeds are to be used to redeem 40,000 outstanding shares of 4¾% preferred stock, to pay certain promissory notes, to provide funds for expansion of facilities, etc.

* * *

The Detroit Stock Exchange reports that trading volume in June was 185,905 shares and rights, having a dollar value of $2,645,203. Trading volume in May was 186,267 shares and rights, having a dollar value of $2,758,444, and in April was 224,229 shares with a dollar value of $3,096,965.

The 10 most active traders for the month of June were as follows: Detroit Edison Co., McClanahan Oil Co., General Motors Corp., Gerity - Michigan Corp., Friars Ale Brewing Co., Wayne Screw Products Co., Peninsular Metal Products Co., Detroit Steel Corp., Commonwealth & Southern Corp. and United States Steel Corp.

* * *

Application of Michigan Bumper Corp., Grand Rapids, to list 195,000 shares of its common stock has been approved by the Detroit Stock Exchange, it was announced on June 27. This corporation, organized in 1934, manufactures bumpers for automobiles and trucks. Principal customers are General Motors Corp., Chrysler Corp., Studebaker Corp., Willys-Overland Motors, Inc., and others.

The common stock of Consolidated Edison Co. of New York, Inc., was admitted to unlisted trading privileges on the Detroit Stock Exchange on July 14.

* * *

Trading in National Electric Welding Machine Co. common stock commenced July 11, 1949. This company, which was organized in 1933, manufactures resistance welding machines at its three plants in Bay City, and has authorized 500,000 shares of common stock of which 380,000 shares are outstanding. Bay Trust Co., Bay City, is transfer agent and registrar for the stock. Dividends have been paid every year since 1937. For the last fiscal year ended Oct. 31, 1948, it showed a net profit after taxes of $188,807, equal to 50 cents per share, which compared with a net of $245,463, or 65 cents per share for the preceding fiscal year. Current assets at the close of Oct. 31, 1948 totaled $1,021,691, and current liabilities $346,682.

* * *

Included in the nationwide group of underwriters, who on July 13 offered and sold $150,000,000 Standard Oil Co. (New Jersey) 25-year 2¾% debentures due July 15, 1974, at 100½% and accrued interest, were the following Michigan investment firms: First of Michigan Corp.; E. H. Schneider & Co.; and Watling, Lerchen & Co.

* * *

General Motors Corp. produced 275,703 passenger cars and trucks in the United States and Canada during June, the highest monthly output in its history. This exceeded by 10,423 units the previous high of 265,280 cars and trucks reached in the preceding month and compares with 164,066 units produced in June, 1948. For the year to June 30, 1949, the corporation turned out 1,363,038 units as against 1,062,359 for the same period last year.

* * *

First of Michigan Corp. and Watling, Lerchen & Co. were also included in the group of investment bankers who have underwritten the offering of 283,333 shares of common stock (par $7) of The Dayton Power & Light Co. to common stockholders of the latter firm at $26 per share. Rights will expire on July 26, 1949.

* * *

Smith, Barney & Co., New York, N. Y., after the close of the market on June 28 publicly offered at $44.50 per share 75,000 shares of common stock (par $15) of The Dow Chemical Co. for the account of the estates of the late Willard H. Dow and Martha L. Dow. The proceeds are to be used to pay estate and inheritance taxes.

* * *

First of Michigan Corp. on June 29 was also among those offering an issue of $50,000,000 25-year 3% debentures due June 1, 1974 of **Joseph E. Seagram & Sons, Inc.** at 99⅛% and accrued interest. On June 17, the same bankers participated in the public offering of 40,000 shares of **Staten Island Edison Corp. 4.90% series** cumulative preferred stock (par $100) at $103.25 per share and accrued dividends.

* * *

Watling, Lerchen & Co. in addition participated in the following public offerings: On June 22 of $10,000,000 **Pacific Western Oil Corp.** 15-year 3½% sinking fund debentures due June 1, 1964 at 100% and accrued interest; on June 29 of $80,000,000 **Pacific Gas & Electric Co.** first and refunding mortgage bonds, series S, 3%, due June 1, 1983, at 100.639% and accrued interest; on July 7 of 550,000 shares of **Kansas Gas & Electric Co.** common stock (no par value) at 26⅝ per share; and on July 14 of 440,000 shares of **Gas Industries Fund Inc.** common stock (par $1) at prices ranging from $15.82 to $16.25 per share. They were also included in the group of investment bankers who on July 12 underwrote an issue of 972,624 shares of **Philadelphia Electric Co.** common stock (without par value) which are being offered for subscription at $20 per share to the common stockholders of the utility firm of record July 11, 1949 on the basis of one additional share for each 10 shares held. The subscription warrants expire at 3:00 p.m. (EDST) on Aug. 1.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Harvey D. Gibson, President of **Manufacturers Trust Company of New York**, announces the following promotions: Leon A. Rosenbaum, of the bank's 39th street office, from Assistant Vice-President to Vice-President; Arthur C. Damsgaard, Russell G. Smith and Howard F. Sunshine of the bank's real estate and mortgage department; William J. Gallo of the foreign department, and Sidney A. Trundle of the 57th street office, from Assistant Secretary to Assistant Vice-President; Ben Feit, of the Fifth Avenue Office, to Assistant Secretary.

* * *

UNDERWRITERS TRUST COMPANY, N. Y.

	June 30, '49	Apr. 11, '49
Total resources	$38,584,904	$36,886,986
Deposits	35,694,358	34,032,205
Cash and due from banks	7,677,586	9,522,598
U. S. Govt. Security holdings	13,848,139	8,643,700
Loans and bills discounted	10,327,482	11,538,885
Undivided profits	1,012,735	983,536

* * *

N. Baxter Jackson, Chairman of the **Chemical Bank & Trust Company of New York**, announced on July 14 the appointment of Paul J. Timbal as Vice-President of the bank at its Rockefeller Center Office, 11 West 51st street. Mr. Mr. Timbal has been Managing Director of the New York Agency of the **Banque Diamantaire Anversoise, S. A. Antwerp**, the business of which was acquired by the Chemical Bank on July 1, as noted in these columns July 7, page 72. Born and educated in Belgium, his first affiliation with banking was in 1923 as a clerk with F. M. Philippson & Co., private bankers in Brussels, Belgium. Later and successively, he was with the Guaranty Trust Company of New York, Antwerp office (1924-28); Assistant Manager, Mutuelle Solvay, Brussels (bank of the Solvay Group in Belgium 1928-32); Manager of the Societe Belge de Banque, Brussels (1932-34); Manager of the Comptoir Diamantaire Anversoise, Antwerp (1934-35); "Administrateur-Delegue" (President) of the Comptoir Diamantaire Anversoise (1934-37); "Administrateur-Delegue" (President) of the Banque Diamantaire Anversoise, Antwerp (1937-1949). Mr. Timbal was elected a director of the Comptoir Diamantaire Anversoise in 1935, a director of the Societe Belge de Banque in 1935 and a director of the Banque Diamantaire Anversoise in 1937. In 1937, and up to World War II, Mr. Timbal was a member of the Financial Advisory Committee of the European Nitrogen Association, Basle, Switzerland, representing in such committee the Belgian Producers of Nitrogen.

During World War II, Mr. Timbal served in the Belgian Armed Forces in England, as a Major, Head of the Economic Section, Belgian Military Mission, attached to Supreme Headquarters Allied Expeditionary Forces (SHAEF), Belgium. He will continue as a director at the Banque Diamantaire Anversoise; he is also a director of the Alaska Industrial Corp., Juneau, and of the Belgian Chamber of Commerce in the U. S. A., New York.

On July 15, Mr. Jackson, Chairman of the Chemical Bank, announced the appointment of Marshall S. Walker, Jr., as Assistant Manager of the foreign department of the bank. Mr. Walker joined the bank in 1947 and has been connected with their Latin-American division under the supervision of Amos B. Foy, Vice-President.

* * *

The Bowery Savings Bank of New York on July 18 presented 10-year anniversary pins to 23 employees. The Bowery now has 28 employees with 20 or more years of service. The presentation was made by Lewis L. Clarke, senior trustee.

* * *

Frederick R. Kattenburg, a member of the International Division staff of the **Colonial Trust Company of New York**, has been awarded a week's vacation trip to Canada for himself and his wife, as a result of an unusual contest designed to bring about improved services for the clients of the Division. Six months ago, the Division adopted a "geographical desk" system, under which each staff member was assigned a geographical area and was made responsible for maintaining up-to-date files of economic and trade information on that area. Mr. Kattenburg's portfolio on Holland and the Netherlands East and West Indies was selected by the judges as the one that best fulfilled the objective of the contest, "to insure that when a client requests information regarding commerce or exchange of any country, the bank will have at least one staff member on the floor capable of giving quick, intelligent and accurate answers." The judges were Robert A. Johnston, President and Publisher of "American Exporter"; Eugene F. Satterley, Publisher of "World's Business", and W. A. Swingle, Executive Vice-President of the National Trade Council. Honorable mention was given to portfolios prepared by Edward T. Rink on Cuba, Haiti, Dominican Republic, Puerto Rico and the Virgin Islands, and by Balmes Hidalgo, Jr., on Nicaragua, Costa Rica and Panama.

* * *

The new $500,000 capital of the **Columbus National Bank of Providence, R. I.**—increased from $400,000 by the sale of $100,000 of new stock—became effective July 6. Action toward enlarging the capital of the bank was taken by the stockholders on April 12, as reported in our April 21 issue, page 1740.

* * *

At a special meeting on July 12 the stockholders of the **First National Bank of Philadelphia** approved the recommendation of the directors to increase the bank's capital stock from 311.100 (par $10 per share) to 388,875 shares, and to permit the payment of a 25% stock dividend to holders of record July 12. An item bearing on the plans appeared in our June 16 issue, page 2600. No change in the bank's quarterly dividend of 40 cents a share is contemplated, it is said.

* * *

Beverly H. Mercer, First Vice-President of the **Fidelity and Deposit Company of Maryland, at Baltimore**, was on July 13 elected a member of the Executive Committee of the board. He succeeds Joshua N. Warfield, who died on June 3. Mr. Mercer has been associated with the F&D through out his entire business life. He was elected Vice-President in charge of the company's judicial department in 1933 and became Second Vice-President in 1944. Two years later he was elected a director, and in February, 1948, he became First Vice-President.

* * *

A new branch of the **Maryland Trust Company of Baltimore, Md.**, to be known as its Park Lane office, has been opened in the outlying section of the city, according to the Baltimore "Sun" of July 14. The manager of the new office will be Norton R. Morrissett, who has been with the company for 24 years.

* * *

The election of Kenneth N. Alvey as Assistant Cashier of the **Riggs National Bank of Washington, D. C.**, was made known in the Washington "Post" of July 13. At the same time the "Post" reported that President Robert V. Fleming of the bank announced that the directors on July 12 authorized the transfer of $1,000,000 from the profit and loss account to the surplus account, making the latter $8,500,000. The bank has a capital of $5,000,000.

* * *

HARRIS TRUST & SAVINGS BANK, CHICAGO, ILL.

	June 30,'49	Mar. 22,'49
	$	$
Total resources	546,379,848	528,688,872
Deposits	508,364,571	425,544,681
Cash and due from banks	151,428,470	145,612,159
U. S. Govt. security holdings	182,944,179	160,902,824
Loans and bills discounted	157,395,132	168,525,407
Undivided profits	7,485,522	6,946,418

* * *

Philip L. Butler has joined the **La Salle National Bank of Chicago** in its commercial development division. His election as Assistant Cashier was announced by Pres-

(Continued on page 38)

Elected Officers of Gas Industries Fund

James H. Orr has been elected president and a director of Gas Industries Fund, Inc., newly organized investment company which will specialize in securities of the gas industry and related fields.

James H. Orr

Thomas D. Cabot

John P. Sedgwick

Members of the company's advisory board include Thomas D. Cabot and John P. Sedgwick.

Mr. Orr is also president of Railway and Light Securities Co. and The Bond Investment Trust of America and a director of several other financial and industrial companies.

Mr. Cabot, treasurer of Godfrey L. Cabot, Inc., is a director of United Fruit Co. and a member of the Corporation and Executive Committee of Massachusetts Institute of Technology. Mr. Sedgwick is Financial Vice-President of State Mutual Life Assurance Society of Worcester, Mass.

Public Utility Securities

By OWEN ELY

Kansas Gas and Electric Company

Kansas Gas and Electric was a subsidiary (until recently) of American Power & Light. In May, last year, the holding company disposed of 150,000 shares, thus establishing a market. Last year's offering was at 26 by a Union Securities Corp. group. On July 6, recently, Union Securities again headed a group to offer 550,000 shares at 26⅝, this representing the remaining holdings of American plus 100,000 shares of new money stock. The SEC had permitted a negotiated deal, and American had talked with representatives of five underwriting groups. An agreement entered into with one of these groups broke down, and a new agreement was made with Union Securities. The sale was reported successful.

Kansas Gas and Electric is currently paying $2. The current over-counter price approximates the recent offering price of 26⅝, making the current yield 7½%. Earnings on the former number of shares were $2.71 a share for the 12 months ended April 30, but based on the new number of shares the amount would be $2.32, and on this basis the stock sells at 11½ times earnings. Amortization of plant acquisition adjustments amounts to about 8 cents a share. Maintenance and depreciation in the 12 months ended April 30 were 15% of gross revenues, an increase from the 13.2% for the calendar year 1947. Depreciation in the calendar year 1948, however, was only $900,000 compared with the $1,180,000 reported to the Treasury Department for tax purposes. The depreciation reserve as of April 30, 1949 amounted to 18.3% of plant account.

Share earnings and dividends in recent years has been as follows based on 600,000 shares:

	Earnings	Dividends
12 months ended April 30, 1949	$2.71	*
Calendar year 1948	2.45	$1.60
Calendar year 1947	2.38	1.60
Calendar year 1946	2.82	1.30
Calendar year 1945	1.75	0.83
Calendar year 1944	1.63	0.63

*The rate was raised to $1.80 on March 31 and to $2 on June 30.

Kansas Gas and Electric is a medium-sized company with annual revenues (all electric) of about $13,000,000. The territory served comprises most of the southeastern portion of Kansas in an area covering approximately 6,000 square miles, and a small adjacent section of Missouri. Electric service is provided to 116 communities having an estimated population of 323,000. Wichita, the largest city in Kansas, has an estimated population of 170,765 and provides approximately 53% of the total revenues. The principal other cities served in Kansas are Newton, El Dorado, Pittsburg, Independence, and Arkansas City. In addition, electric service at wholesale is provided to 21 communities.

The area served by the company is basically agricultural. The mining of mineral resources, including coal, oil and gas and the processing of these and of agricultural products comprise a substantial portion of the economic activity. In the territory are diversified industries such as flour, feed and alfalfa milling, meat packing and the manufacture of farm implements, oil field machinery, heating and lighting equipment, cement, clay products and fertilizers. In addition, Wichita is a major center of the aviation industry in the Southwest.

During 1948 sales were 26% residential, 5% rural, 24% commercial, 35% industrial and 9% miscellaneous. Residential usage averaged 1,348 kwh., and average residential revenues per kwh. were 3.29c, as compared with the national average of 3.01c. The company generated all but about 6% of its own requirements at its three steam plants, which had a rated capacity at the end of 1948 of 114,000 kw. The company is installing 30,000 kw this year. The construction program for 1949-51 is expected to cost about $11 million.

Capital structure is approximately as follows on a *pro forma* basis:

Debt	$21,000,000	52%
Preferred	8,200,000	20
Common	11,200,000	28
	$40,400,000	100%

The company may at some later time issue about $2 million debt securities to meet the remaining requirements of its construction program, which debt would presumably be balanced by plowed-back earnings, so that the equity ratio might remain around its present level. Plant account is at original cost, except for small plant acquisition adjustments which are being amortized.

Secs. Administrators Elect Edward Samp

The National Association of Securities Administrators elected Edward J. Samp, Wisconsin Administrator, President at its 32nd Annual Convention. Other officers elected were William C. King, Virginia, First Vice-President; John F. Hueni, Michigan, Second Vice-President; Harold G. Hoyt, Maine, Treasurer, and Louis J. Barry, Rhode Island, Secretary.

Kenneth Miles Joins Joe McAlister Co.

GREENVILLE, S. C.—Kenneth B. Miles, formerly Executive Vice-President of the Greenville Chamber of Commerce, is now associated with Joe McAlister Co., Woodside Building.

McGinnis, Bampton & Co. New Firm Name

Effective July 15, the firm name of McGinnis, Bampton & Sellger was changed to McGinnis, Bampton & Co. Hugo E. Sellger has retired from partnership. The firm, which is a member of the New York Stock Exchange, is located at 61 Broadway.

Irving Lundborg to Admit Kenneth Sayre

SAN FRANCISCO, CALIF.—Kenneth H. Sayre, member of the San Francisco Stock Exchange, will be admitted to partnership in Irving Lundborg & Co., 486 California Street, members of the New York and San Francisco Stock Exchanges, on August 1. Mr. Sayre was formerly a partner in Needham & Co. of Palo Alto.

Outlook for Home Building

By MELVIN H. BAKER*

President, National Gypsum Company

In discussing home building outlook, Mr. Baker reviews present state of building industry along with the general business outlook. Says building costs can be brought down by money saving techniques and greater availability of labor. Looks for public construction to be increased, but forecasts 14% decline in value of private residential construction and still larger slump in industrial construction. Calls for lower taxes and less government spending, and defends building industry's efficiency.

I was truly impressed to find the savings and loan institutions loaned more than three and one-half billion dollars last year to assist American families in financing their homes. I was amazed to learn that last year 600,000 home owners obtained their financing from the savings and loan associations.

Melvin H. Baker

To my mind, our savings and loan institutions are performing the highest type of service for the public. That the tradition of thrift has not disappeared is graphically shown by the fact that the 600 members of your association have combined assets approximating $2½ billion.

My company has a direct interest in the size of your operations because the major part of our production goes into residential construction. Thus our fortunes are closely tied together. I am doubly glad to be here, for that reason.

Your President invited me to touch on three subjects: the general state of the building industry; the outlook for building activity and the general business outlook. I shall discuss them in that order and then close with some suggestions for stimulating greater activity.

State of the Industry

As for the present state of the building industry, it is encouraging to find that many of our war-born problems have disappeared. The shortage of materials is a thing of the past. Today the builder can get all of the building materials and equipment he wants and, in most cases, he can get them on short notice. There is no longer any need to use substitutes. To the contrary, there is a wider choice of good materials than ever before.

This means that delays in building, due to material shortages, are in the past. As a result, building time is almost back to normal, and the quality of workmanship is approaching the high prewar standard. There are some local shortages of certain building craftsmen but, in general, they are not serious.

We do, however, have certain major problems still with us. One is the tendency of the public to lean too heavily on the Federal Government for housing. I shall not discuss that tendency, except to deplore it and to say that all of us, in every corner of the building industry, have an urgent job to educate the public if we are to reverse that trend.

Cost of Construction

The principal problem still confronting the industry is high cost. The cost of house construction already has dropped about 10% under the high for last year and it is my belief we can expect further reduction of from 5 to 10% during 1950, depending, of course, on location and type of building. However, what actually happens will be governed by the trend in general labor rates.

There are several observations which can be made about the cost of construction. For one thing, the rise has been no greater than the increase in prices generally. In that connection, I should like to cite some specific figures, compiled from accepted sources by the economists of the Construction Industry Information Committee.

From 1939 to 1948, the annual average of wholesale commodity prices rose 114%. Prices of farm products of all types rose 188%. The average wholesale price of raw materials of all types went up 154%, and the wholesale average for semi-manufactured goods increased 103%.

Amid this general upward movement the cost of residential construction rose 114%, according to the most reliable authority. The "Engineering News Record's" index for heavy construction went up 92%. And a composite of several construction cost indexes published by the Department of Commerce showed a rise of 112%.

In other words, the cost of building went up to just about the same extent as other prices, and no more. Yet to hear the outcry, you would have thought that building costs had outstripped everything else by a wide margin.

The facts tell another story, however. Indeed, our economists say it is almost a miracle that building costs did not rise much further, in face of the tremendous pressures for housing. The truth is that we have nothing to be ashamed of and much to be proud of. Nevertheless, costs somehow must be reduced if we are to enjoy a healthy future.

Costs have gone up and they can be brought down. For one thing, and this leads to another of our current problems, there still is much room for improvement in the productivity of labor. Productivity still remains under the prewar level. I believe we will see further improvement as the thousands of new apprentices gain more experience and more competition develops for labor jobs.

Further reductions will be obtained as profit margins are narrowed through the impact of competition, and as more and more builders adopt the money-saving techniques which have been tested and are now being used by the more progressive.

Answering the Critics

One of our problems today is that of answering those who tell the public, day after day, that our industry is backward and inefficient, that homes cost far more than they are worth, and that the government can house them better.

Coupled with that sort of talking is the strange philosophy of some individuals in high places who, on one side, criticize us for not building faster and, on the other side, urge our financial institutions to be more conservative in lending. You have heard of "government by confusion"—well, there is an example.

If you have an appetite for more confusion, let us consider what goes on in the minds of certain legislators who condemn us for building nothing but costly homes, which average in price only about $9,000, and then vote for a public housing bill in which the government is authorized to spend $2,500 per room. Confusion is right!

Our industry must redouble its efforts to offset the misleading charges made against it by putting the facts on the record. Unless we do, there is danger that the present decline in the volume of private construction will become more serious.

These are major problems and we must meet them squarely. However, today it can be said that the American people are better housed than at any time in their history.

The Housing Supply

There has been a decrease since 1940 both in the average number of persons occupying a dwelling unit and in the proportion of married couples living with other families.

These changes have occurred not only in cities, but also on the farm and in the small towns and villages and the fringe areas bordering on the larger places. All classes of the population have shared in the benefits.

Here are some of the outstanding figures:

For the nine-year period, 1940 to 1948 inclusive, approximately 7,600,000 dwelling units have been added to the housing supply. These additions were sufficient in number to provide complete housing accommodations for almost seven cities the size of Chicago.

We also know the following facts:

That more than 5.5 million new rooms were added to existing structures since April, 1940;

That at least two million dwelling units have been made more livable because of major repairs and the addition of sanitary facilities;

That the proportion of all U. S. married couples living "doubled up" is less than in 1940. The percentage of married couples living as extra families on farms has declined more than 30%, while the percentage in non-farm units is 2% lower.

These facts tell how the building industry has been alert to its problems, that it has been making tremendous progress on every front, and that it has built up a rather remarkable record, in providing new and improved housing for the American people. So much for our progress.

The Challenge of the Future

Before turning to the outlook for the immediate future, I should like to present some observations regarding the longer-range picture. My purpose, I will say at the start, is to attempt to convince you there is no limit to what we could do.

Surely, it must be obvious that the need for new office buildings, hospitals, schools, hotels, and new buildings of almost every type is far ahead of any demand we have seen in the past. We are told, for example, that $10 billion of new school buildings are needed; $20 billion of new highways; and $30 billion of other public construction. When you look over our current supply of schools and roads and hospitals and public buildings, you find difficulty in challenging these estimates. The need, pro-

(Continued on page 29)

*An address by Mr. Baker before the Convention of the National Savings and Loan League, Mackinac Island, Mich., June 16, 1949.

Mutual Funds

By HENRY HUNT

Money to Burn

There are few greater extravagances than ultra-conservatism. Specifically, few investors are so extravagant as the ultra-conservative types who sacrifice and suffer to mature endowment policies. Proper life insurance, we hasten to emphasize, is anything but an extravagance. It will always claim first priority on any prudent portfolio or purse. Our sermon is directed against life insurance which purports to package protection and investment. For the countless good people who personify the family virtues, who have never squandered a dollar on a temptation much less on a bad habit, no more pernicious and plausible extravagance has ever been devised than the insurance policy loaded with investment features.

Believing as we do that it is the business of the insurance companies to insure, and of the investment companies to invest, we set a calculating machine to work. It came up with results startling enough to convert general sermonizing into budgeted savings.

We assumed a man now 52 years old with $300 per quarter for insurance and investment at the beginning of 1937.

His $300 per quarter would have bought him a 12-year endowment policy for $14,877.

But he could have bought virtually the same amount of term insurance ($14,839) for $45 per quarter, leaving $255 per quarter for investment.

Had he faithfully invested this amount each quarter, the dollar averaging principle would have worked to his advantage. The following table shows results with two open-end funds. All dividends were assumed reinvested in the applicable quarter.

		—Term Insurance Plus—	
	Endowment Insurance	Commonwealth Investment Co.	Fundamental Investors
Total Cost	$14,400	$14,400	$14,400
Value, Dec. 31, 1948	14,877	20,450	21,560
Dollar Gain	477	6,050	7,160
Per Cent Gain	3	42	50

Bear in mind the fact that the man with term insurance enjoyed exactly the same insurance protection as the one with an endowment policy. His death at any time during the 12-year period would have netted his estate the same insurance payment—plus, in addition, the value of investment company securities purchased up to the time of his demise.

We have always insisted on adequate insurance as the first necessity of any investment program. We still do. But we believe that our calculation vividly demonstrates the wisdom of separating investment from protection. — From **Arthur Wiesenberger's** "Notes and Comment."

Looking for Investment Nuggets

This is the time for thinking and planning on how to make the most of an unusual investment opportunity which may be in the offing. The business readjustment is becoming more than a mere "disinflation" or "healthy price readjustment." The probability is that business activity will decline and unemployment rise to levels that will bring them front-page prominence in the news.

But—the greater the amount of public discussion about business, the closer will be the opportunity for acquiring investment "nuggets." The best investment values are available only when the outlook causes deep concern. At such a time, the largest proportion of investors are bearish and believe that prices of stocks and medium grade and speculative bonds must go substantially lower. *Investors who have not prepared to look for values at such a time are like the skeptical farmer who does not prepare the ground for planting until his neighbor's crops begin to grow.*

There is very little risk that this business readjustment will generate into a prolonged and serious depression. There are too many elements of strength in the economy. Individual savings are large; private debts are moderate; policies of most segments of business are and have been cautious and there is potentially strong demand for additional building, both private and public. All these should sustain the "floor" under the economy and shorten the time required to complete the cycle of deflation.

The government's policies may become of dominating importance in the months ahead. Under the present farm policy, lower farm prices and excess agricultural production automatically force more federal spending to support farm income. Increased unemployment means larger unemployment insurance payments by the government, more public works, and possibly relief expenditures. On the other hand, lower business earnings and reduced wage payments spell lower revenues for the government.

Even now, the federal budget is "in the red" and within a few months may require deficit financing. So long as "deficiteering" is offset by private credit contraction, it only serves to moderate the decline in business activity. But when the time comes—as seems likely soon—that the federal government's deficit exceeds substantially the shrinkage in private credit, *an inflationary force will come into play that could stabilize the economy and even initiate a new phase of expansion.*—From **Hugh W. Long's** "New York Letter."

Easy Money

Government bond prices bounded upward last week after release of the following cryptic statement by the Open Market Committee of the Federal Reserve System: "The Federal Open Market Committee, after consultation with the Treasury, announced today that with a view to increasing the supply of funds available in the market to meet the needs of commerce, business, and agriculture it will be the policy of the Committee to direct purchases, sales and exchanges of government securities by the Federal Rserve Banks with primary regard to the general business and credit situation. The policy of maintaining orderly conditions in the government security market, and the confidence of investors in government bonds will be continued. Under present conditions the maintenance of a relatively fixed pattern of rates has the desirable effect of absorbing reserves from the market at a time when the availability of credit should be increased." Various interpretations have been given. One: "The Fed isn't going to take the blame for a depression this time." Another: "The government bond market is being dressed up for some new deficit financing." Probably the best interpretation: "easy money." —From "These Things Seemed Important," issued by **Selected Investments of Chicago.**

Kasbeer Field Rep. For Television Shares

CHICAGO, ILL.—John H. Kasbeer has been appointed field representative in the middle west area for Television Shares Management Co., distributors of Television Fund, Inc. In the securities business since 1919, Mr. Kasbeer recently was associated with Graham, Parsons & Co. He has been a student of investment companies for a number of years. A veteran of World War I, he served with the American Red Cross in World War II.

Britain's Socialistic Experience, a Warning

By COL. HERBERT G. KING
Member, New York Stock Exchange

Mr. King reviews progress of Socialism in England since 1945, and concludes it should be a warning to those who propose similar movement in this country.

In view of the trend in this country toward increased government regulation of industry and the efforts being made toward socialization, it would be well for us to take a look at Great Britain and see how she has fared with her brand of socialization before we disrupt our own economy.

Col. Herbert G. King

The Labor Party has been in power since 1945 and during that time they have unquestionably demonstrated that socialism in industry does not work. England now is overwhelmed with public officials and comes in contact with them at every turn. There are over 700,000 in the state service, and 400,000 in municipal services, and so much red tape is attached that shop keepers must purchase copies of the Board of Trade regulations and orders every month in order to know what they can and cannot do. Nevertheless, there have still been more than 30,000 prosecutions during the past year for disobeying departmental orders. When an individual loses his job, he must go to a Labor Exchange and be directed to another job, of the government's choosing. He does not have the freedom of choice himself. The laborer is no longer a free man, just as the business man is no longer free to run his own business.

To land, labor, and capital, the factors of production, has been added government supervision. The National Health scheme has been a costly experiment. The government has nationalized eight industries, the Bank of England, the cable and wireless, civil aviation, coal, transport (railroads and motors), gas, and the iron and steel industry. The latter has been deferred by the House of Lords for one year, and perhaps a general election will save the most efficient industry in the world, and the only one that has not had a strike in over 30 years. The nationalized industries are run by boards, the members of which are selected by the Labor Party, which in turn is controlled by the labor unions. During the past year, most privately run industries have shown large increases in production and profits, while the nationalized industries have done just the opposite. Everything the government has touched has slowed down. Absenteeism and strikes are more prevalent than ever, costs have increased, and the poor consumers have to pay more for their products. The socialistic experiment has failed because there is no initiative to work without realizing accomplishment and profit. Compulsion is ineffective and the Labor Party has found that it cannot arbitrarily select the best personnel and brains to operate industry efficiently. Political interference, subservience to labor unions, committee direction, and the lack of good healthy competition, have spelled ruin for British industry.

Before any new socialistic ideas are proposed for adoption in this country, it would be well to observe and study more thoroughly the economic disheaval caused by socialism in England and profit by their sad and expensive mistake.

Henry C. Robinson to Be Tifft Partner

HARTFORD, CONN.—Henry C. Robinson on August 1 will become a partner in Tifft Brothers, 49 Pearl Street, members of the New York and Boston Stock Exchanges. Mr. Robinson was formerly President of Henry C. Robinson & Co.

J. R. Williston to Admit Three Partners

On August 1 Arthur Jansen, George G. Moore, Jr. and Royal E. Peterson will be admitted to partnership in J. R. Williston & Co., 115 Broadway, New York City, members of the New York Stock Exchange. All were previously partners in E. W. Clucas & Co.

McRae Vice-Pres. of Blair & Co., Inc.

D. Finlay McRae has been elected a Vice-President of Blair & Co., Inc., 44 Wall Street, New York City, it is announced. Mr. McRae has been Manager of the firm's Atlanta office in charge of Southeastern operations since he terminated his service in the United States Navy in World War II.

LETTERS TO THE EDITOR:

Exception Taken to Columnist on Over-Selling of Mutual Funds

Wellington Fund President maintains Dutton neglects to consider that purchasers of Funds are largely small investors who would not otherwise give business to brokers.

Editor, The Commercial and Financial Chronicle:

I have just finished reading the "Securities Salesman's Corner" in your July 14th issue, page 21, written under the pen name of John Dutton. I suppose it may be somewhat unfair, or at least not good sportsmanship, to take any exception to Mr. Dutton's article. Naturally the gentlemen in the securities business are going to continue to sell individual securities in many instances, and that is both right, proper and necessary. On the other hand, it seems to me the general tone of the article neglected to bring out adequately the fact that a great deal of the money coming into Mutual Funds is coming from small investors and people who otherwise would not give brokers any business at all.

To illustrate: A very representative portion of shareholders in Wellington Fund, and other funds, have made an investment of only about $1,000. In a fund like Wellington where they thus acquire an interest in 200 different securities it would mean they have invested on an average only $5 in each item. There is no other possible way, except through Mutual Funds, that an investor can get that much diversification. So far as the broker is concerned, he cannot afford to get out and take the time to sell individual securities to that type of small buyer, and even if he could he would not receive enough compensation to give the individual investor the kind of management which would be required.

In realization of this point, many brokerage firms have formed departments to tap this new source of business and thus add the commissions from Mutual Funds to their brokerage commissions which they might expect from old customers.

From the point of view of the economy of the country as a whole this is a good step, too. Why? Because it brings into the equity market the many thousands and millions of individuals who now have the bulk of the savings and who formerly were primarily investors in Government bonds, insurance, etc., rather than equities.

One final conclusion, in the long run the thing that is going to command the respect of investors and dealers too is the good management and superior performance of a particular fund. I do not see how it is so much a question of a dealer losing faith in himself when he selects funds for customers; rather, he, as an independent and experienced advisor, is in a position to select for his clients the proportion of their account that seems proper in the best managed funds of each type.

WALTER L. MORGAN,
President.
Wellington Fund,
1420 Walnut St.,
Philadelphia 2, Pa.

Hugh W. Long executive contradicts charge that Funds salesmen belittle themselves in customer's eyes. Insists Fund distribution has opened new markets, brought new business to brokers, and improved public relations.

Editor, The Commercial and Financial Chronicle:

"Let's not go overboard on Mutual Funds," says John Dutton in last week's "Securities Salesman's Corner" in the "Chronicle."

Why is Mr. Dutton afraid of Mutual Funds? Here is what he says: "Every time you sell the management of others you are driving a nail in your customer's faith in your ability to manage his investments." In the next breath he tells us that "most people lose money on their investments."

Unwittingly, Mr. Dutton has admitted that competent securities salesmen do not have the time to conduct the research work necessary to select individual issues and manage hundreds of accounts. If most people lose money on their investments then very few securities salesmen — no matter how great their abilities—have enjoyed the lasting confidence of their customers.

But never mind that. Says Mr. Dutton bravely, "There will be a time again when individual situations will come back into favor. . . . If we abdicate and turn all efforts over to another (Mutual Fund managers), then sooner or later we will lose what is left of our business."

This seems to be poor advice to give securities salesmen. Let's examine the facts.

Do salesmen lose the confidence of their customers when they sell Mutual Funds?

The year 1946 was a big year for most securities salesmen. Since then the market has gone down forty points on the Dow and hundreds of individual stocks have declined from 50% to 90%. Over-the-counter markets have, in Mr. Dutton's words, "dried up" and Stock Exchange volume has declined almost 40% and would be "off" even more if it weren't for purchases and sales made by Mutual Funds. By contrast, this year's Mutual Fund sales are running at the annual rate of $320 million—almost as high as 1946. Which salesman has lost the confidence of his customers—the Mutual Fund distributor or the dealer who sells individual securities?

Should securities salesmen wait, as Mr. Dutton advises, **until "market and buying conditions change . . . and individual situations come back into favor" to do business?**

Because of the level-headed selling methods of the men who have "gone overboard" on Mutual Funds many investors have been persuaded to desert the ranks of people "waiting for a better market" and have become consistent buyers of securities.

Mutual Fund investors have been buyers rather than "waiters" in this market because they don't expect to get rich quick. They don't want to buy "undervalued (?)" securities for a "profit in the not too distant future." They don't believe, as Mr. Dutton seems to imply, that this is the sole purpose of investing. Following the advice of securities salesmen who have become their financial counsellors, investors buy Mutual Funds for income and for capital growth.

They know that investing in securities is the only practical means of protecting themselves against long-term increases in the cost of living. They have learned that by purchasing over intervals of time they don't have to depend on this year's market vagaries or next year's political situation to achieve their goal.

And they have learned, by studying Mutual Fund records of performance, that most people need not "lose money on their investments" if they hold them for a reasonable length of time.

Will securities salesmen, as Mr. Dutton warns us, **"lose what is left of their business if they turn their efforts over to investment company managers"?**

Let's be sensible. Through Mutual Funds securities salesmen can conscientiously sell securities to people who have never bought investments before—the people in the middle income brackets. That represents a whole new market for securities salesmen. And a potential market for individual securities and new issues, too.

The investment companies are among the brokers' best customers today. That represents new business for the brokers.

The men who sell Mutual Funds are doing more to foster good public relations between the public and the financial community than any other segment of our business. That represents a step in the right direction for all members of the financial community.

Mutual Fund managers, because their accomplishments are a matter of public record, have told the public—for the first time—what investors can and cannot expect from invested capital. That's a healthy development for everyone.

Should we believe that opening new markets for investments, bringing new business to brokers, improving public relations and helping investors understand the functions of investing is detrimental to securities salesmen?

To those of us who have "gone overboard" on Mutual Funds, Mr. Dutton himself seems far at sea.

W. RASMUSSEN
Hugh W. Long and Company, Incorporated
58 Wall St., New York 5.

E. Allan Wyman Now With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—E. Allan Wyman has become associated with

E. Allan Wyman

Merrill Lynch, Pierce, Fenner & Beane, 511 Locust Street. Mr. Wyman was formerly a partner in I. M. Simon & Co. with which he had been associated for many years

H. D. Livezey With F. S. Moseley & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Henry D. Livezey has become associated with F. S. Moseley & Co., 135 South La Salle Street. Mr. Livezey was formerly with Robert F. McMaster & Co. and prior thereto was an associate of Olin, Emery & Co.

Canadian Securities

By WILLIAM J. McKAY

The temporary breathing space between one acute British economic crisis and the development of another permits a more deliberate reappraisal of the fundamental issues involved. In view of Canada's vulnerable floating position between the dollar and sterling blocs only a constructive settlement of the current U. S.-British differences will serve to avert a serious Canadian economic reversal. A notable illustration of the Dominion's anomalous situation is afforded by the recent decision on the part of the members of the British Commonwealth to cut imports from the dollar area; Canada in the interest of Empire unity was obliged perforce to accept an arrangement whereby the Dominion is likely to bear the brunt of the curtailment of North American imports.

It is now frankly admitted by all parties concerned that the recent U. S.-British Commonwealth-European high-level discussions failed completely to achieve their purpose. From now until the next meetings to be held in Washington in early September vital decisions must be made. On all sides it is agreed that the main economic objective of the Western democracies is multilateralism of trade and convertibility of currencies. Even the British Chancellor of the Exchequer, the archpriest of bilateralism and currency artificiality, has paid lip-service to this desirable goal. But the price apparently placed on sterling convertibility and removal of trade restrictions is entirely unrealistic. Judging from reports emanating from Europe the salvation of the pound and free convertibility of European currencies are dependent on the willingness of this country either to revalue gold to $50 or $55 per ounce, or to pour into the leaky European pot further enormous sums of U. S. dollars or gold.

Although the situation certainly calls for an urgent solution, suggestions of this desperate nature only serve to obscure the real issues. It is not this country that is placed in a position that demands immediate corrective action; such action must take place where the crisis exists—in the United Kingdom. Convertibility of sterling is not a practical consideration at the $4.03 level. In order to maintain this rate it is not possible moreover to dispense with bialteralism and the rigid restrictions that stand in the path of free world trade. Furthermore at this overvalued level confidence in the pound is entirely lacking and for this reason alone a constant drain on the sterling exchange reserves is inevitable. Consequently in these circumstances the United Kingdom can not efficiently carry out its functions as banker for the sterling area. In addition until universal confidence in sterling is restored the British export trade will continue to suffer.

As far as Canada is concerned, as has already been clearly demonstrated, failure to take constructive action to remedy the British economic ills can only have detrimental consequences within the Dominion. From the Canadian angle the situation is further aggravated as a result of Canadian dependence on economic conditions south of the border. As a result of the change from boom to recession in this country Canada's vital U. S. export trade is now subject to serious setbacks.

Thus at the forthcoming U. S.-British-Canadian economic conferences it is unlikely that the Canadian representatives will continue to support a British stand in favor of the maintenance of the pegged pound. At the recent meeting of Commonwealth Finance Ministers, Canada could do little else in the circumstances than to acquiesce in the conclusions reached by the majority. In the absence of an atmosphere of desperate crisis however, Canada will be better placed to speak not only in her own interests but also as the logical interpreter to Britain of the North American viewpoint.

During the week there was an almost complete lack of interest in the external section of the bond market. The internals were likewise inactive but were quoted fractionally higher in sympathy with the improvement of free funds. Some explanation of the recent rather mysterious firmness of Canadian internal bonds in the face of the sterling crisis has now come to light. As anticipated there was liquidation of this vulnerable category of bonds. In fact one of the largest blocs of these bonds ever traded recently changed hands; fortunately for the equilibrium of the market the entire offering was quietly absorbed by one buyer. On the Toronto Exchange, stocks after an initially shaky start, finally staged an impressive rally. Following the recent recovery of basemetal prices the issues connected with this industry-group led the upswing. The golds also maintained their recent firmness, notwithstanding Sir Stafford Cripps' further strong denial of intent to devalue sterling.

Sterling Pratt Rejoins Ames, Emerich Co.

CHICAGO, ILL. — Sterling W. Pratt has again become associated with Ames, Emerich & Co., Inc., 105 South La Salle Street, as a sales representative.

Mr. Pratt first entered the investment business in Chicago in 1926 and was associated with Ames, Emerich from 1929 to 1932. His association with the firm was previously reported in the Chronicle of July 14.

B. C. Morton & Co.

B. C. Morton & Co. has been formed by Bernard Carver and Morton W. Goldberg to engage in the securities business. The firm will have offices at 9 East 40th Street, New York City and 60 State Street, Boston, Mass.

Investment Procedures for Institutional Endowment Funds

By HENRY J. SIMONSON, JR.

President, National Securities & Research Corporation

Mutual Fund sponsor organization executive describes survey made of investment procedure and policies of 300 endowment funds of educational, religious, fraternal, and philanthropic organizations. Says few institutions use formula plan timing in making or switching investments, but a large majority reported interest in the idea.

The following report is based upon a survey that was made to determine the present investment procedures, methods, and types of securities used by the managers of the investments of institutional funds. Special inquiry was made as to the use of any type formula plan in timing changes in the percentages of the value of the respective funds that are invested in bonds and in stocks from time to time.

H. J. Simonson, Jr.

The educational, religious, fraternal and philanthropic organizations contacted all have sizable funds—the minimum amount of any one fund being in excess of $2 million, the maximum amount over $200 million, and the aggregate of all funds in excess of $3 billion. Data was received from over 100 such institutions and the following represents a factual summary of the information received.

Management Responsibility

Of the institutions reporting, the majority indicated that the management of their funds is delegated by the Board of Directors (or Governors) to an executive committee, investment committee or finance committee. A number of the institutions employ independent investment counsel firms or use the services of banks or trust companies as investment advisors. In other instances, the Board of Governors or Board of Directors make investment management decisions without outside professional aid. It appears, except where the value of the funds is high in the millions, that little or no full-time office staff of investment analysts and statisticians is maintained.

Types of Investments

Twelve per cent of the reporting institutions stated that their investment funds are confined exclusively to government, state, municipal and high-grade corporate bonds. Of this group, it is apparent that a number, seeking greater income (where permitted by law to do so) are considering the adoption of a more liberal policy that would provide for investments of a certain portion of their funds in high-grade preferred and common stocks.

Of the institutions reporting that their investments are in both bonds and stocks, the percentage varies from 50% to 80% in bonds, with an average of about 60%. Although a number of the institutions have a small percentage of their funds in medium grade bonds, the great majority favor governments and high-grade corporates.

Preferred stocks of the better grade represent from 15% to 20% of portfolio assets and except for relatively small amounts held in cash for current needs, the remainder of the assets are invested in high-grade income producing equities.

Timing Portfolio Changes

Only six institutions said that they were using a formula plan as a guide to changing portfolio percentages invested in bonds and stocks. In each of these six instances the formula plan was of their own making and was subject to readjustment either annually or at any time upon a majority vote of the funds' management. A rather typical comment from the office of the finance committee of a Midwest educational fund is as follows: "There is an established formula plan, but this plan is a flexible one to some extent, allowing the Finance Committee to exercise considerable judgment and discretion both as to the timing and as to the proportion to be invested at any one time in defensive situations on the one hand, or partial growth situations on the other hand."

An examination of the formula plans described indicates that most of them are of relatively recent origin with some only two or three years old. All such plans appear to be using the Dow-Jones Index of 30 Industrials as a basis of determining market levels for portfolio changes. The low price levels that have been set for increasing the percentage invested in common stocks have not been reached in recent years; neither have the higher levels providing for a reduction in common stock holdings. Thus, while technically in effect, these formula plans have not caused any portfolio changes. The following quotation from the treasurer of a large college well illustrates this point. "We have had this plan (formula) before us as an accepted policy for two years. At the present time our equity percentage is 45%, but in the light of the fact that the market has not moved appreciably during the last two years, we have not had much of an opportunity to develop actual experience in the plan's operation."

One of the outstanding facts brought out by the survey was that of the institutions contacted, over 70% reported interest in the idea of formula plan timing. The following is a typical quotation from a university endowment fund: "We have been studying and discussing the subject for nearly a year now, but we have not adopted a plan." And from another university: "We do not have a formula plan for timing the changes of investments in bonds and stocks. We are developing a consolidated plan which will establish percentages of bonds and stocks." And the following from a religious fund: "The Committee of this Board has not formulated an absolute, exact formula; but in general its total of common stock commitments is covered by the fundamental factor underlying the formula plan."

All interested institutions requested a summary of the survey and any other information available of the formula plan idea.

Formula Plans

The "National" Formula Plan, created by the economist, Dr. Frederick R. Macaulay, with the aid of the Staff of National Securities & Research Corporation, was supplied to those institutions interested in formula plan timing for their investments. The favorable response to this plan indicated that investment managers are not only studying this method of handling institutional funds, but contemplate the adoption of some such plan in the near future.

It is apparent that institutional policies and objectives vary to such a wide degree that the most desirable percentages to be invested in bonds or stocks at various levels during cyclical movements of stock prices would necessarily be so different as to require individual formula plans in a great many instances. Certain institutions with a more liberal policy as to funds being invested in equities could have a narrower range for changes based upon equity price fluctuations than those of the more conservative funds. Nevertheless, the idea of changing the weightings of portfolios as to bonds and stocks appears to be an outstanding consideration of most institutions except those, of course, that are required to limit portfolios exclusively to bonds.

I predict increasing popularity for formula timing plans as a sound means of eliminating the emotional factor in institutional investing which causes excessive optimism near the top of security markets and excessive pessimism near the bottom.

Reports Corporate Profits Decline

SEC estimates net income of corporations in first quarter of year at about 18% below preceding period and 16% below same period of 1948.

According to a statement made public on July 19 by the Securities and Exchange Commission, corporation profits for the first quarter of the current year were approximately 18% below the preceding quarter and about 16% below the same period of 1948. According to the statement, the decline in profits during the first quarter of 1949 compared with the previous quarter reflects a drop in sales more than offsetting lower costs and expenses. The large corporations were reported as having experienced the greatest decline in net earnings.

"The ratio of profits after taxes to stockholders' equity for corporations over $100 million in assets," the SEC reported, "dropped from an annual rate of 18% in the fourth quarter of 1948 to 14.4% in the first quarter of this year.

"Similarly, corporations with assets between $5 million and $100 million showed a decline from 16% to 12%. In contrast, the smallest size class, corporations with less than $250,000 in assets, showed an increase from a small loss to 8.4%."

Analyzing profits on an industry basis, the report stated that "all but two of the 22 industry groups showed declines in profits after taxes from the fourth quarter of 1948 to the first quarter of 1949. The largest reductions were shown by manufacturers of rubber products, textile mill products and fabricated metal products, each of which had profits 30% or more below those in the fourth quarter of 1948. Increases in profits were shown by the apparel group and the printing and publishing group."

Curb Dinner Held

The New York Curb Exchange Employees Quarter Century Club gathered last Friday at the Swan Club in Glenwood Landing, Long Island, for a shore dinner as guests of the Exchange. Mortimer Landsberg, Vice-Chairman of the Curb Board of Governors, was on hand as a guest of honor and Martin J. Keena, Curb Vice-President and head of the club, presided. The Quarter Century Club now has 27 members who have been on the staff of the Exchange for 25 years or longer.

Corporate Financing in First Half of 1949 Below 1948 Level

"Chronicle" tabulation, however, shows half-year's outlay one of most noteworthy in U. S. history.

New corporate securities placed in the United States during the first six months of 1949, according to the "Chronicle's" computation, had an aggregate value of $3,346,768,865 compared with $3,260,861,957 for like period of 1948, $2,776,193,935 for 1947 and $3,217,126,781 for 1946. The 1949 total is the largest since 1930 when $3,964,471,707 was reported. Of the 1949 financing $3,236,292,691 was for new money and $110,476,174 for refunding. Of the total corporate issues for the half-year, bonds and notes added up to $2,805,598,900, as compared with $2,638,942,400 for the same period in 1948, and stocks totaled $541,169,965 as against $621,919,557 a year ago. Of the total financing the largest share, $1,808,812,274, fell under the classification of public utilities, compared with $1,508,359,637 for 1948. Railroads accounted for $302,281,000 as compared with $299,946,000 in 1948, $127,370,000 in 1947, $572,381,000 in 1946 and $720,701,800 in 1945, which latter amount has never been exceeded for a like period as far as our records show, the nearest approach being in 1927 when $622,212,000 was recorded. Other industrial and manufacturing totaled $672,111,523 and all other categories $563,564,068.

Of the utility financing of $1,808,812,274, $1,478,388,900 was accounted for through long-term bonds and notes and $330,423,374 by preferred and common stocks, compared with $1,285,531,400 and $222,828,237, respectively, for the first six months of 1948. Of the 1949 total $137,700,800 was in the form of preferred stocks and $192,722,574 was common stocks.

In the tabulation below we show the volume of corporate issues by types of securities, brought out in the first half of each of the past 10 years.

	Bonds and Notes	Preferred Stocks	Common Stocks	Total
1949	$2,930,598,900	$195,462,050	$320,707,915	$3,346,768,865
1948	2,638,942,400	318,481,538	303,438,019	3,260,861,957
1947	2,060,493,650	494,956,472	220,743,813	2,776,193,935
1946	2,068,374,000	702,108,990	446,643,791	3,217,126,781
1945	1,793,505,620	292,202,905	66,136,160	2,151,844,705
1944	743,013,000	238,547,300	36,456,459	1,018,016,659
1943	369,395,000	27,962,393	16,406,288	413,763,681
1942	604,185,000	97,045,908	14,524,080	715,754,988
1941	1,257,492,300	144,024,525	14,517,271	1,416,034,096
1940	933,136,300	124,821,590	45,166,731	1,103,124,621

[Complete details of the financing effected in June and during the first six months of 1949 appeared in the "Chronicle" of July 18, starting on page 3.]

Urges Pressing for Passage of Bill To End Double Taxation of Dividends

Emlen S. Hare, President of Institutional Shares, Ltd., writes shareholders to communicate with Congressmen urging enactment of H.R. 3627, a measure introduced by Cong. Fred L. Crawford of Michigan.

In a personal message on "double taxation" dated June 30, addressed to shareholders of Institutional Shares, Ltd., of which he is President, Emlen S. Hare strongly urged writing to Congressmen and Senators, and particularly to the 25 members of House Ways and Ways Committee, to impress them in favor of enacting the Crawford Bill (H. R. 3627) which proposes the elimination of taxation on dividends.

According to Mr. Hare's letter:

"The Federal Government, by taxes, takes about $38 out of each $100 of corporate earnings. In addition, it requires stockholders again to pay taxes on the dividends they receive from their already taxed earnings. *This constitutes 'double taxation.'*

"Recognizing that such taxation is clearly unfair and inequitable to shareholders, as well as being adverse to capital formation which is a requisite of business and employment, Congressman Fred L. Crawford of Michigan has introduced *Bill No. H. R. 3627* in the House of Representatives, which Bill would eliminate taxes on dividends.

"To facilitate action on this Bill by the powerful House Ways and Means Committee, it is vital that all take the time to express their views to their Congressman and Senators as well as to the following 25 members who compose this Committee (address: House Office Building, Washington, D. C.) urging them to report favorably on this measure. *In writing, be sure to refer to Bill H. R. 3627.*

DEMOCRATS

Doughton, Robert L., 9th, N. C., *Chairman*
Boggs, Hale, 2nd, La.
Camp, A. Sidney, 4th, Ga.
Carroll, John A. 1st, Colo.
Combs, J. M., 2nd, Texas
Cooper, Jere, 9th, Tenn.
Dingell, John D., 15th, Mich.
Eberharter, Herman P., 32nd, Pa.
Forand, Aime J., 1st, R. I.
Gregory, Noble J., 1st, Ky.
King, Cecil R., 17th, Calif.
Lynch, Walter A., 23rd, N. Y.
Mills, Wilbur D., 2nd, Ark.
O'Brien, Thomas J., 6th, Ill.
Young, Stephen M., at large, Ohio

REPUBLICANS

Byrnes, John W., 8th, Wis.
Curtis, Carl T., 1st, Nebr.
Holmes, Hal, 4th, Wash.
Jenkins, Thos. A., 10th, Ohio
Kean, Robert W., 12th, N. J.
Martin, Thomas E., 1st, Iowa
Mason, Noah M., 15th, Ill.
Reed, Daniel A., 45th, N. Y.
Simpson, Richard M., 17th, Pa.
Woodruff, Roy O., 10th, Mich.

"High taxation," continues Mr. Hare, "is depleting capital resources and thereby reducing new developments on which the future prosperity of all citizens depends. Taxation distributed as social service of 'a welfare state' at first glance may appear attractive to many, but unless industry in all forms expands, such service will soon prove illusory in the extreme. Lasting social security depends on expanding industry in the broadest sense, and it cannot expand if resources which ought to be invested are taxed away. An elementary knowledge of these things by the public would transform politics."

Newburger Visualization

PHILADELPHIA, PA.—Newburger & Co., 1342 Walnut Street, members of the New York and Philadelphia-Baltimore Exchanges, are now displaying in their offices the last of this series of Visualization Programs, with an exhibit of the latest products of the Monstanto Chemical Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues on the constructive side and large amounts of Treasury obligations are being put away by investors which means these securities are going into strong hands. . . . Professional operations seem to be on the wane, and this is generally a favorable development. . . . Technically the market appears to be in good condition and a "grinding market" with some backing and filling here and there usually results in higher prices over a period of time. . . .

There are plenty of buyers around for eligibles and the consensus is that the full effects of the recent decrease in reserve requirements have not been felt in the market. . . . Reserve City and country banks, the ones that benefited from lower reserves, are not attracted to the low income issues. . . . Savings banks are the main buyers of the tap bonds, and these institutions are quite anxious to get funds to work. . . . They are faced with the task of maintaining higher interest payments on deposits, in a money market that is showing lower yields. . . .

ELIGIBLE 1952s IN DEMAND

Although the 1952 eligible taps continue to be well taken and are among the favored restricted issues, considerably more attention is being given to the Vics because of the more favorable yield available in these bonds. . . . There is no doubt buyers of the restricted obligations are still eligibility-conscious because the belief is very strong that the 1952 eligible taps could be made eligible for commercial bank purchase at any time by the authorities. . . . This could be a way to control prices of Treasury obligations, especially the bank-eligible issues. . . .

Moreover, sales of tap bonds by non-bank holders to deposit institutions, in the event these securities should be made available to commercial banks, would create deposits and purchasing power. . . . This is important as far as the monetary authorities are concerned, since it is their expressed intention to use the money markets to aid the business picture. . . .

LONGER RESTRICTEDS ATTRACTING ATTENTION

Despite the apparently greater attraction of the 1952 eligible tap bonds, because of the opinion these securities will be made bank-eligible ahead of time, there are many who do not believe the earlier eligible tap issues will be made available to the deposit banks at the expense of the longest eligible obligations. . . . It is held in certain quarters when, as and if there should be a change in the eligibility provisions of the restricted bonds, it will not be confined to the 1952 eligible obligations, but will apply to all of these bonds alike, the longest maturities as well as the 1959/62s and the in-between maturities. . . . If this should be the case, and it has happened in the past, the June and December 1967/72s are decidedly on the attractive side, since a larger return can be obtained in these two obligations than in the earlier eligible tap bonds. . . .

Accordingly, more non-bank investors are going into the longest restricted bonds, not only for the higher return but also because of the feeling the most distant eligibles will be given the same consideration as the other restricted issues, if there should be a revision in the eligibility features of this group of securities. . . .

VICTORY BONDS ALSO FAVORED

There are very sizable orders for the Vics in the market and the buying in these bonds is as good as it has been in a long time. . . . Some of these funds are the results of switches from the earlier taps and part of it is new money that is being put to work. . . . Savings banks in particular are using new funds to acquire the 2½s due June and December 1967/72. . . . Other institutional buyers (including some of the smaller insurance companies) have been swapping from the shorter eligibles and the earlier restricted issues into the Vics. . . .

The current crop of buyers of the Victory Bonds are very bullish on these securities, not only from the income standpoint but also from the appreciation angle since they believe these issues can move up considerably from present levels. . . .

MATURITY EXTENSION COMMON

Commercial banks are extending maturities with even the largest institutions moving into issues that would not have been considered not so long ago. . . . There is good buying in all of the eligibles although the longer-term obligations continue to be the market leaders. . . . Competition for the higher income issues is very keen, and not too many of these securities are coming into the market. . . . Some switching by non-bank owners of the longest taxable eligibles is taking place on a scale-up, but the amount involved has not been very substantial yet. . . . Profit-taking has brought a few of the eligible 2¼s and 2½s into the market, but not enough to make an impression on the sizable demand that is still around. . . .

The partially-exempts, especially the 2¾% due 1960/65 are being well bought by the larger banks. . . . The long World Bank issue is reportedly under accumulation by mid-west non-bank investors. . . . The 1952/54s are getting a big play from the large money center banks. . . .

S. D. Woodruff & Sons

ORANGE, CONN.—S. D. Woodruff & Sons, Inc., is engaging in a securities business. Officers are Hugh C. Laird, President and Treasurer; E. R. Dahlberg, Vice-President; and C. M. Washburn, Secretary. Directors are the officers and Mrs. L. J. D. Woodruff.

Richard J. Beall Opens

Richard J. Beall has opened offices at 55 Liberty Street, New York City, to engage in the securities business.

H. L. Greene in Binghamton

BINGHAMTON, N. Y. — L. H. Greene is engaging in a securities business from offices at 88 Henry Street.

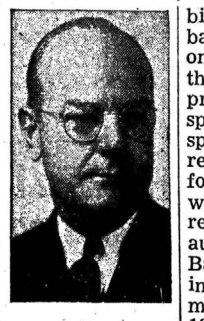
Robert Laffan Opens

Robert Laffan is engaging in the securities business from offices at 141 Broadway, New York City. He was formerly with Chas. W. Scranton & Co.

Reveals Extent of U. S. Postwar Foreign Aid

Secretary Snyder, as Chairman of National Advisory Council on International Monetary and Financial Problems, transmits to President and Congress, along with other data, a statement and analysis of financial assistance abroad from July 1, 1945 to end of 1948.

Secretary of the Treasury, John W. Snyder, as Chairman of the National Advisory Council on International Monetary and Financial Problems, transmitted on July 5, to the President and to the Congress a report of the Council's activities during the six months' period ending March 31, 1949, including those relating to financial aspects of ERP and other programs, as well as participation of the United States in the International Monetary Fund and the International Bank for the Reconstruction and Development. The report, in addition, contains a review of foreign financial assistance given by the United States in the postwar period.



John W. Snyder

The members of the Council, according to the terms of the law establishing it, are the Secretary of the Treasury, John W. Snyder, *Chairman;* the Secretary of State, Dean Acheson; the Secretary of Commerce, Charles Sawyer; the Chairman of the Board of Governors of the Federal Reserve System, Thomas B. McCabe; the Chairman of the Board of Directors of the Export-Import Bank, Herbert E. Gaston, and the Administrator for Economic Cooperation, Paul G. Hoffman.

According to the Council's report:

During the postwar period, July 1, 1945, through Dec. 31, 1948, the United States Government made available $26.5 billion for foreign assistance of which $20.1 billion was utilized or expended, and $6.4 billion remained as an unutilized balance on Dec. 31, 1948. About one-half of all unutilized funds at the end of 1948 were ECA funds, principally earmarked either for specific purposes or for the aid of specific countries and largely already committed under contracts for approved purchases. Somewhat less than a billion dollars represented uncommitted lending authority of the Export-Import Bank. The amount of aid utilized in 1948 ($5.5 billion) was approximately equal to that extended in 1946, but somewhat less than the 1947 total of $6.4 billion. The increasing momentum of the European Recovery Program during the latter part of 1948 resulted in increasing the total aid rendered in the final quarter of 1948 to the average quarterly rate prevailing in 1947.

The year 1948 was marked by a larger share of assistance rendered in the form of grants, including (for statistical purposes) aid for which terms of repayment had not been determined, as compared with loans and other credits which call for the repayment of principal and interest to the United States. This situation also holds true in the foreign aid totals for the entire postwar period, during which funds made available through Congressional authorization for grants were $14.5 billion, compared to $12.0 billion for credits. Aggregate grant and credit availabilities from July 1, 1945, through Dec. 31, 1948, distributed by geographical area, are presented in the following table:

TABLE I

United States Government Foreign Aid, Sum of Utilized, July 1, 1945 to Dec. 31, 1948, Plus Unutilized as of Dec. 31, 1948, by Geographical Area (In Millions of Dollars)

Area—	Total	Grants	Credits
Total, all areas	26,522	14,507	12,015
Total, Europe	19,453	10,052	9,401
ERP participants	(17,859)	(8,944)	(8,915)
Other Europe	(1,594)	(1,108)	(486)
Latin America	515	33	482
Asia	4,498	3,746	752
Miscellaneous	2,056	676	1,380

During the last six months of 1948, actual utilization of United States Government foreign aid was slightly less than $3 billion. Funds for more than three-fifths of this $3 billion were supplied through the Economic Cooperation Administration, with another fifth through the defense agencies, and the balance primarily through the State Department (for Greek-Turkish aid), the Export-Import Bank, and the Philippine War Damage Commission. The share of aid going to the ERP participants in this period constituted almost 80% of the total, with the United Kingdom, Western Germany, France, Italy and Greece the chief recipients. Asiatic countries received slightly less than one-fifth of the total, about the same percentage that they received for the entire postwar period.

Programs of Postwar Assistance

The changes over the period July, 1945 to December, 1948, reflect the shifting importance of loans and grants in the various postwar programs of foreign assistance. For example, during the six months ending December, 1945, grants were the dominant factor as a result of the aid furnished through direct lend-lease. In the following year, grant assistance was supplied chiefly through the United Nations Relief and Rehabilitation Administration, followed in importance by civilian supplies provided by military agencies to occupied areas. However, credits became the predominant factor in the foreign financial program in 1946 as a result of the increased activity of the Export-Import Bank, surplus property disposals, and the initial drawings under the Anglo-American financial agreement. In 1947, the bulk of $3.75 billion loan to the United Kingdom was utilized. This utilization not only was responsible for the high level of foreign assistance rendered during that year, but also had the effect of enlarging the credit portion of the foreign-aid program. By 1948, only a small portion of the loan to the United Kingdom remained available for expenditure, with the consequent drop in the proportion of loans as well as in the total of grants and loans extended. In addition, Export-Import Bank credit utilizations decreased significantly from the preceding two years while at the same time the ERP was initiated largely on a grant basis.

Geographical Distribution of Aid

Approximately two out of every three dollars of expenditures for United States foreign aid during the entire postwar period were for countries that are currently participating in the ERP and these countries were also scheduled to receive about three-fourths of all unutilized funds that had been *allocated* as of Dec. 31, 1948. Among the larger European recipients of utilized aid, credits exceeded grants for the United Kingdom, France, the Netherlands and Belgium. Other countries, such as Italy, Greece and Austria relied very heavily on grants. Assistance to other European countries resulted chiefly from the extension of grant assistance through UNRRA.

Total credits utilized by all ERP countries in the postwar period exceeded grants, while total grants utilized by the Asiatic countries were more than four times their total credits. China received $1.6 billion and Japan $1.2 billion of the $3.6 billion of total postwar assistance rendered by the United States to Asia, with the Philippines and Korea receiving most of the remainder.

Foreign Aid and the United States Postwar Balance of Payments

Total exports of goods and services of the United States amounted to $58.7 billion between July, 1945, and December, 1948. The United States received $30.3 billion in foreign goods and services, leaving a difference of $28.4 billion to be financed from other sources. To cover their deficit with the United States in the 3½-year period, foreign countries drew a total of $6.3 billion from their gold and dollar assets and received about $19.0 billion in net United States Government aid. Other elements included assistance from international financial institutions and private financing.

Business Man's Bookshelf

Disposal of Southern War Plants—Frederick L. Deming and Weldon A. Stein—National Planning Association, 800 Twenty-first Street, N. W., Washington 6, D. C.—paper—50c.

Historical Statistics of the United States 1789-1945—A supplement to the Statistical Abstract of the United States—Bureau of the Census, U. S. Department of Commerce—Copies from Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—buckram—$2.50.

Statiscal Agencies of the Federal Government, The—A. Report to the Commission on Organization of the Executive Branch of the Government — Frederick C. Mills and Clarence D. Long—National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y.—cloth—$2.00.

Transportation—The Front Line of the Enterprise System—John H. Frederick—Transportation Association of America, 130 North Wells Street, Chicago 6, Ill.—paper—50c per copy (lower prices for quantity orders).

Ross & Co. to Admit

On August 1 Edmund B. Ross will be admitted to partnership in Ross & Co., 1 Wall Street, New York City, members of the New York Stock Exchange.

Albert Salisbury Dead

Albert T. Salisbury, associated with Vilas & Hickey, New York City, was found dead with a bullet through his mouth, apparently a suicide according to the Westchester County Medical Examiner.

Railroad Securities

Great Northern Railway

There is a tendency now and then to look upon the analysis of railroad securities as pretty much of an exact science, much more cut and dried than the analysis of securities of other industries. This is based on the theory that uniform accounting as set up by the Interstate Commerce Commission makes possible a fairly rigid comparison of the financial results of any one carrier with those of any other carrier. It is true that comprehensive accounting rules are set up by the Commission and that these must be followed by all railroads. It is not true, however, that published results may always be taken at their face value.

As with any other class of security, it is necessary always to examine the complete breakdown of figures, particularly the month-by-month figures, in order to get the final answer as to just how well, or how badly, the individual road is doing. There is a lot of leeway even in the accounting procedure set up by the ICC and every so often this is brought forcibly to the attention of the analyst, the investor, and the speculator. A case in point, where reported results are completely out of line with realities and with the performance of the railroads in general, is the May report of Great Northern.

That business has been declining for some time past, and that railroad traffic has been following a similar course, is hardly news. Great Northern has, at least in recent months, been resisting the general industry trend. Nevertheless, in May even its traffic was somewhat below the level of a year ago. In the face of this drop in car loadings the company in May reported an increase of 73.3% (from $10,320,000 to $17,884,000) in gross revenues over the like 1948 month. Actually what happened was that in May 1948, the company had made a charge of $6,400,000 directly to gross revenues for cut backs of lend lease and other government traffic during the war years. Had it not been for this the May 1948 revenues would have amounted to $16,720,000 and the year-to-year gain in May 1949 would have been less than 10%.

What makes the whole comparative picture doubly confusing is that other railroads faced with similar, although perhaps not so large, cutbacks charged them to miscellaneous deductions from income. In such cases there was at least the advantage that operating statistics and ratios were not distorted by the extraordinary, and non-recurring, charges. In the case of Great Northern the normally low transportation suddenly jumped to 57.4% in May last year and then in May 1949 dropped to 34.5%. This year-to-year drop of approximately 23 points in the transportation ratio obviously did not reflect any improvement in the road's operating efficiency. It merely reflected an accounting idiosyncrasy.

Fortunately the accounting idiosyncrasy had little influence on reported net income as a year ago the company took a substantial tax credit at the same time it charged out the revenue cutbacks. Even with the sharp year-to-year increase in revenues in May, gross for the first five months of 1949 was only 9.9% above a year earlier. This reflected in part the very severe weather in the opening months of the year. Total operating expenses were up 7.4%. There was a net deficit for the period of $2,246,000 contrasted with a net profit of $2,112,000. Here again, however, the bare figures do not indicate the true operating results. In the first five months a year ago there was a Federal income tax credit of $5,969,876. This year there were no Federal income taxes charged or credited. Before Federal income taxes the company in the 1949 interim did some $1,600,000 better than it had a year ago.

Great Northern has now passed through its seasonally low period. The traffic prospects from here on appear favorable. Iron ore shipping schedules have already been set and despite the drop in steel operations the ore shipments will not likely be cut materially. Grain stocks in the service area are heavy and there is every indication of another good crop this year. Lumber inventories at consuming centers are reported low and there is every prospect that this traffic will rebound fairly sharply over the intermediate term. These are the road's three most important traffic and revenue sources. Moreover, if movement of these commodities is heavy there is a general favorable economic influence on the service area and, therefore, on the movement of inbound manufactured freight. With all of these considerations it is generally felt that the road's earnings this year will fall little below the $8.91 a share reported last year. The $4.00 dividend rate appears well protected.

Gordon S. Macklin Dies

Gordon S. Macklin, senior partner of Gordon, Macklin & Co., members of the Cleveland Stock Exchange and a three-time President of that exchange, died on July 14 at Cleveland's Lakeside Hospital at the age of 52. His energy and business aggressiveness keynoted an ambitious and active existence. "Macklin Operated"—a label noted with growing frequency in Ohio and Florida hotels and business properties—bore the impact of a man who once intended to be a preacher. He was born in Sardinia, N. Y., Nov. 11, 1896. After a year's study at Genesee Wesleyan Seminary he moved to Cleveland for the completion of his high school education and was graduated from Baldwin Wallace College. By attending night school he was also able to become admitted to the bar. The Macklin financial career began in 1923, when he became Ohio sales manager for S. W. Straus & Co., at that time the largest first-mortgage bond house in the nation. From 1925 to 1928 he was Vice-President of S. Ulmer & Sons, Inc. In the latter year he joined with T. Cedric Wellsted to form Wellsted, Macklin & Co., an association which lasted until 1939, when Mr. Macklin organized his own investment company. Mr. Macklin's business activities reached their zenith when he became closely associated with John C. Lincoln, Chairman of the board and founder of Lincoln Electric Co. The recent purchase of the Moreland Courts apartments and Shaker Square properties at approximately $6,000,000 through the newly-formed Shaker Square Co. was spearheaded by Mr. Macklin. Today 16 business properties bear the "Macklin Operated" seal which uses the silhouette of the 46-story Le Veque Lincoln Tower in Columbus as a distinguishing mark. Mr. Macklin's most prominent position included the Presidencies of The Shaker Square Co., The Sovereign Hotel Co., Fifty West Broad, Inc. of Columbus, and Macklin Operated, Inc. Among concerns Mr. Macklin served as Vice-President and director were The Bagdad Copper Corp. located in Bagdad, Arizona; Railway Warehouses, Inc.; The Bulkley Building Co., and the Lincoln Foundation, Inc. He was a director of the National Terminals Corp., The Cleveland Land & Securities Co., and the Middle East Co. An ardent golfer and deep-sea fisherman Mr. Macklin was also active in club affairs. He was a member of Gyro International; Delta Theta Phi; The Bond Club of Cleveland; The Cleveland Security Traders Association; The Mid-Day Club; The Shaker Heights and La Gorce (Miami Beach) Country Clubs.

Mr. Macklin was married to Evelyn Cosline, March 4, 1922. He is survived by his wife, a daughter Virginia Macklin Sancetta of Cleveland and two sons Gordon S. Jr., and John Lee Macklin. Also surviving, besides his immediate family, is a brother Justin Macklin of Cleveland and four sisters, Mrs. William Haas of Detroit and the Misses Marjorie, Velce and Hazel Macklin, all of Los Angeles. The Macklin home is at 22500 McCauley Road, Shaker Heights, Ohio.

Bank for Internat'l Settlements Reports Western Europe Economic and Monetary Progress

In concluding its 19th Annual Report for year ended March, 1949 says volume of both industrial and agricultural production has reached or exceeded prewar levels, and inflationary tendencies have subsided in most countries. Advocates U. S. liberalize policy designed to lessen impact of current deflationary trend.

The Nineteenth Annual Report of the Bank for International Settlements, covering the period from April, 1948 through March, 1949, and signed by Roger Auboin, its General Manager, takes an optimistic view of the general and monetary progress made during last year, especially in Western Europe. In the concluding pages of the elaborate report, which contains a review and analysis of economic and financial developments in a number of countries, it is stated that "1948 has undoubtedly been a year of general economic and monetary progress, especially in Western Europe. The volume of production, both industrial and agricultural, has reached or exceeded pre-war levels and the fight against inflationary tendencies has been successfully waged in almost every country in Europe. Essential as these improvements have been for raising standards of living and laying the foundation for further advances, such is the nature of economic life that the new stage, reached with so much effort, immediately brings forth its own set of problems and preoccupations, and it may seem as if the new difficulties are in many respects even greater than those which have just been overcome. For in the years directly following the war the action which had to be taken comprised a number of obvious steps to arrest the inflationary trend and push on in almost any line of production, while now the task is to adjust an increasing volume of output more exactly to demand under conditions of growing competition and, in general, to establish a balanced position which is at the same time durable and self-sustaining.

"The disappearance of the sellers' market has, indeed, given rise to some very real difficulties; since it is no longer possible to find almost everywhere a ready buyer for practically any commodity, much more attention must now be devoted to questions of price and quality. There is hardly a producer or trader who has not begun to be concerned about 'markets' in which he must be able to sell at a competitive price. It is still too early to tell whether the change in the complexion of the markets points to a downward turn in the general business trend, since the volume of trade and production has mostly kept up fairly well and there are many sustaining factors operating in the markets. But here again the authorities and the public are concerned about different problems from those which worried them a year ago.

"These are clearly fresh developments, but it is not as if there were no experience, derived from somewhat similar situations in the past, to serve as a guide. It is encouraging to observe that in the last few years a much better insight has been gained into one very important relationship: the close connection between the volume and methods of internal financing (of any remaining budget deficit or outlay for investments) and the outcome of the balance of payments, requiring financing from foreign resources. Important questions arise in this connection in regard to the use of the counterpart in national currencies of Marshall aid (questions to which some attention has been given in this Report).

"It is also fortunate that, through the progress recently made, the differences found from country to country as regards the balancing of budgets, the arresting of inflation, the available supplies, etc., have been much reduced and the approach to internal balance has clearly brought the countries to a point where the international aspects of the different problems involved can receive more attention and individual measures can be considered more carefully in relation to the requirements for general long-term progress.

Adjustments to New State of International Markets

"Unfailing attention to international conditions is, indeed, indispensable when the countries get to grips with the problem of adjusting their production to the new state of the markets. Throughout the world the keynote today is more production through greater efficiency — and rightly so.

"But it is not only a question of volume or even of costs; it is evidently necessary to produce precisely what is in demand. Almost all the manufactured products which Europe itself has for export have to be sold to individual customers all over the world—and there is no doubt that adaptation to a largely new situation of world competition constitutes a very real test for the viability of Europe. If the price system is not allowed to play its part as an indicator of what is in demand and should be produced, how can the variegated economies of the European countries possibly find the right lines of output? There is clearly no other way of knowing to what extent an effective demand exists for Europe's output of largely non-essential goods than to feel the pulse of demand in the markets of the world today; but the indication which those markets supply will not be of real value unless sufficient freedom prevails in them—and, even then, it will be of little avail without sufficient flexibility inside the exporting countries. Moreover, the free movement of goods with the development of multilateral trade, which has been the condition of Europe's prosperity in the past, depends not on European action alone: it requires the adoption of appropriate commercial and monetary policies in countries and areas outside Europe itself.

"There must always be a struggle against rigidity — especially in the modern world, where certain technical developments seem to render the economy less flexible; surely, then, it is not too much to ask that the authorities, in framing their policies, should not add unnecessarily to already existing rigidities. An increased volume of production is not automatically followed by larger exports and a better balance on foreign account, since more production gives rise to higher incomes and consequently to increased consumption, including demands for better housing, which is an indirect demand for more investments. A better balance will only be attained if more is saved or more accrues to the state in taxes over and above what is necessary to meet added spending; it is only *pro tanto* that investment expenditure at home will be more adequately covered by the flow of domestic resources. Production alone, therefore, does not suffice: to be really beneficial, it must be combined with a suitable economic and financial policy. If, then, a country is in disequilibrium because its budget expenditure is too high or its investments are too ample or costs are maintained at an uneconomic level or the exchange rates have got out of line with realities (or there is a combination of two or more of these factors) with the result that an untoward deficit has arisen in the balance of payments: if, in such a state of affairs, the country concerned obstinately refuses to make any alteration either in its budget or credit policy or in its control of prices or exchanges, there is no reason to assume that the lack of equilibrium will not continue—and this will mean that the monetary reserves of such a country will be eaten into and the proceeds of foreign loans and grants wasted simply to perpetuate the rigidities which were at the bottom of its difficulties. The receipt of foreign resources is of such great value to a country that they should not be wastefully put to uses which will simply postpone necessary adjustments.

"The lines of policy adopted in this year 1949 may well prove to be of vital importance. The disappearance of the sellers' market, together with the price reductions that have befallen some producers and traders, has led to almost instant demands for remedial measures of one kind or another—but with little, if any, consideration for the needs of adjustment in the economy as a whole or the urgent need of earning more foreign exchange in order to get rid of balance-of-payments deficits before the internal restrictions are taken off.

Budgetary Balance Should Continue

"It would indeed be a matter for regret if the countries in Europe which have taken steps to balance their budgets and restrict the granting of credits were to abandon this policy of restraint prematurely. Such a policy has, of course, not been imposed for its own sake, but because the arrest of internal inflation is usually the only means of bringing about an expansion on the foreign account, with a reconstitution of monetary reserves and a suppression of arbitrary restrictions with regard to currency payments and the exchange regime generally. An imprudent relaxation of the credit restrictions before decisive results have been obtained in the field of foreign exchanges might jeopardize the achievements so far realized.

"The position is in these respects different in the United States. That country, with its high rate of domestic savings and its ample gold reserves, is in a position to adopt immediately, and without incurring any real risk, a liberalizing policy designed to lessen the deflationary weight which is beginning to make itself felt in its economy. By doing that the United States may, indeed, contribute to greater steadiness in the trend of business for the whole world. But European countries, with only a weak flow of genuine savings and scanty monetary reserves, are in a different position: only when they can permit ordinary trade and other current operations in their balance of payments to be settled without hampering restrictions will they be able to reap the full rewards of freer commercial intercourse. It is a point to remember that certain measures of direct control (and not least trade and exchange control) tend to intensify the trend towards nationalistic insulation, while the indirect, essentially financial, types of control help to strengthen the ties of free international intercourse. In no case must the co-operation between European countries take the form of a joint imposition of further restrictions, for then the danger of establishing enclosed areas with an autarchic tendency would be a very real one.

"It would be a mistake, however, to underrate the difficulties in the way of an advance towards a more normal system of foreign payments, with greater competition from abroad. Control, with its curtailment of imports, seems to many a necessary means of 'savings' foreign exchange — but then it is forgotten that expenditure inhibited in one direction mostly leads to increased expenditure in another, to the detriment of exports. Vested interests have also grown up which are in no way anxious to see a dismantling of restrictions. But, despite all obstacles and hesitations, it will be necessary to arrive at a situation in which restrictions are no longer the rule and freedom the exception and one in which ordinary trade in merchandise, the movements of tourists and the regular exchange of services can take their course without interference dictated by monetary considerations. Creditor countries naturally incur little or no risk in admitting imports more freely but debtor countries must also be aware that the practice of keeping out non-essential goods, if applied all round, would soon prevent them, too, from ameliorating their trading position. It is, indeed, becoming increasingly clear which will be the countries with the best chance of standing up to international competition: it will be the first countries to revert to a system of greater freedom by adopting a policy in which each set of measures in the fields of credit, prices, costs and foreign exchanges contributes in a harmonious way to the establishment of a balanced position. When contradictory policies are pursued, as has happened only too often in recent years, it becomes almost impossible to reestablish the credit position without which no genuine contribution from savings will be forthcoming as a durable basis for investments. In these matters, the general public, even though it may be uninformed about many technical details, has, after all that has happened, acquired a knack of judging whether the steps taken are likely or not to achieve the desired results.

More Planning to Correct Unbalanced Positions

"More is needed of true planning, which consists less in fixing 'targets' than in determining precisely what measures should be taken in different fields over (say) the next six or twelve months in order to correct unbalanced positions and achieve further progress. An essential task will be to bring back into operation those parts of the mechanism of adjustment which the modern economy has at its disposal for the purpose of keeping a balance between supply and demand on the markets, between payments and receipts in the balance of payments, etc., and it is then especially necessary to ensure that no artificial creation of monetary purchasing power, beyond what is really earned by contributions to production, upsets the balance at home and in relation to other economies. It is neither more nor less planning that is needed but planning of the proper kind. All too often uncoordinated — and, what is worse, contradictory — measures are adopted by separate branches of the administration having little or no contact with one another. This is then mistakenly given the name of 'planning,' whereas real planning must, first of all, aim at a proper harmony in the lines of official action and, secondly, relate these measures to the manifold free activities of the people as producers, traders, income-earners and consumers, so that their various efforts are fitted into the general picture under conditions conducive to all-round balance. And this kind of planning must, further, be undertaken with an eye to what is happening in other countries and what opportunities are offered for coordinated action on an international scale. It may well be that no measures would be more likely to combat any deflationary tendencies appearing in the various economies than a speedy abolition of quantitative and other trade restrictions, for that might give just the right expansionist impetus now needed. It is dawning upon the peoples that there is no solution in separation; that those who protect their markets from foreign influences are liable to be less capable of sustaining competition and improving their standards of living, and that, indeed, a truer harmony and added strength are to be found in developing appropriate forms of international cooperation."

Report Continued Decline in Business Activity

Business Survey Committee of National Association of Purchasing Agents, headed by Robert C. Swanton, says it is composite opinion of members that seasonal improvement has been offset by declining business.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Corporation, Division of Olin Industries, Inc., New Haven, Connecticut, reports the over-all business picture for June, as continuing the down trend reported in previous months. Production is off by about the same percentage as reported in May. Seasonal increases in some industries and areas helped considerably to slow down the pace. Back-orders were off again, the number reporting declines overbalancing the increases by more than 2 to 1. This has added significance, for June was expected to bring seasonal recovery. For the second month, seasonal improvement has been disappointingly offset by declining business. Uneasiness over labor negotiations, while having a retarding influence on business sentiment, is not looked on as a primary cause for declining business. Delayed price and production adjustments from the boom phase to more normal levels, are considered to be of more importance in the present situation.

Robert C. Swanton

According to the report, July is expected to show further business decline. August may continue the down trend. The leveling-off may reach the point where improvement could show up in the Fall. In support of this forecast, buyers point to the accelerated inventory reduction and the attainment of higher inventory turnover rates. 49% report higher turnover than in January; 27% holding even; only 24% are lower, and very few of these are in an embarrassing position.

Commodity Prices — The price slide was more general in June. Nonferrous metals, lumber and paper lead in the more pronounced declines. Others continue a policy of small price inducements to attract orders. Steel is becoming vulnerable. Whether production will be cut as fast as back-orders are disappearing is a matter of conjecture. June shows no indication of general price stabilization. Competition is keener than at any time since the downturn in the present business cycle.

Inventories — Purchased inventories have dropped consistently since last September. 63% of the June survey reports show substantial reductions, making the third month of declines by 60% of those reporting. That these inventories have come down to meet present lower production requirements is evidenced by the June reports on turnover. 49% have bettered their January rate; 27% holding the same; 24% slightly lower. January turnovers were reported as holding even with the peak production month of September. June, after six months of production declines, indicates that these inventories are keeping pace with lowered demand, short-range buying programs, and declining price trends.

Buying Policy — Those in the "hand-to-mouth to 30-day" commitment range rose from 62%, in May, to 69%, in June—another record for short-term buying policy. Viewing the price down trends, with several important commodities not yet in the slide-off, some buyers are running the risk of being out of stock rather than be caught with supplies of high-cost materials. A close buying policy is expected to continue until the price level tends to stabilize and markets strengthen.

Employment—For the fifth consecutive month, an average of 50% have reported lower pay rolls, in number of employees and hours worked. June is just slightly better than May, with 4% more recorded as holding even with previous month's employment rate. Building and agriculture have taken up some of the slack. Vacations of longer-than-usual duration are reported. Strike threats, though becoming more numerous, have not assumed alarming proportions.

Specific Commodity Changes—Very few ups. Many down.

Nonferrous metals again lead the way: Copper, lead, zinc, secondary aluminum, brick, building materials, burlap, cable, cartons, chemicals, castings, motors, fiber, sugar, coal, oil, galvanized sheets, scrap iron and steel, leather, lubricants, lumber, mercury, paint, paper, paraffine, pipe, propane, rosins, platinum, shellac, soap, textiles, tires, wire.

Continuing in **short supply:** Some aluminum products, asbestos fiber, some steel, some sizes of nails.

"Monetary Management"

Work of Dr. E. A. Goldenweiser recommends changes in Federal Reserve System, comprising, among other things, a coordinating mechanism among Government agencies. Advocates permanent Federal Reserve power to regulate margin requirements and instalment credit. Sees no absolute need for support of Government bond prices.

Changes in the Federal Reserve System to permit better use of the nation's monetary policy as an instrument of stable economic progress are recommended by Dr. E. A. Goldenweiser, one of the country's foremost monetary authorities, in a research report issued July 16 by the Committee for Economic Development.

E. A. Goldenweiser

Dr. Goldenweiser's book, "Monetary Management," is a brief and readable review of the development of American monetary policy in the 35 years since the Federal Reserve System was established. Like previous reports prepared by independent scholars as part of CED's program of research into the nation's basic economic problems, it presents the author's own views and not necessarily those of CED.

In his book Dr. Goldenweiser, a member of the Institute for Advanced Study at Priceton, N. J., since 1946, is concerned less with monetary theory than with central banking operation and the choices open to monetary authorities under particular conditions.

Dr. Goldenweiser's analysis and suggestions are particularly timely in view of legislation pending in Congress to establish a national monetary commission. A resolution authorizing the first comprehensive study of the nation's banking and monetary system since 1908 has passed the Senate and awaits House action.

Among his suggestions to make monetary policy more equitable flexible and effective:

Establish a "coordinating agency or mechanism . . . through which common credit policies could be developed" among government agencies.

Make "all institutions that hold deposits comply with the reserve requirements imposed on member banks" of the Federal Reserve.

"Rationalize the classification of banks as to the character of the business they do rather than as to their geographical location."

Give the Federal Reserve Board permanent power to regulate margin requirements and instalment credit.

Relieve the Board of any necessity for supporting government bonds at par, because "so long as this commitment remains in effect the initiative in loosening or tightening credit conditions is not in the hands of the Federal Reserve, but in the hands of member banks, or the market."

Develop "a rounded-out plan that would immunize some of the public debt, particularly long-term debt."

Dr. Goldenweiser points out that with public debt larger than private debt for the first time in United States history—and thus "the most important single item in the financial and banking picture today" — Federal Reserve powers to regulate the volume, availability and cost of money gain unprecedented importance for economic stability.

Urging coordination of Federal credit policies, Dr. Goldenweiser observes that "it is not useful, when the Federal Reserve authorities are trying to contract credit, to have other agencies, dominated by their special problems, promoting the expansion of credit; or at a time when interest rates are rising in response to Federal Reserve action, to have other government agencies offer credit at fixed or declining interest rates."

Bond Price Support

On the subject of bond support he raises the question "whether the government's responsibility for maintaining the buying power of the money which bondholders receive in interest and principal is not greater than its responsibility for maintaining the securities at par at all times. If the dollars paid out to the holders of savings bonds or other bonds at maturity will buy only half of what the money would have bought at the time the investment was made, the government bears a heavy load of responsibility for having promoted the securities as the best protection for old age and emergencies or the best way to prepare for the purchase of homes and durable goods when the war was over . . . Of the two responsibilities, that affecting the value of money seems to the author far greater."

"It is a mistake," he contends, "to assume that a decline in government security prices below par would be an economic misfortune or would be the cause of disturbances that would lead to one. The Federal Reserve should feel free to pursue the policy that in its judgment would contribute most to overall economic stability."

Dr. Goldenweiser suggests that "methods could be devised by which the support of the bond market, which is a fiscal rather than a monetary policy, could be handled by the Treasury and by the use of Treasury funds. This would release the energies and ingenuity of the Federal Reserve, which is the monetary authority, for undivided concentration on problems of monetary management."

Dr. Goldenweiser proposes measures to finance future Treasury deficits "with a minimum of interference with economic stability."

As to peacetime deficits arising from "government outlays in alleviating economic distress and combating a depression, it is generally agreed that the deficit should be met by new money, that is, by the sale of government obligations to banks. To avoid the difficulties that arise from the issuance of a large volume of marketable long-term bonds, the securities issued should consist of non-marketable bonds to tap idle savings and short-term paper of the kind that appeals to banks."

Defense-emergency deficits, on the other hand, should be financed by "high taxation, large savings —compulsory if need be—and, if these sources are insufficient, the creation of non-reserve money. The painful impact of such a program on the people is one cost of war . . . the monetary reason for the maintenance of peace."

Lucius Wilmerding Dead

Lucius Wilmerding, special partner in Harris, Upham & Co., New York City, died at his Summer home at the age of 69. He had been a partner in the former brokerage firm of Gray & Wilmerding.

Securities Salesman's Corner

By JOHN DUTTON

Summer Saturdays Are Selling Days

The five-day week in the summer months has now become so well established throughout the country that practically every line of business is observing it. Reports that have come in to this writer concerning excellent results obtained by salesmen who have been working on their summer Saturdays indicate that this is probably one of the best times in the whole week to find their prospects available and receptive. We heard of one case last week where a salesman opened a $25,000 account on first call.

Those salesmen who have been working in the larger cities, where their prospects are confined to busy desks all week, may find that if they made several appointments to see them at their homes on a Saturday that they would have time to talk. One of the main problems which any salesman has to overcome when talking to busy business and professional men in their offices is how to gain and hold attention despite the interruptions of phone calls, and other diversions. When a man is relaxed away from his office you can let down too. You can take it easy. You can lower your pressure; and as soon as you do this your chances of persuading your prospect to sign on the dotted line go up immeasurably. Tension is the enemy of every golfer, fighter, actor or salesman—and when your prospect is fidgeting and in a rush to get rid of you as politely as possible your own tension mounts. Get him at his home on a lazy weekend, and see how much easier your story rolls.

Many years ago during the depression of the thirties I knew of a fellow who was doing quite well selling securities in the evenings. He slept all morning, took it easy in the afternoon, saw every movie in town and made money while many of his contemporaries were working their heads off for a bare living. He only followed leads obtained from newspaper advertising. He had an attractive personality and he made about two calls an evening. He went into the homes of his prospects. He kept at it. Soon he had quite a clientele. Today he is a partner in one of the leading firms in New York. His old clients are still the nucleus of his business. He once told me that he would rather make two calls a day on qualified prospects in their homes where he had a chance to gain their undivided attention than to make ten calls in offices or stores where he only obtained 10 to 25% attention.

Saturday should be a good business day. People are in a relaxed mood. They have nothing to think about except killing time until next Monday morning. They are receptive to ideas because their minds are rested. When you are doing creative selling (which is what this business demands of you) you have to put your audience in a comfortable chair. Stop to think about it a minute. Why do the theatres have comfortable seats, air-conditioning, soft lighting, and music to set the stage for the actors before the play begins? Before you can sell you have to put your prospect in a similar position. You know that it is practically impossible to obtain a yes from a man while he is standing up—this is psychologically sound and years of experience have proven the point. That is why luncheons are helpful in ironing out differences and creating an atmosphere of friendliness.

The golden hours may be the time that we have never used to advantage in the securities business—namely from 7:30 to 10:30 p.m. and from 10:30 a.m. to 5 p. m. on Saturday. It is the man who is willing to try the unusual who will always forge ahead in every business. There may be an idea that is worth its weight in gold in this suggestion. I would like to know if others have tried it and how it works out. Then we could pass the results along to other readers of this column.

Tax Institute to Study Taxes and Investment

Will commence with effect of penalty on undistributed profits.

The Tax Institute expects to undertake a factual, manysided approach to the problem of taxation and productive investment, J. K. Lasser, President of the Institute, announced. As a result the Institute hopes to get answers to the following questions: Is the tax system impeding productive investment? If so, how? What can be done about it? Specifically, how do present tax policies relating to the following affect business expansion and the development of new business enterprises: undistributed profits, corporate dividends, capital gains, depreciation, and research and development costs.

Up to the present, attitudes on these questions have been based more on opinions than on facts. Basic factual material, either to prove or to disprove current statements on these problems, is needed. The Tax Institute Board of Directors expect to obtain basic information through the panel device, by means of which informed participants representing business, labor, government, and the professions of law, accounting and economics, freely discuss their points of view and pool their information. These panels will be supplemented by research activities.

The Tax Institute Board believe that this project is of particular timeliness. The country is now in the throes of postwar economic readjustment. The President has recommended that "Congress provide for a broad study of potential business investment, expansion and market opportunities under conditions of maximum use of our productive resources in a growing economy." It appears that the program planned by the Institute ties in directly with such a study.

This program of activities is being initiated by a panel and supplementary research on the taxation of undistributed profits now being planned by a committee headed by Professor Alfred G. Buehler. Professor Kossuth M. Williamson of Wesleyan University has been engaged as economist for the project. Other members of the committee are: Frederick L. Bird, Alvin A. Burger, Philip Cortney, Robert S. Ford, Joseph D. Hughes, J. K. Lasser, Kenneth Perry, Weston Vernon, and Mabel L. Walker. Plans for other panels will be announced shortly.

Colonial Associates, Inc.

BOSTON, MASS.—Colonial Associates, Inc., has been formed with offices at 49 Federal Street. Officers are Victor Troendle, Alice L. Crowley, and James V. Doolin.

We Need Senator Byrd!

"I say that the fiscal program announced * * * by the President is the certain road to ruin. Unless the Congress and the people can defeat the program, we will go over the precipice of financial disaster. The plain and simple truth is that if we, at a time of high prosperity, deliberately embark on a program of deficit spending, it is doubtful * * * that the budget of the United States Government will ever be balanced until our fiscal system is destroyed and we undergo the terrific hardships of the reestablishment of a solvent currency." — Senator Harry F. Byrd.

Harry F. Byrd

More strength to the Senator's good right arm! It would be tragic indeed if the people of Virginia permitted themselves to be led by the Administration and the labor unions to retire such a stalwart this summer. One can only hope that the voters of that State will view with disapproval this intermeddling by Washington and its cohorts, and rebuke it with a vigor matching the fervor of the anti-Byrd campaign now being waged there.

The Muddled European Situation

(Continued from first page)

mud-slinging and name calling. As a matter of fact, the conference took place in an atmosphere that at times was almost jovial.

Thirdly, there was a negative agreement that is not being publicized. It is the implicit understanding that Germany will be kept down by both sides.

We have been deluding ourselves with the silly notion that our counter-blockade has won the "cold war" at least in and around Berlin. Already, Russian interferences with the traffic of the German capital ought to have dispelled the wishful idea that the Russians had asked for the conference because they were "defeated". It should be clear by this time what had moved the Russians. It was their fear of our reconstruction of Western Germany rather than the counter-blockade which kept Berlin barely alive, and which hurt Western Germany scarcely less than it damaged the Eastern zone.

What the conference did bring about was an understanding between Vishinsky and Bevin, an understanding readable between the lines of their speeches and announcements. Both sides proposed to restore Germany, and each side refused unreservedly the proposition of the other, upon which both sides left fully satisfied with the results, as they miss no opportunity in declaring.

It is basic for the understanding of the European situation to realize the community of interests between Russia and Britain. For Russia, it is primarily a politico-military question; for Britain, it is economic as well as political—not to permit Germany to be restored to a position of "power". Whether Mr. Acheson knows what is going on and is a partner to it, or whether he is being used as a marionette in the balance-of-power game, the fact is that we, too, are giving full support to the Bevin-Vishinsky game. Germany shall not become a power again, so far as these gentlemen can help it, and she shall not become too dangerous a competitor of Britain.

II

Maintaining the East-West "cold war"; restricting the flow of goods between them; throwing more and more refugees from the Eastern onto the weak economy of the Western zone; limiting its vital steel output to 11,100,000 tons per annum; stymying its exports by overvaluation of the mark; superimposing a hostile foreign trade policy—do the trick. On top of it all, Trizonia is being bled financially by being forced to support the Russian occupied areas.

Actually, the Western zones are in a crisis. The long delayed stabilization of the mark thirteen months ago brought with it a substantial measure of German recovery. But the monetary stabilization now has spent its salutary force. The Germans need foreign exchange to buy essentials, in addition to the billion dollar American charity, and they need the financial wherewithal to attack the long delayed and festering reconstruction problems of their homes, railroads, factories and mines. But their exports are hampered at every step, their production is being hamstrung by anti-capitalistic methods of taxation and regimentation (no patent rights permitted!), and their reconstruction is curbed by the practical prohibition of private investments from abroad — in a country which has no domestic savings to meet a fraction of its capital demand.

III

It may not be a 200-year peace as Mr. Bevin bragged, but he certainly has every reason to be satisfied with the Paris Conference from which he emerged as "victor". Europe's best informed newspaper, the "Neue Zurcher Zeitung," brought out the story which has been passed over in silence by the Anglo-American press, but which was confirmed in private by more than one insider in both London and Paris.

There was fundamental agreement between Bevin and Vishinsky, which explains the amiable tone of the conference contrary to previous experience, and in contrast to the apparently unbridgeable gap between East and West. Both Britain and Russia need peace at present, but Russia can afford it only if Germany is not restored "to power". That has been assured, in effect, in Paris. Britain, in turn, in spite of American support, could not carry major war preparations, her monetary and tax reserves being completely exhausted. What is more, she has good reasons of an economic nature to keep Germany down so as to eliminate one more threat to her badly shaken commercial position.

IV

It is badly shaken, indeed. In the first quarter of this year, the over-all British balance of trade was almost in equilibrium. But this was accomplished by exports to India and similar countries which did not pay for them. More precisely, they paid out of the war-time claims on England. The British Treasury financed this sort of exports by using the so-called "counterpart funds," in pound sterling, of the E.C.A. funds which are supposed to be frozen in the Bank of England.

The trade deficit against dollar countries did not diminish appreciably. It is rising since the spring, since the buyers' market has brought about competitive conditions under which British prices, anywhere from 10 to 40% above the American level, are entirely out of line. In April, as an example, the dollar deficit of the British trade balance was $100 million higher than in the same month of 1948. Given the capital flight from England, plus the rising trade deficit, she lost in the first year of the glorious Marshall Plan $600 million of her precious gold and dollar reserve.

As the British trade balance deteriorates, rumors of pound devaluation crop up. (If once you tinker with your currency, you are expected to do so again and again!) The rumors lead to further trade deterioration: People do not buy from Britain, looking forward to lower prices in view of the forthcoming monetary move. It is a vicious circle: the worse England's and the sterling area's commercial position—due also to the decline of cocoa, tin, and natural rubber prices — the more devaluation rumors spread, which in turn make the export position still worse, and so on.

But there will be no devaluation—for the time being. Stafford Cripps is certainly right in taking the position that that would not help. The American pressure on Britain goes to show how little Washington understands the underlying problem. The devaluation of 1931 improved Britain's commercial position because it came at a time of widespread unemployment and therefore did not generate rising wages. At that time, English workers were glad to get jobs and had no bargaining power to ask for higher pay. It is a different story now. They are asking for higher wages even before devaluation and will ask for still higher rates after. Lowering the dollar price of the pound might cause a short flurry of British exports, but the basic position would not be altered.

Moreover, the British are holding out for something. Devaluation makes sense only if it is combined with a restoration of monetary freedom, of free capital movements. That presupposes a substantial gold reserve on which to draw if the capital flow turns against the country. In other words, it takes another $2 billion or so in gold, on which the British are banking. The theory is that Uncle Sam does not need all that gold and might as well divide up his reserve among the countries suffering from gold shortage.

Briefly, the idea is that we should take over the European currencies. If the Marshall Plan helped Europe for a year, a gold redistribution would help her for another year or two. What would happen to the dollar is another question.

V

Another "solution" we are insisting upon is to make Europe self-reliant by fostering intra-European trade. But about 50% of Europe's imports came, even in normal times, from what is today the dollar area, and that trade was deficient at all times. No progress in intra-European exchange could substitute for that, even if the East-West relations could be restored, which is out of the question. Fostering intra-European trade does not help any more to solve the basic problem than devaluation would.

The basic problem arises from the fact that by and large, Europe produces at much too high a cost in spite of all the machinery and equipment we put in. The cost of producing European goods is far above the American level because of high consumption standards, especially so in England and in Scandinavia, over and above what labor productivity justifies.

One major, if not the decisive, element in European production costs is the price of social security that is added to every product in a cumulative fashion. The metallurgical industry in the Paris region, as an example, carries a 44% payroll tax, in addition to the 6% which labor pays itself. The nationalized French railways are burdened with 82% of the wage bill for all sorts of so-called social expenses. These may be extreme cases, but nowhere in Western Europe except in Finland, Germany and Switzerland, is the cost of social security less than 25% of the wage bill.

VI

As its predecessors, the Marshall Plan was a stillborn project form the outset because it used dollars to offset symptoms instead of trying to diagnose and to cure fundamental troubles. It does not do anything to help Europe out of its general crisis. All that is accomplished is to shift the crisis from one foot to another, so to speak: from the Franco-Italian foot last fall to the Anglo-Dutch-Scandinavian foot this summer.

Actually, the intra-European commercial warfare is sharper today than a year ago. On top of the East-West iron curtain, the Continent is faced now by a North-South monetary curtain of intense financial hostility, with Britain leading the Northern, restriction-minded group, and Belgium in front of the Southern group that is willing to liberalize its domestic and international trade policies.

Plunged into bankruptcy by her own restrictive policies, Britain's answer is to apply more restrictions, and to tie together a supposedly self-sufficient sterling area, including Holland and Scandinavia as well as the Indies, the Antipodes, and the colonies. The economic objectives and methods —severe foreign exchange controls, quantitative import and export regulations, bilateral arrangements within, and discriminations without—are exactly the same as those practised in the 1930's by Dr. Schacht. But of course when the Nazis did it, it was sheer wickedness; it is economic necessity, so-called, when the British do the same. In either case, world trade is being disrupted and the smaller countries are being ruthlessly exploited by the bigger.

NYSE Reports Profit in 2nd Quarter of Year

The New York Stock Exchange reports for the second quarter of 1949 a net profit, after depreciation, of $18,439.52, compared with a net loss of $106,360.42 in the first three months of the year. The change from a loss to a profit situation is due entirely to increase in the listing fees received. These fees in the second quarter amounted to $499,493 compared with but $227,288 the previous quarter. As a result of the better showing this year, the net loss from operations of the Exchange in the first half of 1949 was reduced from $204,478.43 reported in the first half of 1948 to $87,920.90.

Big Business Rather Than Big Government

(Continued from page 15)

was of vital importance, in the public interest, for oil companies to integrate their facilities into a smooth, economical and efficient over-all organization. Integration is the one essential factor that has made it possible for the oil industry to meet every demand of the American people both in peace and war. Its continuation and expansion within the framework of our statutory requirements should be encouraged as a measure of greater public service and in the protection of our national security. Those who condemn integrated business activities and use the powers of government for their dissolution, render a very great disservice to the American people. It was such integrated industrial operations that have saved this country in time of war and served it well in time of peace. Great organizations of capital, manpower and technical skill produced the instruments of war in incredible amounts and with equally incredible speed. So far as petroleum is concerned, it is the proud boast of our industry that not once during the great world war recently ended, was a single American plane, tank, warship or other facility of war immobilized because of a lack of petroleum. The industry did that job, just as it is meeting the challenge of greater peacetime demands because all of its many separate phases were organized into a harmonious operation.

Place for Small Operator

Let us make it crystal clear that there is always a place in the oil industry and throughout American business for the small operator. He is just as vital to the maintenance and expansion of our high level of productivity and distribution as are the large integrated structures. It is the function of government to protect him from unfair and destructive competition. It is NOT a governmental function to destroy big organizations of business just because they are big and integrated Such organizations are entitled to the same protection and encouragement, in their fair and legitimate operation, as the small operator.

In the oil business, we know that it has been the so-called "one-gallus" operator who has been the backbone of the industry's development. There are thousands of these individuals, partnerships and small corporations in the business today, largely in the production and distribution departments. They provide a necessary supplement to the work of the integrated companies which, in turn, supplement the endeavors of the independents. One could not survive without the other. Each is dependent upon the other.

It is the matter of record that approximately 75% of our petroleum reserves have been discovered by individuals and small independent companies. Distribution of petroleum products is almost entirely in the hands of individuals and independent companies.

False and Insidious Propaganda

The false and insidious propaganda of the advocates of the socialized state has sought to convince the public that the oil business is a monopoly, with ownership of all its facilities vested in a handful of major integrated companies. This propaganda has been put out over the radio, through the press, in speeches by political demagogues, and in at least one book recently written by an eminent professor of a leading university.

The facts are that there are more than 34,000 companies in the oil business in the United States or an average of one company for every 4,000 persons in this country. Of these, 13,475 are engaged in production, 400 are in the refining business, 650 are engaged in the transportation of petroleum and its products, and 20,000 deal with marketing and distribution. There are almost 250,000 service stations in the United States, and 19 out of 20 of them are independently owned or leased. There are also ten of thousands of other retail outlets for oil and oil products.

This gigantic combined effort of these thousands of individuals and small business operations, and the few large integrated structures, is one of the finest examples of free competitive enterprise. As a result of this competition, better petroleum products in adequate quantities are made available to the consuming public at reasonable prices. Those are the facts and they furnish an annihilating answer to those who, with sinister purpose, have propagated the idea that the oil industry is an enormous monopoly.

Role of the Pipe Line

One of the vital links in our oil economy that assures both large and small producers of an outlet to processing and distributional facilities is the pipe line. It is the most efficient and economical method of transporting oil, both over long and short distances. It furnishes the connection between the producer and the refiner, either close at hand, or, as in the case of the Basin and Ozark Pipe Lines, one thousand miles away. As new sources of oil supply have been discovered, pipe lines have been rapidly extended to bring a market to the producer's well which, in turn, has encouraged exploration and development. The availability of this form of transportation has maintained a ready market for the producer's oil.

The petroleum industry has built a transportation system costing two and three-quarter billion dollars, to deliver its products to consumers. The most essential part of that system is the pipe line, more than 150,000 miles of which have been built. This represents a distance greater than seven times the circumference of the earth. This labyrinth of pipe lines is constantly being expanded to meet the growing demands of the American public, as is shown by the fact that 15,000 miles of petroleum pipe lines were completed and put into service last year.

Modern pipe lines furnish both the seller and the buyer of oil with the speediest and cheapest transportation over long land distances. The principal beneficiaries of their operation are the producer, who is assured a ready market for his oil, and the public which is given the advantage of cheap transportation. In this instance, oil from the plains of New Mexico and West Texas will be delivered to the marketing centers of the Middle West at a nominal cost.

I know that the public shares the appreciation which we express to The Texas Pipe Line Company, The Shell Pipe Line Company, the Sinclair Refining Company and the Empire Pipe Line Company, for their foresight and adventure in constructing these two great systems comprising in diameter, distance and capacity, the largest crude oil pipe line ever built by private capital in America, and affording assurance of the further efficient utilization of a vital natural resource. We salute the management of these companies—these "giants," of you will—for having forged this new chain which provides greater strength to the economy of our empire and the protection of our national security.

The value of pipe lines in the hour of emergency was demonstrated in World War II when with our tankers being destroyed faster than we could build them, the Big and Little Inch lines kept crude oil and products moving from the Southwest to the East Coast. During the period of operation of this war emergency pipe line system, 275,000,000 barrels of southwest crude were delivered to East Coast refineries, and [illegible]13,000,000 barrels of refined oils including 36,000,000 barrels of high octane gasoline, were transported to the East for ocean shipment to the fighting fronts. Assuming that all of the oil handled by the Big and Little Inch lines could have been handled by rail which could not have been done the saving to the government totaled $335,784,000, after deducting the full construction and operating costs of both systems.

Whenever and wherever there has been a real job to be done either in peace or war, the oil industry has come forth with the men who had the "know-how" to do that job. The reason those men have been available is due to the fact that our industry has been permitted to work in a political climate that encouraged initiative and rewarded success. It has established such an unparalleled record through the joint efforts of its large integrated companies and the thousands of individual, partnership and small corporate enterprises, working together in a common cause for the public good.

Here today, as we dedicate this pipe line system to the public good, let us highly resolve that the freedom of action and independence of men which brought this great project to completion shall continue to live in America and be kept inviolate for the masses of the people and for the further advancement of our country. Let this achievement of free enterprise stand as a devastating answer to the demagogues and those who seek to undermine our ideals of progress.

America has little to fear from its business giants, who have served the country so well, as compared to the very real and imminent peril that it faces from the giant of government. In bringing this danger to you, permit me to quote from an address delivered in the United States Senate by a far-seeing American. The distinguished speaker said and now I am quoting:

"I do not dread these corporations as instruments of power to destroy this country, because there are a thousand agencies which can regulate, restrain and control them, but there is a corporation we may all dread, that corporation is the Federal Government. From the aggression of this corporation there can be no safety, if it is allowed to go beyond the bounds, the well-defined limits of its power. I dread nothing so much as the exercise of ungranted and doubtful powers by this government. It is, in my opinion, the danger of dangers to the future of this country."

That speech was delivered 71 years ago, on March 27, 1878 by Senator Benjamin Hill. We wonder what Senator Hill would think, if he were alive today, and saw a government that already owns one-fourth of all the land in continental United States; a government that is the largest employer in the world with more than 2,000,000 civilian employees receiving salaries totaling $6 billion a year; a government that provides benefits, subsidies and hand-outs to millions of others in such abundance that one out of every six adult Americans receives some form of government payment regularly from Washington.

That same government proposes now—in administration bills that are before the Congress—that it be given power to fix prices, regulate production, go into any kind of business, select your doctors and dentists and take a long step in the direction of control over our free educational institutions. This reactionary philosophy is based upon the assumption that the American people are too stupid to manage their own affairs; that they are, as one powerful governmental leader expressed it, "too damn dumb to understand."

The oil industry completely and utterly rejects the philosophy that the American people—the best educated people on earth—are incompetent to handle their own affairs and carve out their own destinies under the will and conscience given to them by the Almighty. They have done a pretty good job so far and they are willing to match their record against that of any government-controlled economy in the world.

The time has come for every red-blooded American to stand up and fight for his independence. The time has come to give full answer to the Communists and the demagogues who picture the American business system as one of Shylocks without conscience or sense of public responsibility. We can make up our minds that if we do not fight to maintain our national integrity, we will see our country go the way of all nations which have embraced the Socialistic state in any form.

If we do not have the courage of our convictions, if we do not have faith in our system, then we do not deserve to remain free. But we do have that courage. We do have that faith. We are going to fight. With Divine help, we shall meet the crisis facing us today and solve it. Let us resolve together that our Republic, founded in faith, conscience, compassion and law, shall continue in freedom, in dignity and in peace.

Firm Name Changed to The Dunne Company

WICHITA, KANS.—Announcement is made of the change of corporate name of the Dunne-Israel Company to the Dunne Company. Offices of the firm are in the Schweiter Building.

Francis du Pont to Admit

Morris Goldstein will be admitted to partnership in Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on August 1. On July 31 Thomas W. Phelps, general partner, will become a limited partner; he also will remain a limited partner as trustee under Deed of Trust dated May 22, 1945.

Thomas W. Myers Opens

WICHITA, KANS.—Thomas W. Myers is engaging in the securities business from offices in the Central Building, under the firm name of Tom W. Myers Investment Co. Mr. Myers in the past was with Harris, Upham & Co.

J. W. Pattee in Investment Business

FT. SMITH, ARK.—J. W. Pattee Co., 17 North Seventh Street, is engaging in a securities business.

Phillipse Greene Dead

Phillipse E. N. Greene, former member of the New York Stock Exchange, died at his Summer home at the age of 60. He had formerly been a partner in Jacquelin & de Coppet.

Truman Says Selfish Interests' Hope for a Depression

(Continued from first page)

we are going, and what our national aims and objectives should be. The elected representatives of the people, and particularly their President, have a duty to report from time to time on these basic questions.

On Monday I sent the mid-year economic report to the Congress. Tonight I want to tell you something about what was in that report, and also about the Federal budget, concerning which there has recently been much discussion.

The history of the United States is a story of constant economic growth and expansion. When I was a young man, the population of the United States was between 90 and 100 million. Today it is nearly 150 million. Forty years ago, the national income—the total of all the income received by all the people in the United States—was in the neighborhood of $30 billion. Today, the national income is well over $200 billion. It has increased more than 10 times as fast as the population.

These figures are a measure of our rising standard of living—our increasing freedom from toil and poverty. They are the result of constant expansion in agriculture and industry.

Must Expand Production

In fact, unless we do expand our production steadily, we run into economic difficulties. We must expand if we are to stay prosperous.

A little more than 10 years ago, President Roosevelt called for a national income of $100 billion a year. This was a surprising figure when he mentioned it, but we have far surpassed it in the space of 10 years. Our national income last year was $225 billion.

If we could make such progress in the past we can go on making it in the future. Before long, our national income should reach a total of $300 billion.

But if we want to reach that goal, we all have some hard work ahead of us. We shall have to make wise decisions about our national policies. And we shall have to be sure that the selfish interests do not drive us into the ditch, as they have done before.

At the present time, there is a drop in employment and in production in certain lines. I have been concerned about this and I have studied the facts carefully. I want to tell you what these facts are.

As to employment, we now have more than 59½ million people working in civilian jobs. This is a tremendous number, but last year at this time we had a little over 61 million employed. Furthermore, there are more people looking for jobs this year, because about a million young people and veterans have become available for employment for the first time.

Consequently, although the number of people with jobs is very high, the number of people without jobs is substantially larger than it was a year ago. Last year at this time, the number of people out of work was as low as we can expect it to be in peacetime. It was a little over two million. Now, the number out of work is almost four million.

While much of this unemployment is temporary and is part of the normal process of changing jobs, there are substantial numbers of people who have been out of work for some time, and are now suffering hardship.

Some Production Off

As to production, the output of all goods and services declined slightly during the first half of this year. In some types of business, there has been no decline at all. In others there have been slight increases. In manufacturing, however, output in June had dropped 13% from the high point of last November.

In the economic message in January, I said that we should strive for a 3 to 4% increase in total output this year if we were to maintain maximum production and employment. Instead, we have fallen somewhat below last year's level.

These are the facts. I am not coloring them one way or the other.

Some people are saying, and saying very loudly, that these facts mean that we are in a depression. Many of these people, for political reasons, would like to have a depression. Others are saying that there is nothing to worry about. And that an increase in the number looking for work is a good thing. This attitude ignores the human suffering caused by unemployment.

Both groups are wrong. We are not in a depression. But an increase in the number of people out of work is something to worry about, and is something that must be cured.

If we were in a depression, I would be the first person to tell you, and I would call upon all the resources of the nation to stop it.

What we face today is not a depression, and if we follow the right course, it will not become a depression.

We are going through an economic change which is the result of the inflation spiral that we were in until a few months ago. I warned repeatedly against the dangers of this inflation, and I asked the Congress time and again to take steps to curb the excessive rise in prices. I did this because I knew that if prices went too high, they would topple over and bring about a decline in production and employment.

Unfortunately, my recommendations were not accepted. Prices continued to climb. As the most urgent needs of the people and of industry were satisfied, these high prices cut down the sale of goods. As a result, production declined. Prices are now finding more reasonable levels—a fact which should stimulate sales and production again.

Economic Reforms Protect Economy

In this period of change, our national economy is protected by important economic reforms which the government has adopted over the last 16 years. Unemployment insurance and social security are helping people who are out of work, and are helping to maintain consumer purchasing power. The farm price-support program is keeping agriculture on a fairly even keel. The insurance of bank deposits protects us against bank runs. Our controls over the marketing and exchange of securities prevent wild speculative sprees and stock market crashes.

Because of these and other government policies, we have suffered far less in this period of declining prices than we ever have in a similar period before. These government measures, all of which were bitterly opposed by selfish interests when they were passed, have proved their value in protecting the economy.

Furthermore, all groups in the nation have gained a better understanding of economic problems since the 1920s, and this understanding, on the part of businessmen, consumers, and labor, has helped to cushion the process of price change.

Now all of us—business, labor, agriculture, and government—must take positive action together to restore the upward trend. The decisions we make in the next few months can prolong the present decline, or they can turn it into an upswing.

Our goal is maximum employment and production. The only way to reach this goal is to increase our economic activity. The needs of our people are constantly growing. Our skills are increasing. Every year brings forth new inventions and techniques, new opportunities for improvement and development.

The tools are at hand for continued economic expansion. All we need is the courage to use them.

Businessmen should take advantage now of opportunities for modernizing their plants and for new business investment, and together with labor should cooperate in achieving higher production and employment. Farm production should continue at high levels.

The government likewise must direct its policies toward continued economic expansion. The country is growing and we need to preserve and develop our natural resources for this generation and the next. We must therefore press forward with programs of soil conservation, and river valley development, and other public works.

Economic expansion requires constantly rising living standards for our people. We must therefore expand our programs of social security, education, health, and housing. We must build, as we are building, for the future.

There are men of little vision who say we ought not go on doing these things. They say they cost too much. They say we are wasting money.

The truth is that an investment in the future of America is not a waste of money. The dollars we put into our rivers and our power plants will be repaid to us in fruitful valleys and prosperous communities. Expenditures for the health and education of our children will yield us untold dividends in human happiness.

Explains Budget

But, say those who object, look at the size of the budget.

All right, let's look at the budget.

The budget includes the cost of almost everything the government does. It is not simply the payroll of Federal employees, as some people appear to think. In fact, the pay of Federal civilian employees is only about 12% of the budget. The budget includes all Federal expenses for national defense, for international aid, and for the conduct of the affairs of this nation abroad. It includes Federal aid to the states, for roads and health and other programs. It includes atomic energy, and dams, and soil conservation and flood control, and many other things essential to the growth of our country.

These things are necessary, but in the present budget we have not provided extravagantly for them. Let me make it clear that I believe in prudent financial management. That has been my rule in my private life and in my public life. I am working for the reorganization and better management of the government to achieve greater efficiency. I believe in the economical use of the public's money—and the budget is based on that principle.

If we examine the items in the budget, we see, in dollar figures, the magnitude of the task which confronts this nation in protecting the cause of peace and freedom. Over three-fourths of the budget is due to international events. Less than one-fourth arises from the domestic functions of the government.

Let me explain to you why this is so.

The total of the whole budget today is about $42 billion. Of this total, $32 billion is the result either of past wars or our efforts to prevent another war. Three big items make up this $32 billion.

The first is the national defense. That accounts for over $14 billion. The armed services, at the start of this year, wanted a much bigger sum than that, but I cut it down to the minimum necessary for our protection and for the preservation of peace in this troubled world. It is expensive to keep up the forces necessary to prevent war, but in the long run it could be a lot more expensive not to have them.

Cost of International Programs

The second big item is the cost of our international programs. They will cost this year about $7 billion, and they are worth every penny of it. This sum includes the cost of the European Recovery Program and our occupation responsibilities. These programs have kept Western Europe out of the hands of the Communists, and are helping to restore the economic and social strength of the free nations. If we were to cut these programs, it would weaken our efforts to bring about peace. That is a risk we must not take.

These two items, national defense and international aid, add up to $21 billion—more than half the budget. These are the expenditures we are making to prevent future wars. If anybody thinks it extravagant to maintain the peace, let him remember that it cost us not $21 billion a year but $100 billion a year to conduct the last war.

I do not believe that our defense and international expenditures will have to remain at their present high level indefinitely. I hope that they may be reduced as our program for peace takes effect. But, as of today, I regard these expenditures as the most valuable insurance we can take out against the enormous expense and the terrible loss of another war.

The third big items includes interest on government bonds and benefits to veterans. Together these expenses total about $11 billion. I don't believe anybody has suggested that we default on the government bonds or on our obligations to our veterans by cutting this item.

These are the costs of past wars. Together with the $21 billion for preventing future wars, they add up to $32 billion, more than three-fourths of the budget.

The remaining $10 billion of the budget provides for all other functions of the government. The major items in this category are public works, farm price supports, education and housing programs, and payments for health and social security. For a country of this size, with a $200-billion economy, $10 billion for such essential programs is a reasonable sum, indeed.

Today, after an increase of population and in spite of rising prices, this part of the budget is only 50% greater than it was 10 years ago. The other part of the budget—the cost of past wars and of preventing future wars—is the part that has shown such a tremendous increase. This part of the budget is 900% greater than it was 10 years ago.

The size of the budget reflects the world we are living in. We have to face the facts of the world of today. It does no good to retire into the world of the past and to wish that somehow the facts would just go away, so that we could have a small budget again.

Attacks Eightieth Congress

The leaders of the Eightieth Congress thought they could wish the facts away. They insisted on passing a tax reduction against my advice and over my veto. I warned that this tax cut of $5 billion was almost certain to produce a deficit. It did produce a deficit. For the year ending July 1, 1949, the deficit was $1.8 billion.

The economy was running at a high level when this untimely tax cut was made. People then could pay the taxes necessary to balance the budget and to provide a surplus for debt reduction. Today, because profits and incomes have fallen, taxes bring in less money. An increase in taxes now might bear too heavily on business and discourage the investment necessary to full production and full employment.

At this time, therefore, I am not recommending new taxes to make up the deficit. I do not like to have a government deficit, but still less do I want to injure the economic health of the country.

Selfish interests were behind the tax reduction of the Eightieth Congress. They were also behind the failure to provide authority to stabilize prices. These two blunders of the selfish interests have had unfortunate economic consequences. They will continue to cause us trouble for some time.

Now these same selfish interests are urging us to commit a third great blunder. They are now urging drastic cuts in government expenditures—cuts which would fall hardest on those expenditures which are most important to our domestic economy.

Making cuts of this type in the budget is just the thing you do not do if you want to help the economy expand. At a time when employment is already lower than it should be, cutting government expenditures would cause more unemployment. At a time when more investment is needed, it would be foolish to cut down productive government investment in national resources and public works. To slash government expenditures now would add to the downward trend.

Cites Value of Public Works

Let us take public works, for example. It has been estimated that every billion dollars spent for public works gives employment to 315,000 people, and adds to the income, indirectly, of some 700,000 more. The current budget provides more than three billion dollars for public works. These public works are greatly needed improvements. If we cut them out, we would not only hamper the growth of the economy, we would also increase unemployment by about a million persons, and weaken the position of over two million more. This would be the most expensive kind of saving I can think of.

The people who unwisely urge that government expenditures be slashed are for the most part the very same people who have long been opposing our social programs and our resource development programs. They have resisted such things as social security, housing, the minimum wage law, and public power development, from the very beginning. They have opposed every improvement in these programs.

During an inflationary period, they are against these programs because they say they are inflationary. During a deflationary period, they are against them because they say they are deflationary.

Rain or shine, they are just against them.

It was programs like these, for the benefit of the people, that saved business in the thirties, that are supporting purchasing power now, and that are laying a foundation for increased prosperity in the future. Most of the people know this, even if selfish interests don't.

In the long run, these programs are not only necessary to the welfare of the country—they are necessary if we are to balance the budget.

Expenditures Necessary to Achieve Economy

The very heart of sound government finance is to make the expenditures that are necessary to help achieve prosperity and peace. The items in the budget are consistent with this principle. That is why the Congress, in considering the details of the budget, has not made significant cuts. It has approved the particulars of the budget, item by item, because the

Congress knows they are good for the country.

I achieved a budget surplus—before the Eightieth Congress tax cut—and I intend to achieve one again.

When we had an excess of receipts over expenditures, we applied it to reduce the national debt. We have already paid off more of the debt than the total size of the national debt after the first world war.

But you cannot achieve a surplus in the government budget when you have a declining national economy. A government surplus and national prosperity go together. The income and the expenditure of the government are a very important part of the entire national economy. If we follow the wrong budget policy at this time and slash our expenditures, we will decrease employment, cut down investment, weaken our defenses and injure our efforts for peace.

If we follow the right budget policy, and support the national economy, we can help bring the country back to our normal rate of growth and expansion.

Expects Passage of Program

Some of the measures which will be most effective in the present situation have either been enacted or are on their way to final passage. They include the housing program, the agricultural program and an increase in the minimum wage.

In addition, I have proposed to the Congress in the economic report that it take added steps at this time to keep purchasing power up, to aid those who are suffering from unemployment and to enable us to make plans so that we will be in a position to step up public works activities if necessary.

If these measures are adopted, the government will be in an improved position to play its role in our expanding economy. But changing the course of our present economic situation is also going to require wise action by business, labor and agriculture. If businessmen, labor and farmers base their actions now on an expanding economy, we will work our way successfully through the present period of transition.

I have confidence in the unlimited capacity and in the unlimited opportunities of the American economy and the American people. I have confidence in our ability to master the international problems which confront us and to achieve world peace.

I have this confidence because of our achievements in the past and because of the present strength of our institutions.

Above all, I am confident because I believe that Almighty God has set before this nation the greatest task in the history of mankind, and that he will give us the wisdom and the strength to carry it out.

R. D. Hartshorne Dies

Robert D. Hartshorne, partner of Abbott, Proctor & Paine, and a member of the New York Stock Exchange, died of a heart attack at the age of 52.

William Lieberson Opens

William H. Lieberson is conducting a securities business from offices at 234 West 44th Street, New York City.

Joseph Schulman Opens

Joseph Schulman is engaging in a securities business from offices at 234 West 44th Street, New York City.

With Heath & Co.

(Special to THE FINANCIAL CHRONICLE)

ELGIN, ILL.—Edwin H. Franzen is now affiliated with Heath and Co., Tower Bldg.

Small Capital Issues and the Public Interest

(Continued from page 4)

point is, that I was not required to be licensed by the state, nor was I supervised in any way whatsoever. I was just told to go out and sell stock. But before going out I had myself been sold—completley—by the promoters on what seemed to be the marvelous prospects of the company. I even put some of my own earnings into that stock. When the company subsequently failed, my customers suffered a complete loss. I was deeply shocked, but I had learned a very valuable lesson.

In the intervening years I have bought and sold a great many securities. Some have turned out well: some have turned out bad. I believe firmly that no state should allow the selling of securities to unsophisticated investors without regulation. I also believe that legitimate business ventures and honest dealers in securities have nothing to fear from intelligent regulation, but have much to gain. Every dollar taken in a stock swindle is a dollar that could have gone into a legitimate investment. Both are in competition for the investor's savings. Securities regulation is not simply a matter of enforcing rules of fair competition between the two opposing groups. Its primary objective is to drive swindlers entirely out of business. To achieve that objective, the legitimate issuer and honest security dealer must submit to a certain amount of regulation and inconvenience. That is where the interest of the general public lies.

We at the Commission are well aware that in balancing investor interest against easy financing for small business, Regulation A has tipped the scales in favor of the latter. We have accordingly kept close tab on the way Regulation A is working out. Several studies have been made of its operation. They point the way to increased investor protection.

First of all, we find that the effectiveness of regulation varies a good deal in different parts of the country. Although the SEC has broad powers to prevent and punish fraud, Regulation A, as it is now set up, depends heavily on the State commissions and our local regional administrators for results. Regulation A only makes available basic information to these policing agencies. The actual prevention of fraud is up to them. I need not remind you of the substantial differences in the laws under which you state commissioners operate. The most effective protection for investors is to prevent the fraud before it occurs by carefully screening new promotions and the persons connected with them.

Reliance on State Commissions

This reliance on the State commissions is deliberate policy. The Securities Acts were never designed to supersede the State blue sky laws. The SEC was established to supplement state regulation at the national level. Small issues are usually local issues. Local law enforcement agencies are on the spot, familiar with the people and the businesses involved, and is the best position to act quickly and effectively when a bad situation presents itself. Our regional offices are ready to assist in any way they can, particularly when the scheme begins to cross state lines.

The second thing our studies show is that only a portion of the almost $250,000,000 of securities filed each year under Regulation A are ever actually sold. Some issues never reach the offering stage. Others are offered, fail, and are withdrawn. In many cases, only part of the issue is sold. Where that happens, only a few states protect investors through an escrow or similar arrangement against wastage in an inadequately capitalized enterprise.

A defect which has been observed in our present procedure is that we have no sure way of knowing how much of an issue has been sold. A letter of notification, once filed, is good forever. We do follow up filings with a questionnaire on the results of the offering, and where nothing has been sold urge that the letter be withdrawn. However, there is no assurance that it will be. Consequently, we never know when someone will begin to offer stock under a filing that has been inactive for some time. In contrast, a registration statement, although it likewise remains in effect indefinitely unless withdrawn or subject to stop-order, permits securities to be sold only on the basis of recent information. The effect is that the registration must be brought up to date from time to time in order to continue offering the security. Perhaps a similar limitation should apply to Regulation A, requiring renewals periodically if further sales are contemplated.

Approximately 25% or 30% of the Regulation A offerings use the services of an underwriter. Most of the successful offerings have underwriters. This should tend to indicate that the underwriter, with a reputation at stake, is selective of the issues which he offers to his customers, even when he takes on a best-efforts basis.

Underwriters' Role in Small Issues

Today, when we hear so much about the need for assisting small business, it would greatly aid business enterprise in this country if sound, well-known investment houses would apply their prestige and distributing ability to the financing of going, proven businesses even though they may be small. The local investment banker, as I see it, has a civic responsibility to assume a sponsoring interest in the growing businesses of his particular community. There is a point in the growth of nearly every successful enterprise when internal and personal funds are not sufficient to finance its expansion possibilities, and it is, therefore, desirable to seek capital from the public. It is at this point that deserving businesses need the sound advice of an investment banker. Because of the size of the business and the risk involved, most investment houses much prefer not to have anything to do with this type of underwriting. We at the Commission, however, feel that the investment banker would more nearly perform his required function were he to assist in the financing of meritorious small enterprises.

The underwriter, or the investment banker, also has another very salutary influence. He usually insists on using selling literature. We find that successful offerings almost always employ some type of written sales material. The quality of this sales literature varies considerably. Some is fairly informative and on rare occasions may approximate a regular statutory prospectus. Frequently it is just a colorful sales pamphlet, expensively gotten up, but inadequate.

The highly significant fact is that most issuers under Regulation A are voluntarily undergoing the expense of laying out and printing sales literature. Those who advocate easy regulation for small issues tell us that they should not be put to the expense and inconvenience of the registration process. They also argue that the expense of making written disclosure to prospective investors discourages small business from selling securities to the public. Yet we find that when it comes right down to actual sales practice, over two-thirds of them resort to printed materials. Why should not the materials contain specified information and serve a positive, construction purpose? Furthermore, since a substantial proportion of the written materials as originally filed requires amendment to prevent it from being misleading, one can only wonder what is being done in those issues where no writing is used!

Information Helpful to Investors

What type of information would be helpful to investors? There are many items of information readily available to the issuer which the investor should have. A description of the business is one example. Financial statements are another. Every going business has a reasonably current balance sheet available. It can be added to the selling literature without any significant expense. An accountant's certification would not be required, although any connection between the person preparing the reports and the issuer should be shown. I consider financial statements essential to informed investment. It is irrelevant to argue, as some do, that people cannot read a balance sheet or profit and loss statement—there are many who can. At least, there would be no concealment of insolvency or poor operating results such as occurs under the present regulation. Most important, required disclosure will discourage many unsound ventures from going to market, as our present registration experience shows.

Another important item, readily available to the issuer, is its capital structure and the terms of other outstanding securities. Buying a stock without knowing what is senior is like blindly buying real estate in a swamp. If you are lucky, your tract may have some dry land.

These items give you an idea of what I have in mind. No bank or credit institution would lend money on the meager information some companies furnish prospective investors. The interest of investors can, I believe, be reconciled with the desire of small businessmen to be free of unnecessary restraints in rasing capital. Requirements of the type I have in mind would be but a slight burden to legitimate persons seeking to sell legitimate securities. They could be of great benefit to the investing public.

Going to the public for money, while it is a right of legitimate enterprise, carries the obligation of a very sacred trust. Because of the corporate vehicle some individuals have regarded this trust lightly. I have always felt that one who acts irresponsibly in the sale of securities is as criminal as one who proceeds on the highway with a gun. Going to the public for money is a privilege that should be available only for those who can justify public participation through honesty of purpose and honesty in the conduct of the affairs of the enterprise.

These thoughts on how we can best serve the public interest in connection with small issues are preliminary ones. While the regulation of small issues is important to investors, and, therefore, to the Commission, other matters of higher priority—particularly the Section 5 amendment program, have necessarily occupied the Commission's attention. Personally, I have always believed that an important function of the SEC is to facilitate the flow of the nation's savings into business and industry. The ideas I have put forth this evening on how this objective may be better achieved in small issues still require a good deal of analysis and refinement. We recognize that this is a highly controversial field. Your suggestions would be most welcome.

Working together, as we have done so successfully in other matters, we will and must find the solution.

Sees Business Slipping Down Hill

Cleveland Trust Co., in current "Business Bulletin," reports little evidence of leveling-off of downward trend.

In the current issue of the "Business Bulletin," published by the Cleveland Trust Co., Cleveland, Ohio, it is stated that the "course of business recession might be likened to sliding down hill until a valley is reached. Beyond the valley lies recovery in the form of another hill. In the second half of 1946 nearly all industries were ascending the first hill, while thus far in 1949 nearly all have been moving down the other side. But the two intervening years of 1947 and 1948 showed no such similarity of movement. Thus five of the 17 industry-groups in the production index had passed the peak by the middle of 1947, and five more had done so by mid-1948.

"In this sort of piecemeal readjustment," the article continues, "it is reasonable to assume that the industries which first climbed to the top of the hill would be among the earliest to arrive at the valley below, before starting on the next rise. Such a tendency appeared near the end of past business declines, though not uniformly. But there has been little evidence of that kind of leveling-off, at least through the end of May. The first five industry-groups to achieve their quarterly high points in production were leather and shoes; rubber products; nonferrous metals and products; stone, clay, and glass products; and alcoholic beverages. With the possible exception of leather and shoes, the recent trend of these industries have been downward. In general the same is true of the next five groups in chronological order.

"The remaining seven groups were the chief supporters of the final stages of the rise in the overall industrial production index last year. Five of them, including steel, have now joined the downward procession. The other two are food products and transportation equipment (including automobiles). These have remained about at their peaks except that automobile output was temporarily reduced by a recent strike.

"All this indicates that for business activity as a whole, the recession still has some distance to go before reaching the turning-point."

Dean With L. F. Rothschild

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Charles F. Dean is with L. F. Rothschild & Co., 30 State Street. He was formerly with Farr & Co.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Bernard L. Joyce has been added to the staff of Bache & Co., Minneapolis Grain Exchange Building.

Edward Mathews Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Alfred A. Molinari has been added to the staff of Edward E. Mathews Co., 53 State Street.

Azad Ahmadjian Opens

(Special to THE FINANCIAL CHRONICLE)

WHITINSVILLE, MASS.—Azad Ahmadjian has opened offices at 70 Church Street to engage in the securities business.

Fiscal Control of the Business Cycle—In Practice

(Continued from first page)

Street Journal," however, the official statement released by the Open Market Committee after an all-day meeting in Washington "was cryptic and not too clear." The framers of the statement were in a rather difficult spot. They could not be as forthright as was Mr. Eccles when he was battling inflation in 1946 and 1947.

In announcing, Jan. 18, 1946, the increase of margin requirements on stocks to 100%, Mr. Eccles emphasized the fact that the wartime fiscal policies of the United States Treasury were fundamentally responsible for the inflationary pressures then in evidence. Mr. Eccles got down to basic causes when he pointed out that "so long as the public debt continues to be monetized through the purchase of government securities by the banking system, the supply of money will continue to increase, thus tending further to reduce the interest rate. . . . This process needs to be stopped not only by bringing about a balanced budget, but also through measures to check further unnecessary expansion of commercial bank holdings of government securities."

Late in 1947 when Mr. Eccles was campaigning for a broad policy of credit control, he told the Joint Committee on the Economic Report that "we are already in the advanced stages of this disease (inflation). It is no longer a question of preventing it, but of moderating so far as possible its ultimate ravages."

Now that we are in the early stages of a new disease—deflation—the Federal Reserve authorities cannot come right out and say that the time has come to resume monetizing the public debt through purchases of government securities by the banking system. The official Washington line that made inflation the paramount political issue was given such widespread publicity in the Presidential campaign that it has been difficult for the Administration to back-track quickly to the evils of deflation. Accordingly, in the announcement of the Open Market Committee there was no mention of deflation, business recession or depression. The Committee was almost casual in stating that "with a view to increasing the supply of funds available in the market to meet the needs of commerce, business and agriculture it will be the policy of the Committee to direct purchases, sales and exchanges of government securities by the Federal Reserve banks with primary regard to the general business and credit situation."

In view of the fact that during the past six months, "commerce, business and agriculture" have paid off $2.4 billion of loans previously advanced by the weekly reporting member banks, it would seem that "commerce, business and agriculture" have no pressing need for an increased supply of funds. The July 1 announcement by Secretary Snyder that the Federal Government incurred a budget deficit of $1.8 billion in fiscal year 1949 provided a more reasonable explanation of the action taken by the Federal Open Market Committee "after consultation with the Treasury."

Fiscal Control and Commercial Bank Credit

The Treasury and the Federal Open Market Committee may not be conscious of the fact that they are preparing the way for commercial banks to increase their holdings of government securities. They probably hope that the reversal of their open market policy will encourage a resumption of private borrowing from the commercial banks. Unfortunately, however, this hope is not justified by the record of the past 20 years.

Since the relatively small-scale open market operations of the 1920's, fiscal control of the business cycle essentially means Treasury expansion of commercial bank credit after a government campaign against inflation of bank credit by private borrowers has produced, or at least coincided with, a downturn in general business activity. This was the way things worked in 1929-32 and again in 1937-38. At this time it may be enlightening to review the actual record of past experience.

In reviewing this past record it is indicated that official credit managers have a tendency to reverse restrictive policies very quickly after there has been an initial decline in either business activity or the stock market. In 1929 the Reserve authorities reversed their restrictive credit policies as soon as the stock market collapsed in October. Holdings of Government securities were immediately increased and on Nov. 1 the rediscount rate of the New York Reserve Bank, which on Aug. 9 had been increased from 5% to 6%, was returned to 5% and on Nov. 15 further reduced to 4½%.

These changes were undoubtedly intended to ease the credit situation. That they succeeded is indicated by the fact that at the end of 1930 the rediscount rate of the New York Reserve Bank, as a result of five reductions, was 2%. But the loans of leading commercial banks declined from $18 billion in November, 1929 to $11 billion in July, 1932. While this deflation accompanying the bear market was in process these banks increased their holdings of U. S. Government securities from $2.8 billion to $4.2 billion. Before the deflationary trend in loans was reversed in 1935, the outstanding total had been reduced to $7.8 in August of that year. By that time holdings of government securities had reached a level of $9 billion.

Direction in 1936-37

In 1936-37 the Reserve authorities in attempting to control the so-called boom did not resort to changes in the rediscount rate or in Reserve Bank holdings of government securities. The most important device used to restrict credit expansion was the direct control of legal reserve requirements. In battling the boom the Federal Reserve authorities increased legal reserve requirements for member banks in three different steps. The final increase was effective May 1, 1937. This was after Mr. Eccles wrote an article for the April issue of "Fortune" in which he said, "I have advocated heavy government expenditures during the depression and I advocate debt retirement now that recovery is definitely under way."

By the time this article was available to the general public March 25, 1937 the government bond market had already seen several days of semi-panicky liquidation, the stock market had passed its peak, and industrial activity was scraping its ceiling. The only difficulty with the policy of debt retirement advocated by Mr. Eccles was that financial deflation of government credit expansion, resulting from the sale of securities held by the commercial banks, was also definitely under way and on Aug. 27, 1937, the Reserve authorities indicated a reversal of deflationary policies by reducing the rediscount rate to 1%.

This change in policy by the Federal Reserve was not successful in bringing about any increase in bank loans to private borrowers. From September, 1937, total loans of leading commercial banks started a downtrend that persisted until June, 1939. During this period loans were reduced 20% from a total of $10 billion to $8 billion. As the liquidation of loans got under way, the banks quickly reversed their policy of reducing holdings of Government securities. From October, 1937, to June, 1939, they added $1.4 billion to their portfolio of governments. This, of course, was just the beginning of a major buying operation by the reporting weekly banks. By February, 1946, they had increased their holdings of Treasury securities by an additional $39 billion to a total of $49,600,000,000.

On the basis of this previous record it is obvious that a major change in Federal Reserve credit policies does not guarantee a change in the major trend of industrial activity or the stock market. As a matter of fact the first indication of a change in basic credit policy by the Reserve during the past 20 years has usually acknowledged the existence of a serious threat to general business activity. Following November, 1929, and August, 1937, this threat, in both cases, ultimately became an economic reality that prevented any aggressive expansion of private borrowing.

No 1929 Depression After 1949

In the present situation there is virtually unanimous agreement on the forecast that no depression such as followed 1929 will follow 1949. The most important reason advanced to support this forecast is that there has been nothing like the wild New Era speculation in the stockmarket to produce a deflationary financial spiral that will drag general business activity to lower levels over a period of several years.

It may be granted immediately that there can be no depression following 1949 caused by the protracted deflation of a New Era Stock market boom. However, it is probably unwise to assume that we will escape without serious repercussions in general business activity following our first New Era boom in the bond market.

The use of "New Era boom" in connection with the bond market is not intended merely to suggest a big major advance in bond prices. Rather, "New Era" is used to indicate a record-breaking bull market in bonds under conditions unprecedented in our previous experience. For the first time in our history we managed to extend a major advance in bond prices through a period (1942-1945) of tremendous business and industrial prosperity.

The "New Era" designation of the stock market boom in the 1920's was also earned the hard way. It required scientific credit control by the Federal Reserve System to permit us to have our first protracted bull market in stocks while business was booming. Under the old unscientific and inelastic National Banking System we could not finance a bull market and business prosperity for any sustained period of time. As a result, during the 50 years preceding 1925 the major portion of most bear markets occurred while business was booming while on average approximately half of all the bull markets took place while business was depressed.

Federal Reserve System control of short-term money rates from 1921 to 1929 was primarily responsible for preventing major corrections in business and the stock market. Incipient booms in 1923 and 1925 were curbed and, after relatively minor intermediate adjustments, recoveries were encouraged in 1924 and 1926. In 1927, however, the Federal Reserve authorities made a serious error. They reduced the New York rediscount rate in order to help the Bank of England, at a time when our domestic situation demanded a repetition of the boom-curbing policy of 1923. By the time they put the brakes on hard in August, 1929, our first ambitious attempt at economic planning in the form of credit management had produced nearly five years of concurrent bull market and business prosperity.

New Era Bond Market Result of New Era Stock Market

As an experience unprecedented in our previous history these five years deserved a New Era rating. They set the stage for another unprecedented episode — our first major bear market while business was bad. This humiliating experience produced the New Deal. The New Deal substituted U. S. Treasury expansion of commercial bank credit for private expansion of credit and prepared the way for our first New Era bond market.

Mr. Roosevelt in the 1932 campaign bitterly criticized the Hoover Administration for "the more immediately dangerous evil" of financing the billion dollar deficit of 1931 by absorbing "that much of the lending capacity of banks." The subsequent record shows that by June 30, 1936, the Roosevelt Administration had financed $9 billion of Federal deficits by "the more immediately dangerous evil" of absorbing "that much of the lending capacity of banks." After the temporary deflation of 1937-38 the New Deal Administration by the end of 1941 had absorbed another $6 billion of the lending capacity of commercial banks.

This persistent financing of Treasury deficits by the commercial banks was greatly facilitated by a steady major uptrend in high-grade bond prices. Despite the fact that prices finally eclipsed the record high levels of 1899-1901, there was nothing worthy of a New Era title in the advance of the bond market. The cyclical record under the National Banking System showed that it was perfectly normal for bond prices to rise during serious business depressions and to decline during periods of prosperity.

During ten periods of prosperity between 1893 and 1923 average bond prices showed declines without exception. In nine depressions during these 30 years, bond prices advanced in seven instances and in the relatively brief recessions of 1914 and 1919, bonds showed only nominal losses. This record emphasizes the fact that high-grade bond prices advanced during business depressions and that the bigger the depression was and the longer it lasted, the bigger was the accompanying bull market in good bonds. It was not an accident, therefore, that in a depression exceeding in severity and duration the depression of the 1890's, high-grade bond prices should top their previous record levels.

Open Market Operation Help for New Era Bond Market

And it was no accident that the big bull market in bond prices continued right through the great period of wartime prosperity. As the result of an extremely interesting market-rigging operation, Government bond prices continued to advance through four years of tremendous wartime industrial prosperity and established title to the first New Era bond market in our history.

The background for this first New Era bond market included a $22 billion open market operation conducted by the Federal Reserve from 1942 through 1945. This gigantic open market operation permitted the commercial banks to monetize $70 billion of Treasury securities in a process that created sufficient surplus funds so that every new issue of long-term Government bonds at par provided original purchasers with an immediate profit.

Are There Really No Financial Excesses?

A widely accepted current dogma is that there have been no financial excesses in this cycle to accentuate deflation in general business. This belief completely overlooks the greatest financial excesses in our history. During the four years 1942-1945 we created $79 billion in commercial bank deposits. Of this total $69 billion was created by the simple expedient of having the banks lend this amount to the United States Treasury.

During the eight years of the New Era boom from 1921 to 1929 the commercial banks created only $20 billion of deposits. Thus in one half of the time during the war boom we manufactured four times the bank purchasing power created by the boom of the 1920's. It is true that we socialized the bank credit expansion of the early 1940's. This technique, plus Federal relief for Government bonds when prices began to unravel in 1947, prevented a serious chain reaction affecting the price structure of the chief collateral used in bank credit expansion since 1933.

Success in side-stepping such a chain reaction has obscured the fact that serious economic difficulties can develop as a result of our current financial abstinence. Our economy got used to an annual average rate of $20 billion debt monetization from 1942 to 1945. In 1948 when we demonetized debt by a billion or two our economy began to fail. It failed more in 1949 and nobody can give complete assurance that it won't fade further in 1950.

Conclusion

All major business depressions since the Civil War have been foreshadowed by developments in the bank credit field. Protracted depressions have been accompanied by relatively important liquidation and subsequent stagnation in bank loans. Successive peaks in the rate of industrial activity have all been associated with new peaks in the use of bank credit. Despite this record it may be conceded that until the past 25 years the role of credit and monetary factors was distinctly secondary.

However, the progressive increase in the rate of bank credit expansion may have reached a stage in which even as a secondary factor its importance in the cyclical fluctuations of general business may be much greater than generally conceded. In fact, with the borrowing of the United States Treasury exceeding in importance the sum total of all private borrowing from the commercial banks, fluctuations in bank credit may well become a major factor in controlling business trends. But even with the United States Treasury in control and calling the plays, it may still be true that playing with bank credit is always good fun while the expansion phase is under way and it's the subsequent period of contraction that spoils the fun.

The past six months have been a period of bank credit contraction during which new records in loan liquidation have been made for the time involved. Only major business depressions have produced this kind of loan liquidation. The commercial banks can add many billions of Government securities without producing the same lift in the trend of general business activity that an equivalent amount of private borrowing would.

All of the financial indications point to further major decline in the rate of industrial activity. The regulated stock market has virtually no chance of resisting this downward pull. Technical probabilities call for at least a decline into the low 150's in the Dow-Jones industrial average before the end of 1949.

Outlook for Home Building

(Continued from page 17)

vided the public can pay the bill, is almost unlimited.

And, now, what about housing? There has been a lot of guessing in this field, but let us start with a few facts. First of all, you may not know that the average dwelling unit in this country is less than 30 years old. Half of all our homes have been put up since 1920. But it is important to remember that more than 20% of all homes in America are over 50 years old.

In the 20's, the greatest era of home building prior to the war, we provided an average of 717,000 new non-farm units per year. In the nine years from 1940 through 1948, we provided 769,000 additional units a year, counting conversions of old buildings.

What we will do in the future is anybody's guess. Currently, we need about 2,000,000 new homes to restore a normal vacancy rate and to care for doubled-up families who want a home of their own. We lose about 40,000 units a year from fire, disaster and demolition. And from now on, we will need around 500,000 units a year to care for newly formed families.

This means that, by the end of 1960, we will have added 8,000,000 units to take care of the bare needs. It also means that, if we are to average 1,000,000 units a year in that 12-year period—and we have capacity to build at that rate — about 4,000,000 existing units would have to be replaced. And there is where our interest must be directed.

If we replace old homes at a rate no faster than in the past our market for the next 12 years, including 1949, would average about 750,000 units a year. To maintain a rate of 1,000,000, then we must induce the public to abandon upward of 250,000 existing units each year. The question is: can that be done?

A Program of Action

Well, gentlemen, I am a salesman. A good salesman must be an optimist. And he also should be something of a realist. I try to be both.

To realize the objective of 1,000,000 new homes a year, we would need to remove old houses at an accelerated rate. To accomplish that, we will have to rely on four elements. The first is a high national income, to permit more people to enter the market. The second is rigid enforcement of local building regulations, so as to remove existing homes which are unsanitary, unsafe and wholly obsolete.

The third element is continued increase in efficiency and productivity, and further technological progress, for lower costs and increased values. The fourth and, quite important, is a high order of salesmanship.

In other words, we not only need a public which is able to buy, and the enforcement of laws which bring about a large number of prospective buyers, but we also need to make the product as good and economical as possible, and then to do a better job of selling than in the past.

At the risk of being trite, let us recall again that we who produce and sell homes are in direct competition with every producer of every product on the market. We are competing directly with other products which take an important part of the consumer's dollar.

It is not my purpose here to promote a campaign to sell homes. I merely want to point out the problem and what I believe is its solution. If we all get out and sell the public on values in today's new homes, compared with the place they now are living in, and if we sell as skillfully as the men who sell Fords and Frigidaires, we can replace thousands of homes which are 50 or more years old, and perhaps some of the others.

We can find a way to dramatize the tremendous difference in value between the well-built home of today and that of 50 years back. We can find a way to convince the occupant of an old home that he pay a little more for the greater comfort and convenience. That is the job which lies before us.

So, if you ask my opinion of the long-range market for new homes, it is this: the housing market can be anything we make it. If we find a way to coordinate our efforts and put forth our most convincing presentation, we can sell more than a million homes a year.

Outlook for 1949

As to the outlook for the year 1949—I shall refer to a forecast prepared early this year by Miles L. Colean, construction economist.

The value of all new construction for the year is estimated at $18.7 billion, a drop of only $75 million, or less than 1%, from 1948. Mr. Colean points out that this actually would mean that the physical amount of new construction in 1949 would be slightly larger than in 1948, because the average cost of construction this year is expected to decline under the average for 1948.

However, the continued high volume for this year will be accomplished in the face of a drop in the amount of privately financed construction. The factor which will hold this year's total up close to the 1948 volume is a gain in public construction.

Private residential construction is expected to decline about 14% in dollar value. The number of non-farm housing units started this year is expected to be around 825,000 which would show a decrease of about 12% under last year. Nevertheless, this would rank as the fifth highest year in new housing starts.

Private industrial construction is expected to fall off about 21% and commercial is estimated at 8% lower. In fact, every major category of private building is expected to decline.

These estimates were prepared, by the way, after consultation with construction economists in the Federal Government and with other authorities. However, in considering this forecast you should keep in mind it was prepared five months ago and, when compared to current experience, the estimates appear to be on the high side.

The State of the Economy

Turning now from the building industry to the outlook for business in general I am somewhat hesitant to discuss this subject, because I am neither an economist nor a forecaster. However, in reviewing the opinion of professionals one finds a reassuring amount of general agreement. I will pass on to you my analysis of what the experts are saying.

In the first place many signs seem to point to the fact that while we are well into a recession, it has been brought about by a set of circumstances quite different from those which caused recessions in the past.

There is general agreement this current decline in business has been caused primarily by consumer resistance to high prices. The most acute needs have been met and the public has been led to believe, rightly or wrongly, that they can obtain the rest of their needs at lower prices by waiting. In other words the public has been told that prices are coming down and they are waiting for that to happen.

Now let us examine some other factors. Certainly you will agree we do not have a shortage of capital. The fact is that we have ample capital waiting for investment. We are not overbuilt as we were in 1929. Our mortgage debt is not excessive. There is no lack of savings with which to buy, for savings in the hands of the public are larger than at any time in our history. The need for new automobiles and other heavy consumer goods has, by no means, been exhausted. And inventories are not excessive.

The factors which, in the past, caused severe depressions just don't exist today. That is why most of the more responsible business analysts believe this recession will not be of long duration.

"United States News" presented a generally accepted view-point when it said on June 3rd: "All signs suggest that the set-back in business is to be sharp, but short; that it will be pretty well over within the next 12 months."

President Wilson, of General Electric, recently said: "It seems reasonable that the decline in business, now well under way, may continue until about the second quarter of 1950, when production is expected to turn up." He then added that by April 1951, production may again reach the high level of 1948.

The point to remember, it seems to me, is that a period of business activity which would continue for some years, at a level even 10% below 1948, would represent very good business indeed.

As to how far and how fast prices are going to come down I have no opinion, except to say that in view of the rigidity of our wage structure and the tax and monetary policies being followed by our government, I believe that the decline in prices will be less than the public expects. When this fact has been recognized, buying should be resumed on a broad scale.

There are certain governmental policies that act to confuse investment. High taxes and the trend of still higher taxes, uncertain labor policy and trend toward worldwide socialism are each major influences in our economy. Until these issues have been clarified they will have a retarding effect on individual investment in homes, industry and securities.

Once these have been resolved, without fear of confiscation through income taxes or a government-managed economy, savings now in the hands of the public will be used for buying power. Already there are good reasons to expect a better atmosphere toward business both in Washington and abroad.

Our New Objectives

And now, in closing, I would like to describe a new program which our Construction Industry Information Committee has adopted. Heretofore this committee, which by the way is financed entirely by manufacturers of building products has confined its efforts to offset unfavorable propaganda. Our weapon has been a steady recital of the facts about the progress the building industry has been making.

Now that we are in a buyers' market and the demand for private construction has softened, our attention will be turned to those factors which are holding down the demand for homes.

The committee in its new program will deal with several of the problems which I have mentioned; a study will be made of each and the facts widely publicized. So far the following objectives have been singled out:

(1) Selling the public on the greater quality values now available and to remove public impression that building costs are unduly high.

(2) Discouraging national inflationary policies which drive up building costs.

(3) Speeding up revision of local building codes which hold up construction costs and prevent the introduction of new materials, and to stimulate enforcement of local building regulations, which will remove obsolete homes from the market.

(4) Reducing Federal expenditures for public housing, which discourage private building and encourage the public to wait for government-subsidized homes.

(5) Revising tax laws so as to encourage greater investment in construction activity.

(6) Answering critics of the industry who use untruthful criticism to undermine public confidence in building.

We believe these are the principal problems on which the industry should concentrate. Our committee will develop the facts and give them to the industry for appropriate action. In addition to selling materials for homes and other buildings we must sell the public on the need for sound legislation and good government planning.

In summary, the building industry has been doing a remarkable job. It steadily is becoming more efficient and it knows the problems which lie ahead.

It we work incessantly to get our costs down, continue to plan soundly and step up the effectiveness of our sales effort, we can enjoy the greatest period of profitable building known in the history of any nation.

An Economic Policy For Today's World

(Continued from page 8)

an acute shortage of dollars. There are many theories of why that is true, and there are undoubtedly many causes for that condition. Internal policies of those countries may and in some cases do contribute materially to that situation and to their difficulties. Nevertheless, the dollar shortage is a fact. The people and the Congress of the United States recognize its existence to the extent of approving the Marshall Plan and appropriating billions of dollars annually as a partial measure for dealing with it. It is not something that can be laughed off, nor can it be remedied by a simple return to a nineteenth-century *laissez-faire* attitude, no matter how highly desirable that attitude might once have seemed. It is simply not in consonance with the practical realities of the present-day world.

What the Charter Does

Faced with the realities of today, what does the Charter do? It recognizes that, where such foreign exchange shortages exist, restrictions may be imposed to the extent that a country requires for the budgeting of its scarce currency and to obtain those things which are basic necessities, even if the imposition of such quotas results in discrimination against goods from the so-called hard currency countries.

When I say "discrimination," I want to make it quite clear that I use the word in its purely technical sense and not in a condemnatory sense. We do not like it. We are working on every front we can to eliminate its causes. But when a country does not have enough dollars to finance the purchase of an essential import which is available in the United States and that same essential is available elsewhere, if that country is suffering from a real shortage of that essential, the negotiators of the Charter felt they could not justly object to that purchase being made elsewhere than in the dollar area.

There are many safeguards surrounding that permission to buy in other countries. Such permission incorporates a time-limit in the shape of the transitional post-war period contemplated under the articles of agreement of the Monetary Fund, already approved by this country. The net result is that, under the Charter, quotas may not be used except in the case of these financial shortages which I have described, nor after the expiration of the transitional period. Following that period discrimination in the shape of quotas will be prohibited.

There is an exception which has been referred to here: namely, that under certain circumstances a quota would be permissible in the interest of the protection of an infant industry. But, as Dr. Wilcox has explained, there are several hurdles in the way of the imposition of such a quota and it could not be applied to any article included under a trade agreement, except with the permission of members participating in the trade agreement.

Eighty percent of United States export trade comes under trade agreements. The exceptions, therefore, are of negligible importance.

For these reasons it seems to us that, quite aside from the significance of United States leadership in the world today, it would be foolish for us to reject a Charter which contains these positive measures for the improvement of world trading conditions.

As to the objectives and principles for which we are working, and for which all these other countries are working, and the commitments contained in the Charter for the relaxation of restrictions as soon as the circumstances giving rise to them are altered or eliminated, it seems to us that it would be most unfortunate if there were not established some mechanism for orderly international consultation in this basic field, where those differences that inevitably arise may be settled around the conference table rather than by hurtful action followed by retaliation. It is because we believe that a meeting of the minds in such detail, over such an area, and among so many countries, is such an outstanding achievement, that we advocate the adoption of the Charter. It holds so much promise—so great an opportunity for the United States to exercise its influence in the development of the policies of so many other countries, because our voice is listened to with great respect wherever it is raised. That is a lesson that is brought home to one who has the privilege of representing this country outside of its own borders. It is a rather humbling experience, because it carries with it a tremendous and terrible sense of responsibility: the realization that when we move our little finger that movement may have a vital effect upon the whole economic body of some other part of the world.

It is for these reasons, and because of the specific, positive, concrete contributions to immediate and ultimate removal of trade barriers, as I have indicated, that I am personally deeply convinced that it is to our own selfish interest as well as to our higher interest to accept membership in this organization.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

New signals of turndown appear again. Rail action now a bellwether.

I've been spending the past week on the outskirts of a small Connecticut village. About five miles away is a larger town with two brokerage offices. Both have translux and quotation wires. With the exception of the resident managing partners, the talk in the board rooms is desultory and has to do more with local conditions than with the stock market activity. What conversation there is about the market has to do with hopes and beliefs in higher prices. In fact, there doesn't seem to be a pessimist in town. They're all bullish on the trend.

* * *

Ironically, however, these same bulls are bearish on local industries. Major industry here is hats; from the raw felts to the finished product. Factories have reduced their forces because orders have declined. Understandably managements are not optimistic.

* * *

I'm telling you this because the pattern of business conditions in this small industrial town is repeated all over the country. Yet, oddly enough, the small manufacturer doesn't see the analogy between his own business and that of the company whose stock is listed on the New York Stock Exchange. Maybe it's because the other guy's garden is always greener.

* * *

Last week the market went up a bit more. For the week the gain in the industrials was about two and a half points. This, added to the rise since the lows of mid-June (161.60), accounted for about a ten-point rise. The interesting thing about this advance was that it penetrated the 170 obstacle, which in turn was a closely watched objective. More interesting, however, was the action of the secondary average, the rails, during the past week.

* * *

While the industrials were making a little hay, the rails were limp and during at least two days of last week the rails kept showing small hourly declines while the opposite average, the industrials, kept up at least part of their pace.

* * *

This may not mean a thing; it may mean a lot. After a rise of about ten points in the industrials, a lacklustre performance by the rails is usually a signal of caution.

* * *

I'm quite aware of my previous observations that waiting for a full Dow signal is hardly the way to market trading profits. But getting in on what may turn out to be the end of a minor rally in a down market, is hardly a practice to be recommended.

* * *

Obviously we can't wait for all the national and international uncertainties to be resolved. It isn't necessary to do that. The market, in its own way, will show the road long before the news turns favorable. The rise of the past month, or rather the recovery from a break, was in my opinion an ideal opportunity to unload; to get out of unfavorable situations. It wasn't one to buy on even if the advance was more than I anticipated.

* * *

The same danger signals which indicated the break of early June are again making their appearance. Occasionally they disappear for a day, or even a few days. But just when it begins to look like the storm has cleared, they come up again on the horizon, reminding me of that old cliche about a cloud *ad nauseam.*

* * *

I am as anxious to have them go up as anybody you know. It's easier to buy them than to go short of them. I don't intend, however, to jump in because the pool is crowded and the invitation seems so alluring.

—Walter Whyte.

More next Thursday.

[*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.*]

James N. Bay With Thomas E. King & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—James N. Bay has become associated with Thomas E. King & Co., Inc., 39 South La Salle Street. Mr. Bay was formerly an officer of Floyd D. Cerf, Jr., Co., Inc., and prior thereto was with Fred W. Fairman & Co.

Canadian Risk Capital—Not a One-Way Street

(Continued from page 7)

for you. In this development we stand today about where you stood 50 years ago when this vast land of yours was being developed with the aid of venture capital from Britain and Europe.

And yet today, in spite of our relative infancy in development we are to name only a few—leading the world in nickel, asbestos and platinum production, second in zinc and cadmium, third in gold, copper and magnesium and fourth in silver and lead. Need I remind you of your dependence during the war on our metal production for your gigantic arms program. May I ask where your enormous steel industry will replenish its rapidly depleting ore reserves, except from the tremendous Labrador deposits that are being opened up. And as for atomic energy for peace or war, consider the tremendous sources of uranium and radium in our far North. So far, as known you have been unable to discover any in your own country. We have only scratched the surface and, therefore, Greeley's advice has been changed to "Go North young man," and at this gathering I might paraphrase it further and say "Go North Mr. Security Commissioner and see for yourself."

Hence because of their vital importance to our economy, because of the tremendous interest in actively trading their shares, and because of the necessity for assisting them in raising risk or venture capital one of the distinctive features of Canada's largest Exchange is the listing also of certain approved companies that are still in the development stage.

I am not here as an apologist or pleader for the high pressure stock racketeering that unfortunately makes its appearance particularly when risk capital is being raised. There is sufficient risk in properly managed development work without additional risk being added by fraud, misrepresentation or down right crookedness.

Work of Security Commissioners in Canada

We are satisfied that our various Security Commissioners in Canada are dealing effectively with, and weeding out the unscrupulous promoter and racketeer salesman. And here once again, although Canadian methods may be slightly different than yours, I am unwilling to concede that our Canadian judiciary or regulatory bodies take second place to anyone in the fairness, efficacy and permanence of the corrective measures they are enforcing.

Now, occasionally we notice an attitude on the part of certain of your financial writers and authorities that all Canadian mining is a snare and a delusion; that as far as risk capital from your country going to Canada is concerned, it is a one way street.

Nothing could be farther from the truth. Look at the picture of U. S. investment capital in Canada. Officially estimated at over $2½ billion, you received last year a return of $183 million in dividends or 7.20% and a goodly portion of that was contributed by our mines that were the one time penny speculations.

In my own Province of Ontario some 44 producing mines have paid dividends in excess of $¾ of a billion, and are owned by 295,000 shareholders, of which ⅓ or 96,000 are Americans. Dome, one of our largest mines, has returned $70 million in dividends, and Americans own 55% of its stock. Lake Shore has paid over $100 million in dividends, and 31% of its shares are held by Americans. Hudson Bay Mining brought into production and controlled by American shareholders has paid back $52 million in 25 years. International Nickel—a giant among world mining companies—has paid back $450 million in 44 years, of which at least half has gone to American shareholders. And so on for Hollinger and McIntyre and Noranda and Teck-Hughes and Wright Hargreaves, to mention only a few.

What Venture Capital Has Done in Canada

It was venture or risk capital that developed these producers, a goodly portion of it American, and they have received the handsome return in dividends that I just mentioned of $183 million and capital appreciation running into hundreds of millions of dollars.

Now, generally speaking, these big producers were not brought into production by large mining companies, but by prospectors and venture capital through the medium of penny stocks. Certainly there are risks in penny stocks. But the producers of today were the penny stocks of yesterday.

Exactly two week ago today, Quemont, selling at $13½ per share, came into large scale production, with a mill treating 2,000 tons of ore per day. Four years ago it was a penny stock selling at 18 cents.

Look at its development. Adjoining Noranda over $1 million had been spent in the 20's by an American company in an attempt to discover an extension of the Noranda ore bodies. Noranda's own top flight engineers had ruled against its acquisition as a property more than likely barren of ore.

Now may I ask this question: If this stock had come to you for registration at that point, what would your answer have been?

But in 1944, acting on a hunch, a geophysical survey was attempted from the top of Lake Osisko during the freeze-up. This drilling, the first from that unlikely spot, struck ore and revealed the tremendous ore deposits of Quemont. Such is the element of luck—such the element of risk.

Oil Discoveries in Canada

I have confined my remarks mainly to mining, but oil discoveries in Canada during the past two years have been very impressive. A new frontier in oil has been opened up in Alberta and nearly every important Canadian and United States oil company is there with the cream of its technical personnel. For years the Turner Valley was our only major oil field and even it had been on the decline since 1942. It was only the faith of the Alberta oil men and their expenditure of much risk capital that carried them through a series of disheartening failures. All credit to them! Eleven years had passed since the last discovery of oil in Western Canada. Imperial Oil alone put down 114 holes during that period without a smell of oil. And then in February, 1947 the Leduc field blew and has since been followed by others in rapid succession.

Conservative estimates are that the final recovery may be one and one-half times that of your West Texas field. Actually, your large American oil companies consider it a legitimate field for risk capital, for they are pouring into Alberta a sum, conservatively estimated at $5 million a month. The point I would like to draw to your attention, as Security Commissioners, is that this venture capital is of the large U. S. oil companies and not from the individual American investor, who, as circumstances are at present, are not participating in the development and therefore cannot participate in the rewards. Surely, here is a legitimate field for risk capital.

Canada herself supplies a goodly portion of it, but we must also look to your country as you looked to Britain and Europe 50 to 75 years ago.

Now what do we find in Canada?

Registration of Canadian Shares in U. S.

A growing conviction that it is practically impossible, practically prohibitive in cost and time and energy to have legitimate issues registered in your various jurisdictions. And here I am referring to the registration of securities that are listed on the Toronto Stock Exchange as well as to legitimate seasoned unlisted issues.

Legal and printing and registration costs totaling $3,000, $5,000, $10,000, $50,000 and more, require just as careful scrutiny and publicity, in my opinion as excessive underwriting commissions and costs.

Registration delays totalling 2, 6, 12 months and more, are unreasonable and impossible to cope with.

Time after time underwritings have been entered into, subject to securing registration in certain jurisdictions, and have been lost through delays dragging on for months, that did not always appear to be legitimate constructive investigation.

It is, therefore, with pleasure that I have read in your own proceedings of last year of your own recommendations for standardization and simplification of your registration forms.

Please, do not impede the free flow of funds so necessary to develop our resources. Do not render us, by regulation after regulation for each jurisdiction, as powerless as Gulliver was by the strings of the Lilliputians. We need your investment capital. We need your risk capital.

It is not a one-way street. In addition to the large dividends your citizens are receiving, in addition to the capital appreciation they have enjoyed, do not forget that Canada buys much more from you than you buy from her. We are your best customers, and much of it is machinery and tools for this very development of our resources.

In international trade, in addition to the visible items of trade, are such invisible items as payments for services rendered, the flow of capital, etc.

Gentlemen, as businessmen and not as Security Commissioners, I pose this final question to you.

In this world of distrust and friction and restrictions, we are the last two countries between which capital may flow. If Canada has a trade deficit because of our heavy purchases from you, and that deficit might be partly made up by an increased flow of investment and risk capital from your country into legitimate enterprises and developments in Canada, is it not good business for you to encourage such investments?

What does the Stock Exchange expect from the Security Commissioners?

A sympathetic understanding of these problems in developing our resources, resources which you require for the preservation of your economy as much as we do our own. It is definitely not a one-way street.

Cameron Forms Firm for Stockholders Relations

Philip G. Cameron, formerly of Cameron, Shanley & Wells, Inc., has established the firm of Philip G. Cameron with offices at 140 Cedar Street, New York City. The new firm will provide a service in stockholders' relations and proxy solicitation.

As We See It

(Continued from first page)

in business to bolster the Fair Deal program developed last autumn and repeatedly defended and urged since that time. It has been a foregone conclusion for some time past that some such course as this would be taken, and, apparently, the belief that the choice of this line of policy rather than a demand for revolutionary new "anti-deflation" measures is somehow encouraging seems to be widespread.

A Deadly Poison

We, for our part, find it difficult to agree with this line of reasoning. We, of course, have no way of knowing precisely what the President would have recommended had he decided to try his hand at performing economic miracles overnight, and hence can scarcely judge what the consequences of any such attempt on his part at this time would have been, but there is an abundance of economic poison in the message as delivered. It is, admittedly, for the most part the same venom that has characterized the Fair Deal from the beginning, but it is poison just the same and it is deadly.

Moreover, its display at this particular moment lends to it a great deal more than ordinary significance. "To restrict business investment," says the President, "curtail production, reduce employment or slash wages, because our economy has declined somewhat, would only serve to drag us further downward. But if in every field of action we do the things that are consistent with a strong and growing economy, we will have a strong and growing economy." Here is an extract from the economic message which is so nearly the heart of the entire document, that, far from being merely a sentence or two quoted out of context, it could, in a very real sense, be regarded as expressing in very few words the basic philosophy of the President's current position.

Dangerous Course

We are not for the moment concerned with the economic nonsense thus given formal and official expression. The Chief Executive comes dangerously near saying — if indeed he does not actually say—that if we all only pretend hard enough that everything is just as it should be in business everything will actually be just as it ought to be. This typical Alice-in-Wonderland type of reasoning would be quite amusing if it were not given such dangerous opportunity to injure us all when employed in such high and influential places. In the event, it is serious enough in all conscience—serious because it is having such a vital influence upon current events.

One needs but to cast his eyes back over the past half-year to see just how permeating and how fruitful of harm these doctrines have become even in that brief space of time. As the early weeks of this year passed into history, it became more or less a foregone conclusion that what has come to be known as a "fourth round of wage increases" this year was out of the question, what with business activity, employment and profits definitely on the decline. As the situation continuously worsened, and as the pace of the downward drift accelerated, even the more aggressive labor leaders appeared to be more and more in doubt as to whether there was very much that they could wring from management this year—even when attempt was made to disguise rising wage costs by calling them something other than wage increases.

The Farmers, Too

The farmers, too, were giving little indication that they felt that they could expect a great deal more from the public purse in the then current situation. They were benefiting immensely from "price supports" — a polite term for subsidy — and, while they were as might be expected far from happy about things in general, they seemed to think that with tax receipts declining, business generally on the downgrade, unemployment rising in many industrial centers, they were not in a very good position to demand more from the public trough. At least, that appeared to the political layman to be the view of the farm leaders.

So also was it with the numerous others who have long been clamoring for a larger and larger measure of generosity at Washington for themselves. The "economy drive" in Congress was never very much more than "talk," but to many it appeared to preclude any great increase in either public expenditures or in promises of future expenditures. The President's Fair Deal program, which at so many points called for greater profligacy, was generally viewed as having lost caste very badly. Indeed, many were expressing the opinion that the President himself had all but given up hope of getting much more from the 81st than from the 80th Congress. The outlook had evidently changed drastically, and apparently it had more or less correspondingly altered the view of many among the leaders of the land.

Cause and Effect

But the President, often in shirt sleeves, and always informal in addressing Tom, Dick, Charles, Harry, John, Mary, Julia, and Eliza, had toured the country last summer and autumn preaching doctrines which many in high quarters had forgotten, but which apparently the rank and file in the street and on the farm stored away carefully for future use. Wages must, of course, never be permitted to decline. Indeed they must keep right on going up indefinitely as the prosperous corporations—and to many of his listeners if not to the President himself corporations are always prosperous—learned to do things cheaper and cheaper regardless of what the wage earner did or did not do. The farmer must never suffer any material reduction in his income, or else he would not be able to buy freely of what industry offered him. All consumers must have their purchasing power "protected" by every and all means, including social insurance, a determination on the part of the employer to keep his payrolls up regardless, and in various other ways. And so forth to the end of the tale.

Now it has become evident in recent months, particularly in recent weeks, that the rank and file of union members took all this quite seriously, and have no intention of making any concessions to any one if they can help it — and that quite regardless of the views or advice of their own leaders. Union official after union official has of late been obliged (in his own view) to climb aboard insurgent rebellions. And now again the President, this time in a formal message to Congress, gives utterance to notions which can scarcely be regarded as other than full support to these insurgents. The "fourth round" situation has now taken on a totally different appearance, and it is very difficult not to suspect that the President is happy about it.

The situation has not as yet so fully clarified itself in other directions, but it is almost unanimously reported that the "Brannan Plan" is now much stronger than it was. Time only will tell how much further all this will go, but the moving hand hath writ—and it was the hand of the President.

The Coming Stock Market Rise

(Continued from page 2)

on the business and market picture in the past 12 months.

(6) Finally, the threat of a real showdown as to the inevitable devaluation of foreign currencies seems to have been postponed until fall. It is questionable as to whether the devaluation of the pound will have a serious effect on our business picture, particularly since our balance of exports has been geared to the amount of money we have been willing to give away, and the amount of dollars which foreign countries could obtain through exports or other means. However, as long as the public believes that devaluation of foreign currencies would hurt business, such a move would have a psychological effect, at least on the stock market.

Wall Street Psychology

I might add one more reason for being optimistic on the near-term outlook, and that is the implications of certain studies which I have been able to develop in New York on Wall Street psychology. These studies are based primarily on the correlation between sentiment and market action, weighted according to the record of individuals in the past. It takes into account the fact that many people tend to become progressively more bullish as the market advances, and progressively more "cautious" as the market declines. This index gave a definite warning that optimism was being overdone in the spring of 1946, but since the first of June (when the Dow-Jones Industrial Average closed at about 168), it has been indicating that the possibility of a 20 to 30-point rise in the Dow-Jones Industrial Average is much greater than the danger of anything more than a 5 or 10-point decline.

Less Important

This appraisal would not be complete without mentioning the bearish factors and explaining why I do not believe that they are as important or dominant as the reasons given for being bullish at this time.

Probably the most important bearish factor is the long-term trend toward Socialism in this country. However, there is a danger of confusing this long-term factor with intermediate influences. I recall that a great many people were extremely bearish in 1933 and 1934 because of the first signs of a shift from orthodox politics and economics toward a labor-dominated and "managed economy" approach introduced by the New Dealers in 1933. This did not prevent our having a rise of more than 100% in the market between 1934 and 1937, and an advance of equal magnitude following the outbreak of war in 1941. It is quite true that the so-called New Deal, or, if you wish, Fair Deal, will probably lead to a gradual decline in the standard of living in this country. However our Labor Government is committed to maintaining a high level of employment, and no way has been found as yet to prevent well managed companies from earning substantial profits under conditions which make possible a high level of employment.

Another widespread reason for the bearishness which has been so general ever since the stock market first declined to about the 160 level in October, 1946, is the expectation of a downward spiral in business and commodity prices similar to that experienced in 1920. Our basic financial conditions are so very different from those of 1919-1920 that I have able to agree with the forecasts of an imminent postwar depression which has been so widely predicted every time the Industrial Average has declined into the 160-170 zone. As far as the near-term outlook for business is concerned, I can conceive the possibility of a further extension of the recent readjustment in business activity, without being bearish. After all, stocks have discounted a great deal when so many issues are selling on a yield basis of 8% to 10% and at 50% or less of the highs touched in 1946.

Fear of War

A third reason which has been advanced in defense of the bearish point of view is the fear of war with Russia. This fear has been encouraged through White House propaganda every time that Congress has balked on any proposal for more spending either for the armed forces or for European relief. I am not an authority on foreign affairs, but I am inclined to go along with the students of European affairs who tell us that a shooting war is not likely before 1951, at the earliest, and that there is a reasonable chance that a shooting war can be avoided for at least another decade.

In closing, I would like to add that I think it is necessary to limit judgment on the market to a fairly short period of time, partly because of the uncertainties due to the importance of political decisions under current conditions. Furthermore, we shoulid not overlook the fact that in the past two years all but one or two points of the entire moves from the lows to the highs for the year have been accomplished, in each year, within periods ranging from 10 to 14 weeks. Going back to 1946, we find that almost all of the bear market of that year occurred within a period of less than three months. Under today's conditions of highly regulated markets and fast-moving developments, the best we can do is to try to avoid buying, on balance, except during periods of weakness in the market as a whole, and to limit purchases to individual stocks which are selling at prices that are very attractive from at least three or four different points of view. The situation will bear close watching, and it is quite possible that a reversal of the basic bullish position which I believe has been justified since October, 1946, may prove to be in order by some time this fall. If surface indications are extremely bullish at that time, and particularly if public optimism is as widespread as it was in the spring of 1946, it will be especially important to review the market outlook with the benefit of intermediate developments.

Rieth & Co. in Phila.

(Special to THE FINANCIAL CHRONICLE)

PHILADELPHIA, PA.—Albert Rieth will shortly form Rieth & Co. to engage in the securities business. Mr. Rieth was previously with Charles A. Taggart & Company, Inc.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, MINN.—Richard K. Steffen has been added to the staff of State Bond & Mortgage Co., 26½ Minnesota Street.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Floyd A. Hair and Arthur Schalin are with King Merritt & Co., Inc., Pence Building.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 24	78.3	77.8	84.4	93.1
Equivalent to—					
Steel ingots and castings (net tons)	July 24	1,443,500	1,434,300	1,555,900	1,673,100
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	July 9	[illegible]	[illegible]	[illegible]	[illegible]
Crude runs to stills—daily average (bbls.)	July 9	§5,201,000	5,241,000	5,153,000	§5,791,000
Gasoline output (bbls.)	July 9	[illegible]	18,498,000	17,641,000	§18,244,000
Kerosene output (bbls.)	July 9	1,536,000	1,574,000	1,617,000	§2,023,000
Gas, oil, and distillate fuel oil output (bbls.)	July 9	5,768,000	5,440,000	5,711,000	§7,438,000
Residual fuel oil output (bbls.)	July 9	[illegible]	7,733,000	8,505,000	[illegible]
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 9	113,763,000	114,000,000	117,484,000	§102,948,000
Kerosene (bbls.) at	July 9	24,055,000	23,617,000	22,006,000	§19,235,000
Gas, oil, and distillate fuel oil (bbls.) at	July 9	66,623,000	64,587,000	60,402,000	§50,608,000
Residual fuel oil (bbls.) at	July 9	67,136,000	65,741,000	65,901,000	§62,385,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 9	595,321	644,182	803,155	755,100
Revenue freight received from connections (number of cars)	July 9	456,614	559,030	609,435	558,399
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 14	$190,346,000	$133,526,000	$150,842,000	$126,589,000
Private construction	July 14	61,468,000	42,884,000	71,415,000	60,799,000
Public construction	July 14	128,878,000	95,642,000	79,427,000	65,790,000
State and municipal	July 14	87,408,000	64,839,000	62,029,000	[illegible]
Federal	July 14	41,470,000	30,803,000	17,398,000	15,246,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 9	4,885,000	*1,310,000	12,960,000	9,841,000
Pennsylvania anthracite (tons)	July 9	848,000	63,000	1,326,000	846,000
Beehive coke (tons)	July 9	16,800	*19,400	102,000	51,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	July 9	201	*233	288	21[illegible]
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 16	5,342,107	4,982,173	5,372,600	5,197,45[illegible]
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	July 14	167	153	196	9[illegible]
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 12	‡3.705c	3.705c	3.705c	3.211c
Pig iron (per gross ton)	July 12	$45.91	$45.91	[illegible]	[illegible]
Scrap steel (per gross ton)	July 12	$19.33	$19.33	$20.92	$41.0[illegible]
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 13	17.325c	16.525c	16.575c	21.200c
Export refinery at	July 13	17.550c	15.925c	16.425c	21.475c
Straits tin (New York) at	July 13	103.000c	103.000c	103.000c	103.000c
Lead (New York) at	July 13	14.000c	12.000c	12.000c	17.500c
Lead (St. Louis) at	July 13	13.800c	11.850c	11.850c	17.300c
Zinc (East St. Louis) at	July 13	9.000c	9.000c	9.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 19	103.41	103.37	101.66	100.8[illegible]
Average corporate	July 19	113.70	113.50	112.93	112.3[illegible]
Aaa	July 19	119.82	119.41	118.80	116.6[illegible]
Aa	July 19	118.00	117.80	117.40	115.0[illegible]
A	July 19	112.56	112.56	112.19	111.62
Baa	July 19	105.17	104.83	104.48	106.39
Railroad Group	July 19	107.98	107.62	107.80	108.16
Public Utilities Group	July 19	115.24	115.04	114.46	112.5[illegible]
Industrials Group	July 19	118.20	117.80	117.40	116.4[illegible]
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 19	2.25	2.26	2.38	2.44
Average corporate	July 19	2.97	2.98	3.01	3.0[illegible]
Aaa	July 19	2.66	2.68	2.71	2.82
Aa	July 19	2.74	2.76	2.78	2.90
A	July 19	3.03	3.03	3.05	3.08
Baa	July 19	3.44	3.46	3.48	3.37
Railroad Group	July 19	3.28	3.30	3.29	3.27
Public Utilities Group	July 19	2.89	2.90	2.93	3.03
Industrials Group	July 19	2.74	2.76	2.78	2.8[illegible]
MOODY'S COMMODITY INDEX	July 19	342.4	337.9	337.1	431.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 9	104,809	161,576	153,108	123,790
Production (tons)	July 9	73,941	153,817	165,729	106,114
Percentage of activity	July 9	35	75	79	56
Unfilled orders (tons) at	July 9	278,1[illegible]	243,297	272,243	393,91[illegible]
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	July 15	128.0	127.8	128.3	145.2
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	July 2	13,389	14,062	16,730	20,584
Number of shares	July 2	384,489	388,337	454,131	617,892
Dollar value	July 2	$14,0[illegible]	$13,8[illegible]	$16,766,078	$25,022,408
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 2	12,974	13,717	15,119	21,68[illegible]
Customers' short sales	July 2	154	141	215	8[illegible]
Customers' other sales	July 2	12,820	13,576	14,904	21,60[illegible]
Number of shares—Customers' total sales	July 2	352,153	363,141	421,104	589,08[illegible]
Customers' short sales	July 2	6,600	5,577	7,808	2,97[illegible]
Customers' other sales	July 2	345,553	357,564	413,296	586,10[illegible]
Dollar value	July 2	$11,265,509	$16,678,126	$14,350,763	$21,961,29[illegible]
Round-lot sales by dealers—					
Number of shares—Total sales	July 2	123,730	108,400	146,480	183,320
Short sales	July 2	------	------	------	------
Other sales	July 2	123,730	108,400	146,480	173,320
Round-lot purchases by dealers—					
Number of shares	July 2	162,630	160,410	154,820	183,910
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	July 12	154.2	152.7	154.6	169.[illegible]
Farm products	July 12	168.5	165.6	169.6	198.8
Foods	July 12	164.2	161.3	163.4	189.7
All commodities other than farm and foods	July 12	145.1	144.5	145.6	150.3
Textile products	July 12	138.6	138.3	138.4	149.5
Fuel and lighting materials	July 12	130.6	130.6	130.6	135.1
Metals and metal products	July 12	167.6	165.6	166.2	159.4
Building materials	July 12	190.1	189.9	192.5	199.1
All other	July 12	124.8	124.6	127.1	135.6
Special indexes—					
Grains	July 12	156.5	153.2	157.2	192.9
Livestock	July 12	208.8	205.7	213.1	280.0
Meats	July 12	228.0	224.0	231.5	273.1
Hides and skins	July 12	179.5	181.6	190.0	217.5

*Revised figure. ‖Includes 484,000 barrels of foreign crude runs. §Not comparable with other periods which are on new basis of reporting in California. Principal changes exclude cracking stock from distillate and residual fuel oils. ‡The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive.

NOTE—The National Fertilizer Association has decided to discontinue publication of its weekly wholesale commodity price index. It will, however, continue to compile monthly indexes covering mixed fertilizers.

	Latest Month	Previous Month	Year Ago
ALUMINUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of May:			
Total shipments (thousands of pounds)	89,029	105,735	133,285
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of June	6,501,332	*7,589,722	7,265,249
Shipments of steel products, including alloy and stainless (net tons)—Month of May	5,234,862	5,596,786	5,321,375
AMERICAN TRUCKING ASSOCIATION—Month of May:			
Number of motor carriers reporting	323	*323	323
Volume of freight transported (tons)	3,043,781	*3,040,830	3,032,176
COAL EXPORTS (BUREAU OF MINES)—Month of May:			
U. S. exports of Pennsylvania anthracite (net tons)	616,931	424,145	628,255
To North and Central America (net tons)	358,658	*266,626	421,343
To South America (net tons)	33	------	1
To Europe (net tons)	195,297	157,519	206,911
To Asia (net tons)	62,943	------	------
To Liberia (net tons)	------	------	------
COPPER INSTITUTE—For month of June:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	71,606	*81,258	87,678
Refined (tons of 2,000 lbs.)	92,118	98,139	105,221
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	45,653	32,566	112,677
Refined copper stocks at end of period (tons of 2,000 lbs.)	166,925	128,441	72,315
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of May:			
Contracts closed (tonnage)—estimated	115,903	*98,629	141,764
Shipments (tonnage)—estimated	167,976	*179,056	136,915
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE—Month of June:			
Deliveries (number of cars)	9,121	9,525	Not avail.
Backlog of orders at end of month (number of cars)	42,813	52,281	122,181
MAGNESIUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of May:			
Shipments (in pounds)	756,000	537,000	448,000
METAL OUTPUT (BUREAU OF MINES)—Month of May:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	67,305	*72,657	74,779
Gold (in fine ounces)	150,941	*163,456	155,555
Lead (in short tons)	36,366	*37,272	33,263
Silver (in fine ounces)	3,517,035	*3,481,095	3,280,285
Zinc (in short tons)	53,769	*58,285	51,927
BUSINESS INVENTORIES, DEPT. OF COMMERCE—Month of May (millions of $):			
Manufacturing	$30,823	$31,266	$29,437
Wholesale	7,884	8,152	7,801
Retail	13,831	14,344	13,992
Total	$52,538	$53,762	$51,230
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1939=100—As of May 15:			
All items	169.2	169.7	170.5
All foods	202.4	202.8	210.9
Cereals and bakery products	170.1	170.3	171.1
Meats	232.3	234.4	244.2
Dairy products	182.6	184.9	204.8
Eggs	190.9	183.8	184.9
Fruits and vegetables	220.7	218.6	218.0
Beverages	207.2	208.2	204.6
Fats and oils	144.4	149.8	196.6
Sugar and sweets	176.1	176.2	173.0
Clothing	191.3	192.5	197.5
Rent	120.4	120.3	116.7
Fuel, electricity and refrigerators	135.4	137.4	131.8
Gas and electricity	96.9	96.8	94.1
Other fuels	182.7	187.8	178.5
Ice	140.1	140.5	133.7
Housefurnishings	189.5	191.9	193.6
Miscellaneous	154.5	154.6	147.5
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of May:			
Death Benefits	$119,043,000	$124,889,000	$103,455,000
Matured endowments	37,318,000	37,960,000	32,986,000
Disability payments	7,385,000	8,013,000	7,472,000
Annuity payments	19,998,000	19,256,000	18,164,000
Surrender values	48,593,000	48,837,000	36,090,000
Policy dividends	42,061,000	46,348,000	40,377,000
Total	$274,398,000	$285,303,000	$244,544,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE)—Month of April (millions of dollars):			
Inventories:			
Durable	$15,158	$15,280	$13,692
Nondurable	16,203	16,513	15,469
Total	$31,366	$31,793	$29,161
Sales	16,737	18,107	17,229
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of June:			
Industrials (125)	7.22	7.29	5.30
Railroads (25)	9.23	8.91	5.30
Utilities (25)	6.33	6.26	5.68
Banks (15)	4.76	4.75	4.54
Insurance (10)	3.52	3.38	3.34
Average yield (200)	7.00	7.04	5.31
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of May (000's omitted):			
Exports	$1,077,200	$1,148,300	$1,102,000
Imports	539,400	539,400	549,428
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of June 30	$252,797,635	$251,912,480	$252,365,707
General fund balance	3,470,403	3,162,635	4,932,021
Net debt	$249,327,232	$248,749,845	$247,433,686
Computed annual interest rate	2.236%	2.234%	2.182%

*Revised figure.

Truman Program Dangerous!

(Continued from page 6)

do not pay a direct income tax as they are on the income taxpayer.

Mr. Truman said "Businessmen should take advantage now of opportunities for modernizing their plants and for new business investment" but taxes are so heavy that any man who takes a risk and succeeds will have to pay the Government a large proportion of his profit, whereas if he loses he loses his own money. To maintain full employment Mr. Truman admits that there must be a constantly expanding economy. New plants, new services, new machinery and more jobs. But if taxes are so heavy as to discourage all investment there will be no expanding and there will be fewer jobs. If taxation becomes too heavy the Government will be forced to take over more industries, and finance expansion itself. With more expense to the Government and a smaller private industry to pay the tax bill we will soon reach a point in which the Government alone can operate industry. Excessive taxation is about as certain a way to socialize the country as any other way.

"Purchasing Power" Theory Erroneous

Mr. Truman says that his programs are supporting "purchasing power" because the Government is paying out a lot of money. If the Government would let the people keep their money instead of taking it away in taxation you would have just as much purchasing power and a lot more freedom, because you would spend your money for what you want instead of having the Government spend it for services which you may or may not want and may never receive. The prosperity of this country has been built not on Government spending but on the vast market for goods provided by 140,000,000 independent Americans. No — we have reached a point where increased taxation will prevent the very prosperity necessary to produce the taxes. We have come to a point where we must determine the limit of our tax burden and then cut our expenses to meet our income and pay something on the national debt. Every individual in this country has to give up things he would like to have because he hasn't got the money to pay for them. The Government is no different from any individual.

Government Can Cut Expenditures

It is complete nonsense to say that the Government cannot cut its expense. There is not a bureau in Washington which couldn't cut out 10% of its personnel and be more efficient. There are lots of desirable projects, some of them we could do without and every one of them can be cut. An average 10% reduction would balance the budget. Any President except one obsessed with the panacea of Government spending would have cut his budget to meet the revenue provided by the people.

President Truman blames Congress for not cutting the budget more than it has. When we adjourn there will be substantial cuts in his recommendations but we should have done a much better job. Unfortunately, whenever any economy is proposed the President and his departments rush to the public with their propaganda and stimulate a sentiment in favor of that particular project. Many people who are in favor of economy in general insist on their favorite spending proposals. Many of them today insist that we increase President Truman's budget by a $1½ billion this year and many more billions in the future to build up the armies of every country in Western Europe. The welfare of the world depends more than any other one thing on the prosperity of the United States. We cannot afford to wreck it by going too far in subsidizing the entire world.

The 80th Congress reduced taxes by $5 billion and took 7 million taxpayers among the lowest income groups off the income tax rolls altogther. They did it because they determined that the then existing tax burden was dangerous and a threat to future expansion. The President refused to accept that judgment of the people and now insists on a deficit spending policy when the country is enjoying an average prosperity.

If we wish to recover from the present recession, if we wish to get back to full employment and a steady annual increase in the standard of living, then the first firm foundation must be a solvent efficient Government spending economically for those projects which the people can afford and which they approve. That spending must be within the means of a private enterprise system and not so great as to destroy the freedom and liberty which alone can make that system succeed. Congress disagrees with Mr. Truman because they represent the belief of the American people that Government shall be the servant of the people's interest and not their powerful dictator.

Not a Negative Congress

The present Congress is not a negative Congress although its great merit will be that it has prevented changes which would affect the whole nature of our Government and the character of the American republic. Affirmatively its program is (1) reduce expenses and avoid a tax increase; (2) adopt a welfare program to give Federal aid to States to help them do a better job in education, health, housing and relief. This whole program would cost about a tenth of the President's compulsory health insurance alone. (3) Revise the Taft-Hartley Act to correct those features to which sound criticism has been directed but retain its basic principles of equal collective bargaining and union responsibility. The Senate passed that kind of a bill. (4) Maintain our aid to foreign countries but only to the extent absolutely essential to maintain peace without sacrificing the liberty and the security of the United States.

We have an educational job to teach the people what the administrative program really means. We have a job to convince them that no central Government can cure all the ills of the people, particularly by spending more money; that no central Government knows better than the people themselves what is good for them. Congress is fighting for the cause of free government, the cause of liberty, the cause of our local communities, our farmers, our workmen, our businessmen, to live their lives as they want to live them, the cause of the American republic.

Robert Nathan Wage Reports—Errors and Fallacies

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dismal results. Every corporation is a little PWA when it uses its reserve cash for exansion or for mitigating unemployment. However, such private PWA ultimately produces revenue instead of eating taxes, as the public PWA.

A fourth round of wage increases would aggravate the already great differential between earnings of brain and brawn. In Detroit, porters are earning more than school teachers. In Los Angeles, the laundress in a hospital receives more than the resident physician. In New York, truckmen delivering newspapers earn more than the reporters who write the news and thus create the truckmen's jobs. Unorganized professional classes, physicians, lawyers, civil engineers, earn average wages, in many cases, substantially less than laboring men whose preparation for work is brief and insignificant by comparison. How long can this trend continue?

Nathan's Errors and Fallacies

The basic statistical error is that Mr. Nathan's reports are based not on the decade 1930 to 1939 but on the high activity of the war period, 1939-1945, and the high activity of the post-war period, when deferred demands were creating super-normal business.

Everybody now knows that the steel industry will decline. Professional economists predicted this many months ago. **New orders for heavy industry have been declining steadily for over a year.** These are compiled monthly and published late by the U. S. Department of Commerce and are compiled weekly and published promptly by the Econometric Institute of New York. The Bulletin of the American Institute of Economic Research, published at Great Barrington, Mass., correlates metal prices and steel production since 1900. **A break in scrap metal prices is invariably followed by a decline in steel production.**

The President's Council of Economic Advisers and finally the President himself admitted that business is receding but apparently the CIO wishes to raise wages now before it is too late. Therefore, Mr. Nathan after admitting that business is in a downtrend, asks for a wage increase nevertheless. This is indeed a novel concept. The hitherto accepted theory was that when people could no longer buy at the prevailing price, they might buy at a lower price. Therefore, merchants with heavy inventories slash prices to move them. Any merchant that would raise prices in face of a declining demand would be regarded as quite irrational. That is precisely what Mr. Nathan recommends. **He would raise wages when there is a surplus of labor and when selling prices are falling.**

Mr. Nathan's basic fallacy is that he takes the tail-end industries which habitually hold up until a recession is well under way, like automobiles and steel. The depression began early in textiles, leather and shoes, household furnishings, radios, electrical appliances, movies, tires, retail trade, air transport and shipping. In all these industries there was early overproduction, price cutting, unemployment and declining weekly earnings. The steel and automobile industries will catch up in this parade of declining industries. The fact that the steel and automobile industries still show profits merely confirms that they always lag in the business cycle.

Robert Nathan should not base future high wages on past high profits. A chauffeur driving a car looks at the road ahead, not behind; whither he is going, not whence he came. Profits represent past operations but wage rates determine future operations. The Federal Reserve index has already declined in the first half of this year from 195 to 175. This decline was forecast accurately by the Econometric Institute on the basis of the decline in new orders received weekly. The stock market attempts to adjust to the future and not to the past. A wise labor leader and a sound labor consultant should do likewise. **Is this the time to raise costs?** Unions in other industries, like cotton textiles, have twice had their demands rejected by impartial labor boards and in one case, a woolen textile union refused even to demand a wage inrrease.

Mr. Nathan urges another fallacy. He says that a wage increase for the few organized workers is better than a price decline for the many unorganized consumers. This argument receives acceptance in high political quarters only because the steel workers, though relatively few, are organized as a pressure group whereas the consumers, though many, are unorganized and feeble. **How will a rise of wages of steel workers increase the purchasing power of a farmer buying a new tractor** or a physician buying a new automobile or a postman's wife buying a new electric iron?

Mr. Nathan is repeating the arguments presented in 1945 and 1946 by government economists. **On August 15, 1945,** the Report of the Director of Reconversion, written by **Mr. Nathan, forecast unemployment of 5 million or more within three months and 8 million or more by the following Spring.** The argument then was that a rise in wages would avert unemployment. But instead of the recession forecast by the government economists, we had a boom. **The Government forecasters were thus bailed out because they were wrong.** However, in 1949, the recession is already upon us and the argument for an increased wage has already been rejected in those industries that declined early. The trick that worked in 1945 may not work in 1949.

Mr. Nathan repeats the trite argument that the buying power of the worker today is no greater than at its peak in June, 1946, just before the end of price control. To determine buying power he selected a period when wages were free and high and prices were controlled and low. However, a fairer comparison would be a base period used by the government, 1936-1939, or some other equivalent prewar period.

Mr. Nathan assumes that industry is able to raise wages without raising selling prices. But in a depression when there is a decrease in employment and in general purchasing power, selling prices actually fall to enable merchants to sell and consumers to buy shirts, shoes, radios, etc. So, when there is much unemployment, labor rates fall to induce employment. Perhaps the most rational explanation of **Mr. Nathan's argument is that to forestall a cut in wages, it might be best to ask for a rise. The best defense is attack.**

Concerning prices, Mr. Nathan presents a strange argument. He states that prices fell less than production and employment. But wages are rigid in unionized industries. In the national income account, this rigid factor, wages, constitutes 70%. The flexible factor is profits, about 5% to 6%, of which 3% to 4% is paid in dividends. True, prices fell less than production and employment because wage rates fell not at all. Mr. Nathan talks as if there were no relation between selling prices and wage rates or between income and expense.

Robert Nathan complains that pricing policies and a rise in profits caused a recession. However, selling prices had to be increased to cover both the rise in wages and the rise in cost of raw materials, plus a reserve for price declines and inventory shrinkage. In 1921, corporations were less cautious about reserves for price declines and a wave of bankruptcies followed. **But with the current more conservative policy of setting up reserves, corporations thus far suffered a decline in cash but are not as subject to the danger of bankruptcy as in 1921. Mr.** Nathan fails to use the integrated approach to price policy but only narrowly in relation to his objective of boosting wage rates.

Rising prices serve a two-fold purpose. They bring into production inefficient and high-cost mills which at lower prices would have to be idle. Again when prices are high, consumers defer demands and managers postpone construction, thus affording a cushion for a depression. Besides, compared to the prewar base, steel prices rose less than did copper, lead or zinc, and less than the average of wholesale prices.

As for steel profits, they rose recently chiefly because the price of scrap and other raw materials declined. If the price of scrap remains low, competition will cut the price of finished steel. However, Robert Nathan urges that because scrap and other sensitive raw materials are declining due to a recession, therefore less sensitive wages should rise. This is a non-sequitur.

Concerning general corporate profits, Mr. Nathan points out that for the first quarter of 1949, the rate of profits after taxes were $19 billion compared to a wartime peak of $10 billion. However, the total volume of wages for the same two periods shows a large increase also. An index of increasing cost of living applies to profits as well as to wages. Furthermore, his wartime peak of profits was under price and profit control and under an 85% excess profits tax.

The estimated profits of Mr. Nathan are unreal. They do not allow for adequate depreciation. Construction costs are now about three times the prewar level, but the Treasury Department will not allow the companies correspondingly to increase depreciation charges. Yet new machinery for replacement requires more dollars than the old machines now wearing out. Furthermore, profits are needed for expansion and for reserves.

Mr. Nathan states that the return on net worth is high. However, net worth is expressed in ancient dollars, some going back to 1913, whereas profits are expressed in 1949 dollars. To compare the 1913 or the 1939 dollar of net worth with the 1949 dollar of profit is like comparing full strength whiskey with diluted whiskey in a highball. When prices rise sharply or the value of the currency falls, **the percentage earned on net worth becomes meaningless. In France, companies' profits exceed 100% on their net worth during the great inflation** and in Germany over 1000% during the violent depreciation of the mark. The errors of semantics apply not only to words but also to numbers.

Mr. Nathan estimates that automobile profits were 27% on the investment in the fourth quarter of 1948. Is is correct to use a single quarter? Would it not be more scientific and more accurate to take a full cycle such as 1929 to 1932, or 1935 to 1938? Surely some time before this downtrend is completed, the automobile profits will be a small fraction of the figures estimated by Mr. Nathan. While the automobile industry was making 27% on the net worth, all manufacturing industries

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earned only 17%%. Therefore, argues Mr. Nathan, wages should be increased in the automobile industry. However, if the average is only 17%, then surely some companies must have earned very little or even had a deficit to offset the high earnings of the automobile industry which will decline later. But would Mr. Nathan urge that even the less profitable industries also raise their wages? He does not advocate reducing them, even for the severely depressed industries.

Robert Nathan's great fallacy concerns capacity of operations. He states that at 90% of capacity the U. S. Steel Corporation, for example, could increase wages 20c an hour, cut prices 5%, and still earn 1948 profits. However, taking a long period of years, the U. S. Steel Corporation has averaged less than 70% of capacity and in the prewar decade considerably less, in some years at 40%. How long is the 90% capacity likely to continue? **Since 1901, operations of 90% or more are short-lived in peace time.** When steel demand falls sharply, profits may be cut by 75% or even turn to a deficit. At that time the CIO will keep a stony silence about their fourth wage increase or look like injured innocence itself.

Some competent accounting firm, and not Mr. Nathan, should be asked to prepare a table of estimated profits, assuming operations at capacity, 90%, 80% and down to 30%. No bookkeeper would underwrite such illogical and untenable conclusions as Mr. Nathan's concerning increasing wages and cutting selling prices on the assumption that steel will long operate on a high stable level of capacity.

Mr. Nathan justifies a steel wage increase on rather filmsy grounds. Comparing the full year 1946 with the fourth quarter of 1948, profits of all manufacturing companies, including deficit companies, rose 2.0 times, but in steel rose 3.5 times. Obviously there were some unprofitable industries at the other end of the scale. Steel, being a laggard and finishing off last in the boom, obviously would do better at this moment. However, let Mr. Nathan compare steel and other industries over the full decade 1930-1939, and this momentarily favorable comparison of the steel industry will no longer prevail. Indeed, it will show a far worse pattern than industry in general.

Mr. Nathan's remedy for everything is increased wages, both to check inflation and to check deflation. No matter whether production is rising or falling, the permanent slogan is "Raise Wage Rates." In deflation when prices yield to lack of demand, Nathan sees a severe depression and prescribes that **the only escape for everybody is to raise the wages for his clients.**

What are the Remedies?

The alternate to Robert Nathan's proposals seem obvious. **Where demand declines, selling prices must be cut,** as in shirts, shoes, radios, electric appliances, etc. **In these industries wages are not being raised.** They cannot be. Instead, unemployment has left the more efficient workers, who have a greater output and, therefore, lower costs per unit. Thus, after price-cutting to liquidate inventory, these industries have continued to produce at lower costs and selling prices to meet diminished purchasing power.

Again what Mr. Nathan should seek is to diminish, not to widen, the spread between the high wages of unskilled workers and the low wages of government employees and the professional classes. The obvious policy should, therefore, be also to cut wages if profits decreased or losses were incurred.

However, this is unlikely. The UAW made a contract with General Motors whereby wages would move with the cost of living, but when the cost of living declined, the contract was canceled. Apparently **Mr. Nathan's wage policy is a one-way valve, always up and never down. Is it fair to apply in business the policy of "Heads I win; tails you lose"?**

As a positive recommendation, let the CIO consider several simple alternatives. If the profits for one quarter are held out as a basis for wage increases, **let the wage increase take effect for one quarter only, subject to revision when the next quarter's profits appear.** Or, use a sliding scale of wages which moves down and up, with the percentage of capacity, as the British did in several industries.

With good will on both sides, it should be possible to **devise a sliding scale of wages which would move down as well as up, depending upon the volume of profits, the cost of living or the percentage of capacity,** instead of Mr. Nathan's rigid high wage rate per hour, in the face of declining employment. It would be better to seek full employment by means of variable costs based on variable wages. **The constant objective should be full employment not high wage rates. What good is a high rate if there are no wages?**

Mr. Nathan concludes his report with the recommendations on public policy. After penalizing private investors, he would reduce taxes to stimulate domestic investment and at the same time would increase subsidies to the farmers, embark on large public works and increase social insurance in many fields. His ends and means again are obviously inconsistent. His front wheels and hind wheels are moving in opposite directions.

The State of Trade and Industry

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is in addition to $315,984,763 municipal issues and $86,145,000 Federal Intermediate Credit Banks, altogether adding up to $1,644,136,805.

* * *

Another interesting circumstance this past week was the Associated Press statement by William Gage Brady, Jr., Chairman of the National City Bank of New York, who when interviewed in Paris, France, stated that in his opinion "there is no depression in the U. S."

The lack of 3,800,000 jobs is not serious, says Mr. Brady, adding that we have had nearly that number of unemployed as a normal thing including some who won't work and others who are on vacation or transferring from one job to another. Mr. Brady believes we could have between five to six million unemployed without considering it abnormal inasmuch as our national payroll includes over 59,000,000 workers. Mr. Brady went on to say that "in America and in the whole world a lot of hard work needs to be done to bring about normal trade and industrial conditions.

"Prices are going down in the United States and that is a good thing. Many of us hoped for it to begin two or three years ago. Prices of some commodities have found bottom and are rising again. This is already true of textiles and shoes. Nonferrous metals—lead, zinc and copper—have gone down and now are coming up.

"Steel production has dropped and salesmen of the steel companies are out on the road competing for business. That is the way we have always done in America, and it is the way we are beginning to do now."

In reply to questions, Mr. Brady said mercantile houses were reducing their inventories and in some lines were beginning to buy again. They stocked up heavily when goods were hard to get. Now they can buy what they want, when they want it. Production has caught up with demand in many lines.

Mr. Brady stated that American mercantile houses were in good condition and had not been pressed by banks to clear out their stocks. As a matter of fact, he added, few of them have borrowed money.

* * *

One of the country's leading economists, Dr. Charles F. Roos, President of the Econometric Institute, Inc., this city, and his organization have just completed a study on what to expect in the 11-year period from 1950 through 1960. Dr. Roos' conclusion is that there is no depression, such as rocked the nation's economy in the early 1930's, in sight for another 11 years at least. His prognostication is predicated on two factors:

(1) That the forces of enterprise will be allowed to continue to work toward higher standards of living and greater general welfare, and (2) that no actions of a seriously upsetting nature to the economy be taken by the Federal Reserve Board or the United States Treasury.

Dr. Roos and his organization have just completed a study on what to expect in the 11-year period from 1950 through 1960. Their conclusion is that business generally will be good, although conditions will vary from the low to the high points during these years.

In several of the years, especially in the late 1950s, it is the belief of Dr. Roos that the economy will be operating at higher levels than in the record peacetime year of 1948. On the other hand, business in 1950 and 1951 may not quite match that of 1949, which is turning out to be a fairly high-level year despite the prevailing recession.

STEEL OPERATIONS FOR CURRENT WEEK UP 0.6%

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 78.3% of capacity for the week beginning July 18, 1949, as against 77.8% in the preceding week, or an increase of 0.6%.

This week's operating rate is equivalent to 1,443,500 tons of steel ingots and castings for the entire industry, compared to 1,434,300 tons a week ago, 1,555,900 tons, or 84.4% a month ago, and 1,678,100 tons, or 93.1% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

According to "Iron Age," national metalworking weekly, "the steel labor truce will not send steel sales zooming skyward but it should mean a temporary pickup in the industry. Some buyers will begin watching low inventories more carefully to keep from being caught short in case of a deadlock this September. And some orders that were to be placed this fall will be entered now. A few other buyers had already built up excess stocks, giving an added push to steelmaking operations during the past few weeks.

"The biggest demand for steel to counter last week's strike threat came from the automobile industry. This week no major automobile producer has less than 30 days' steel on hand and some items reportedly will last 90 days. In cases where additional steel was not bought by the motor car makers many of their orders were stepped up so that entire July commitments were shipped out of the mills before the middle of the month.

"The net effect of these two trends is expected to balance out to no mad rush to buy steel during the next month or so, but to produce a little more buying than might normally have been expected. Last week steel sales offices booked very few orders. Some reported less than a tenth of the previous week's bookings, due apparently to the strike threat."

Another factor beginning to guide purchasing agents in their steel buying, "Iron Age" states, is the possibility that the President's fact-finding board may rule in favor of the union. If the steel companies then agreed to some concession it would boost steelmaking costs. It would mean that there is no use waiting for lower steel prices.

STEEL PRODUCTION DECLINED SHARPLY DURING JUNE

Steel production declined in June for the third consecutive month and fell to the lowest point in more than one year, the American Iron and Steel Institute announced last week.

The 6,501,332 tons of ingots and steel for castings made in June showed a drop of more than 1,000,000 tons from the May figure, and a decline of nearly 1,900,000 tons from the record production of March.

Steelmaking furnaces were operated in June at an average of 82.2% of capacity, the lowest monthly rate since April, 1948. It was 10.7 points lower than the May average and 20.5 points lower than March. For 10 consecutive months prior to June, operations had averaged above 90% of capacity.

Because of the record high production in the early part of this year, total output of raw steel in the first six months of 1949 established a first-half record at 45,928,476 tons, or more than 2,800,000 tons for the first half of 1948.

In the half-year, steelmaking furnaces were operated at an average of 96.3% of capacity, against 92.0% of capacity in the first half of 1948.

Production of the second quarter of 1949 totaled 21,876,330 tons, or an average of 91.2% of capacity during the second quarter, against 101.5% during the first quarter of 1949.

* * *

CARLOADINGS CONTINUE LOWER DUE TO JULY 4 HOLIDAY

Loadings of revenue freight for the week ended July 9, 1949, which included the July 4 holiday, totaled 595,321 cars, according to the Association of American Railroads. This was a decrease of 48,861 cars, or 7.6% below the preceding week due to the holiday. It also represents a decrease of 159,779 cars, or 21.2% below the corresponding week in 1948, and a decrease of 211,796 cars, or 26.2% under the similar period in 1947, which did not include the July 4 holiday.

ELECTRIC OUTPUT RISES IN PAST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended July 16, was estimated at 5,342,107,000 kwh., according to the Edison Electric Institute. This represented an increase of 359,934,000 kwh. over the preceding week, 144,649,000 kwh. or 2.8% higher than the figure reported for the week ended July 17, 1948, and 609,673,000 kwh. in excess of the output reported for the corresponding period two years ago.

RETAIL TRADE DIPS, WHOLESALE VOLUME RISES, MANUFACTURING UP SLIGHTLY, DUN & BRADSTREET SUMMARIZES IN ITS WEEKLY TRADE REVIEW

Retail Trade Dips—Retail dollar volume declined slightly in the week ended this Wednesday, July 13; it was very moderately below the high level of the corresponding week a year ago. Consumer interest was sustained in many localities by aggressive promotional sales. There were clearance sales of seasonal merchandise in many sections.

Total retail volume in the week ended Wednesday, July 13, was estimated to be from 3 to 7% below a year ago.

Wholesale Volume Rises—Following the lull of the previous holiday-shortened week, buyer activity increased moderately. The dollar volume of wholesale orders rose slightly in the week ended Wednesday, July 13; it was somewhat below that of the corresponding week last year.

Manufacturing Up Slightly — Many plants increased operations after the holiday observance in the preceding week. Total industrial production rose slightly in the week ended Wednesday, July 13; it continued to be moderately below the high level of the similar week last year.

FOOD PRICE INDEX UP SLIGHTLY FROM PREVIOUS WEEK'S LOW LEVEL

Continuing its up and down movement, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 2 cents to stand at $5.68 on July 12, from the year's low of $5.66 the week before. The current level represents a drop of 22.8% below the all-time high of $7.36 recorded on the corresponding date a year ago.

Commodities that moved upward in the week were flour, wheat, corn, rye, barley, hams, milk, coffee, cocoa, eggs, potatoes, raisins and lambs. On the down side were oats, lard, butter, cheese, cottonseed oil, prunes and hogs.

The index represents the sum total of the price per pound of 31 foods in general use.

COMMODITY PRICE INDEX REFLECTED A SLIGHTLY HIGHER TREND IN LATEST WEEK

Although daily movements were small, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished slightly higher last week. The index closed at 238.65 on July 12, comparing with 237.45 a week previous and with 283.88 a year ago.

Grain markets in the past week developed considerable strength as volume of trading on the Chicago Board of Trade rose to the highest level since early February.

Wheat advanced sharply on good buying support induced by a resumption of flour buying, coupled with unfavorable crop reports from spring wheat areas. Another factor was the re-entrance of the government in the cash wheat market.

Corn was steady and firm throughout the period. In line with trade expectations, the government crop report as of July 1, showed a sizable drop in its estimate of this year's wheat production.

The total 1949 wheat crop was placed at 1,188,690,000 bushels. This represents a decline of 148,286,000 bushels from its forecast of a month ago. It compares with a 1948 yield of 1,288,406,000 bushels, and a 10-year average of 991,950,000 bushels.

The corn crop for this year was estimated at 3,530,185,000 bushels, only slightly under last year's record of 3,650,548,000, and considerably higher than the 10-year average of 2,787,628,000 bushels.

Following a period of protracted dullness, there was a flurry of activity in the flour market early last week, with bookings reaching the highest volume for several months. Buying was concentrated in hard winter wheat flours as some of the larger bakery interests covered for more extended periods than for many months. Coffee was higher although trending somewhat easier at the close.

Trading in cocoa was moderate with prices holding steady. Fats and oils continued weak. Lard prices sagged to the lowest levels in many years. Livestock markets were generally steady.

Cotton prices were mostly steady at a slightly lower level than those prevailing a week ago. Easiness was attributed to liquidation and profit-taking, the generally favorable reports as to the progress of the new crop, and reports of further curtailment in domestic cotton mill activity.

Trading in the ten spot markets last week dropped to the lowest levels of the season, totaling 31,900 bales for the week, against 36,100 the previous week, and 35,400 in the like week a year ago.

In cotton textiles, sales volume continued small, although some houses reported an increase in inquiries for goods, particularly print cloths for Fall delivery.

Withdrawals of cotton from the 1948 loan stock were reported at only 19,400 bales in the week ended June 30, as compared with 18,665 bales a week previous, and a peak of 96,815 bales during the week ended June 2. The acreage planted to cotton this year, according to the first official report of the Department of Agriculture, was placed at 26,380,000 acres, or 14.2% above last year's plantings of 23,110,000 acres.

WEEKLY AUTO OUTPUT BREAKS ALL-TIME RECORD

The weekly auto industry output of cars and trucks for U. S. A. and Canada is larger than any previous week for over 20 years in its history. This latest weekly production record reached 155,350 units, comparing with 153,647 units achieved in the week ended May 4, 1929.

This past week's combined output of 155,350 cars and trucks compares with 118,611 the previous week, 120,741 a year ago and 109,921 in the corresponding 1941 week.

Production for the year to date is estimated by Ward's Automobile Reports at 2,524,261 cars and 675,042 trucks in U. S. A., plus 96,812 cars and 58,843 trucks in Canada, or a 1949 total of 3,454,958 cars and trucks for both countries. The American and Canadian production record of 5,621,045 motor vehicles for the year 1929 stands as the industry's record year.

In the two working weeks this month, the auto output of cars and trucks in the American area reached 285,300 with a prospect of a 600,000 total vehicles if no unforeseen stoppages occur during the remaining two July weeks, according to an Associated Press dispatch from Detroit and published in the New York "Herald Tribune" July 19.

BUSINESS FAILURES INCREASE

Dun & Bradstreet's report a slight increase in commercial and industrial failures for the week ending July 14, to 167 from 153 in the preceding week, exceeding the 91 and 49 failures which occurred for the comparable weeks of 1948 and 1947. Failures, continuing below the prewar level, were 61% of the comparable 1939.

COAL PRODUCTION IN A THREE-DAY WORK-WEEK ERA

For the first of the "three-day" work weeks imposed by John L. Lewis, bituminous coal production was 4,880,000 tons last week, which is half the output for a normal week. Production for the same week last year was 9,841,000 tons, an abnormal week because of the July 4 holiday while for the week ended June 25 this year, production was 11,850,000 tons. For the week ended July 2, when the union miners went on their yearly paid vacations, production was only 1,360,000 tons.

LEADING DEPARTMENT STORE SALES CONTINUE DECLINE

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to July 9, 1949, declined by 11% from the same period last year. In the preceding week a decrease of 15% was registered below the similar week of 1948. For the four weeks ended July 9, 1949, a decrease of 11% was reported under that of last year. For the year to date volume decreased by 7%.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 9, 1949, decreased by 7% from the like period of last year and compared with a decrease of 10% (revised) in the preceding week. For the four weeks ended July 9, 1949, sales registered a decrease of 8% from the corresponding period a year ago and for the year to date a decline of 4%.

Observations

(Continued from page 5)

the action of the directors in passing the common dividend should be supported by complete disclosure of financial condition.

Yours very truly,

————————

Stockholder.

The Chairman's Letter Referred-to Above

To the Common Stockholders of
The ———— Company:

While our dollar sales volume for the first six months of the current fiscal year compared with the same period a year ago shows a small increase, the results of the company's meat divisions have not been satisfactory.

The principal reason for these unsatisfactory results has been the continuously declining market for most of our products since last September. During such a trend over an extended period of time it is difficult to prevent or offset inventory losses on the heavy tonnage that is in process or in transit in our business at all times. Another factor has been the steadily maintained and extremely active competition for all classes of livestock, a condition which frequently has made it impossible for us to buy our livestock supplies (the raw material of our industry) on a basis permitting is to realize a favorable price for the finished product.

Under the circumstances, the Directors of your Company, in keeping with their long-established conservative policy, consider it advisable to withhold dividend payments on the Common Stock until improved conditions place us in position to resume payments from the profits of the business without hazard to the financial structure of the Company or the soundness of its credit position.

While we regret the trends that have made this action necessary we feel that a long range view of the situation is encouraging. All indications point to an increase in our meat supply and to a continued good demand for meat and allied food products by consumers. Heavier supplies of livestock mean increased tonnage and lower unit operating cost and should assist in stabilizing the price of livestock and finished products on a profitable basis. Every effort will be made to resume payments of Common Stock dividends at the earliest possible date.

Yours very truly,

————————

Chairman of the Board of Directors.

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Employee-Ownership and Unionism Abroad

An interesting sidelight on employee-stockownership—broached as a constructive step in this column of July 7—comes to our attention from Norway. In a recent "question and answer" department of the country's Labor daily newspaper *"Arbeiderbladet"* there recently appeared the following query submitted by "Several Union Members" under the heading, "Can a Worker be a Stockholder?":

"As the factory at which we are employed is about to be made into a limited stock company, and a number of the workers wish to become stockholders, we would like to receive an answer to the following question:

"Is it contrary to the bylaws of the Norwegian Federation of Labor for a worker to own stock in the company, and if so, is it possible to obtain a dispensation from this ruling?"

The answer, representing the opinion of the government press, was:

"There is no general ruling against workers owning stock, but the answer will, of course, depend on the degree of superiority which stock ownership brings about in relation to the other workers in the company. The result may be an antagonism between the workers, inasmuch as some of them actually become employers. We would suggest, therefore, that you discuss this matter with the union concerned and secure its permission."

This negative attitude by union labor has been viewed with great concern by the editor of *"Farmand,"* a liberal anti-collectivist weekly published in Oslo, who has commented as follows:

"This is interesting. As well as discouraging. The Norwegian Labor Union members are, then, indeed tied hand and foot to such an extent that they are not even permitted to invest their savings freely and in accordance with their own wishes. Norwegian union members must ask their unions for permission to become stockowners and employers!

"We have previously stated that the labor unions have organized Norwegian workers — once the freest in the world — so thoroughly that they have lost their sense of freedom and their instinct of liberty. Here is a proof.

"There is another side to the question. The reluctance against Norwegian workers becoming stockholders and employers is altogether reactionary. It obstructs and hinders the social mobility which is one of the most wholesome aspects of a real democracy.

"After the First World War, the Norwegian Communist Carsten Boyesen was bitterly opposed to the workers having summer bungalows and flagpoles. So far as we could understand, he was greatly concerned lest this might dampen the revolutionary zeal of the workers. We recall an ironical statement by the Norwegian author Gunnar Heiberg. The women are now dressing up for each other; they have forgotten the real goal: The Man.

"Here in Norway, the Freia Chocolate Factory has—as in so many other fields—been pioneer in industrial partnership and tried to introduce workers' shares. The plan was no success. We recall a meeting in the TUC-House in Oslo in which the offer was being discussed. The reception could not be more chilly.

"We never understood why sensible workers should refuse the offer, **but it was obvious that orders had been issued not to become stockholders. Was it some kind of fear lest the workers 'get bungalows' and become satisfied?**

Eyes on United States

"We learn that in America in the firm Sears, Roebuck & Co., 96,000 employees and workers own shares in the company, which they have been given the opportunity to purchase on reasonable terms. Today, these shares have a market value of $216 million. Today, the largest single stockholder in the company is the 'Employee's Fund,' which owns 19% of all outstanding shares.

"The savings of the employees and workers are—judged by Norwegian standards—almost incredibly large. Some have saved $2,000—others $12,000—the record is held by a warehouse foreman who retired recently at the age of 60, with accumulated savings of $134,423 in cash and company shares.

"In Norway, however, the workers are mistakenly obstructed by their unions from purchasing stock. We now have—according to the government press—a reluctance against workers taking a financial interest in their company and in becoming 'employers.'

"With the consent of the non-socialist parties, the government has been given permission to spend money for propagating for 'Increased Working Efficiency.' This committee has primarily concerned itself with government propaganda," *"Farmand"* continues.

"Would it not be an idea for the committee to look into *this* matter and take up for discussion such factors as *personal ambition and the opportunity to better one's lot in life?* For here we are at the real source of working efficiency, or rather, lack of working efficiency in Norway today."

NORWEGIAN SOCIALISTS ARE WISE ENOUGH TO RECOGNIZE THE DANGER OF EMPLOYEE-STOCKHOLDING TO THEIR STRATEGIC INTERESTS—LET US TAKE NOTE HERE!

Fed. Reserve Amends Regulations T and U

The Board of Governors of the Federal Reserve System on July 20 announced that Regulation U, relating to margin requirements, has been amended to remove margin requirements applicable to credit for financing the functions of specialists on an exchange designated by the Board. The New York Stock Exchange has been so designated.

The Board has also amended Regulation T so as to provide that in the special cash account the seven-day period within which payment must be obtained for a so-called "when distributed" security which is to be distributed in accordance with a published plan may run from the date when the security is distributed rather than from the day of agreement to purchase it.

The text of the amendment (No. 11) to Regulation U reads as follows:

"Effective July 20, 1949, Section 3 *(o)* of Regulation U is hereby amended to read as follows:

"*(o)* In the case of a loan to a member of a national securities exchange who is registered and acts as a specialist in securities on the exchange for the purpose of financing such member's transactions as a specialist in such securities, the maximum loan value of any stock shall be as determined by the bank in good faith provided that the specialist's exchange, in addition to other requirements applicable to specialists, is designated by the Board of Governors of the Federal Reserve System as requiring reports suitable for supplying current information regarding specialists' use of credit pursuant to this Section."

The amendment (No. 10) to Regulation T is as follows:

"Effective July 20, 1949, Regulation T is hereby amended in the following respects:

"(1) The last sentence of Section 4 *(c)* (3) of Regulation T is amended to read as follows:

"If the security when so purchased is a 'when distributed' security which is to be distributed in accordance with a published plan, the period applicable to the transaction under subdivision (2) of this Section 4 *(c)* shall be seven days after the date on which the security is so distributed.

"(2) Section 4 *(g)* of Regulation T is amended to read as follows:

(g) Specialist's Account—In a special account designated as a specialist's account, a creditor may effect and finance, for any member of a national securities exchange who is registered and acts as a specialist in securities on the exchange, such member's transactions as a specialist in such securities, or effect and finance, for any joint adventure in which the creditor participates, any transactions in any securities of an issue with respect to which all participants, or all participants other than the creditor, are registered and act on a national securities exchange as specialists such specialist's account shall be subject to the same conditions to which it would be subject if it were a general account except that if the specialist's exchange, in addition to the other requirements applicable to specialists, is designated by the Board of Governors of the Federal Reserve System as requiring reports suitable for supplying current information regarding specialists' use of credit pursuant to this Section 4 *(g)*, the requirements of Section 6 *(b)* regarding joint adventures shall not apply to such account and the maximum loan value of a registered security in such account shall be as determined by the creditor in good faith."

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● **Alabama-Tennessee Natural Gas Co., Florence, Ala.**
July 14 filed 90,000 shares ($1 par) common stock. **Price**—$9.60 a share. **Underwriter** — Scott, Horner & Mason, Inc., Lynchburg, Va. **Proceeds**—To be used for construction of a gas pipe line system.

● **Allied Van Lines, Inc., Chicago, Ill.**
July 13 (letter of notification) 16,000 shares of preferred stock ($10 par). Price, par. No underwriters. Working capital. Office, 1018 S. Wabash Ave., Chicago.

● **American-Israeli Financial Corp., New York**
July 15 (letter of notification) 300,000 shares of capital stock (par 75¢). **Price** — $1 per share. Underwriting, none. Develop commercial enterprise in State of Israel. Office, 377 Broadway, New York.

● **American-Israeli Hotel Corp., New York**
July 19 (letter of notification) 2,996 shares of cumulative preferred stock (par $100) and 1,124 common shares (no par). 1,500 preferred shares and 750 common shares will be offered in units of two preferred and one common share at $200.30 per unit. Thereafter 1,499 preferred shares and 374 common shares will be offered at $400.30 per unit of four preferred shares and one common share. Erecting hotels in State of Israel. Office 15 West 47th Street, New York.

● **Berman (Max) & Sons, Inc., Los Angeles**
July 11 (letter of notification) 1,600 shares of capital stock. **Price**—$100 a share. No underwriters. To aid the corporation's business in theatrical and motion picture costumiers.

Berry Motors, Inc., Corinth, Miss.
June 21 (letter of notification) about 4,300 shares (no par) common stock. To be sold for the benefit of R. Howard Webster, Montreal, Quebec, Canada at $11 or $12. **Underwriter**—Gordon Weeks & Co., Memphis, Tenn.

● **Braden Steel Corp., Tulsa, Okla.**
July 11 (letter of notification) 2,000 shares ($25 par) common stock and 900 shares ($50 par) preferred stock. **Price**—Common $30 per share; preferred $50 a share. Working capital. Office, 1007 East Admiral Blvd., Tulsa, Okla.

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.

● **Caltron of California, Monterey, Calif.**
July 13 (letter of notification) 25,000 shares of common stock. **Price**—$10 a share. No underwriters. Purchase of machine tool and other equipment. Office, Professional Bldg., 215 Franklin St., Monterey, Calif.

● **Canners Finance Co., Springdale, Ark.**
July 11 (letter of notification) $150,000 pre-organization subscription for benefit of the company. This corporation has not yet been formed. Subscriptions to be offered at $100 a share. No underwriters. Proceeds to provide capital for the corporation.

Capital City Telephone Co., Jefferson City, Mo.
July 5 (letter of notification) 3,000 shares of 4½% preferred stock ($100 par). Price, par. No underwriters. To redeem outstanding 6% and 7% preferred stock. Office, 319 Madison St., Jefferson City, Mo.

Carnegie Mines Ltd., Montreal, Canada
April 27 filed 500,000 shares of common. **Price**—60 cents per share. **Underwriters** — Name by amendment. **Proceeds** — For working capital, exploration, development and other purposes.

Central Electric & Gas Co. (7/26-29)
June 29 filed 132,874 shares ($3.50 par) common stock. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone and Webster Securities Corp., New York. Price and underwriting terms by amendment. **Proceeds**—to finance an $8,400,000 expansion program for two telephone subsidiaries.

Chicago Pump Co.
June 20 (letter of notification) 29,000 shares of 70-cent cumulative preferred stock. **Price**—$10 per share. **Underwriter**—Straus and Blosser, Chicago. To retire an interim loan of $250,000. Office, 2336 Wolfram Street, Chicago.

Citizens Credit Corp., Washington, D. C.
June 22 (letter of notification) 2,800 shares of Class A common stock ($12.50 par) and 1,400 shares (25¢ par) Class B common stock. To be offered in units of two shares of Class A and one of Class B stock for $29.75 per unit. **Underwriter**—Emory S. Warren & Co., Washington, D. C. **Proceeds**—General corporate purposes, including establishment of a small loan office in Mt. Rainier, Md.

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.

● **Collins Publishing Co., Inc., New York**
July 19 (letter of notification) 2,900 shares $5 preferred stock (par $100) and 70,000 common shares (no par), of which 3,600 common shares are being offered in exchange for assignment by present owner of all his right, title, etc., in and to a magazine, plus all copyrights thereto and 5,000 shares common are being withheld for distribution among heads of departments and key personnel. Price, preferred, par; common, 10c. Each purchaser of a preferred share has right to purchase 10 common shares. Operating costs in connection with business.

Columbia Gas System, Inc., New York (7/26)
June 29 filed $13,000,000 debentures, due 1974. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Morgan, Stanley & Co.; Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers and Goldman, Sachs & Co. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler. **Proceeds**—To finance construction program. **Bids**—Bids for purchase of debentures will be received up to 11:30 a.m. (EDT) July 26 at company's office, 120 East 41st Street, New York.

Consolidated Caribou Silver Mines, Inc.
March 30 filed 376,250 shares (no par) common stock. **Price**—$2.50 per share. An additional 50,000 shares will be sold to the underwriter at $1 per share for investment. **Underwriter**—William L. Burton & Co., New York. **Proceeds**—To develop mining properties. Temporarily postponed.

● **Coon Branch Coal Corp., Winona, W. Va.**
July 14 (letter of notification) $100,000 stock. **Price**—$100 a unit. Underwriter, none. Purchase of coal mines and mining equipment.

Cooperative G. L. F. Holding Corp., Ithaca, N. Y.
June 29 filed 44,088 shares 4% cumulative preferred stock. **Offering**—To be offered at $100 to farmer and non-farmer patrons of the G. L. F. Exchange and its affiliates. **Underwriting**—None. **Proceeds**—To replenish working capital.

Cooperative Grange League Federation Exchange, Inc., Ithaca, N. Y.
June 29 filed 1,200,000 shares ($5 par) common stock. **Offering**—To be sold to members and farmer patrons. **Underwriter**—None. **Proceeds**—To be added to working capital and used for general corporate purposes, including payment of $12,693,000 in loans to an affiliate, Cooperative G. L. F. Holding Corp.

Economy Forms Corp., Des Moines, Iowa
June 27 (letter of notification) 7,500 shares of preferred stock, of which 6,000 shares will be publicly offered and 1,500 shares will be offered to officers and employees without underwriting. **Price**—$25 per share to public, $23.75 per share to employees. **Underwriters** — T. C. Henderson & Co. and Wheelock & Co., Des Moines, Iowa. To buy additional equipment, plant additions, etc.

Emerson Radio & Phonograph Corp.
June 7 filed 235,000 shares of capital stock. **Underwriter**—F. Eberstadt & Co., Inc. The terms and price of the offering have not yet been determined, but the stock will not be sold below the market price on the New York Stock Exchange at the time of the offering. **Proceeds**—The shares to be sold are from holdings of Mrs. Benjamin Abrams, Mrs. Max Abrams and Mrs. Louis Abrams, wives of principal officers and directors of the company, and do not involve new financing by the company. Following sale of the shares, the Abrams family will own approximately 25% of the company's 800,000 shares of common stock.

● **Fundamental Investors, Inc., New York**
July 14 filed 1,250,000 shares of capital stock. **Underwriter**—Hugh W. Long & Co., New York. **Proceeds**—To be used for further investment.

Gas Industries Fund, Inc., Boston, Mass.
July 7 filed 340,000 shares ($1 par) common stock. Price, at market. **Underwriter**—Colonial Associates, Inc. **Proceeds**—For investment.

Geneva (Ohio) Telephone Co.
July 8 (letter of notification) $125,000 15-year 3¼% first mortgage bonds, series A, due July 1, 1964. **Underwriter**—The Ohio Co., Columbus, Ohio.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment, and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000 shares plus unsubscribed shares of the new common. Offering price of class A $5. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

Hawaiian Electric Co., Ltd., Honolulu
June 21 filed 150,000 shares of series E cumulative ($20 par) preferred and 50,000 shares of ($20 par) common. **Offering**—Preferred will be offered to preferred holders at 1-for-3 rate and common will be offered to common stockholders at 1-for-9 rate. **Underwriters**—Dillon, Read & Co. Inc. and Dean Witter & Co. will buy unsubscribed preferred; unsubscribed common will be sold either at public auction or to the underwriters. **Proceeds**—To pay off short-term promissory notes and to carry merchandise inventories and receivables or to replenish treasury funds. The balance would be used for other corporate purposes or construction.

● **HBNS Corp., New York**
July 18 (letter of notification) 20,000 shares of capital stock. **Price**—$10 per share. Stock being offered directly by company to officers and employees of Joseph Dixon Crucible Co. and members of their immediate family. Office, 1 Wall St., New York.

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.

Horwood Lake Gold Mines Corp.
Dec. 27 (letter of notification) 100,000 shares of capital stock. **Price**—$1 per share. **Underwriter**—Charles W. Warshoff & Co., Newark, N. J. For development of mining properties.

Idaho Maryland Mines Corp., San Francisco
July 7 (letter of notification) 9,000 shares of common stock. **Price**—$1.80 a share. Offering to be made by Errol Macboyle of San Francisco. **Underwriter**—E. F. Hutton & Co.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
Nov. 23 (by amendment) 180,000 shares ($10 par) common stock to be offered at $10 per share and 20,020 shares to be issued in exchange for $170,200 first mortgage bonds. **Underwriter**—Tom G. Taylor & Co., Missoula, Mont. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

Illinois Power Co., Decatur, Ill. (7/26)
June 30 filed $15,000,000 first mortgage bonds, due 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Glore, Forgan & Co. (jointly); The First Boston Corp. **Proceeds** — To repay short-term bank loans made to finance construction. **Bids**—Bids for the purchase of the bonds will be received up to 10 a.m. (CDT) July 26 at company's office, Room 1567, 231 South La Salle St., Chicago.

Kaman Aircraft Corp., Windsor, Locks, Conn.
May 23 filed 170,456 shares of class A non-voting common stock (10c per share non-cumulative dividend) and 11,362 shares of class B voting common stock. Price, $5.50 per share. **Underwriter**—None. **Purpose**—To acquire machinery, tools and equipment; to buy land and buildings; to produce 30 helicopters and accessories; to complete engineering changes; to setup sales and service departments; and to train service personnel.

Keller Motors Corp., Huntsville, Ala.
May 10 filed 5,000,000 shares (3¢ par) common. **Underwriter**—Greenfield, Lax & Co., Inc., New York. **Price**—$1 per share. **Proceeds**—For plant facilities, equipment and working capital to manufacture a low-priced, medium-sized station wagon.

Knox (Earl E.) Co., Erie, Pa.
June 14 (letter of notification) $150,000 first mortgage convertible sinking fund 6% bonds, due May 1, 1969. **Underwriter**—Reitzell, Read & Co., Inc., Erie, Pa. Price, par and interest. Retire $55,396 first mortgage bonds, working capital.

Maracaibo Oil Exploration Corp.
June 30 (letter of notification) 49,500 shares of capital stock (par $1). **Price**—$5 each. **Offering** — Offered for subscription by stockholders of record July 13 in ratio of one new share for each eight shares held. Rights expire Aug. 9. Underwriter, none but Alfred J. Williams, President, has agreed to exercise rights to buy 1,487 shares and his wife 651 shares, to which their holdings entitled them. Mr. and Mrs. Williams will buy 17,862 more shares if other stockholders don't buy this much. **Proceeds**—To develop properties in Louisiana, Texas and Kansas.

Maumee Oil Corp., Toledo, Ohio
May 12 filed 8,000 shares (no par) common, of which only about 2,614 shares will be offered publicly at $100 per share. No underwriter. For general working capital. SEC held hearing June 6 to determine whether a stop order should be issued suspending the effectiveness of the registration statement.

NEW ISSUE CALENDAR

July 22, 1949

New England Power Co.------------------Bonds

July 26, 1949

Central Electric & Gas Co.--------------Common

Columbia Gas System, Inc. 11:30 a.m. (EDT)------------------Debentures

Illinois Power Co., 10 a.m. (CDT)----------Bonds

July 27, 1949

Louisiana & Arkansas Ry. Noon (EDT)----------------Equip. Trust Ctfs.

Worcester County Electric Co., noon (EDT)-Bonds

Messenger Corp., Auburn, Ind.
May 25 (letter of notification) 6,000 shares of 6% cumulative convertible preferred (par $25). Price, par. Convertible into common stock at $10 per share. **Underwriters**—The First Trust Co. of Lincoln, Neb., and Cruttenden & Co., Chicago.

New England Power Co., Boston (7/22)
June 3 filed $5,000,000 of series C bonds due July 1, 1979. **Underwriters**—Awarded July 20 to Halsey, Stuart & Co. Inc. and associates on bid of 100.11 for 2¾s. **Proceeds**—Proceeds of bonds (and stock) will be used to pay off bank loans obtained for construction and to provide money for construction expenditures expected to be made. Offering expected July 22.

New Jersey Power & Light Co.
June 9 filed 20,000 shares ($100 par) cumulative preferred stock. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Kidder, Peabody & Co.; Smith, Barney & Co.; W. C. Langley & Co.; Lehman Brothers. **Proceeds**—Will be applied to the payment of the cost of, or in reimbursement of payments made for, construction of additions and betterments subsequent to April 30, 1949. Sale deferred until later this year.

New York & Cuba Mail Steamship, New York
June 17 filed 190,125 shares of 5.6% cumulative preferred ($25 par) stock, which Atlantic Gulf and West Indies Steamship Lines is offering in exchange for its own preferred (5% non-cumulative $100 par) at the rate of one Atlantic share for three shares of Cuba Mail preferred plus $25 in cash. No underwriting.

Nielsen Television Corp., New York
Feb. 24 (letter of notification) 4,000 share of 6% cumulative non-convertible preferred stock (par $25) and 10,000 shares of common stock (par 25¢). **Underwriter**—Charles H. Drew & Co., New York. **Offering**—To be offered in units of one preferred share and 2½ common shares at $25.625 per unit. Capital requirements. Present plans will be revised.

Northern States Power Co. (Minn.)
July 8 filed $15,000,000 first mortgage bonds, series due Aug. 1, 1979. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; Glore, Forgan & Co.; Smith, Barney & Co. **Proceeds**—Will provide part of the new capital needed for company's construction program.

● **Nutrine Candy Co., Chicago, Ill.**
July 12 (letter of notification) 1,000 shares ($1 par) common stock. **Price**—About $4¼ per share. Stock will be offered by Benjamin Goodman, donor, with proceeds going to the donees as charity.

● **O-Cel-O, Inc.**
July 13 (letter of notification) 12,500 shares of common stock (par $1). **Price**—$6 per share. To be offered for subscription by stockholders. Underwriting, none. Increase capital. Office, 1200 Niagara St., Buffalo, N. Y.

Oil, Inc., Salt Lake City, Utah
May 19 (letter of notification) 172,690 common shares (par $1). Price, par. **Underwriter**—Waldron & Co., San Francisco, Calif. To drill and equip five wells, working capital, etc.

Palestine Cotton Mills, Ltd., Tel Aviv, Israel
June 29 filed 300,000 ordinary (common) shares, one (Israeli) pound par value. **Underwriter**—The First Guardian Securities Corp., New York. **Price**—$5 each. **Proceeds**—To expand weaving facilities.

● **Pennsylvania Power & Light Co.**
July 20 filed 75,000 shares of 4½% cumulative preferred stock (par $100). **Underwriters**—The First Boston Corp. and Drexel & Co. **Proceeds**—Money will be added to general funds and will be used in company's construction program.

Power Petroleum Ltd., Toronto Canada
April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—P. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27.

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.

● **Saul (B. F.) Co., Washington, D. C.**
July 14 (letter of notification) $48,000 4¾% promissory notes. No underwriters. Notes were issued by Nathan J. Kahn in return for an advance of money from B. F. Saul. Proceeds to be used to reimburse B. F. Saul.

● **Self Cleaning Points, Inc., Malden, Mass.**
July 11 (letter of notification) 414 shares of capital common ($25 par) and 300 shares of common stock ($25 par). Price, par (both issues). No underwriters. **Proceeds**—414 shares are for benefit of company and 300 shares for benefit of Adolph K. Wihanto, President and Treasurer. Office, 127 Linden Ave., Malden, Mass.

Spring Coulee Perpetual Royalty Trust, Alberta, Canada
June 30 filed 1,120 units of non-producing landowners royalty trust certificates, at $247.50 a share. **Underwriter**—Thomas G. Wylie Co., New York City. **Proceeds**—For development purposes.

● **Stephens Printing Corp., Sandusky, Ohio**
July 12 (letter of notification) $100,000 5½% cumulative preferred stock ($100 par). Price, par. No underwriters. Working capital. Office, 2425 West Monroe St., Sandusky, Ohio.

Suburban Gas Service, Inc., Ontario, Calif.
March 31 (letter of notification) 4,000 shares ($25 par) series B preferred and 20,000 shares ($1 par) common—issuable upon conversion of preferred. **Price**—Preferred $25 per share. **Underwriters**—Wagenseller & Durst, Inc., and Lester & Co. To buy Antelope Liquid Gas Co.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriting**—None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

Trenton Chemical Co., Detroit, Mich.
March 30 filed 131,841 shares 6% cumulative convertible class B preference ($2 par). **Underwriters**—Straus & Blosser, Chicago; Carr & Co., Detroit, and Lester & Co., Los Angeles. **Proceeds**—To build chemical plant and to replace working capital used for capital additions.

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., Dallas, Texas. **Proceeds**—For general corporate purposes.

U. S. Rubber Reclaiming Co., Inc., New York
June 29 (letter of notification) $100,000 5% notes, 1,000 options to purchase 15,000 shares of convertible cumulative preferred stock and 15,000 shares of convertible cumulative preferred stock. Notes will be offered at par and interest for subscription by stockholders and Ladenburg, Thalmann & Co. and Milton Dammann, as underwriters, will purchase and hold as investment any notes not taken by stockholders. Each $100 unit will carry an option to purchase 15 shares of convertible cumulative preferred stock at $6 per share. Subscriptions to note are payable before 3 p.m., Aug. 15, next. Proceeds for working capital.

Upper Peninsula 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.

● **Vagim Packing Co., Fresno, Calif.**
July 13 (letter of notification) 2,500 shares of 6% cumulative preferred stock. **Price**—$100 a share. Underwriters, none. To augment working capital.

● **Vat-Craft Corp., New York**
July 13 (letter of notification) 500 shares series A 4% non-cumulative preferred stock (par $100) and 500 shares common stock (par $1). Price, par both issues. Underwriting, none. Research and development work. Office, 547 W. 110th St., New York.

Warren (Ohio) Telephone Co.
July 5 (letter of notification) 3,000 shares (no par) $5 dividend preferred stock. **Price**—$100 a share. No underwriters. To help capitalize $587,226.05 worth of hitherto uncapitalized expenditures.

● **Water Highways, Inc., Providence, R. I.**
July 13 (letter of notification) promissory notes up to a total of $75,000. No underwriters. For working capital and to meet current expenses in carrying trailers by ship from Providence to New York. Office, 2200 Industrial Trust Bldg., Providence, R. I.

Western American Life Insurance Co., Reno
March 30 filed 12,500 shares ($10 par) common stock. **Price**—$40 each. **Underwriter**—To be named by amendment. **Proceeds**—To qualify the company to sell life insurance in any state.

Western Oil Fields, Inc., Denver, Colo.
May 19 (letter of notification) 800,000 shares of common capital. Price, 25¢ per share. **Underwriter**—John G. Perry & Co., Denver, Colo. For working capital and drilling of wells.

Willcox & Gibbs Sewing Machine Co., New York.
June 6 (letter of notification) 6,000 shares of 5% cumulative convertible preferred stock, series B (par $50). To be offered for subscription by common stockholders of record June 28 at $50 per share in ratio of one preferred for each 25 common shares held. Rights expire 5 p.m. (EDT) July 15. **Underwriting**—None. Subscriptions payable to Central Hanover Bank & Trust Co., 70 Broadway, New York. To pay bank loans ($250,000), working capital.

Woodruff (S. D.) & Sons, Inc., Orange, Conn.
July 5 (letter of notification) $35,000 of 5% debentures, due 1964. **Underwriter**—Day, Stoddard & Williams, New Haven, Conn. To liquidate indebtedness and for additional working capital. Office, Old Grassy Hill Road, Orange, Conn.

Worcester County Electric Co. (7/27)
June 10 filed $5,500,000 of first mortgage bonds, series A, due July 1, 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Otis & Co. **Proceeds**—To be applied to payment of bank borrowings ($4,950,000) and for construction or to reimburse company for previous construction outlays. **Bids**—Bids for purchase of the bonds will be received at office of the president, 11 Foster St., Worcester, Mass., up to noon (EDT) July 27.

● **Workers Finance Co., Newark, N. J.**
July 13 (letter of notification) not to exceed $225,000 6% cumulative deferred 20-year debentures. Price, par. Underwriting, none. Finance business. Office, 138 Roseville Ave., Newark, N. J.

Prospective Offerings

Arkansas Power & Light Co.
June 29 reported company plans sale in September of $8,700,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.

California Oregon Power Co.
June 27 reported company may issue $7,500,000 bonds for expansion purposes. Probable bidders: Shields & Co. and E. H. Rollins & Sons (jointly); Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. and The First Boston Corp. (jointly).

California Oregon Power Co.
Company has applied to the California P. U. Commission for exemption from competitive bidding on a proposed issue of 250,000 additional common shares. Proceeds from sale would be used to repay loans and for expansion. Probable underwriters: Blyth & Co., Inc. and The First Boston Corp.

Cornucopia Gold Mines, Spokane, Wash.
Common stockholders of record June 30 will be given the right to subscribe for an aggregate of 191,500 additional shares (par 5¢) in a 1-for-5 ration at approximately 27½ cents per share. Rights will expire Sept. 13 and are exercisable at office of Old National Bank of Spokane.

● **Indiana Harbor Belt RR.**
July 18 reported company expects to sell in September $2,970,000 10-15 year equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

● **International Bank for Reconstruction & Development**
July 13 loans now under consideration by the Bank total about $100,000,000 and the institution is thinking of offering a new bond issue in that amount sometime after the turn of the year, Eugene R. Black, the Bank's President, disclosed. The management, Mr. Black said, is considering the advantages of offering the issue through competitive bidding, rather than through direct allotments to dealers, the method employed in earlier financing.

Iowa Power & Light Co.
May 12 reported company may be in the market this year with $7,500,000 first mortgage bonds and $3,000,000 common stock, the latter to be sold to United Light & Rys. Co. (parent). Bidders for bonds may include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co., and Union Securities Corp. (jointly); The First Boston Corp.; Glore, Forgan & Co., and A. G. Becker & Co. (jointly); Harriman Ripley & Co.

Iowa Southern Utilities Co.
Aug. 9 stockholders will vote on creating an issue of $3,000,000 cumulative preferred stock and increasing the authorized common from 360,000 shares to 560,000. Company plans to sell as much of the preferred issue as "can be marketed on advantageous terms." Probable underwriter: The First Boston Corp.

● **Louisiana & Arkansas Ry. (7/27)**
Company will receive bids up to noon (EDT) July 27 at 25 Broad St., New York, for the purchase from it of $5,640,000 equipment trust certificates series D, dated Aug. 1, 1949, due $235,000 semi-annually Feb. 1, 1950-1961. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

(Continued on page 38)

(Continued from page 37)

Montana-Wyoming Gas Pipe Line Co.

July 1 this company, recently organized, will be publicly financed, to build a pipe line costing $8,000,000, to bring gas from the Worland (Wyo.) Unit Area, being developed by Pine Oil Co., into markets now being served by Montana-Dakota Utilities Co. in eastern Montana, western North Dakota and the Black Hills region of western South Dakota. Montana-Dakota Utilities Co. will lease and operate the facilities. Company proposes to sell $6,000,000 3½% first mortgage bonds. Probable underwriters: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane.

● **New England Gas & Electric Association**

Company proposes to offer to the holders of its outstanding 1,246,011 shares of common stock, 124,601 shares of additional common stock on the basis of one share of the additional common stock for each 10 shares of common stock held. The offer will be made through rights issued to the stockholders. Existing shareholders will also be given the privilege to subscribe for any number of additional shares not subscribed for through the exercise of the rights, subject to allotment on a pro rata basis. The proceeds will be used to retire $1,250,000 principal amount of short term bank notes of NEGEA and the balance will be set aside for the acquisition of additional common stock of subsidiaries.

Pacific Power & Light Co.

June 28 company contemplates the issuance by Nov. 15, next, of approximately $7,000,000 additional first mortgage bonds to retire outstanding notes and to finance its construction program. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Merrill Lynch, Pierce, Finner & Beane; Union Securities Corp.; Glore, Forgan & Co.; Smith, Barney & Co.

Rochester Gas & Electric Corp.

July 11 General Public Utilities Corp. applied to the SEC for authority to dispose of its stock interest in the Rochester Gas & Electric Corp. GPU stockholders would be offered prior subscription rights to the Rochester Gas stock. As owner of all 775,914 shares of Rochester stock now outstanding, GPU would cause Rochester to reclassify the stock into 835,000 shares at a stated value of $24 a share. Details of the proposed distribution of the 835,000 shares, including the record date, subscription price and other terms are to be supplied by amendment. Unsubscribed shares would be offered for public sale.

Teco, Inc.

Under the terms of a proposed contract between Zenith Radio Corp. and Teco, Inc., to be considered at the annual meeting of stockholders of Zenith Radio Corp. to be held on July 26, Teco, Inc. will, if such contract is approved at such meeting, become obligated to offer, (upon effective registration) to holders of common stock of Zenith of record July 15, the right to subscribe, at $10 per share, for stock ($10 par) of Teco, Inc., to the extent of one share for each five shares held. The contract provides that the right to subscribe will expire 20 days after the offer is made. Under the terms of the proposed contract, Teco, Inc. will agree that, unless its entire authorized capital of $1,000,000 shall have been obtained through the sale of its stock within seven months after such stock shall first have been offered for sale, the amounts paid by subscribers will be returned after deducting certain expenses.

Telluride Power Co., Salt Lake City

July 8 FPC authorized company to issue 3,000 shares (par $100) 6% preferred stock, to be offered for subscription by stockholders at par. Any unsubscribed stock is to be sold without limit to stockholders and employees. Proceeds for construction.

● **Western Maryland Ry.**

July 16 reported refinancing of company's outstanding first mortgage 4% bonds, due Oct. 1, 1952, is receiving attention. Whether to await the maturity of the bonds and refinance on the best terms then available, or now to offer lower term bonds to existing holders for voluntary exchange and in that manner retire a large part of the bonds at this time, is a question that is receiving careful attention.

Wheeling & Lake Erie Ry.

July 11 company asked ICC permission to sell competitively $6,870,000 series B general & refunding mortgage bonds, dated Aug. 15, 1949, due Aug. 15, 1974. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co.; Salomon Bros. & Hutzler; Shields & Co. and Harris Hall & Co. Inc. (jointly).

Our Reporter's Report

Bankers and dealers who go to make up the investment underwriting industry are just about convinced that they are being overtaken by a "drought" that may very well carry through the next five or six weeks.

This would be in keeping with more or less normal trends over a period of years even though it is known that there are a couple of "negotiated" deals in the works which could possibly develop in the interval.

The general bond market is being well sustained around the high levels reached in the wake of the Federal Reserve Board's shift, several weeks ago, back to a definitely easy money and credit policy.

In fact the situation quite evidently threatened to get out of hand in the Government market within the past week or ten days as witness heavy sales of short-terms by the Reserve's open market committee, running to around half a billion dollars in that period.

Currently with prices having snapped back quite sharply and with corresponding adjustment downward in yields available, dealers find their customers inclined to do little more than watch the proceedings.

Insurance companies and banks, along with other institutional investors, such as trusts, from which they receive most of their business, are not evincing anything more than an apathetic interest, except in special situations as they arise.

Making the Full Turn

What has happened since the Reserve Board's latest back-flip is best indicated by the prevailing situation in the municipal market which little more than a month ago was literally hanging on the ropes and groggy.

Today that market is substantially recovered and has all the appearances of robust health. It's one-time paunch in the form of the so-called "blue list," that is the bundle of unsold new issues in dealers' hands, has been whittled down to little or nothing.

And what is more convincing is the fact that dealers are able to report 75% to 80% of current new issues moving out to buyers on the first day of offering. Quite a change for a brief interlude.

Penn Power & Light Stock

Pennsylvania Power & Light Co., which opened its subscription books only a week ago on 415,983 shares of additional common stock to shareholders, with secondary rights to employees, is able to report complete oversubscription.

Warrant holders subscribed for 384,933 shares and employees for 55,895 shares, while conditional subscriptions ran to 206,000 shares. In consequence employee subscriptions will be subject to pro rata allotment and the conditional subscription will not be carried through.

Meantime bankers who "stood by" on the deal are expected to underwrite 75,000 shares of new 4¼% preferred stock for the company, probably around mid-August.

Hot After the Little Ones

Tuesday's competitive sale of three new bond issues ranging from $3,500,000 New Jersey Power & Light Co. bonds to $10,000,000 of Florida Power & Light Co.'s new first mortgage liens brought out a rush of bidders. Seven bids were received for each.

The Florida issue brought a top price of 101.6291 for a 3% coupon, with reoffering set at 101.99 to yield about 2.90%.

St. Joseph (Mo.) Light & Power Co. $4,750,000 first mortgage bonds brought a top tender netting the company a price of 101.729 for a 3% rate, and bankers set a reoffering price of 102¼ to yield about 2.89%.

For the New Jersey Power & Light bonds the winner paid the company 101.729 for a 2⅞% rate and fixed a reoffering price of 102.54 for an indicated yield of 2.75%.

The Human Relations Task in Industry

(Continued from page 13)

and fundamental motivating force that makes our whole economy click. Where can the bitter critics of our way of life find people so philanthropic and so possessed of wealth that they would pay for the buildings and buy the tools to produce goods, without any desire for anything in return?

These critics will tell you such people are not needed, that the government will provide the buildings and tools. The pitiful fallacy of this is that the government has no money other than what it taxes away from its citizens. The utter failure of the planned economies, with their bare subsistence standard of living, should be answer enough.

With the appalling tasks lying ahead, it is discouraging and almost unreal to look back over some of the recent evidences of misunderstanding and lack of appreciation of the job to be done.

The administration forces in the Senate of the United States, despite the urgency of the Atlantic Pact and European Re-armament, took several weeks out to debate the repeal of the Taft-Hartley Act—a debate characterized by invective and bitterness.

Mr. Lewis's miners, despite their union contract, took time off to "stabilize" the industry, and are now working three days a week, a strictly unilateral arrangement.

The UAW struck the Ford Motor Company, giving as its reasons an attempt to "speed up" production. This strike occurred despite an arbitration clause. Many observers at the time of the strike questioned the stated basis, and pointed to intra-union difficulties.

The CIO high command, despite the lessons of wage increases followed inevitably by rising prices in the last three years, and the present strong resistance by the consumer to the current price levels, is demanding, at the threat of strikes, substantial wage and fringe increases in motors, steel and the electrical industry.

Harry Bridges, currently still free from legal action against him as a Communist, has strike-bound the Territory of Hawaii almost to the point of starvation.

The textile workers in New England have been outspokenly resentful and have predicted a deterioration in union-industry relations as a result of an arbitration decision awarding them no increase, after they had already agreed to submit the question to an impartial umpire.

The constant campaign that goes on in much of the labor press, continually referring to profiteers, exploiters, NAM stooges, the bought press, monopolies, and so forth, is hardly conducive to good relations, mutual respect and the achievement of a common goal.

I have no intention of being overly critical. I know that for all the headlines, quietly and unobtrusively, union contracts are negotiated and union-management matters are resolved in much of American industry.

Giving Comfort to our Enemies

What I am critical about is that the headlines and the people and organizations who make them, give comfort to our enemies and impediment to our tasks.

We have built this country and its high standard of living on mass production and top quality at low cost. This can only be accomplished as it has been in the past. There is no substitute for good planning, good engineering and hard work. Only the highest production at the lowest unit cost can bring prices into line. Only the proper cost-price relation can maintain a healthy economy.

So I say to you and to the leaders of American labor:

Let's quit finding fault with each other. Let's resolve to stop calling each other names and to get on with the job at hand. Let's expect a good day's pay and let's work as hard as we can to produce as efficiently as we can to earn that pay.

Let's not let anything interfere with our efforts to get more production, higher quality at the lowest possible unit cost. We must realize that the past has proved that only greater production at lower costs increases our standard of living. Few of us would be buying automobiles at the price of the first few cars—about $12,000.

All of our efforts must be directed toward better understanding, toward resolving any differences among ourselves. Is it too much to expect our unions to consider the welfare of the business from which they draw their pay? In addition to the protection of their own members from exploitation, let them take as one of their objectives also the advancement of the interests of the institution from which they secure their jobs.

Let's stop talking about "exploitation" and "speed-ups" when we don't really mean it. If any production demand seems unreasonable, let's talk it out in our regular channels.

Let's not become obsessed with the mirage of "security." The ultimate security would mean the loss of all initiative, incentive, or individual freedom. Carried to an extreme, the individual becomes completely dependent upon the state. Let's get our security from good wages, real production and good jobs.

Everything depends on how well we do these things. This economy cannot fail. We, as real Americans, cannot let it. We must keep it healthy, keep it producing, keep it sound.

We are at one of the most critical points in our history.

On how well we do our job will depend whether the rest of the nations of the world can follow the path of free enterprise and freedom of the individual or will, by default, be absorbed into communistic system.

This is "Today's Task in Human Relations."

News About Banks and Bankers

(Continued from page 16)

ident John C. Wright following the board of directors' meeting on July 14. Mr. Butler served in the credit department of the Chemical Bank and Trust Company for seven years before entering the Army Chemical Warfare Service in 1943. Since the war he had been associated with the American Express Field Warehousing Corp. and was serving the latter as Assistant Vice-President in its Chicago office at the time of his resignation to accept the appointment at La Salle National Bank.

* * *

The Northern Trust Company of Chicago will celebrate its 60th anniversary on Aug. 12. That time will also mark completion of an expansion and modernization program started in 1938 when one floor of the Otis Building, adjacent to the north of the bank building, was leased, remodeled and occupied. Byron L. Smith and an outstanding board of directors founded The Northern Trust Company. It opened for business on Monday, Aug. 12, 1889, in Room B of the Rookery Building, which is still standing at La Salle and Adams Streets. The bank erected its own four-story building at La Salle and Monroe Streets and moved into its new home on Labor Day, 1906. In 1930, two stories were added to accommodate the growth of business. Banking and savings deposits in 1930 were $56,000,000. Before and during the war, a total of four and one-half floors were leased for the bank's use in the Otis Building at 10 South La Salle Street. Later the four-story building at 165 West Madison Street, adjacent to the west of the Otis Building was acquired.

The trust company is Chicago's third largest bank and the largest State bank in Illinois. It is 21st among the more than 14,000 banks in the United States with total deposits on June 30, 1949, in excess of $600,000,000. Solomon A. Smith, who succeeded his father, Byron L. Smith, celebrated his 35th year on July 21, as President of The Northern Trust Company. His sons, Solomon Byron Smith and Edward Byron Smith, Executive Vice-Presidents, represent the fourth generation of the family in Chicago banking.

* * *

The election of Charles Boyle as a Vice-President of the **City Bank of Detroit, Mich.**, is announced by Joseph F. Verhelle, President. Mr. Boyle was for many years associated with the Union Guardian Trust Company. In 1942, he enlisted in the U. S. Army and served in the China-Burma-India theater in intelligence work from 1944-46. He attained the rank of Captain in Military Police and served in various capacities. On his return, Mr. Boyle joined the advertising firm of J. L. S. Scrymgeour, resigning to join the City Bank on its organization.

* * *

The death is reported of James R. Hooper, a Vice-President and Trust Officer of the **Michigan National Bank of Lansing, Mich.** He was 63 years of age.

* * *

An increase of $75,000 in the common capital stock of the **Oklahoma National Bank of Oklahoma City**, effective June 24, is reported by the Comptroller of the Currency—the capital thereby being raised from $150,000 to $225,000; the addition to the capital came about through a stock dividend.

As of June 30 the capital of the **American National Bank of Shawnee, Okla.**, was increased from $125,000 to $250,000 through a stock dividend of $125,000, it is learned from the July 5 bulletin of the Office of the Comptroller of the Currency.

* * *

An increase in the capital of the **Palmer National Bank & Trust Company, of Sarasota, Florida**, from $200,000 to $300,000, has been effected through a stock dividend of $100,000. The enlarged capital was made effective on June 20.

* * *

The capital of the **Denton County National Bank of Denton, Texas**, has been increased, effective June 24, from $100,000 to $150,000—part of the increase having been brought about by a stock dividend of $25,000 and the $25,000 additional resulting from the sale of new stock.

* * *

H. D. Ivey, President of **Citizens National Trust & Savings Bank of Los Angeles, Calif.**, is celebrating his 20th year as President of Citizens National. He was elected to his present position on July 12, 1929. Mr. Ivey joined the bank as a messenger in 1902, at the age of 17, moving up to the position of Assistant Cashier in 1911, Cashier in 1918, Vice-President in 1923, and he became President in 1929. Mr. Ivey, it is noted, is the author of a textbook, "Getting Ahead in the Bank," published some years ago.

President Sees No War Ahead

(Continued from page 6)

long run it must either destroy itself, or abandon its attempt to force nations into its pattern.

Some people would have us believe that war is inevitable between the nations which are devoted to our concept of international organization and the concept which now bears the name of Communism. This is not the case. I am optimistic as I look toward the future, because I believe in the superior attraction for men's minds and hearts of the democratic principles which have been tried and tested in free nations, and which are now winning the allegiance of men throughout the world.

In the battle for men's minds our faith is more appealing, more dynamic, and stronger than any totalitarian force. The world longs for the kind of tolerance and mutual adjustment which is represented by democratic principles.

Working of U. S. Democracy Example to World

This country has had a revolutionary effect in the world since it was founded. Our democracy was born in a world of absolute monarchies. The idea which we made a living reality spread throughout the world and brought the day of the absolute monarchy to an end. We have always been a challenge to tyranny of any kind. We are such a challenge today.

Our idea prevailed against the absolute monarchies of the nineteenth century. It is prevailing against the new ond more terrible dictatorships of the twentieth century.

The reason is clear. Our idea of democracy speaks in terms which men can understand. It speaks of opportunity and tolerance and self-government. It speaks of the dignity of the individual, his freedom of conscience and the right to worship as he pleases. It does not exact blind loyalty to false ideas or improbable theories. It does not make a god out of the state, or out of man, or out of any human creation.

The world is tired of political fanaticism. It is weary of the lies, propaganda and hysteria created by dictatorships. It is disgusted by the practice of torture and political assassination. It is sick of the kind of political allegiance which is inspired solely by fear.

Men want to live together in peace. They want to have useful work. They want to feel themselves united in brotherly affection. They want to enjoy that great privilege—a privilege denied to millions throughout the world today—the right to think their own thoughts and to have their own convictions.

These desires of mankind are satisfied by the democratic principles which we have put into practice. These principles are at work today as they were in the past. In the conflict that exists throughout the world, these are our greatest advantages. They should give us confidence that we shall eventually succeed in establishing the kind of international organization to preserve the peace for which men yearn.

In working toward this goal, we must act wisely and steadfastly. We must realize that many dangers yet lie ahead, and that there are many tasks and problems which will be difficult to master. We must also preserve in this country full enjoyment of those basic democratic principles which are our greatest assets.

In this period of history when our country bears the major responsibility of world leadership, our domestic and foreign policies are inseparable. We must maintain a strong and stable economy as the basis of our own well-being and as the primary source of strength of the free world. We must also support economic health and democratic ideals in other countries, if we ourselves are to remain strong and prosperous.

Both these objectives require action now.

We must take proper steps to see that our economy moves safely through the present transition period, and that employment and production start expanding again. If we were to make our plans on the assumption that employment and production will get smaller, we would only make matters worse and waste much of our potential economic strength. What we must do, instead, is to make all our plans, private and public, in such a way as to give us more jobs and more output. This is the way toward a stronger economy.

Furthermore, we must take action to insure that the hard-won economic recovery of other free nations does not revert to stagnation and despair. One of the most foolish things we could do right now would be to slash our appropriations for European recovery. If we did that, we would be deliberately throwing away gains for peace and freedom that we have painfully made. Only the Communists would profit if we took such a short-sighted course.

Progress Made Toward World Peace

We have been making progress in working toward peace and freedom because we have been willing to make the investment that was necessary. It would be disastrous now to change our policy and settle for half-way measures.

It would be disastrous to lose or impair the understanding and support we have gained among the other democratic peoples. These are priceless assets in the great task of constructing a peaceful and orderly world.

The kind of peace we seek cannot be won at a single stroke or by a single nation. Peace worthy of the name can be assured only by the combined effort of many peoples willing to make sacrifices in the cause of freedom.

The peoples of the world look to the United States for the leadership of this great crusade for peace. We have not taken up this task lightly and we will not lay it down.

We must go resolutely forward step by step, toward the creation of a world in which we and all people, can live and prosper in peace.

DIVIDEND NOTICES

The Colorado Fuel & Iron Corporation

Dividend on Preferred Stock

At a meeting of the Board of Directors of The Colorado Fuel & Iron Corporation held on July 18, 1949, the regular dividend in the amount of 25c per share was declared on its preferred stock, payable September 1, 1949, to stockholders of record at close of business on August 8, 1949.

D. C. McGREW, Secretary.

ALUMINIUM LIMITED

DIVIDEND NOTICE

On July 13th, 1949, a quarterly dividend of Fifty Cents per share in Canadian currency was declared on the no par value Shares of this Company payable September 3rd, 1949, to shareholders of record at the close of business August 8th, 1949.

Montreal J. A. DULLEA,
July 13th, 1949 Secretary

Hooker Electrochemical Company

$4.25 Cumulative Preferred Stock Dividend

The Board of Directors of Hooker Electrochemical Company on July 13, 1949 declared a quarterly dividend of $1.0625 per share upon its $4.25 Cumulative Preferred Stock, payable September 27, 1949 to stockholders of record as of the close of business September 2, 1949.

Cumulative Second Preferred Stock, Series A, Dividend

The Board of Directors of Hooker Electrochemical Company on July 13, 1949 declared a quarterly dividend of $1.125 per share upon its Cumulative Second Preferred Stock, Series A, ($4.50 dividend) payable September 27, 1949 to stockholders of record as of the close of business September 2, 1949.

Common Stock Dividend

The Board of Directors of Hooker Electrochemical Company on July 13, 1949 declared a dividend of Thirty Cents ($.30) per share upon its Common Stock, payable August 26, 1949 to stockholders of record as of the close of business August 2, 1949.

ANSLEY WILCOX 2nd,
Secretary.

HOOKER CHEMICALS

Liquidation Notice

The Plainfield National Bank of Moosup, located at Moosup, in the State of Connecticut, is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment to the undersigned at said bank.

BENJAMIN F. DAWSON,
Liquidating Agent

Dated June 24, 1949

DIVIDEND NOTICES

THE GAMEWELL CO.

At a meeting of the Board of Directors of The Gamewell Company held today, July 1., 1949, a dividend of $.25 per share was declared on the Common Stock of the Company payable on August 15, 1949, to stockholders of record at the close of business on August 5, 1949.

W. C. BECK, *Treasurer.*

KENNECOTT COPPER CORPORATION

120 Broadway, New York 5, N. Y.

July 15, 1949

A cash distribution of twenty-five cents (25c) a share and a special cash distribution of fifty cents (50c) a share have today been declared by Kennecott Copper Corporation payable on September 30, 1949 to stockholders of record at the close of business on September 2, 1949.

A. S. CHEROUNY, *Secretary.*

MERCK & CO., INC.

A regular quarterly dividend of 87½c a share on the $3.50 Cumulative Preferred Stock of this corporation, for the quarter ending September 30, 1949, has been declared payable on October 1, 1949, to stockholders of record at the close of business September 12, 1949.

A regular quarterly dividend of $1.00 a share on the $4.00 Cumulative Convertible Second Preferred Stock of this corporation, for the quarter ending September 30, 1949, has been declared payable on October 1, 1949, to stockholders of record at the close of business September 12, 1949.

A quarterly dividend of 37½c a share on the Common Stock of this corporation has been declared payable on October 1, 1949, to stockholders of record at the close of business September 12, 1949.

GEORGE W. MERCK, *President.*

July 20, 1949

a.c.f.

AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET
NEW YORK 8, N. Y.

The following dividends have been declared:

Preferred Capital Stock

One and three-quarters per cent (1¾%) payable October 1, 1949, to the holders of record at the close of business September 15, 1949;

Common Capital Stock

Three dollars ($3.00) per share payable October 3, 1949, to the holders of record at the close of business September 15, 1949.

Transfer books will not be closed. Checks will be mailed by Guaranty Trust Company of New York.

HOWARD C. WICK, *Secretary*

July 14, 1949

Bayuk Cigars Inc.

A dividend of twenty cents (20c) per share on the Common Stock of this Corporation was declared payable Sept. 12, 1949, to stockholders of record Aug. 26, 1949. Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
July 15, 1949

PHILLIES
America's No1 cigar

DIVIDEND NOTICES

TIDE WATER POWER COMPANY

Dividend Notice

The Board of Directors has declared a quarterly dividend of 15c a share on the Common Stock of the Company, payable August 15, 1949 to holders of record July 29, 1949.

WARREN W. BELL,
July 18, 1949. *President.*

WOODALL INDUSTRIES INC.

A regular quarterly dividend of 31¼¢ per share on the 5% Convertible Preferred Stock has been declared payable September 1, 1949, to stockholders of record August 12, 1949.

A regular quarterly dividend of 25¢ per share on the Common Stock has been declared payable August 31, 1949, to stockholders of record August 12, 1949.

M. E. GRIFFIN,
Secretary-Treasurer.

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 42

A dividend of 50 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable September 12, 1949 to stockholders of record at the close of business on August 29, 1949.

H. D. McHENRY,
Secretary.

Dated: July 21, 1949.

Edison

40th YEAR OF CONSECUTIVE DIVIDEND PAYMENTS

SOUTHERN CALIFORNIA EDISON COMPANY

CUMULATIVE PREFERRED STOCK, 4.88% SERIES, DIVIDEND No. 7

The Board of Directors has authorized the payment of a dividend of 30½ cents per share on the Cumulative Preferred Stock, 4.88% Series, payable August 31, 1949, to stockholders of record August 5, 1949.

T. J. GAMBLE
Secretary

July 15, 1949

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Scratch the bark off the Brannan farm plan and you will see it fairly crawling with politics.

For one thing the Brannan plan is the first major farm program to be hatched by the Roosevelt or Truman Administrations without the backing of a major farm organization save one. That one is the leftish Farmers Union.

For another thing observers doubt that a single member of the House Committee on Agriculture sincerely and privately favors the scheme, despite the fact that all the Democratic members of the committee voted to report it favorably and thus made its consideration possible in the House this week.

Still another thing about the Brannan plan is, that so far as is known, nobody has the faintest idea how a plan of that character could be administered. The bill tossed about in the House this week was largely silent on that fact of the problem. In fact, a little-appreciated feature of the bill was that its operations would be postponed until the spring of 1950. Maybe by the fall of 1950 the bright boys in the Department of Agriculture might or might not be able to figure out how to administer it.

Meanwhile, had the bill become law, however, it would have guaranteed a large production of government payments for farmers in the fall of 1950—in time to be helpful to the Truman Administration in the fall election of next year.

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With the exception of a leftish Farmers Union, the farm organizations have been unable to support this scheme, and even have opposed it. With the reported exception of one big farm paper, most of the farm journals have veered away from the thing and avoided expressing an opinion about it.

It is recalled that the major farm organizations were behind the flexible farm support scheme, a variation of which was written into law, to become effective next Jan. 1. It was the support of the farm organizations which made possible the contemplation politically of a lower support price level. The farm organizations even sold flexible supports to Harry Truman, until Mr. Truman got desperate to get reelected and promised everything to everybody, including low prices of food to consumers and high income to farmers.

With the major farm organizations there has been for some time a glimmer of statesmanship in their viewpoint. They have always been afraid that if too high supports were maintained, this would maintain the production of surpluses in huge volume, the thing would cost billions, and eventually it would get so bad the taxpayers would kick the farmers off the public payroll. It was like highway robbery. If you rob too many people too much too often, the caravans don't come any more.

Furthermore, the farm organizations were said to realize that if the Brannan plan once ever got into full gear, the relation of government to farmer would become so much the relation of master to slave, that there would be no place in the farm political economy for the farm organization in the long-run, even if in the short-run getting the bigger money for the farmers looked so wonderful.

Despite the private repugnance of Democratic members of the committee to this scheme, the word has gone out that Democrats cannot run for Congress in 1950 with the Aiken law on the books, because the Aiken law is a Republican law. Besides, there must be something called a Brannan plan on the books.

This is said to have a significant bearing on future legislative prospects, even though the Brannan plan in uncorrupted form will not get enacted this year. The higher supports offered as part of what is called a compromise really are a lulu for the taxpayer. The idea is not 90%, but 100% supports. But the 100% supports are of a "moving average base." The beginning base is the first 10 years of 1939-48; 1951's base is the 10 years of 1940-49, inclusive, and so on. They start with a war-inflation era, for the most part, and then move parity upwards to reflect the higher parity, in a sort of always go up, never come down scheme.

* * *

How the Brannan income support plan could be administered on the perishable crops is a problem about which the Administration boys are reluctant to talk.

Under the present law, the Administration has two broad types of support mechanisms. The first applies to the crops which can be stored. With storable crops the Administration enters an agreement to purchase the crop at a support price at a later date, or it makes a loan at the support price. Then under the loan arrangement if the price at the market goes above the loan price the farmer sells, pays off the loan, and pockets the difference. If the price falls below the loan price, the government pockets the loss.

With the perishables the Administration simply goes into the market and buys—eggs, potatoes, and so on. What is done with the stuff so acquired is immaterial to the objective of buying until the market prices rise. The eggs may be dried and be given to the British or the hottentots. The potatoes may be sprayed with kerosene, dumped in the river, or sprayed with a dye to mark them as unmarketable government potatoes. Then the outside layer of dyed potatoes can be thrown away and the remainder shipped some where else to be sold again to the government.

Under the Brannan plan, however, the farmer would sell all the eggs, watermelons, pork, and what have you for whatever it would fetch from the customers, no matter how low. Then the government at the end of the year would pay the farmer the difference between sales prices and the top golden, 100% parity prices.

How this could be administered is really something to think about. Would the farmer have to get a notarized price receipt every time he sold a dozen eggs to a customer at a roadside stand? Would he be required to sell only to licensed food merchants who would keep records of every farmer's hundreds of transactions? Would farmers be compelled to deal only with huge farm cooperatives set up to administer the act? Or would the government just let the farmer file a sales return on all his transactions and take the farmer's word that he sold what he did for what price he said he got?

* * *

What is cooking at this moment in the way of extending the frontiers of government financial aids for "private" housing is really something to see. This week the Senate Banking committee was scheduled to begin its consideration in executive session of "private" housing aids, while next week the House Banking committee was slated to take up the same proposition in hearings.

The bills which thus are under consideration are those by Senator John Sparkman, Alabama Democrat and member of the Senate Banking committee, and Chairman Brent Spence, Kentucky Democrat, of the House Banking committee.

Just how many of the broad programs in this sweeping, all-inclusive bill, were sired by the Truman Administration, is hard to learn. All that the Administration admits to is an earlier bill which did not include some of the refinements of the latest bill on how to spend and guarantee the spending of money on construction. It is probably true that the Housing agencies of the Administration would not now initiate some of the schemes in this bill.

It also may be doubted seriously that the Reconstruction Finance Corp. wants to undertake the many commitments the Fair Dealers propose.

It may be doubted, however, that the Administration as a whole has its heart set against any of it. Here is a thumbnail sketch of a few outstanding provisions of the Sparkman-Spence bill:

Sets up a new Title I insurance on new construction, with insurance of each individual mortgage up to $4,750 in place of the old Title I idea of insurance of 10% of a bank's total line made, under the Title I set-up. Also continues conventional 10% insurance of modernization and repair loans.

For **ownership**, non-profit, veterans and other cooperative housing. Provides 100% insurance (versus present 90%) of 40-year, 4% loans on projects costing $9,000 apiece, with lower insurance ratio and cost limit as non-veterans occupy.

For **rental** non-profit coop housing government loans to the useful life of the project but not over 60 years at 3% or less, $1 billion being provided for the purpose. Also sets up a new sub-agency of "Cooperative Housing Commissioner." Latter official can grant development loans on these types of projects, and he can provide the "technical assistance" of all kinds free to coops, although not to the taxpayers. The loans would be government money, and it is a loan, not an FHA insurance proposition.

Vastly broadens the "secondary market" which the Federal National Mortgage Association of RFC can operate, and in several ways. (Believe RFC cooperated with the 80th Congress to limit sharply the secondary market previously existing.)

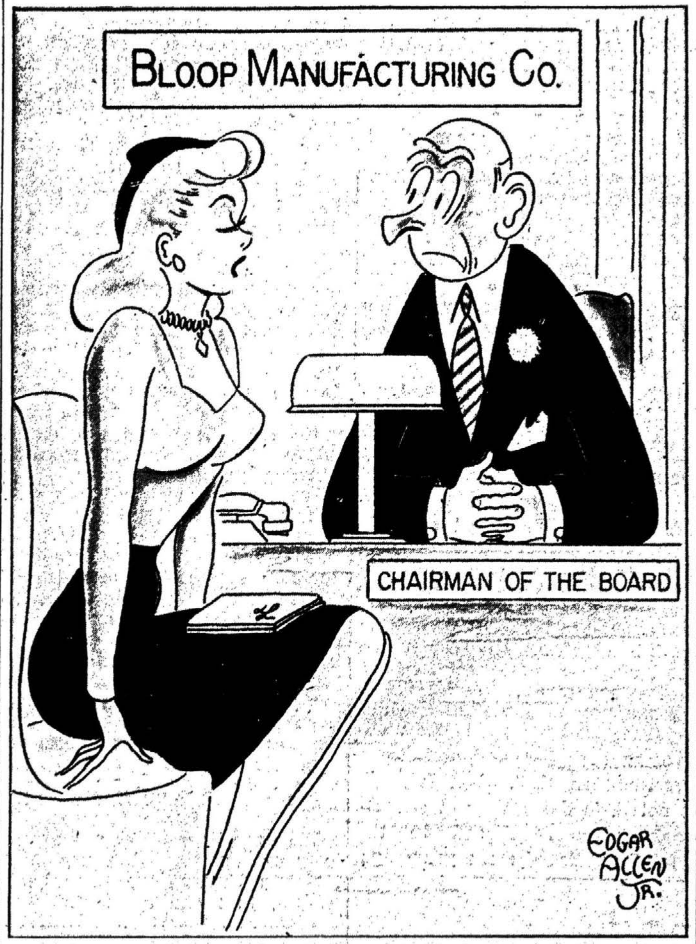
FNMA, "if financing is not otherwise available," can make direct government loans to finance insurable coop housing, and also rental housing projects under both Title II and Title VI of FHA. Would keep Title VI's rental housing section until March 31, 1950, so Congress will have a chance to continue it once more.

Home loans to veterans by Veterans Administration could be guaranteed to 60% or $7,500 versus present limits of 50% or $4,000. Veterans Administrator could make direct loans to veterans for homes up to $10,000 per loan at 4%. Allegedly this power would last only to June 30, 1951 (believe it or not) and be limited to a total of $300 million.

Housing and Home Administrator could make $300 million of loans to finance housing at educational institutions.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"Your net income was fifty million dollars? Goodness! — You must have sold plenty of nets!"

With Hulburd, Warren Firm

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — James G. Fisher has become associated with Hulburd, Warren & Chandler, 208 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Fisher was previously with Bache & Co.

Hill Richards Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Howard D. Dawson has become connected with Hill Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with Walston, Hoffman & Goodwin.

With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Edward Shapiro has been added to the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges.